

PLANNING ESSENTIALS

What's your retirement income gap and how can you solve for it?

Perhaps you started saving for retirement as soon as you got your first full-time job. Or maybe you didn't start until much later in life and have been playing catchup ever since. Either way, you may be wondering if you will have enough to retire comfortably when the time comes. One way to figure that out is to determine if you have a "retirement income gap."

A retirement income gap is the difference between the money you have saved for retirement and the money that you need to live in retirement. If you have a gap, the good news is that there are options to solve for it.

The first step to determining if you have a gap is to look at your current expenses with an eye toward the future. Since it is impossible to predict how long you will live, where the annual inflation rate will be over time, or how the markets will perform in the years ahead, you can still do a few things today to give yourself a better look into your future retirement.



Begin by taking a deep dive into your current expenses. By understanding where your money is going today, you will be better able to estimate your future expenses. If you are someone who is already diligently recording your income and expenses, this will be easy.

For those who don't keep close tabs on spending, it will take more time. But getting a clear view into your monthly and annual expenses is the best way to understand if you will have the resources you need to live once you stop getting that regular paycheck.

ESSENTIAL VERSUS VARIABLE EXPENSES

Start by creating a spreadsheet or using an app to track your annual expenses. Given that expenses can vary throughout the year, tracking for 12 months is the best way to get a realistic view of your actual costs. You can either track in real time or look back on your spending using bank and credit card statements from the past year.

Once you have finished tracking, you can analyze your spending to determine which expenses are essential (think of things like rent and mortgage payments) and which are discretionary (such as travel and clothing).

PROJECT YOUR INCOME IN RETIREMENT

Now it's time to look at your future income sources. When looking at your anticipated income in retirement, you want to look at constant or guaranteed sources* of income and non-guaranteed sources of income. Guaranteed sources of income would include payments coming from things like Social Security, annuities, and pensions. When looking at non-guaranteed sources of income, you would be looking at things like

investments in stocks and bonds, freelance or part-time work, and rental income.

You can check your projected Social Security benefits by accessing your account on the Social Security website. It's good to get into the habit of logging in at least once a year to make sure that the information on file for you is accurate.

EXPENSES MINUS INCOME YIELDS THE GAP

ESSENTIAL EXPENSES <i>Healthcare, food, housing, transportation etc.</i>	+ plus	OTHER EXPENSES <i>Travel, gifts, dining out, charitable contributions, etc.</i>	▶	TOTAL EXPENSES
GUARANTEED INCOME <i>Pensions, annuities, Social Security, etc.</i>	+ plus	NON-GUARANTEED INCOME <i>Stocks, 401(k), IRA</i>	▶	TOTAL INCOME
TOTAL EXPENSES	- minus	TOTAL INCOME	▶	INCOME GAP

EXPENSES MINUS INCOME YIELDS THE GAP (CONTINUED)

Once you have your total expenses and total income, you can determine if you have a retirement income gap—that is, if your expenses exceed your income.

With an understanding of your annual expenses and income, you can then begin to estimate your anticipated years in retirement by estimating your life expectancy. While this will vary depending on the individual, the Social Security Administration has an online calculator that you can use to determine an average amount of years spent in retirement based on your birthdate and your gender.

At this point, you should also ask yourself what your future retirement would look like. Do you see yourself doing a lot of expensive travel? Do you want to start your own business? Do you plan to volunteer and donate to your favorite charities and causes? Do you want to have money left over at the end of your life to leave a legacy to your children and grandchildren? Any

of these things may require an adjustment to your expenses. In fact, during the first few years of retirement, your annual spending may actually be more than when you were working since you will have more free time to pursue your interests.

And while your golden years may be a time to spend more money on travel and leisure, they also can be a time that will require additional spending for health-care costs. After years of having employer-sponsored healthcare, this may be more sizable than you anticipate.

In fact, according to HealthView Services' 2026 Retirement Healthcare Costs Data Report, due to recent high inflation, the average 65-year-old couple will need to use 84% of their lifetime Social Security retirement benefits to cover their lifetime healthcare cost.¹ Medicare premiums make up the largest part of those costs for most retirees.

WAYS TO SOLVE FOR YOUR RETIREMENT INCOME GAP

If you find that your expenses exceed your projected income, you will need to decrease your expenses and/or increase your income. You may want to consider some of these options to close the gap:

- Work to pay off debt before you retire
- If possible, look to decrease your taxes by moving to a state with lower taxes
- Lower variable expenses (such as travel and entertainment)
- Work longer to increase Social Security and tax-deferred retirement contributions
- Delay taking your Social Security benefits until age 70 to maximize your payments
- Take on freelance or part-time work in retirement
- Consider drawing down some of your home's equity
- Downsize to lower housing costs
- Opt to live with another retiree or move in with adult children

If you find yourself faced with a retirement income gap, reach out to discuss your concerns.



**PROTECTION. RETIREMENT.
INVESTMENT. ESTATE.**

Trusted Guidance. Comprehensive Solutions.

Eagle Strategies LLC (Eagle) is an SEC-registered investment adviser. Registration with the SEC does not imply a certain level of skill or training. Eagle investment adviser representatives (IARs) act solely in their capacity as insurance agents of New York Life, its affiliates, or other unaffiliated insurance carriers when recommending insurance products and as registered representatives when recommending securities through NYLIFE Securities LLC (member FINRA/SIPC), an affiliated registered broker-dealer and licensed insurance agency. Eagle Strategies LLC and NYLIFE Securities LLC are New York Life Companies. Investment products are not guaranteed and may lose value. No tax or legal advice is provided by Eagle, its IARs or its affiliates.

ES.PE.RetirementIncomeGap
SMRU 6512430 (Exp. 03.31.2029)

Eagle
Strategies
LLC