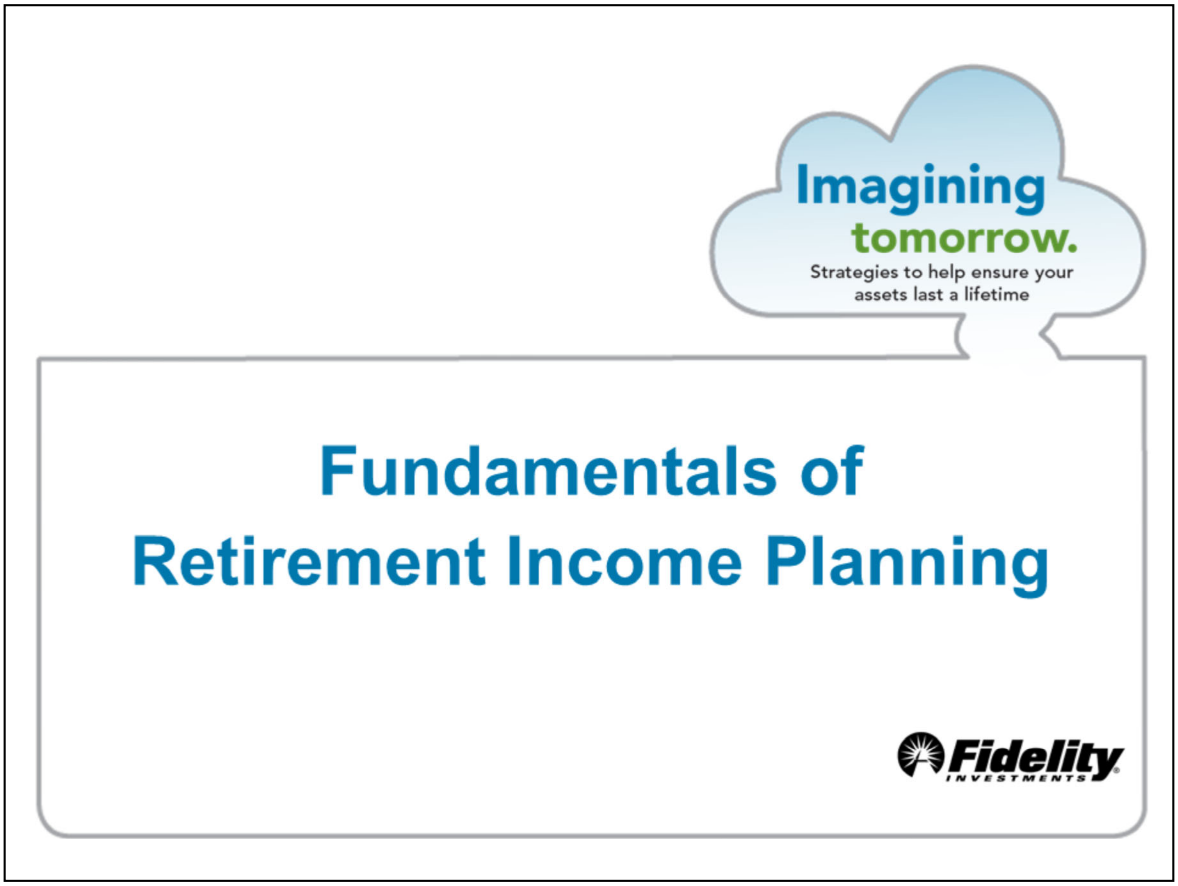



**Welcome**

Welcome to a Fidelity retirement income event. You'll hear a lot of new information about how to get ready to retire.

Fidelity watches the trends, talks to those approaching retirement, and hears from those already living in retirement. With all of the great input from tens of thousands of customers similar to you, we've designed a way to help you better chart the way into retirement.

The big question we're here to help you answer is: ***How will you know you're ready to retire?***

So, let's get started. By the end of our time together, I hope you will have some answers about how you can get ready to make the next big step in your life – reaching retirement.


**A simple question…**

For such a seemingly simple question, there really are no simple answers. But, we can help you get to your answers about your retirement.

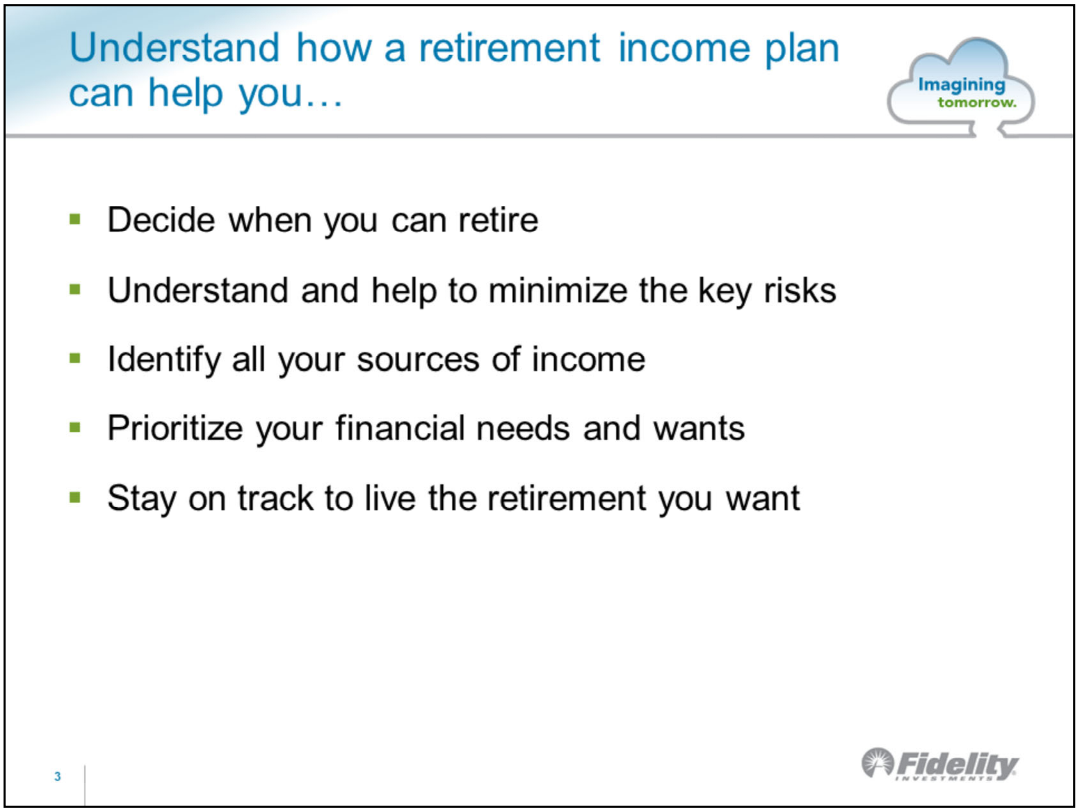
**Let's start with where you are today**

You've been working for some number of years by now. You're engrossed in helping others and very busy in your area of expertise. It's important work that you do.

But, when you look in the mirror in the morning, you might have noticed a little more gray hair, a few new wrinkles. That may give you pause long enough to think about this notion of retirement from time to time.

By attending this session, you clearly want to learn more about how you'll know you can retire. And you probably could benefit from a process for how to get some answers.

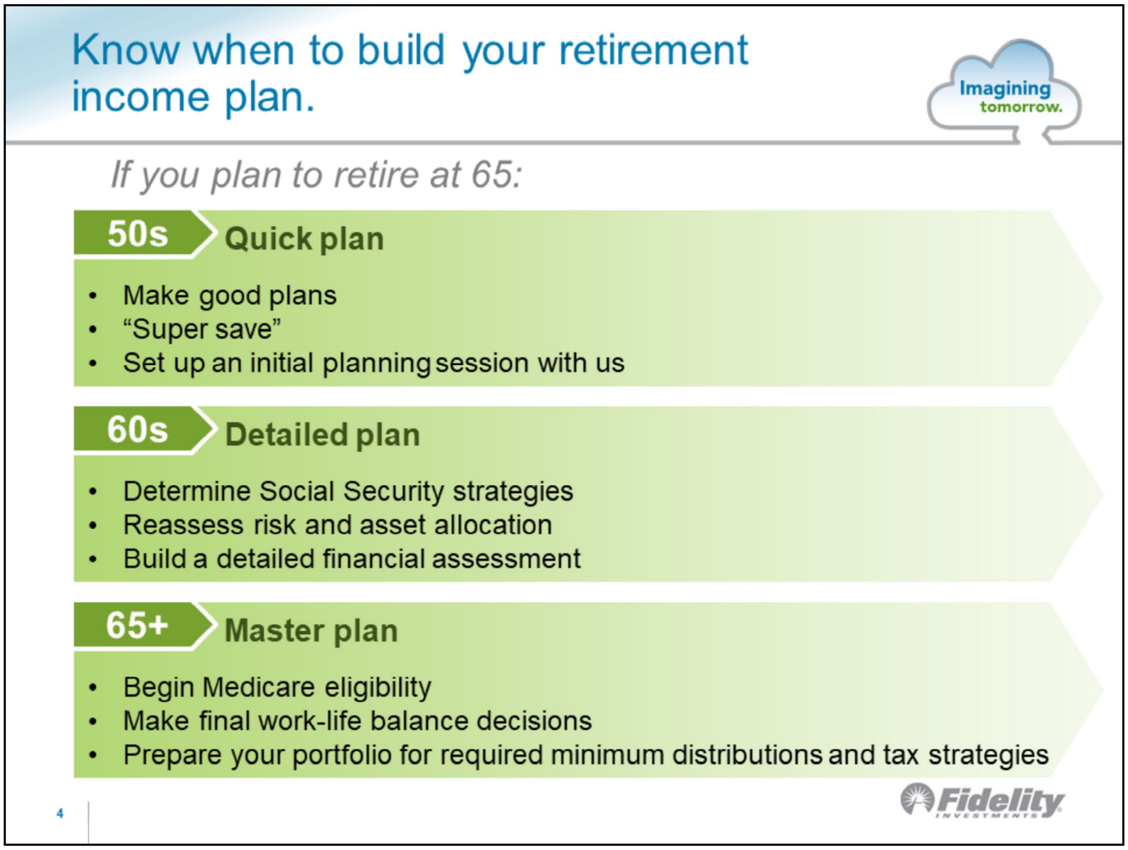
That's what we'll do for you today – provide you with information, important resources, and an approach to help you get ready for retirement. The sooner you can answer your questions about retirement, the better you can plan for your future.




**Understand how a retirement income plan can help you**

There are many, many benefits of developing a retirement income plan.

- First of all, it can help you figure out when you really can retire.
- A good retirement income plan addresses the five key risks and is designed to minimize the risk that you may outlive your assets. Just as important, it can also help maximize the potential for living the life you want.
- You could spend a great deal of time trying to make sense of many different income sources, including any pensions you might have, your 403(b) assets, investments and Social Security, other sources of income. Plus, if you are part of a couple, you have to tie together 2 sets of accounts and resources. Each source of income comes with different rules and different tax consequences. A solid retirement income plan helps you identify all of your sources and helps determine when and how to tap them for income.
- On the expense side of the plan, it can help you (and your spouse or partner) prioritize your financial needs and wants. This is a really key element, since it is unlikely that we can all have everything we want!
- And, a retirement income plan is a tool for you to use throughout your retirement. You'll set up your first plan this year. Then, depending how close you are to retirement, you can update it periodically and use it each year that you live in retirement to help you be confident that you are staying on track.




**Know when to build your retirement income plan**

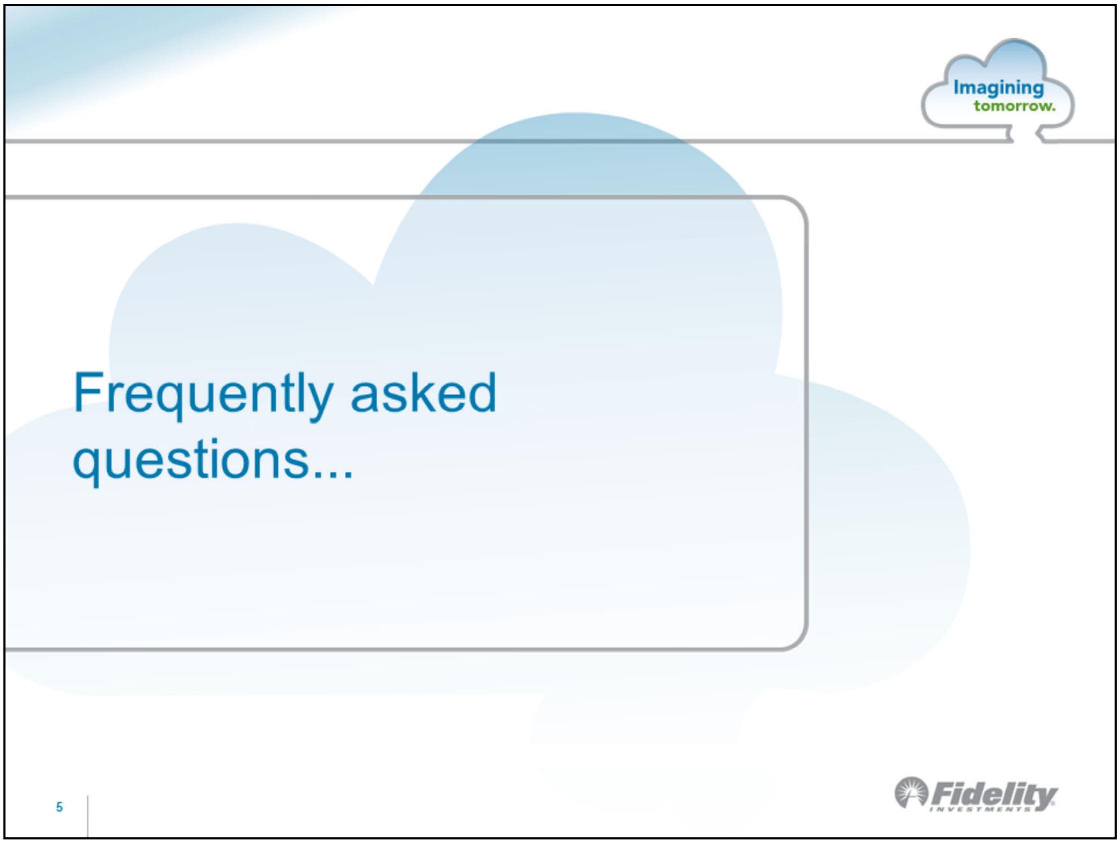
It's important that you not only build your plan, but that you use it as a decision-making tool as well. We often hear that our customers don't know when to work with us to build a plan for retirement income. It is never too early! Assuming you will retire at 65

**For those of you in your 50s**, this is really the ideal time to get that initial plan sketched out. You don't have to spend hours building an intricate structure, unless you want to. A quick plan can help you get started. It will help you get a view of all your expenses and resources. In addition, it is important for you to know your Social Security options, to help you decide how long you want to work. You'll see the value of saving to increase your nest egg. You might want to meet with your financial provider. They will ask you a lot of good questions…and help you lay a foundation.

**If you are in your early 60s**, you probably should plan to construct a more detailed plan. It's really important that you look at all of the Social Security claiming strategies and your options before you file. Taking the time now to reassess your risk level and your asset allocation can help set you up for your future income needs. It's also really important that you get a good handle on your health care coverage and learn all about Medicare before you sign up. You also don't want to miss key deadlines. A more detailed financial assessment helps you and your spouse or partner ensure you have complete information before you start making really big decisions like quitting your job!

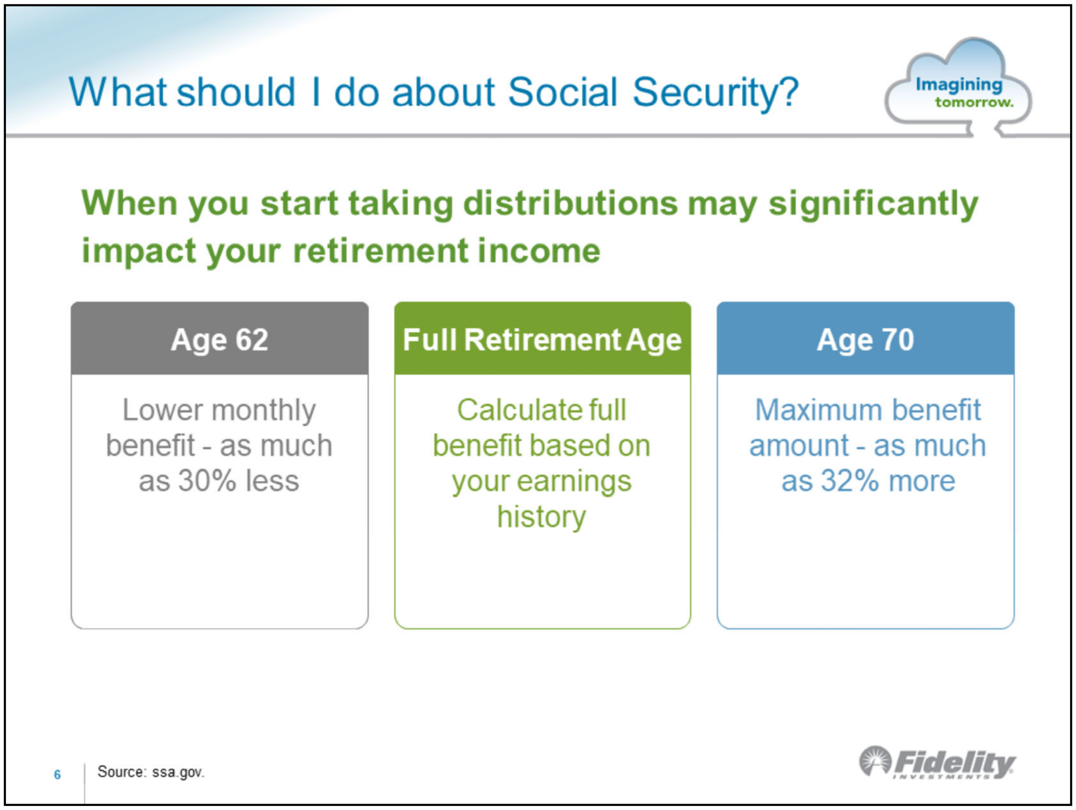
**For those who are approaching age 65**, it's most important that you understand your Medicare options and remember to re-enroll every year. You'll want to decide if you can work to your full retirement age or later, or if you are ready to retire now. It will also be helpful to keep your eye on your upcoming required minimum distributions that begin at age 72 Consolidating and organizing your accounts before RMD is an important step to help ensure that you don't miscalculate your distribution and potentially incur a 50% IRS penalty.

The bottom line is that we really encourage you to get your first retirement income plan built as soon as possible.




We've talked about how and why you need a retirement income plan, the risks, and how to build a plan that you'll actually use.

Now, let's take a few minutes to look at how some of these elements fit together.




Social Security is generally the starting place for determining your retirement income and deciding when to take your Social Security is one of the more important retirement decisions you'll make. It will affect how much you'll get in guaranteed payments each month, it sets your spouse's benefits and it impacts how much of your portfolio you will need to withdraw to fill any gap in expense coverage.

When making your choice, be sure to consider:

- how long you may live
- your overall financial situation
- and the impact that claiming may have on your survivors

In general, there are three timing strategies available to you:

1 - The first option is **early retirement**. The earliest age you can start collecting Social Security is 62. If you choose to collect early, you lock in a permanent lower monthly benefit. Depending on your year of birth, you can have as much as a 30% lower benefit. You don't lose out in total dollars if you live a long time, but your monthly payments are less.

2 - The second is to **wait until your full retirement age** to collect your scheduled benefit. Full

retirement age ranges from 65 to 67, depending on the year you were born. If you were born in 1943 or later, your full retirement age is 66 or older. This is your "real" Social Security benefit. It is calculated on your earnings history, based on your highest 35 years.

3 – You can also wait to collect **after your full retirement age**. In this case, you could receive up to 8% more per year delayed in future monthly payments up to age 70. Between your full retirement age and age 70, you are earning "delayed retirement credits".

The timing option you are considering may not necessarily coincide with when you stop working. It might be best for you to draw down some assets first while waiting to maximize your Social Security benefit. If you are married, there are other claiming strategies that give you access to your spousal benefit earlier. There are many different optimizing strategies that you might consider. You will want to spend some time on the Social Security website to determine your options and consider them carefully based on your situation. www.socialsecurity.gov or **1-800-772-1213. You can also speak with your tax advisor for guidance.**

Remember to talk to your financial provider to assess the impact on your overall retirement income and your withdrawal rate.

## Full Retirement Age

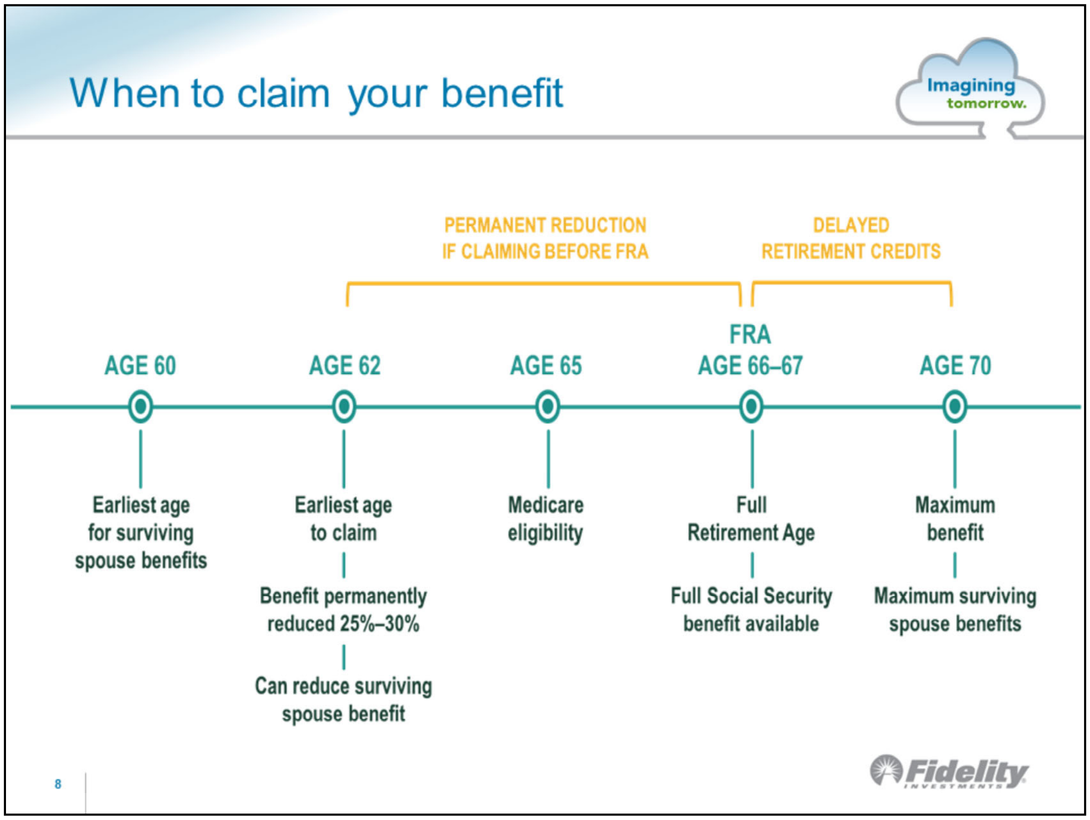
Imagining tomorrow.

| If you were born in… | Your Full Retirement Age is… |
|---|---|
| 1943–1954 | 66 years |
| 1955 | 66 years, 2 months |
| 1956 | 66 years, 4 months |
| 1957 | 66 years, 6 months |
| 1958 | 66 years, 8 months |
| 1959 | 66 years, 10 months |
| 1960 or later | 67 years |



Fidelity INVESTMENTS

As this chart shows, if you were born between 1943 and 1954, your Full Retirement Age is 66 years. That figure goes up incrementally if you were born after 1954, until reaching the latest Full Retirement Age of 67 years if you were born in 1960 or later.




As demonstrated on this chart, you can begin collecting a reduced Social Security benefit as early as age 62. After you reach age 62, for every year you postpone taking Social Security up to age 70, you could receive up to 8% more in future monthly payments. Claiming before Full Retirement Age will permanently reduce your benefit. Waiting to claim means more money for you and potentially your spouse.

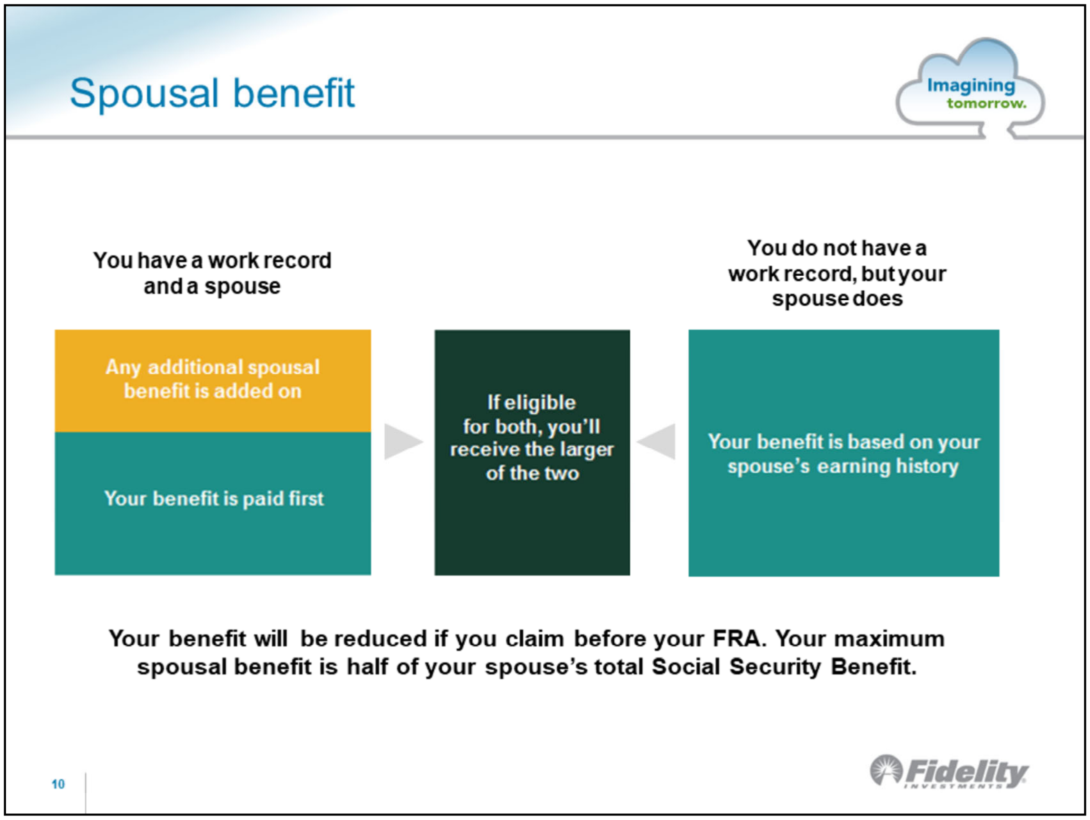

As this slide shows, you have several options when it comes to claiming your Social Security benefit.

We've already covered some considerations for claiming your benefit based on your own work record, but you could also claim based on:

Your spouse's work record (even if this is an ex-spouse) or

Your deceased spouse's work record (even if this is an ex-spouse)

In some instances, claiming a Social Security benefit based on a spouse's work record can yield a larger monthly payment. We'll go into that in greater detail a little later. We'll also help you explore strategies such as continuing to work while claiming your benefit, and waiting to claim while using other sources of income until you file for Social Security.




As shown on this slide, married couples have some additional flexibility when deciding how and when to claim Social Security. Even though the basic rules apply to everyone, a couple has more options than a single person because each member of a couple can claim at different dates and may be eligible to claim a spousal benefit.

You could be eligible for a spousal Social Security benefit if you:

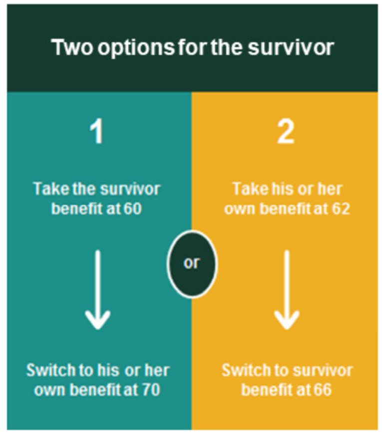
- are at least age 62
- have been married for at least one year before applying
- and your spouse is receiving retirement or disability benefits

If you're eligible for both your own benefit and a spousal benefit, you'll be paid the larger of the two. Your maximum potential spousal benefit is half of your spouse's total Social Security benefit. A spousal benefit doesn't earn delayed retirement credits, so there's no reason to wait beyond Full Retirement Age to claim a spousal benefit.

## Survivor benefit

Imagining tomorrow.

| Widow(er) claims survivor benefit at | % of deceased spouse's benefit |
|---|---|
| Age 50–59 (only if disabled) | 71.5% |
| 60 | 71.5% |
| 61 | 76.25% |
| 62 | 81% |
| 63 | 85.75% |
| 64 | 90.5% |
| 65 | 92.25% |
| 66+ | 100% |

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If you’re widowed or a widower, you’re eligible to collect your former spouse's Social Security payments as a survivor benefit. As this chart demonstrates, you have two options for doing this:

**1. Claim a survivor's benefit, and switch to your own benefit later.**

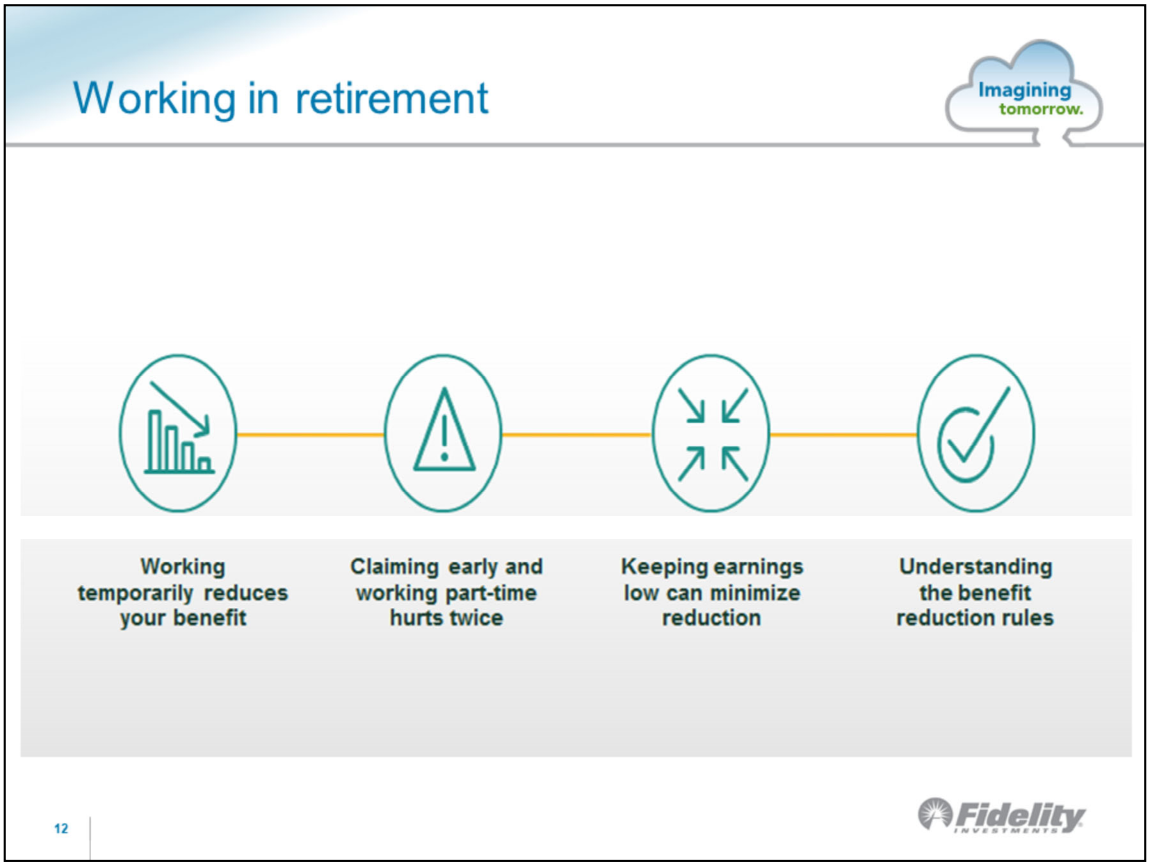
You may prefer this strategy if you're under age 70 (because your own payments will increase until you're 70) and expect a higher monthly benefit at Full Retirement Age than that of your deceased spouse.

You do this by claiming a survivor benefit, let the amount of your own Social Security payments grow, and then switch to claiming your own benefit later.

If you're taking care of your deceased spouse's children, you may be eligible to start receiving spousal benefits before age 60.

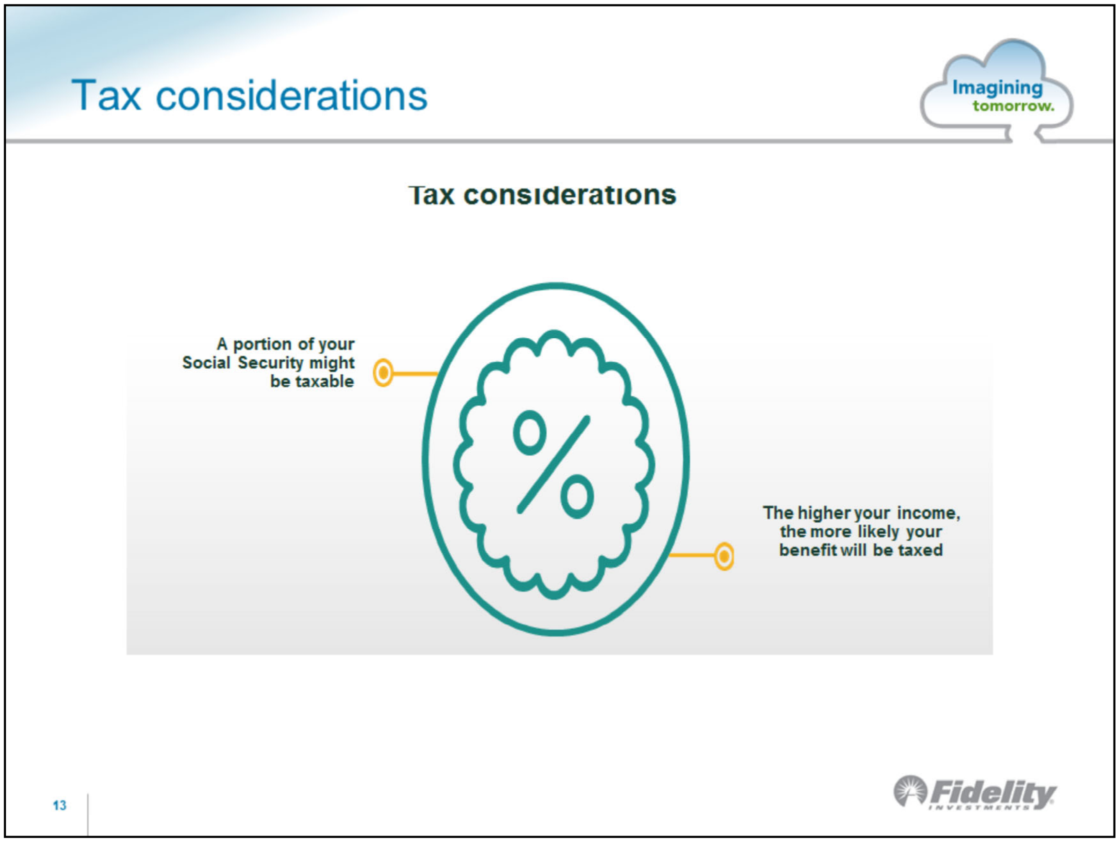
**2. Claim your own benefit now, and switch to a survivor benefit later.**

You may prefer this strategy if you haven’t reached Full Retirement Age and expect a lower monthly benefit at Full Retirement Age than that of your deceased spouse. If your spouse had not yet claimed Social Security, you can claim your own benefit and let your survivor benefit increase until you reach Full Retirement Age.




It's important to remember these points:

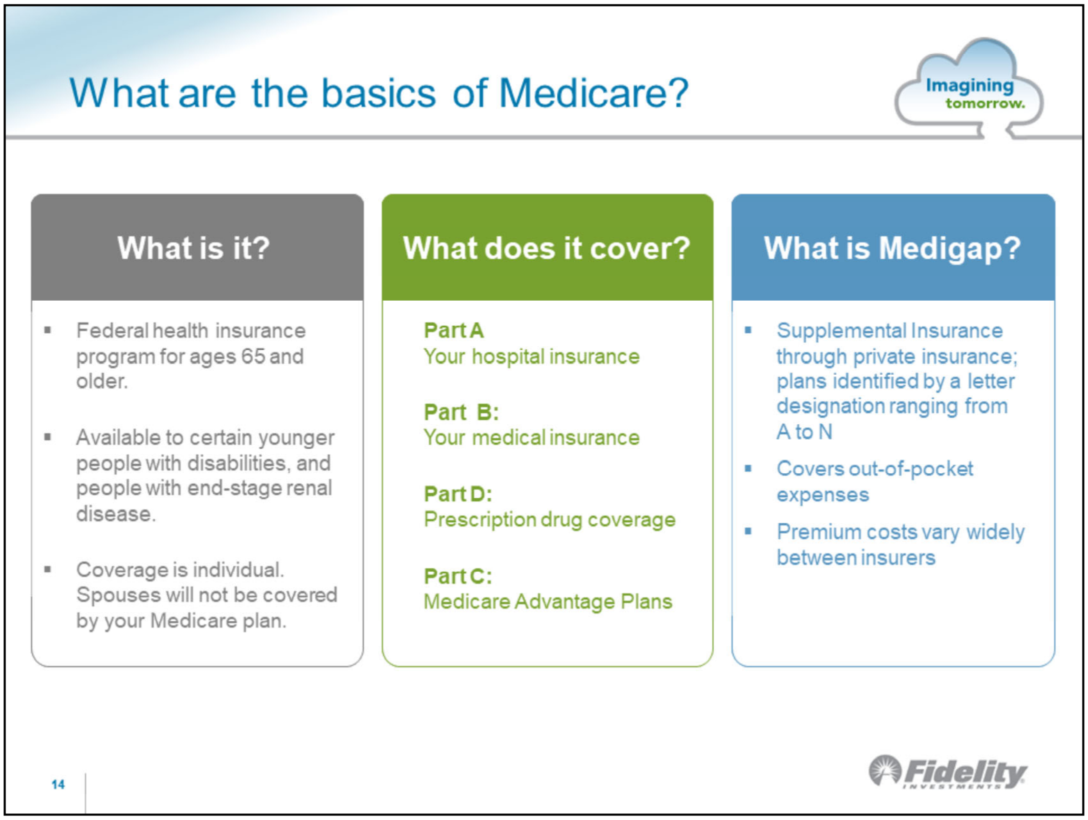
- Working while receiving your Social Security benefit before you reach Full Retirement Age temporarily reduces your benefit amount.
- Try not to claim early and work part-time. It hurts you twice, by permanently reducing your benefit due to early claiming and temporarily reducing your benefit due to working part-time.
- If you have to work after claiming, keeping your earnings under the threshold can minimize the benefit reduction.
- If you have to work, make sure you fully understand the rules regarding reduction in your benefit.




Taxes can have a big impact on your retirement paycheck, including your Social Security benefit, particularly if you plan to work in retirement.

If you have a combined income over certain IRS limits, a portion of your Social Security is taxable. This can happen if you have other substantial income in addition to your benefit. Sources include employment wages, self-employment income, interest, dividends, and withdrawals from tax-deferred accounts—basically, any taxable income that must be reported on your tax return. The higher your overall income, the more likely your benefit will be taxed.

Regardless of your income level, no more than 85% of your Social Security benefit will ever be subject to federal taxation. Additionally, there are 13 states where you may have to pay state income taxes on your Social Security benefit. The rules and exemptions vary widely, so it’s wise to research your state’s rules or consult a tax professional if this affects you.




It's important to understand the basics of how Medicare works, and how you may need to supplement it to meet your needs in retirement. Medicare is a federal health insurance program for people aged 65 and older. It is also available to certain younger people with disabilities, and people with end-stage renal disease. Medicare coverage is individual. If you have a spouse, he or she will not be covered by your Medicare plan and is required to enroll on his or her own at age 65 or later, if he or she is still working and covered by employer coverage.

Let's talk more about Medicare. Different parts of Medicare cover different services.

Part A is your hospital insurance. It covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care. This coverage is generally at no cost if you or your spouse worked and paid Medicare taxes for at least 10 working years, or 40 quarters. Although there are generally no premiums, you will have to pay an annual deductible and a portion of expenses for hospital visits lasting longer than 60 days, or nursing home stays beyond 100 days.

Part B is your medical insurance. It covers certain doctors' services, outpatient care, medical supplies, and preventive services. There is a monthly premium for this coverage, set by Medicare each year. Premiums are based on your income, as reported on your IRS tax return from 2 years ago. For example, if you enroll in Medicare Part B in 2022 your initial monthly premium will be based upon your modified adjusted gross income in 2020. You will have to pay an annual deductible, and some services require that you pay a percentage of the charges or a copayment approved by Medicare. If you're already collecting Social Security, payment for Part B coverage is deducted directly from your Social Security checks.

Once you're enrolled in Part A and Part B, you can also purchase private insurance to cover some or most of your out-of-pocket Medicare expenses. This is called Medigap. It's important to note that if you buy a Medigap plan, you are still required to pay your Part B premiums.

There are two more Parts to cover: Part C and Part D. We'll discuss them one at a time, starting with Part D.

Part D is your prescription drug coverage. Prescription drug coverage is not included in the original Medicare Parts A and B, or Medigap supplemental policies.

So unless you have this coverage elsewhere—or it's already included in a Medicare Advantage plan (also known as Part C) which we'll discuss next—you may want to think about buying a Medicare Part D policy to help pay for your prescription medications. Medicare will pay part of the costs of prescription drug coverage for everyone who enrolls in a plan. How much you pay will depend on which prescription drug plan you choose, and whether you qualify for assistance to pay for this coverage.

Even if you're relatively healthy at age 65 and don't take any prescription drugs, it makes sense to sign up for Medicare Part D because there could be penalties for enrolling late for Part D coverage.

Now let's discuss part C.

Medicare Advantage plans, sometimes referred to as "Part C," are made available through private insurance companies approved by Medicare. Medicare Advantage includes a variety of private health plans—most often Health Maintenance Organizations, also known as HMOs, and Preferred Provider Organizations, also referred to as PPOs—that private companies offer as alternative coverage for the traditional Medicare program.

If you purchase a Medicare Advantage plan, you'll receive your Medicare Part A and Part B coverage from your Medicare Advantage plan, not through original Medicare. Medicare Advantage Plans cover all Medicare services. Many Medicare Advantage plans also offer extra coverage such as vision, hearing, and/or dental coverage. Some Medicare Advantage plans also include prescription drug coverage.

Every plan must cover all the same benefits that traditional Medicare covers. These plans can charge different copayments—often lower than the traditional program, but not always—and offer extra benefits. Most charge a monthly premium in addition to the Part B premium, but some don't. Most plans also include some level of prescription drug coverage.

Most Medicare Advantage plans cover routine hearing and vision services, and dental coverage is often available as a separate package for an additional premium.

All plans, by law, have annual limits on out-of-pocket costs. Another difference from the traditional program is that most plans require you to go to doctors and other providers within their service network, or pay higher copays for going out of network. It's important to note that if you decide to purchase a Medicare Advantage plan, you would not purchase supplemental

Medigap coverage.

Here’s how Medigap can supplement traditional Medicare.

Medigap is not a government-run program, but is private insurance that you can purchase to cover some or most of your out-of-pocket expenses for traditional Medicare.

Each of the 10 types of Medigap policies is standardized by law—meaning the benefits of each are the same, regardless of which insurer sells it. But insurers still charge widely different premiums, so it pays to shop around. The 10 types of Medigap policies are identified by a letter ranging from A through N.

Before I give you some important information about Part B costs, let me ask you this —what is the standard cost for the Part B premiums in 2019 for those just joining Medicare? Did you know it is $135.50 per month per person? And it will be higher for those with higher incomes.

Do you know how much of your services Part B typically covers? Part B is designed to cover 80% of most physician, outpatient, and durable medical equipment expenses. And there is no cap on the 20% you would owe. So, if you have a situation where you incur $50,000 in Part B–eligible costs, your share is 20%, or $10,000.

There is a “standard” Part B premium for most retirees enrolling in Medicare in 2019—$135.50 per month. There is also a small deductible that comes with Part B—it is $185 in 2019.

However, if you have higher income, you’ll pay more for Part B, on a sliding scale. This is what’s called “means testing.” If you have higher “means,” you’ll be expected to pay more for your health care.

If you are in the highest income range — single filers with an adjusted gross income of $500,000 or greater, or joint filers with an AGI topping $750,000—you’ll pay the highest monthly amount. The top limit for monthly Part B premiums in 2019 is $460.50 per month per person. And these premium rates only apply if you enroll on time.

If you miss your enrollment period, you can be assessed permanent penalties. You will pay more than the standard amounts for your income bracket. The penalty rate is 10% for every 12 months that you delay enrolling. So, if you miss joining Medicare at the right time by, say, 24 months, your premiums could be 20% higher for your entire retirement.

Let’s take a look at how Part D’s costs work:

First, you will need to enroll in Medicare Part D. Depending on your yearly income you may or may not pay a monthly premium to Medicare. Most folks do not pay any premium to enroll.

Second, you may pay a monthly premium to the insurance company you choose for your prescription drug coverage. Each insurance company decides what the monthly premium will be, and some do not require a premium. Next, before any insurance payments are made for your medications, you’ll generally have a deductible that you must reach. The deductible is capped at $405 per person in 2018, so in many cases, the first $405 of spending on your prescriptions will be out of your own pocket.

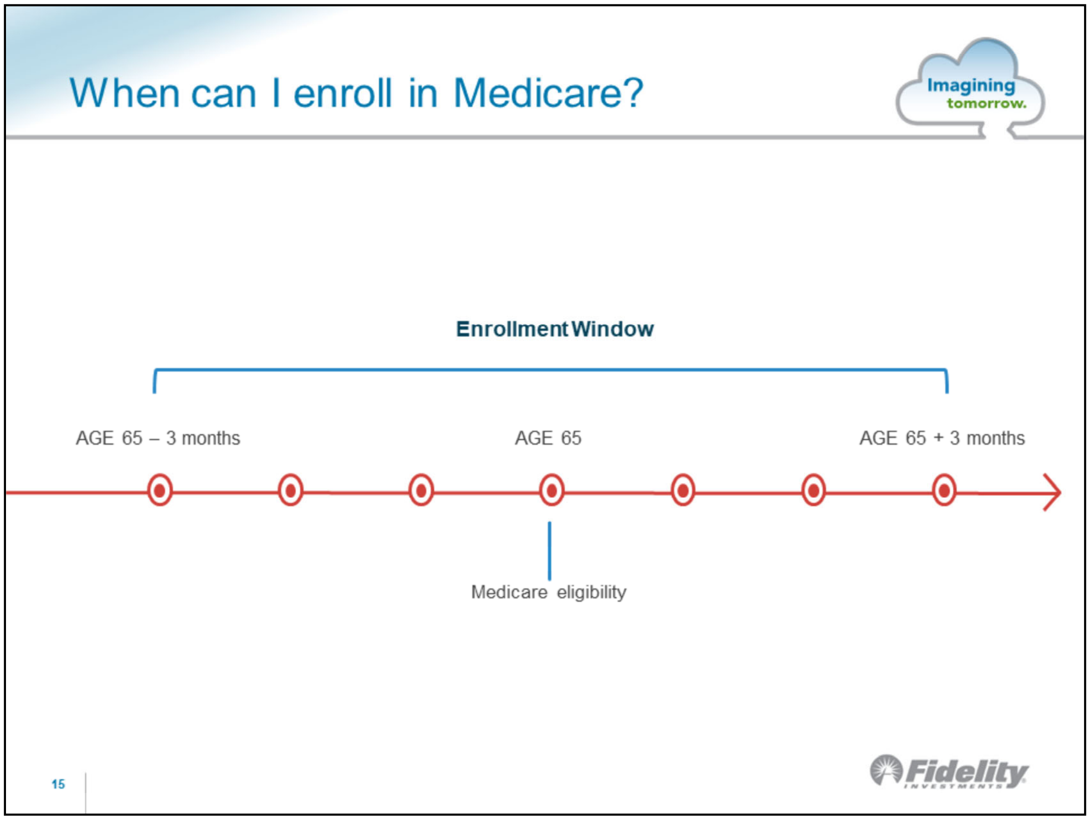
The fourth part of the pricing is your co-pays and coinsurance. Once you meet the deductible, the costs of your medications will be split between you, your insurance company, and Medicare. Your share runs from 25% to nearly 60%, until your spending reaches what Medicare considers "catastrophic" levels for the year ($5,000 in 2018). For the rest of that coverage year, your share is reduced to 5%.

And, finally, your prescriptions will drive your costs. Depending what you take and how the insurance company categorizes your drugs, costs will vary. You'll want to compare pricing for your prescriptions every year to see where you can get the best deal.

Part D plans are sold by private insurance companies. To find your options, you can use the Medicare Plan Finder tool under the "Drug Coverage Part D" tab on Medicare.gov.

It is easy to use and the results are specific to your medication needs. Just make a complete list of the drugs and dosages you take today. Enter that data along with your zip code into the secure Medicare Plan Finder tool.

You'll get a list of various insurance companies that offer plans within your zip code. You'll see how the costs work and if all your prescriptions are covered.

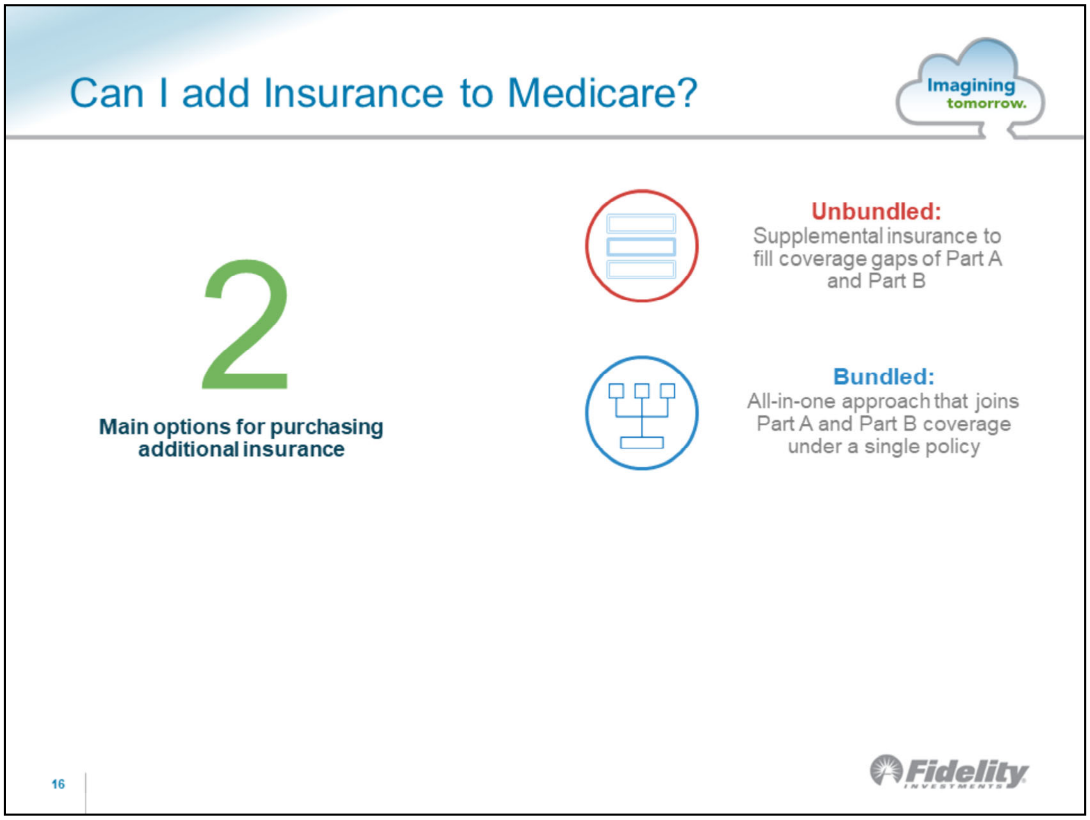



Now let's look at how to enroll in Medicare. When you become eligible for Medicare at age 65, you'll want to remember to enroll within the seven-month time frame that begins three months before, and ends three months after, the month you turn 65.

It's important to enroll in Medicare on time. If you miss this initial deadline, your coverage will be delayed and you'll have to wait until the next January-to-March general enrollment period. Your coverage won't begin until July. Delaying enrollment could also result in higher monthly premiums for the rest of your life.

If you're still working when you're 65, and have health insurance through your employer or your spouse's employer, you don't have to enroll in Medicare right away—as long as you can prove you had this coverage when you sign up later on.

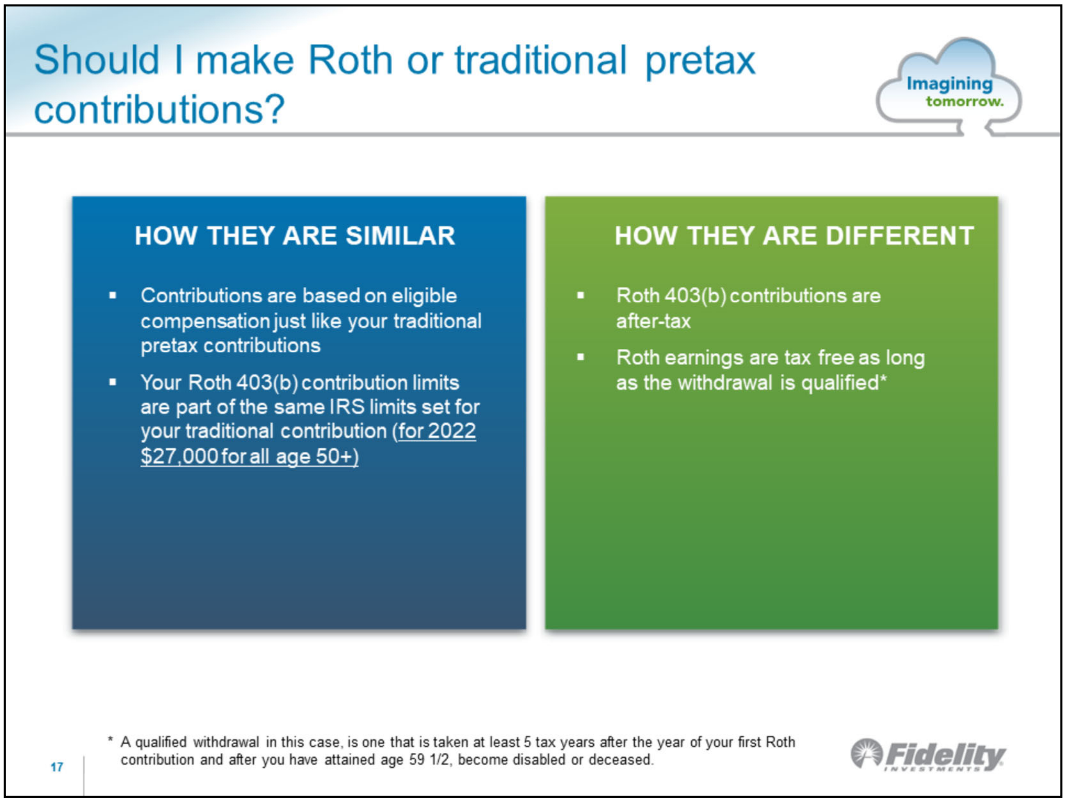
Medicare enrollment rules have some exceptions, and the "Sign Up" section on Medicare.gov is a great resource for more information.




Depending on your needs, you may want to purchase insurance in addition to basic Medicare. There are two options for doing this: unbundled and bundled.

With the unbundled option, you keep your original Part A and Part B coverage and choose how to fill in the coverage gaps. You can purchase additional coverage through a Medigap policy.

With the bundled option, you opt for an all-in-one coverage approach that includes Part A and Part B, under a single policy. This option is available by purchasing a Medicare Advantage (Part C) plan.




**Roth vs. traditional pre-tax**

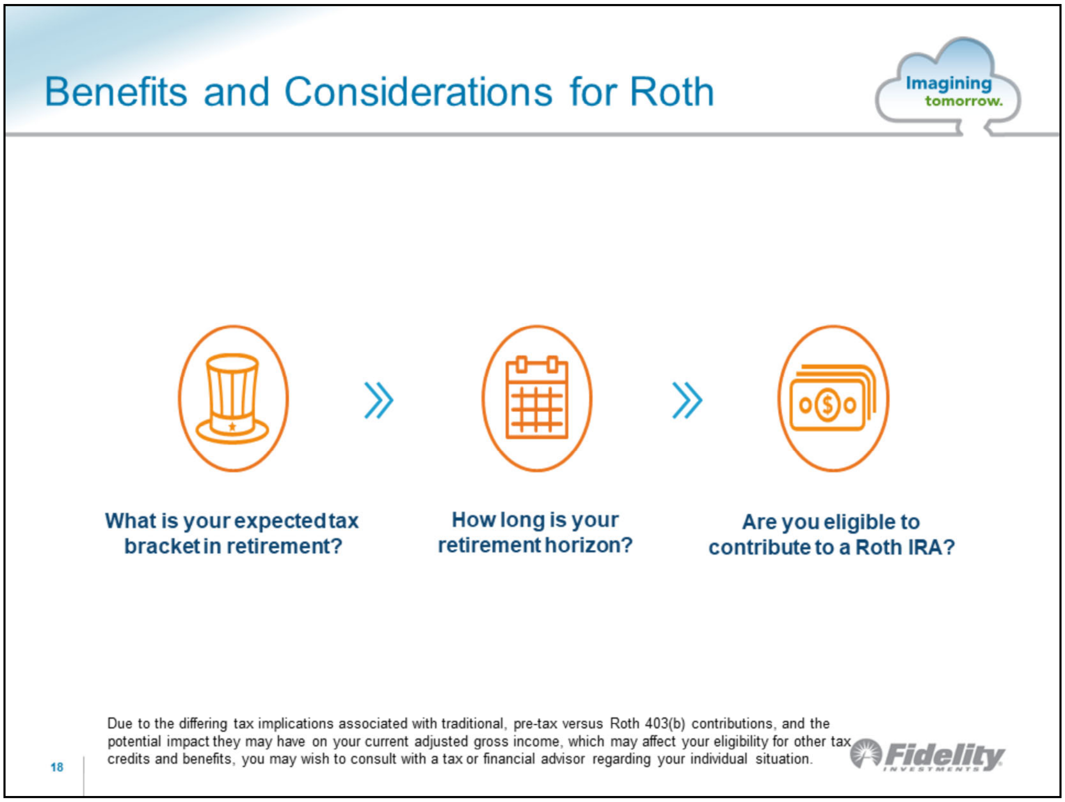
A Roth contribution option allows you to make after-tax contributions to your plan while taking your earnings tax-free at retirement as long as the withdrawal is a qualified one. A qualified withdrawal in this case, is one that is taken at least five tax years after the year of your first Roth contribution and after you have attained age 59 1/2, or become disabled or deceased.

You may elect to contribute all or a portion of your workplace savings plan contributions to a Roth account in your plan.

Your traditional pre-tax contributions still exist and may still be the best way to save for your retirement.

Just like traditional pre-tax contributions, Roth contributions get taken out of your paycheck. The difference is that you pay taxes on your contributions now, rather than later when you withdraw them.

The Roth contribution option is a way to accumulate tax-free money for retirement. Even though you pay taxes on your contributions now, your earnings on those contributions are tax-free in retirement if certain criteria is met.




Whether Roth contributions may benefit you really depends on your personal tax situation now and in the future.

**If you make Roth contributions, you are giving up a tax break today for a tax break in the future.**

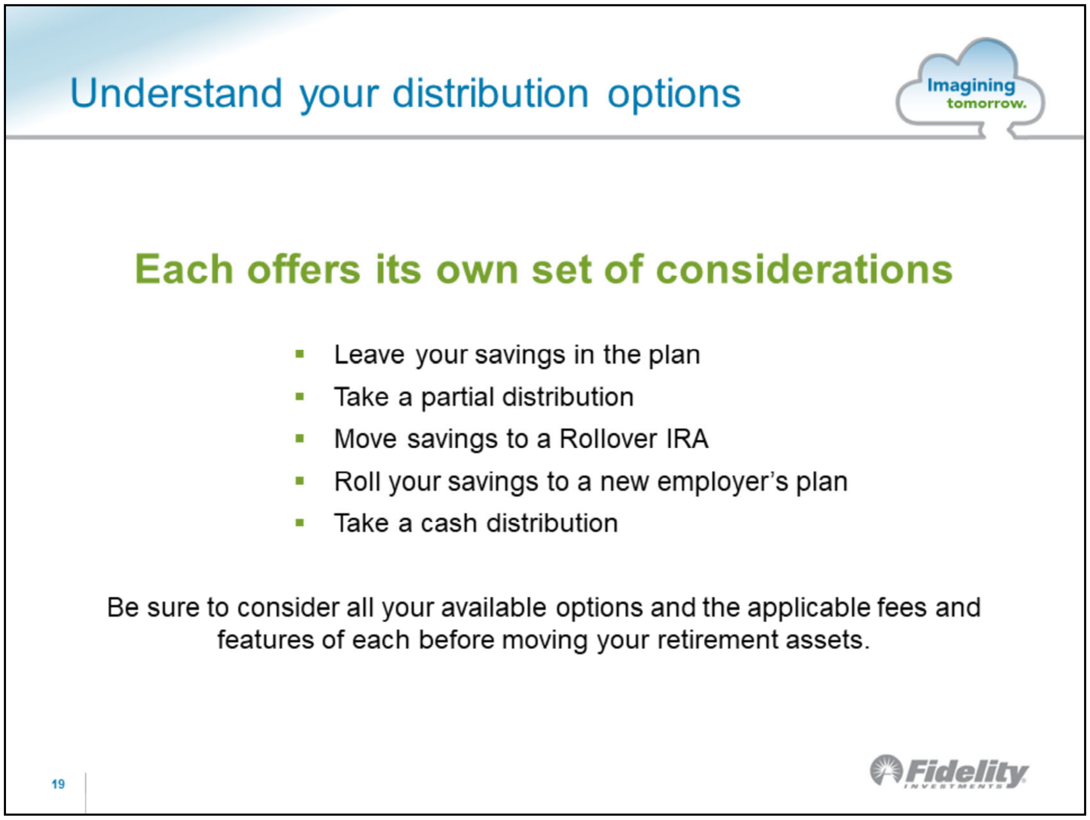
- Generally, if you expect to be in the same tax bracket in retirement as now, both a traditional pre-tax or a Roth contribution are roughly equivalent from a tax perspective.
- If you expect to be in a higher tax bracket in retirement, making Roth contributions now may be a better choice since you won't pay taxes on qualified distributions of earnings.
- If you expect to be in a lower tax bracket in retirement, then traditional pre-tax contributions may make more sense for you.

**Other situations where Roth contributions may be beneficial are:**

- Younger employees who have a longer retirement horizon and more time to accumulate tax-free earnings
- Highly compensated individuals who aren't eligible for Roth IRAs, but want a pool of tax-free money to draw on in retirement, and
- Employees who want to leave tax-free money to their heirs.

Making Roth contributions means your take-home pay will be less than it would be if you made equivalent traditional pre-tax contributions. A good question to ask yourself is; "do you need the tax break now or can you afford to give that up and take it at retirement?"

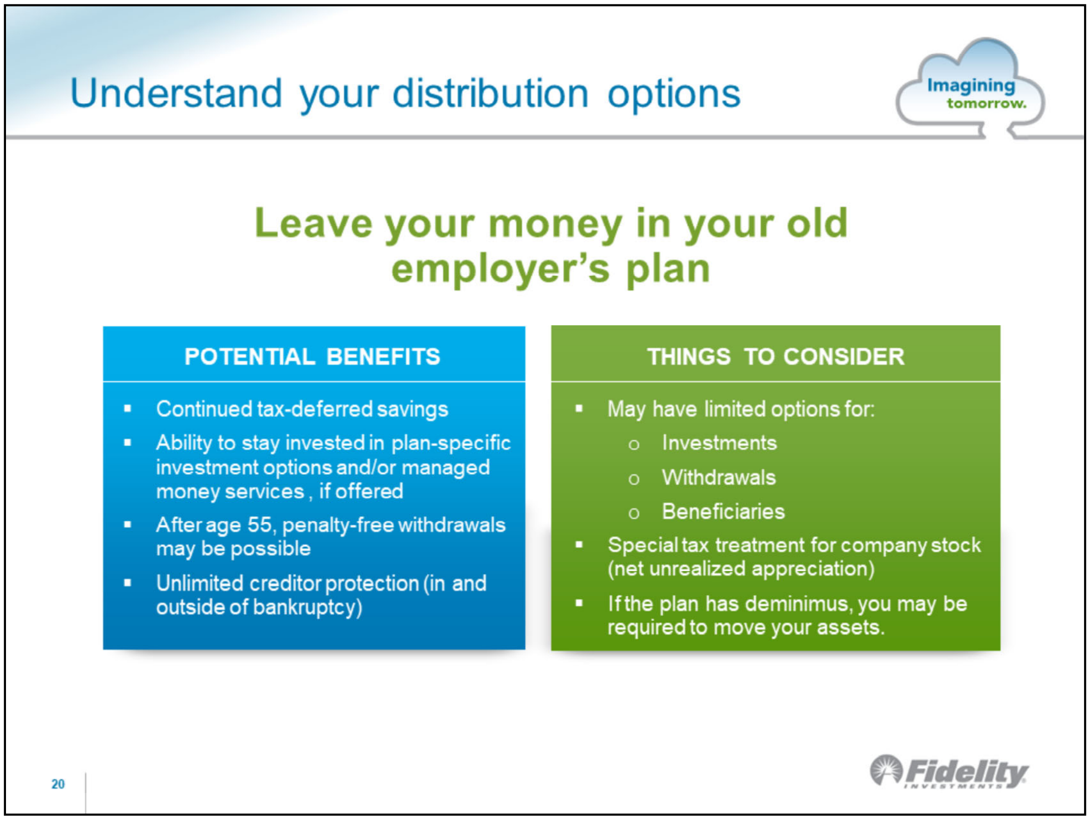
For many people, traditional pre-tax contributions will still be the most beneficial type of contributions to make. We do not know what the future holds regarding tax rates. Therefore, it’s difficult to predict with certainty which type of contribution will be most beneficial to you.




Most workplace savings plans have four basic ways of handling the savings in your workplace account:

- Leave it in the plan
- Take a partial distribution
- Move your savings to a Rollover IRA
- Roll your savings to a new employer's plan
- Take a cash distribution

Let's take a look at each of these options.




**Leave your money in your old employer's plan**

**Potential Benefits**

- Continued tax-deferred savings

  Ability to stay invested in plan-specific investment options and/or managed money services, if offered

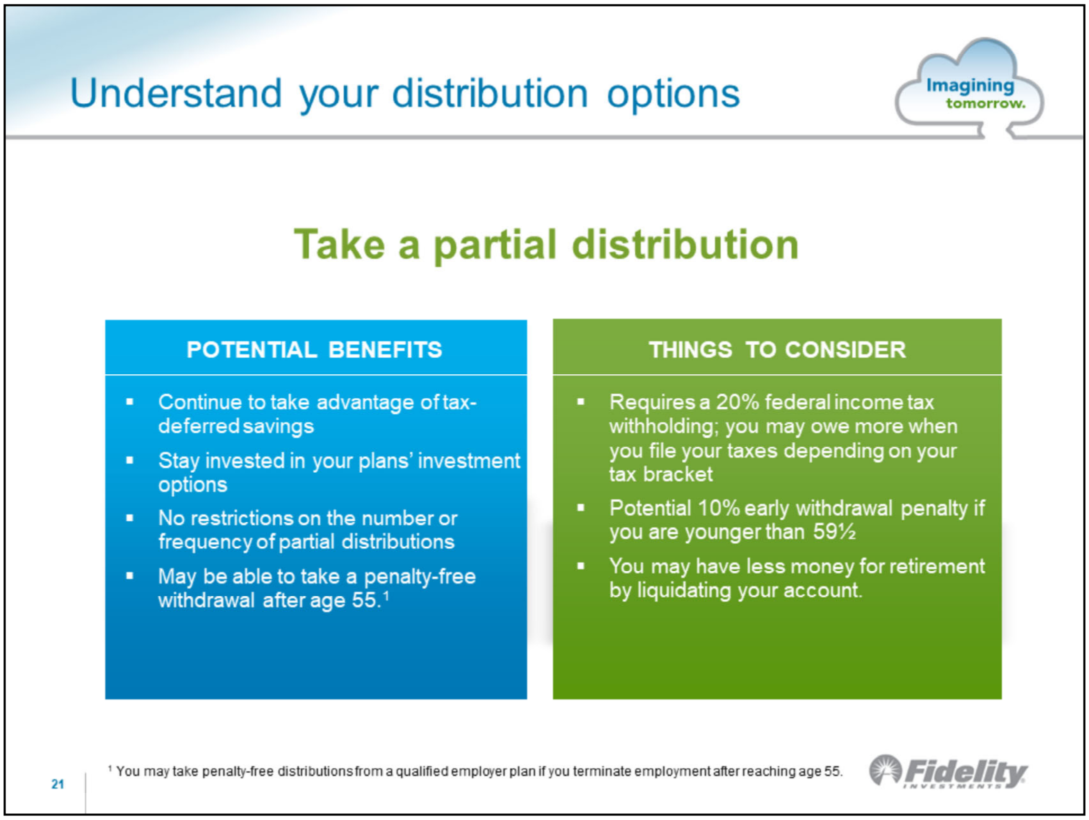
  After age 55, penalty-free withdrawals may be possible

  Unlimited creditor protection (in and outside of bankruptcy)

**Things to consider**

- May have different set of investment options
- Withdrawal options may be limited
- Options for your beneficiaries may be limited
- Remember that you need to take a RMD at age 72 from any retirement plan where you are no longer working

Your plan details can be found in your Summary Plan Description document and online at hr.duke.edu




**Take a partial distribution**

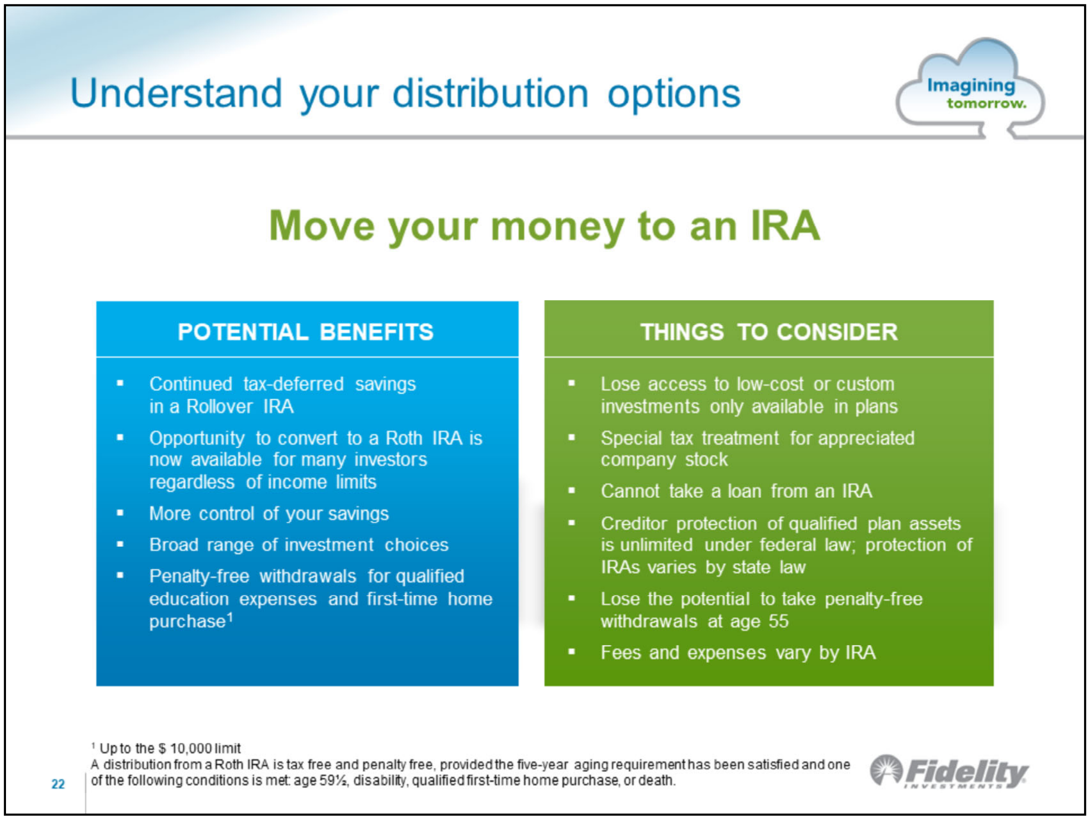
**Potential Benefits**

- Continue to take advantage of tax-deferred savings
- Stay invested in your plans' investment options
- No restrictions on the number or frequency of partial distributions
- May be able to take a penalty-free withdrawal after age 55.

**Things to consider**

- Requires a 20% federal income tax withholding; you may owe more when you file your taxes depending on your tax bracket
- Potential 10% early withdrawal penalty if you are younger than 59½
- You may have less money for retirement by liquidating your account.

Your plan details can be found in your Summary Plan Description document.

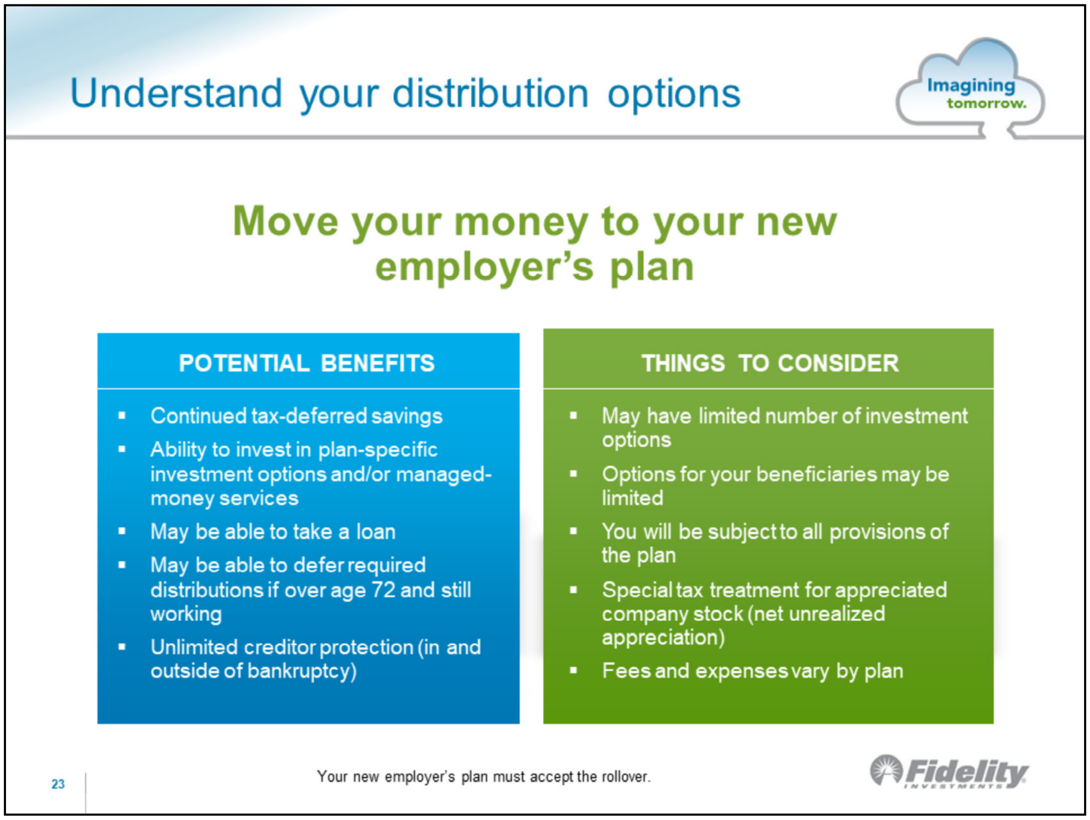



**Move your money to an IRA**

- Continued tax-deferred savings in a Rollover IRA
- Opportunity to convert to a Roth IRA is now available for many investors regardless of income limits
- More control of your savings — freedom to make account transactions when and how you want
- Broad range of investment choices
- Penalty-free withdrawals for qualified education expenses and first-time home purchase

**Things to consider:**

- Lose access to low-cost or custom investments only available in plans
- Cannot take a loan from an IRA
- Creditor protection of qualified plan assets is unlimited under federal law; protection of IRAs varies by state law
- Lose the potential to take penalty-free withdrawals at age 55
- Fees and expenses vary by IRA




**Move your money to your current employer's plan[2]**

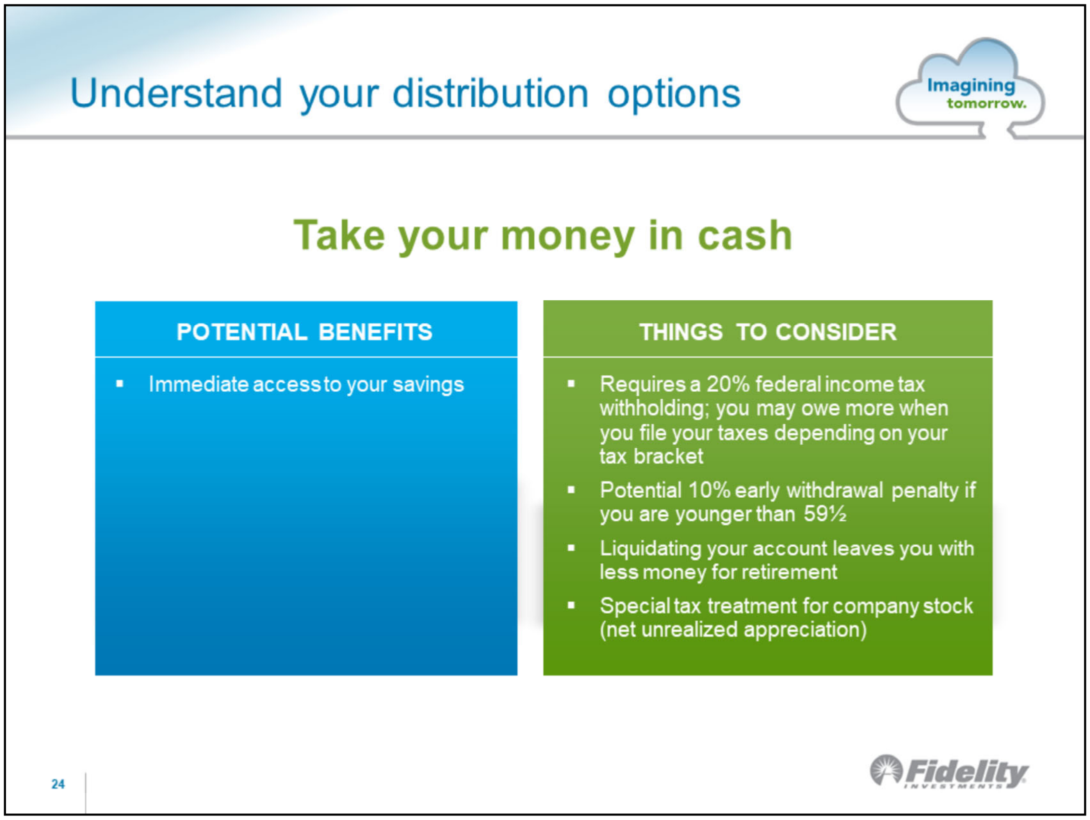
- Continued tax-deferred savings
- Ability to invest in plan-specific investment options and/or managed-money services
- May be able to take a loan
- May be able to defer required distributions if over age 72 and still working
- Unlimited creditor protection (in and outside of bankruptcy)

**Things to consider**

- You may have limited number of investment options
- Options for your beneficiaries may be limited
- You will be subject to all provisions of the plan
- Special tax treatment for appreciated company stock (net unrealized appreciation)
- Fees and expenses vary by plan

[2]Your new employer's plan must accept the rollover.

**Be sure to consider all your available options and the applicable fees and features of each before moving your retirement assets.**




**Take your money in cash**

- Immediate access to your savings

**Things to consider**

- Requires a 20% federal income tax withholding; you may owe more when you file your taxes depending on your tax bracket
- Potential 10% early withdrawal penalty if you are younger than 59½
- Liquidating your account leaves you with less money for retirement

## Understand your distribution options

Imagining tomorrow.

### Consider taxes

Hypothetical illustration of the tax implications from taking a cash distribution

| | |
|---|---|
| Gross amount of cash distribution | $50,000 |
| Mandatory 20% federal tax withholding | –10,000 |
| | 40,000 |
| Additional federal income tax due at tax time* | – 1,000 |
| | 37,500 |
| Early 10% withdrawal penalty | – 5,000 |
| **Net cash proceeds*** | **$34,000** |

*Hypothetical example for illustrative purposes only, based on 2022 federal income tax rates. The example assumes a 22% federal income tax bracket and that the person is under 59½ and subject to the 10% early withdrawal penalty. State and local taxes are not taken into account.

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Because they are significant, let's talk about taxes if you take a cash distribution.

Assume you start with an account balance of **$50,000** in your employer's retirement plan, and you decide to liquidate the assets and take that as a cash distribution.

With any cash distribution from a qualified plan, your **plan administrator** is required by law to withhold **20%** of the assets toward prepayment of federal income taxes. In our example, that equates to **$10,000.**

Then, depending on your tax bracket, you might owe additional federal income taxes when you file your tax return. For example, if you were in the 22% tax bracket, you would owe another 2%. In our example, that's **$1,000**.

If you separate from your employer prior to age 55, it's likely that another **10%** of those assets will go to pay an early withdrawal tax penalty imposed by the IRS (exceptions apply). In our example, that's **$5,000**.

In our example, **$34,000** is the difference in taxes and potential penalty. And, depending on where you live, you may have to pay state and local taxes.

Please note that we have used a hypothetical 22% federal income tax rate in this example based on current tax rates. These rates are subject to change in the future.

## How do I prepare for required withdrawals?

### The basics of minimum required distributions (MRDs)

- Established by the IRS to ensure use and paying taxes
- Apply to most tax-advantage retirement accounts (except Roth IRAs and nonqualified deferred annuities)
- 50% penalties on portions not distributed on time

### How distribution amounts are determined

- By age, account balance, and life expectancy
- You can base MRDs on joint life expectancy if spousal beneficiary is more than 10 years younger and is sole beneficiary

**Tip:** Your financial provider can help you estimate your amount.

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The Internal Revenue Code established these minimums to ensure that you actually use and begin paying taxes on your Employer Sponsored Retirement Plan or IRA account balance.

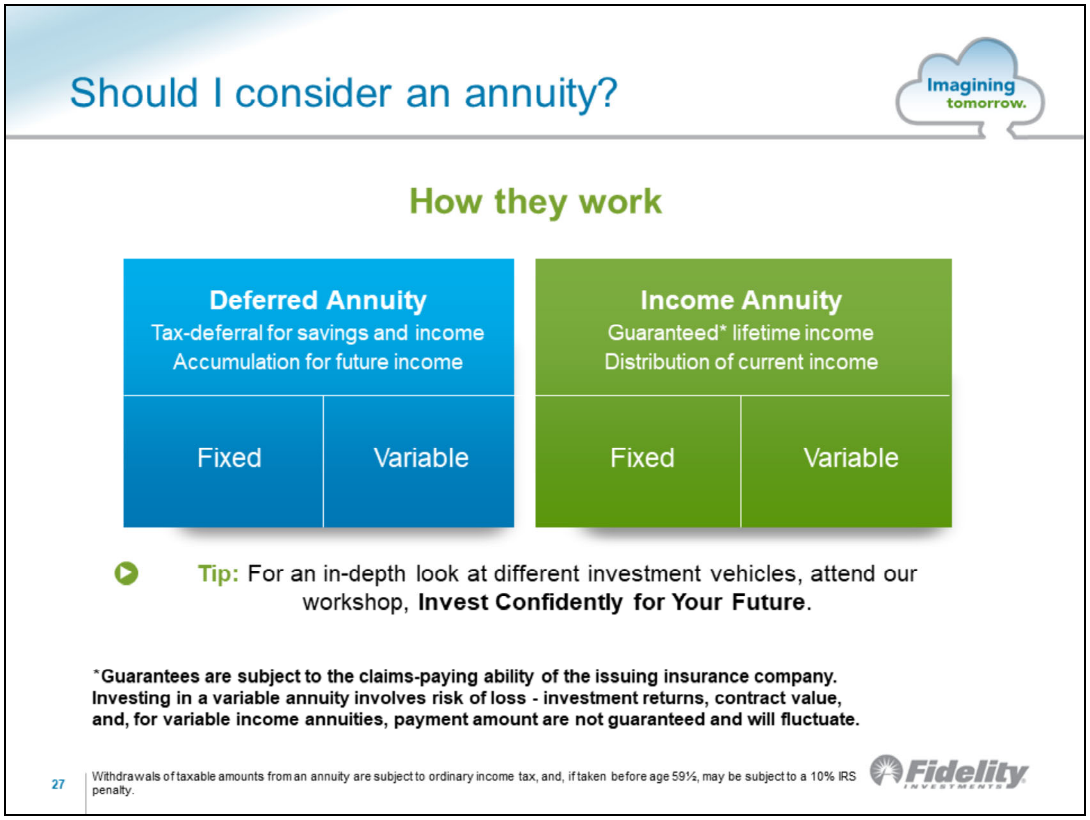
Beginning in the calendar year when you turn 72, IRS regulations generally require you to withdraw a minimum amount of money from your tax-deferred retirement accounts (like traditional IRAs and workplace savings) each year. This amount is called a minimum required distribution, or MRD.

Ordinary income tax rates apply to all withdrawals of earnings and pretax contributions, but if you fail to take the full minimum required distribution it may result in substantial tax penalties, up to 50% of the amount not taken. It is important to understand these IRS requirements, how MRDs are taxes, and how to calculate the right amount.

For Duke employees, Emeritus status is equivalent to retired and a MRD would be applicable.

Remember you are required to take an RMD at age 72 from any retirement plan where you are no longer working

NOTE TO PRESENTER: Be ready to anticipate questions coming from employees that may want to work part-time. The message is that they should review their situation with their tax advisor or accountant as Duke does not provide advice.




Finally, you may want to consider an annuity to save even more.

Basically, there are two types of annuities: tax-deferred annuities and income annuities. Deferred annuities are designed to help you accumulate money over the long term that you will use as income in the future. Some of

these products have minimum withdrawal benefits that provide guaranteed lifetime income.

If you do have a deferred annuity, it is either a “fixed” annuity or a “variable” annuity. If it’s a fixed annuity, your assets earn a “fixed” rate of return that is guaranteed for a predetermined period of time by the issuing insurance company. That is especially reassuring in today’s market and could be a portion of a fixed product allocation. If it’s a variable annuity, it allows you to choose your own investment portfolios, whose performance affects your rate of return.

If you have assets accumulated from somewhere else, you may choose to buy an income annuity. An income annuity facilitates the distribution of your current income by guaranteeing you a stream of income payments that will last the rest of your life. As I mentioned earlier, it is one of the only products that can offer this type of guarantee. There are fixed income annuities and variable income annuities. For both types, upon purchase, you generally no longer have access to the assets used to purchase them. With a fixed income annuity, the amount of each payment is guaranteed by the issuing insurance company. With a variable income annuity, the amount of each payment is not guaranteed—it increases or decreases based on the performance of the selected investment option. I have to say, of course, that all guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

Additionally, the income from the annuity can reduce the pressure on other investments in your portfolio to create income, possibly giving you flexibility to be a little more aggressive, potentially allowing more growth so your other assets might last longer.

Annuities come with many different features to consider to determine if they are right for you. If you are aware of any condition that might shorten your life expectancy, you may wish to consider other options.

Individual tax situations and eligibility play a large role in how folks save for retirement. For a more comprehensive review of making tax-smart decisions and the investment vehicles we just reviewed, attend our workshop, **“Invest Confidently for Your Future”**

## Are there potential risks associated with annuities?

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**However, there are some trade-offs:**

- Limited or no access to your assets
- Insurer's ability to pay
- Cost
- Locking into an annuity without understanding options available today or may become available on retirement
- You may experience a loss with variable annuities
- Fixed annuities don't offer growth potential, only a cost of living adjustment, at an additional cost

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Annuities can be an important component of retirement income plans; however, there are some trade-offs. It's important that you purchase the right types of annuities in the right amounts from the right accounts (for example, taxable vs. tax-deferred accounts) to make this work.

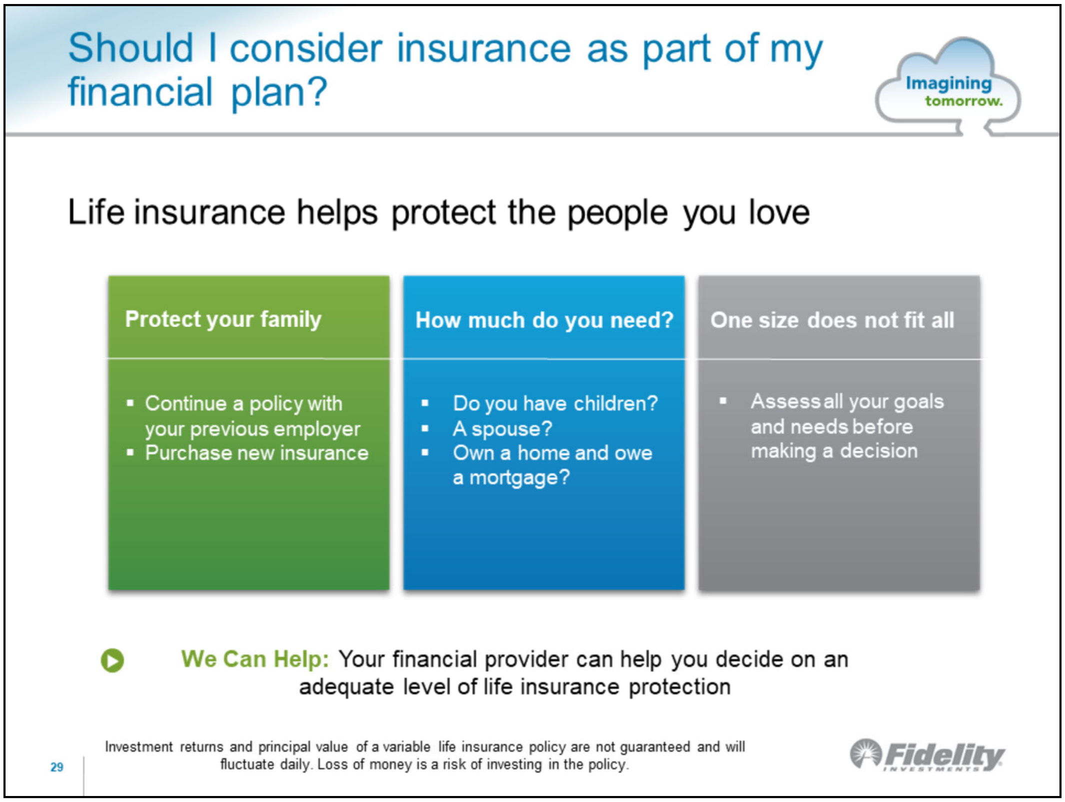
If you go too heavy with annuities, you may overly restrict your flexibility...and may end up paying for more guarantees than you need.

Annuities are also subject to the insurer's ability to pay.

When selecting a specific annuity, it's important that you understand the fees associated with it and the rating of the issuing insurance company. Some annuities have high sales charges and other fees associated with them, which may negate some of the benefit that they can provide you.

As with all major purchases, it's important to shop around and find the best deal for you. Ask what you are investing in and get a second opinion. Do not lock yourself in without getting competitive quotes.

Finally, when it comes to variable annuities, you may experience a loss. And, fixed annuities don't offer growth potential, only a cost of living adjustment, at an additional cost.




Along with continuing your health insurance, you also will want to review your life insurance and long term care insurance situation.

Life insurance is important because it can help protect your beneficiaries, replace lost income, pay off debt, and provides peace of mind.

Often people ask: How much life insurance do you need? That depends on your personal circumstances.

You may want to take into account how much income your survivors might need, how much you owe and own, and the amount of other life insurance available to you .

Long-term care insurance is designed to offer financial support to pay for necessary long-term care services later in life or if you are disabled. The insurance may provide coverage for a variety of long-term care services including nursing care, adult day care, assisted living, or nursing homes. The coverage provided depends on the type of policy and the amount of coverage purchased.

The older you get, the more likely your chances are of requiring some type of long-term care. The cost of even just a few years of long-term care can easily wipe out your life savings, so it's important to consider this type of insurance in your overall financial plan.

Deciding whether you should purchase long-term care insurance depends on your circumstances. Here are a few things that may prompt you to consider it:

- You are middle-aged
- You have significant savings and other assets that you would like to protect

• You are in good health and insurable

• You can afford to pay the premiums now and in the future

Keep in mind that premiums for coverage are based on your age, so purchasing this coverage now can cost significantly less than if you wait until you're older.

A personalized needs assessment can help you determine what's the right amount for you. Fidelity believes in a holistic approach to planning, where you assess all of your goals and needs, as they relate to your overall plan.

## Should I consider an estate plan?

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**You may need an estate plan if you:**

- Want to increase the value of your estate by reducing applicable estate taxes if possible
- Have minor children who need an appointed guardian
- Have a large portion of your assets in retirement plans
- Are the beneficiary of a trust

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The fact is, anybody who's accumulated any kind of money…real estate...life insurance...regardless of how much it may be...needs and DESERVES an estate plan. And, while this is a very uncomfortable topic for many people, it is a necessary topic to help you identify strategies to help preserve the assets you have accumulated and control the distribution of your estate.

So, why may YOU need an estate plan? Here are some things to consider:

You want to increase the value of your estate by attempting to reduce applicable estate taxes…

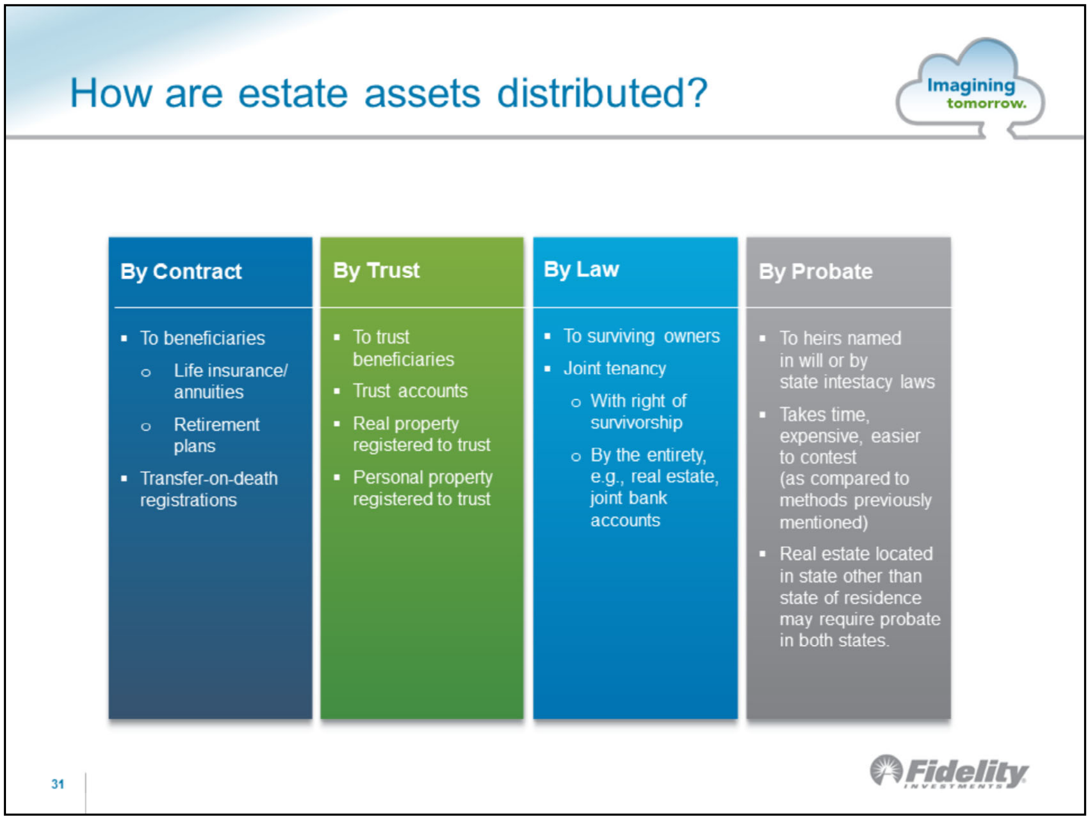
You have minor children who need an appointed guardian...

You have a large portion of your assets in a retirement plan...

You are the beneficiary of a trust...

You want to be able to decide who'll act on your behalf, if you are unable to do so for yourself.

Why don't you take a minute or two to reflect on your own situation. If one or more of the statements apply to you, then you should consider the benefits of establishing an estate plan.




Assets can be distributed in several different ways when someone passes away.

The first way you see here is **by contract**. This includes beneficiaries designated on an account or a “transfer-on-death” registration. Assets held in IRAs, 401(k)s, 403(b)s, life insurance, or annuities usually pass to the designated beneficiaries and, therefore, fall into this category.

It’s important that you keep beneficiary designations up to date. Births, deaths, marriages, and divorces are all major life events that may trigger necessary beneficiary changes. Keep in mind that a trust or qualified charity may be named as a beneficiary, which may provide more control over the transfer of these assets.

Overall, it’s very important to integrate beneficiary designations with retirement and estate plans, so that all beneficiary designations are in synch with your wishes.

The second way shown is **by trust**. Assets held in a trust are distributed according to the terms of the trust document. The trust document includes the provisions by which the assets will pass to the trust’s beneficiaries.

The third way assets are distributed is **by law**. Assets that are registered as “joint tenants with rights of survivorship” or “tenancy by the entirety” pass to the surviving joint tenants. This may include real estate or jointly held bank or investment accounts.

And, of course, assets can be distributed according to **a will**. This is the most common estate planning document and we will cover wills in more detail in the next few slides.

If you die without a will, any assets not passed to the deceased’s heirs in other ways will be passed according to your state's intestacy laws. These laws vary from state to state, and these laws may not be in accordance with what you would have wanted.

## What is a trust?

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**A trust may help ensure your assets are distributed according to your wishes**

- **Legal Instrument:** Contains a grantor's instructions as to the management and distribution of assets during the grantor's lifetime and upon his or her death
- **Flexible:** A revocable trust can be amended or revoked during the grantor's lifetime to change terms or beneficiaries
- **Avoid Probate:** Assets held in trust avoid the cost, time and publicity of probate
- **Estate Taxes:** An irrevocable trust can be structured to reduce estate taxes – leaving more to heirs
- **Protect Inheritances:** Can be structured to help protect the inheritances of children and to control the timing, amount, and purpose of distributions to beneficiaries through trust language

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Once you have a will in place, your tax advisor or attorney may suggest that you establish one or more revocable trusts. Very simply, a trust is a legal instrument that functions much like your will. It allows you to control how your assets are to be distributed and/or managed for the benefit of your heirs primarily upon your death. The primary difference between a will and trust is that assuming your assets are transferred to the name of the trust during your lifetime, those assets will generally escape probate. Whereas, any asset not transferred to your trust or which does not have a surviving joint owner or a beneficiary will generally have to go through the probate process before title to the assets can be vested in the names of your heirs. A will alone is a one way ticket to probate. Once you are in probate, it is the probate court and the probate court rules that determine how long the probate process will take.

The person charged with the responsibility of managing the trust assets is known as the trustee. The trustee is responsible for making sure that your (the grantor's) wishes are carried out.

Within the provisions of a trust, many objectives may be satisfied. It can help provide for you and others during your lifetime...as well as after death, reducing the estate's exposure to probate. And it can make transferring assets to charities more efficient and effective. Perhaps the most compelling reason for considering trusts is that they can be used in a variety of ways to distribute your assets according to your wishes.

While there are many different types of trusts, they fall into two major categories...revocable and irrevocable.

A revocable trust may often be referred to as a "living trust." It's a flexible arrangement that, if properly created, can be changed or dissolved at any time. Because the grantor has control, generally the assets are considered the grantor's and are included in the grantor's estate for federal estate tax purposes. And because the terms of a revocable trust may dictate how assets are distributed subsequent to the grantor’s death, assets held in a revocable trust pass according to the trust and do not need to go through probate. The primary disadvantage is the cost incurred in establishing a living trust. Additionally, in general, there are no significant tax advantages.

Irrevocable trusts generally cannot be changed once they are established, and the grantor typically has no further control over the assets. However, like the revocable trust, the irrevocable trust does provide the grantor with a tool to direct how the grantor's assets are to be distributed and/or managed upon his death. In addition, when a grantor transfers assets to an irrevocable trust, the assets may not be included in the grantor’s taxable estate, thereby reducing the impact of estate taxes. The advantage of a funded irrevocable trust is to reduce estate taxes. Generally speaking, the disadvantage is the loss of control over the assets placed within the trust. Your attorney or tax advisor can help you determine whether a trust, and what type of trust, makes sense given your particular situation. As always, speak to your attorney and/or tax adviser regarding your circumstances and how trust may work in your situation

# 4 steps to create your retirement income plan

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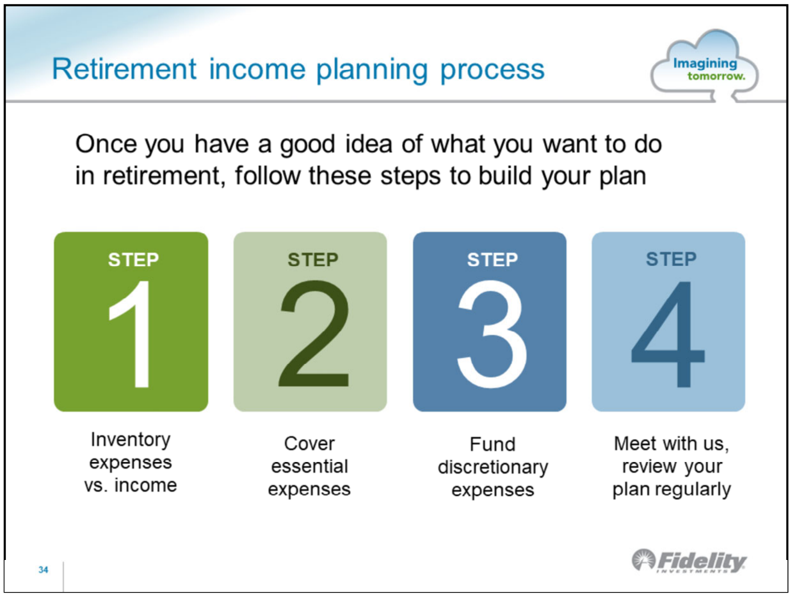


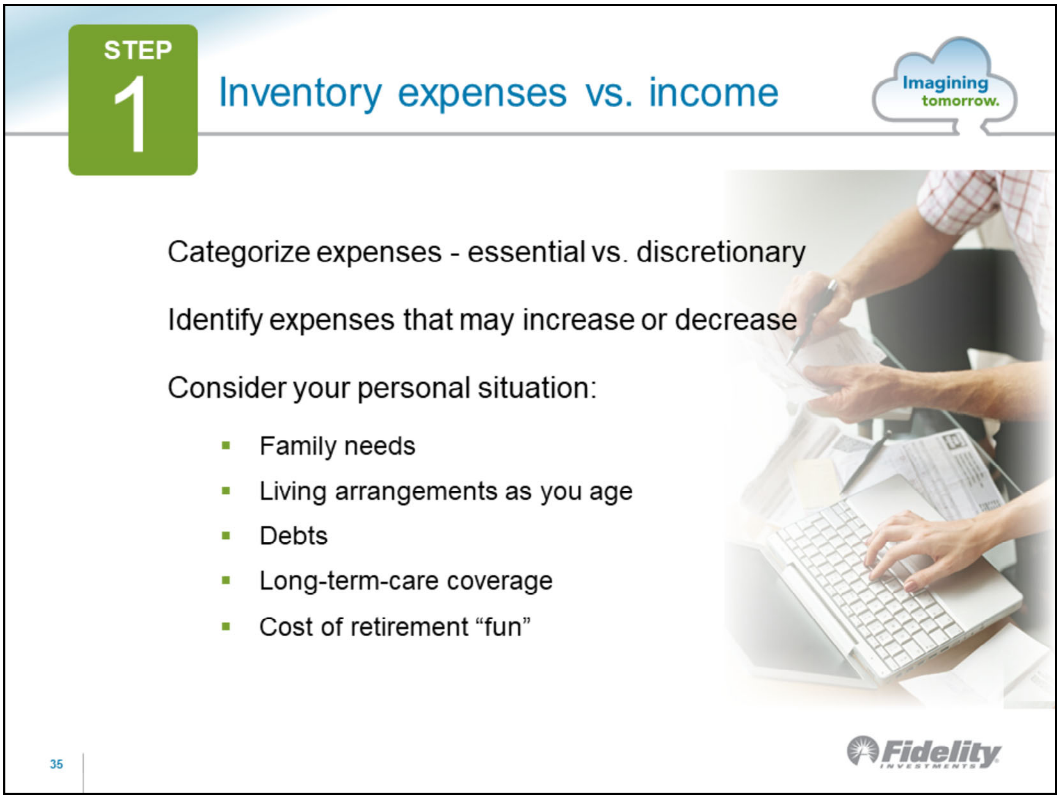

**Retirement Income Planning process**

Most people find this process helpful. And it can be confidence-building to develop specific steps, using your own data and information. Here is how we approach developing a retirement income plan:

1. Figure out your **Inventory of expenses and income sources**
2. Align your resources to first **cover your essential expenses**
3. **Fund discretionary expenses** after you know your essential expenses will be a paid for throughout retirement
4. **Review your plan regularly** – at least once per year so that you can make adjustments and revisions that reflect how you are living in retirement

This isn't a "one-and-done" process. Over time, your priorities may shift; your situation may change. This plan is designed to be structured yet flexible, so you can make adjustments over time to reflect your changes.

Let's review each step individually, then go through a couple of examples and look at how you might build a plan.




**Inventory expenses vs. income**

You may recall that before focusing on the financial side of retirement, you need to give some thought as to how you will spend your days and what you want to do.

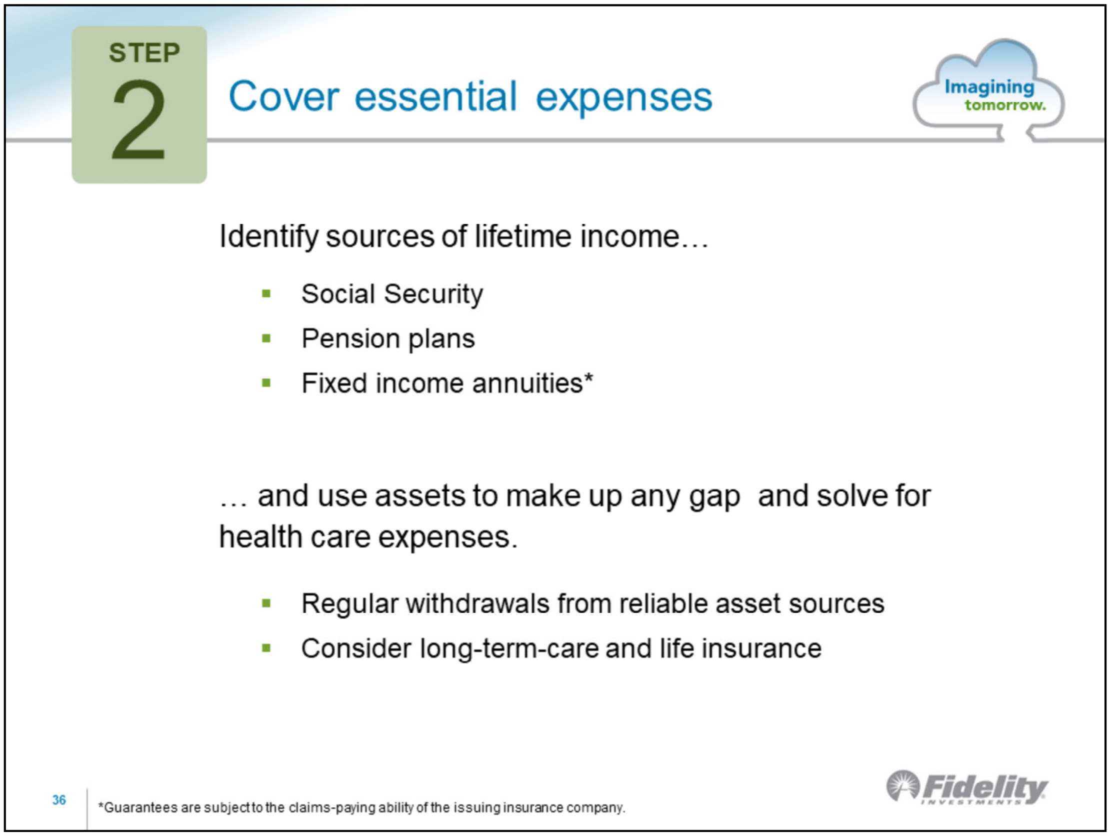
Then, you'll be ready to map out those expenses you need to plan for in retirement. There are two types of expenses: essentials and discretionary.

**Essential expenses** are those that you absolutely must have money for—housing (which includes homeowner's insurance, household repairs and maintenance, mortgage, property tax, rent/condominium fees), health care, food, etc. For some, essential includes memberships to clubs and activities that will define your retirement.

**Discretionary expenses** are those that you could give up if you don't have the money to support them. For most retirees, these include lifestyle items like travel, dining out, and going "first class." You're not giving these things up, but in years when you are uncomfortable about the market, you are willing to scale back on them or postpone them.

During your inventory, you also want to think about which expenses may **increase or decrease in retirement.** While some expenses may decrease in retirement (you're likely to spend less on work clothing, finalize your mortgage, for example), other expenses, such as health care, are almost certain to increase.

Your personal situation will drive your expenses, so think about how your family needs may influence your expenses. (Will you help elderly parents with their retirement? Take care of a special needs child?) Address your living arrangements for early retirement years and late retirement years. Plan for paying down any outstanding debt and covering potential long-term care needs. And, don’t forget about the fun!




**Cover essential expenses**

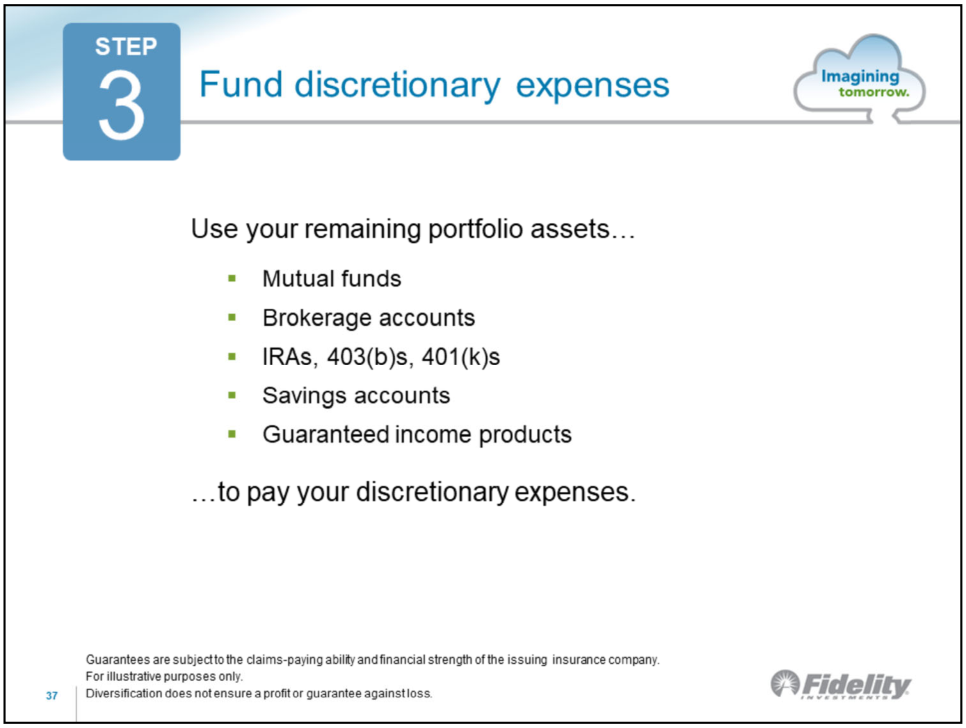
Here in step 2, you'll want to identify those sources of income that can provide you with lifetime income—payments that will continue for the rest of your life and that will cover essential expenses. Typically these include Social Security, employer pensions, and fixed income annuities. When you combine all of these lifetime sources, you can see if they cover all of your essential expenses.

If not, you'll then look at your assets to make up any gap and make sure you have a strategy for covering your health care costs. Here's where you monitor your withdrawal rate, making sure you stay within the sustainable band. Revisit your long-term-care options and life insurance to see how they factor into your retirement income plan as well.

You may find it helpful to work with to figure out a strategy for covering your essential expenses. There are several options, including using a portion of your assets to purchase an income annuity. An income annuity immediately converts a one-time purchase payment into a stream of income payments guaranteed by the issuer to continue for the rest of your life. *(Guarantees are subject to the claims-paying ability of the issuing insurance company.)*

We could help you set up a systematic withdrawal plan that would automatically take withdrawals from your assets to generate the income you need to cover your essential expense gap.

This is such an important step in your plan that you may find it better to work with a consultant.



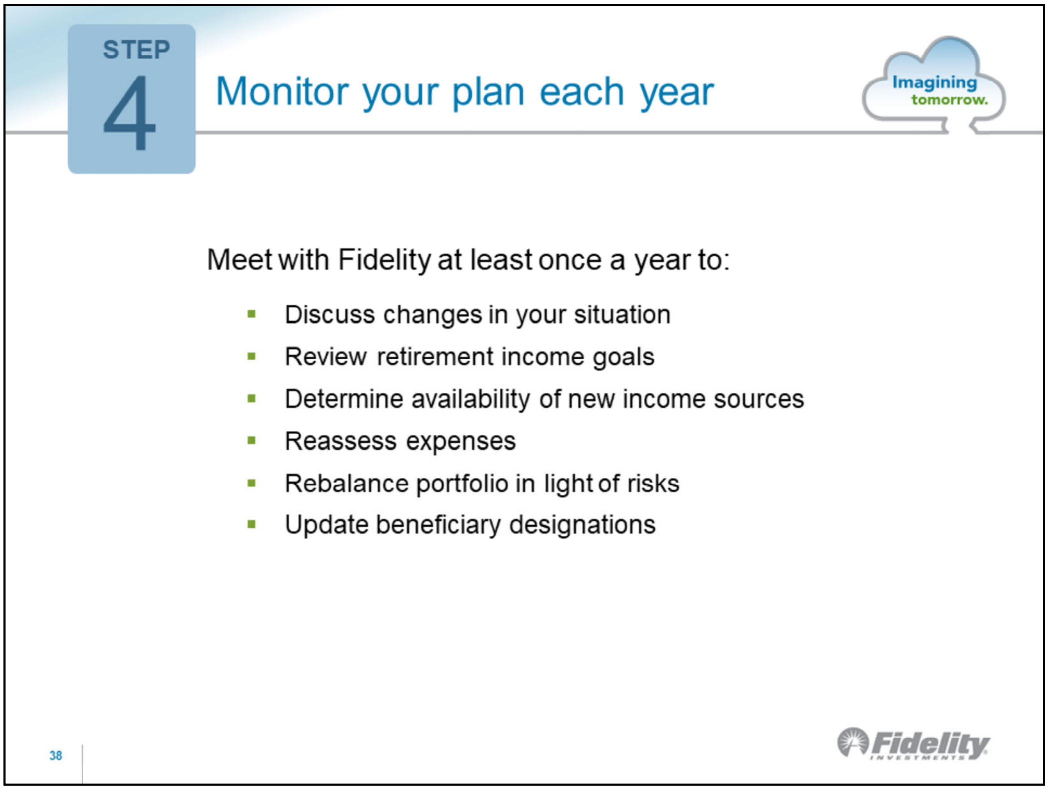

**Fund discretionary expenses**

Discretionary expenses are for those dreams that all of us have for retirement: traveling, visiting the grandkids more often, exploring new hobbies, entertainment, etc. We often talk about discretionary expenses in terms of your "lifestyle." Each of you will have different points of view on your retirement lifestyle, including between spouses and partners, which can make for some very interesting conversations!

In most cases, you'll need to prioritize your lifestyle wants, plan for them, and pay for them. The remaining assets that you have in your portfolio, after you've covered all of your essential expenses, become available for discretionary spending. Again, you'll need to manage your investment strategy, asset allocation, and your withdrawal rate.

Work with **Duke Fidelity Reps Yevette Mills, Christopher Mann and Alan Collins** to set up a strategy designed to provide discretionary income. As you are doing during your accumulation years, you'll use investments in your accounts that meet your risk profile.

Please note that the Duke Reps information can be accessed here:
hr.duke.edu/benefits/retirement/investment-carriers



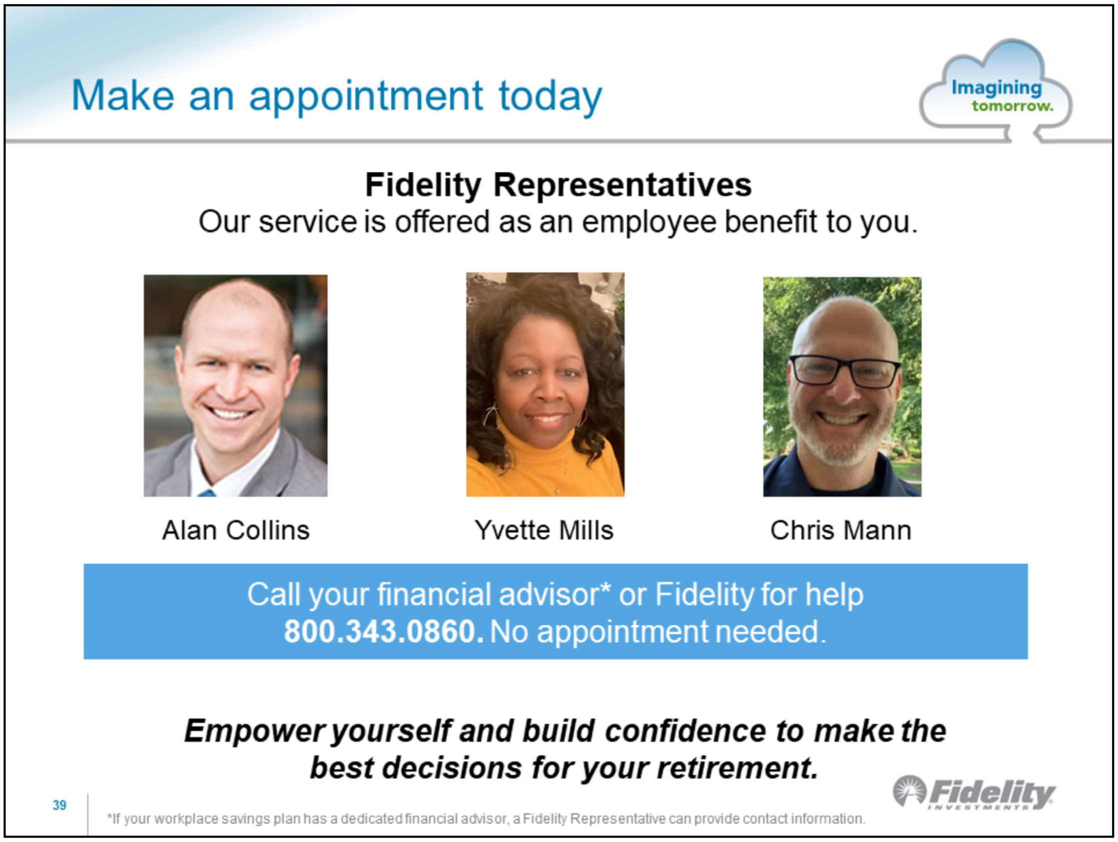

**Monitor your plan each year**

Step 4 is all about the importance of examining your plan regularly. At Fidelity, we recommend that you revisit your plan and make sure you're still on track at least once a year. You can do this at any time, but many retirees find it fits in best at the beginning of the year when dealing with tax filings and reviewing year-end balances.

In this step, you'll

- **Look at changes in your situation** – are you moving, did someone fall ill? Does a family member need financial support?
- **Review your retirement income goals** – what has changed since last year? What new opportunities have come up that you want to include?
- **Determine if new income sources** are coming available – will you be starting Social Security or required minimum distributions? Did you finish paying a debt and now have that amount for something else?
- **Reassess your expenses** – are you spending too much or too little? What can you do to fix any issues? Which expenses went up over the past year—taxes, fuel, health care?
- **Rebalance your portfolio** based on your risk tolerance – has anything changed that would make a difference in how you take on investment risk?
- **Update your beneficiary designations,** a key step that many of us forget: Is there a new grandchild or charity to add? A beneficiary to remove?

Your retirement income plan is a tool for you to use throughout your retirement. It is structured yet flexible. You'll be able to see how your financials are supporting you and make adjustments over time, as you need to.




**You're busy, but don't delay**

I know we've covered **a lot** of ground today. And, you might be thinking, *How can I fit retirement income planning into my busy life?*

Like all important projects, you prioritize it to the top of the list and take it in small sections. Give yourself plenty of time and use all of the resources you have available. A good starting place is to meet with us:

- If you already have a formal—or informal—plan, come on in and put your plan to the test. Compare your thinking with ours. You have nothing to lose. You will either get confirmation that your plan is on the right track or uncover some new findings to improve your plan.
- If you don't have a plan, come see us. We can help you!

This is a benefit you receive as part of your employer's retirement program. You can meet with someone onsite at [location] or have the same discussion over the telephone.

Make the commitment to create your own retirement income plan. You'll be empowered, more confident and will be prepared to answer that question of "How will you know you're ready to retire?"

# Methodology and Information

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**Investing involves risk, including risk of loss.**

The retirement planning information contained herein is general in nature and should not be considered legal or tax advice. Fidelity does not provide legal or tax advice. This information is provided for general educational purposes only and you should bear in mind that laws of a particular state and your particular situation may affect this information. You should consult your attorney or tax advisor regarding your specific legal or tax situation.

**Principal value and investment returns of a variable annuity will fluctuate and you may have a gain or loss when money is received or withdrawn.**

**Fidelity Brokerage Services, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917**

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