4 steps to retire with confidence

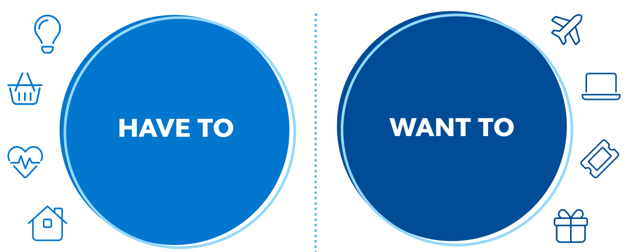
You've probably spent decades saving for retirement. But have you thought about the reality of what you'll do (and how you'll pay for things) when you stop working?

It might be time to create an income plan now to help make sure you can pay your bills later. One way to do this is by determining the lowest income you can receive and still be able to pay your bills. We call this the income floor strategy.

Here are four easy steps to help you establish your retirement income floor.

1 Estimate your retirement expenses

Separate expenses into those you "have to" pay and those you might "want to" spend your money on. The total in your "have to" column is your income floor.



Have to	Want to
Utilities	Travel
Groceries	Consumer goods purchases
Known health care costs	Entertainment
Mortgage or rent	Spending on family and friends

Facts about guaranteed retirement income

Most of us will receive guaranteed monthly income from Social Security. But if you depend on this as your only source of income, you may not be able to meet your income needs.

The average person can expect Social Security to replace 37% of their current income.[2]

And most people won't be able to count on an employer pension plan: According to a recent federal survey only 20% of non-retirees have access to one.[1]

Now might be a good time to think about how you'll make up your retirement income shortfall.

An annuity could be the answer.

2 Know what money you can depend on

Identify all the sources of income available to help you fund your retirement. These fall into two categories: non-guaranteed and guaranteed sources of income.

Non-guaranteed income is any investment account that doesn't provide reliable income. For example, the value of market-based investments like mutual funds and IRAs could go up or down depending on what's happening in the economy. This in turn could affect your ability to withdraw funds when needed.

Guaranteed income is money you'll receive on a regular basis and be able to rely on no matter what. When you're working, this is your paycheck. When you retire, this could be one or all of the following three sources:

SOCIAL SECURITY

PENSIONS

ANNUITIES*

3 Match your guaranteed income to your expenses

It's time to figure what income sources will be dedicated to paying your "have to" bills.

- Start by learning how much you'll receive from Social Security by visiting SSA.gov and establishing your personal account. You can request an estimate of your future payments.
- Factor in whether you will receive a pension payment from current or past jobs.
- If you add these together and there's not enough to pay your "have to" expenses, you'll need to cover this gap.

Here's an example.

$3,000 Income floor − $2,375 = **$625** Income gap

$2,375 = **$1,000** Pension income + **$1,375** Social Security income

This example is hypothetical and is not meant to show actual results or predict future results. It's intended to be educational in nature and is not intended to be taken as a recommendation. Your circumstances and experience will be different than that shown.

*Guarantees are based on the claims-paying ability of the issuing insurance company.

4 Plan how to fill your income gap

An annuity that provides guaranteed income can be used to fill the gap in your income floor.

An annuity is a contract you purchase from an insurance company. You use a portion of your savings to purchase the annuity. The insurance company then provides regular income payments from your annuity purchase. You'll receive this guaranteed money for the rest of your life, even if your payments eventually exceed the amount of your original contract.

Here's how an annuity could help fill the gap illustrated in Step 3.

Let's say you have

$350,000

in retirement assets.

This could be 401(k)s, IRAs, and other investment accounts.

You put...

$150,000

into a variable annuity with a guaranteed income rider

This will generate $725 each month in guaranteed income. This covers the income gap and helps ensure you can pay your bills.

$200,000

into investment accounts tied to market performance

Money kept in investments still have the potential to grow and can be used for other things you want to do in retirement.

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Guaranteed income from a variable annuity is not a liquid investment, it's being used to guarantee that you can pay your regular bills. Because you cannot quickly access these funds, it's important to set aside money for discretionary expenses and emergencies.

You deserve to enjoy your retirement years knowing you'll always have money to live on. **Talk to a financial professional about creating your guaranteed income floor.**

[1] federalreserve.gov; *Economic Well-Being of U.S. Households in 2022 (May 2023)*

[2] Top Ten Facts About Social Security, Center on Budget and Policy Priorities, April 2023

principal.com

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits are not obligations of, nor backed by, the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Contract rider descriptions are not intended to cover all restrictions, conditions or limitations. Refer to rider for full details.

Withdrawals prior to age 59½ may be subject to 10% IRS penalty.

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