

# KNOW YOUR NUMBERS



**Whether you're monitoring your account balance or your daily step count, numbers are critical to creating a sound strategy for achieving your retirement goals.**

Your retirement income gap is one of the most important numbers to keep in mind as you plan for and adjust to life after full-time work. The income gap is the difference between essential fixed monthly expenses and reliable sources of income. Fixed monthly expenses such as housing, food, and healthcare will continue throughout retirement, while discretionary expenses such as leisure and entertainment may change slightly.

As life expectancy increases, the retirement income gap takes on more significance. Estimating your monthly expenses in retirement is the first step toward creating a strategy. Keep in mind your expenses in retirement likely will differ from your pre-retirement expenses. Some may decrease (such as commuting costs) while others may increase (think travel, recreation, hobbies). Inflation will likely cause your monthly expenses to increase over time. The goal is to estimate your expenses before you retire — and update them as you go through retirement.

The next step is to consider your sources of income during retirement, such as Social Security or a pension from work. For many people, this income won't be enough to meet their essential monthly expenses. Your Transamerica advisor can discuss strategies to help bridge the gap.

## BUDGETING TIPS



### **SOCIAL SECURITY**

To help protect yourself against fraud, you should create an account at [ssa.gov/myaccount](https://ssa.gov/myaccount). This also allows you to view your estimated Social Security benefit, which will vary depending on when you claim. Your Social Security statement will estimate your benefit at age 62, at your full retirement age, and at age 70. If you have a spouse who didn't work, a spousal benefit should be available. Be sure to include any spousal benefit in your Social Security income. If you work in retirement, your Social Security benefits could be reduced depending on your age and earnings. Once you reach full retirement age, you can collect full benefits regardless of how much you earn, but up to 85% your benefit could be subject to federal income tax.



### **PUBLIC PENSIONS**

If you receive (or expect to receive) a pension from a public employer (e.g. a state, local, or municipal government) it may impact your anticipated Social Security benefit. The Windfall Elimination Provision ("WEP") may reduce your Social Security benefit when you also receive a public pension. The Government Pension Offset ("GPO") may reduce a spousal benefit when you also receive a pension. For more information about the WEP and the GPO, visit [ssa.gov](https://ssa.gov).



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## HEALTHCARE

Many people have their Medicare Part B premium deducted from their monthly Social Security payment, so be sure to consider that when entering your Social Security income. In 2020 this amount can range from \$144.60 to \$491.60, depending on your modified adjusted gross income. Supplemental health insurance options may also involve a monthly premium that should be included as a fixed monthly expense. You can find monthly premium information for Medicare and supplemental health insurance options at **Medicare.gov**.



## RETIREMENT INCOME STRATEGIES

An annuity can help fill the retirement income gap by providing guaranteed income for life.\* Annuities also can help manage tax liability or offer protection for loved ones once you're gone.

### LISTEN UP

Something as simple as a hearing aid illustrates how your wealth can be impacted by your health and future healthcare costs. Roughly 1 in 3 Americans age 65 - 74 experiences hearing loss, which can make it difficult to engage socially and cause feelings of isolation.<sup>1</sup> Loneliness and social isolation can be as damaging to health as smoking 15 cigarettes a day.<sup>2</sup> But hearing aids can be expensive and are not covered by Medicare.<sup>3</sup> Budgeting for this cost can help prevent sticker shock — and potentially increase your longevity.

## NOW WHAT?

First, use the following worksheet to help determine the extra monthly income you will need to address your retirement income gap. Remember, this gap represents the minimum monthly income you'll need to generate from your retirement accounts (such as IRAs and 401(k)s) to help cover your total expenses.

Once you've completed the worksheet, talk to your Transamerica advisor about retirement income options. Your advisor can discuss the many strategies to address the retirement income gap and help find the one that may work best for you.

## Address your income gap.

Talk to a Transamerica advisor today.



**Contact:** 866-368-0566



**Email:** [advisor@transamerica.com](mailto:advisor@transamerica.com)

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

<sup>1</sup> "Age-Related Hearing Loss," National Institute on Deafness and Other Communication Disorders

<sup>2</sup> The "Loneliness Epidemic," Health Resources & Services Administration, 2019

<sup>3</sup> Medicare.gov



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## ESSENTIAL EXPENSES

HOUSING/LIABILITIES	MONTHLY
Mortgage or rent + all fees	<input type="text"/>
Property taxes	<input type="text"/>
Homeowners insurance	<input type="text"/>
Repairs/maintenance	<input type="text"/>
Education	<input type="text"/>
Utilities (energy, cable, phone, etc.)	<input type="text"/>
Other	<input type="text"/>
NECESSITIES	MONTHLY
Groceries	<input type="text"/>
Clothing	<input type="text"/>
Other	<input type="text"/>
HEALTHCARE & INSURANCE	MONTHLY
Health insurance	<input type="text"/>
Out-of-pocket (prescriptions and co-pays)	<input type="text"/>
Dental insurance	<input type="text"/>
Medicare premiums	<input type="text"/>
Vision insurance	<input type="text"/>
Long term care insurance	<input type="text"/>
Life insurance	<input type="text"/>
Family/parental care	<input type="text"/>
TRANSPORTATION	MONTHLY
Auto loan	<input type="text"/>
Auto insurance	<input type="text"/>
Fuel/maintenance	<input type="text"/>
Other (rideshare/public)	<input type="text"/>
Auto registration/fees	<input type="text"/>
TOTAL ESSENTIAL EXPENSES	<input type="text"/>

## DISCRETIONARY EXPENSES

	MONTHLY
Dining out	<input type="text"/>
Vacation/travel	<input type="text"/>
Club memberships	<input type="text"/>
Hobbies	<input type="text"/>
Charitable giving	<input type="text"/>
Other	<input type="text"/>
TOTAL DISCRETIONARY EXPENSES	<input type="text"/>

## TOTAL EXPENSES

	MONTHLY	ANNUAL
Housing	<input type="text"/>	<input type="text"/>
Necessities	<input type="text"/>	<input type="text"/>
Healthcare & insurance	<input type="text"/>	<input type="text"/>
Transportation	<input type="text"/>	<input type="text"/>
Discretionary	<input type="text"/>	<input type="text"/>
TOTAL EXPENSES	<input type="text"/>	<input type="text"/>

## MONTHLY INCOME

Social Security	<input type="text"/>
Pension	<input type="text"/>
Annuities	<input type="text"/>
Other (i.e. retirement accounts, rental properties, etc.)	<input type="text"/>
TOTAL MONTHLY INCOME	<input type="text"/>

## TOTAL ANNUAL RELIABLE INCOME

	MONTHLY	ANNUAL
TOTAL ESSENTIAL EXPENSES	<input type="text"/>	<input type="text"/>
TOTAL ANNUAL RELIABLE INCOME	<input type="text"/>	<input type="text"/>
ESSENTIAL EXPENSES INCOME GAP	<input type="text"/>	<input type="text"/>
TOTAL EXPENSES (ESSENTIAL AND DISCRETIONARY)	<input type="text"/>	<input type="text"/>
TOTAL ANNUAL RELIABLE INCOME	<input type="text"/>	<input type="text"/>
TOTAL RETIREMENT INCOME GAP	<input type="text"/>	<input type="text"/>

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