Make Your Savings Last in Retirement

Your Wealth.

You spend most of your life saving for retirement, and when the time comes you want to be sure you'll have enough to live on. As a rule of thumb, you'll need 80-85 percent of your preretirement income for each year of retirement. If retirement is in your sights, here are some suggestions to help your savings last longer.

- **Save as much as you can while you're working.** You can save as much as 75% of your regular pay in the Chevron Employee Savings Investment Plan (ESIP), up to certain annual limits. In addition, if you are age 50 or older (or will turn 50 by the end of 2015) and you contribute the maximum amount to the ESIP, you can make additional catch-up contributions up to $6,000. To find out how much of your pay you can contribute to maximize your ESIP, use the MaxSave Calculator.
- **Create a budget spreadsheet.** Many people never take the time to figure out how much they'll need in retirement. A budget spreadsheet will give you an inventory of your estimated income and expenses in retirement. You can then use it to decide whether you're financially ready to retire. Keep in mind that some expenses may be less in retirement (commuting to and from work) while others may be higher (travel or medical costs). And be sure to account for any one-time expenses, such as a wedding or vacation. You should review and update your budget spreadsheet regularly to account for life changes and inflation.
- **Limit your withdrawals.** Consider withdrawing no more than 4 percent of your savings the first year of retirement. You can adjust this percentage each year to keep up with inflation, if necessary. If you have different types of retirement accounts, you may be able to prolong your savings by withdrawing money in the most tax-efficient order. For example, first consider spending money that has already been taxed, like your personal savings. Then, money from tax-deferred accounts, like the ESIP. And finally, from tax-free accounts like a Roth IRA or Roth contributions to the ESIP.
- **Put off collecting Social Security.** You can start receiving Social Security benefits at age 62; however, if you do, your benefits will be reduced by 20 to 30 percent compared to waiting until full retirement age. If you wait until age 70, your benefit could be nearly twice what it would be at age 62. Visit the Social Security Administration website for more information.
- **Strive for good health.** According to the National Coalition on Health Care, retired elderly couples will need about $250,000 in savings to pay for basic medical care over the rest of their lifetimes. Healthy eating and exercise may help cut down on out-of-pocket medical expenses. A gym membership may be a good investment if it helps you stay healthy and out of the hospital.
- **Delay retirement or work part time.** If you find that your income may not be enough to live comfortably, you may want to consider postponing retirement or working part time. Remember, you may live another 30 years after you retire and your savings will also need to last that long.

Stretch Your Money

Proactively managing your investment accounts and understanding the risks and potential payoffs over time will help you stretch your retirement income. For more information about investing for retirement, log on to www.vanguard.com and visit the **Education & News** section.