

Retirement Savings Worksheet

1. Estimate your final salary by multiplying your current salary by the inflation factor in Worksheet 11-8 based on the number of years you have until retirement. For example, if you're currently making \$50,000 per year and plan to retire in 20 years, your formula is $\$50,000 \times 1.81 = \$90,500$. In other words, by the time you retire, it will take over \$90,000 to buy what \$50,000 does today because of inflation.

Current Salary \$ _____ x (inflation factor) _____ = _____
Final Annual Salary

Multiply this Final Annual Salary number times the percentage of your current income you determined in Worksheet 11-4 that you will need in retirement.

2. If, for example, your final salary computed to be \$90,500, and the current income percentage you determined in Worksheet 11-4 was 74 percent ($\$90,500 \times 0.74$), you need \$66,970. You can go ahead and round that number out to \$67,000 per year needed in retirement.

Final Annual Salary \$ _____ x (percentage) _____ = _____
Annual Income Needed in Retirement

3. Reduce the Annual Retirement Income number you determined in Step 2 by the amount you will receive from guaranteed sources, such as company pension, Veteran's pension, Social Security, an immediate annuity, and so on.

Refer to Figure 11-6 for an estimate of your Social Security benefit if you don't happen to have a recent Benefit Estimate Statement from the Social Security Administration. If you do, use those numbers instead.

Presume for this example that you will receive \$1,800 a month in guaranteed income. You need \$67,000 per year in income. However, Social Security should provide \$21,600 of the total income you need, leaving a balance of \$45,400 per year to be covered by savings.

4. Total Retirement Income Needed \$ _____, less guaranteed income of \$ _____ equals \$ _____ per year.

Calculate the amount that you'll need from your savings by multiplying your net retirement income need in Step 3 by 20.

Example: $\$45,400 \text{ net retirement income need} \times 20 = \$908,000$.

Net retirement income need \$ _____ x 20 = \$ _____

5. Take into account your current savings for retirement by multiplying the balance in your retirement account by the growth factor illustrated in Worksheet 11-8; this number is what your retirement nest egg should be worth at your target retirement date.

For example, if your current savings for retirement is \$115,000 x growth factor of 3.87, \$445,050 is available at retirement from growth on current savings.

Current savings for retirement \$ _____ x (growth factor) = _____
\$ _____ available at retirement

6. If your result in Step 5 is less than the result in Step 4, you need to save more to achieve your retirement income objective. Continue on to Step 7. Otherwise, you just keep on saving your current amount!
7. Subtract your result from Step 5 from your result in Step 4 to determine the remaining capital you need.

Example: \$908,000 minus \$445,050 = \$462,950 additional retirement funds needed.

Result from Step 4 \$ _____ minus result from Step 5 \$ _____ equals \$ _____, which is the additional amount you need to accumulate between now and your retirement date to achieve your objective.

8. Divide your required additional funds (from Step 7) by the multiplier in Worksheet 11-8 to determine the approximate amount of money you need to save each and every year to achieve your retirement objective.

Example: \$462,950 divided by 41.00 = \$11,291 required annual retirement savings

Additional funds needs \$ _____ divided by (multiplier factor) _____ = \$ _____ requirement annual retirement savings.