



## A Retirement Planning Checklist for Couples

Fidelity Investments® recently surveyed 502 married couples, born between 1937 and 1964, to find where husbands and wives agreed or didn't agree on their knowledge, expectations and opinions about retirement<sup>1</sup>. Results showed that 60 percent of couples don't agree on their respective retirement ages, 44 percent are not in agreement on whether they will work in retirement, and 42 percent have different ideas regarding their expected lifestyle in retirement. With this in mind, Fidelity® developed a list of suggested steps couples should take as they approach retirement, to help prepare for a more secure financial future.

### Cover the Basics

- ✓ **Define your lifestyle.** *More than two in five (42 percent) couples surveyed don't agree on lifestyle expectations in retirement.* Determine what you both want from retirement. Will you continue to work, and live your current lifestyle? Do you dream of traveling? Where will you live?
- ✓ **Choose your target date.** *Three out of five (60 percent) couples surveyed differ on their expected retirement ages.* Discuss with one another what age you would like to retire. Are you working toward an early retirement?
- ✓ **Decide if you will work in retirement.** *More than two in five couples (44 percent) surveyed don't agree whether they'll work in retirement.* Before you can put a realistic retirement plan in place, it is important to understand if you will need to supplement retirement income with part-time work, or if you would like to work in retirement by choice.

### Work as a Team

- ✓ **Two heads are better than one.** *Though 57 percent of couples surveyed say one of the best pieces of advice they would give to newlyweds is to make all financial decisions together, less than half of couples make decisions jointly about day-to-day finances (45 percent) or investment decisions for retirement savings (38 percent).* Be an active partner and joint decision-maker when it comes to financial planning, don't leave it all to one spouse.
- ✓ **Create a Plan.** *Fifty-four percent of couples surveyed have worked on a detailed retirement income plan to ensure they do not outlive their savings.* Acquaint yourself with the key components of a successful retirement income plan (e.g., budget, asset allocation strategy, withdrawal strategy) and what makes them successful. Develop your own plan particular to your individual retirement time horizon, risk tolerances and goals. Create a detailed retirement income plan with Fidelity's Retirement Income Planner<sup>2</sup> at [www.fidelity.com/incomeplanner](http://www.fidelity.com/incomeplanner).

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<sup>1</sup> 2009 Fidelity Investments Couples Retirement Study. Online survey fielded in April 2009 through Knowledge Networks Inc.'s nationally representative panel and conducted by Richard Day Research.

<sup>2</sup> Retirement Income Planner is an educational tool developed and offered for use by Strategic Advisers, Inc., a registered investment adviser and a Fidelity Investments company.

- ✓ **Take Inventory and Know the Details.** *Only 15 percent of couples surveyed are confident in their ability to both assume financial responsibility of retirement finances.* Both spouses should know providers and account information for all savings and investment vehicles, including bank accounts, workplace savings plans, pensions, IRAs, brokerage accounts, life insurance, and annuities. This becomes particularly important in the event one of the two spouses experiences a sudden illness, catastrophic event or death.
- ✓ **Stay on Track.** *Forty-nine percent of couples surveyed expect a very or somewhat comfortable lifestyle in retirement.* It is key to monitor and rebalance your portfolio at least once a year to make sure you are comfortable with the level of risk. Proper asset allocation becomes more important during times of extreme market expansion and contraction, as asset classes grow at different rates and lose value at varying levels.
- ✓ **Catch up on savings.** *More than three-quarters (77 percent) of couples surveyed agree they will use a workplace retirement plan, such as a 401(k), as a retirement income source and 59 percent agree they will use an IRA for retirement income.* Help increase your savings by investing the maximum in your 401(k) and IRAs. Eligible workers ages 50 and older also have the opportunity to contribute an additional \$3,500 to their workplace retirement plan in 2009 beyond the \$16,500 annual limit, if their plan allows. IRAs provide similar catch-up opportunities to save more outside your 401(k) as well, with the opportunity for older workers to contribute an additional \$1,000 in 2009, beyond the \$5,000 annual limit. Annuities with no IRS contribution limits allow couples to meet their retirement savings goals by saving more tax deferred.
- ✓ **Consider income alternatives.** *More than two out of five (41 percent) couples surveyed are concerned about inflation cutting into savings and 19 percent are concerned that their Social Security benefit will be reduced.* Annuities can be an additional source of income in retirement, supplementing a pension and Social Security by providing a guaranteed<sup>3</sup> income payment to help cover essential fixed expenses. Converting up to 30 percent of retirement savings into an annuity may provide individuals with a guaranteed income stream without risking liquidity needs and long-term growth. Or, if you're still saving for retirement and have made maximum contributions to your 401(k) plan and IRA, an annuity may be considered to enable continued tax-deferred investment growth potential and to potentially generate income in retirement.<sup>4</sup>

## Discuss Future Needs

- ✓ **Assess retiree health care costs.** *More than half (57 percent) of couples surveyed agree that unexpected major health care expenses is among the top concerns in retirement.* Fidelity estimates that a couple retiring in 2009 at age 65 with no employer-provided health care coverage will need \$240,000<sup>5</sup> in savings to fund out-of-pocket medical expenses in retirement. Get to know Medicare and how any employer-sponsored health benefits will work with Medicare in retirement. If you will need health care coverage between your retirement date and when you are eligible for Medicare (generally age 65), find out the cost of coverage under COBRA and various individual or association programs, if you qualify.

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<sup>3</sup> **Guarantees are subject to the claims-paying ability of the issuing insurance company.**

<sup>4</sup> Strategic Advisors, Inc., utilizing Fidelity's proprietary financial planning engine, 2005.

<sup>5</sup> Fidelity Consulting Services 2009, *The Fidelity Millionaire Outlook*<sup>SM</sup>. Assumes no employer-provided retiree health coverage and life expectancies of 17 years for a male and 20 years for a female.

- ✓ **Consider long-term care insurance.** *Seventy-one percent of couples surveyed agreed they do not have long-term care insurance. Think about funding long-term care insurance if you haven't done so already. Consider that there is a 50 percent chance that today's 65 year-old couples could live well past the age of 90<sup>6</sup>. Rising health care costs, coupled with inadequate health care coverage, can have a devastating impact on your retirement income plan.*
- ✓ **Understand Social Security.** *More than one in five (21 percent) of couples surveyed expect Social Security will be one of their top three income sources in retirement. Work with the U.S. Social Security Administration ([www.ssa.gov](http://www.ssa.gov)) to familiarize yourself with how Social Security works, the benefits due to you, and the steps you need to take to activate your payments upon retirement. Determine your optimal age to begin taking payments; you may want to consider delaying the age at which you collect in order to increase your monthly payment. If you decide to retire prior to age 62, you should contact the Social Security Administration to order a revised statement with the new retirement date to determine any changes in your payment.*
- ✓ **Consolidate assets for greater control.** *Almost two-thirds (61 percent) of couples don't agree about the frequency with which their retirement portfolio reviews take place. Given that couples will need to manage a number of income sources in retirement, it is important to consider consolidating accounts to have more control in monitoring and managing those assets. Seek out services that allow you to view all accounts from one central source. This will allow you to gain more control and will simplify your life in retirement.*

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The experience of the couples who responded to the 2009 Fidelity Investments Couples Retirement Study may not be representative of the experiences of all investors.

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<sup>6</sup> Fidelity Consulting Services 2009, *The Fidelity Millionaire Outlook<sup>SM</sup>*.