

Retirement

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Overview



Step 1 Nest Egg

Start by estimating your retirement Nest Egg—the amount you'll need to live off of your retirement savings.



Step 2 Saving Goal

Given your targeted Nest Egg, calculate how much to save and invest each year to meet your plan.



Step 3 Investment Strategy

We've assumed a 5% investment return after inflation. Consider how different strategies affect your plan.

Step 1: Nest Egg

The first step is to calculate how much of a retirement “Nest Egg” to aim for. We do this by estimating your expenses and then figuring out how much savings will fund them. Here’s how it works:

Safe Annual Withdrawal = 4% of Nest Egg

We assume that you can safely withdraw 4% each year in retirement. Investment income will help offset the withdrawals to ensure you continue to have funds available. According to the research, most well-managed retirement portfolios would last at least 30 years using this “4% rule.”

Target Nest Egg = Annual Retirement Expenses \times 25

Based on withdrawing 4% each year, your Nest Egg would be 25 times your expenses.

Annual Retirement Spending \approx 70-80% of Pre-retirement Annual Income

Retirement expenses vary widely between individual households, but a good starting point is to estimate that you'll need 70-80% of your pre-retirement annual income. Factors that may affect your expenses include: changing living expenses, family support, social security income, lower income tax bracket, or relocating based on cost-of-living. A comprehensive financial plan can provide much more detail.

Step 1: Nest Egg

Percentage used for Annual Retirement Spending

	70%	75%	80%	85%	90%	95%	100%
\$50,000.00	\$875,000.00	\$937,500.00	\$1,000,000.00	\$1,062,500.00	\$1,125,000.00	\$1,187,500.00	\$1,250,000.00
\$60,000.00	\$1,050,000.00	\$1,125,000.00	\$1,200,000.00	\$1,275,000.00	\$1,350,000.00	\$1,425,000.00	\$1,500,000.00
\$70,000.00	\$1,225,000.00	\$1,312,500.00	\$1,400,000.00	\$1,487,500.00	\$1,575,000.00	\$1,662,500.00	\$1,750,000.00
\$80,000.00	\$1,400,000.00	\$1,500,000.00	\$1,600,000.00	\$1,700,000.00	\$1,800,000.00	\$1,900,000.00	\$2,000,000.00
\$90,000.00	\$1,575,000.00	\$1,687,500.00	\$1,800,000.00	\$1,912,500.00	\$2,025,000.00	\$2,137,500.00	\$2,250,000.00
\$100,000.00	\$1,750,000.00	\$1,875,000.00	\$2,000,000.00	\$2,125,000.00	\$2,250,000.00	\$2,375,000.00	\$2,500,000.00
\$125,000.00	\$2,187,500.00	\$2,343,750.00	\$2,500,000.00	\$2,656,250.00	\$2,812,500.00	\$2,968,750.00	\$3,125,000.00
\$150,000.00	\$2,625,000.00	\$2,812,500.00	\$3,000,000.00	\$3,187,500.00	\$3,375,000.00	\$3,562,500.00	\$3,750,000.00
\$175,000.00	\$3,062,500.00	\$3,281,250.00	\$3,500,000.00	\$3,718,750.00	\$3,937,500.00	\$4,156,250.00	\$4,375,000.00
\$200,000.00	\$3,500,000.00	\$3,750,000.00	\$4,000,000.00	\$4,250,000.00	\$4,500,000.00	\$4,750,000.00	\$5,000,000.00
\$225,000.00	\$3,937,500.00	\$4,218,750.00	\$4,500,000.00	\$4,781,250.00	\$5,062,500.00	\$5,343,750.00	\$5,625,000.00
\$250,000.00	\$4,375,000.00	\$4,687,500.00	\$5,000,000.00	\$5,312,500.00	\$5,625,000.00	\$5,937,500.00	\$6,250,000.00
\$375,000.00	\$6,562,500.00	\$7,031,250.00	\$7,500,000.00	\$7,968,750.00	\$8,437,500.00	\$8,906,250.00	\$9,375,000.00
\$500,000.00	\$8,750,000.00	\$9,375,000.00	\$10,000,000.00	\$10,625,000.00	\$11,250,000.00	\$11,875,000.00	\$12,500,000.00

Pre-retirement Annual Income

Target Nest Egg



Step 1: Nest Egg

Percentage used for Annual Retirement Spending

	70%	75%	80%	85%	90%	95%	100%
\$50,000.00	\$875,000.00	\$937,500.00	\$1,000,000.00	\$1,062,500.00	\$1,125,000.00	\$1,187,500.00	\$1,250,000.00
\$60,000.00	\$1,050,000.00	\$1,125,000.00	\$1,200,000.00	\$1,275,000.00	\$1,350,000.00	\$1,425,000.00	\$1,500,000.00
\$70,000.00	\$1,225,000.00	\$1,312,500.00	\$1,400,000.00				
\$80,000.00	\$1,400,000.00	\$1,500,000.00	\$1,600,000.00				
\$90,000.00	\$1,575,000.00	\$1,687,500.00	\$1,800,000.00				
\$100,000.00	\$1,750,000.00	\$1,875,000.00	\$2,000,000.00				
\$125,000.00	\$2,187,500.00	\$2,343,750.00	\$2,500,000.00				
\$150,000.00	\$2,625,000.00	\$2,812,500.00	\$3,000,000.00				
\$175,000.00	\$3,062,500.00	\$3,281,250.00	\$3,500,000.00				
\$200,000.00	\$3,500,000.00	\$3,750,000.00	\$4,000,000.00				
\$225,000.00	\$3,937,500.00	\$4,218,750.00	\$4,500,000.00				
\$250,000.00	\$4,375,000.00	\$4,687,500.00	\$5,000,000.00	\$5,312,500.00	\$5,625,000.00	\$5,937,500.00	\$6,250,000.00
\$375,000.00	\$6,562,500.00	\$7,031,250.00	\$7,500,000.00	\$7,968,750.00	\$8,437,500.00	\$8,906,250.00	\$9,375,000.00
\$500,000.00	\$8,750,000.00	\$9,375,000.00	\$10,000,000.00	\$10,625,000.00	\$11,250,000.00	\$11,875,000.00	\$12,500,000.00

Pre-retirement Annual Income

Example:
 My income is \$70,000, and I expect to need 75% of that each year in retirement.
 I should aim to save \$1,312,500 by retirement.

Target Nest Egg

Step 2: Saving Goal

Now that we have a target Nest Egg amount, we can work backward to see how much to save. Because of investment returns, the earlier you save, the better. Here's how we calculate what percent of your Nest Egg to save each year:

Assumed Investment Return = 5% (after inflation)

Throughout this planner, we're assuming that saving and investing yields a 5% return after accounting for inflation. Step 3 of this planner examines how different returns can affect the results.

Nest Egg Gap = Target Nest Egg – Future Value of Today's Savings

To calculate the gap, we project your current savings forward using the above investment return assumption.

$$\text{Saving Goal} \approx \frac{\text{Nest Egg Gap} \div \text{Years until Retirement}}{\text{Target Nest Egg}}$$

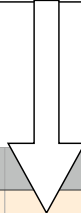
The amount to save every year depends on the size of the gap and time left until retirement. The math involved doesn't fit neatly on this page, so we provide a reference table.

The Saving Goal represents how much of your Nest Egg to save each year.

Step 2: Saving Goal

Years until retirement

Danger zone



Percent of Nest Egg already saved

	50	45	40	35	30	25	20	15	10	5
0%	0.5%	0.6%	0.8%	1.1%	1.5%	2.1%	3.0%	4.6%	8.0%	18.1%
5%	0.2%	0.3%	0.5%	0.8%	1.2%	1.7%	2.6%	4.2%	7.3%	16.9%
10%		0.1%	0.2%	0.5%	0.9%	1.4%	2.2%	3.7%	6.7%	15.8%
15%				0.2%	0.5%	1.0%	1.8%	3.2%	6.0%	14.6%
20%					0.2%	0.7%	1.4%	2.7%	5.4%	13.5%
25%						0.3%	1.0%	2.2%	4.7%	12.3%
30%							0.6%	1.7%	4.1%	11.2%
35%							0.2%	1.3%	3.4%	10.0%
40%								0.8%	2.8%	8.9%
45%								0.3%	2.1%	7.7%
50%									1.5%	6.5%
55%									0.8%	5.4%
60%									0.2%	4.2%
65%										3.1%
70%										1.9%
75%										0.8%
80%										
85%										
90-100%										

Ahead of target: Consider saving for a rainy day anyway

Very safe: Early retirement within reach

% of Nest Egg to save

Step 2: Saving Goal

Years until retirement

	50	45	40	35	30	25	20	15	10	5
0%	0.5%	0.6%	0.8%	1.1%	1.5%	2.1%	3.0%	4.6%	8.0%	18.1%
5%	0.2%	0.3%	0.5%	0.8%	1.2%	1.7%	2.6%	4.2%	7.3%	16.9%
10%		0.1%	0.2%	0.5%	0.9%	1.4%	2.2%	3.7%	6.7%	15.8%
15%				0.2%	0.5%	1.0%	1.8%	3.2%	6.0%	14.6%
20%					0.2%	0.7%	1.4%	2.7%	5.4%	13.5%
25%									4.7%	12.3%
30%									4.1%	11.2%
35%									3.4%	10.0%
40%									2.8%	8.9%
45%									2.1%	7.7%
50%									1.5%	6.5%
55%									0.8%	5.4%
60%									0.2%	4.2%
65%										3.1%
70%										1.9%
75%										0.8%
80%										
85%										
90-100%										

Example:

At 35 years old, I expect to retire in 30 years. I have \$131,250 already saved, which is 10% of my target Nest Egg.

I should aim to save 0.9% of the Nest Egg annually, which is \$11,812 per year.

Step 2: Saving Goal

Years until retirement

	50	45	40	35	30	25	20	15	10	5
0%	0.5%	0.6%	0.8%	1.1%	1.5%	2.1%	3.0%	4.6%	8.0%	18.1%
5%	0.2%	0.3%	0.5%	0.8%	1.2%	1.7%	2.6%	4.2%	7.3%	16.9%
10%		0.1%	0.2%	0.5%	0.9%	1.4%	2.2%	3.7%	6.7%	15.8%
15%				0.2%	0.5%	1.0%	1.8%	3.2%	6.0%	14.6%
20%					0.2%	0.7%	1.4%	2.7%	5.4%	13.5%
25%									4.7%	12.3%
30%									4.1%	11.2%
35%									3.4%	10.0%
40%									2.8%	8.9%
45%									2.1%	7.7%
50%									1.5%	6.5%
55%									0.8%	5.4%
60%									0.2%	4.2%
65%										3.1%
70%										1.9%
75%										0.8%
80%										
85%										
90-100%										

Example (cont.):

At 40 years old, I expect to retire in 25 years. I saved more than expected and now have \$262,500 saved, which is 20% of my target Nest Egg.

I should now aim to save 0.7% of the Nest Egg annually, which is \$9,187 per year.

% OF NEST EGG TO SAVE

Step 3: Investment Strategy

Finally, let's consider how different investment strategies can affect the time horizon of retirement. So far, we've been using 5% as a conservative investment return. Even small improvements can accelerate retirement plans by several years.

Asset class illustration

Professionally-managed strategy	Return after inflation
Money market fund	2%
Corporate and municipal bond portfolio	3%
Target date mutual fund	4%
60/40 portfolio (stocks/bonds)	5%
Blue-chip (value) stock portfolio	6%
S&P 500 stock portfolio	7%
Technology (growth) stock portfolio	8%
High-quality stock portfolio	9%+

Step 3: Investment Strategy

Years until retirement

Investment Return

	50	45	40	35	30	25	20	15	10	5
3%	+33 yrs	+29 yrs	+26 yrs	+23 yrs	+20 yrs	+16 yrs	+13 yrs	+10 yrs	+7 yrs	+3 yrs
4%	+12 yrs	+11 yrs	+10 yrs	+9 yrs	+7 yrs	+6 yrs	+5 yrs	+4 yrs	+2 yrs	+1 yrs
5%	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs
6%	-8 yrs	-7 yrs	-7 yrs	-6 yrs	-5 yrs	-4 yrs	-3 yrs	-2 yrs	-2 yrs	-1 yrs
7%	-14 yrs	-13 yrs	-11 yrs	-10 yrs	-8 yrs	-7 yrs	-6 yrs	-4 yrs	-3 yrs	-1 yrs
8%	-18 yrs	-16 yrs	-15 yrs	-13 yrs	-11 yrs	-9 yrs	-7 yrs	-5 yrs	-4 yrs	-2 yrs
9%	-22 yrs	-20 yrs	-17 yrs	-15 yrs	-13 yrs	-11 yrs	-9 yrs	-7 yrs	-4 yrs	-2 yrs
10%	-24 yrs	-22 yrs	-20 yrs	-17 yrs	-15 yrs	-12 yrs	-10 yrs	-7 yrs	-5 yrs	-2 yrs

Adjusted years from baseline of 5% after-inflation return

Step 3: Investment Strategy

Years until retirement

	50	45	40	35	30	25	20	15	10	5
3%	+33 yrs	+29 yrs	+26 yrs	+23 yrs	+20 yrs	+16 yrs	+13 yrs	+10 yrs	+7 yrs	+3 yrs
4%	+12 yrs	+11 yrs	+10 yrs	+9 yrs	+7 yrs	+6 yrs	+5 yrs	+4 yrs	+2 yrs	+1 yrs
5%	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs	0 yrs
6%	-8 yrs	-7 yrs	-7 yrs	-6 yrs	-5 yrs	-4 yrs				
7%	-14 yrs	-13 yrs	-11 yrs	-10 yrs	-8 yrs	-7 yrs				
8%	-18 yrs	-16 yrs	-15 yrs	-13 yrs	-11 yrs	-9 yrs				
9%	-22 yrs	-20 yrs	-17 yrs	-15 yrs	-13 yrs	-11 yrs				
10%	-24 yrs	-22 yrs	-20 yrs	-17 yrs	-15 yrs	-12 yrs				

Investment Return

Adjusted years from baseline of 5% af

Example:

At 35 years old, I may be able to retire 8 years earlier if I increase my investment return from 5% to 7%.



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