Replacing your regular paycheck at retirement:

Transitioning from your working to retirement years can be a tumultuous time. Understanding how to replace your income is vital in order to manage your finances in retirement. Understanding how to make this transition away from a paycheck can make the adjustment easier.

Typical earnings types during working years:

1. Wages
2. Commissions
3. Self-Employment Income
4. Bonuses
5. Rental Income
6. Other

With income from your job, you generally know when to expect funds in your bank account, whether you are paid monthly, weekly, bi-weekly, or in some other way. You also generally have taxes automatically withheld from your income. Can you do the same in retirement?

Typical earning types in retirement:

1. Investment Income
2. Social Security
3. Rental Income
4. Pension Income
5. Other

With Social Security and pensions, there is generally a time specific payment that you can expect regularly. But what if you are relying on investments mostly for your income? Your options include...
First, what is your budget in retirement – this is an important first step. Using a budgeting sheet can help you line item your budget. Once you know what your total monthly needs are, you can determine where those funds will come from.

If you take your monthly total required, subtract any fixed sources of retirement income (Social Security, pension, annuity payments). This will indicate what amount needs to be sourced from your investment accounts. The next question is, which account?

Common account types:

1. IRA
2. Roth IRA
3. 401(k)
4. After-tax account (Joint, Individual, Trust)
5. Other Employer Plans

Choosing which account to take funds from, and in which order, is dependent on your personal situation. Once you have determined where the funds are coming from, you can set up regular payments, just like a paycheck. This is generally called an ACH or Automated Clearing House and is a way to electronically transfer funds. You have choices as to the amount, the frequency of payments, and (if a pre-tax account) the tax withholding. For example:

**IRA Distribution on the 15th of every month: $2,500 NET to your local checking account.**

<table>
<thead>
<tr>
<th>Federal Tax Withholding 10%</th>
<th>$287.36</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Tax Withholding 3%</td>
<td>$86.21</td>
</tr>
<tr>
<td>Gross amount from IRA</td>
<td>$2,873.56</td>
</tr>
</tbody>
</table>

**Trust Distribution on the 15th of every month: $2,500 NET to your local checking account.**

Withholding is not applicable for after-tax accounts so the gross amount is also $2,500

All withheld taxes will be shown on form 1099-R which you will receive from your custodian at year-end.

You are able to set up multiple regular transfers, adjust the various factors at any time, and help to essentially replace a paycheck with a regular payout from investments. Of course, the biggest question may be:
Will I have enough to sustain myself throughout retirement?

Financial Planning can help to answer many of the questions outline above, but more importantly it can help ensure you can successfully achieve your financial goals!

Other factors:
- Making sure you withdrawal your RMD amount if over 70 ½
- If you retire before 59 ½ you cannot withdrawal from IRA or Roth IRA without penalties
- If you retire before 59 ½ and are at least 55, you can begin withdrawals from company plans without penalties