RETIREMENT PLAN Update

Issue 2, 2025

Your Challenge, Our Solutions™

The inflation equation

Investors should consider these measures to protect their retirement savings from inflation.

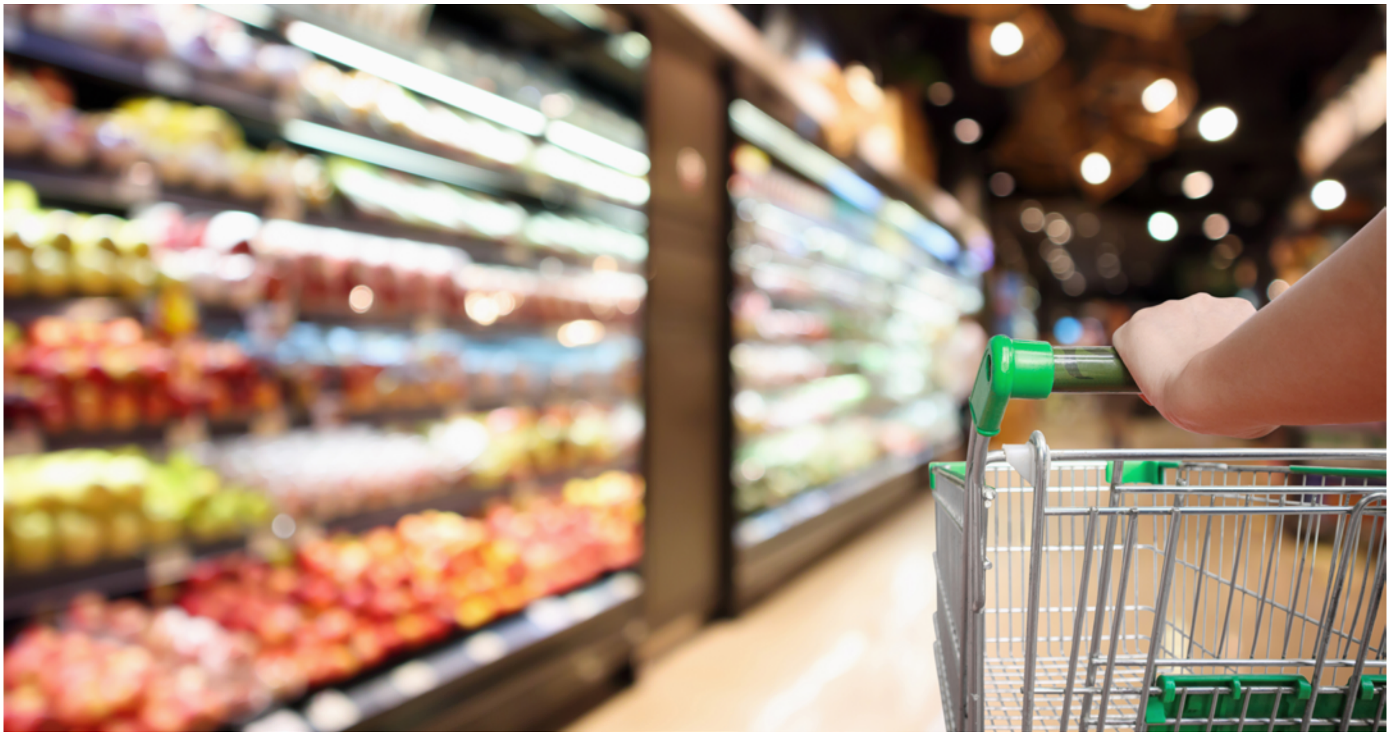
Every investor, especially those investing for their retirement, should be familiar with the potential impact of inflation and its power to derail dreams of financial security. At its most basic, inflation is simply the steady increase in the prices of goods and services over time within an economy. As general prices rise, the purchasing power of the consumer decreases.

In real terms, that means that inflation erodes the value of your long-term savings. For example, over a 30-year period, an average annual inflation rate of 3% will cut the purchasing power of a $200,000 savings account to only $82,397.

As recent history has shown, inflation can spike from time to time. If you are saving and investing for your retirement, you need to factor it into your planning because inflation has the potential to increase the amount of income you will need to maintain your preretirement standard of living. Moreover, certain expenses, such as health care costs, may increase faster than the inflation rate.

Continued on page 2

Continued from page 1



There are measures you can take now to protect your retirement savings from inflation. One of the most effective is to have a thoughtful asset allocation strategy.* When you invest your retirement savings in different types of investments, you will be able to take advantage of certain asset classes, such as stocks, which have the potential to grow faster than the inflation rate. Historically, stocks have outpaced inflation and produced higher long-term returns than bonds or cash alternative investments. However, past performance is not a guarantee of future results.

Look at the table to compare the average annual total returns for different asset classes with inflation over the past 20 years.

20-Year Average Annual Total Returns (through December 31, 2024)

Stocks[1]	10.35%
Bonds[2]	3.02%
Cash[3]	1.69%
Inflation[4]	2.56%

Boost your savings rate

You can also help protect your retirement savings from inflation by increasing your savings rate. When you contribute more to your retirement plan each year, you will be helping your retirement plan account keep pace with inflation. Think about contributing some or all of any bonus or pay raise you receive. Even a small increase in your savings rate can make a significant difference in your account value at retirement.

Work with a financial professional

Make sure you are on track to a comfortable retirement. A financial professional can work with you and help you monitor your account on a regular basis to ensure that your savings are staying ahead of inflation.

1. Measured by the S&P 500 Index, an unmanaged index of stocks of 500 major corporations.

2. Measured by Bloomberg Barclays Capital U.S. Aggregate Bond Index, an unmanaged index of U.S. government, corporate, and mortgage-backed securities.

3. Measured by Bloomberg Barclays U.S. Treasury Bill 1-3 month index.

4. Represented by the Consumer Price Index (CPI).

Past performance does not guarantee future results. Your investment results will be different. This chart is for illustrative purposes only and does not represent the performance of any particular investment. Investments cannot be made in an index. Stocks have greater return potential, but are more volatile than other investment types. Unlike stocks and corporate bonds, government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer fixed rates of return and stable principal.

Source: DST Retirement Solutions, LLC, an SS&C company.

*Asset allocation does not guarantee a profit or protect against losses.

Build health care expenses into your retirement planning

It's important to consider future health care expenses when planning for retirement.

Determining how much money you'll need to live comfortably after you retire is not an exact science. In general, you may need between 70% and 80% of what you were earning during your last working years to maintain the same standard of living in retirement.

However, as you age, you may find that you have to spend more on health care. How expensive could health care costs be in retirement? Very expensive, according to recent data. The Consumer Expenditure Survey* shows that average health care expenses for individuals between the ages of 65 and 74 were $7,942 in 2023 and averaged $8,145 for those age 75 and older. Of course, an individual's personal health and the cost of medical care in the particular location where the individual resides can impact the amount that will be spent.

What you can do

Planning for health care costs in retirement is critically important. Here are some steps that can help.

Get healthy and stay healthy

Your working years are a good time to do what you can to improve your overall health. If exercise has not been a regular part of your life, start small and gradually increase your activity level over time. Eat healthfully and avoid smoking and drinking alcohol to excess. You'll improve the likelihood of living a longer, healthier life.

Consider long-term care insurance

A long-term care insurance policy helps cover the costs of home health aides, nursing home care, and assisted living facilities. If you buy a policy when you are relatively young and healthy, it's likely the policy premiums will cost less than if you wait until you're close to retirement. The size of the daily benefit amount you select and the length of time you are willing to wait to receive benefits will also affect the cost of a policy. Long-term care policies can be complex, and different policies cover different benefits, so it can be helpful to work with a professional to find one that meets your needs.

Boost your savings rate

One way to blunt the impact of rising health care costs is to save more. It may be easier said than done, but you should try to maximize your savings, especially if you are at a high risk of chronic conditions because of your current health or because of your family's medical history.

Continued on page 4

*Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, December 2024.

Continued from page 3

Consider a health savings account

A health savings account (HSA) is essentially a medical savings account available to those enrolled in a high-deductible health plan (HDHP). It can be used to pay for a variety of health care expenses. A big plus with an HSA is that it offers tax-saving features—contributions are deductible, interest (or earnings) on contributions is tax deferred, and, as long as the medical expenses paid with HSA savings are "qualified" expenses for the individual, spouse, or dependents, HSA withdrawals are tax free.

If your employer offers an HSA, you can contribute to your account from your paycheck at an agreed-on amount. You can invest your HSA contributions in whatever option(s) the plan offers. Money that you do not spend during the year is rolled over for use in subsequent years. If you are in relatively good health, you may be able to accumulate a good-sized HSA balance over the years.

Retirement planning can be complex, and the guidance of a financial professional can be invaluable in determining goals and setting priorities.

25-20-3103001_20182-CC (04/25)