

## Where Will Your Retirement Money Come From?

What workers anticipate in terms of retirement income sources may differ considerably from what retirees actually experience. For many people, retirement income may come from a variety of sources. Here's a quick review of the six main sources:

### Social Security

Social Security is the government-administered retirement income program. Workers become eligible after paying Social Security taxes for 10 years. Benefits are based on each worker's 35 highest earning years. If there are fewer than 35 years of earnings, non-earning years are averaged in as zero. In 2025, the average monthly benefit is estimated at \$1,976.<sup>1,2</sup>

### Personal Savings and Investments

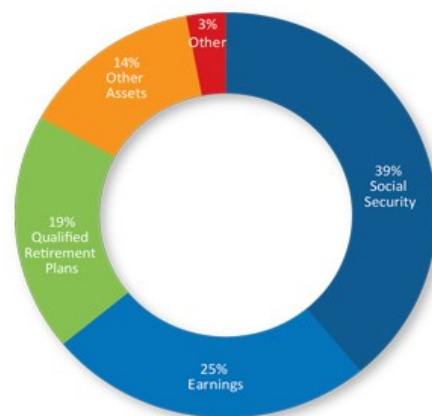
Personal savings and investments outside of retirement plans can provide income during retirement. Retirees often prefer to go for investments that offer monthly guaranteed income over potential returns.

### Individual Retirement Account

Traditional IRAs have been around since 1974. Contributions you make to a traditional IRA may be fully or partially deductible, depending on

your individual circumstances. In most circumstances, once you reach age 73, you must begin taking required minimum distributions from a Traditional Individual Retirement Account (IRA). Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty. You may continue to contribute to a Traditional IRA past age 70½ as long as you meet the earned-income requirement.

Roth IRAs were created in 1997. Roth IRA contributions cannot be made by taxpayers with high incomes. To qualify for (continue on page 2)



## Keep Your Umbrella Handy

In 2023, the U.S. had 22.7 million millionaires. An increase in personal wealth may bring greater financial flexibility; it may also bring greater liability. Individuals with high net worth, or those who are perceived to have high net worth, may be more likely to be sued and personal injury claims can cost millions.<sup>1</sup>

Umbrella liability insurance is designed to put an extra layer of protection between your assets and a potential lawsuit. It provides coverage over and above existing automobile and homeowners insurance limits.

For example, imagine your teenage son borrows your car and gets in an accident, seriously injuring the other driver. The accident results in a lawsuit and a \$1 million judgment against you. If your car insurance policy has a liability limit of \$500,000, that much should be covered. If you have additional umbrella liability coverage, your policy can be designed to kick in and cover the rest. Without umbrella coverage, you may be responsible for paying out of pocket for the other \$500,000, which could mean liquidating assets, losing the equity in your home, or even having your wages garnished.

Umbrella liability insurance is usually sold in increments of \$1 million and generally costs just a few hundred dollars a year. It typically covers a broad range of scenarios, including bodily injuries, property damage caused by you or a member of your household, and even libel, slander, false arrest, and defamation of character.<sup>2</sup>

Deciding whether liability coverage is right for you may be a question of lifestyle. You might consider buying a policy if you:

- Entertain frequently and serve your guests alcohol
- Operate a business out of your home

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the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals also can be taken under certain other circumstances, including as a result of the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.

## Defined Contribution Plans

Many workers are eligible to participate in a defined-contribution plan such as a 401(k), 403(b), or 457 plan. Eligible workers can set aside a portion of their pre-tax income into an account, which then accumulates, tax-deferred.

In most circumstances, you must begin

taking required minimum distributions from your 401(k) or other defined contribution plan in the year you turn 73. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.

## Defined Benefit Plans

Defined benefit plans are "traditional" pensions—employer-sponsored plans under which benefits, rather than contributions, are defined. Benefits are normally based on factors such as salary history and duration of employment. The number of traditional pension plans has dropped dramatically during the past 30 years.<sup>3</sup>

## Continued Employment

In a recent survey, 73% of workers stated that they planned to keep working in retirement. In contrast, only 25% of retirees reported that continued employment was a major or minor source of retirement income.<sup>4</sup>

## Expected Vs. Actual Sources of Income in Retirement

What workers anticipate in terms of retirement income sources may differ considerably from what retirees actually experience.

### Citations

1. SSA.gov, 2025
2. SSA.gov, 2025
3. Investopedia.com, December May 12, 2024
4. EBRI.org, 2024

# Keep Your Umbrella Handy

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- Give interviews that may be published
- Drive a lot of miles or have teenage drivers
- Live in a manner that gives the appearance of wealth
- Have a dog, especially if the breed is known to be aggressive
- Own jet skis, a boat, motorcycles, or snowmobiles

Even if you don't yet have a tent in the millionaire camp, you may want to consider the benefits of liability insurance. You don't have

to be a millionaire to be sued for a million dollars. Anyone who is carefully building a financial portfolio may want to limit their exposure to risk. Umbrella liability can be a fairly inexpensive way to help shelter current assets and future income from the unexpected.

*This is a simplified description of coverage.*

*All statements made are subject to the provisions, exclusions, conditions, and limitations of applicable insurance policies. Please refer to actual policy documents for complete details regarding coverage.*

In 2023, less than 25 million adults had a net worth of \$1 million or more.<sup>1</sup>

### Citations

1. Credit-Suisse.com, 2024

## Umbrella insurance is often purchased by individuals who:



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