INFLATION WORKSHEET

This worksheet includes a typical scenario, using $67,000 as the annual expenses from the Cash Flow worksheet with a retirement date in five years. The sample numbers are in red. We have provided a column beside the sample for your own calculation.

	SAMPLE	YOUR NUMBERS
From the Cash Flow worksheet provided in the last letter, take the total Annual Expenses and enter it here:	$ 67,000	$ ______
Industry standards indicate that most people's lifestyles will be maintained at 90% of their current lifestyle. This is called the Retirement Income Factor. Therefore, multiply your annual expenses by 90%:	X 90%	x 90%
SUB-TOTAL	$ 60,300	$ ______
Now subtract any income you will receive during retirement. This could be social security benefits, income from a business, etc. Enter the annual total here:	$ – 18,000	$ – ______
TOTAL This is the total before applying the Inflation Factor.	$ 42,300	$ ______

Now take that total and apply the INFLATION FACTOR. Based on the number of years until retirement, multiply your total by the appropriate factor:

Years to Retirement	Multiplier
1	1.03
3	1.09
5	1.16
10	1.34
15	1.56

	SAMPLE	YOUR NUMBERS
	X 1.16	X ______
TOTAL	$ 49,068	$ ______

This is the total annual income you will need to plan for in order to maintain your current lifestyle during retirement. Below is the chart showing you the size of the investment portfolio you will need in order to sustain this lifestyle, taking into consideration the inflation factor. In our example, the person would need $850,000 invested with an appropriate asset allocation at the time of retirement.

$20,000 = $350,000	$50,000 = $850,000	$150,000 = $2.5m
$30,000 = $500,000	$75,000 = $1.25m	$200,000 = $3.3m

$40,000 = $675,000 $100,000 = $1.7m $250,000 = $4m

Note: This worksheet is for illustration purposes only. For total accuracy, a detailed financial plan should be completed prior to retirement and professional investment management advice should be employed in order to maximize rate of return and reduce the risk of not having enough money to last throughout retirement years.