

Turning retirement savings into retirement income



A guide to generating
income during retirement.

- How much will you need?
- Types of retirement income
- Making the most of your income sources
- Obtaining additional income
- Taking your withdrawals in order

You've saved for retirement for years. Now that retirement is approaching, how can you create a regular stream of income from your savings to help pay your bills?

Did you know that you can combine your ADP TotalSource Retirement Savings Plan (the "Plan") account with other sources of retirement income, such as Social Security or a pension, to create a long-lasting stream of income? It's like drawing water from a well - you don't want to take so much at once that it runs dry.

Keep in mind that there is no single "right" approach. It's important to stay flexible by adjusting your approach over time as your investment performance and life circumstances change.



How much will you need?

Throughout your career, retirement may have seemed a distant dream. Now, as it approaches, you'll want to make a dollars-and-cents calculation of retirement costs.

You can start with the following approach: Take what you spend today and multiply it by 70%. Think of that as your first-year retirement budget. Why might you live on less in retirement? Here are three common reasons:

- You no longer have to save for retirement.
- Work clothes and commuting costs are a thing of the past.
- You may have already paid off your mortgage before retiring.

Of course, if you have considerable continuing expenses or health issues, or if you plan to travel extensively, your retirement can cost as much as - or more than - your current life. And don't forget that you will still owe income taxes, including on your Plan withdrawals (unless they qualify for the Roth exemption*).

Most people create detailed budgets to plan with more certainty how much money they will need in retirement. You can record today's expenses by reviewing your bank and credit card statements. Then estimate which expenses might rise or fall in retirement. Next, compare your expenses with your anticipated retirement income from all sources: Social Security, pension, part-time work after retirement, and withdrawals from your Plan account.

*Roth distributions are tax-free, as long as you've satisfied the five-year holding period; and are age 59½ or older, disabled or deceased.

Types of retirement income

You're likely to have two main types of retirement income: regular and variable.

Regular sources of income can include Social Security, a pension, or an annuity. With these, an outside entity such as the federal government, your employer, or an insurance company promises a specified amount of retirement income, typically for as long as you live. The outside entity bears the risk and responsibility of providing a steady stream of income.

Variable sources of retirement income are essentially your savings, including your Plan account, IRAs, lump-sum pension distributions, and taxable savings accounts.

You, as the owner of these accounts, are responsible for managing your money and deciding how much spending money to withdraw each year. No outside entity is guaranteeing that your accounts will provide lifelong income in any specific amount. In addition, most retirees wish to preserve a pool of personal savings for emergencies, special expenses (such as college, travel, or weddings), or to pass down to heirs.

Seek to blend the two

Each type of retirement income has its benefits and risks. That's why it is best to derive your retirement income from both regular and variable sources.

Regular income		
Examples	Benefits	Costs or risks
• Social Security • Employer's pension when taken as an annuity, rather than as a lump sum • Income annuity	• Your payments are promised for life • Your income is regular and predictable, not subject to market swings • Social Security payments can increase with inflation, so your spending power doesn't diminish	• Loss of control over money invested in an annuity • Extra fees for annuity insurance guarantees • No pool of savings to tap for emergencies or leave to heirs • No opportunity to capture market growth, as your invested assets could • Payments depend on the claims-paying ability of an outside entity
Variable income		
Examples	Benefits	Costs or risks
• ADP TotalSource Retirement Savings Plan • Traditional and Roth IRAs • Other savings and investments • An employer's pension benefit taken as a lump sum, rather than as an annuity	• Spending flexibility, especially in emergencies • Growth potential depending on how your assets are invested and the performance of the market • The ability to transfer your assets by gift or inheritance	• Withdrawing income from your savings requires spending discipline so you don't run out of money • If your savings are invested in the market, they're subject to swings • If your savings are invested in cash-like instruments, such as money market, bank savings accounts, and CDs, you may lose purchasing power over time

Making the most of your income sources

Social Security

Social Security is one of the most common sources of regular income among Americans age 65 and older. Benefits are secured by the Federal government, so market fluctuations will not change payment amounts. What's more, benefits can increase with inflation, so your Social Security payments will maintain their purchasing power.

One way to increase your Social Security benefits is to postpone filing for benefits. Workers can file for Social Security retirement benefits as early as age 62. But if you wait until your full retirement age (from age 65 to 67, depending on what year you were born), your Social Security benefits will be 20% to 30% higher for life.

NEW: Social Security guidance

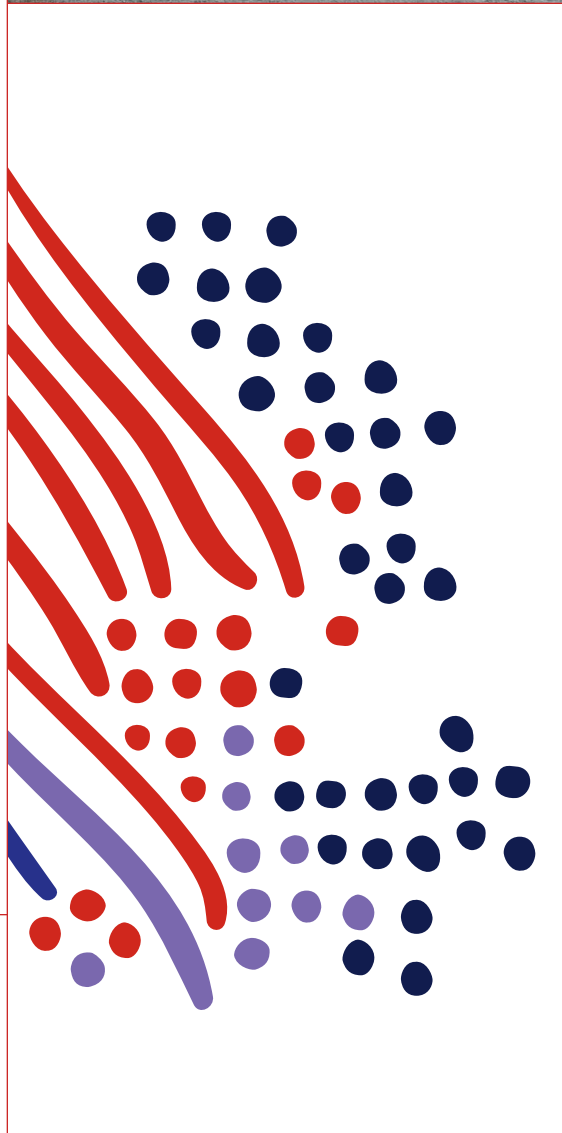
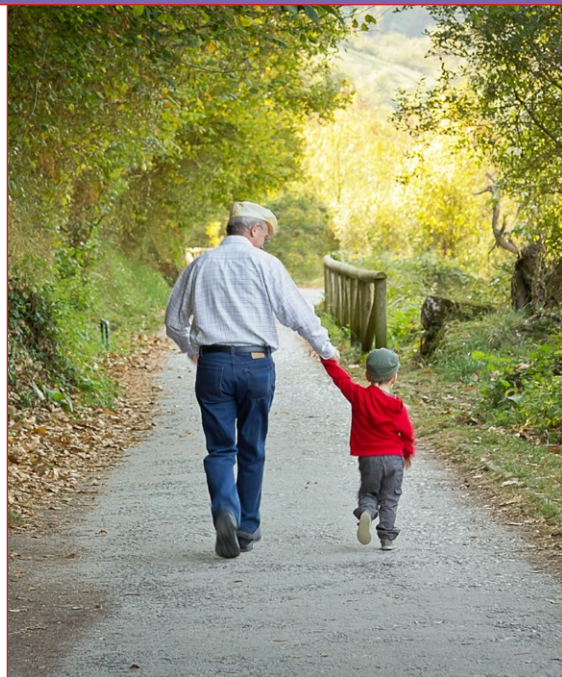
You can get Social Security guidance for no additional fee. To access the Edelman Financial Engine's Social Security guidance tool¹, available to you through Voya Retirement Advisors investment advisory services², log in to your Plan account. By using the Social Security planner, you'll see how a little guidance can make an impact on your Social Security claiming strategy, and find out whether one strategy is better than another.

¹ Edelman Financial Engines'® Social Security guidance can provide reasonable estimates that are not guarantees of future benefit payments. All estimates are based upon information about you, your stated goals as well as current Social Security laws, rulings and formulas available from the Social Security Administration. Decisions regarding Social Security are highly personal and depend on a number of factors such as your health and family longevity, whether you plan to work in retirement, whether you have other income sources as well as your anticipated future financial needs and obligations. Edelman Financial Engines® is not affiliated with the Voya family of companies.

² Advisory Services provided by Voya Retirement Advisors, LLC (VRA). For more information, please read the Voya Retirement Advisors Disclosure Statement, Advisory Services Agreement and the Plan's Fact Sheet.

Similarly, if you continue to postpone benefits after your full retirement age, your benefits will rise for each year you delay up until age 70. If your full retirement age is 66 and you wait until age 70 to begin receiving benefits, your monthly payments will be 32% higher for life. Payments are not increased if you delay taking benefits past age 70.

You can obtain different benefit estimates based on your records by calling Social Security Administration at (800) 772-1213. Or you can estimate your Social Security retirement benefits at various ages using the Social Security Estimator tool at ssa.gov



Retirement savings

A retiree's largest source of **variable** income is typically accumulated retirement savings. If you've worked for multiple companies, you may have retirement savings scattered across multiple plan accounts. You may also have an IRA, which has grown, like your employer's plan, tax-deferred. Finally, you may have additional retirement savings or assets in taxable accounts - meaning that you've paid taxes every year on their earnings without any deferral from the IRS.

Whether your retirement savings are in one account or a dozen, as a pool they represent a single source of income. They also represent a challenge: to withdraw from them in a disciplined way that ensures that your income will last as long as you do. Unlike with Social Security, you decide how to invest this money and how much to spend each year.

Numerous studies suggest that if you follow a disciplined withdrawal plan, your savings have a good chance of providing income for 30 years or longer. A rule of thumb is to start by withdrawing no more than 4% of your retirement savings in the first year of retirement.



Considerations

1. You will most likely owe income taxes on any withdrawals taken from your Plan account (unless you made Roth contributions³). Consider setting a percentage of your withdrawal aside to meet your income tax obligation later on.
2. You may choose to receive your money in equal installment payments over a certain term (not to exceed your life expectancy).
3. After you stop working, you can keep your savings in the Plan if your account balance is greater than \$5,000, up to age 73 when the law requires minimum distributions (RMD) to begin.⁴

³ Qualified tax-free distributions on the earnings from Roth occur after the participant reaches age 59½ OR on account of the participant's death or disability AND after the participant has held the account for at least five years.

⁴ Applies to any individual who attains age 72 after December 31, 2022, and age 73 before January 1, 2033, and for any individual who attains age 74 after December 31, 2032. If you turned 72 in 2022 or earlier, your RMDs will continue as scheduled.

After the first year of retirement, you may choose to increase your annual withdrawal amount by the rate of inflation to maintain your spending power. But be flexible, too. If a sharp market drop reduces the value of your portfolio by 10% or more, consider tightening your belt. You could omit inflation adjustments for a year or two or even reduce your withdrawal amount so you don't deplete your retirement savings too rapidly.

Retirees who follow a systematic withdrawal plan should consider owning a broadly diversified mix of investments. Please keep in mind that diversification does not ensure a profit or protect against a loss.

Obtaining additional income

Working

Some of the most effective ways to increase retirement income is to work a year or two longer, or to take a part-time job to supplement your income in the early years of retirement. Working longer has three important benefits:

- You can save more for retirement.
- It reduces the number of years that your retirement savings must last.
- Your Social Security benefit increases with every month you delay filing for benefits up until age 70.

If you don't want to work full time, consider taking a part-time job. Many retirees supplement their income by turning a hobby into a part-time job. Earned income can reduce Social Security payments until you pass your full retirement age (which is 65 to 67, depending on your year of birth). The rules are complicated, but you can learn more by reviewing SSA's ["How work affects your benefits"](#) publication.

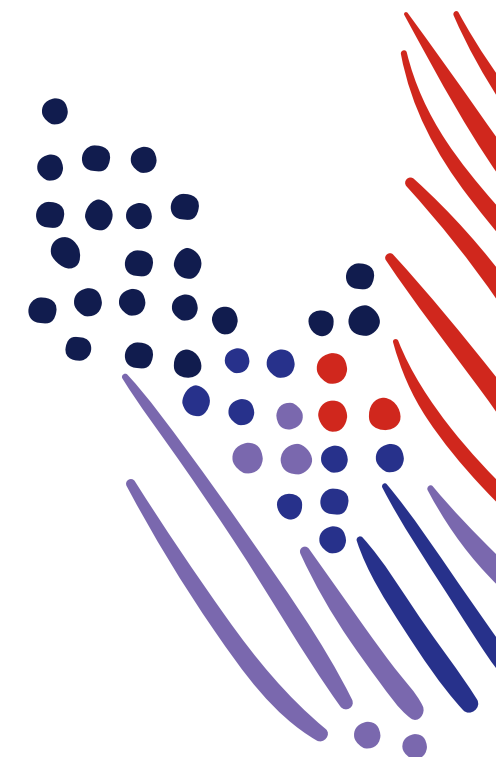
Annuities

If you're concerned about running out of money, consider using a portion of your retirement savings to purchase an annuity. An annuity is an insurance contract. In return for a single up-front payment, you receive regular payments that are guaranteed by the insurance company that sells you the annuity. The income can last for as long as you are living, as long as you or your spouse is living, or for a specific number of years.*

When shopping for an annuity, you should seek a highly rated insurance company, which means that it is considered financially strong enough to honor its obligations. Insurance companies calculate annuity payments based on average life expectancies. The longer you expect to live, the more economic sense an annuity purchase may make.

Keep in mind that an annuity purchase is typically irrevocable, so you do give up flexibility in return for guaranteed payments. What you're buying is a stream of regular income, but it's not generally an asset you can pass along to heirs or cash in for emergencies.

* Product guarantees are subject to the claims-paying ability of the issuing insurance company.



Common annuity options and what they mean:

- Single premium annuities are purchased with a single payment, typically at retirement.
- Immediate-income annuities begin to pay regular cash benefits right away.
- Single life could provide benefits for as long as you live.
- Joint-and-survivor means that payments continue over the lifetimes of you and another person, such as your spouse.
- Fixed period means guaranteed payments for a certain number of years. If you die during the guarantee period, remaining payments go to your beneficiaries.

Taking your withdrawals in order

An important part of enjoying your retirement is understanding how taxes apply to different types of income and planning accordingly. Having money in various accounts is wonderful, but taxes can eat away at them quickly if you don't have a sound strategy heading into retirement. You may be able to prolong your savings by withdrawing money in the most efficient order:

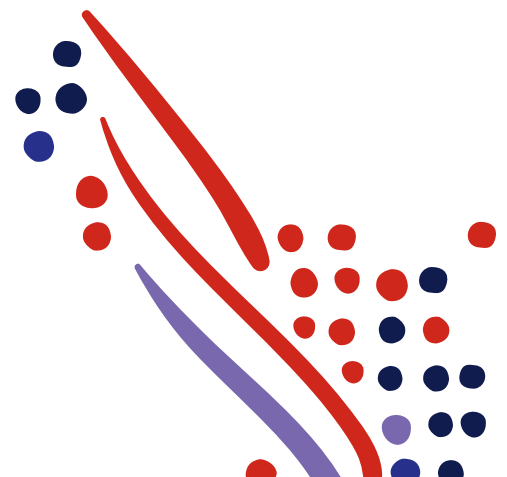
1. Consider withdrawing from your taxable accounts first, before taking withdrawals from tax-advantaged accounts.
2. Next, consider withdrawing money from tax-deferred accounts – like your Plan account or a traditional IRA.
3. Finally, withdraw money from tax-free accounts, such as qualifying Roth contributions made to an IRA or if you made them to your Plan account.

By planning ahead with a sound strategy, you may minimize your taxes in retirement and increase your financial security. After spending so many years working and focusing on saving and investing, you owe it to yourself to investigate various tax scenarios that await in retirement and to consult a qualified professional legal, financial and/or tax advisor to help you devise a plan.



Questions?

Please call **(855) 646-7549** and press **0** to speak with a Customer Service Associate. They are available 8:00 a.m. to 8:00 p.m. ET, Monday through Friday (excluding New York Stock Exchange holidays).



The information contained in this brochure is intended to summarize at a high level some of the provisions under the ADP TotalSource Retirement Savings Plan (the "Plan"). It is not intended to provide a full description of the Plan. In the event of a conflict between the official Plan document and this communication, the official Plan document is controlling.

This information contained in this brochure does not serve, either directly or indirectly, as legal, financial or tax advice and you should always consult a qualified professional legal, financial and/or tax advisor when making decisions related to your individual tax situation.

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