

How Much Money Do You Need to Retire? A Quick, Simple Way to Figure It Out

Figuring out how much money you need to retire can feel like the hardest math problem you've ever faced. But there are some simple ways to estimate how much to save to support your desired lifestyle.

One of the easiest methods to give you a solid ballpark estimate is the guaranteed income difference:

To come up with how much you'll need to save, start with money that's *guaranteed* to come in during your retirement. Subtract the expenses you realistically expect to have. The difference between those numbers is the amount your savings will need to support every month. Multiply that monthly difference by 12 (to get a year's difference) and then by 25 or 30 – the number of years you expect to spend in retirement.

We'll walk through this planning tool step by step. And if you need more support, [contact me](#).

Total Up Your *Guaranteed* Income

Guaranteed income is money that you will absolutely receive no matter what. It doesn't depend on the economy, on your investments, or how much you have left in savings. This is set income that you can count on (though some sources might come with time limits, like a ten-year annuity, for example).

Guaranteed Income Sources	Monthly Income Amount	Where to Find the Number
Social Security		Create a <i>My</i> Social Security account at www.ssa.gov
Employer Pension		From the employer
Fixed Annuities		In the annuity contract or from the annuity provider
Other guaranteed income (such as alimony or lottery winnings)		
Total guaranteed income		

Budget for Post-Retirement Expenses

To budget for post-retirement expenses, you'll need to have a general idea about where you'll live and the types of activities you plan to do (like travel or volunteer work). Split your expenses into essential needs (things you absolutely can't live without), and things you want that aren't strictly necessary (discretionary expenses).

Some expenses (like mortgage payments) may stay the same; others may vary dramatically (like commuting costs). To be on the safe side, use conservative estimates – what you think

the maximum expense for each category would be. You can base your estimates on how much you spend in each category now, adjusting for expected changes once you retire. [Click here for downloadable Excel Spreadsheet version.](#)

Expected Retirement Expenses	
<i>Essentials</i>	Monthly Expense
Housing (mortgage or rent, property taxes, insurance)	
Housing repairs and maintenance (snow removal, yard work, housekeeping service, general repairs, etc.)	
Utilities (gas, electric, water)	
Phone service	
Internet service	
Food (groceries and household staples)	
Personal care items	
Clothing	
Healthcare (insurance premiums, co-pays, prescriptions, etc.)	
Other insurance premiums (life, long-term care, disability)	
Car (loan payment, insurance, license and registration)	
Car upkeep (fuel, repairs, maintenance)	
Public transportation	
Income taxes (federal, state, local)	
Debt payments:	
Home equity loan	
Student loans	
Credit cards	
Personal loans	
<i>Total Essential Expenses</i>	
<i>Discretionary Expenses</i>	
Dining out	
In-home entertainment (cable, streaming services, etc.)	
Memberships and subscriptions	
Gifts	
Charitable giving	
Travel	
Hobbies and activities	
Support for family members	
<i>Total Discretionary Expenses</i>	
<i>Total Essential and Discretionary Expenses</i>	

Calculate Your Additional Income Needs

The next step is to figure out how much extra income you need your savings and investments to supply.

You'll do this by subtracting your total monthly expenses (essential and discretionary) from your monthly guaranteed income. The difference – whatever that is – is the amount you'll need to pull from savings every month to fully cover your expenses.

Total Guaranteed Monthly Income	_____
Minus	
Total Monthly Expenses	_____
Equals	
Monthly Additional Income Needs	_____

Now that you know how much money you'll need to pull from savings each month, you can come up with a ballpark estimate of how much savings you'll need to have going into retirement.

First: Multiply your *monthly additional income needs* by 12. That tells you the amount you'll need to take from savings every year – your annual additional income needs.

Then: Multiply your *annual additional income needs* by the number of years you expect to spend in retirement – at least 25 or 30 years. That gives you a good estimate of the amount you'll need to have saved all together, including all retirement and non-retirement savings you already have.

Here's an example:

Meredith will receive \$3,500 a month from guaranteed income sources. Her expected monthly expenses in retirement come to \$4,800 per month. She expects to spend 30 years in retirement.

Meredith's Total Guaranteed Income	\$3,500
minus	
Meredith's Total Monthly Expenses	<u>\$5,800</u>
Monthly Additional Income Needs	\$1,300

Meredith's annual additional income needs = \$1,300 x 12 = \$ 15,600
Meredith's total savings goal = \$15,600 x 30 = \$468,000

Now, this simplified method makes a great starting point, but it leaves out a lot of factors like investment earnings and losses or inflation, for example. To add in more variables (like projected investment returns, for example) or to look at different what-if scenarios,

you can try an online retirement calculator or connect with a qualified fiduciary financial planner to help you.

If you decide to give DIY a try, there are some good online calculators to use. You can use as many as you want, as each asks slightly different questions and offers different results. Looking at the results all together will give you a good idea of how much you'll need in order to enjoy your ideal retirement.

Remember, none of these calculators will be perfectly accurate (they can't possibly be). The best will give you realistic outcomes based on the information you supply so you find out if your savings are on track.

Some of the best online basic retirement calculators include:

- [MaxiFi](#)
- [Fidelity Retirement Score](#)
- [T. Rowe Price Retirement Income Calculator](#)
- [MarketWatch Retirement Calculator](#)

These online calculators come let you plug in more variables and run different scenarios:

- [Flexible Retirement Planner](#)
- [FIRECalc](#)
- [Optimal Retirement Planner](#)

Keep in mind that any online retirement planner you use will ask for a lot of personal financial information. Make sure to only use secure websites and **do not use** public Wi-Fi when you run the numbers.