



A Registered Financial Advisor

**Rosenberg
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Retirement Calculators, Helpful or Harmful?

A couple recently came to us for a complementary consultation, and after talking through their retirement numbers they asked if we could create a financial plan for them. They wanted something in writing that showed a projection of their future income in retirement. We responded that we no longer use that sort of software because it has been proven to be wrong, especially over the past ten years. The husband insisted that he wanted to find a program, so we re-searched and tested what was available, and are posting the best, free calculator we could find on our website for your use. We do this with a warning of what can go wrong with financial calculators.

In 2016, Corporate Insight conducted a study of financial planning calculators to determine their accuracy. The results were not good. The team entered the same information about a couple who wanted to retire, and they found a 60% variance in monthly income projections between the different calculators. After entering the same information, one calculator projected the couple's monthly future income to be \$3,772 and another to be \$6,013.

How can this happen? Each company uses a different set of "assumptions" for their program. For example, one company may assume future stock market growth to average 4.7%, while another company may assume 4%. This small change can make the monthly retirement income projection change by \$1,000 per month.

The difference in future income was also impacted by assumptions about taxes, inflation rates, salary growth, Social Security benefits, investment returns and age. Some calculators allow you to enter this information yourself, but are tax rates and inflation going to stay the same for the next 30 years? No, everything changes over time which is why the information has to constantly be updated.

So, with all of this said, why are we posting a retirement calculator on our website? Because people want to use them. The calculator we are making available is free, and you can either use it from our site or download it to your computer. It allows you to adjust the major assumptions, which is important, but don't take the resulting numbers as absolute. In order for the use of this calculator to be meaningful, you need to go in each year and adjust your numbers. Every year, you will be older, your Social Security check will be bigger, and the value of your investments will have changed.



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Tips for using this calculator:

- Take the time to enter accurate information. Before you begin, get your projected Social Security income from www.ssa.gov by clicking on “My Social Security.”
- From the site, double click on the calculator link and when the program opens, do not register. Simply click “Done” and you will see the screen where you can begin entering information. Enter your ages, and you will be able to enter a spouse’s age later.
- After entering the basic information on the front screen, click on “Additional Inputs.” Click on the dropdown menu next to “Rate Type” and you will see a list of tax and inflation options that you can enter. After completing each row, click “Add Row” to enter more information.
- Next, click on the dropdown box next to “Cashflow Type” and this is where you can enter your estimated pension, Social Security and other retirement income. Click “Add Row” to enter each projected retirement income stream. This is also where you enter a spouse’s income and projected ages. Your spouse’s age for starting Social Security, for example, is based on your age so adjust accordingly. The site will walk you through the process of getting your projection. Once you have finished, click “Done.”
- You are now back at the main screen. At the very top click on “Configure,” and then “Spending Policy Configuration.” This is where you can change some additional future assumptions.
- If you would like to save different scenarios, click on the “Scenarios” button and double click on Scenario 1. This allows you to change the name of that scenario. Make the necessary changes in the fields, and we recommend you save this scenario to your computer using the same name.

Software Support:

Remember, this is a tool we are providing because of demand. Rosenberg Financial Group, Inc. did not create this tool and are not the experts on its functionality.

If you have questions or want more detailed information about this calculator, you can find helpful information on the following website: <http://www.flexibleretirementplanner.com/wp/> You can click on the “Support” tab and search for answers to questions you may have.



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Other Variables:

Even with this being the best calculator we could find, here is a list of unknowns that may impact your financial future:

- Your health
- Inflation
- Inheritance
- Job loss or a job change
- Disability
- Increase in insurance premiums
- A market crash
- Whether you may need long-term care in the future
- Kids moving back home

What We Do:

At Rosenberg Financial Group, Inc., we have created the RetireRelax Solution that assists us in managing our clients' money. This disciplined investment approach for retirees and pre-retirees includes an exit strategy when we feel that risk is high. Keeping an eye on the investment landscape for our clients is something we do each and every day.

**This and other insightful reports can be found on our
website: www.RetireRelax.com**

**Contact us for a
complementary financial
consultation**

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