Retirement Insights

Guide to Retirement

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The retirement equation

A sound retirement plan

Make the most of the things that you can control but be sure to evaluate factors that are somewhat or completely out of your control within your comprehensive retirement plan.
Life expectancy probabilities

If you’re age 65 today, the probability of living to a specific age or beyond

Plan for longevity

Average life expectancy is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 35 years in retirement – particularly if you are a non-smoker in excellent health.

Investing a portion of your portfolio for growth is important to maintain your purchasing power over time.

If you’re age 65 today, the probability of living to a specific age or beyond

Plan for longevity

Average life expectancy is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 35 years in retirement – particularly if you are a non-smoker in excellent health.

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Note: Sex assigned at birth; categories available in standard Social Security life expectancy tables.


Morgan Asset Management.
Managing expectations of ability to work

Expectations of workers vs. retirees

To retire at age 65 or older

- Current workers’ expectations: 68%
- Experience of actual retirees: 31%

Median retirement age:

- Expected: 65
- Actual: 62

Reasons for retiring earlier than planned

- Health problem or disability: 35%
- Changes at company/downsizing: 31%
- Care for spouse or family member: 16%
- Outdated skills: 10%
- Another work-related reason: 7%
- Could afford to: 35%
- Wanted to do something else: 16%
- Early retirement package or incentive: 15%

Early retirement

You may not have complete control over when you retire, so you should consider having a back-up plan including:

- Disability insurance
- Saving for financial freedom and the ability to weather changing circumstances

Source: Employee Benefit Research Institute, Greenwald Research: 2023 Retirement Confidence Survey. Individuals may have given more than one answer. Latest available data as of December 31, 2023.
Prepare to retire on your own terms

For households that started retirement age 60-69:

- **53%** Partially retired
  - At least one member of a household has work income
- **47%** Fully retired

What does retirement mean to you?

Being well prepared for retirement means work will be optional.

Major reasons people work in retirement

<table>
<thead>
<tr>
<th>Needs</th>
<th>Wants</th>
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<tbody>
<tr>
<td>Buy extras</td>
<td>Enjoy working</td>
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<tr>
<td>Avoid reducing savings/&quot;nest egg&quot;</td>
<td>Job opportunity</td>
</tr>
<tr>
<td>Make ends meet</td>
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<td>Decreased savings/investments</td>
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<td>Keep insurance or benefits</td>
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<tr>
<td>Stay active and involved</td>
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</tbody>
</table>

- **27%** Make ends meet
- **24%** Avoid reducing savings/"nest egg"
- **17%** Decreased savings/investments
- **11%** Keep insurance or benefits
- **6%** Stay active and involved
- **5%** Financially support others
- **38%** Enjoy working
- **22%** Job opportunity
- **52%** Want to do something else

Source (top chart): J.P. Morgan Asset Management, based on internal select data from JPMorgan Chase Bank, N.A. and its affiliates (collectively "Chase") including select Chase check, credit and debit card and electronic payment transactions from January 1, 2013 to November 30, 2022. Information that would have allowed identification of specific customers was removed prior to the analysis. Households age 60-69 with income for at least 12 consecutive months prior to retirement, 12 consecutive months after retirement and the month of retirement. Additional information on J.P. Morgan Asset Management’s data privacy standards available at https://am.jpmorgan.com/us/en/asset-management/mod/insights/retirement-insights/gtr-privdisc/.

Source (bottom chart): Employee Benefit Research Institute, Greenwald Research: 2021 Retirement Confidence Survey. Latest available data as of December 31, 2023. Individuals may have given more than one answer.
Fostering well-being in retirement

The transition from...

Structured time | Free time

Using time to “PUSH” is associated with well-being in retirement:

- **Purpose**: Create a reason to get up in the morning
- **Use**: Use time to work, help others, go to events and activities
- **Socialize**: Socialize with friends & family; spend time with others
- **Health**: Foster healthy behaviors

Know what you are retiring to, not just what you are retiring from

To make the most of your retirement years, using time to “PUSH” may improve your outlook and life satisfaction.

Understand the trade-offs

Deciding when to claim benefits will have a permanent impact on the benefit you receive. Claiming before your full retirement age can significantly reduce your benefit, while delaying increases it.

In 2017, full retirement age began transitioning from 66 to 67 by adding two months each year for six years. This makes claiming early even more of a benefit reduction.

For illustrative purposes only. The Social Security Amendments Act of 1983 increased FRA from 65 to 67 over a 40-year period. The first phase of transition increased FRA from 65 to 66 for individuals turning 62 between 2000 and 2005. After an 11-year hiatus, the transition from 66 to 67 (2017-2022) is complete. This material should be regarded as educational information on Social Security and is not intended to provide specific advice. If you have questions regarding your particular situation, you should contact the Social Security Administration and/or your legal or tax professional.

Source: Social Security Administration, J.P. Morgan Asset Management.
Claiming Social Security: decision tree

Are you working?

○ Y

- Yes

- Consider claiming your benefit

- Delay claiming, particularly if you are subject to the earnings test

○ N

- No

- Do you have other sources of income?

- Y

- Yes

- Do you prefer receiving a smaller benefit earlier vs. waiting for a larger benefit?

- Y

- Yes

- Do you want to claim your benefit to preserve your investment portfolio?

- Y

- Yes

- Consider waiting to age 70 to take your benefit

- N

- No

- Evaluate which claiming age results in the highest lifetime benefit based on your expected rate of return and life expectancy

- N

- No

- Do you expect to live beyond age 77?

- Y

- Yes

- Consider taking your benefit at Full Retirement Age*

- N

- No

- Do you expect to live beyond age 81?

- Y

- Yes

- Consider taking benefit at Full Retirement Age*

- N

- No

- Weigh the odds of living to various ages and consider health status & family history of longevity

*Full Retirement Age (FRA) of 67 is for individuals born 1960 or later. This decision tree is also appropriate for other FRAs.

Source: Social Security Administration, J.P. Morgan Asset Management.

This material should be regarded as educational information on Social Security and is not intended to provide specific advice. If you have questions regarding your particular situation, you should contact the Social Security Administration and/or your legal or tax professionals.
Maximizing Social Security benefits: maximum earner

Cumulative individual maximum benefit by claim age
Full Retirement Age (FRA) = Age 67

Planning opportunity
Delaying benefits means increased Social Security income later in life, but your portfolio may need to bridge the gap and provide income until delayed benefits are received.

Claim at 70: $4,748 per month
Claim at FRA: $3,829 per month
Claim at 62: $2,680 per month

Breakeven ages:
- 62/FRA: $577k
- FRA/70: $855k
- Claim at 70: $4,748 per month

Breakeven age

At age 62, probability of living to at least age:
- Male: 100% 91% 85% 67% 53% 18%
- Female: 100% 95% 91% 77% 66% 29%
- Couple: 100% 99% 99% 92% 84% 42%

1Couple assumes at least one lives to the specified age or beyond. Breakeven assumes the same individual, born in 1962, earns the maximum wage base each year ($168,600 in 2024), retires at the end of age 61 and claims at 62 & 1 month, 67 and 70, respectively. Benefits are assumed to increase each year based on the Social Security Administration 2023 OASDI Trustee’s Report intermediate estimates (annual benefit increase of 2.4% in 2025 and thereafter). Monthly amounts with the cost-of-living adjustments (not shown on the chart) are: $4,311 at FRA and $5,739 at age 70. Exact breakeven ages are 76 years & 10 months and 80 years & 8 months.

Source: Social Security Administration, J.P. Morgan Asset Management.
Social Security benefit claiming considerations

Comparison of claim age based on an individual’s expected rate of return and longevity

Color represents the claim age with the highest expected lifetime benefits

How to use:
- Go to the intersection of your expected rate of return and your expected longevity.
- The color at this intersection represents the Social Security claim age that maximizes total wealth (cumulative Social Security benefit and investment portfolio) given three claiming options: age 62, Full Retirement Age (age 67) and age 70.
- Example: For a woman with an expected consistent 5.5% rate of return (net of fees) and life expectancy of 88: consider claiming at age 70.

Assumes the same individual, born in 1962, retires at the end of age 61 and claims at 62 & 1 month, 67 and 70, respectively. Benefits are assumed to increase each year based on the Social Security Administration 2023 OASDI Trustee’s Report intermediate estimates (annual benefit increase of 2.4% in 2025 and thereafter). Analysis is based on a maximum earner (all earnings profiles yield similar results).

Expected rate of return is deterministic, in nominal terms, and net of fees.

Source (chart): Social Security Administration, J.P. Morgan Asset Management.
Income replacement needs vary by household income

Source: Expenditure Survey (BLS) data (2016-2019) for income and longitudinal Chase data (2013-2020) for spending, inflation adjusted. Chase data includes internal select data from JPMorgan Chase Bank, N.A. and its affiliates (collectively “Chase”) including select Chase check, cash, credit and debit card, and electronic payment transactions from January 1, 2013 to December 31, 2020. Additional information on J.P. Morgan Asset Management’s data privacy standards available at https://am.jpmorgan.com/us/en/asset-management/mod/insights/retirement-insights/gtr-privdisc/. Social Security benefits uses modified scaled earnings in 2021 for a single wage earner at age 65 and a spousal benefit at age 63. The income replacement needs may be lower for households in which both spouses are working and the second spouse’s individual benefits are greater than their spousal benefit. Single household income replacement needs may vary as spending is typically less than a two-spouse household; however, the loss of the Social Security spousal benefit may offset the spending reduction. Percentages and values may not sum due to rounding. J.P. Morgan Asset Management analysis, 2021.
# Retirement savings checkpoints

<table>
<thead>
<tr>
<th>Current age</th>
<th>$30k</th>
<th>$40k</th>
<th>$50k</th>
<th>$60k</th>
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* These households may need to save less than 5%.

This analysis assumes you would like to maintain an equivalent lifestyle in retirement. Household income is assumed to be gross income (before taxes and savings).

**How to use:**
- Go to the intersection of your age and your closest current household income.
- This is the amount you should have saved today.
- **Example:** For a 40-year-old with a household income of $50,000, your current savings should be $60,000.

To personalize your plan, use an online calculator or discuss your circumstances with a financial professional.

Model assumptions

- Annual gross savings rate: 5%
- Pre-retirement portfolio: 60/40 diversified portfolio
- Post-retirement portfolio: 40/60 diversified portfolio
- Inflation rate: 2.5%
- Retirement age:
  - Primary earner: 65
  - Spouse: 63
- Years in retirement: 35

Source: This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan Asset Management’s (JPMAM) model is based on proprietary Long-Term Capital Market Assumptions returns, and an 80% confidence level. Portfolios are described as equity/bond percentages (e.g., a 40/60 portfolio is 40% equities and 60% bonds). Assumptions include household income replacement rates shown on slide 13. Consult with a financial professional for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. J.P. Morgan Asset Management.
## Retirement savings checkpoints

<table>
<thead>
<tr>
<th>Current age</th>
<th>$100k</th>
<th>$125k</th>
<th>$150k</th>
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* These households may need to save less than 10%.

This analysis assumes you would like to maintain an equivalent lifestyle in retirement. Household income is assumed to be gross income (before taxes and savings).

### How to use:
- Go to the intersection of your age and your closest current household income.
- This is the amount you should have saved today.
- **Example:** For a 40-year-old with a household income of $100,000, your current savings should be $185,000.

To personalize your plan, use an online calculator or discuss your circumstances with a financial professional.

### Model assumptions

- **Annual gross savings rate:** 10%
- **Pre-retirement portfolio:** 60/40 diversified portfolio
- **Post-retirement portfolio:** 40/60 diversified portfolio
- **Inflation rate:** 2.5%
- **Retirement age:**
  - Primary earner: 65
  - Spouse: 63
- **Years in retirement:** 35

Source: This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan Asset Management’s (JPMAM) model is based on proprietary Long-Term Capital Market Assumptions returns, and an 80% confidence level. Portfolios are described as equity/bond percentages (e.g., a 40/60 portfolio is 40% equities and 60% bonds). Assumptions include household income replacement rates shown on slide 13. Consult with a financial professional for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. J.P. Morgan Asset Management.
### Annual savings needed if starting today

#### Current household income

<table>
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<tr>
<th>Current age</th>
<th>$30k</th>
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Values assume you would like to maintain an equivalent lifestyle in retirement. Household income is assumed to be gross income (before taxes and savings).

**How to use:**

- Go to the intersection of your current age and your closest current household income.
- This is the percentage of your current household income to contribute annually going forward if you have $0 saved for retirement today.
- **Example:** A 40-year-old with household income of $50,000 and $0 saved for retirement today may need to save 12% every year until retirement.

#### Household income ≤$90k

**GTR 16**

**Model assumptions**

- **Pre-retirement portfolio:** 60/40 diversified portfolio
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- Inflation rate: 2.5%
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## Annual savings needed if starting today

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Values assume you would like to maintain an equivalent lifestyle in retirement. Household income is assumed to be gross income (before taxes and savings).

### How to use:

- Go to the intersection of your current age and your closest current household income.
- This is the percentage of your current household income to contribute annually going forward if you have $0 saved for retirement today.
- **Example:** A 40-year-old with household income of $100,000 and $0 saved for retirement today may need to save 20% every year until retirement.

Source: This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan Asset Management’s (JPMAM) model is based on proprietary Long-Term Capital Market Assumptions returns, and an 80% confidence level. Portfolios are described as equity/bond percentages (e.g., a 40/60 portfolio is 40% equities and 60% bonds). Assumptions include household income replacement rates shown on slide 13. Consult with a financial professional for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. J.P. Morgan Asset Management.
Automatic features are on the rise, in popularity and practice

Automatic enrollment

- **2013**: 43%
- **2023**: 52%
  - **New hires and one-time re-enrollments**: +21%
  - **New hires only**: 14%
  - **Other method**: 22%

Automatic escalation

- **2013**: 21%
- **2023**: 20%
  - **New hires and one-time re-enrollments**: +105%
  - **New hires only**: 14%
  - **Other method**: 8%

**Automatic features are here to stay**

SECURE 2.0 mandates automatic features in new plans, state mandates require them and most well-established plans have them.

Employers may consider taking their retirement plans to the next level and auto-enroll and auto-escalate periodically. 9 out of 10 employees have a favorable/neutral view on automatic features. Employees can opt out.

Note: 2013 total n=796; 2023 total n=788.
The early and consistent investor has the best results. The early investor who stops after 10 years does slightly better than the late investor who invests significantly more over a longer time. And the consistent saver who does not invest loses out on higher returns.
The benefits of auto-escalation

Account growth from contributions, employer match and investment returns

- **Consistent 10% contribution**
- **Escalates** by 1% annually from 3% until capping at 10%
- **Consistent 3% contribution**

<table>
<thead>
<tr>
<th>Age</th>
<th>Return</th>
<th>Contribution</th>
<th>Employer match</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>35</td>
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<td>40</td>
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<td></td>
</tr>
<tr>
<td>65</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Ending portfolio**
- **$2.2M**: 8% return, 16% contribution, 76% employer match
- **$2.0M**: 9% return, 17% contribution, 74% employer match
- **$880K**: 12% return, 12% contribution, 76% employer match

**Model assumptions**
- Start age: 25
- Retirement age: 65
- Starting salary: $50,000
- Wage growth: 2.5%
- Assumed annual employer match: 100% of employee contribution up to 5%
- Investment return: 7.0%

Individual is assumed to retire at the end of age 65. Growth of portfolio is tax deferred; ending portfolio may be subject to tax. Source: J.P. Morgan Asset Management, Long-Term Capital Market Assumptions. The above example is for illustrative purposes only and not indicative of any investment.
### Tax implications for retirement savings by account type

<table>
<thead>
<tr>
<th>Contributions¹</th>
<th>Investment growth</th>
<th>Withdrawals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-tax 401(k)/Traditional IRA</strong></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td><strong>Roth 401(k)/Roth IRA</strong></td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td><strong>After-tax 401(k)/non-deductible Traditional IRA</strong></td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td><strong>Health Savings Account (HSA)³</strong></td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Preferential tax treatment</th>
<th>Subject to taxes</th>
</tr>
</thead>
</table>

**Retirement accounts:**
Taxes generally apply to contributions or withdrawals. Most withdrawals must be qualified to avoid tax penalties.²

If not used for qualified health care expenses, withdrawals after age 65 will be taxed as ordinary income (without penalty).

---

¹Income and other restrictions may apply to contributions. Tax penalties usually apply for early withdrawals. Qualified withdrawals are generally those taken over age 59½; qualification requirements for amounts converted to a Roth from a traditional account may differ; for some account types, such as Roth accounts, contributions that are withdrawn may be qualified. See IRS Publications 590 and 560 for more information. ²Withdrawals from after-tax 401(k) and non-deductible IRAs must be taken on a pro-rata basis including contributions and earnings growth. For non-deductible IRAs, all Traditional IRAs must be aggregated when calculating the amount of pro-rata contributions and earnings growth. ³There are eligibility requirements. Qualified medical expenses include items such as prescriptions, teeth cleaning and eyeglasses and contacts for a medical reason. Cosmetic procedures, such as teeth whitening, and general health improvement, such as gym memberships and vitamins, are not qualified expenses. A 20% tax penalty applies on non-qualified distributions prior to age 65. After age 65, taxes must be paid on non-qualified distributions. See IRS Publication 502 for details.

Source: J.P. Morgan Asset Management.

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Federal taxes; states may differ. This is not intended to be individual tax advice. Consult your tax professional.
Diversified sources of retirement funding

**Account type**
- **Health Savings Account**
- **Roth 401(k)/IRA**
- **Taxable Account**
- **Pre-tax 401(k)/Traditional IRA**

**Investment earnings/withdrawals**
- **Tax-free withdrawals (for qualified health care expenses)**
  - **Health Savings Account**
  - **Roth 401(k)/IRA**
- **Tax-free withdrawals**
  - **Roth 401(k)/IRA**
- **Tax-exempt interest**
- **Ordinary dividends**
- **Taxable interest**
- **Qualified dividends**
- **Realized capital gains**
- **Taxable withdrawals (ordinary income)**

**Included when calculating whether:**
- **Income taxes owed?**
- **Social Security % taxed?**
- **Medicare surcharges?**

**Retirement funding sources are not created equal**

Be aware of:
- Income taxes
- How much Social Security benefit is subject to tax
- Additional required Medicare premiums

Qualified withdrawals from Roth or Health Savings Accounts can provide tax-free funding that will not result in reduction of government benefits.

---

This is not intended to be individual tax advice; consult your tax professional.

1Must have a qualifying high-deductible health plan to make contributions. Funds in the HSA may be withdrawn tax free for qualified medical expenses unless a credit or deduction for medical expenses is claimed. After age 65 funds also may be withdrawn at ordinary income tax rates without penalty for any reason.

2Subject to 5-year Roth account holding period and age requirements. Source: J.P. Morgan Asset Management.
Evaluate a Roth at different life stages

Contribute to a Roth account in lower income years; Traditional in higher income years

Tax diversification
Managing taxes over a lifetime requires balancing your current and future tax pictures. Make income tax diversification a priority to have more flexibility and control in retirement.

General Rule: Contribute to a Roth early in your career if you expect upward wage trajectory and shift to a Traditional account as your income increases.

Consider the exceptions if wealth is concentrated in tax-deferred accounts.

Exceptions if wealth is concentrated in tax-deferred accounts:

1. Roth 401(k) contributions in peak earning years.
2. Proactive Roth conversions in lower income years.

*If eligible to make a deductible contribution (based on your MAGI = Modified Adjusted Gross Income).
*SECURE 2.0 increased the starting age for RMD (Required Minimum Distributions) from 72 to 75 over the next 10 years. See slide 49 for more details. The illustration reflects savings options into Traditional and Roth IRA accounts, as well as into pre-tax and Roth 401(k) accounts.
RMDs are typically due no later than April 1 following the year the owner turns their distribution age (72-75) and are calculated every year based on the year-end retirement account value and the owner/plan participant’s life expectancy using the IRS Uniform or Joint Life Expectancy Table. If the employer contributions are pre-tax, they are subject to tax upon distribution.
The above example is for illustrative purposes only.
Source: J.P. Morgan Asset Management.
Maximizing an HSA for health care expenses

Health Savings Accounts (HSAs) are triple tax advantaged¹
Maximum family contribution with catch-ups, 7% return and 24% marginal tax rate

$287,830 provides about 14 years of qualified Medicare-related health care expenses for a couple.

$287,830: ending balance
Tax-free for qualified health care expenses in retirement

$116,590 Tax-deferred earnings

$171,240 Contributions with catch-ups for the last 10 years

¹Must have a qualifying high-deductible health plan to make contributions. Funds in the HSA may be withdrawn tax free for qualified medical expenses unless a credit or deduction for medical expenses is claimed. After age 65 funds also may be withdrawn for any reason and taxed as ordinary income without penalty. Some health insurance premiums may be qualified expenses such as COBRA coverage, coverage while receiving state or federal unemployment compensation, Medicare Part B and D premiums and qualified long-term care (LTC) insurance premiums up to certain limits but excludes Medigap/Medicare supplement policies and most hybrid products that combine LTC with annuities and life insurance. See IRS Publications 969 and 502. This is not intended to be individual tax advice; consult a tax professional.

The above example is for illustrative purposes only and not indicative of any investment. 2024 family contribution limit of $8,300 is adjusted for inflation of 2.5% for 15 years with catch-up contributions of $1,000 per person starting at age 55 in 2029. Does not include account fees.

Present value of illustrated HSA is $197,360. Estimated savings from tax deductions at a 37% marginal rate are $63,360. Assumes cash or income used for health care expenses is not withdrawn from an account with a tax liability. Assumes $2,000 was held in a cash account and not earning a return. Individual 2024 contribution limit is $4,150.

Source: IRS.gov; Medicare.gov; J.P. Morgan Asset Management.

Make the most of it
Investing your HSA contributions for the long term and paying for current health care expenses out of other savings can be a very tax-efficient strategy if you are able to do so.
Prioritizing long-term retirement savings

1. Emergency reserve (see “Annual emergency reserves” on slide 26)
2. Defined Contribution savings to maximize employer match (if available)
3. Pay down higher interest loans (such as credit card debt/student loans with interest > 7.0%)²
4. HSA (Health Savings Account)¹
5. Additional Defined Contribution savings
6. Pay down lower interest loans (such as student loans with interest < 7.0%)²
7. IRA³
8. Taxable account

Getting started

Start with emergency savings to weather spending and income shocks throughout the year and make sure to take advantage of employer matching funds if they are available.

An HSA offers triple tax benefits if used for qualified medical expenses in retirement.

¹Must have a high-deductible health insurance plan that is eligible to be paired with an HSA. Those taking Social Security benefits age 65 or older and those who are on Medicare are ineligible. Tax penalties apply for non-qualified distributions prior to age 65; consult IRS Publication 502 or your tax professional.

²This assumes that a diversified portfolio may earn 7.0% over the long term. Actual returns may be higher or lower. Generally, consider making additional payments on loans with a higher interest rate than your long-term expected investment return.

³Income limits may apply for IRAs. If ineligible for these, consider a non-deductible IRA or an after-tax 401(k) contribution. Individual situations will vary; consult your tax professional.

Source: J.P. Morgan Asset Management analysis. Not intended to be a personal financial plan.
Annual emergency reserves

Net income in weeks needed to weather spending and income shocks

Workers (age 25–64)

- 75th percentile
- Range
- 50th percentile

Retirees (age 65+)

- 75th percentile
- Range
- 50th percentile

Prepare for uncertainties in life

Life is uncertain – spending shocks and/or job losses can happen at anytime. Emergency savings can help pay for these uncertainties and keep retirement savings intact.

Workers typically encounter spending shocks more frequently (about once every three months) than income shocks (about once a year).

- Consider setting aside 2-3 months of pay

Retirees encounter more spending shocks in larger amounts than workers, likely due to unpredictable costs such as health care.

- Consider setting aside 3-6 months of income

Source: J.P. Morgan Asset Management analysis, 2023; longitudinal Chase data (2022-2023) of those households with monthly income, which may include wage income, unemployment, etc. Chase data includes internal select data from JPMorgan Chase Bank, N.A. and its affiliates (collectively “Chase”) including select Chase check, cash, credit and debit card and electronic payment transactions from January 1, 2022 to December 31, 2023. Additional information on J.P. Morgan Asset Management’s data privacy standards available at https://am.jpmorgan.com/us/en/asset-management/mod/insights/retirement-insights/gtr-privdisc/. Spending shocks are calculated monthly and include those months when monthly spending is 25% above the previous 12 months’ median spending and the 25% excess spending amount could not be funded by that month’s income. Income shocks are calculated monthly and include those months when monthly income is 25% less than the previous 12 months’ median income and that month’s spending amount could not be funded by the reduced income.
Lack of emergency savings can impact retirement readiness

Households with spending spikes
Monthly spending 25% above the previous 12 months’ median spending

9 in 10 have spending spikes > income
1 in 3 households cannot fund spikes with income and cash reserves

What actions were taken by households to raise cash?
- 48% increased credit card debt
- 17% took a plan loan
- 13% decreased contributions

Build emergency savings
Emergency savings is a necessity for everyone. Households without an adequate cash buffer are more likely to take on debt and find themselves at risk of not achieving a successful retirement outcome.

Source: How Financial Factors Outside of a 401(k) Plan Can Impact Retirement Readiness
The toxic effect of loans and withdrawals

Growth of 401(k) investment

Assumed cash flows: 401(k) contributions, loans and withdrawals

Mitigate the effects of loans

If taking a loan from your 401(k) is unavoidable, try to mitigate the impact by continuing contributions while repaying the loan. It is especially important to ensure you continue to receive an employer match, if available.

Source: J.P. Morgan Asset Management. For illustrative purposes only. Hypothetical portfolio is assumed to be invested 60% in the S&P 500 and 40% in the Bloomberg Capital U.S. Aggregate Index from 1983-2023. Starting salary of $30,000 increases by 2.5% each year. Loan and withdrawal amounts are assumed to be $10,000. Loan interest rate is assumed to be 7.5% and is paid off over 4 years.
Reasons for 401(k) plan loans and withdrawals

Reasons workers took a plan loan or withdrawal in the last 12 months
2023 Retirement Confidence Survey

- Pay off credit card bill/debt: 38%
- Cover medical expenses: 31%
- Cover other emergency expense: 25%
- Make ends meet: 21%
- Buy a car or other large purchase: 21%
- COVID-related need: 20%
- Job loss or spouse’s job loss: 20%
- Cover an education expense: 17%
- Pay for home or car repairs: 16%
- Pay for eldercare or childcare: 15%
- Other: 1%

Source: Employee Benefit Research Institute, Greenwald Research: 2023 Retirement Confidence Survey. Respondents could select all that apply.

Build emergency savings and contribute to health savings accounts to help you avoid a 401(k) loan.

This can help keep you on track for retirement.
Take a long-term view

Households may benefit from a long-term view of inflation and how spending may change over time.

As a percentage of their spending, older households purchase more health care and gifts, but less on food and transportation.

The spending categories shown are 89% of spending for households age 75+.
Changes in spending

Annual average household spending by age

What to expect

Average spending declines from the early part of retirement, then tends to flatten out. Those at older ages tend to spend less on all categories except health care and charitable contributions.

Those who live to the oldest ages may have costs related to long-term care.

Source: J.P. Morgan Asset Management, based on internal select data from JPMorgan Chase Bank, N.A. and its affiliates (collectively “Chase”) including select Chase check, credit and debit card and electronic payment transactions from January 1, 2017 to December 31, 2023. Check and cash distribution: 2019 CE Survey; J.P. Morgan Asset Management analysis. Information that would have allowed identification of specific customers was removed prior to the analysis. Other includes: tax payments, insurance, gambling, personal care and uncategorized items. Asset estimates for de-identified and aggregated households supplied by IXI, an Equifax Company; estimates include all financial assets except employer-sponsored plans and do not include home equity. Additional information on J.P Morgan Asset Management’s data privacy standards available at https://am.jpmorgan.com/us/en/asset-management/mod/insights/retirement-insights/gtr-privdisc/. Retired households receive retirement income only, including Social Security, pension and/or annuity payments.
Changes in spending

What to expect

Average spending is highest at midlife. Those at older ages tend to spend less on all categories except health care and charitable contributions.

Those who live to the oldest ages may have costs related to long-term care.

Annual average household spending by age

Source: J.P. Morgan Asset Management, based on internal select data from JPMorgan Chase Bank, N.A. and its affiliates (collectively "Chase") including select Chase check, credit and debit card and electronic payment transactions from January 1, 2017 to December 31, 2023. Check and cash distribution: 2019 CE Survey; J.P. Morgan Asset Management analysis. Information that would have allowed identification of specific customers was removed prior to the analysis. Other includes: tax payments, insurance, gambling, personal care and uncategorized items. Asset estimates for de-identified and aggregated households supplied by IXI, an Equifax Company; estimates include all financial assets except employer-sponsored plans and do not include home equity. Additional information on J.P. Morgan Asset Management’s data privacy standards available at https://am.jpmorgan.com/us/en/asset-management/mod/insights/retirement-insights/gtr-privdisc/.

Spending

$0

$10,000

$20,000

$30,000

$40,000

$50,000

$60,000

$70,000

$80,000

$90,000

$100,000

$110,000

$120,000

$130,000

$140,000

45-49 50-54 55-59 60-64 65-69 70-74 75-79 80-84 85-89 90-94 95+

Age

Travel

Apparel & services

Entertainment

Other

Transportation

Food & beverage

Education

Housing (includes mortgage)

Charitable contributions

Health care
The 4% rule: projected outcomes vs. historical experience

40/60 portfolio at various initial withdrawal rates
Projected nominal outcomes, 80th percentile

Historical ending wealth at 4% initial withdrawal rate (1928–2023)
67 rolling 30-year periods

Good in theory, poor in practice

The 4% rule is the maximum initial withdrawal percentage that has a high likelihood of not running out of money after 30 years. With current life expectancies, a 35-year view is more appropriate.

The outcomes are sensitive to forward-looking return assumptions and the rule is not guidance on how to efficiently use your wealth.

You may want to consider a dynamic approach that adjusts over time to more effectively use your retirement savings.

Source: These charts are for illustrative purposes only and must not be used, or relied upon, to make investment decisions. Portfolios are described as equity/bond percentages (e.g., a 40/60 portfolio is 40% equities and 60% bonds).

Right chart: The portfolio returns for the historical analysis are calculated based on 40% S&P 500 Total Return and 60% Bloomberg U.S. Aggregate Total Return. Each portfolio’s starting value is set at $1,000,000. Withdrawals are increased annually by CPI (CPI NSA Index). Ending wealth at the end of each 30-year rolling period is in nominal terms.

Left chart: The hypothetical portfolio assumes All Country World Equity and U.S. Aggregate Bonds. J.P. Morgan Asset Management’s (JPMAM) model is based on proprietary Long-Term Capital Market Assumptions equilibrium returns. The resulting projections include only the benchmark return associated with the portfolio and do not include alpha from the underlying product strategies within each asset class. The yearly withdrawal amount is set as a fixed percentage of the initial amount of $1,000,000 and is then inflation adjusted over the period (2.5%). Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.
Dollar cost ravaging: timing risk of withdrawals

Portfolio value over time 1966-2000
Assumes 4% initial withdrawal rate

Assumed annual return: 8.1%
40/60 portfolio: Actual annual return: 9.5%

Rate of return: actual vs. average 1966-2000

Assumed annual return: 8.1%
40/60 portfolio: Actual annual return: 9.5%

Sequence of return risk
Withdrawing assets in a volatile market early in retirement can ravage a portfolio. Consider investment solutions that incorporate downside protection such as:

- Balanced risk and diversification at the beginning of retirement
- Annuities with guarantees and/or protection features
- Investments that use options strategies for defensive purposes

Assumptions (top chart): Retire at age 65 with $1,000,000 and withdraw 4% of the initial portfolio value ($40,000). Withdrawal amount increased by historical inflation (CPI-U) each year. Returns are based on a hypothetical portfolio, which is assumed to be invested 40% in the S&P 500 Total Return Index and 60% in the Bloomberg Capital U.S. Aggregate Index. The assumptions are presented for illustrative purposes only. They must not be used, or relied upon, to make investment decisions. There is no direct correlation between a hypothetical investment and the anticipated future return of an index. Past performance does not guarantee future results.

Annual inflation (CPI-U) increased from 2.4% in 1966 to 6.3% in 1970; 10-year U.S. Treasury rate increased from 4.93% in 1966 to 7.35% in 1970. Source: J.P. Morgan Asset Management; U.S. Bureau of Labor Statistics; Department of the Treasury.
Mitigating dollar cost ravaging: dynamic spending

Portfolio value over time 1966-2000
Assumes 4% initial withdrawal rate

Withdrawal annually increased by inflation
Withdrawal dynamically adjusted based on performance

Rate of return: 40% equity/60% bond portfolio 1966-2000

Assumptions (top chart): Retire at age 65 with $1,000,000 and withdraw 4% of the initial portfolio value ($40,000). Fixed withdrawal scenario assumes the withdrawal amount is increased by historical inflation (CPI-U) each year. Dynamic withdrawal scenario assumes that if the annual return on portfolio is: 1) less than 5%, withdrawal remains the same as the prior year; 2) between 5% and 10%, withdrawal is increased by actual inflation (CPI-U); 3) greater than 10%, withdrawal is increased by actual inflation +3%. While the dynamic withdrawal scenario during this historical period provided 25% more total spending in today’s dollars, it is for illustrative purposes only and may not be successful during other time periods. Returns are based on a hypothetical portfolio, which is assumed to be invested 40% in the S&P 500 Total Return Index and 60% in the Bloomberg Capital U.S. Aggregate Index. The assumptions are presented for illustrative purposes only. They must not be used, or relied upon, to make investment decisions. There is no direct correlation between a hypothetical investment and the anticipated future return of an index. Past performance does not guarantee future results.
Assumes adequate employer coverage and qualification for Medicare at age 65¹

**Sign up for Medicare and stop monthly HSA contributions³**
- Enroll in Medicare the month before the month you turn 65 to avoid gaps in coverage.
- Stop monthly HSA contributions to avoid tax penalties.

**Sign up for Part A**
- Part A is free for people who paid payroll taxes for 40 quarters (10 years) and employer coverage is usually primary.
- If you want to contribute to an HSA in the future, do not sign up for Social Security benefits and disenroll from Part A.³

**Do not sign up for Medicare**
- HSA contributions while on Medicare will result in tax penalties.⁴

**Stop HSA contributions and opt out of Medicare Part B**
- Once you start Social Security benefits, you will automatically be enrolled in Part A, retroactive to the lesser of six months or age 65.
- Tax penalties apply if you are enrolled in Part A and contribute to an HSA.⁴ Contact Medicare.gov to opt out of Part B.

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³Assumes Part A is no cost (generally for people who paid payroll taxes for 40+ quarters or are married to a beneficiary who did so). Some individuals may choose to sign up for Part A and Part B earlier than shown if they want additional coverage.²Ask your employer for documentation of creditable coverage for major medical and for drug coverage. Employer coverage for less than 20 people is usually not creditable and will end at age 65 or become secondary after Medicare has paid.²To disenroll you must have an interview with the Social Security Administration and use Form CMS 1763. When you sign up for Part A again or sign up for Social Security, coverage may be retroactive for up to 6 months. You will be unable to disenroll if you are receiving Social Security. Total HSA contributions for the year in excess of the maximum contribution for the year divided by the number of months you are eligible to make contributions will result in tax penalties (6% of the excess contribution each year). This is not intended to be individual tax advice; consult your tax professional. For more information, see www.mymedicarematters.org/enrollment/am-i-eligible, sponsored by the National Council on Aging. Source: IRS Publication 969, National Council on Aging and Medicare.gov websites as of December 31, 2023; J.P. Morgan Asset Management analysis.
Three steps for Medicare coverage

1. Sign up for Parts A and B on Medicare.gov

   - Part A: (inpatient hospital insurance)
   - Part B: (insurance that covers doctor visits, tests and outpatient hospital visits)

2. Choose your plan

   - Option 1
     - Original Medicare accepted by all Medicare providers
     - Medigap (covers gaps in Part A & B; also called supplemental)
     - Part D drug coverage (will have co-pays and deductibles)
     - Vision, dental and hearing (must buy separate policies if want coverage)
   - Option 2
     - Medicare Advantage/Part C limited to a network of providers
     - Includes Part D drug coverage
     - May cover some vision, dental, hearing and other expenses
     - (will have co-pays and deductibles for medical and drug expenses)

3. Prepare for additional expenses: Medicare does not cover most long-term care costs

   For help, visit the Medicare Rights Center at www.medicarerights.org or your State Health Insurance Assistance Program (SHIP) at www.shiptacenter.org.

Medicare details

Sign up for all parts of Medicare the month before the month you turn age 65 to avoid coverage gaps unless your employer has confirmed you have creditable coverage.

Re-evaluate your choices each year.

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Medicare does pay for medically necessary skilled nursing facility or home health care, with strict requirements that are difficult to meet on a limited basis, and for some hospice care. If you transfer assets to others there is a five-year "look back" where the government will recover the assets transferred if you go on Medicaid. This is not personal advice. Consult an elder care attorney if you have questions.

Source: Medicare.gov as of December 31, 2023; J.P. Morgan Asset Management analysis.
Rising health care costs in retirement

Original Medicare costs in retirement (in 2024 dollars)
Monthly amount per person

<table>
<thead>
<tr>
<th>Age 65 (2024)</th>
<th>Age 95 (2054)</th>
</tr>
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<tbody>
<tr>
<td>$1,398</td>
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<td>$107</td>
<td>$282</td>
</tr>
<tr>
<td>$139</td>
<td>$1,398</td>
</tr>
</tbody>
</table>

In 2024 dollars

A growing concern

Annual expenses per person in 2024 are $6,503.

Given variation in health care cost inflation from year to year, it may be prudent to assume an annual health care inflation rate of 6.0%, which may require growth as well as current income from your portfolio in retirement.

Estimated future value total average monthly cost at age 95 is $3,112. Today's dollar calculation used a 2.5% discount rate to account for overall inflation. Medigap premiums typically increase with age, in addition to inflation, except for the following states: AR, CT, MA, ME, MN, NY, VT, WA. For local information, contact the State Health Insurance Assistance Program (SHIP) https://www.shiptacenter.org/. Plan G premium is nationwide average for non-smokers. If Plan G is not available, analysis includes the most comprehensive plan available. Source: HealthView Services proprietary data file received January 2024 used by permission.
Variation in Medicare Advantage costs

Estimated Medicare Advantage with Part D and out-of-pocket expenses
Monthly amount per person

- Out-of-pocket costs vary (includes co-pays, deductibles and prescriptions)
- Medicare Advantage premium

Total costs

$0 $200 $400 $600 $800 $1,000 $1,200

$205 $303 low $359 average $427 high $457

$711 low $854 average $990 high

Age 65 (2024) Age 95 (2054)

In 2024 dollars

Dramatic differences in costs depending on health

Be prepared to pay more for health care in the event you experience a health issue, which becomes more common as one ages.

- Be aware: Although Medicare Advantage plans have out-of-pocket caps, those limits do not include prescriptions.
- Consider maintaining an emergency reserve fund for high out-of-pocket cost periods.

Total costs = annual premium + out-of-pocket costs. High costs: weighted average of medical costs (70th percentile) and prescription costs (65th percentile). Low costs: weighted average for medical costs (25th percentile) and prescription costs (35th percentile). Plans include Part D and exclude those with subsidies for low-income beneficiaries. Today’s dollar calculation used a 2.5% discount rate.

Estimated future value of total average costs at age 95 is $1,791. Cost estimates include increased use of medical care at older ages and will vary based on plan characteristics.

Source: HealthView Services, proprietary data file received January 2024, used by permission.
# 2024 monthly Medicare surcharges

The surcharge amount is the same for all income levels within a band
If you go over a threshold, you pay the additional premium for that band

<table>
<thead>
<tr>
<th>Modified Adjusted Gross Income based on 2022 tax year filing¹</th>
<th>Filing single</th>
<th>Filing jointly</th>
</tr>
</thead>
<tbody>
<tr>
<td>$103,000-$129,000</td>
<td>$103,000-$129,000</td>
<td>$206,000-$258,000</td>
</tr>
<tr>
<td>$129,000-$161,000</td>
<td>$129,000-$161,000</td>
<td>$258,000-$322,000</td>
</tr>
<tr>
<td>$161,000-$193,000</td>
<td>$161,000-$193,000</td>
<td>$322,000-$386,000</td>
</tr>
<tr>
<td>$193,000-$500,000</td>
<td>$193,000-$500,000</td>
<td>$386,000-$750,000</td>
</tr>
<tr>
<td>$500,000 or more</td>
<td>$500,000 or more</td>
<td>$750,000 or more</td>
</tr>
</tbody>
</table>

Additional monthly premium amount per person Parts B & D in 2024

- $83
- $208
- $333
- $459
- $500

¹The Social Security Administration uses the most recent federal return supplied by the IRS. If you amended your return in a way that changes your surcharge amount, you may need to contact your Social Security office.
Source: Medicare.gov as of January 2024.
This is not meant to be personal tax advice. Please consult your tax professional for specifics for your situation. Modified Adjusted Gross Income (MAGI) for purposes of calculating Medicare surcharges is Adjusted Gross Income (AGI) plus tax-exempt interest income. Thresholds increase each year with inflation, except the top threshold, which was added in 2019; this top threshold is set to annually inflate starting in 2028.

## Surcharge details

There may be a bigger impact for singles and surviving spouses: Medicare surcharge thresholds for singles are half of the thresholds for couples.

### Filing an appeal?

If you have stopped work or you have lower income due to circumstances outside of your control, you might be eligible for an appeal. See form SSA-44 for details: https://www.ssa.gov/forms/ssa-44-ext.pdf
Disability increases with age

Percentage of age 65+ population who need assistance with two or more activities of daily living or have severe cognitive impairment

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 - 69</td>
<td>5%</td>
</tr>
<tr>
<td>70 - 74</td>
<td>7%</td>
</tr>
<tr>
<td>75 - 79</td>
<td>12%</td>
</tr>
<tr>
<td>80 - 84</td>
<td>22%</td>
</tr>
<tr>
<td>85 - 89</td>
<td>30%</td>
</tr>
<tr>
<td>90+</td>
<td>48%</td>
</tr>
</tbody>
</table>

Spending may shift to long-term care needs at older ages

Nearly half of those who survive to the oldest ages meet the definition of having long-term care needs. While it is encouraging that the other half of this population does not meet the criteria, some of these individuals may require at least some assistance.

Changes in abilities may require spending on long-term care services, a move to be closer to children, home modifications or a different housing arrangement.

HIPAA qualifying long-term care includes needing help with two or more activities of daily living such as eating, dressing, bathing, transferring and toileting or severe cognitive impairment for at least 3 months.

Long-term care planning

Duration of paid care 65+ if paid care is used

Create a care plan

The monetary value of care from family and friends is roughly equal to paid care.¹

Women are more likely to require care and need more years of paid care if paid care is used.

A care plan may help you:
- Avoid burdening others
- Ensure your family understands your wishes
- Have more control over your care

Lifetime cost of care 65+ if paid care is used

¹Average value of unpaid care when unpaid care is used is $208,800 for women and $196,800 for men.
Long-term care includes needing help with two or more activities of daily living such as eating, dressing, bathing, transferring and toileting or severe cognitive impairment. Average of cost is in 2020 dollars and includes all payors.
Long-term care planning options

Consider utilizing more than one option

**Family & friends**
Will you want to move closer?

**Savings / expense reductions**
Some expenses such as travel may go down

**Insurance**
Options: traditional long-term care insurance, combination life and annuity products, life insurance for a surviving spouse and deferred annuities for income late in life

**Life plan communities**
Often starts with independent living and offers additional services or facilities when needed. More information: [https://www.mylifesite.net/](https://www.mylifesite.net/)

**Home equity**
Second homes may be sold; the home equity in your primary residence may be used; credit availability and home value may fluctuate

Start planning early

- **Health Savings Accounts (HSAs)** may be used tax free for qualified expenses in retirement. ²
- Prefer care at home? Consider how you will remain socially connected.

Medicaid:

**After exhausting other options**

Rules to qualify vary by state but generally you must be low income with few assets to qualify¹

¹If you transfer assets to others, there is a five-year “look back” where the government will recover the assets transferred if you go on Medicaid. This is not personal advice; consult an elder care attorney if you have questions.

²HSAs may be used to fund qualified traditional long-term care policy premiums up to certain limits. Necessary home improvements may qualify if they don’t improve the value of your home. Services for chronically ill individuals who are unable to perform two or more activities of daily living or who have severe cognitive impairment may be qualified if they are part of a prescribed plan from a licensed practitioner. For a list of qualified expenses, see IRS Publication 502 or consult your tax professional; this is not meant to be personal tax advice.

Consider how to fund your retirement goals

Retirement portfolio priorities

Align your portfolio with your goals

Once you determine how you want to fund your goals, make the necessary adjustments in your investment and spending strategies.

Increase Wealth:
Investment return exceeds spending needs
Priority: Total return

Preserve Principal:
Spend investment return only (income and/or appreciation)
Priority: Generate income

Spend Principal:
Spend investment return and a portion of your principal
Priority: Sustainable spending
- A dynamic withdrawal strategy
- Protected lifetime income
- A combination of both

Source: J.P. Morgan Asset Management.
Structuring a portfolio to match investor goals in retirement

Considerations
What is the time horizon and appropriate planning strategy for your heirs and your estate goals?

Potential solutions
- Growth-oriented portfolios
- Capital preservation strategies
- Alternatives*

Building your plan
It may be useful to match dependable income sources with regular retirement spending, while coordinating income-oriented solutions and a cash reserve to meet more variable expenses.

For illustrative purposes only. Fixed income is subject to interest rate risk. Fixed income prices generally fall when interest rates rise. The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Investing in alternative assets involves higher risks than traditional investments and is suitable only for the long term. They are not tax efficient and have higher fees than traditional investments. They may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.

*Equity, fixed income and cash are considered “traditional” asset classes. The term “alternative” describes all non-traditional asset classes. They include private and public equity, venture capital, hedge funds, real estate, commodities, distressed debt and more.

Source: J.P. Morgan Asset Management.
Goals-based wealth management

Short-term goals
Includes an emergency reserve

Medium-term goals
5-10 years, e.g., college, home

Long-term goals
15+ years, e.g., retirement

Range of stock, bond and blended total returns
Annual total returns, 1950-2023

Divide and conquer
Aligning your investment strategy by goal can help you take different levels of risk based on varying time horizons and make sure you are saving enough to accomplish all of your goals – not just the ones that occur first.
Impact of being out of the market

Returns of the S&P 500
Performance of a $10,000 investment between January 1, 2004 and December 29, 2023

<table>
<thead>
<tr>
<th></th>
<th>Fully Invested</th>
<th>Missed 10 best days</th>
<th>Missed 20 best days</th>
<th>Missed 30 best days</th>
<th>Missed 40 best days</th>
<th>Missed 50 best days</th>
<th>Missed 60 best days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Value</td>
<td>$63,637</td>
<td>$29,154</td>
<td>$17,494</td>
<td>$11,483</td>
<td>$7,898</td>
<td>$5,664</td>
<td>$4,179</td>
</tr>
<tr>
<td>Percentage Return</td>
<td>9.7%</td>
<td>5.5%</td>
<td>2.8%</td>
<td>0.7%</td>
<td>-1.2%</td>
<td>-2.8%</td>
<td>-4.3%</td>
</tr>
</tbody>
</table>

Seven of the 10 best days occurred within two weeks of the 10 worst days
- Six of the seven best days occurred after the worst days
- The second worst day of 2020 — March 12 — was immediately followed by the second best day of the year

Plan to stay invested

Losses hurt more than gains feel good. Market lows can result in emotional decision making.
Taking “control” by selling out of the market after the worst days is likely to result in missing the best days that follow. Investing for the long term in a well-diversified portfolio can result in a better retirement outcome.

Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2023.
**SECURE 2.0 Act: broadening access to more people and increasing savings**

<table>
<thead>
<tr>
<th>KEY THEME</th>
<th>DETAILS</th>
<th>EFFECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage small businesses to create retirement plans through increased tax credits</td>
<td>Tax credit for 50% of startup cost up to $5,000 per year for three years&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2023</td>
</tr>
<tr>
<td></td>
<td>Tax credit for employer contribution of up to $1,000 per employee for five years&lt;sup&gt;2&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Emergency savings accounts in Defined Contribution plans to build strong financial foundation</td>
<td>Maximum account value of $2,500&lt;sup&gt;3&lt;/sup&gt; (after-tax contributions; tax-free distributions)</td>
<td>2024</td>
</tr>
<tr>
<td>Help manage student loan debt burden</td>
<td>Employers will be allowed to make matching contributions to the plans for participants paying student loans</td>
<td>2024</td>
</tr>
<tr>
<td>Allow greater savings in retirement plans</td>
<td>New plans will be required to auto enroll at a starting rate of at least 3% and auto escalate to at least 10% but no more than 15%</td>
<td>2025</td>
</tr>
<tr>
<td></td>
<td>Increased catch-up amount for individuals aged 60-63 by 50% more than the regular catch-up limit in employer-sponsored plans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Replace the Saver’s Credit with the Saver’s Match equal to 50% of plan or IRA contributions, up to $2,000</td>
<td>2027</td>
</tr>
</tbody>
</table>

---

<sup>1</sup>For employers with 100 or fewer employees. For employers with 50 or fewer employees, the 50% startup cost limit is 100%.

<sup>2</sup>For employers with up to 50 employees that make plan contributions on behalf of employees whose wages do not exceed $100,000. The credit amount will be phased out for employers with between 51 and 100 employees.

<sup>3</sup>Contributions that exceed $2,500 will spill over to the long-term retirement savings portion of the plan. Employers may automatically enroll participants at a rate of up to 3% of pay.

This list of provisions is not detailed or exhaustive.

## SECURE 2.0 Act: tax implications

<table>
<thead>
<tr>
<th>KEY THEME</th>
<th>DETAILS</th>
<th>EFFECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAX</strong> Increase the starting age for required minimum distributions (RMDs) from 72 to 75 over the next 10 years – Deferring RMDs may increase taxes and Medicare surcharges late in life</td>
<td>RMD starting age of 73 for individuals who reach age 72 after 2022</td>
<td>2023</td>
</tr>
<tr>
<td>Greater importance of Roth in employer-sponsored retirement plans</td>
<td>Permit employer matching contributions on a Roth basis</td>
<td>Dec 29, 2022</td>
</tr>
<tr>
<td></td>
<td>Exempt in-plan Roth accounts from lifetime RMDs</td>
<td>2024</td>
</tr>
<tr>
<td></td>
<td>Require catch-up contributions to be made on an after-tax Roth basis for highly paid employees¹</td>
<td>2026</td>
</tr>
<tr>
<td>Enhance qualifying longevity annuity contracts (QLAC) – Lifetime income starting late in life may help fund possible long-term care needs</td>
<td>Allows up to $200,000 to be used to purchase a QLAC and delay required minimum distribution as late as age 85 when annuity payments commence</td>
<td>Dec 29, 2022</td>
</tr>
<tr>
<td>Permit rollovers from 529 accounts to Roth IRAs</td>
<td>Allow rollovers from 529 Plans that have been open for 15 years to Roth IRAs (subject to a $35,000 lifetime limit and the annual IRA contribution limit)</td>
<td>2024</td>
</tr>
</tbody>
</table>

¹Employees with wages in excess of $145,000 (adjusted for inflation) for the prior calendar year must make their catch-up contributions to a Roth account. While this provision affects participants in 401(k) plans, 403(b) plans, and governmental 457(b) plans, it does not apply to the special catch-up contributions permitted under 403(b) and governmental 457(b) plans. This provision does not apply to SEP plans or SIMPLE IRA plans. This list of provisions is not detailed or exhaustive.

The personal exemption has been repealed and individual tax rates and personal deductions sunset after 2025 as per the TCJA 2017.

Standard deduction: Single $14,600; Married filing jointly $29,200.

Modified Adjusted Gross Income (MAGI) is AGI plus amount excluded from income as foreign earned income, tax-exempt interest and Social Security benefit.

<table>
<thead>
<tr>
<th>Tax rate</th>
<th>Single filers</th>
<th>Married filing jointly</th>
<th>Capital gains &amp; dividends</th>
<th>Medicare tax on earned income</th>
<th>Medicare tax on net investment income</th>
<th>Limits to itemized deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Up to $11,600</td>
<td>Up to $23,200</td>
<td>0% up to $47,025 (single) / $94,050 (married)</td>
<td>1.45% (employee portion, employers also pay 1.45%)</td>
<td>0%</td>
<td>-Medical expenses greater than 7.5% of Adjusted Gross Income (AGI)</td>
</tr>
<tr>
<td>12%</td>
<td>$11,600-$47,150</td>
<td>$23,200-$94,300</td>
<td>15% up to $518,900 (single) / $583,750 (married)</td>
<td>2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI)</td>
<td>3.80% (additional tax will be levied on lesser of: 1) net investment income or 2) excess MAGI above $200,000/$250,000 threshold)</td>
<td>-SALT (state and local taxes) deduction capped at $10,000</td>
</tr>
<tr>
<td>22%</td>
<td>$47,150-$100,525</td>
<td>$94,300-$201,050</td>
<td>20% $518,901 or more (single) / $583,751 or more (married)</td>
<td>2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI)</td>
<td>3.80% (additional tax will be levied on lesser of: 1) net investment income or 2) excess MAGI above $200,000/$250,000 threshold)</td>
<td>-Mortgage interest deduction limited to primary/secondary homes with up to $750,000 new debt. Interest deduction is allowed on new home equity debt that is used to buy, build or substantially improve the home</td>
</tr>
<tr>
<td>24%</td>
<td>$100,525-$191,150</td>
<td>$201,050-$383,900</td>
<td>$383,900-$487,450</td>
<td>2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI)</td>
<td>3.80% (additional tax will be levied on lesser of: 1) net investment income or 2) excess MAGI above $200,000/$250,000 threshold)</td>
<td>-Cash charitable contributions deductible up to 60% of AGI</td>
</tr>
<tr>
<td>32%</td>
<td>$191,150-$243,725</td>
<td>$383,900-$487,450</td>
<td>$487,450-$731,200</td>
<td>2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI)</td>
<td>3.80% (additional tax will be levied on lesser of: 1) net investment income or 2) excess MAGI above $200,000/$250,000 threshold)</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>$243,725-$609,350</td>
<td>$487,450-$731,200</td>
<td>$609,350 or more</td>
<td>2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI)</td>
<td>3.80% (additional tax will be levied on lesser of: 1) net investment income or 2) excess MAGI above $200,000/$250,000 threshold)</td>
<td></td>
</tr>
<tr>
<td>37%</td>
<td>$609,350 or more</td>
<td>$731,200 or more</td>
<td>$731,200 or more</td>
<td>2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI)</td>
<td>3.80% (additional tax will be levied on lesser of: 1) net investment income or 2) excess MAGI above $200,000/$250,000 threshold)</td>
<td></td>
</tr>
</tbody>
</table>

The personal exemption has been repealed and individual tax rates and personal deductions sunset after 2025 as per the TCJA 2017.

Standard deduction: Single $14,600; Married filing jointly $29,200.

Modified Adjusted Gross Income (MAGI) is AGI plus amount excluded from income as foreign earned income, tax-exempt interest and Social Security benefit.

**Top/tax rates for ordinary income, capital gains and dividend income**

<table>
<thead>
<tr>
<th>Type of gain</th>
<th>Maximum rate</th>
<th>Alternative Minimum Tax (AMT) exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top rate for ordinary income &amp; non-qualified dividends</td>
<td>37%/40.8%</td>
<td>Filing status: Single/Head of Household Exemption: $85,700 Exemption phase-out range: $609,350-$952,150</td>
</tr>
<tr>
<td>Short-term capital gains (assets held 12 months or less)</td>
<td>37%/40.8%</td>
<td>Filing status: Single/Head of Household Exemption: $85,700 Exemption phase-out range: $609,350-$952,150</td>
</tr>
<tr>
<td>Long-term capital gains (assets held more than 12 months) &amp; qualified dividends</td>
<td>20%/23.8%</td>
<td>Filing status: Married filing jointly Exemption: $133,300 Exemption phase-out range: $1,218,700-$1,751,900</td>
</tr>
</tbody>
</table>

2Includes top tax rate plus 3.8% Medicare tax on the lesser of net investment income or excess of MAGI over threshold (single threshold $200,000; married filing jointly $250,000).

3The exemption amount is reduced 0.25 for every $1 of AMTI (income) above the threshold amount for the taxpayer’s filing status. For AMTI above the top range the exemption will be $0.

**Federal estate, generation-skipping transfer (GST) tax & gift tax exemption**

- Top federal estate tax rate: 40%
- Federal estate, GST & gift tax exemption: $13.61 million per individual/$27.22 million per couple
- Annual gift tax exclusion: $18,000 per donor, per donee ($36,000 per couple)

4Increased levels expire after 2025.

Source: IRS.gov. The presenter of this slide is not a tax or legal professional. This slide is for informational purposes only and should not be relied on as tax or legal advice. Clients should consult their tax or legal professional before making any tax- or legal-related investment decisions.
## Retirement plan contribution and deferral limits: 2023/2024

### Type of Retirement Account | Specifics | 2023 | 2024
--- | --- | --- | ---
401(k), 403(b), 457(b) | 401(k) elective deferral limit/with catch-up contribution (age 50 and over) | $22,500/$30,000 | $23,000/$30,500 |
| Annual defined contribution limit | $66,000 | $69,000 |
| Annual compensation limit | $330,000 | $345,000 |
| Highly compensated employee threshold | $150,000 | $155,000 |
| 403(b)/457 elective deferrals/with catch-up contribution (age 50 and over) | $22,500/$30,000 | $23,000/$30,500 |
SIMPLE IRA | SIMPLE employee deferrals/with catch-up deferral (age 50 and over) | $15,500/$19,000 | $16,000/$19,500 |
SEP IRA | Maximum contribution | $66,000 | $69,000 |
| SEP minimum compensation | $750 | $750 |
| SEP annual compensation limit | $330,000 | $345,000 |
Health Savings Account (HSA) | Maximum contribution amount/with catch-up contribution (age 55 and over) | Single: $3,850/$4,850 | Single: $4,150/$5,150 |
| Family: $7,750/$8,750 | Family: $8,300/$9,300 |
| Minimum deductible | Single: $1,500 | Single: $1,600 |
| Family: $3,000 | Family: $3,200 |
| Maximum out-of-pocket expenses | Single: $7,500 | Single: $8,050 |
| Family: $15,000 | Family: $16,100 |
Social Security | Wage base | $160,200 | $168,600 |
| Maximum earnings test exempt amounts | $21,240/year (before FRA*) | $22,320/year (in year of FRA*) |
| $56,520/year (in year of FRA*) | $59,520/year (in year of FRA*) |
| Maximum Social Security benefit at FRA* | $3,808/month | $3,911/month |
| Defined benefit – Maximum annual benefit at retirement | $265,000 | $275,000 |

---

2. Employer may either match employee’s salary reduction contributions dollar for dollar up to 3% of employee’s compensation or make non-elective contributions equal to 2% of compensation up to the annual compensation limit. IRS Publication 560.
3. Employer contributions may not exceed the annual defined contribution limit or 25% of compensation. Other rules apply for self-employed individuals. IRS Publication 560.
4. In calendar years before FRA, benefit reduced $1 for every $2 of earned income above the limit; during year of FRA, benefit reduced $1 for every $3 of earned income in months prior to FRA.
Source: IRS.gov; SSA.gov
Disclosures

Unless otherwise indicated, all illustrations are shown in U.S. dollars.

Past performance is no guarantee of comparable future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Indices are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

The Bloomberg Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

The price of equity securities may rise or fall because of changes in the broad market or changes in a company’s financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to “stock market risk,” meaning that stock prices in general may decline over short or extended periods of time.

Investing in alternative assets involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax professional prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve.

<table>
<thead>
<tr>
<th>Asset class</th>
<th>20/80</th>
<th>40/60</th>
<th>50/50</th>
<th>60/40</th>
<th>80/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. large cap growth</td>
<td>4.5%</td>
<td>8.8%</td>
<td>11.0%</td>
<td>13.3%</td>
<td>17.5%</td>
</tr>
<tr>
<td>U.S. large cap value</td>
<td>4.5%</td>
<td>8.8%</td>
<td>11.0%</td>
<td>13.3%</td>
<td>17.5%</td>
</tr>
<tr>
<td>U.S. mid/small cap</td>
<td>2.3%</td>
<td>4.5%</td>
<td>5.5%</td>
<td>6.5%</td>
<td>9.0%</td>
</tr>
<tr>
<td>U.S. REITs</td>
<td>1.0%</td>
<td>2.0%</td>
<td>2.5%</td>
<td>3.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Developed market equities</td>
<td>5.5%</td>
<td>11.3%</td>
<td>14.0%</td>
<td>16.8%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Emerging market equities</td>
<td>2.3%</td>
<td>4.8%</td>
<td>6.0%</td>
<td>7.3%</td>
<td>9.5%</td>
</tr>
<tr>
<td>U.S. investment-grade bonds</td>
<td>61.8%</td>
<td>45.8%</td>
<td>38.0%</td>
<td>30.0%</td>
<td>14.0%</td>
</tr>
<tr>
<td>U.S. high yield bonds</td>
<td>12.3%</td>
<td>9.3%</td>
<td>7.5%</td>
<td>6.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Emerging market debt</td>
<td>4.0%</td>
<td>3.0%</td>
<td>2.5%</td>
<td>2.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>U.S. cash</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

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