

# Let's Talk...

## Let's Talk ... About How Much Money You Need to Retire

As we think about retirement, one of the most important questions we face is: "What does it mean to retire comfortably?" Let's look at how to calculate your retirement needs so you can enjoy your golden years without financial stress.

### 1. Understand Your Current Expenses

Assess your current living expenses, including housing, utilities, groceries, and entertainment. This baseline will help you estimate your retirement needs. Track your spending for a few months to get an accurate picture of your financial habits.

### 2. Estimate Future Expenses

Consider how your expenses might change in retirement. Will you travel more? Will you downsize your home? Consider potential healthcare costs, which can be significant as you age. A good rule of thumb is to estimate that you'll need about 70-80% of your pre-retirement income in retirement. This is because some expenses may decrease—like commuting costs, supporting children, or saving for retirement itself. However, this can vary based on your personal circumstances, including how much you save during your working years, so tailor your estimates accordingly.

### Get help planning for future expenses

The Retirement Goal planning tool on the Fidelity Financial Wellness Dashboard has a section to help plan for retirement expenses. Once you scroll to the **Goals** section and choose **Create New Goal**, you can choose whether to use a basic estimate from Fidelity, enter your own estimated monthly expenses, or create an itemized list of detailed expenses.

### 3. Factor in Inflation

Historically, inflation has averaged around 3% per year. When estimating your retirement needs, consider how inflation will impact your expenses over the years. For example, if you currently anticipate needing \$50,000 per year of current dollars in retirement, and you expect to retire in 20 years, a 3% inflation rate could increase that need in future dollars to approximately \$90,000 per year by the time you retire. To learn more about how to factor in interest rates and inflation when thinking about your future, see "[Let's Talk About... How High Interest Rates Can Impact You](#)".

#### **4. Identify Income Sources**

Estimate how much you can expect from each income source in retirement and when you'll start receiving the benefits. Common sources include Social Security, pensions, a Health Savings Account (HSA), retirement accounts (like the Halliburton Retirement and Savings Plan, other 401(k)s and IRAs), and personal savings.

#### **Figure out your monthly income in retirement**

Fidelity's Retirement Income Calculator can help you see how much money you could have every month, including a mix of income and savings.

#### **5. Calculate the Retirement Savings Gap**

Once you understand your future expenses and income sources, calculate the gap by comparing your expected income with your estimated expenses. If your expenses are higher than your income, you'll need to save more or adjust your retirement plans. This gap analysis is crucial for understanding how much you need to save to achieve your retirement goals.

#### **Consider the 4% Rule as a Reference Point**

The 4% rule is a popular retirement guideline that suggests that you can withdraw 4% of your retirement savings each year without running out of money. To figure out how much you need to save using this method, multiply your estimated annual expenses by 25. For example, if you think you'll need \$40,000 per year, you would aim to save \$1 million. There are other withdrawal strategies which may be more appropriate, such as withdrawing 5% after good investment performance years and 3% after years of poor performance. Just remember that any withdrawals from a retirement account must follow IRS Required Minimum Distribution requirements. While the 4% rule may be a helpful starting point for planning, everyone's needs are different and should be carefully considered based on individual circumstances.

#### **6. Create a Savings Plan**

With your target savings amount in mind, create a plan to reach that goal. Consider how much you can save each month and explore investment options that match your risk tolerance and time horizon. Starting early allows your money to take advantage of compounding over time. Automating your savings can help ensure you stay devoted to your savings plan by remaining consistent with your contributions.

By understanding your expenses, identifying income sources, and creating a savings plan, you can set yourself up for a comfortable retirement. The earlier you start planning, the better prepared you'll be!

#### **Join a Fidelity Webinar to Learn More**

Join Fidelity's Fundamentals of Retirement Income Planning webinar for additional support with retirement planning.

**Sources:**

[Investopedia: How Much Money Do You Need to Retire at 57?](#)

[Fidelity: How Much Will You Spend in Retirement?](#)

[Investopedia: Will Your Retirement Income Be Enough?](#)

[Forbes: Inflation Calculator Historical & Future Value](#)

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