Casey Mullooly: Where will your income come from in retirement? Keep watching to find out.

Welcome back to the Mullooly Asset Show. I'm your host, Casey Mullooly, happy to be back for this week's episode. So where's the money going to come from in retirement? It's a really good question. According to JP Morgan's Guide to Retirement Survey, there are really three main sources. Social Security, changes in spending, and private sources, so a retirement savings. JP Morgan found that if you have $100,000 worth of pre-retirement income, 14% of your replacement income in retirement will come from changes in spending. 44% will come from Social Security, and 42% will come from those private sources, also known as your savings. So I just wanted to touch quickly on these three areas.

So that 14% from changes in spending. Well, you might be thinking, I just worked my butt off for 40 years. I don't exactly want to pinch pennies now that I'm in retirement. I want to enjoy myself and spend my hard-earned money. And I would tend to agree with you. One thing to consider if you were a good saver during your working years is that you won't have to put ... let's say you were saving 15% of your income. You won't have to put that money in the bank. So there's a little bit right there.

And another thing to consider is that JP Morgan found that spending tends to peak between the ages of 45 and 50. And by the time you get to 65, on average, it decreases by 20%. And by the time you get to 80, it decreases another 23% from when you were 65. So from the peak, that's between 40 and 50% of spending that just naturally tends to get cut. So definitely something to consider.

Next up is Social Security. 44% of that, that's a big chunk of your retirement income is going to come from Social Security. And it's important to remember that claiming Social Security is a permanent decision. You can't go back once you make the decision, and it's not always based on dollars and cents. I think a lot of people in our industry just look at the dollars and cents and will tell you to wait. Definitely wait until full retirement age, which is 67, 66, depending on when you were born. Or wait until your age 70 so you can get the maximum possible benefit.

That does make the most sense from strictly a numbers perspective. But if claiming early at age 62 allows you to get out of a job that is sucking your soul dry and allows you to enjoy yourself a little bit more and you can make the numbers work another way, then that is a decision that should definitely be considered and a trade off that that might be worth it.Lastly, your own personal savings, your retirement savings is going to account for that 42%. We're not going to get into specific investment strategies here, but something to consider for your investments is that if you are married and retire at age 65, JP Morgan found that there is a 90% chance that one of you will live until age 80. And there's a 75% chance that one of you will live to age 90. So it busts that common retirement myth that as soon as you retire, you should de-risk your portfolio. I don't know if that's necessarily in your best interest, because retirements tend to last 30, 35, 40 years. And you want a plan for that possibility.So a lot of information thrown your way in this week's episode. It's important to remember that these were average numbers and every retirement is different. But these are the three main sources of retirement income for the average worker in the United States. Changes in spending, Social Security, and retirement or private savings. So that is going to do it for this week's episode. Thank you, as always, for tuning in. We'll be back with you next week.