21 Key Stats

For Tracking Your Financial Health

INFORMATION GUIDE

Knowing your current financial numbers helps you make better planning decisions. Tracking a few key statistics can help you determine whether your savings may be adequate and if you are investing appropriately for your long-term goals.

FINANCIAL TERMS TO KNOW

Net worth

A measure of overall financial health. Essentially, net worth is what you own minus what you owe. As net worth fluctuates from year to year, monitor your overall trend. To calculate, add up everything you own (house, cars, property, savings, etc.) and deduct debts that must be paid (mortgage, credit cards, loans, etc.).

6 MONTHS

Suggested amount of living expenses covered by emergency cash fund[1]

Cash balance

Cash means you're prepared for surprise expenses as well as opportunities. A rising cash flow generally indicates positive growth and a growing net worth. Building up cash balances is important for establishing emergency funds. Most financial professionals recommend having enough cash reserves to fund a minimum of three to six months of living expenses. To calculate, add up your checking and savings accounts and any other liquid assets, such as Certificates of Deposit.

Investable assets

Financial assets that can be easily liquidated into cash. Essentially, they are the sum of your cash plus investments, but not personal properties, mortgages, or business assets. Investable assets tell you how much money you have available without having to sell any personal property. This number can help you determine when to retire and how much to invest to create cash flows and otherwise fund retirement. To calculate, add your savings plus investments, then deduct your consumer debt.

10%

of high-net-worth individuals (over $1 million assets) live in the U.S.[2]

Adjusted gross income (AGI)

A tax term for your total gross income after qualified adjustments, but before personal exemptions and deductions. Qualified adjustments include health insurance premiums, interest on student loans, retirement account contributions, half of self-employment taxes, alimony payments, qualifying tuition, and more. Your AGI determines your tax bracket, your ability to contribute to certain retirement accounts, your eligibility to take certain tax deductions and credits, and even additional taxes, such as Medicare premiums. To calculate, take your total gross income minus qualified adjustments.

37%

2023 top tax rate on incomes above $609,350 (single) or $731,200 (married filing jointly)[3]

17

States plus the District of Columbia have estate or inheritance taxes[4]

3.2%

CPI for all items Feb. 2023 to Feb. 2024[5]

Tax bracket

Your tax bracket indicates how much money you can make before that last dollar pushes you into the next higher bracket. Knowing your tax bracket can help you decide whether to contribute extra to a retirement account or make a gift to charity. Your tax bracket is not the same as your effective tax rate. Your tax bracket indicates the highest tax rate you pay, but that rate is not applied to all your taxable income. For example, a portion is taxed at 10%, then 12% and so on, until the bracket threshold is reached. To find current rates and brackets, visit the IRS website.

Your state's estate tax

When you die, your assets may be taxed at both the state and federal level. How much tax your estate pays depends on the value of your assets at death. Federal estate taxes of 40% apply when assets reach $13.61 million. Twelve states plus the District of Columbia impose an estate tax and six states impose state inheritance taxes, and their exemptions may or may not follow the federal estate tax exemption. If your state doesn't impose an estate tax, only the federal tax applies.

Your equity allocation

Most investment portfolios are based on three categories of investments: stocks (or equities), bonds, and cash. While equities are riskier than bonds or cash, they've historically given better long-term returns. How much to invest in stocks is key to attaining your goals. Your "correct" allocation depends on your age, goals, risk tolerance and portfolio. Even in retirement, you may need some stocks to protect against inflation and outliving your portfolio. To calculate your equity allocation, take the value of your stocks divided by your total portfolio.

Inflation rate

Inflation is a sustained increase in the general price of goods and services. It is measured by either the Consumer Price Index (CPI) or Producer Price Index (PPI). Both are published by the Bureau of Labor Statistics (BLS). Inflation affects your purchasing power and impacts interest rates, cost-of-living increases for Social Security, and various taxes. A dollar today may not be worth a dollar in the future, depending on inflation. To find the current inflation rate, see the CPI and PPI indices at the BLS.

Replacement ratio

Helps determine how much of your work salary you'll need to replace in retirement. For example, if your pre-retirement income was $100,000 a year and you will receive $60,000 a year in Social Security and pension benefits, your replacement ratio is 60%. You should expect to replace 70-90% of your final salary to enjoy a lifestyle similar to when you were employed. To calculate your percentage, take your post-retirement income divided by your pre-retirement income.

Savings rate for retirement

How much to save for retirement depends on how much you want to spend, how much income you'll have, and your age at retirement. One rule of thumb says you need to save $15-$20 for every $1 gap between your retirement income and expenses. Another says you should save 15% of your annual salary starting at age 25 if you want to retire at age 62. The later you wait to save, the higher your savings rate needs to be to meet suggested age benchmarks.

	SAVINGS BENCHMARKS[1]				
	Multiples of current annual salary				
The later you wait to save, the higher your savings rate needs to be to meet suggested age benchmarks.	**Ages 18-29**	**Ages 30-39**	**Ages 40-49**	**Ages 50-59**	**Ages 60-64**
	0.7X	1.4X	2.6X	4.8X	7.1X

4%

Commonly recommended annual portfolio withdrawal rate[1]

Withdrawal rate

Your withdrawal rate is how much you take out of your investment portfolio on an annual basis to meet expenses. Ideally, you want a "sustainable" rate you can use throughout retirement. To calculate, determine how much you'll spend in your first year of retirement. Then add up income sources like Social Security or pensions. Subtract expenses from income to see if there is a "gap" to be filled. If so, what percentage of your portfolio will you withdraw to fill that gap? That is your withdrawal rate. Most financial professionals recommend a 3-4% withdrawal rate. Your rate may vary and depends on factors like longevity, inflation, rate of portfolio return, your health, and lifestyle.

Reliance rate

Measures the percentage of your spending that must be provided by your portfolio. For example, if you need $100,000 a year in retirement income, and $70,000 comes from your portfolio while $30,000 comes from other sources, your reliance rate is 70%. The higher your reliance rate, the more market declines will affect your retirement income. To calculate, take your expected spending minus non-portfolio sources of income, then divide that number by your expected spending.

Fixed monthly expenses

How much you spend each month can be broken down into three categories: fixed, variable, and periodic. Fixed expenses are how much you spend on basic living expenses each month. Knowing how much money you need to meet your bills each month helps you in planning, investing and building your savings. To calculate, add up mortgage/rent and loan payments, utilities, housing, food, transportation, insurance premiums, and clothing costs.

Yearly healthcare costs

Some healthcare costs are fixed, such as annual premiums or routine care. Others are sudden, due to illness or accident. Insurance may cover a large share, but you still must pay deductibles, co-pays, and co-insurance. Healthcare gets more expensive as you age: Fidelity finds that married couples will spend about $250,000 on healthcare in retirement (about $8,000 a year over 30 years). Healthcare is a big enough expense that it should figure into your financial or retirement plan. To calculate, add up your fixed premium payments plus routine out-of-pocket costs.

Today's 65-year-olds who will live past age 90[1]

Cost to rebuild your home

Market value can be quite different from replacement cost, which is the cost to replace or rebuild your home. It does not include land value. Knowing your rebuild cost helps you determine how much homeowner's coverage you need: Guaranteed replacement coverage insures 100% of your home without limits; replacement cost coverage insures about 80% of your home; a cash-value policy will cover the cost of replacing your home minus depreciation. Review your policy annually. To find your rebuild cost, ask your insurance agent, a local contractor, or hire an independent appraiser.

Home equity

Home equity measures how much of your home you own based on its current value. The less you owe, the more equity you have. Equity can be a significant source of retirement income. To calculate, take the current market value of your home minus your mortgage balance. Knowing how much equity you have can help you make better decisions. Suppose you want to remodel the house or consolidate debt. You could take out a line of credit against the equity or do a cash-out refinance. Or in retirement, you may want to take out a reverse mortgage.

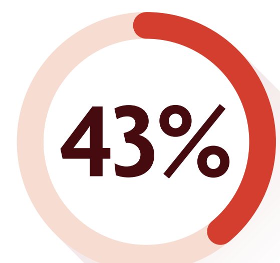
Today's 65-year-olds who will live past age 95[1]

Life expectancy

Of all the numbers to know, an idea of how long you—and your partner—might live is one of the most important. That's because you will spend your savings a lot differently depending on whether you live to 75 or 100. Underestimating can result in a critical error in your retirement planning. You can use the life expectancy calculator at Social Security's website to get an idea of the average number of additional years you can expect. Be aware your "longevity risk" changes each year as you grow older, and most people underestimate how long they will live.

Debt-to-income ratio

Your debt-to-income (DTI) ratio measures the amount of income used to cover your monthly debts and helps determine if your debt load is manageable. Lenders use your DTI to help determine your credit risk. To calculate, add up all of your monthly debt payments (rent or mortgage, loans, credit card payments, taxes, alimony or child support) and divide by the sum of your gross monthly income. Don't include utilities, groceries, insurance premiums, etc., as debt. According to FHA guidelines, housing-related expenses should not exceed 31% of gross income. Your total debt load (housing plus loan payments, etc.) should not exceed 43% of gross income.



Recommended debt-to-income ratio limit for total debt load[1]

Credit card balances & interest rates

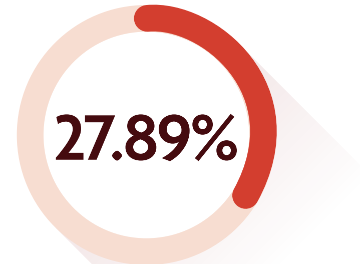
Credit card debt is the easiest and most expensive debt to incur. Lenders generally divide card users into two groups: Transactors, who pay their balance off every month; and Revolvers, who carry a balance from month to month and incur interest expense. It's best to use credit cards sparingly and pay the bill within 30 days. See your monthly statement for interest rates and balances; some statements also include your FICO score.

Full retirement age (FRA)

The age at which you can retire to receive your full Social Security benefit. For many years, the FRA was 65. In 1983, Congress began raising the age limit to reflect longer life expectancy. Currently, the FRA is around 66 depending on the year you were born, rising to age 67 for everyone born after 1960. You can begin claiming reduced benefits as early as age 62, or delay claiming until age 70, which will increase your benefit. Find your numbers by searching "Full retirement age" at the Social Security Administration's website at www.ssa.gov.

FICO credit score

A brand of credit score (Fair Isaac Corporation) used by banks and other lenders to determine whether you are a good credit risk or not. FICO scores range from 300-850 points and are compiled by the three major credit bureaus: Equifax, Experian, and TransUnion. Your FICO score is calculated using five weighted credit factors: Your payment history (35%), amount owed (30%), length of credit history (15%), new credit (10%), and the mix of credit accounts you have (10%). Always request and review your credit reports, which you can do at no cost at AnnualCreditReport.com. Your credit scores are calculated on information in your reports, and errors can reduce your scores. You can buy your credit score at myFICO.com, or get it from a credit card or other loan statement, a non-profit counselor, or for a fee from a credit reporting agency.



Average credit card interest rate during the first quarter in 2024.[6]

Amount Social Security retirement benefit is reduced if you are born in 1960 or later and claim early benefits at age 62.[1]

Complete the worksheet to pinpoint your 21 key money numbers and help plan your retirement.

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[1] "21 Key Stats for Tracking Your Financial Health." Horsesmouth, copyright 2021.

[2] World Population Review. (2024). Millionaires by Country 2024. https://worldpopulationreview.com/country-rankings/millionaires-by-country

[3] Internal Revenue Service. (2023, November 9). IRS provides tax inflation adjustments for tax year 2024. https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2024

[4] Waggoner, John. (2023, October 20). 17 States With Estate or Inheritance Taxes. AARP. https://www.aarp.org/money/taxes/info-2020/states-with-estate-inheritance-taxes.html

[5] "Consumer Price Index: February 2024." bls.gov. March 12, 2024. Accessed March 22, 2024, at https://www.bls.gov/news.release/pdf/cpi.pdf.

[6] Black, Michelle and Proctor, Clint. (2024, March 18). What is the Average Credit Card Interest Rate This Week? Forbes Advisor. https://www.forbes.com/advisor/credit-cards/average-credit-card-interest-rate/

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