

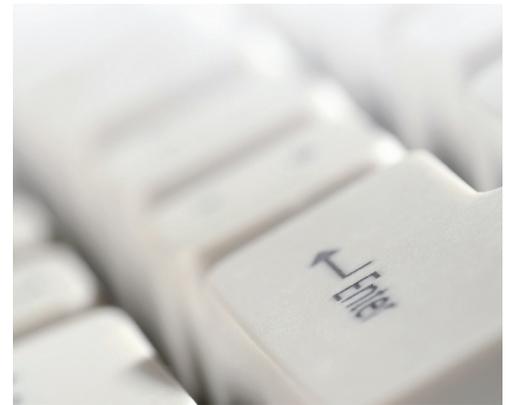


How to Afford a Long, Happy Retirement

Never Too Early. Never Too Late.

There's no wrong time to plan for your retirement. Sooner is, of course, better — making it possible for a 30-year-old, who saves for retirement consistently, to be a millionaire by retirement age. But even those who don't start saving for retirement until their late 50's, can take the edge off retirement expenses by using safe, and often overlooked, strategies.

As you begin to create a solid retirement plan, the monies that define your future security will grow and you will become more confident and optimistic. As a result, you may find that your present financial and emotional well-being also take a turn for the better. The advice in this brochure and that of an objective financial professional, such as a CPA, may help you enjoy the retirement of your dreams.



A Three-Step Approach to Successful Retirement Planning

- (1) Pinpoint Your Major Sources of Retirement Income
- (2) Take a Realistic Look at Retirement Costs and Goals
- (3) Close the Gap Between Income and Goals

(1) Pinpoint Your Major Sources of Retirement Income

Assess each of the following major sources of retirement income and determine which ones you have, which ones you don't and which ones you should.

Social Security: The longer you work (up until age 70) the greater your monthly benefits. Each year about two or three months before your birthday, you receive a statement from the Social Security Administration detailing all the facts and figures

surrounding your contributions and anticipated benefits. Review and keep this document. It's a vital piece of information for your retirement planning. You can also obtain a copy by calling the Social Security Administration at 800-772-1213, or requesting it from their Web site, www.ssa.gov.

Employer Pension Plan: Make sure you understand all the provisions and eligibility requirements of your retirement plan, especially regarding vesting. Retiring even a few months too early (or leaving for another position in advance of vesting) could cost you tens of thousands of dollars over the course of your retirement.

Employer Contribution Plan: The most common variety is a 401(K) plan, a retirement savings plan, funded by employee contributions and (often) matching contributions from the employer. You usually have some say in how contributions are invested. The major attraction is that the contributions are taken from pre-tax salary, and the funds grow tax-free until withdrawn.

It's easy to save for your retirement if you "think small" and do it consistently. The numbers speak for themselves. Take a look at what just \$100 per month — that's less than \$3.25 a day — can mean towards your retirement.

The Power of \$100 a Month

Rate of Return	Number of Years					
	5	10	15	20	25	30
5%	6,801	15,528	26,729	41,103	59,551	83,226
6%	6,977	16,388	29,082	46,204	69,299	100,452
7%	7,159	17,308	31,696	52,093	81,007	121,997
8%	7,348	18,295	34,604	58,902	95,103	149,036
9%	7,542	19,351	37,841	66,789	112,112	183,074
10%	7,744	20,484	41,447	75,937	132,683	226,049

IRA – Individual Retirement Account:

An IRA is generally available to anyone who receives taxable compensation during the year. Both husband and wife may be eligible to contribute to an IRA. There are currently two basic types of IRAs – traditional and Roth IRAs. A CPA or other financial advisor can help you determine which is best for your retirement needs.

Personal Investments: Experts agree that if you want to maintain your current lifestyle, your retirement income must include investments outside your retirement accounts. In deciding on a retirement investment strategy, consider liquidity, diversity, your tolerance for risk, and your retirement timeframe. Equally vital are the tax implications of your investment decisions. It's a good idea to get the advice of an unbiased financial expert, such as a CPA, on overall investment strategies and possible tax-sheltered opportunities.

Retirement Careers: More and more Americans are starting new jobs or new careers after reaching retirement age. If this is one of your options, you should anticipate what you are likely to earn and the tax ramifications of your second career.

(2) Take a Realistic Look at Retirement Costs

In order to assess what it will cost to retire, here are some questions to consider — and keep in mind you are likely to live in retirement for 20 years or more.

- Will you keep or sell your present home? Move? Upgrade?
- Will you want to duplicate your current lifestyle?
- Will you be paying to educate children during your retirement?
- Will supporting aged parents be a consideration?
- What medical expenses will be covered (prescription, dental, eye care)?

- Will you purchase Medicare Part B? Will you want to purchase Medigap insurance?
- Do you plan to travel? How often? Where?
- What will your hobbies cost (i.e., golf, tennis, memberships, etc.)?
- What expenses, if any, will you eliminate (e.g., wardrobe, transportation for work)?
- Do you plan on making gifts to family members?
- What benefits will you lose (i.e., company car)?
- Will you plan to continue working? If so, what impact will that have on your taxes?

(3) Close the Gap Between Income and Goals

For most Americans, there is a considerable gap between what they will actually have and what they will need to retire comfortably. According to the Social Security Administration's electronic newsletter, Social Security benefits will replace only about 40% of your income if you have average earnings. The sooner you start planning to fill the gap, the better the chance of closing it.

Retirement Strategies

Some strategies you can begin to implement immediately are:

- If you are not currently participating in your company's 401(k) plan, start now.
- Earmark A MINIMUM of \$100 a month for retirement savings.
- Investigate safe and viable investment options.
- Look into IRAs that may be appropriate for your situation.
- Consider part-time work options for your retirement based on things you love to do.

- If you are in your mid 50's or older, and anticipate a shortfall, start cutting back on expenses now and put the savings toward your retirement.
- If you are a "late starter" don't be tricked into higher risk investments with seemingly higher yields. The older you are, the less time you'll have to recoup any investment losses.
- Remember to factor in for inflation which has averaged between 3 and 4 percent over the last 15 years.
- Talk to a CPA or other financial planner about both basic and sophisticated retirement planning strategies.

Retirement Considerations At A Glance

When you would like to retire may be very different from when you can afford to retire. Here are factors that come into play to realistically determine a retirement age:

Life Expectancy. Americans are living longer. When Social Security was created, the average life expectancy past retirement age was 5-10 years. Today it's 20-25 years. Anticipate needing income for a minimum of 20 years if you retire at age 67.

Sources of Income: Pension plans and Social Security are the key sources of retirement income for most Americans. Be sure to take into account the need for other sources of income such as IRAs, investments and a second career.

Desired Lifestyle: Do you want to maintain your current lifestyle? Improve it? Cut back? Travel more? How much you plan to spend will determine how much you need and how soon you can retire. Consider the effect of inflation on your retirement lifestyles.

Six Hard-to-Ignore Reasons to Plan for Your Retirement Now

1. Seniors are expected to live 20 or more years beyond their retirement age.
2. Social Security may average 40% or less of your required income when you retire. Experts estimate you need 2/3 to 3/4 of your current income for financial security in retirement, depending on your spending level.
3. If you start contributing annually to a retirement plan in your 20's or 30's, you could possibly be a millionaire by the time you reach retirement age.
4. Even a slight increase in contributions to your 401(k) – 1 or 2% – can reap huge benefits 15 or 20 years down the road.
5. The latest figures indicate that the poverty level of American seniors age 65 and over is at 10.4% – that's 3.6 million people!
6. If you stay the course, you are likely to maintain or improve your current standard of living in retirement.



**How to Afford a Long,
Happy Retirement and
360 Degrees of Financial Literacy**

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