ACHIEVING YOUR RETIREMENT GOALS

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GETTING STARTED

Being able to retire when and how you want is one of your most important financial objectives. But achieving this goal takes planning and perseverance. Most of us won't be able to rely on Social Security alone to provide the income we'll need.

Even when supplemented by the income from a pension, Social Security probably won't be enough. For almost everyone, personal savings have become an essential component of retirement income.

Fortunately, both the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) enhance your ability to save for retirement. For instance, limits for individual retirement accounts (IRAs), 401(k) plans and savings incentive match plans for employees (SIMPLEs) are gradually rising over the course of this decade. Also, in 2004, taxpayers age 50 and up can continue to make "catch-up" contributions to IRAs, 401(k)s and SIMPLES. (See the chart below.)

More good news: In 2002, the IRS finalized a new set of distribution rules for qualified retirement plans. Among other things, the update affects how the IRS determines your distribution period (the time during which you or a beneficiary will receive plan funds) and, therefore, the amount of your required minimum distributions. Previously, the government required you to calculate your remaining life expectancy on the basis of beneficiary designations under either the recalculation or term certain method.

The new rules follow a uniform life expectancy table — which reflects improved life expectancies and generally reduces required minimum distributions — for everyone. (One exception: A "Joint and last survivor" table applies if you name your spouse as beneficiary and he or she is more than 10 years younger than you.)

Chart 1

Retirement plan contribution limit increases

Year	401(k)s	401(k)s for taxpayers over 50	IRAs	IRAs for taxpayers over 50	SIMPLEs	SIMPLEs for taxpayers over 50
2002	$11,000	$12,000	$3,000	$3,500	$7,000	$7,500
2003	$12,000	$14,000	$3,000	$3,500	$8,000	$9,000
2004	**$13,000**	**$16,000**	**$3,000**	**$3,500**	**$9,000**	**$10,500**
2005	$14,000	$18,000	$4,000	$4,500	$10,000	$12,000
2006	$15,000	$20,000	$4,000	$5,000	$10,000	$12,500
2007	$15,000	$20,000	$4,000	$5,000	$10,000	$12,500
2008	$15,000	$20,000	$5,000	$6,000	$10,000	$12,500

Source: U.S. Internal Revenue Code

Smaller minimum required distributions are beneficial because they allow more of your retirement assets the opportunity to grow tax deferred longer.

This booklet guides you through the first steps in developing or reviewing your retirement plan. But because of the many complex and fluctuating factors that go into creating a retirement plan, it's only a starting point.

The next step is to call us to discuss your plan. We can help you refine and supplement your plan in light of the major forces now shaping your ability to retire on your own terms.

START NOW

Although it's never too late to plan for retirement, the earlier you start, the easier it will be to accumulate the funds you'll need. Why?

- You'll have more years to build a retirement nest egg.
- Your savings program will become a habit.
- Most important, time will magnify compounded interest's effects, as illustrated below.

VALUE OF COMPOUNDING

To save $100,000 by age 65 (assuming an annual rate of return of 8%* after taxes), a 35-year-old must save $883 each year; a 45-year-old, $2,185; and a 55-year-old, $6,903.

** 8% is a hypothetical rate of return, and doesn't indicate any particular investment product.*

To ensure you'll have the financial resources necessary to maintain your lifestyle after you retire, you need to develop a plan. Even if you can't follow your plan completely right now, you'll have a target at which to aim. Review the plan periodically and revise it when you need to.

In the few minutes it will take you to read this booklet, we can show you how to get started.

ANTICIPATE YOUR LIVING EXPENSES

Because of the wide range of financial and lifestyle goals, your retirement savings program must take into account your needs and anticipated lifestyle after you retire. For example, if you want to retire early and travel extensively, you'll need a considerably larger retirement nest egg than if you plan to continue working part-time until age 70 and retire to a locale with a low cost of living.

Chart 2

"Average" change in living expenses after retirement

INCOME OF ALL RETIREES

Based on data from the Bureau of Labor Statistics 1998–1999 Consumer Expenditure Survey. Changes were calculated using data for people aged 45–54 years and 65 years and older.

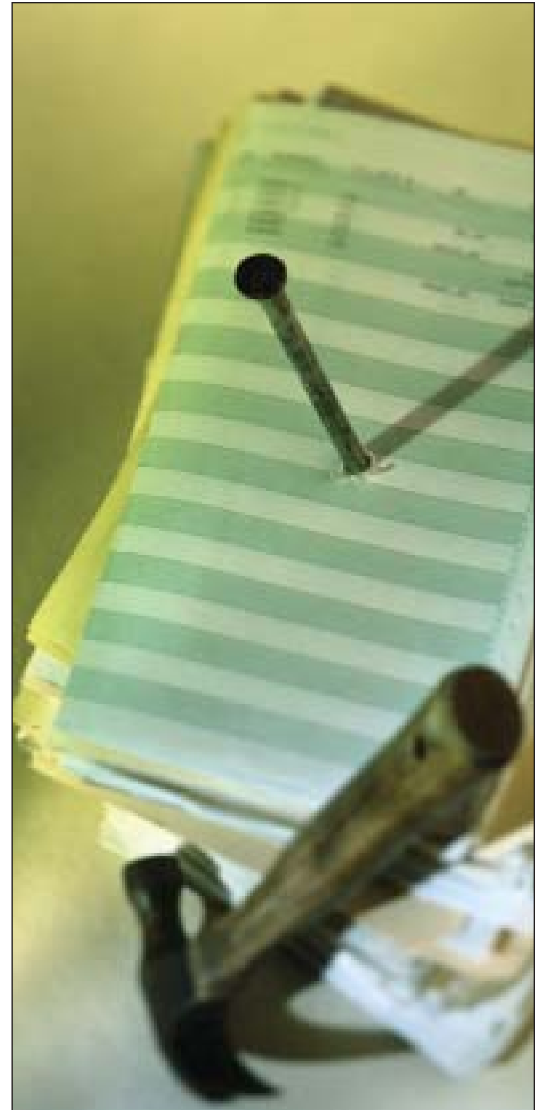
Category	Change
Health care	+38%
Personal care, utilities, & food/household	–35%
Housing/furnishing	–39%
Miscellaneous	–32%
Entertainment	–50%
Clothing	–56%
Insurance	–85%
Education	–88%

The chart above contains spending patterns for an "average" person at age 65 or older compared with those of a 45- to 54-year-old.

CONSIDER CHANGING YOUR SPENDING HABITS

The financial needs of a 65-year-old retiree are often considerably different from his or her financial needs at age 45. Although the rule of thumb says that retirees will need 20% to 40% less income, some retirees may find they can spend as much or more because they have more time for hobbies, travel and other leisure activities.

Even if you can't follow your plan completely right now, you'll have a target at which to aim.



Many people reduce or eliminate these expenses during retirement:

- Buying a home and home furnishings, and making home improvements.
- Financing a child's education.
- Paying for weddings or other family celebrations.
- Maintaining a business wardrobe.

But some categories of expenses are likely to increase — most notably, health care.

Estimate Your Expenses

You can get a rough estimate of your post-retirement living expenses by taking 60% to 80% of your current living expenses. For a more precise estimate, complete the worksheet on this page.

________________	x .7 =	________________
Pre-retirement living expenses	(or a percentage between .6 and .8)	Post-retirement needs

Worksheet 1

How much will I need?

	CURRENT ANNUAL LIVING EXPENSE	EXPECTED ANNUAL LIVING EXPENSE IN RETIREMENT (TODAY'S DOLLARS)
Housing mortgage, rent, condo fees, repairs, etc.	$ ________	$ ________
Property taxes	$ ________	$ ________
Utilities/phone	$ ________	$ ________
Food/household	$ ________	$ ________
Insurance health, home, auto, life, disability, etc.	$ ________	$ ________
Medical/dental	$ ________	$ ________
Clothing	$ ________	$ ________
Personal care toiletries, hairstyling, etc.	$ ________	$ ________
Work-related expenses	$ ________	$ ________
Transportation car payment, repairs & maintenance, taxi, etc.	$ ________	$ ________
Education	$ ________	$ ________
Family support children, parents or other relatives	$ ________	$ ________
Travel/vacations	$ ________	$ ________
Entertainment	$ ________	$ ________
Gifts/donations	$ ________	$ ________
Miscellaneous	$ ________	$ ________
TOTAL:	$ ________	$ ________

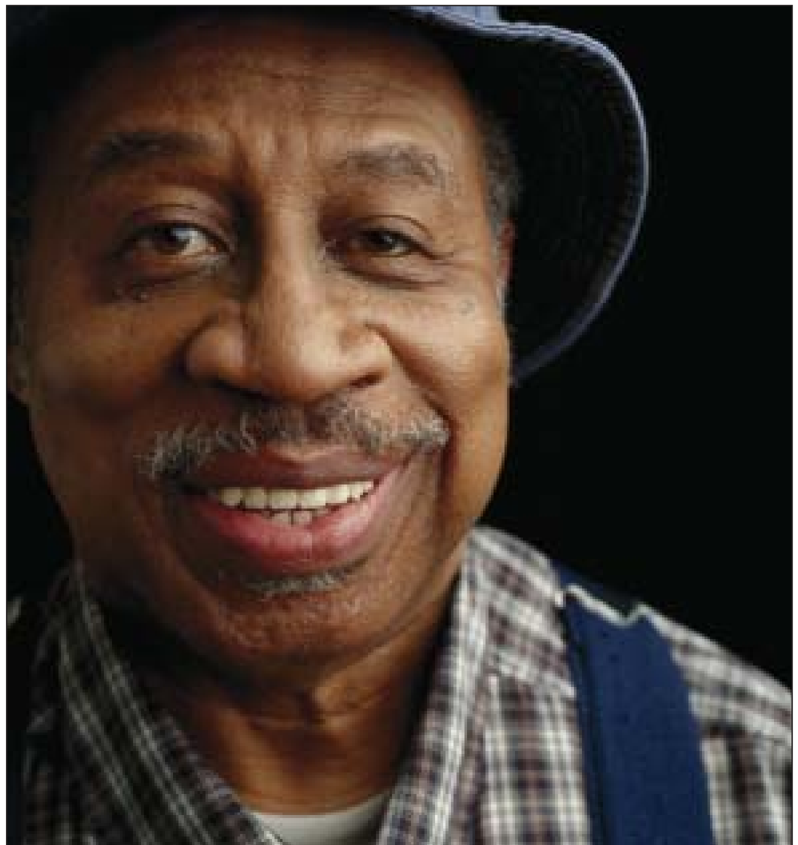
WHERE WILL THE MONEY COME FROM?

If you're like most people, your retirement income will come from three primary sources: Social Security, pension plan(s), and personal savings and other sources. All of these can be helpful, within limits — especially since the Social Security system's long-term health remains cloudy.

KNOW YOUR SOCIAL SECURITY BENEFITS

As long as you have worked for the equivalent of at least 10 years, the age at which you choose to begin receiving benefits and your income level in the years before retirement determine the size of your benefit.

The good news is that benefits are indexed to rise with inflation — the bad news is that the earnings used to determine the benefit are capped. Although this amount is also indexed for inflation, the cap means that people earning a higher income will receive proportionately less (of their pre-retirement earnings) than people whose income is below the cap.



Your benefits increase for each year after "full retirement age" that you delay receiving benefits.

To find out what your benefits will be, call the Social Security Administration at 800-772-1213 and ask for a Personal Earnings and Benefits Estimate Statement.

You can start receiving benefits as early as age 62, but they will be reduced by 20%. To receive full benefits, you must wait until you reach "full retirement age," which is currently 65. The full retirement age is scheduled to gradually increase from age 65 to age 67 for those born after 1938.

Your benefits increase for each year after "full retirement age" that you delay receiving benefits. The increase depends on the year you were born. For example, if you were born after 1943, your benefit increases 8% each year that you wait.

When you retire, your spouse is entitled to an additional 50% of your benefits, even if he or she never worked. But if your spouse's lifetime earnings qualify for higher benefits, your spouse should probably apply separately.

CHECK YOUR PENSION PLAN BENEFITS

To find out your pension benefit, talk to your employer's benefits specialist. Some pension benefits are fixed (also called flat benefits), and some adjust for inflation every year or two. If you are covered by a former employer's plan, you should have received information about your benefits when you left.

Pension plan benefits vary widely from employer to employer. The full benefits of a plan in the mid- to high end of the range might be 1% or 2% of the salary you earned your last year on the job, for every year you were employed. For example, if you worked for the same employer for 20 years, you could receive 20% to 40% of your salary.

But there's a catch. To receive full benefits for the years you work, many employers require a minimum of five to seven years of employment. If you change jobs frequently, your benefits could be *significantly lower* than in the preceding example.

If you are self-employed, you may be able to set up a pension plan even if you also work for another employer. These pension plans (sometimes called Keogh plans) let you maximize your pre-tax retirement savings.

Setting up such plans involves a number of choices. You'll need professional assistance to figure out what features are best for you and to help with the paperwork.

CHOOSE HOW YOU WILL SAVE

The third major component of your retirement income is personal savings. Unfortunately, many people underestimate the importance of personal savings, which can mean the difference between a comfortable retirement and a reduced standard of living.

Savings fall into two basic categories: tax deferred and taxable.

Tax-deferred accounts include IRAs and 401(k) plans. The dollars you put into these vehicles create a tax deduction when you put them in, and they accumulate tax deferred. Because you don't have to pay tax on these funds until you withdraw them, they grow faster than after-tax savings.

Taxable methods include a wide variety of investments such as stocks, bonds, mutual funds, annuities, real estate and business interests. The dollars you put into these investments are taxed, and you generally pay tax annually on their growth. One advantage of investments made outside of retirement plans is that you may have more access to them.

Investing in dividend-producing stocks in taxable accounts became more attractive last year, thanks to JGTRRA. Between now and 2008, for individual shareholders, the tax rate on qualified dividend income from domestic and qualified foreign companies has been reduced to 15% — the same as the new long-term capital gains rate. The new rate is retroactive to Jan. 1, 2003.

Because you pay tax on the amount you save and possibly on the earnings or growth each year, these funds don't grow as quickly as tax-deferred savings do. For example, you may be able to earn 8% on your savings, but after paying tax — we'll say 25% for this example — your earnings rate is 6%. The difference increases with the length of time the funds are growing.

Tax-deferred savings are almost always a better choice for your retirement plan. You won't need the money until you retire, and you want to accumulate as much as possible.

401(k) Plans

One of the most common retirement savings plans employers provide is a 401(k) plan. If your employer has one, you can defer part of your salary (up to a maximum of $13,000 in 2004) before paying taxes on it. (See Chart 1 on page 2 for contribution limits in later years.) Some employers also contribute. For example, your employer might kick in 50 cents for every dollar of salary you defer.

From a handful of investment options, you can generally choose how you want your contributions invested. Your earnings accumulate tax free, and you pay tax when you withdraw the funds.

Chart 3

Applicable divisors for required minimum distributions*

Age	Divisor	Age	Divisor	Age	Divisor
70	27.4	85	14.8	101	5.9
71	26.5	86	14.1	102	5.5
72	25.6	87	13.4	103	5.2
73	24.7	88	12.7	104	4.9
74	23.8	89	12	105	4.5
75	22.9	90	11.4	106	4.2
76	22	91	10.8	107	3.9
77	21.2	92	10.2	108	3.7
78	20.3	93	9.6	109	3.4
79	19.5	94	9.1	110	3.1
80	18.7	95	8.6	111	2.9
81	17.9	96	8.1	112	2.6
82	17.1	97	7.6	113	2.4
83	16.3	98	7.1	114	2.1
84	15.5	99	6.7	115 and up	1.9
		100	6.3		

* *Taxpayers must use a different table if a beneficiary is a spouse and more than 10 years younger than the account owner.*

IRAs

Another retirement plan, which you can establish on your own, is an IRA. Depending on your income and whether you are covered by a pension plan, your IRA contributions may be deductible. Even if you aren't able to deduct them, you may want to consider an IRA because it will allow you to accumulate earnings tax deferred. The contribution limit will keep rising through 2008. (See Chart 1.) Here are other points to consider regarding IRAs:

Penalty-free early IRA withdrawals for education expenses and first-time home purchases. The 10% penalty for withdrawals before age 59½ no longer applies to distributions from IRAs that you use: 1) to pay qualified higher education expenses for yourself, or 2) for first-time home purchases (up to a $10,000 withdrawal).

Contribution phaseouts for Roths. This year, you are able to make nondeductible contributions up to $3,000 annually to a Roth IRA. The minimum contribution is phased out for taxpayers with adjusted gross income (AGI) above specified amounts. The allowable contribution is reduced by any other IRA contributions during the year. (No more than $3,000 can be contributed annually to all of your IRAs; $3,500 if you are age 50 or older.) Qualified distributions from Roth IRAs are not taxable and not subject to the 10% penalty.

Distribution rules for traditional IRAs. The required beginning date, that is, when you must start taking plan distributions, remains April 1 of the calendar year following the year in which you reach age 70½. Thus, if you turn 70 on June 30, 2004, you'll reach 70½ on Dec. 30, 2004 and your required beginning date will be April 1, 2005. But if you turn 70 on July 1, 2004, you'll reach 70½ on Jan. 1, 2005. In this case, your required beginning date will be April 1, 2006.

To calculate each year's minimum required distribution amount, you simply divide your account's previous year end balance by the "joint life expectancy divisor" indicated in the uniform life expectancy table. (See Chart 3 on page 9.)

When looking at the table, you'll notice that the younger your age, the bigger the divisor and the smaller the required distribution amount. This is a good thing, because it allows any money you leave in the account to continue growing tax deferred.

What happens if you don't take a required minimum distribution? You'll have to pay a 50% penalty on any amount you should have withdrawn but didn't — along with income tax on that amount.

Waiting until April 1 of the following year may not be a good idea. You must then take two minimum distributions in one year and incur a double tax hit. This circumstance may push you into a higher tax bracket, adversely affect your adjusted gross income (which is used to determine your eligibility for various deductions, exemptions and credits) and even expose more of your Social Security benefits to taxation.

Life insurance

In addition to providing death benefits, some types of life insurance policies are good retirement savings vehicles. You generally pay premiums with after-tax dollars, but because the earnings typically accumulate tax deferred, their value can grow rapidly.

THE BITE OF INFLATION

Although we may grumble about inflation, most of us have become accustomed to it because our incomes rise to keep pace with, or stay ahead of, the cost of living. But after retirement, most incomes don't rise as fast as inflation.

For those with larger amounts of discretionary income, inflation — if looked at over several years — may be more of a nuisance than a real problem. During a retirement lasting 20 to 30 years, though, it could present a serious financial threat.

To buy what costs $50,000 today, you'll need considerably more in 20 years depending on the inflation rate. Assuming a rate of 4%, in 20 years you would need $109,556 to make today's $50,000 purchases.

COMPUTE TOMORROW'S NEEDS

Regardless of when you plan to retire, think about how inflation will increase your estimated retirement living expenses. You will need to consider two periods of inflation: the time you will be accumulating retirement funds and the estimated length of your retirement.

Assuming a rate of 4%, in 20 years you would need $109,556 to make today's $50,000 purchases.

To convert today's dollars into the amount you'll need when you retire, multiply today's estimate by a factor based on how long it is until you plan to retire and the inflation rate you expect. No one knows how much the cost of living will increase, but past inflation rates can provide a basis for your assumption.

Chart 4

Inflation after you retire

The cumulative effect of inflation during your retirement years can be staggering. For example, imagine you retired today on a fixed retirement income of $50,000. Over the next 25 years, your buying power would decline significantly. As you can see from the table below, that purchasing clout would be cut in half before you had been retired for 20 years, assuming an inflation rate of 4%.

Year	Amount	Year	Amount
Year 1	$50,000	Year 16	$27,763
Year 2	48,077	Year 17	26,695
Year 3	46,228	Year 18	25,669
Year 4	44,450	Year 19	24,681
Year 5	42,740	Year 20	23,732
Year 6	41,096	Year 21	22,819
Year 7	39,516	Year 22	21,942
Year 8	37,996	Year 23	21,098
Year 9	36,535	Year 24	20,286
Year 10	35,129	Year 25	19,506
Year 11	33,778	Year 26	18,756
Year 12	32,479	Year 27	18,034
Year 13	31,230	Year 28	17,341
Year 14	30,029	Year 29	16,674
Year 15	28,874	Year 30	16,033

Worksheet 2

What's the total I will need?

This worksheet will tell you roughly the total amount you'll need to maintain your lifestyle during retirement. The total will be very large for two reasons: It includes up to 30 years' worth of living expenses and 60 years' worth of inflation.

A. Annual post-retirement living expenses $ ________________
(From page 5)

B. Annual Social Security benefits $ ________________
If you have not received your "Personal Earnings and Benefits Statement" from Social Security, you can still make a rough estimate. If your income is $50,000 or more, use $13,000; if your income is under $50,000, use $10,000. To approximate the benefit for a nonworking spouse, increase your estimate by $5,000 if your income is under $50,000 or by $6,500 if your income is between $50,000 and $100,000. Remember, your actual benefit will depend on your specific earnings history and the date you retire.

C. Annual pension benefit $ ________________
(Projected income from defined benefit pension plan)

D. Total Social Security and pension $ ________________
Add line B and line C.

E. Annual amount you'll need from savings/other plans $ ________________
Subtract line D from line A.

F. Inflation factor $ ________________
Using Chart 5 on the next page, find the number of years until you retire. The inflation factor you should use is on the curve above it. For example, if you plan to retire 20 years from now, the number is 2.65. For the sake of simplicity, the chart assumes a 5% inflation rate.

G. Inflation-adjusted, post-retirement savings needed $ ________________
Multiply the annual amount you'll need from savings (line E) by the inflation factor (line F).

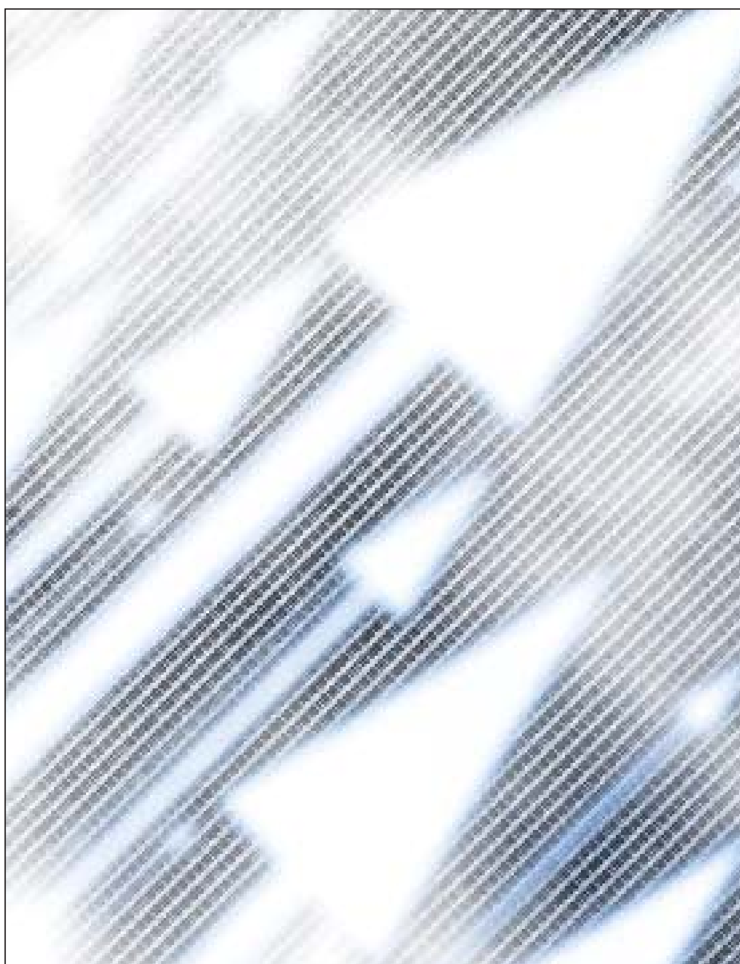
H. Total retirement fund factor $ ________________
Your savings will continue to grow after your retirement. Again, we'll assume a 5% post-retirement inflation rate and either a 20-year or a 30-year retirement period. To account for this growth, you'll need to multiply line G by a factor. If you will be retired for 20 years and expect a 6% earnings rate, the factor is 18.31; for 7%, the factor is 16.82; for 8%, the factor is 15.51; for 9%, the factor is 14.35. If you will be retired for 30 years and expect a 6% earnings rate, the factor is 26.24; for 7%, the factor is 23.12; for 8%, the factor is 20.54, for 9%, the factor is 18.37.

I. Total retirement funds needed $ ________________
Multiply the inflation-adjusted amount you'll need from savings (line G) by the total retirement fund factor (line H). (Write this number on page 16, line E.)

Chart 5

The inflation factor*

* *Assumes a 5% inflation rate*



Throughout much of the latter 20th century, inflation (as measured by changes in the U.S. Consumer Price Index) averaged 4% annually, though the rate fluctuated by several percentage points from year to year. Generally, a longer time frame yields the best estimate, so you may want to choose 4% or 5%.

Note: If you assume a relatively high inflation rate, you should also assume a higher earnings rate on your savings because the two may be related.

Worksheet 3

How much have I saved?

It can be easy to overlook some of your assets. Using this worksheet as a guide, estimate the amounts you have accumulated in each of the categories below.

TAX-DEFERRED RETIREMENT SAVINGS

1. IRAs $ ________________

2. 401(k) plan(s) $ ________________

3. Profit sharing plans (or other defined contribution plans) $ ________________

4. Other $ ________________

Total tax-deferred amount $ ________________
(Write this number on page 15, line A.)

AFTER-TAX RETIREMENT SAVINGS

If any of the items below have appreciated, you may be taxed on the gain.

1. Stocks and bonds $ ________________

2. Certificates of Deposit $ ________________

3. Mutual funds $ ________________

4. Family or other closely held business interests (Include only if you plan to sell when you retire.) $ ________________

5. Rental real estate (Include only if you plan to sell when you retire.) $ ________________

6. Second residence (Include only if you plan to sell when you retire.) $ ________________

7. Money market, credit union or passbook savings $ ________________

8. Other $ ________________

Total after-tax amount $ ________________
(Write this number on page 16, line B.)

WILL MY EXISTING SAVINGS BE ENOUGH?

The savings inventory on the preceding page tells you what you have today. The equation below and on page 16 gives you a rough idea of whether your total savings — including growth — will match your needs, including inflation. If you're like most people, they won't. Even if that's the case, congratulate yourself for finding out now, while you can take steps to address the problem.

To determine your total retirement resources, you'll need to use growth factors. These factors depend on when you plan to retire, the earnings rate(s) you expect and the number of years you will be retired.

Using the table below, find the number of years until your retirement. Go down the column to find the earnings rate you expect for your tax-deferred savings. For example, if you plan to retire in 20 years, and your tax-deferred earnings rate is 8%, the factor is 3.26. Use this factor to complete this equation:

____________	x ____________	= ____________
A. Tax-deferred savings (From page 14)	Total tax-deferred savings growth factor	Total resources from tax-deferred savings (Write this number on page 16, line C.)

Chart 6

Total tax-deferred savings growth factor

Earnings rate*	Years to retirement					
	5	10	15	20	25	30
4%	.85	1.04	1.26	1.53	1.87	2.27
5%	.89	1.14	1.46	1.86	2.37	3.03
6%	.94	1.25	1.68	2.46	3.0	4.02
7%	.98	1.38	1.93	2.71	3.80	5.33
8%	1.03	1.51	2.22	3.26	4.79	7.04
9%	1.08	1.66	2.55	3.92	6.04	9.29

** No rates are tied to any particular tax-deferred savings instrument.*

Chart 7

After-tax savings growth factor*

Earnings rate**	Years to retirement					
	5	**10**	**15**	**20**	**25**	**30**
4%	1.22	1.48	1.80	2.19	2.67	3.24
5%	1.28	1.63	2.08	2.65	3.39	4.32
6%	1.34	1.79	2.40	3.20	4.29	5.74
7%	1.40	1.97	2.76	3.87	5.43	7.61
8%	1.47	2.16	3.17	4.66	6.85	10.06
9%	1.54	2.37	3.64	5.60	8.62	13.27

* *You may be able to earn 8% pre-tax on the savings, but have to pay about 30% of the earnings in federal and state income taxes. Therefore, your after-tax earnings rate is approximately 6%.*

** *No rates are tied to any particular tax-deferred savings instrument.*

For simplicity, the factors for tax-deferred savings assume a 30% tax rate you pay during the first year of retirement. Therefore, the table assumes that if you retired today, you would have 70 cents of every dollar currently in your retirement account. For most people, this tax bite is actually spread over the entire retirement period as they withdraw funds from the plan.

Using the table above, find the number of years until your retirement. Go down the column to find the earnings rate you expect for your after-tax savings. For example, if you plan to retire in 20 years, and your after-tax earnings rate is 6%, the factor is 3.20. Use this factor to complete the worksheet below.

________________ x ________________ = ________________

B. After-tax savings (From page 14)	Total after-tax savings growth factor	Total resources from after-tax savings

C. Total resources from tax-deferred savings ________________
(From page 15)

D. Total resources ________________
Add total tax-deferred resources
(From line C) to total after-tax resources (From line B).

E. Total retirement funds needed ________________
(From line I on page 12)

F. Excess or shortfall ________________
Subtract total retirement funds needed
(line E) from total resources (line D).
(Write on page 17, lines A and B.)

HOW MUCH MORE DO I NEED?

Now that you've estimated how much additional savings you'll need for financial independence, you can figure out how much to add to your savings each year to reach that goal. Don't be alarmed if the amount is larger than you expected. Consider adding a smaller amount to your savings this year and gradually increase it — perhaps by 5% or 10% each year.

To convert the shortfall into an annual savings goal, you'll need to multiply the amount by a factor. This factor is based on the number of years until your retirement, the earnings rate you expect on the additional savings and the number of years you will be retired. (The amount you've managed to save for retirement depends partly on the investment risks you've taken until that point. For more on finding a comfortable level of risk, see page 18.) Your retirement fund's growth also depends on your ability to use tax-deferred savings. For example, if you plan to retire in 20 years and expect an 8% tax-deferred earnings rate, the factor would be .031.

____________________	x	____________________	=	____________________
A. Excess or shortfall (From line F, page 16)		Annual tax-deferred savings growth factor		Annual tax-deferred savings goal in today's dollars (Write on line C, next page)

For simplicity, the factors for tax-deferred savings assume a 30% tax rate you pay during the first year of retirement. For most people, this tax bite is actually spread over the entire retirement period. Also, the table doesn't take into account the tax deduction you receive in the year of contribution to your retirement account.

____________________	x	____________________	=	____________________
B. Excess or shortfall (From line F, page 16)		Annual after-tax savings goal factor		Annual after-tax savings goal in today's dollars (Write on line C, next page)

Chart 8

Annual tax-deferred savings growth factor

Earnings rate*	Years to retirement					
	5	**10**	**15**	**20**	**25**	**30**
4%	.264	.119	.071	.048	.034	.025
5%	.259	.114	.066	.043	.030	.022
6%	.253	.108	.061	.039	.026	.018
7%	.248	.103	.057	.035	.023	.015
8%	.244	.099	.053	.031	.020	.013
9%	.239	.094	.049	.028	.017	.010

** No rates are tied to any particular tax-deferred savings instrument.*

Chart 9

Annual after-tax savings goal factor

Earnings rate*	Years to retirement					
	5	10	15	20	25	30
4%	.185	.083	.050	.034	.024	.018
5%	.181	.080	.046	.030	.021	.015
6%	.177	.076	.043	.027	.018	.013
7%	.174	.072	.040	.024	.016	.011
8%	.170	.069	.037	.022	.014	.009
9%	.167	.066	.034	.020	.012	.007

* *No rates are tied to any particular tax-deferred savings instrument.*

____________________	/	____________________	=	____________________
C. Annual tax-deferred savings goal (From line A, page 17)		Annual after-tax savings goal (From line B, page 17)		Current annual savings goal (Write on line D below)

If you will use after-tax savings methods, complete line B. The annual after-tax savings goal factor is in the table above. For example, if you plan to retire in 20 years and expect a 6% after-tax earnings rate, the factor would be .027.

You're almost there. To give you an approximate savings target to aim for each year, convert your annual savings goal into a percentage of your gross income. That way, you'll have a target that roughly considers inflation as well as changes in your standard of living.

____________________	/	____________________	=	____________________
D. Current annual savings goal (From line C above)		Annual gross income		Percentage of your income to save annually

FINDING A COMFORTABLE RISK LEVEL

All investments involve a trade-off between risk and return. A certain amount of risk is inevitable if you want your money to grow. The key is determining how much risk feels acceptable to you.

Know your risk tolerance

Are you uncomfortable with change? Can you stick with your long-term strategy even if you face short-term losses? Will you be overly anxious the first time your investments drop in value? These are all questions to answer before developing your strategy.

Understanding your personal risk tolerance will help you create a plan you can stick with through good times and bad.

Many investors forget the risks involved with buying stocks when the market is soaring. It's easy to be tempted by the lure of sky-high returns and to forget the possibility of a market downturn, or worse, of a bear market. Likewise, during a bear market or a sharp drop in the market, many

investors suddenly become extremely risk averse. But if you create a plan built around your personal risk tolerance and stick with that plan, you will avoid having to make sudden changes in your investment strategy as the market changes.

Factors that may affect your risk tolerance

Although your personality will affect your underlying risk tolerance, your stage of life also will affect it. Are you just getting started, supporting a growing family or approaching retirement? The amount of risk you feel comfortable taking may be very different at each of these stages in your life.

Most people aren't prepared for the risk posed by being 100% invested in stocks. But younger investors saving for retirement may be able to afford the risk of placing the bulk of their money in stocks. Why? Because in modern U.S. stock market history, investors have never lost real money investing over a 15-year period. Over a 10-year period, the odds of making money are more than 90%. So stocks have proven to be the best investment over the long term and will likely continue to be unless the U.S. economy crashes to a halt.

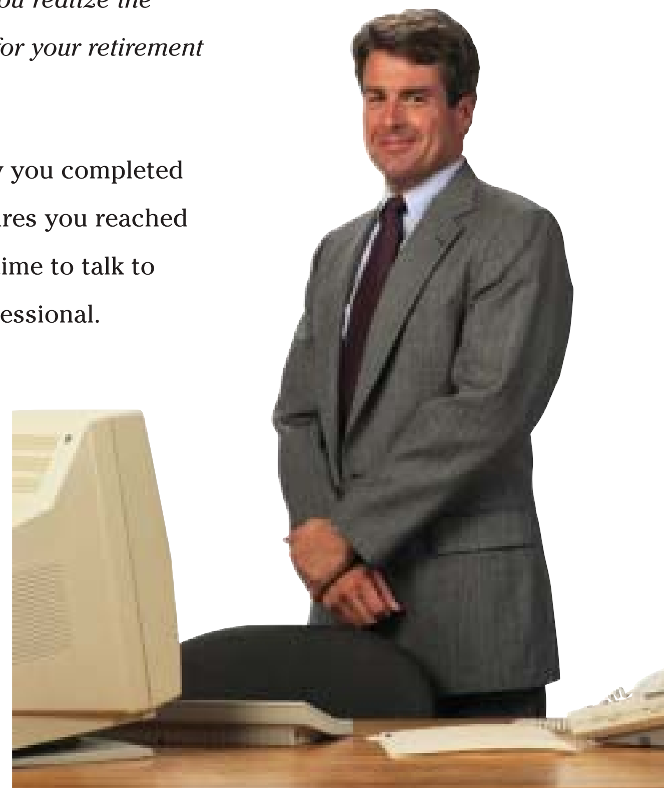
On the other hand, as you move closer to retirement, or if you will need a portion of your money in the short term, you may be better off forgoing the highest returns and putting your money in investments that are more secure, such as bonds or money market accounts.

WHERE DO I GO FROM HERE?

Congratulations! Regardless of how close you are to your retirement goal or whether you have completed any of the worksheets in this booklet, you've taken the first, and probably the most difficult, step. You realize the importance of planning for your retirement financial needs.

No matter how carefully you completed the worksheets, the figures you reached are estimates. Now it's time to talk to a financial services professional. Together we can:

- Get a more precise estimate of your needs and your resources.
- Most important, develop a retirement plan that fits your goals and circumstances.



Develop a retirement plan that fits your goals and circumstances.

Call us soon, so we can start helping you reach your goal.

RETIREMENT PLANNING CHECKLIST

Now that you realize the importance of planning for your later years, it's time to get started. Use this worksheet to identify your goals and areas you need to work on to achieve them. After you complete the form, copy it or tear it out and fax or mail it to our office. We can use it as a starting point to help you create a plan to realize your retirement dreams.

Please check all boxes that apply to your situation.

Do you have a retirement plan in place?

- ❑ Yes (date last reviewed: ______________________)
- ❑ No, but I would like to develop one

My primary retirement goals are to:

- ❑ Live independently where I want
- ❑ Travel frequently
- ❑ Buy and enjoy the things I want
- ❑ Cover health care expenses
- ❑ Minimize taxes
- ❑ Help my children and heirs
- ❑ Pursue hobbies and other interests
- ❑ Other ______________________________________

My current retirement resources include:

- ❑ IRAs
- ❑ 401(k) plans
- ❑ Profit sharing or other defined contribution plans
- ❑ Stocks and bonds, including mutual funds
- ❑ Family or other businesses owned
- ❑ Real estate or intellectual property
- ❑ Savings
- ❑ Art, jewelry, precious metals and other valuables
- ❑ Other assets ________________________________

I need help with:

- ❑ Determining my retirement expenses
- ❑ Determining my retirement income and resources
- ❑ Accounting for inflation
- ❑ Establishing my future income needs
- ❑ Choosing among retirement plan options
- ❑ Implementing a personal action plan

❑ My greatest retirement concern/need is:

____

____

____

____

____

____

____

Fax or mail this form to our office for more information, or call us to discuss your retirement planning needs.

____
NAME

____
TITLE

____
ORGANIZATION

____
ADDRESS

____
CITY STATE ZIP

____
PHONE FAX

____
E-MAIL