reinventing
retirement
Your Retirement Planning Newsletter
First Quarter 2015

Spring Forward to Retirement

Tips on improving retirement security

In 2015, Daylight Saving Time will begin on Sunday, March 8. By setting our clocks forward one hour, we lose an hour of time. Lost time is one of the opponents of retirement planning, but it doesn't have to be if you play it smart. The difference between success and failure results from a combination of time, dollars and the application of a few basic concepts.

The sooner you start saving, the more time your savings have to potentially grow. According financial experts, those who can increase their savings each year to about 15% of income by the time they are in their 40's and 50's may improve their prospects for a secure retirement.

Still, the idea that many people have of retiring at 62 and walking on the beach is not realistic. In 2013, the typical household approaching retirement had saved only $111,000, an amount that is able to produce $400 a month in income, according to the Center for Retirement Research.[1] Most people will have to work longer, save more, and leave less money to their heirs than previous generations.

Put time on your side

Today, the responsibility for funding retirement has shifted much more to individual workers. In fact, in 2013, three out of four workers relied on themselves rather than a traditional company pension, according to the Social Security Administration. With that in mind, here are three tips for improving your retirement outlook:

- **Plan to work longer –** One of the most powerful ways to increase your likelihood of a comfortable retirement is to continue to work past normal retirement age. By delaying retirement until 70 from 62, you not only are able to put more money aside in your retirement plan, but you also increase your monthly Social Security benefit by 76%.[2] However, it's always important for employees to update job skills that employers will value in the future.
- **Save more in your 401(k) –** If you are due for a raise of 2% to 4%, you should consider increasing your 401(k) deferrals by 1%, which you won't even feel in your pocket. Adding an additional 1% a year to your 401(k) plan (up to the plan limit) could result in having as much as 28% more to spend in retirement, depending on your income.[3]

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[1] Alicia Munnell, Charles Ellis and Andrew Eschtruth, "Falling Short: The Coming Retirement Crisis and What to Do About It," Center for Retirement Research at Boston College, December 2014.

[2] Social Security Administration, "When to Start Receiving Retirement Benefits," January 2014, http://www.ssa.gov/pubs/EN-05-10147.pdf.

[3] Jack VanDerhei, "The Pension Protection Act and 401(k)s," *The Wall Street Journal* – Employee Benefit Research Institute, 2008.

Spring-clean your finances: 10 tips to boost savings

Find items in your budget that you may be able to live without

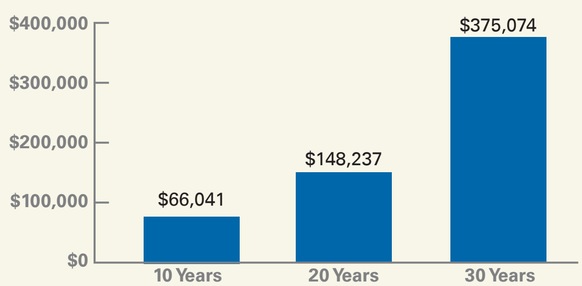
Here are 10 quick and easy ideas for generating an extra $250 a month that could be redirected to your 401(k) or other retirement account.

Necessity … or Luxury?

	Savings Idea	Minimum Monthly Savings
1.	Cut out the morning coffee run.	**$35**
2.	Drop cable TV — you can find most shows online for free.	**$20** *(basic cable)*
3.	Cut out eating out one night a month.	**$80** *(family of four)*
4.	Borrow two movies from your local public library instead of renting.	**$10**
5.	Make a list before going food shopping, and stick to it.	**$20**
6.	Invite friends over for a potluck and board games, rather than going out.	**$25**
7.	Properly inflate your car's tires, and clean the air filter.	**$10** *(depending on driving distances)*
8.	Give a gift of services instead of an item. For new parents, give the gift of an evening of babysitting, or lawn care for a new homeowner.	**$20**
9.	Instead of going to the mall, check out your town's hiking trails, picnic areas and free basketball and tennis courts.	**$20**
10.	Buy staples in bulk, such as trash bags, laundry detergent, paper products and diapers.	**$10**
	TOTAL MONTHLY SAVINGS	**$250**

HOW SAVINGS ADD UP OVER TIME

$250 invested each month with an 8% return would be worth...



Scenario assumes a monthly investment of $250 earning an annual return of 8% (compounded monthly) in a tax-deferred account. It is neither based on any specific investment or savings strategy, nor predictive of returns, which are not guaranteed. Most 401(k) investments move up and down with the market over time, producing better or worse actual returns for you. Savings totals do not reflect any fees/expenses. Accumulations shown would be reduced if these fees had been deducted.

Source: Bankrate.com

Spring Forward to Retirement

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- **Look for ways to budget –** Almost everyone can find an extra $50 a month to cut in the budget, such as a product or service that you don't enjoy or use as much anymore. (Check out the article above for ways to generate $250 a month in savings that could be redirected to a retirement account.)

Retirement planning is all about taking advantage of time, and taking responsibility to set goals and stick to them. Yes, it takes some commitment and effort, but financial security is really worth it!

Exploding Three Myths About Aging

All our notions about getting older may simply be wrong, new research suggests

For better or worse, America has a youth-obsessed culture. Images of celebrities crowd our supermarket checkout lanes and hand-held devices, their creative talents superseded only by an ability to attract publicity.

This 24/7 media attention on youth also tends to project images of older people that show them in mental and physical decline, less productive at work—and even a bit grumpier to be around.

The media, it seems, mostly gets it wrong. Consider these three myths, debunked by a growing body of scientific research that suggests that life gets better as we grow older.

Myth no. 1: Older workers are less productive

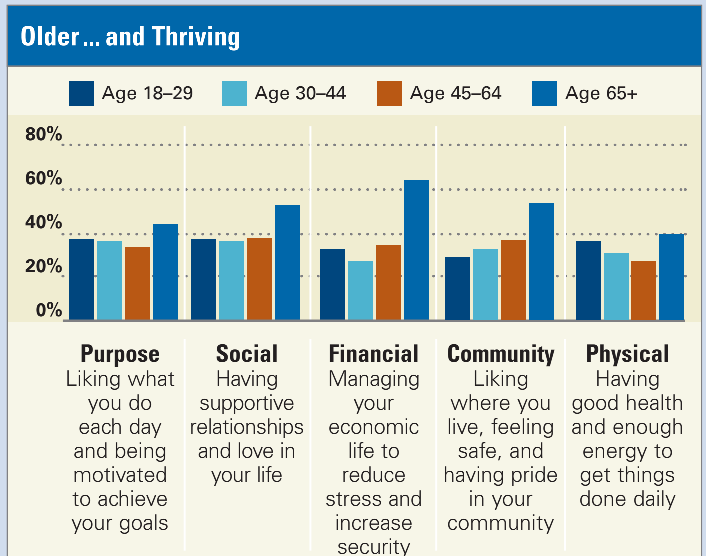
In jobs requiring experience, some studies show that older workers actually have a performance and consistency advantage over younger workers. In 2011, economists examined the number and severity of job-related errors of 3,800 workers on a Mercedes-Benz assembly line from 2003 to 2006. Over the four-year study period, older workers committed slightly fewer severe errors, while younger workers' error rates increased.[4] The study authors concluded, "Our results suggest that productivity in this plant, which is typical for large-scale manufacturing, does not decline until at least age 60."

Myth no. 2: Older people are prone to loneliness

Although social circles may generally contract as people age, this doesn't suggest they are lonelier, say several social scientists. In fact, friendships tend to improve with age, according to a recent Wall Street Journal article citing the co-author of a 2004 study who noted, "Older adults typically report better marriages, more supportive friendships, less conflict with children and siblings, and closer ties with members of their social networks than younger adults."[5]

Myth no. 3: Older people have worse quality of life than younger adults

A Gallup-Healthways survey of Americans' well-being in five categories revealed that individuals age 65 and older had better quality of life in each category than younger adults. The chart below illustrates the percentage of people who reported they were "thriving" in each category.



Source: Gallup-Healthways Well-Being Index telephone survey of 85,145 adults age 18 and older, January 1–June 23, 2014; margin of error +/- 1 percentage point.

The Wall Street Journal

What does this encouraging research mean for you? Following is some great advice that we've collected from retirees over the years for those who are looking ahead to their "golden years."

Get healthy – Your doctor (and Nana) were right: Diet and exercise are key to maintaining good health.

Start planning sooner – The longer you have to save and invest, the less money you need to put aside each month—and the less time you'll spend worrying about it.

Explore common interests with your spouse – Retirement is a gift for those who can find common interests with spouses, friends and family members.

Spend less and save more – Living within one's means is a true secret to happiness.

Develop interests outside of work – Why wait to retire before exploring activities that interest you? Try new things that you might like to do in retirement before you stop working.

[4] Axel Borsch-Supan and Matthias Weiss, "Productivity and age: Evidence from work teams at the assembly line," Munich Center for the Economics of Aging: Max Planck Institute for Social Law and Social Policy, May 2013, http://mea.mpisoc.mpg.de/uploads/user_mea_discussionpapers/1057_148-07.pdf.

[5] Anne Tergesen, "Why Everything You Think About Aging May Be Wrong," The Wall Street Journal, November 30, 2014, http://online.wsj.com/articles/why-everything-you-think-about-aging-may-be-wrong-1417408057.

retirement in motion

Tips and resources that everyone can use

Q&A: Common Questions Plan Participants Ask

How do I reduce the tax bite on appreciated company stock?

If your 401(k) account includes company stock that has gone up a lot in value, there may be a way to take advantage of a certain tax rule. Dollars withdrawn from a 401(k) to which you made pre-tax contributions are generally taxed at ordinary income rates. With company shares, however, if certain conditions are met, you have the option to transfer your company shares to a taxable brokerage account. Such a transfer pays off if your shares have gone up a lot: You pay ordinary income tax at the time of transfer based on what you paid for your shares over time. When you sell later, all of the appreciation will be taxed at lower capital-gains rates. Consult your tax advisor or attorney for more information.

Tools and Techniques: Resources to Help Guide Your Retirement Plan

Staying invested while reducing exposure to up-and-down markets

Retirees have two basic levers to pull, and there may be others depending on your plan, when it comes to playing offense and defense during periods of market volatility: The kinds of investments they choose, and the amount of cash they have socked away to cover their needs. Low-volatility stock funds may be one way to play offense and defense at the same time. By design, these funds seek to own stocks whose share prices tend to swing the least. The other strategy is to reserve an amount of cash, bank certificates of deposit, and low-risk short-term bond funds to last an extended period—upwards of 10 or 12 years, some experts suggest—and invest the rest of the portfolio in diversified stock funds that seek to generate growth.

Boomers on the Brink: Issues Affecting Participants as They Approach Retirement

The middle-income squeeze

This comes as no surprise, but stagnant incomes and steep increases in the cost of health care and other necessities are putting new pressures on America's middle class. Over the past half decade, health-care spending by middle-income Americans rose 24%, driven mostly by big increases in the cost of buying health insurance. At the same time, the cost of other basic needs also went up, particularly in the areas of food eaten at home, rent and education, as well as the soaring cost of cell phone and home Internet service.[6]

Quarterly Reminder

Having goals is at the heart of financial planning

Do you know why you are saving? Without a goal in mind, or a game plan for getting there, you may not reach your target. This quarter, take time to review your goals. For example, have you calculated how much you'll need to save for retirement? Is this goal realistic given your present level of savings, time horizon and level of comfort with taking risk? Saving is a great habit, but only if you've taken the first step of setting a financial objective to work toward—one that encourages you to save more and gives you the confidence that you can reach it.

Corner on the Market: Basic Financial Terms to Know

Interest-rate risk

Some investors wonder why bonds are worth less when interest rates rise. The explanation is pretty simple. When interest rates rise, new bonds come into the market with higher yields than older bonds, making the older ones worth less. On the other hand, when interest rates go down, new bond issues come to market with lower yields than older bonds, making those older, higher-yielding ones worth more. As a result, their prices go up. If you have to sell the bond before it matures, it may be worth more or less than what it cost. This illustrates interest-rate risk.

[6] Source: U.S. Bureau of Labor Statistics data, 2007-2013.

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