

investment risk among a variety of company stocks. In addition to common stock funds, mutual fund investments can be made to **money market accounts** and **bond funds**. Money market funds are neither insured nor guaranteed by the U.S. government. In addition, it is important to keep in mind that investment return and principal value of all investments will fluctuate due to market conditions. When shares are redeemed, they may be worth more or less than their original costs.

It is often convenient with mutual funds to implement **dollar cost averaging** (investing a specific amount regularly over a period of time). While this strategy does not guarantee a profit or protect from loss, this method may create a lower cost per share over a long period of time. For the strategy to work, investors need to be able to invest through periods of low price levels. In addition to reinforcing the discipline of regular investing, dollar cost averaging takes the guesswork out of trying to “time the market.” Keep in mind that there is no guarantee that dollar cost averaging will result in a lower cost per share.

### Look at Return on Investment

How much do you need to save to fund your retirement goal? The first two charts on page 6 show how much savings are needed to reach a particular target, in this case \$100,000, in a given number of years. The third chart shows what amount may be received on a monthly basis once you have accumulated a retirement nest egg.

Although your retirement date may still be many years off, it is never too early to start preparing for it. Even if you can only save a small amount at the outset, the key is to start early, continue on a regular basis, and adjust your goals over

time, as your needs and circumstances change. Learning about investing for your retirement years may help you achieve your retirement dreams and maintain your desired lifestyle in retirement.

A lump sum required today to equal \$100,000 at the end of a number of years:					
	5	10	15	20	25
3%	\$86,261	\$74,409	\$64,186	\$55,367	\$47,761
4%	82,193	67,556	55,526	45,639	37,512
5%	78,353	61,391	48,102	37,689	29,530
6%	74,726	55,839	41,727	31,180	23,300
7%	71,299	50,835	36,245	25,842	18,425
8%	68,058	46,319	31,524	21,455	14,602
9%	64,993	42,241	27,454	17,843	11,597
10%	62,092	38,554	23,940	14,864	9,230

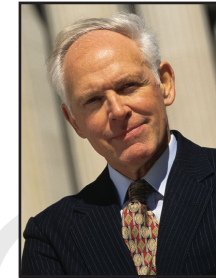
  

Approximate annual investment required to equal \$100,000 at the end of a number of years:					
	5	10	15	20	25
3%	\$18,290	\$8,470	\$5,220	\$3,613	\$2,663
4%	17,751	8,009	4,802	3,229	2,309
5%	17,236	7,572	4,414	2,880	1,995
6%	16,736	7,157	4,053	2,565	1,720
7%	16,254	6,764	3,719	2,280	1,478
8%	15,783	6,392	3,410	2,024	1,267
9%	15,332	6,039	3,125	1,793	1,083
10%	14,890	5,704	2,861	1,587	924

Monthly Retirement Income from Specific Lump Sums Rate of Return							
Principal	4%	5%	6%	7%	8%	9%	10%
10,000	\$33	\$42	\$50	\$58	\$67	\$75	\$83
20,000	67	89	100	117	133	150	167
50,000	167	208	250	292	333	375	417
60,000	200	250	300	350	400	450	500
90,000	300	375	450	525	600	675	750
100,000	333	417	500	583	667	750	833
300,000	1,000	1,250	1,500	1,750	2,000	2,250	2,500
500,000	1,667	2,083	2,500	2,917	3,333	3,750	4,157
700,000	2,333	2,917	3,500	4,083	4,667	5,250	5,833
900,000	3,000	3,750	4,500	5,250	6,000	6,750	7,500
1,000,000	3,333	4,167	5,000	5,833	6,667	7,500	8,333

[Investment growth and rate of return are hypothetical only and not indicative of the performance of any particular investment.]



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# Funding Your Retirement

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Tomorrow,  
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*your retirement* dreams — whether they involve a home on the golf course, more free time to spend with grandchildren, or even a cross-country journey or trip around the world — can be realized in the future, provided you understand what is required to fulfill them, set a course to meet the challenge of doing so, and regularly review your progress along the way.

While your retirement date may still be several years down the road, and the goals you set today may seem even further off, it is never too early to begin preparation. A look at factors that affect all retirees can help you focus on the importance of preparing for the future now.

- **Inflation**, whether high or low, affects investment dollars by reducing their “real” value year-by-year and thus, steadily reducing the purchasing power of your money over time.
- **Investment choices are plentiful**; it takes time to study all the options and decide which are best for you.
- **Rising medical costs** affect both young and old, but they can be especially challenging for retirees on a fixed income.
- **Increased longevity and early retirement** are providing Americans with more “golden years” to enjoy — and to plan for.

## Sources of Retirement Funds

To maintain their desired lifestyle in retirement, many retirees draw on three main sources of income: Social Security, employer-sponsored plans, and personal retirement savings. Each offers important resources that can add to your overall retirement nest egg.

With Social Security, the benefits received are based on the income earned over the course of

an individual’s working years, subject to a maximum amount. It offers, for many, only a base level of income. Therefore, many retirees supplement Social Security benefits with savings from employer-sponsored plans, such as pension plans or 401(k) plans. The tax advantages and, in many instances, matching contributions from employers make these important savings vehicles for retirement. However, employer-sponsored plans vary widely from one employer to another.

For many people, personal retirement savings are the key to achieving their financial goals.

## Setting Your Retirement Goals

How much money do you need to reach your retirement goals? The following review may help you evaluate your retirement planning progress thus far, or it may set you on the right course if you are just beginning. You may also use the checklist for annual examinations of your retirement planning program.

- ❑ Analyze your present financial situation, detailing your current income, expenses, assets, and liabilities.
- ❑ Find out how much money you can expect to receive from Social Security, veteran benefits, employer-sponsored retirement plans, and Individual Retirement Accounts (IRAs).
- ❑ Estimate how much you may receive from savings, investments, life insurance, real estate rentals, and other income sources.
- ❑ Review your life, health, and disability income insurance policies to ensure that they meet your present and future needs.
- ❑ Try to pay off large bills now to avoid facing them when you retire.

- ❑ Determine which expenses are likely to decrease after you retire and which are likely to increase.
- ❑ Set monthly and annual retirement funding goals.
- ❑ Determine the amount you need to set aside monthly and/or yearly to close the gap between your retirement goals and your potential income.

## Know Your Investment Profile

Once you have set your goals, it is time to choose your investments. Consider the following:

**The Time Available to Build Your Nest Egg.** The number of years between now and when you plan to retire can affect your choice of investments. Consider investments designed for growth, income, or a combination of both.

**Your Investment Personality.** Insight into your risk tolerance can help you choose investment vehicles suited to you and your goals. Your age, stage in life, personal temperament, and planning time horizon may all play a role.

## Look at Investment Options

There are many investment opportunities, so it is important to learn about all the options available to you. Learn about each investment’s risk, past performance, and tax benefits, if available. Consider the following options:

**1. Individual Retirement Accounts (IRAs).** Depending on your income and participation in an employer-sponsored retirement plan, traditional IRAs may enable you to take a current income tax deduction for your contributions up to specific limits. Even if you do not qualify for

a deduction, you can still make a nondeductible contribution, and the funds have the potential for tax-deferred growth. As an alternative, you may choose to contribute to a Roth IRA if you meet the income restrictions. Contributions to a **Roth IRA** are not tax deductible, but distributions are tax free, if you meet specific requirements.

*Note: For both types of IRAs, a 10% Federal income tax penalty may apply if distributions are taken before the age of 59½. Certain situations qualify as exemptions.*

**2. Annuities.** Annuities, contracts with **life insurance** companies, offer another tax-deferred retirement planning opportunity. Potential earnings of an annuity grow tax deferred, just as with a traditional IRA or 401(k) plan. Two popular types of annuities are **variable annuities** and **fixed annuities**.

With a *variable* annuity, premiums are invested, and future payments to the purchaser are based on the performance of the underlying subaccounts. Variable annuities may be redeemed for more or less than their original costs. If you die before receiving income from your variable annuity, your beneficiaries are generally entitled to the amount invested in the annuity, regardless of the portfolio’s performance. In contrast to a variable annuity, a *fixed* annuity guarantees regular, fixed payments for a specified period of time or for life. You may pay the premium either as a lump sum or in installments. Guarantees are based on the claims-paying ability of the issuer. Early termination of an annuity contract may result in certain surrender charges. Furthermore, early withdrawals, prior to age 59½, may result in a 10% Federal income tax penalty.

**3. Mutual Funds.** Mutual funds can allow you to take advantage of the knowledge and experience of professional portfolio managers. With stock mutual funds, you are spreading