

you begin saving for retirement, the less burdensome the task will be, because your money will have longer to work for you.

Inflation will most likely *decrease* the purchasing power of your money, which means that, during your retirement, your dollars may buy less than they do today. For example, at 3.5% inflation, \$100 today would be worth only \$42.31 in 25 years, and it would be further reduced to \$30.00 in 35 years.

Consider the following examples that assume no taxes or inflation. Suppose at age 25 you save \$100 per month for 20 years at 6% interest. If you make no additional contributions after the age of 45 and your savings continue to earn 6% interest, at age 65 your savings will be worth \$148,182. However, if you begin at age 45, save \$100 per month for 20 years, and earn 6% interest, at age 65 your savings will be worth *only* \$46,204. In order to achieve savings of \$148,182 over 20 years, you would need to earn interest at a rate of approximately 15% per year or save significantly more money per month!

While both scenarios illustrate the same amount of money being saved, the additional 20 years of compound interest make all the difference in the world. If you are in your prime earning years and start setting money aside *now*, you have a better opportunity to save for the retirement you desire.

## Making Your Money Last a Lifetime

**A**nalyze your present spending habits to find out *where* your money is actually going and *how much* you have available to put aside for retirement savings. If you're like most people, you probably could save more money. It may be worthwhile to investigate ways in which you can adjust your lifestyle to decrease

spending and, thus, increase the amount available for savings. Can you "nip and tuck" without detracting from your quality of life? Are there short-term sacrifices you are willing to make for long-term gain?

Taking advantage of the savings plans available to you at work may allow your money to grow faster, since many of those plans allow you to contribute pre-tax dollars while potential earnings grow tax deferred. Other plans let you contribute after-tax money, while also giving you the opportunity for tax-deferred growth. With still another plan, the **Roth IRA**, you pay no taxes on fund distributions, provided you meet certain requirements.

Which plan is right for you? Can you use multiple plans? Making the right decisions will help you meet your savings goals faster.

## Planning Is Essential

**T**he truth is, most people rarely sit down and figure out how much they'll really need for retirement, yet the biggest fear most people have regarding retirement is that they'll outlive their savings. Through retirement planning, you will paint a realistic picture about what you can expect in retirement at your current savings rate and how to change your habits today to realize your dreams later in life.

Determining a sound strategy for retirement isn't something you do just once—your strategy must evolve as your concerns and personal situation change over time. With periodic reviews, you'll always know where you stand.

Contact us for a consultation or further information about how retirement planning can help you meet your goals.

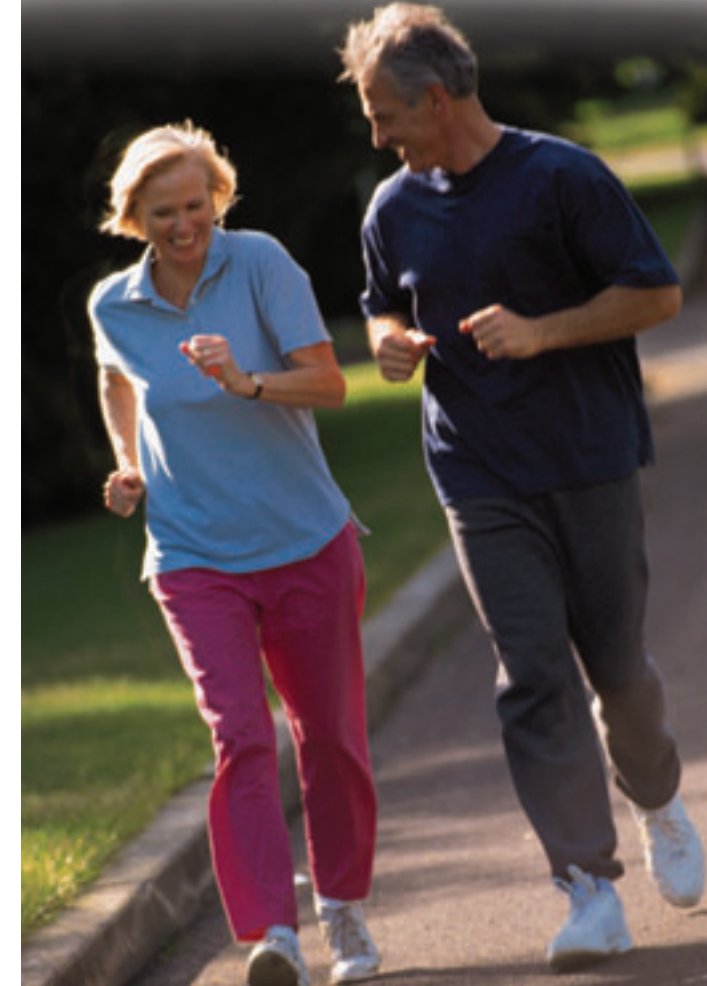


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# Retirement Planning

## Implementing the Best Strategy to Reach Your Goals



Retirement seems to sneak up on too many people too soon. Are you willing to leave the fate of your retirement years to luck?

Unless you consider and understand what you want from your retirement and how much money you'll need to achieve it, you may find that all your dreams and plans about life in retirement will remain just dreams.

## Making Your Golden Years Golden

How prepared are you for retirement? Can you answer these questions confidently?

- At what age do you plan to retire?
- Will you start a new part-time career during retirement, or will you never work again?
- How long do you think you'll need your money to last?
- How much money will it take to support your household?
- How do you envision your lifestyle during retirement? Does your vision include days on the golf course, world travel, or pursuing a hobby?
- Where will you live when you retire?
- What provisions have you made for your health care needs during your retirement years?
- How much money do you need to meet your goals?
- How should you manage your money to maximize your retirement savings?
- How will your assets, liabilities, expenses, and savings change during retirement?

You may find it difficult to answer some of these questions. But, if you have established goals, you've taken the first step. Now, do you know how to get there?

Without retirement planning, your idea of a comfortable life after retirement may turn into a nightmare of financial problems.

## Reinventing Retirement

The concept of retirement today is quite different from that of your parents' generation. The world has changed. The availability of future Social Security benefits to meet your needs is uncertain. Many companies have eliminated **defined benefit pension plans**. With corporate restructuring and the trend toward multiple jobs over the course of a career, few people have the long-term track record with one company required for maximum pension benefits. In addition, people are living longer, and health care costs are spiraling upward.

The responsibility for your retirement is now in *your* hands. Your personal savings will most likely represent a significant source of your retirement income. Retirement planning will help you determine how much you need to save and whether your planned financial resources are enough to fund your retirement dreams.



A comfortable retirement is a result of careful planning. A financial services professional can help you gain a sense of control over your financial destiny.

## Money Is Just the Start

If you leave the workforce at age 60 and expect to live until age 85, what do you plan on doing for those 25 years? Where will you live? How and where will you vacation? Will you work part-time?

The answers to these and other lifestyle questions are critical to your retirement. The role of your advisor is to help you sort through the issues that help define your goals.

For example, one financial services professional tells the story of a client who sought help at the age of 40. His goal was early retirement at 55. With the financial services professional's help, careful planning, and a commitment to making it happen, just 15 years after setting that goal, the dream was realized—retirement at age 55!

Let's face it. It's hard to make long-term financial commitments today if you only have a vague understanding of why you're saving for retirement. It is important to ask the questions that will help you think about—and clarify—the important lifestyle choices you need to make about your retirement.

The results can be exciting. By visualizing your lifestyle during retirement, you'll have a goal to work toward. You can reach that goal—whether it's traveling the country, buying a sailboat or vacation home, starting a new business or hobby, volunteering your time, or spending your days on the golf course.

## How Much Is Enough?

Planning for retirement is like trying to hit a moving target. The further you are from retirement, the fuzzier the picture will be. It is possible, however, to develop a viable plan based on reasonable projections

of what you will need to retire and the resources you can expect to have available.

Many people overestimate how much money they'll have when they retire and how much of their increasing medical expenses will be covered by **Medicare**. At the same time, they tend to underestimate how long they'll live and how much of that time they might be ill.

Planning will help you identify your retirement lifestyle and ensure the financial means to achieve and maintain it.

Another financial services professional points to one of his very first clients as an example of the power of planning. This small business owner was having a hard time managing the finances for both his business and his family—and his ability to retire was in jeopardy. The financial services professional helped him minimize his tax obligations, maximize his savings, and alleviate a tremendous amount of stress. When the business owner was ready to retire at age 68, he was able to sell his business and live the life he had dreamed of for years.

Retirement planning is the process of identifying your wants and needs, developing plans to achieve them, acting on those plans, and continually reviewing and revising them as you gain new knowledge and experience. Begin by evaluating your potential sources of income and how taxes and inflation will affect your savings.

## Put Time on Your Side

The sooner you start to save and plan for your retirement years, the more prepared you will be. Early planning means that saving just a small amount each year could create assets large enough to meet your future needs.

Time also adds the power of **compounding**, allowing your savings to build on themselves. The first dollar you save will have more time to grow, and it will be worth far more than the last dollar saved. The earlier