



## PLANNING FOR YOUR RETIREMENT

Retirement is something you’ve been waiting for—and working towards—most of your life. Before you know it, it will be here. Are you looking forward to a leisurely lifestyle of travel, pursuing your favorite hobby, or spending more time with family and friends?

Turning those retirement dreams into reality may take some doing, however. Seems that most of us are better dreamers than doers. According to the 2004 Retirement Confidence Survey, half of workers age 55 and older have not calculated how much money they will need for a comfortable retirement. Yet most expect the same or better lifestyle that they now enjoy.

Planning for retirement is easy to put off. But now that people are living longer, it should be a priority. Today’s 65-year-old retiree can expect to live to be 82½, according to the National Center for Health Statistics. Just think, you could spend almost as much time in retirement—20 or even 30 years—as you spent saving for it. Having enough assets to last that long is going to take more than Social Security and your 401(k). Your retirement savings will make the difference between retiring and retiring in style.

To achieve your retirement dreams, you need a plan that identifies your goals. Don’t have a plan? Well, now’s the time to start. It’s never too late.

Inside this issue are tips and suggestions to help you focus on your retirement plans. And if you already have a plan, give it a sharper focus.

Yes, it’s going to take some initiative on your part, but you don’t have to go it alone. Count on your financial professional to show you the best strategies for you. Working together, you can create a more secure financial future in retirement. ■

### ARTICLES OF INTEREST

Our Quick Quiz . . . . .	2
Countdown to Retirement . . .	2
Make Your Money Last . . . . .	2
Income for Life . . . . .	4

# TURN YOUR RETIREMENT DREAMS INTO REALITY

What do you want out of retirement? A leisurely lifestyle? The financial freedom to travel? A chance to volunteer and give back to your community? Without wise planning, your dreams may not come true. It's never too early to start planning for your retirement. And it's never too late. The key is setting realistic goals.

## START WITH OUR QUICK QUIZ

Whether your retirement is decades away or right around the corner, the answers to these questions will help you in defining your retirement's goals.

**How much is enough?** About 70% of your pre-retirement income is a good starting point. Typically, that should allow you to maintain your pre-retirement lifestyle. But depending on your retirement plans, you may need more.

**How much will Social Security contribute?** About 25% to 30% of your pre-retirement earnings. Annual benefits statements mailed around your birthday have details.

**Are you part of a pension or profit sharing plan?** If so, make sure you understand its benefits. Know how the money is invested. Inflation and your contributions play key roles in how much you will have for retirement.

**Are tax-sheltered savings an option?** Tax deferral, compounding interest, and in some instances, matching contributions, make tax-sheltered plans like a 401(k) too good to pass up.

**Have you considered an IRA?** If you're not in a retirement plan, you can make tax-deductible contributions up to \$4,000 (\$5,000 for age 50 and above) in 2006-2007. Taxes on earnings are deferred until you retire.



**Should you dip into your retirement savings?** This is not a good idea for three reasons: you lose principal and interest, you may lose tax benefits, and you may pay a penalty for early withdrawal.

**What are your savings goals?** Devise a plan and stick to it. The sooner you start, the more time your money has to grow. Develop a financial strategy with the help of your financial professional.



## Countdown to Retirement

When planning for retirement in your 40s, 50s, and 60s, there are certain concerns and risks to consider.

### 40s

This is a busy, challenging decade. Many families are trying to save for college and retirement. How do you do both? It takes commitment and a good savings strategy. Take advantage of the next 15-25 years to compound your savings. College savings plans,

life insurance, annuities, and asset allocation for your investments can help.

### 50s

"Am I saving enough?" may be your biggest worry. With 5 to 15 years before retirement, take advantage of the "catch-up" provision with IRAs and employee-sponsored retirement plans. Consolidate your assets for more efficient management. See about life insurance, long-term care, and annuities.

### 60s

Put together a retirement income distribution plan. Calculate your Social Security. Add in other resources, such as a pension. Determine withdrawal rates (and which funds to tap) to see how long your assets will last. Get your estate in order, including protecting your spouse's welfare if something should happen to you.

## Make Your Money Last

Five factors can have a dramatic impact on your income in retirement. Here is how to minimize their impact.

**Maximize contributions.** People are living longer. Those who make it to age 67 have a 50-50 chance of living

another two decades, according to the National Center for Health Statistics. That makes having a lifetime income plan even more important. What's your best offense? Contribute the annual maximum to your retirement savings plan.

**Fight inflation.** Even a low inflation rate of 2.5% (the average over the past 10 years) diminishes your buying power. At that rate, \$185,000 today would be worth \$100,000 in 25 years. Protect yourself with investment products (such as stock funds or a variable life policy) whose long-term return has the potential to outrun inflation. Keep in mind that these investments involve risk, including loss of principal.

**Opt for less risk.** Take a look at your current asset allocation strategy and determine whether you should modify that mix as you approach retirement and after you retire. What you were comfortable with 15 years ago may seem too risky now.

**Make smaller withdrawals.** Reduce the chances of outliving your retirement assets by starting with a lower withdrawal rate—somewhere in the of 3% to 4% range.

**Invest in long-term care insurance.** Rising health care costs coupled with inadequate coverage can rapidly deplete your savings. Long-term care insurance or life insurance with a special rider that lets you access a portion of the policy's death benefit will help safeguard your retirement funds. Loans and withdrawals on an insurance policy may reduce the cash value and death benefit of the policy. ■

## GOLF CART NOT INCLUDED

Looking forward to those rounds of golf in retirement? Think green (as in cash). In today's dollars, a 60-year-old retiree needs to have a \$135,000 nest egg to fund his or her three rounds of golf a week for the next 22 years (the average life expectancy). That's based on \$36 per round, a 4% annual rate of inflation on the cost of golf, 3% rate of return on savings, and no lost golf balls.

Source: Center for Disease Control, Wikipedia, and By The Numbers

## YOUR CHILDREN'S RETIREMENT

Money doesn't grow on trees. It's a lesson you learned a long time ago and one you can teach your children or grandchildren.



Children start understanding the concept of managing money between the ages of 7 and 10.

Giving young kids an allowance can be an effective teaching tool on how to manage money, responsibility, budgeting, and spending wisely. Letting high-schoolers have their own checking accounts and credit cards will make them more savvy when they leave the nest.

Most importantly, be a role model. Explain to them how you budget, save and spend your hard-earned dollars. And encourage them to invest for the long term and a comfortable retirement.

## NEW BEGINNINGS

Retirement can open doors—the chance to pursue hobbies and life-long interests. They can even become moneymaking endeavors. Here are a few ideas. Find **collectibles** and restore them to their former glory. You'll find plenty of buyers on eBay. Have a talent for writing? Try **freelancing**. All of your career experience may have a waiting audience. Become a **virtual assistant**— someone who provides administrative support and other specialized services via fax, phone, computer or Internet. Think of all the ways you can share your skills and expertise with others. It can be both fun and profitable.

## INCOME YOU CAN'T OUTLIVE

One way to improve your financial security in retirement may be to include annuities in your financial planning. Think of it as income you can't outlive.



**What's an annuity?** It is a flexible retirement vehicle that combines guaranteed life income payments, other insurance benefits, and tax-deferred savings. For older Americans, it can be a beneficial option. Policy guarantees are based on the claims paying ability of the insurer.

There are two basic types of annuity contracts. With a **Fixed Annuity**, premiums earn a fixed rate of return from the life insurance company. This guarantees you a fixed payout every month. When you purchase a **Variable Annuity**, your money is invested in investment options from nationally prominent fund companies. The insurance company will pay you income as long as you live, but the amount will vary based upon the investment option selected. An **Equity Indexed Annuity** is a hybrid of both the fixed and variable annuity. It guarantees the account value will not drop below the initial amount invested, while giving you an opportunity for upside potential.

**Is an annuity right for you?** That's something to discuss with a financial professional. It involves many factors: when you retire, your retirement goals, if supplemental retirement income is needed, and annuity fees (such as insurance and surrender charges and investment management fees). Evaluate the fee structures, as well as the insurance company's financial strength, ratings and reputation.

Saving for retirement is crucial. Making sure your savings last a lifetime is equally important. Annuities can help you do both. Talk to your financial professional about annuities as part of your retirement plan. ■

### Wise Words

Before buying life insurance, learn as much as you can about the insurance company offering the policy. Independent ratings agencies provide information about the company's financial stability, history, and fiscal management.

Your *Financial Advocate* newsletter is dedicated to providing financial information you can use. This information is not intended as tax or legal advice. You should consult with your own tax or legal advisor with respect to how this information may apply to your particular circumstances.

Except when otherwise stated, any products or services discussed in this newsletter:

- Are not FDIC-insured.
- No bank guarantee.
- May lose value.

Ameritas Investment Corp., member NASD, is an affiliate of The Ameritas Acacia Companies.

©2005 The Ameritas Acacia Companies