Planning for
A More Secure Retirement

Why You Should Save

Some day you're going to retire — and when you do, you're going to need money.

How much money? More than you think. Studies have shown that on average, retirees need anywhere from 70% to 120% of their pre-retirement income to live comfortably. We're not talking about exotic trips around the world — just enough cash to maintain your current lifestyle.

Lots of retirees depend on Social Security, the government's retirement program. Like you, they spend their working years paying into the system. When it comes time to retire, they get a monthly check. But there is one problem...

Social Security Isn't Enough.

The average retired worker gets just $1,183 a month from Social Security — about $14,000 a year.[1] For a worker who made $40,000 a year, that means a 65% pay cut. Could you live on just a third of your income? For many of us, that would be a real challenge.

Even if you've saved a little, it might not be enough. People are living longer than ever. A healthy 65-year-old man can expect to live to age 85. A woman can expect to live to 88 and a married couple to age 92.[2] It's possible that you will be retired for 30 years — almost as long as you worked! During that time, a retiree can expect to spend more than $150,000 on healthcare alone.[3]

That's why you need to save for retirement — and the sooner you start, the better. Saving gives you control of your financial future, creating a nest egg that will help you cover your expenses. In fact, retirees say their top regret is that they didn't start saving soon enough.

You still have time to avoid their mistake. The more you save today, the better position you'll be in when you retire, letting you live comfortably with fewer financial worries.

[1] Social Security Administration. http://www.ssa.gov/cgi-bin/currentpay.cgi http://www.ssa.gov/cgi-bin/benefit6.cgi

[2] Source: Society of Actuaries, SmartMoney Magazine, 3/25/2011.

[3] Employee Benefits Research Institute, December 2010 Issue Brief.

[4] 2007 Fidelity Research Institute Retirement Index

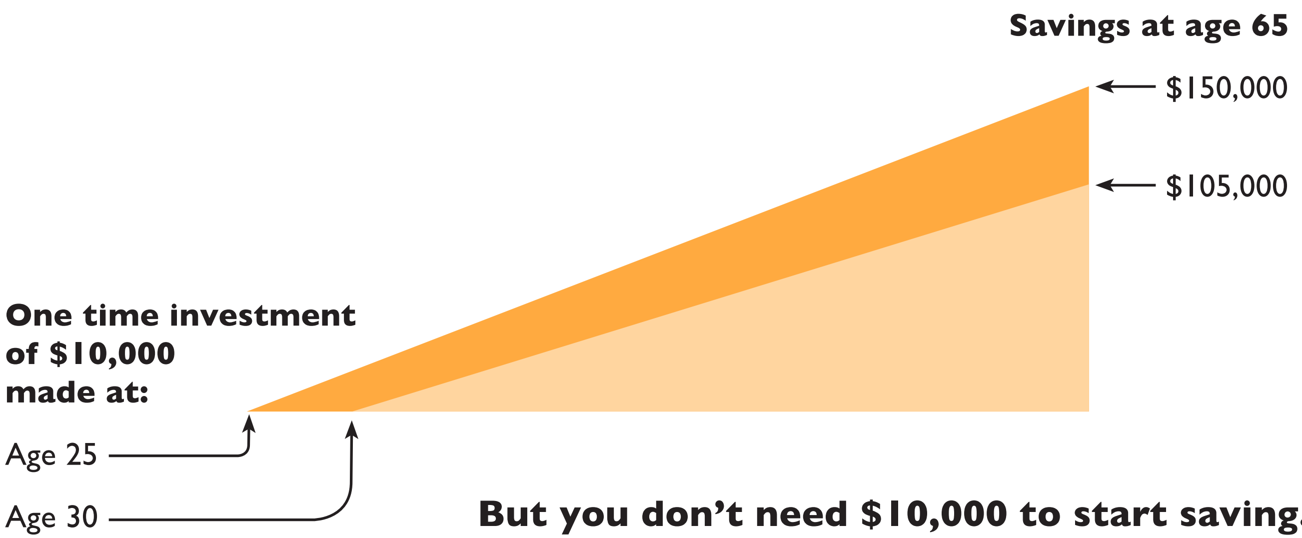
When It Comes to Saving, Time Really Is Money.

You know you need to save for retirement, but you're busy. You've got bills to pay and a life to live. You tell yourself that you'll start saving next year.

That procrastination will cost you.

When you invest money, it can grow over time. The sooner you invest it, the longer it has to grow. Even a few years can make a big difference.

Imagine a 25-year-old who invests $10,000. By age 65, his savings may have grown to almost $150,000 without him investing another cent.* But if he waited until age 30 to invest — just five years — he'd only have around $105,000. Five years makes a $45,000 difference!



But you don't need $10,000 to start saving.

*Assumes an annual rate of return of 7%.

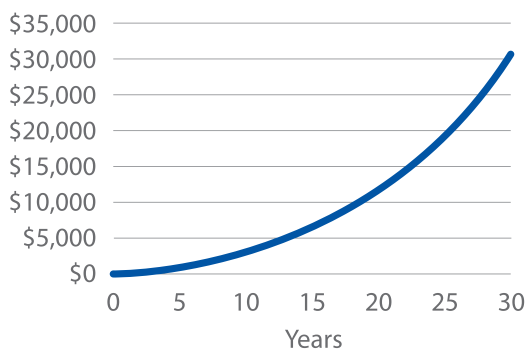
Even Small Amounts Make A Big Difference Over Time.

Think you'll spend less money when you're retired?
Think again.

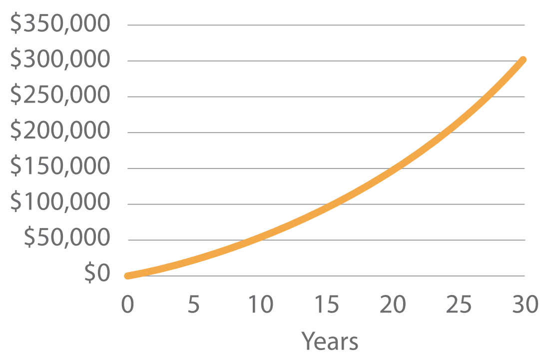
42% of retirees report that they spend the same amount or more in retirement than they did when they were working. One of the biggest expenses: healthcare.

Source: Employee Benefits Research Institute, March 2010 Issue Brief

If you save just **$25** a month for 30 years at 7%, it can grow to almost **$30,500**.



If you save **$250** a month for 30 years at 7%, it can grow to more than **$305,000**.



For illustration purposes only.

So what are you waiting for? Start saving today.

Making Saving Easy With Your Retirement Plan at Work

Your retirement plan at work is one of the best ways to save for retirement. Not only is it easy to use, it costs less than you think. Here's how:

1. **Saving is automatic — you don't have to remember to do it.** When you sign up for the plan, you tell your employer how much money you want to contribute to your account each paycheck. Your employer takes care of the rest so you never have to worry about forgetting to save.

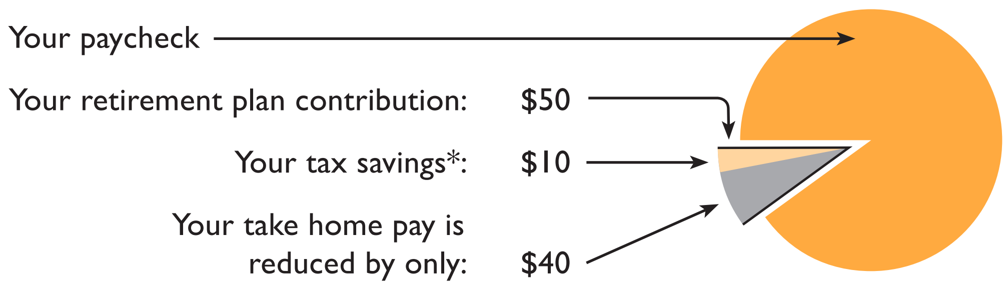
2. **Contributing will lower your tax bill.** Contributions to your employer's retirement plan are tax-deductible, which means you don't pay income tax on them. For example, if your tax rate is 20% and you contribute $50 to your plan each paycheck, you'd save $10 in taxes. That means your take-home pay is only reduced by $40. It's like getting paid to save!

3. **Pre-tax savings help your money grow faster.** Money in your employer's retirement plan grows tax free — you don't pay taxes on the money until you withdraw it in retirement. That means the account value has the potential to grow faster than if the money were invested in a taxable investment.

4. **Your employer may offer matching contributions.** Many employers offer to match your retirement plan contributions. This is free money — but the only way to get it is to contribute to your retirement plan.

To find out how you can get started in your employer's retirement plan, contact your Human Resources department.

Getting Paid to Save



*Assuming a 20% federal tax bracket

You're Saving Money — Now How Do You Invest It?

Once you start saving, it's important to invest your money so it has the potential to grow.

While the idea of investing can sound daunting, it's actually a lot smarter than stashing your cash in the bank. In a bank account, the rate of return is usually low — meaning that inflation, which averages 3% a year, will eat away at your money's spending power long before you retire. Investing can help you potentially beat inflation and grow your nest egg. But you need to be smart about it.

Smart investing is about logic, not luck. You can avoid common investment mistakes by following these five rules.

1. **Take a long-term approach.** Your retirement is years, if not decades, away. Whatever is going on in the market today will likely be long over by the time you retire. Choose an investment strategy based on your long-term plans — and then stick with it.

2. **Don't try to time the markets.** Some days the market rises and some days it falls. What it will do next is anyone's guess. But guessing isn't investing, so don't try to buy and sell over the short term. Buy and hold according to your long-term plan.

3. **Diversify globally.** Since we don't know which investment will do the best or when, the smartest thing to do is to own a wide variety of investments. When you invest in thousands of stocks around the world, you don't have to worry about a single bad stock hurting your retirement. Plus you have the potential to enjoy the benefits of the market's whole return.

4. **Consider your tolerance for risk.** Not every investment is appropriate for everybody, and some investments are riskier than others. The closer you are to retirement, the less risk you'll want to take. But remember, risk and return are related. If you want the potential for higher returns, you will have to take more risk.

5. **Let the markets work for you by using a passive investing approach.** There are many roads you can follow with an investment portfolio, but one of the fundamental choices you need to make is active or passive management. Active management embraces the idea that you can beat the markets consistently. Using an active management approach, fund managers choose investments based on which ones they believe will perform best in each category. In contrast, passive management's goal is to earn the same annual return as the markets. Since no one really knows which investments will do best or worst, passive managers rely on diversity and a long-term approach. Historically most active managers have had a hard time beating the markets over the long term. In fact, according to a 2009 study by two noted academics, Professors Eugene Fama and Kenneth French, over the long term, very few fund managers have the ability to outperform their indices, once costs are taken into consideration.

Why Your Nest Egg Needs to Beat Inflation

Inflation is the reason that things cost more today than they did a few years ago. With inflation averaging about 3% over the long term, $1 this year will be worth 97 cents next year. That may not seem too bad, but it adds up over time. Assuming inflation continues to average 3%...

In 10 years, $1 will be worth 73 cents. 

In 23 years, $1 will be worth just 50 cents. 

That means your buying power will be cut in half in the next 23 years. Just look at how these prices have changed over the past 30 years.

	1981	2011	
Gallon of gas[1]	$1.30	$3.62	278%
Postage stamp[2]	$0.18	$0.44	245%
Movie ticket[3]	$2.78	$7.89	284%

Your retirement is years away and could easily last 30 years. If your nest egg isn't keeping up with inflation, your money is disappearing without you even realizing it!

[1]Bureau of Labor Statistics
[2]CostOfStamps.net & U.S. Postal Service
[3]National Association of Theater Owners http://www.natoonline.org/statisticstickets.htm

Getting the Guidance You Need

Still not sure how to invest? That's okay. Many people just like you get help from professionals — advisors who understand the rules of investing and can suggest the best investment strategy for your risk tolerance and long-term needs.

Ask your employer if you have access to plan-related tools that help you determine which model portfolio is most appropriate for you or ask to speak with your plan's financial advisor (if applicable).

Many plans offer a range of portfolio options — based on your risk tolerance — from Conservative (a greater allocation to fixed income than equities) to Aggressive (a greater allocation to equities than fixed income).

Avoiding Emotional Investing

Your personal roadmap of saving and investing can help you reach your financial goals — but only if you stick with it. That's not always easy.

For most of us, money is bound up with powerful emotions such as security, confidence and even, sometimes, fear. But the emotions of investing can cause you to lose focus on important areas of your financial life, most of which have absolutely nothing to do with the stock market. The way our brains are hard-wired can cause us to make emotional decisions about our money at precisely the wrong moments.

As the chart below illustrates, many investors tend to "buy high" and "sell low." It's exciting when the market rises, tempting you with hot investments (remember the tech stock boom or the real estate bubble?). Other times the market falls quickly, creating panic. If you sell your investments while prices are low, you're taking paper losses and making them real. Later when you want to reinvest and follow your plan, you'll pay much higher prices to buy those same investments.

You can't let your emotions make your investment decisions.

In the long run, today's market performance doesn't matter. It's only a problem if you give in to temptation instead of sticking to your plan.

The Cycle of Market Emotions

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Ready, Set, Save!

Now you know **why** you need to save and the **best way** to do it.

You even know **how** to invest your savings to help **grow** your retirement nest egg.

So what are you waiting for?

Contact your Human Resources department to get started saving and investing in your employer retirement plan today. And take control of your financial future.

Note: Past performance is not indicative of future results. Diversification does not guarantee a profit or protect against a loss. Investors with time horizons of less than five years should consider minimizing or avoiding investing in common stocks.

This brochure is provided courtesy of Loring Ward Total Retirement. See **www.totalretirement.com** for more information.