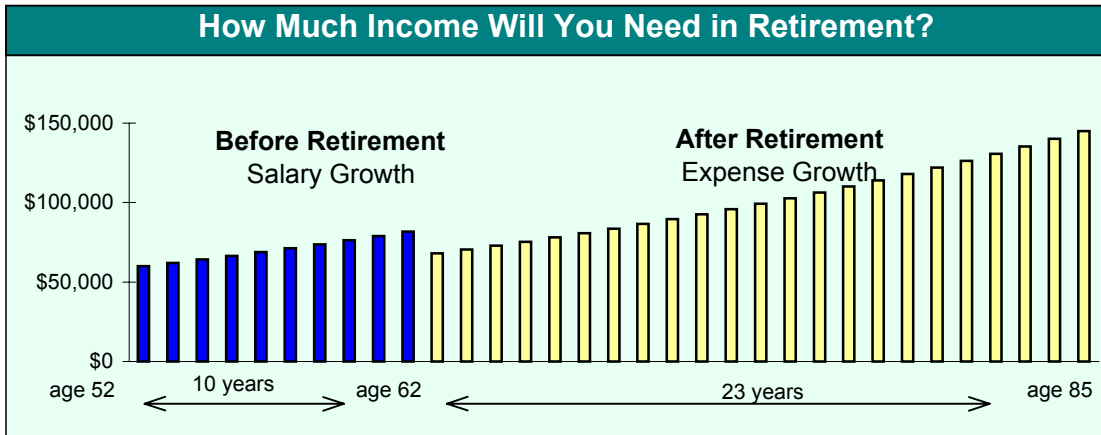
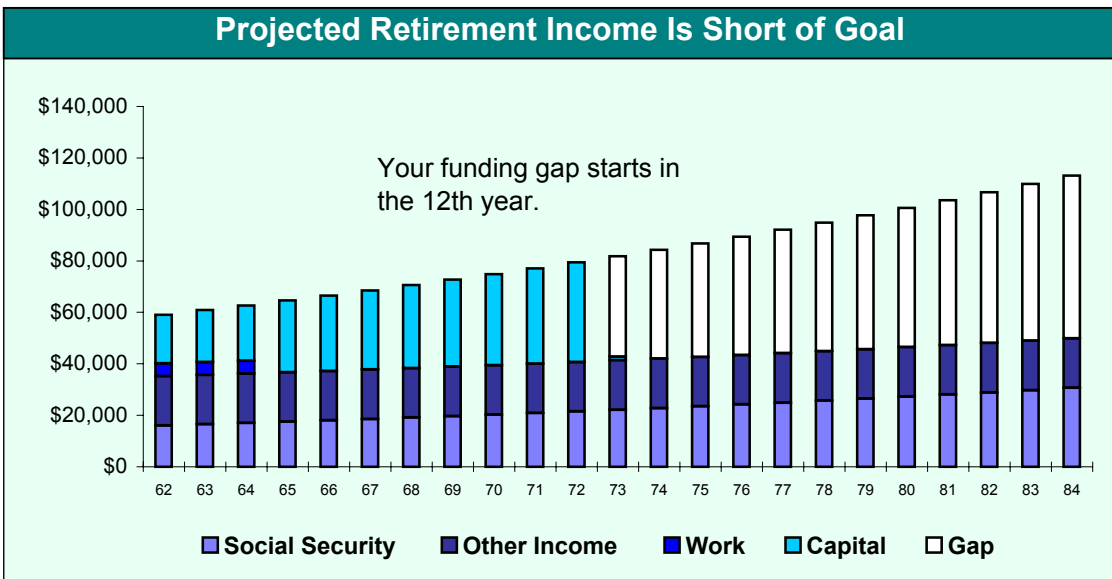


Your Retirement Funding Analysis

You told us that you are 52 years old and would like to retire at age 62. You expect your salary to keep pace with an assumed inflation rate of 3.5% per year. In retirement, you hope to be able to live on 80% of the salary you earn in your last year of work. **If 3.5% inflation continues** throughout your retirement, we project that you would need **an average income of \$101,900 a year** to maintain constant buying power equal to 80% of your final salary.



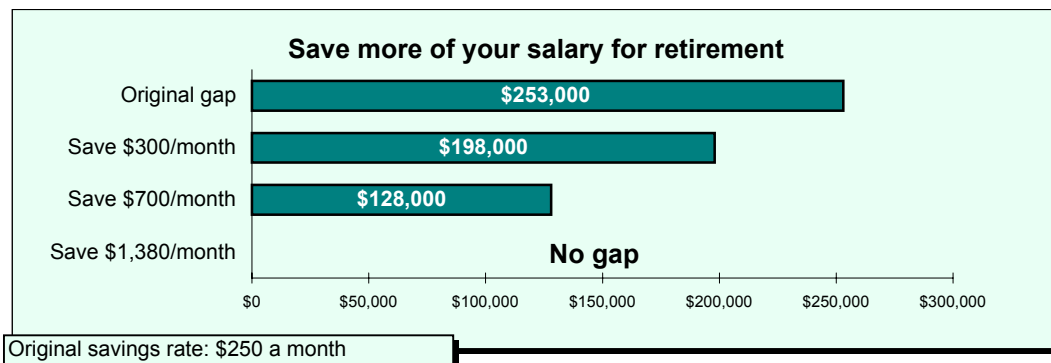
Your \$225,000 of retirement savings, Social Security and other retirement income will meet your target expenses for 11 years of retirement. Then, as the chart below shows, your savings will be used up.



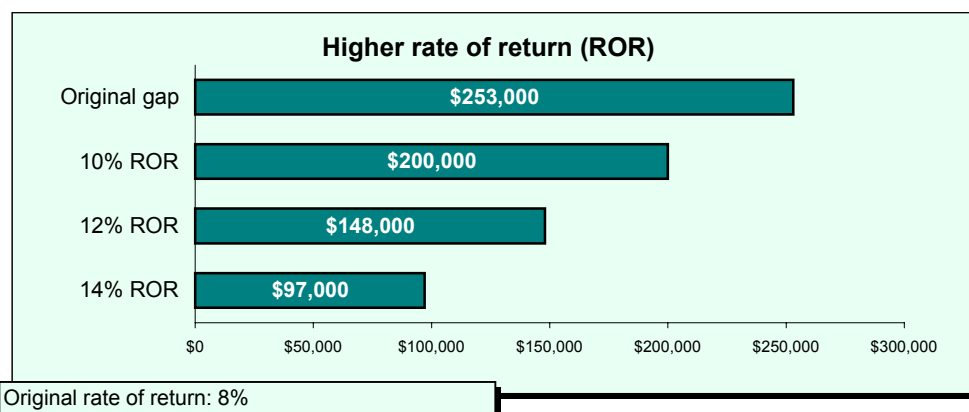
If you had **\$253,000 more in savings** by the start of retirement than you are projected to have, for a total of \$478,000, your funding gap would be eliminated. To achieve this goal, invest **\$1,380 more** monthly than you do now, on a tax-deferred basis, and earn 8% a year on your savings. The following pages will help you evaluate other ways to close or reduce this gap.

Projections of your future retirement income depend on assumptions you make about the future, and varying these assumptions can change the projected outcome. In the calculations that follow, we illustrate ways in which your projected income gap may be decreased.

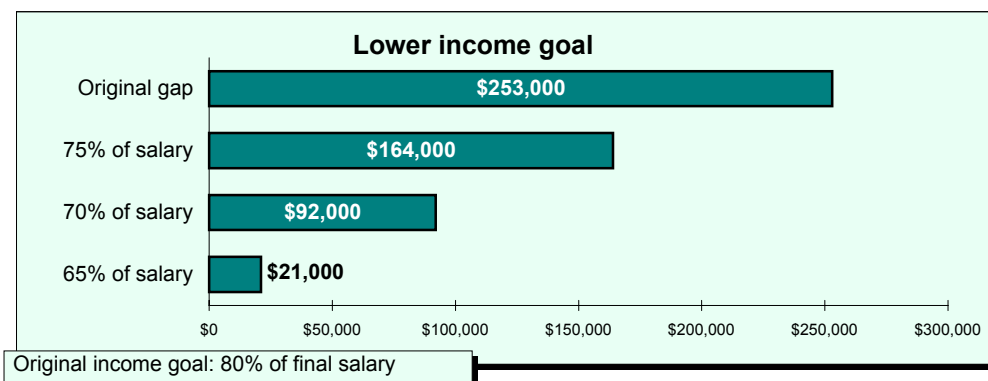
1. Save more of your income today for retirement in the future. Consider saving \$300, \$700 or \$1,380 more per month.



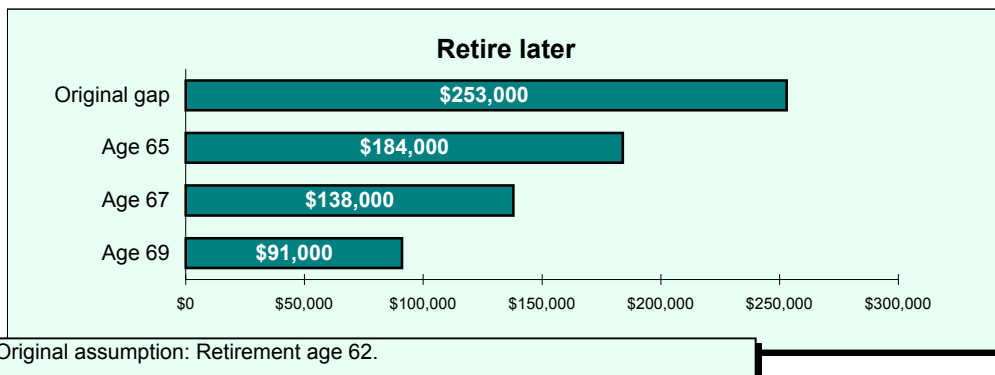
2. Invest for a higher rate of return. If your savings and investments earned 2%, 4% or 6% more than you project, you would have more capital when you retire and your gap would be less. Calculations assume tax-deferred savings.



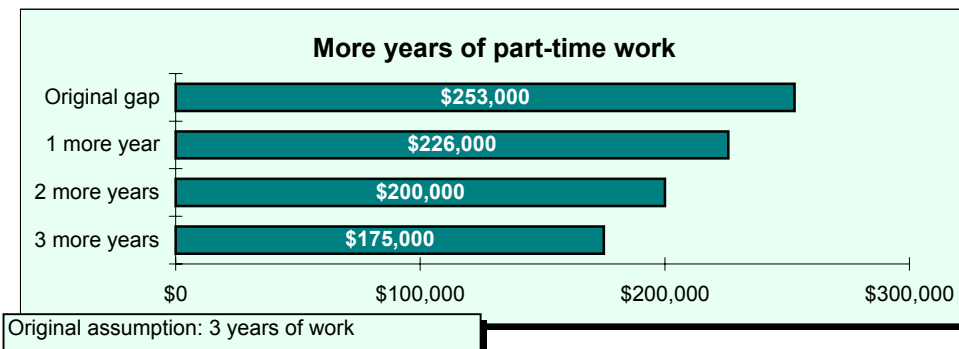
3. Think in terms of a lower income goal. Planning for a more modest income reduces the amount of capital you need. "Salary" in the chart below refers to your "final salary" just before retirement.



4. Retire later. Working longer gives you more time to build up retirement savings; the impact is illustrated below. It will also increase your Social Security benefits and may increase your pension.



5. More part-time work. Look at the impact of another 1, 2, or 3 years of part-time work. By reducing your need to tap your capital for income, this strategy lowers the total amount of capital you need.



A Reminder

To meet your original goal, you will need to save \$1,380 per month and earn 8% on a tax-deferred basis. If your savings are taxable, you will need to earn more than 8%. Additionally, you will need to earn 6% or more during retirement in order to have the income projected. The projections are of pre-tax income.

What You Can Do Now

- 1) To save more, consider using an automatic investment plan. You can systematically invest in an array of mutual funds right from your checking account, following the advice in the old adage "Pay Yourself First." To get started today, see enclosed information.
- 2) If your employer offers a 401(k) or 403(b) retirement plan, consider contributing the maximum you can. If your employer matches employee contributions, save at least the amount that gets you the full match, taking advantage of this "free money."
- 3) If you'd like to try increasing your rate of return, consider using an asset allocation tool; or turn to professional management of your assets.
- 4) If your adjusted gross income is below \$150,000, you are eligible to have a Roth IRA. These accounts offer more flexible access to your savings before retirement and tax-free withdrawals after retirement. It can be advantageous to convert a traditional IRA to a Roth.
- 5) A variable annuity can provide benefits not found in traditional or Roth IRAs. It allows you to contribute as much as you like, as often as you like, while your money grows tax-deferred.

Explanations

You told us you have \$86,200 in tax-deferred savings plans and in other investments for retirement. You also told us how much you are adding to these plans and investments annually.

First, we assumed these investments would grow until retirement at the rates of return you specified, or at 8% if you did not specify. We assumed you would continue adding to your tax deferred savings and other investments at the rate you are today. We increased your 401(k) contribution by inflation every year and held your other annual savings for to the same dollar amount. Under these assumptions, you would have \$225,000 by retirement.

Second, we assumed that after retirement you would draw from your savings whenever your other sources of income did not meet your expenses. We assumed that if your income exceeded expenses, you would save it.

Looking at projected expenses year by year, we withdrew funds from your savings when needed. You may have used up all your savings before the end of the period. We totaled up all the gaps between your income and savings and your projected expenses. Then we calculated how much more you would need to have saved before retirement in order to eliminate all income gaps after retirement.

We found you would need \$253,000 more than you are projected to have saved, or a total of \$478,000, in your tax-deferred savings plans and other investments at retirement. Keep in mind that this estimate is built on many assumptions about the future, and the outcomes projected in the analysis cannot be guaranteed.

Basic Information

	<u>Client</u>	<u>Spouse</u>	Client Data
Age	52	50	
Desired retirement age	62	60	
Salary	\$60,000		
Desired assumption(s) about salary growth	Inflation		

Retirement Expectations

Salary replacement ratio	80%
Major expenditure planned at retirement	\$40,000
Monthly benefit at planned retirement age	\$1,916.67 /mo.
Plans for part-time work after retirement	\$26,000 for 3 years

Savings and Investments for Retirement

Client's 401(k) balance	\$70,000	
Annual contributions	\$3,000/yr	5% of salary
Rate of return	8% ROR	
Client's IRA balance	\$4,000	
Annual contributions	\$0/yr	
Rate of return	8% ROR	
Client's other investments	\$12,200	
Client's projected home equity	\$122,000	

Preferred Gap Reduction Strategies

1. Work three years longer.
2. Earn 2% higher rate of return.
3. Save \$250 more a month.

Key Assumptions

Assumed inflation rate	3.50%
Post-retirement rate of return	6%