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Planning for Retirement throughout Your Life

After working 40 or 50 years, you could find yourself retired for another 20 or 30 years. To support yourself without a job for 20 or 30 years, you should probably be planning for retirement during your entire working life. However, your concerns and strategies for retirement will change as you age. Consider these tips:

In Your 20s

While you may just be getting started in your career, don't squander the long time period before retirement that can help your retirement funds grow and compound. Some strategies to consider include:

✔ **Start saving for retirement now.** Saving even small amounts can help you accumulate significant sums by retirement age.

For instance, if you invest $2,000 per year from age 25 to age 65 in a tax-deferred account earning 8% annually, you could potentially accumulate $518,113 by age 65. *(This example is provided for illustrative purposes only and is not intended to project the performance of a specific investment vehicle.)* Try to save at least 10% of your income, but if you find that difficult to do, at least start saving something. Get in the habit of saving at a young age, before you get used to spending all your income.

✔ **Investigate different retirement savings vehicles.** If your employer offers a 401(k) plan, start contributing as soon as you can. You should contribute at least enough to take full advantage of any matching contributions offered by your employer, which can significantly increase your savings. For instance, assume you earn $50,000 per year and your employer matches 50 cents on every dollar of contributions up to 6% of your salary. If

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Changing Life Insurance Needs

Your life insurance needs will typically change over the years:

Just starting out — Young, single adults may have little need for life insurance. With no major debts and no one else counting on their income, the death benefit provided by life insurance may not be needed.

Married with no children — If it takes both salaries just to make ends meet, you may want to purchase insurance to replace your income.

Two incomes with children — The death of either spouse can create a financial hardship. Even if only one spouse works, the death of the nonworking spouse can require additional funds. You may want to consider first-to-die insurance.

Middle age with children — You should reassess your insurance again as your children approach college age, since you may need to increase coverage to fund their education in the event of your death.

Children out of college — Your need for life insurance may decrease when your children become independent. On the other hand, you may find you now have different needs for insurance. ❍❍❍

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Planning for Retirement

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you contribute 6%, you will make a contribution of $3,000 and your employer will contribute $1,500. If your employer doesn't offer a 401(k) plan, contribute to an individual retirement account (IRA), either traditional or Roth. Investigate the differences to determine which is better for your situation.

In Your 30s

Typically, even though your income is rising, your expenses are also growing as you buy a home and start a family. However, don't lose sight of retirement, since you still have significant time before retirement to help your funds grow. Consider these tips:

✔ **Start thinking about retirement.** Give some thought to how you want to spend your retirement and how much it will cost. While you may feel that retirement is too far away to gauge these things, putting a rough price tag on your retirement and calculating how much you need to save can provide significant motivation in saving for that retirement.

✔ **Devise strategies to keep saving.** Look for ways to remain committed to saving, even as your expenses are increasing. For instance, whenever you receive a raise, put some of it into your 401(k) plan so you don't get used to spending that money. Before incurring a large new expense, such as a new car or home, look at the impact the additional expense will have on your retirement.

In Your 40s

While you still have quite a while before retirement, it's time to get serious about saving for retirement. Especially if you haven't saved much during your 20s and 30s, you need to really commit to saving for retirement. Some tips to consider include:

✔ **Save the maximum in your 401(k) plan.** Don't make excuses; just make sure you are saving the maximum in your 401(k) plan. Also look at contributing to an IRA.

✔ **Review your investment strategy.** Take a look at all your investments, both inside and outside of retirement accounts. Does your strategy make sense, and will it help you reach your retirement goals?

In Your 50s

Retirement is no longer that far away. It's time to assess where you stand and whether your retirement plans are realistic. Consider these tips:

✔ **Look seriously at your retirement plans.** Make sure you have an accurate assessment of how much money you'll need in retirement and compare that to your estimated retirement income sources. If you are short, consider revising your plans. You may need to work longer, scale back your retirement plans, or save more.

✔ **Take advantage of catch-up contributions.** In addition to making the maximum contributions to 401(k) plans and IRAs, take advantage of catch-up contributions once you turn 50. In 2014, you can make a $5,500 catch-up contribution to your 401(k) plan, if permitted by the plan, and a $1,000 catch-up contribution to an IRA.

✔ **Try to increase your savings.** By now, hopefully, some of your larger expenses will be behind you, such as funding a child's college education, and you can divert those sums to your retirement savings.

In Your 60s and Beyond

This is the period when people typically transition from a working life to retirement life. Some strategies to consider include:

✔ **Finalize your retirement plans.** Go through your expenses and expected retirement income sources one more time to make sure you haven't forgotten anything. Determine when you can start drawing retirement benefits, such as Social Security, Medicare, and pension plans. Before you leave your job, make sure the timing is right, and you'll be able to comfortably support yourself during retirement.

✔ **Plan before withdrawing your retirement savings.** Before you start withdrawals from your 401(k) plans and IRAs, consider all relevant factors. You don't want to drain those funds too quickly.

✔ **Consider working on at least a part-time basis.** Even if you think you have sufficient funds for your retirement, consider working at least part-time during the early years of your retirement. This will help keep you active while also supplementing your retirement savings. It is better to work now than to find out late in retirement, when your health may not permit you to work, that you have run out of retirement savings.

To ensure adequate retirement savings, you need to plan for retirement throughout your life. Please call if you'd like help with this process. ❍❍❍

Five Life Insurance Myths Debunked

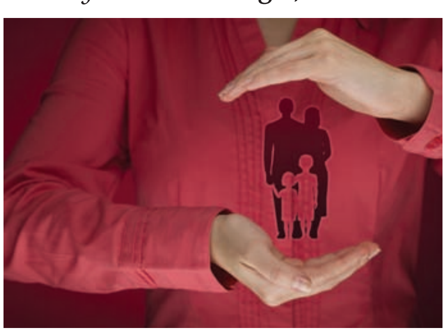
Life insurance is one of the most common types of insurance that people buy. In 2013, 62% of Americans had at least some life insurance coverage (Source: Insurance Information Institute, 2013). Yet life insurance is also one of the most misunderstood types of insurance. All too often, people don't understand some of the basic facts — who needs it, how much coverage to buy, and what purpose it serves. Below, we debunk five of the most common myths about life insurance coverage.

Myth #1: **The life insurance I get through my job is enough.**

Fact: If you get life insurance as part of your benefits package from your employer, it's definitely a nice perk, but it may not meet all of your needs. First, that insurance is not permanent. If you leave your employer, your coverage probably won't follow you. Second, the coverage you get may not be enough to meet all of your family's needs if you were to pass away. For example, some employer-provided life insurance policies provide death benefits equal to about one year's worth of your salary.

But if you have a family that you support, you may need coverage that pays benefits between five and 10 times your annual salary. If you have a spouse who does not work, a large mortgage, or special-needs children, having enough life insurance coverage that will allow your loved ones to live comfortably after you die is even more critical.

Myth #2: **I'm single, so I don't need life insurance.**



Fact: It's true that unmarried and childless individuals often have less need for life insurance than people who are married or have kids. But even single individuals might benefit from life insurance in certain situations. If you have anyone who would be negatively affected financially by your death, you may want to consider buying a policy.

For example, if your parents cosigned your student loans or mortgage, a life insurance death benefit can help them pay off that debt if you die unexpectedly. Life insurance can also help cover end-of-life expenses like a funeral. Another reason to buy coverage now? Your life may change, and it may be easier — and cheaper — to get coverage now when you're young and healthy than later in life. Finally, life insurance is a way for you to leave a legacy to beloved family members or your favorite charities, even if you haven't had an opportunity to accumulate significant assets.

Myth #3: **I don't work, so life insurance isn't necessary.**

Fact: If you're a stay-at-home parent, work full-time caring for an elderly parent or other family member, or don't work outside the home for another reason, life insurance may seem like an unnecessary expense. But even if you aren't financially compensated for it, the work you do still has value to your family — value that could be costly to replace if you passed away.

Consider this: If you care for children and manage the household, your spouse would have to find someone else to take over those duties or cut back on their own work hours to take over the tasks themselves. A life insurance benefit can help cover those expenses and make it easier for your family to cope after you're gone.

Myth #4: **All life insurance is the same, so I should just get the cheapest policy.**

Fact: There are many different varieties of life insurance, and the best one for you depends on your specific needs. While it's easy to simply shop for insurance coverage based on price alone, you need to look carefully at each policy to be sure that you understand what you are — and aren't — getting. First, you need to decide between term insurance, which offers only death benefits and is valid for a fixed length of time (say 20 years); and permanent or whole insurance, which offers a death benefit but also accrues a cash value.

There's also variable life insurance, which combines insurance coverage with an investment component; and universal life, which is similar to whole life but offers more flexibility in how you pay premiums. You need to then consider your specific coverage needs (based on your income, debt, family's lifestyle, and other factors), how much of a premium you can afford, how long you need coverage to last (if you're buying a term policy), the policy's riders (or limitations), and how insurance fits into your overall long-term financial plan.

Myth #5: **Once I buy a life insurance policy, I'm all set.**

Fact: Life insurance is not a set-it-and-forget it product. Your life insurance needs will change over time — as you marry, have children, advance in your career, and eventually retire. To make sure that your coverage is meeting your needs every step of the way, you should include a review of your life insurance coverage as part of your annual financial to-do list.

Whether you are considering buying a life insurance policy for the first time or want to review an existing policy, please call. ❍❍❍

A Retirement Account Is Not a Retirement Plan

A retirement plan is like a road map. It shows you how to get from where you are to where you need to go. Just as a road map keeps you from getting lost on the road, a retirement plan keeps you from getting lost on your way to retirement.

A retirement account is simply a vehicle to save for retirement, while a retirement plan includes many factors, some of which include:

Are you contributing enough? If you're like most Americans, the answer is probably no. In 2012, on average, Americans contributed about $2,700 to their 401(k) plans; even if matched at 100%, $2,700 a year is not enough for most people to make it through retirement. There is a lot of room to contribute far more than average before hitting the annual 401(k) contribution maximum of $17,500 (that's the limit in 2014 per IRS rules; it typically increases a bit each year). But if you don't have a plan, you won't know how much you need to contribute every month.

Are your investment allocations right for you? How you allocate your money should depend on where you are on the path to retirement. Stocks involve more risk but typically yield a higher return, while bonds carry potentially less risk but typically yield a lower return. Generally, the further away you are from retirement, the more money you should have in stocks and the less money you should have in bonds.

Have you strategically chosen your accounts? The government incentivizes us to save for our retirement by giving certain types of tax advantages to qualified retirement accounts. But those advantages vary.

So you need to think strategically about how and where you are investing for retirement. In addition to the tax implications associated with different investment vehicles, you also need to look at fees associated with the account.

If your employer offers a 401(k) plan and matches contributions, it always makes sense to contribute at least as much as your employer will match. But for most Americans, that 401(k) plan alone is not sufficient.

To ensure that you are saving enough to retire when and how you want to, you need to have a road map to get from here to there. Please call if you'd like to discuss this in more detail. ❍❍❍

Stock Selection Tips

✔ Purchase stocks that fit your investment goals and criteria.

✔ Don't worry about the overall stock market and whether it is at a high or low level. Instead, concentrate on purchasing stocks for the long term at a fair price.

✔ Don't invest based solely on a stock tip. You need to carefully research the company.

✔ Carefully research a company before investing in its stock. Read the company's annual report, Form 10-K, and analyst reports.

✔ Don't rush into purchasing a stock. Good stocks can rise in value for years.

✔ While diversification is an important portfolio strategy, only purchase as many stocks as you can reasonably monitor.

✔ Maintain realistic expectations. High expectations often result in frequent trading.

✔ Set target selling prices — both high and low — when you purchase a stock.

✔ Analyze and learn from your mistakes.

✔ Review all your stocks at least annually. ❍❍❍

Financial Thoughts

Approximately 70% of married couples argue about money. When fighting about money, 55% fight about spending, 37% fight about saving, 21% fight about deceit, and 11% fight about exclusion from decision making (Source: *Money*, June 2014).

A recent survey found that girls are more financially savvy than boys. Approximately 91% of girls who responded to the survey are planning to attend college, compared with 86% of the boys. More girls intend to pay for college with grants and scholarships. And 40% of girls are considering attending in-state colleges to save money, compared with 30% of boys (Source: Junior Achievement and Allstate Foundation, 2014).

When asked how they feel about living to the age of 100, 36% of centenarians said blessed, 31% said happy, and 12% said surprised. Approximately 53% of the centenarians lived independently, without the support of a caregiver (Source: UnitedHealthcare, 2014).

Almost 65% of baby boomers said they plan to work past age 65 or do not plan to retire, while 52% expect to continue working after retirement on at least a part-time basis (Source: Transamerica Retirement Survey, 2014). ❍❍❍

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