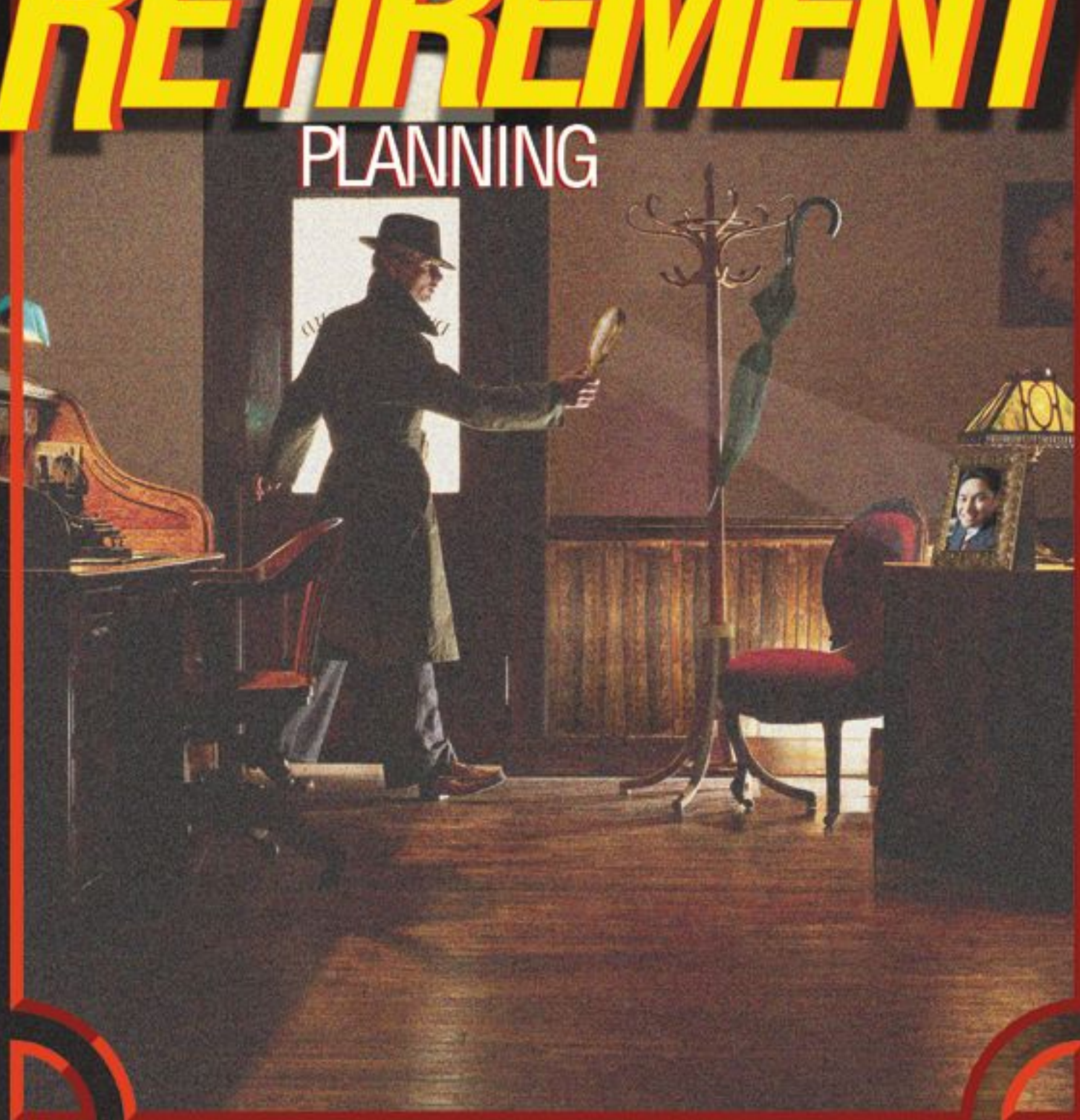
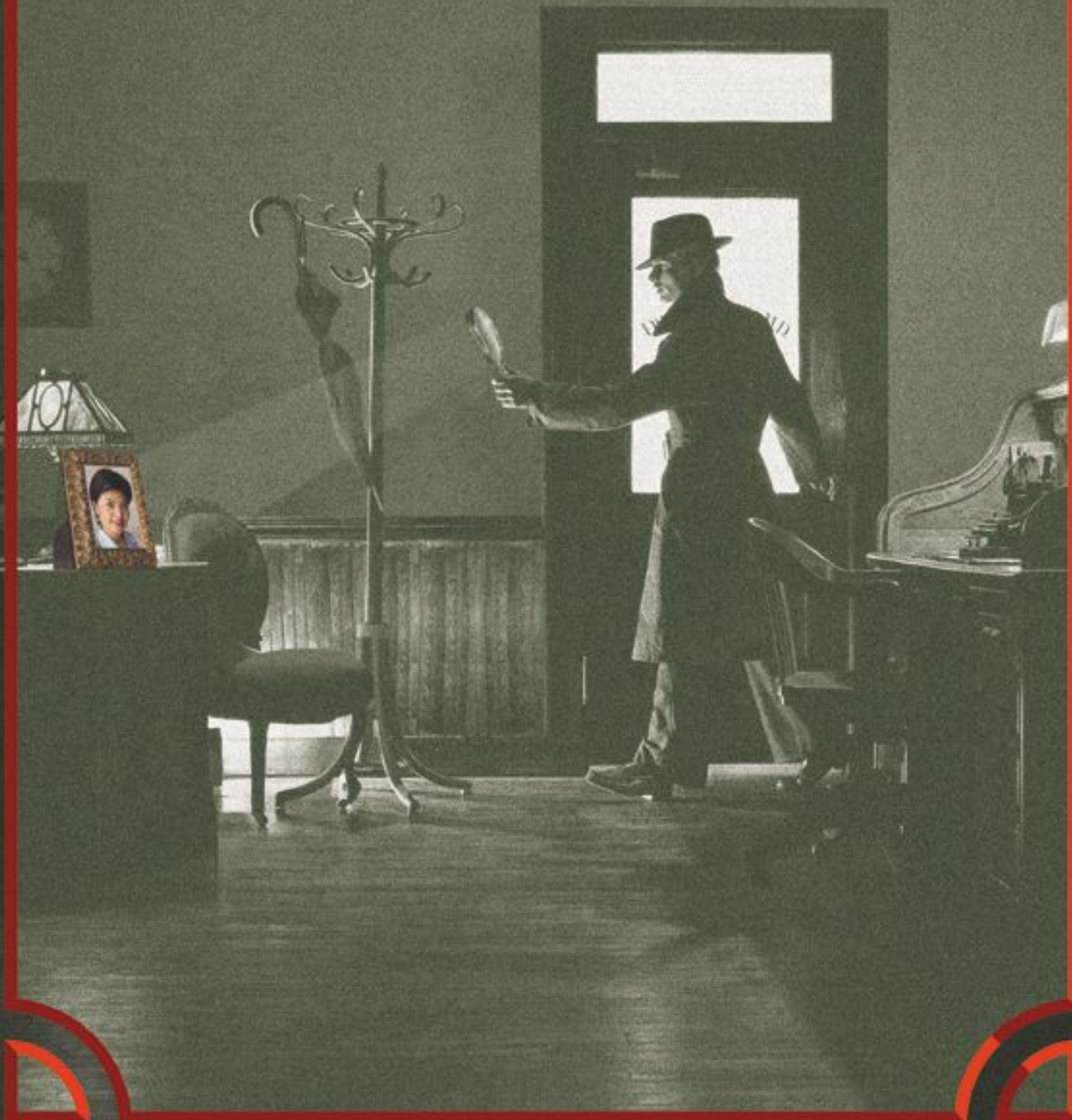


TAKING THE
MYSTERY OUT OF

RETIREMENT

PLANNING





United States Secretary of Labor



The key to a comfortable retirement is planning well in advance. Yet a recent survey indicates that with the “Baby Boom” generation approaching retirement age, less than half of Americans have calculated how much they will need to save for retirement.

To help Americans prepare for retirement, the U.S. Department of Labor has developed this book: *Taking the Mystery Out of Retirement Planning*. The information contained here is valuable to everyone, but it is specifically designed to help those who are about a decade from retirement.

Americans are living longer, healthier, and more active lives than ever before. Ideally, retirement years are a time for pursuing other interests, travel, perhaps volunteering in the community or even starting a new career.

To ensure a financially secure retirement, it is critical to make the right choices years ahead. Start on the path to retirement security *today* so you can have the retirement you have dreamed of.

Sincerely,

Elaine L. Chao

This publication has been developed by the U.S. Department of Labor, Employment Benefits Security Administration, and its partners. It is available on the Internet at: www.dol.gov/ebsa.

For a complete list of EBSA publications or to speak with a benefits advisor, call toll free: 1-866-444-EBSA (3272). Or contact the agency electronically at www.askebsa.dol.gov.

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MATTERS**

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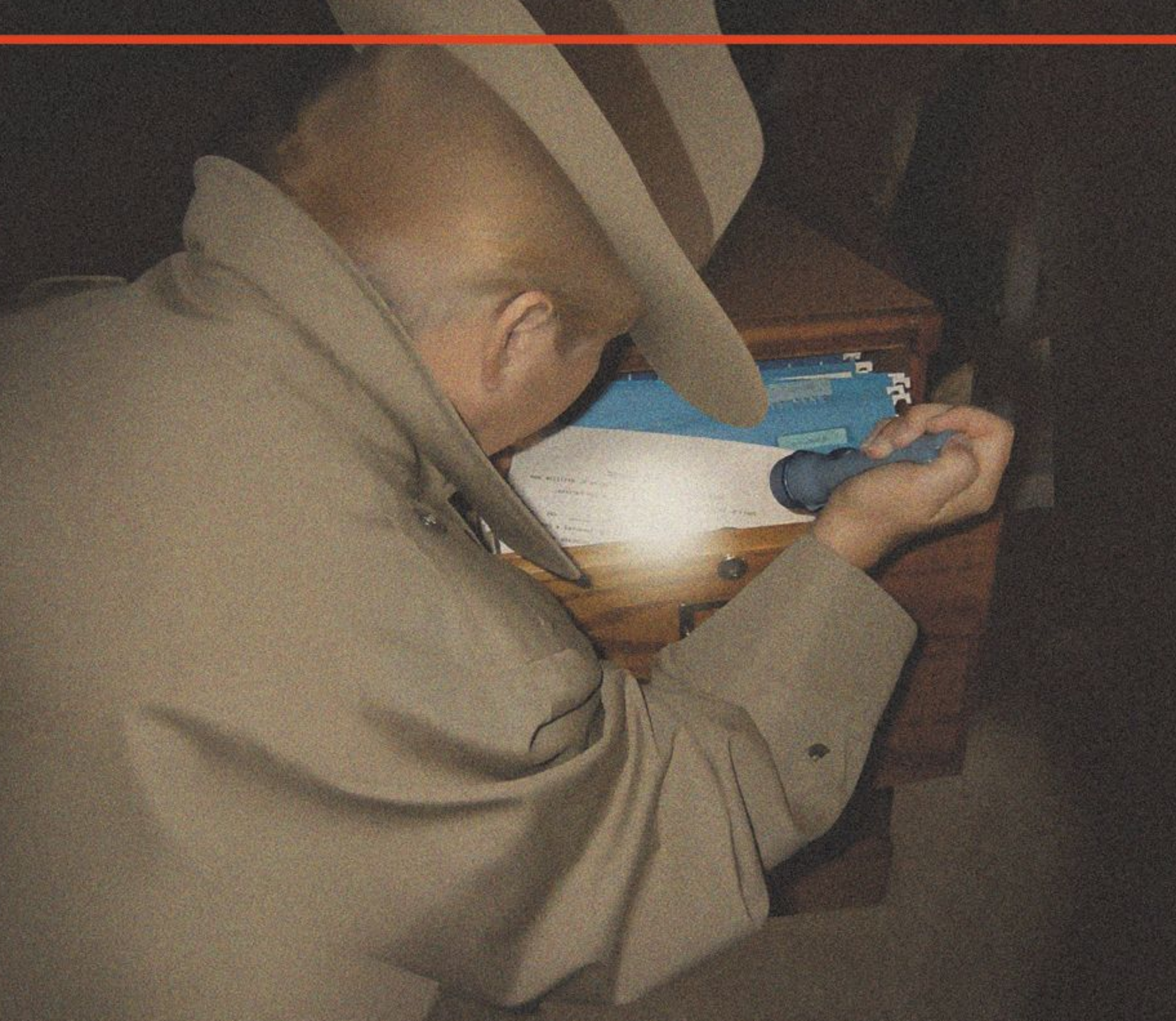
 **NORTH
AMERICAN
SECURITIES
ADMINISTRATORS
ASSOCIATION**

We also thank the AARP for its valuable contributions to this publication.

This booklet constitutes a small entity compliance guide for purposes of the Small Business Regulatory Enforcement Act of 1996.

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PLANNING FOR A LIFETIME

It's not going to be your parents' retirement—rewarded at 65 with a gold watch, a guaranteed pension, and health insurance for life. For many Americans, retiring in this new century is a mystery. Earlier generations of workers could rely on employer-provided pensions, but now many workers will need to rely on their own work-related and personal savings plus Social Security benefits. These savings have to last longer because Americans are living longer, often into their eighties and nineties.

If you are one of those people who want to plan – and are about 10 years from the day you retire – this booklet is for you. Today's (and tomorrow's) retirees may well have a new kind of retirement. With a longer and healthier life span, bikes, boats, planes, and RVs may be part of your life, because you are more likely than previous generations to be an active older American.

Opportunities to take courses, start a new career, and become a volunteer can make your future an adventure. A longer life, however, will also mean more medical care, some of which will not be covered by the federal Medicare program.

The whole retirement scene has changed and many American workers find it a mystery. In fact, a 2004 survey by the Employee Benefit Research Institute (EBRI) suggests that only 42 percent of Americans have tried to calculate how much they need to save for retirement. In this booklet, each chapter will give you clues on how to take control of your finances so that when you retire, you have the time and money to do what you've always wanted. For some, it's simply being with friends and family. For others, it's starting a new hobby or craft. And for some it's starting a new life.

Whether you are 10 years from retirement or have a different timeframe – or even if you are retired – this booklet will help you to unravel the financial mysteries of life after work and to discover changes you can make for a financially secure future.

Time on Your Side

Getting started today will help you put time on your side. To help, *Taking the Mystery Out of Retirement Planning* offers a simplified, bottom-line approach to figuring out just how much you may need when you retire. The worksheets in this booklet will provide a guesstimate. Regard them as a starting point.

Each chapter in this booklet asks you to chart a different part of your financial life – your savings and your expenses – and helps you project future costs and savings well into your retirement years. Of course, no one has a crystal ball, and life has a way of throwing changes our way. But getting time on your side now, before you retire, means you will not be awake at 3 a.m. worrying about, instead of planning for, the future.

How to Use This Booklet: Simply read it to get familiar with retirement issues. Better yet, fill out the worksheets to figure the dollar amounts of what you have, how much it will grow in 10 years, and how much you may need to last over a 30-year period. Remember these amounts are only estimates, and you will want to update them from time to time.

Take your time. You may want to tackle one or two chapters, fill out the worksheets provided... then spend some time gathering the documents and information you will want to keep. Whether you approach the booklet chapter by chapter or all at once, keep going. Don't get stuck on details -- guessing is okay, and you can always come back later with more accurate numbers and information.

This booklet uses three time periods in charting your retirement savings. The starting point is today, when you are about 56 years old and plan to work approximately 10 years more. This is a good time to take stock of where you are in terms of retirement savings and set financial goals you would like to achieve in the 10-year period you plan to work.

The second point in time is the day you retire, when you are about 65 to 66 years old. That period between now and then is an important one. In those (approximately 10) years, you will have time to put more of your paycheck to work in a retirement account. It will grow, not only from your additional savings, but also from the “miracle of compounding,” the world’s greatest math discovery, according to everyone’s favorite genius, Albert Einstein. This is the result of earnings from interest and from investments continually increasing the base amount.

Finally, the third time period used in this booklet is the approximately 30-year span you hope to enjoy

retirement. It is the time period experts suggest you plan for, based on the average 65-year old American male living 17 more years and the average 65-year old female living 20 more years. These are only averages, so planning for 30 years will help you avoid outliving your income.

As you read through this booklet, keep an eye on the Timeline for Retirement that follows. Some of the terms, like “catch-up” retirement contributions beginning at age 50, may be new to you. The timeline offers some milestone opportunities to make changes so you can have the kind of retirement you want. The time to start is today.

CLUE 1

Timeline For Retirement:

- At AGE 50** Begin making catch-up contributions, an extra amount that those over 50 can add, to 401(k) and other retirement accounts.
- At 59 1/2** No more tax penalties on early withdrawals from retirement accounts, but leaving money in means more time for it to grow.
- At 62** The minimum age to receive Social Security benefits, but delaying means a bigger monthly benefit.
- At 65** Eligible for Medicare.
- At 66** Eligible for full Social Security benefits if born between 1943 and 1954.
- At 70 1/2** Start taking minimum withdrawals from most retirement accounts by this age; otherwise, you may be charged heavy tax penalties in the future.