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FINANCIAL*ink*

Your Money Management Newsletter

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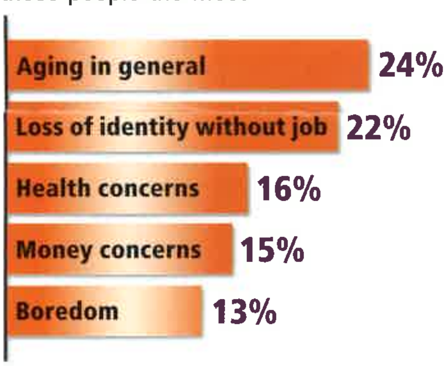
*Snap*SHOTS

SHIFTING GEARS

Although 59% of retirees found the transition to retirement easy, 13% had a difficult time adjusting to life after work. Here's what troubled these people the most.



Source: *Consumer Reports Money Adviser*, March 2010

Up FRONT

74% of Americans with household incomes of $100,000 or more believe that the stock market will be about the same or higher in January 2011 than it was one year earlier.

Source: *The Economist*/YouGov, January 2010

Quick HITS

Only 46% of Americans have attempted to calculate how much they'll need in retirement.[1]

In 2009, the average daily cost of nursing-home care was $203.[2]

The average amount of credit-card debt for an American family with at least one credit card is $10,000.[3]

In 2009, the number of millionaires in the United States rose to 7.8 million, an increase of 16% over a year earlier.[4]

Forty-six percent of workers who left their jobs in 2008 decided to cash out their employer-sponsored retirement plans, subjecting the funds to taxes and penalties.[5]

Sources:
1) 2010 Retirement Confidence Survey, Employee Benefit Research Institute
2) *2010 Field Guide*, National Underwriter
3) *Kiplinger's Personal Finance,* April 2010
4) *InvestmentNews,* March 15, 2010
5) Hewitt Associates, 2009

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Practical insights for your **FINANCIAL GOALS**

Why You Need to Calculate Your **RETIREMENT NEEDS**

If ignorance is bliss, then you can consider the bulk of Americans as blissfully unaware of the amount of money they will need in order to enjoy a comfortable retirement. Only 46% of American workers have attempted to calculate how much they'll need when they leave the workforce.[1]

If you haven't tried to determine your retirement needs, you may be in for a shock. Forty-four percent of workers who did a calculation made changes to their retirement savings strategies as a result. The majority of the changes involved saving or investing more.[2]

When you consider the following factors, there is a good chance that your retirement could cost more than you anticipate.

LIVING LONGER

A child born in 2007 can expect to live for 77.9 years.[3] Just a half-century ago, the life expectancy was 69.9 years.[4] As a result, some people may end up spending more time in retirement than they did in their working careers. When determining your retirement needs, consider that you may spend as many as three decades in retirement.

STAYING ACTIVE

More than ever, people are looking at retirement as an exciting stage of life that will allow more opportunities for adventure and activity. Whether it involves traveling, volunteering, or going back to school, an active retirement lifestyle may require more savings. The type of retirement lifestyle you desire will influence how much money you will need for retirement.

CARRYING DEBT

In 2007, 63% of U.S. households headed by someone age 55 or older still had mortgages or some other form of debt, an increase of almost 10% from 1992.[5] Carrying debt into retirement can affect your retirement needs projections and should be considered carefully.

PAYING FOR HEALTH CARE

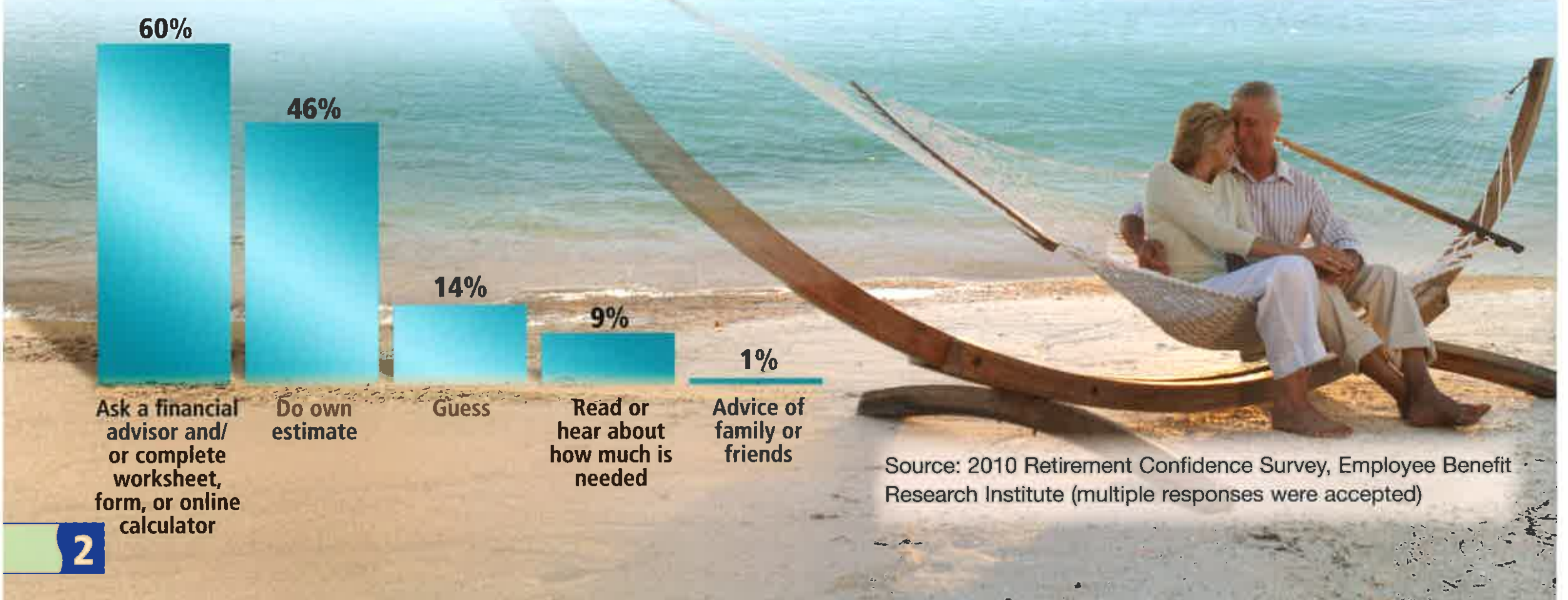
It's estimated that a 65-year-old couple who retired in 2009 would need $414,000 to be 90% certain that they could cover their medical expenses in retirement. By 2019, a 65-year-old couple might need $694,000 earmarked for health care to have the same degree of certainty.[6] Health care may be your biggest expense in retirement, so it's crucial to account for the cost of health care when determining your retirement needs.

It may be difficult to consider all the factors that could influence how much money you will need for a comfortable retirement. But you don't have to figure it out by yourself. Call today to discuss what you can do to help meet your retirement needs.

1–2) 2010 Retirement Confidence Survey, Employee Benefit Research Institute
3–4) National Vital Statistics Reports, 2009 and 2007
5) *U.S. News & World Report,* February 16, 2010
6) Employee Benefit Research Institute, 2009

Methods Used to Determine Savings Needed for Retirement

Workers who have done a retirement needs calculation tend to have higher savings goals than those who haven't. Moreover, workers who run the numbers are also more likely to be confident in their ability to afford retirement.



Source: 2010 Retirement Confidence Survey, Employee Benefit Research Institute (multiple responses were accepted)

Leaving Your Job? Put an **IRA TO WORK**

After leaving a job, workers generally have three options when it comes to the money they have saved in their former employer's retirement plans. They can keep the money in the plan, roll the money directly to an individual retirement account, or cash out and take a lump-sum distribution.

The way in which you handle your retirement plan assets when leaving a company is an important decision that could affect your retirement savings considerably. One of these choices may result in current taxes and penalties. One may end up limiting flexibility and your investment options. Rolling your money directly to an IRA may enable you to avoid the hassle and cost of the other two options while you continue saving for retirement.

CASHING OUT

Taking a lump-sum distribution not only subjects the withdrawal to income taxes plus a 10% federal income tax penalty for someone younger than 59½ (with certain exceptions), but companies will withhold 20% for taxes. Despite these disincentives, 46% of workers who left their jobs in 2008 decided to cash out and pay the taxes and penalties.[1]

STAYING PUT

Although leaving money in your former employer's plan may avoid current taxes and penalties, it may not be the ideal saving situation for you. Not all plans allow former employees to remain, so you might get the boot. If your plan allows your funds to stay, you may be subject to certain restrictions and will continue to be limited by the investment options offered by that plan.

ROLLING OVER

By transferring funds directly to a traditional IRA, you can preserve tax deferral and avoid penalties. Beyond that, IRAs offer benefits that aren't available with many employer-sponsored plans.

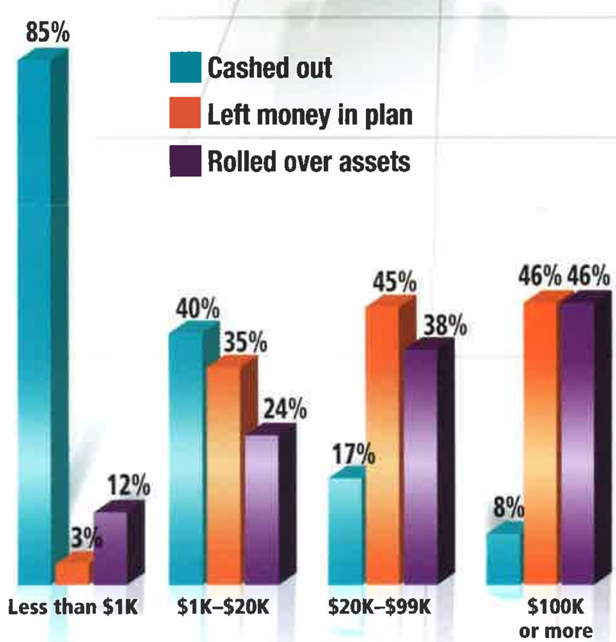
IRAs tend to have more flexible rules than workplace plans. This can affect everything from customizing your investment selections to naming your beneficiaries. IRAs generally have fewer restrictions when it comes to inherited plans, which could make it easier for your heirs to stretch the account into possibly decades of tax-deferred growth potential. Finally, the range of investment options with an IRA vastly outnumbers that of most employer-sponsored plans.

Distributions from traditional IRAs and most employer-sponsored retirement plans are taxed as ordinary income. Distributions taken prior to age 59½ may be subject to a 10% federal income tax penalty, except in cases of the owner's death, disability, or a qualified first-time home purchase ($10,000 lifetime maximum).

1) Hewitt Associates, 2009

How Many Really Roll?

Investors with significant 401(k) balances favored rolling the money into IRAs over cashing out.



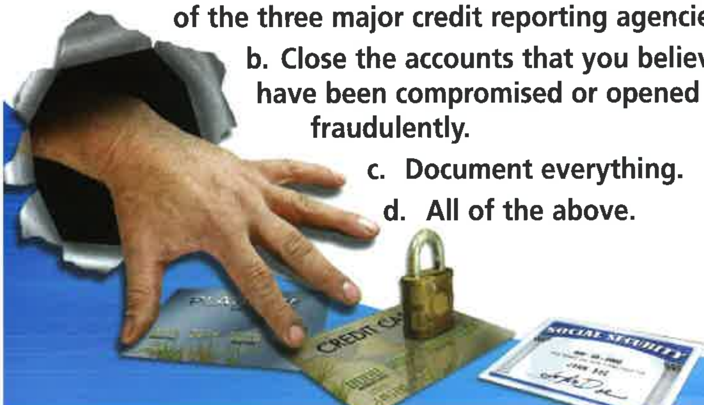
Source: Hewitt Associates, 2009 (percentages may not add up to 100% due to rounding)

A Question of **IDENTITY**

The Federal Trade Commission (FTC) estimates that up to 9 million Americans are victims of identity theft each year.[1] Education is the first step to help protect yourself from ID theft. Take this short quiz to see how much you know.

1. Which of the following is NOT a method commonly employed by thieves to steal identities.
   a. **Rummaging through trash for documents containing personal information.**
   b. **Filing a change of address form and rerouting your bills/financial statements to another location.**
   c. **Pretending to be a financial institution over the phone or e-mail so you will reveal personal information.**
   d. **All of these methods are used by identity thieves.**

2. Which of the following should you do if you suspect that you've been a victim of identity theft?
   a. **Place a fraud alert on your credit report with each of the three major credit reporting agencies.**
   b. **Close the accounts that you believe have been compromised or opened fraudulently.**
   c. **Document everything.**
   d. **All of the above.**



3. Because people are directed to file complaints regarding identity theft with the FTC, the police usually will not get involved.
   a. **True** b. **False**

4. Once thieves have stolen your identity, what can they do with it?
   a. **Get a job using your Social Security number.**
   b. **Drain your bank accounts and write bad checks in your name.**
   c. **File a fraudulent tax return using your information.**
   d. **All of the above.**

1) FTC.gov, 2010. For more information about how to detect and prevent identity theft, go to *www.ftc.gov.*

Answers:
1. **d. All of these methods are used by identity thieves.**
2. **d. All of the above.**
3. **b. False.** In addition to filing a complaint with the FTC, it is important to file an Identity Theft Report with the police. It can help you work with the credit agencies to block fraudulent information and may prevent companies from trying to collect a fraudulent debt from you.
4. **d. All of the above.**

Do you have assets sitting in a former employer's retirement plan? Call today to learn more about how an IRA rollover may help expand your retirement savings horizons.

Working toward a better financial future,