



Retirement Basics

An Overview of the
Retirement Planning Process

[V19N1]

Preview

When You Imagine Your Retirement, What Do You See?



When you close your eyes and imagine your own retirement, what do you see? Most of us imagine retirement as a happy time, a reward for a lifetime of hard work, full of possibility and potential. Many of us look forward to pursuing hobbies and traveling, while others may see the opportunity to go back to school or to start a new career or business.

We have good reason to see retirement in a positive light. After all, Americans are living longer, healthier lives than ever before. In fact, for some of us, retirement will make up a full third of our lives. Of course, this means that our retirement assets will have to do more for us over a longer period of time.

This makes *planning* for our retirement essential.



If you were going to drive across the country, you wouldn't just get into your car and start driving, would you? Of course not. You'd map out your trip and spend time packing and preparing. Nevertheless, a remarkable number of people don't take the time to map out the 30 years or more that it can realistically take to achieve their retirement goals.

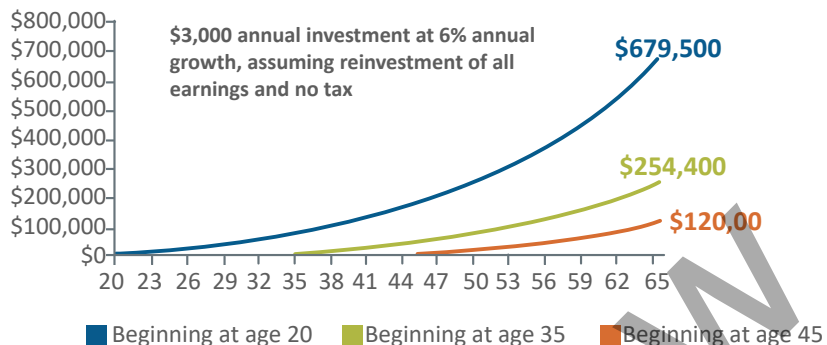
We're going to spend the next 25 minutes or so talking about how you go about establishing a plan for retirement. It may help if you think of retirement as a destination, and your plan as a road map that will get you there. In constructing the road map, we'll talk about why it's so important that you start planning now.

<CLICK> We'll help you think about the answers to some basic questions: What kind of retirement lifestyle do you want? When do you want to retire? How long do you expect retirement to last?

<CLICK> We'll also talk about how to come up with an investment plan by crunching some numbers; <CLICK> the role of tax-advantaged retirement vehicles; <CLICK> annuities; <CLICK> some general investment considerations; <CLICK> how you can protect your plan against undue risk; and finally, plan implementation. At the end, if you connect the dots, <CLICK> you have your road map.

Start Now

- Don't put off planning and investing for retirement
- The sooner you start, the longer your investments have to grow
- Playing "catch-up" later can be difficult and expensive



This is a hypothetical example and is not intended to reflect the actual performance of any investment.

Many people assume they can hold off saving for retirement and make up the difference later. But this can be a very costly mistake.

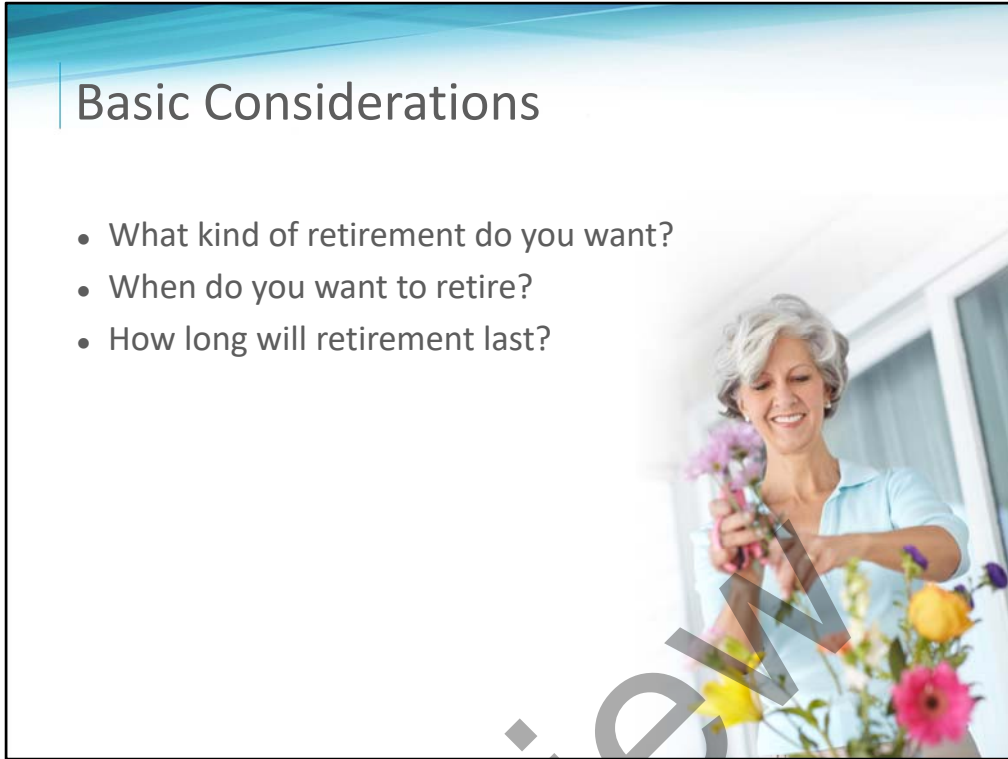
The further off retirement is, the more time your investments have the potential to grow. Waiting too long can make it very difficult to catch up, and only a few years can make a big difference in how much you'll accumulate.

<CLICK> For example, invest \$3,000 every year starting when you're 20 years old and, if you retire after age 65, you will have accumulated almost \$680,000 (assuming a 6% annual growth rate and no tax). <CLICK> If you wait until age 35 and start saving \$3,000 annually, you'll accumulate only about \$254,000. <CLICK> And, if you wait until age 45 to start saving, you'll accumulate only about \$120,000 by the time you retire.

This doesn't mean there's no hope if you're 50 years old and you haven't set aside anything for retirement yet. It just makes it all the more important that you implement a plan today.

Basic Considerations

- What kind of retirement do you want?
- When do you want to retire?
- How long will retirement last?



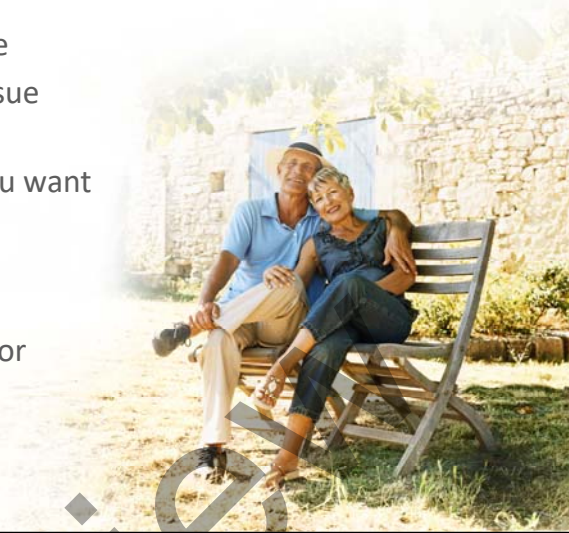
Before you can start planning for your retirement, you need to ask yourself three basic questions:

- What kind of retirement do you want to plan for?
- When do you want to retire?
- How long will retirement last?

Let's look at how to go about answering these questions.

Basic Considerations – What Kind of Retirement Do You Want?

- Financial independence
- Freedom to travel, pursue hobbies
- Ability to live where you want (e.g., in current home, vacation home)
- Opportunity to provide financially for children or grandchildren



A few minutes ago I asked you to close your eyes and picture your own retirement. Let's carry that thought forward a little.

Whether you pictured yourself on a golf course, a yacht, a hammock, or simply in your own living room, many of you probably imagined some degree of financial independence. Certainly, few of us imagined ourselves as a financial burden to those we love.

To a large extent, maintaining financial independence in retirement depends upon the lifestyle we want. Can you describe the retirement lifestyle you'd like? Does it include extensive travel? Do you imagine yourself living in your current home, downsizing to a smaller home, or perhaps purchasing a vacation home?

Would you like the opportunity to provide financially for children or grandchildren, or even your own parents, during your retirement years?

In a moment we'll look at how you might go about determining the cost of the retirement you want, but first, let's look at other basic factors that will impact your calculations.