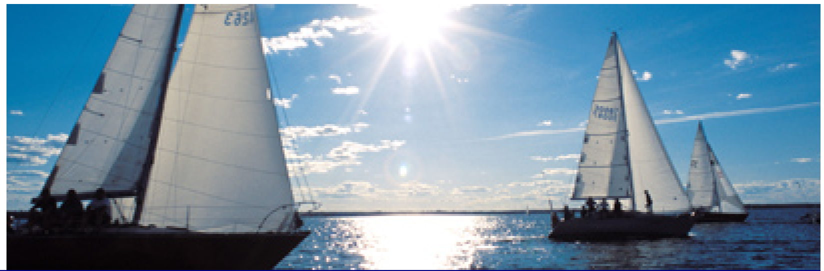

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Lift Off for Retirement

Decades ago, workers could count on a company pension, Social Security and Medicare to carry them through retirement. Today's retirees may need to rely more on personal savings.

There's something both powerful and serene about seeing hot-air balloons rising in the morning stillness, their burners propelling colorful shapes into the atmosphere. Retirement is a lot like untethered flight-life's possibilities are limited only by your imagination and where the wind takes you. At one time you could count on the three "balloons" of a pension, Social Security and Medicare benefits, but you will likely need to rely more on your personal savings to fund your dreams once you retire.

The reason has partly to do with the shift from company-sponsored pensions to employee-directed retirement plans. But Social Security and Medicare are also likely to experience headwinds. Here's why.

Personal savings

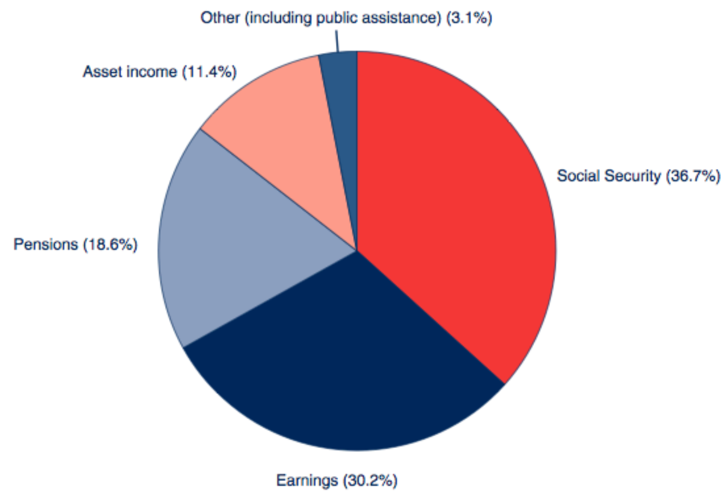
57% of Americans report having less than $25,000 in household savings and investments (excluding homes and defined benefit pensions, which mostly apply to public employees such as teachers and public safety workers) [1]. This puts the odds of attaining retirement security at serious risk for most Americans.
The majority of workers can no longer rely on guaranteed lifetime retirement income from a private pension plan. Such plans cover fewer people each year. In 2012, only 18% of eligible private-sector workers could count on a pension, down from 35% in the early 1990s.[2]

Living within your means and saving more money, ideally in a tax-advantaged way, are tactics that will help your retirement lift off. That means reducing spending, increasing income, or both. For most people, reducing spending is probably the most practical approach. Before cutting expenses, you've got to have some idea of where your money is going. Look through your bank statements and credit card bills. Note where the big spending items are concentrated: dining out, shopping, paying taxes, and everything else. After you've gathered this information, you can cut the nonessentials-and start adding to your retirement plan.

Social Security

Originally envisioned as an economic safety net, Social Security was never meant to be a primary source of retirement income. Today, Social Security provides a diminishing source of income for the average American retiree, from a high of 42% of total retirement income in 1994 to 37% of total retirement income in 2010.

Although no one knows how Social Security will evolve, it's likely that you'll draw less from it to fund your retirement. The rest will have to come from investment income, earnings and personal savings in your retirement plan.



Source: Social Security Administration, *Income of the Aged Chartbook, 2010*. Released March 2012.

Medicare

Health care expenses are increasing for one simple reason: America's population is aging, and older people tend to consume more health care. Medicare today is generally regarded as solvent but, due to vast increases in numbers of retirees likely to enter the system over the next 10 to 20 years, it will likely need to be reformed. And, contrary to what some believe, Medicare is not free, and does not cover all healthcare costs. You may want to explore alternatives, such as contributing more to your retirement plan, or opening an Roth IRA or Health Savings Account, to help pay for increased healthcare costs.

It's possible that changes to government programs could lead to a reduction in future benefits. One of your best defenses against this may be to boost your savings-and help your retirement take flight.

1 Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey, March 2013

2 U.S. Bureau of Labor Statistics data, cited in "Private-sector coverage fell by half over two decades," Economic Policy Institute," online posting, January 11, 2013. http://www.epi.org/blog/private-sector-pension-coverage-decline/

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