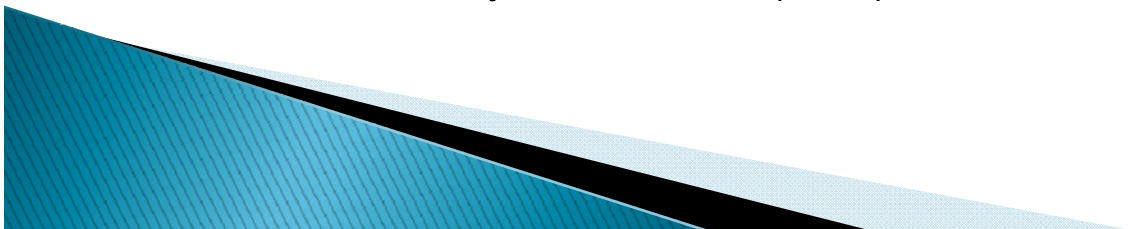


# Preparing for Your Retirement...

## A Retirement Planning Review

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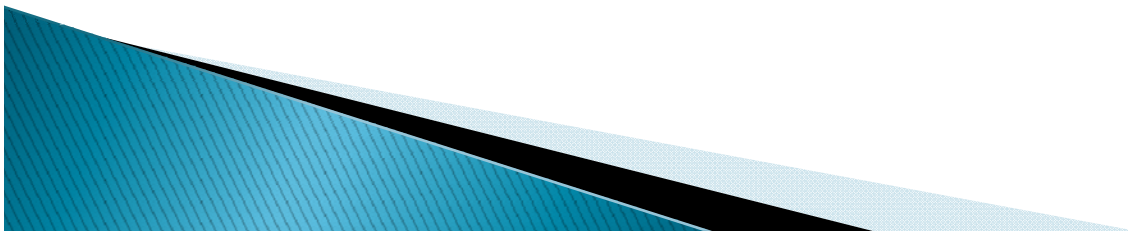


## **Your earning power – your ability to earn an income – is your most valuable asset.**

Few people realize that a 30-year-old couple will earn 3.5 million dollars by age 65 if their total family income averages \$100,000 for their entire careers, without any raises.

How much of this money will be available to you when you retire?

What will happen to your standard of living when your earning power ceases at retirement?



# The Importance of Planning

Some people think that retirement planning isn't important because they won't live until retirement.

Consider...

Of 1,000 Men Who Are Age:	Their Odds of Living to Retirement at Age 65 Are:
30	84%
40	85%
50	88%
60	94%

Of 1,000 Women Who Are Age:	Their Odds of Living to Retirement at Age 65 Are:
30	87%
40	88%
50	90%
60	95%

Source: 2001 Commissioners' Standard Ordinary Mortality Table; based on composite data (combination of smokers, nonsmokers and smoking status unknown); age nearest birthday.

Not only will the vast majority of us live to reach retirement at age 65, but with advances in medical technology, we can also expect to live a substantial number of years after retirement.

**Consider...**

A Man Who Is Currently Age:	Has a Life Expectancy of Age:	A Woman Who Is Currently Age:	Has a Life Expectancy of Age:
30	78	30	82
40	78	40	82
50	79	50	83
60	81	60	84

Source: 2001 Commissioners' Standard Ordinary Mortality Table; based on composite data (combination of smokers, nonsmokers and smoking status unknown); age nearest birthday.

## Sources of Retirement Income:

When you retire and your earning power ceases, you will have to depend on three primary sources for your retirement income:

### **Social Security**

According to the Social Security Administration, the average retired worker in 2009 receives an estimated \$1,153 monthly benefit, about 40% of average pre-retirement income. As pre-retirement income increases, however, the percentage replaced by Social Security declines.

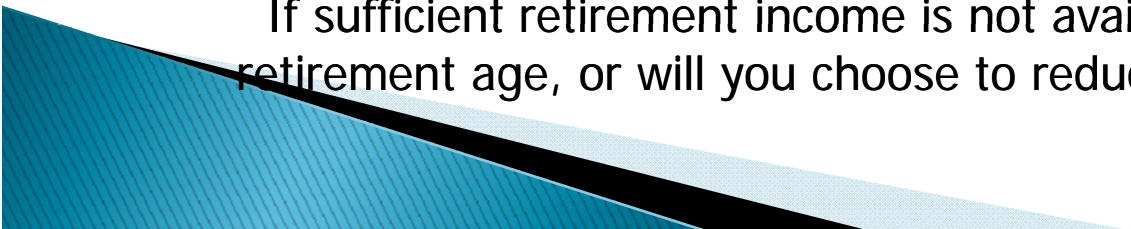
### **Employer-Provided Plans**

You may be eligible to participate in a retirement plan established by your employer and receive pension income at your retirement.

### **Personal Retirement Savings**

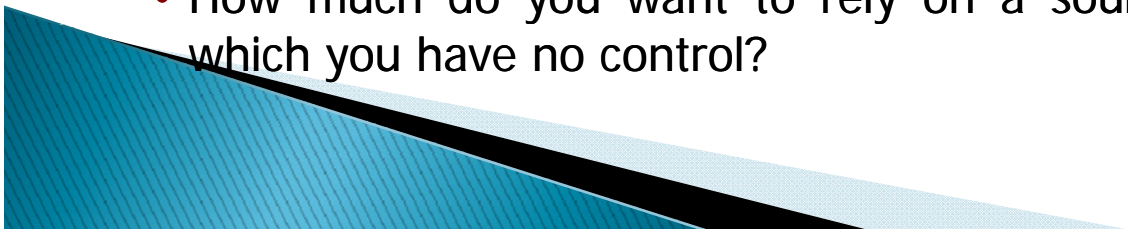
For many people, there is a gap between the retirement income they can expect from Social Security and employer-provided plans and their retirement income objectives. Personal retirement savings represent the only way to bridge that gap!

If sufficient retirement income is not available, will you defer your retirement age, or will you choose to reduce your standard of living?



## Here Are Some Important Facts About Social Security Retirement Benefits:

- The Social Security Normal Retirement Age, currently 66 for those born between 1943 and 1954, is slowly **rising** to age 67 for persons born after 1954.
- Early retirement results in a **permanent reduction** in the Social Security retirement benefit.
- According to the Social Security Administration, the **maximum** Social Security retirement benefit for a worker retiring at full retirement age in 2009 is \$2,323 monthly, while the **average** Social Security benefit for all retired workers in 2009 is \$1,153.
- The Social Security spousal retirement benefit is limited to a **maximum** of 50% of the retired worker's benefit.
- How much do you want to rely on a source of retirement income over which you have no control?

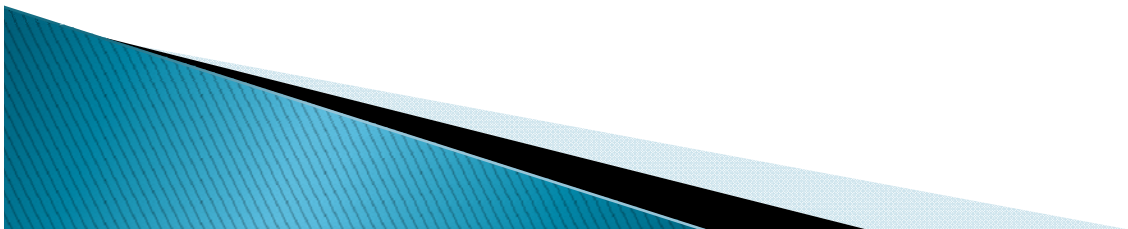


# How Much Capital Will You Need at Retirement?

A financially-secure retirement is the result of understanding and answering these essential questions:

- How much money will you need?
- Where will the money come from?
- How much time do you have before retirement?

Of the three primary sources of retirement income, personal retirement savings is the one over which we exercise the most control!



## How much capital is required from personal retirement savings to supplement the other sources of retirement income?

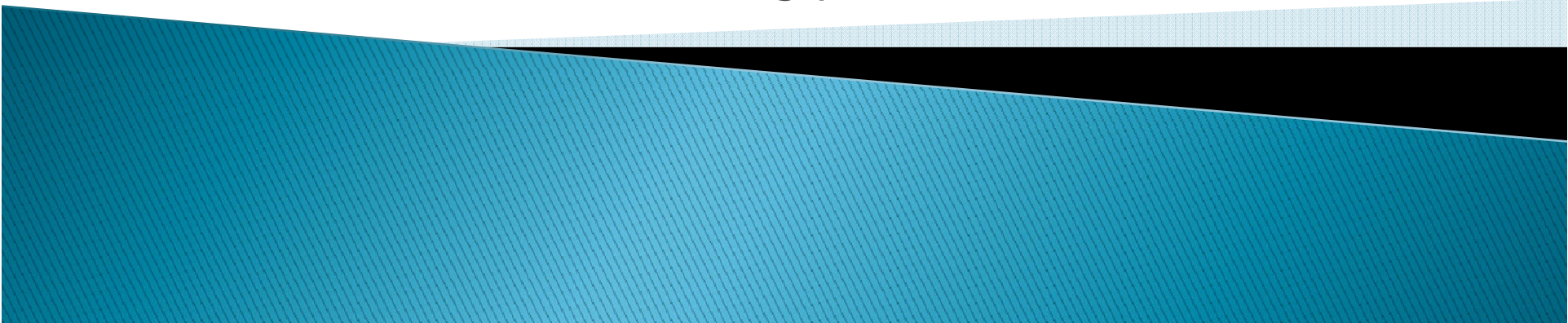
For each year that you need this much monthly retirement income:	This is the amount of capital required to provide that monthly income, assuming your capital earns an interest rate of:			
	4%	6%	8%	10%
\$ 500	\$ 150,000	\$ 100,000	\$ 75,000	\$ 60,000
1,000	300,000	200,000	150,000	120,000
2,000	600,000	400,000	300,000	240,000
3,000	900,000	600,000	450,000	360,000
4,000	1,200,000	800,000	600,000	480,000
5,000	1,500,000	1,000,000	750,000	600,000

Based on the capital retention method, which uses interest return only to provide income. Principal is not liquidated and remains available.

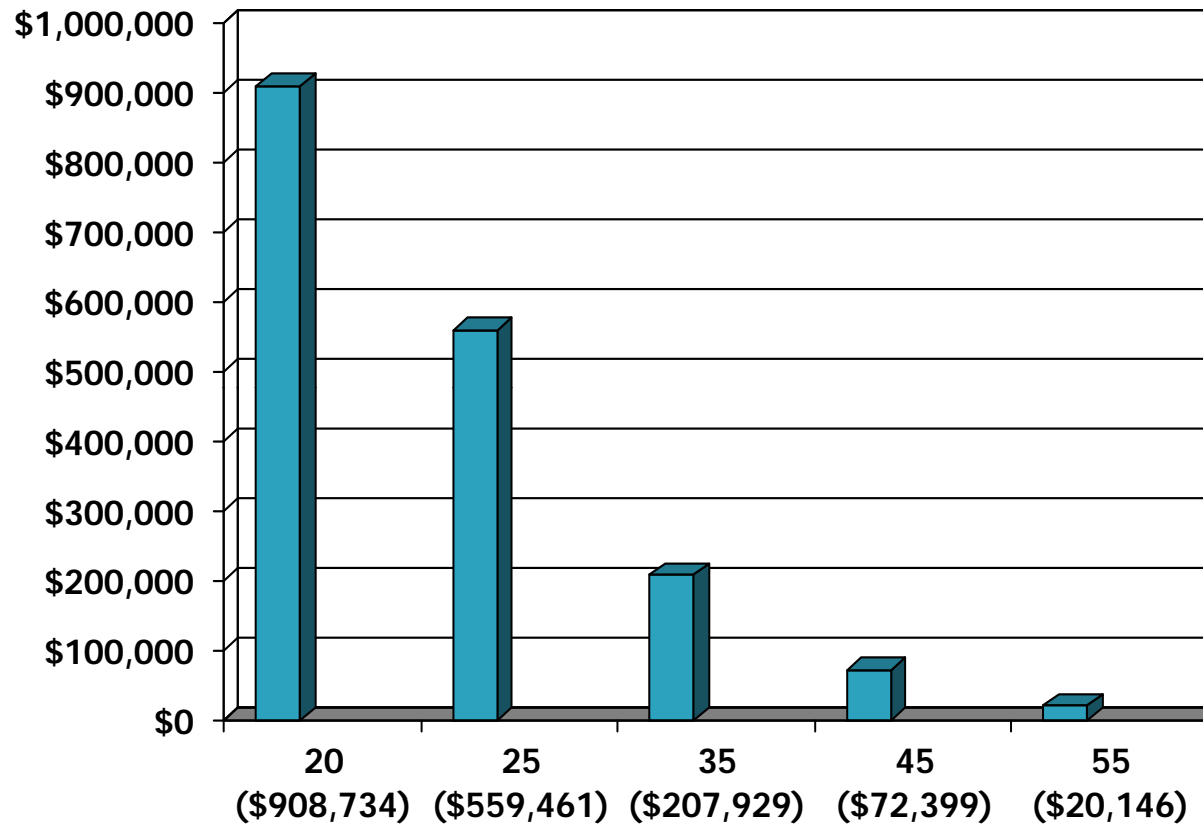
## *If You Wait... You Lose!*

“The eighth wonder of the world is compound interest.”  
-- Albert Einstein

Delaying retirement savings can keep you from  
realizing your retirement dreams!



If \$100 a month is saved, what will the savings be worth at age 65, assuming a hypothetical 10% rate of return\*?



**Age When You Begin to Save \$100 a Month and Results at Age 65**

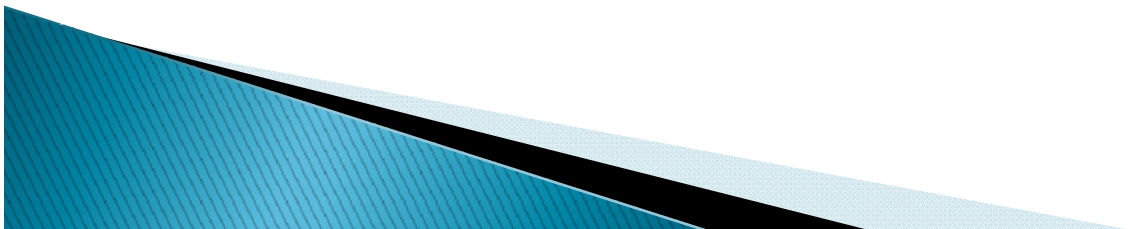
\* This is a hypothetical illustration only and is not indicative of any particular investment or investment performance. It does not reflect the fees and expenses associated with any particular investment, which would reduce the performance shown in this hypothetical illustration if they were included. In addition, rates of return will vary over time, particularly for long-term investments.

## Power of Tax Deductions and Tax-Deferred Accumulations:

Those who qualify for a **tax-deductible IRA** can use money that would otherwise be paid in taxes to establish a retirement fund that accumulates tax deferred. Taxes, however, must be paid as distributions are received from a tax-deductible IRA.

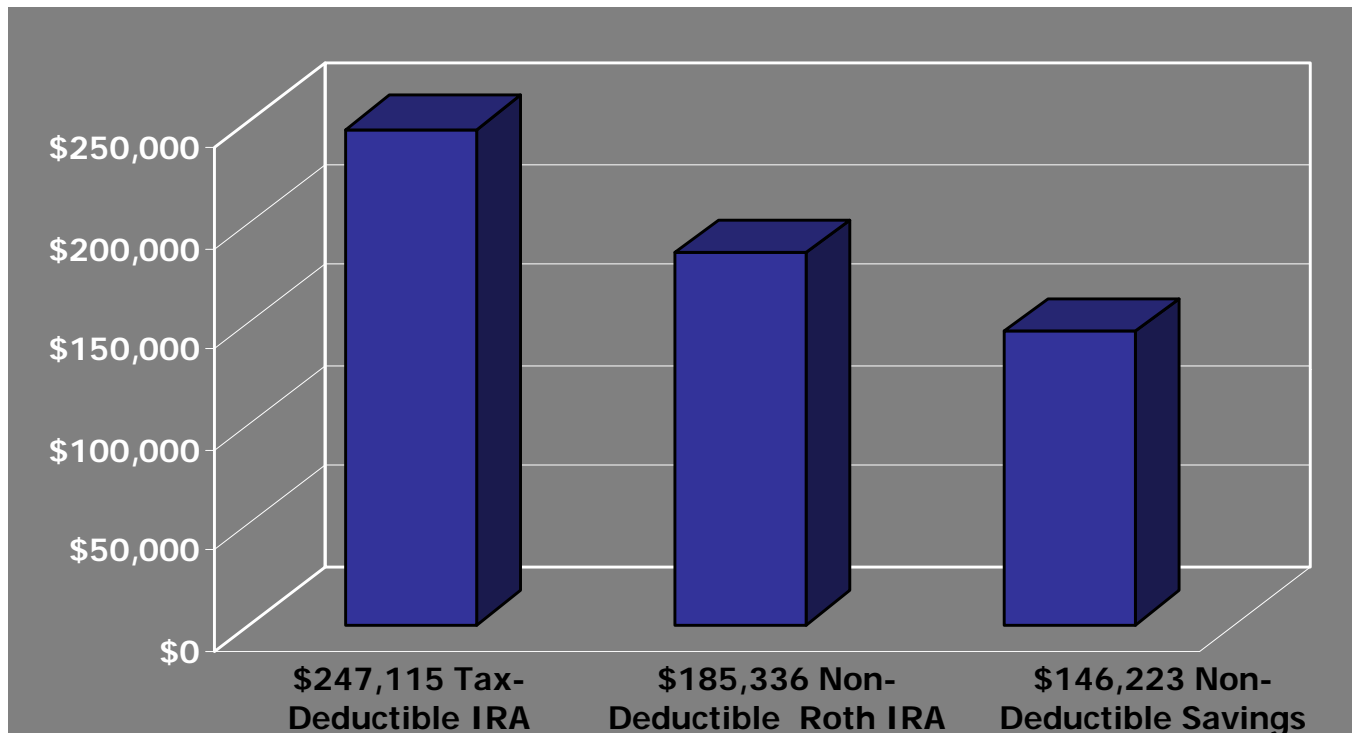
A second alternative for those who qualify is the **Roth IRA**. While contributions to a Roth IRA are not tax deductible, the retirement fund accumulates tax deferred and distributions are received free of income tax.

Either a tax-deductible IRA or a Roth IRA can produce results superior to a savings plan whose growth is taxed.



## 20 Year Results <sup>(1)</sup>

8% Hypothetical Annual Rate of Return    \$5,000 Annual Contribution    25% Income Tax Bracket



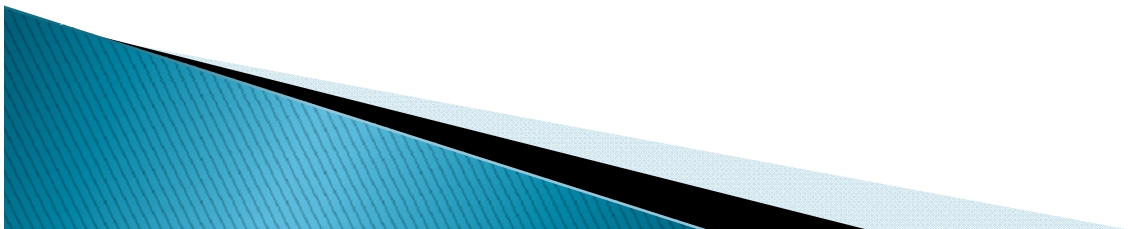
- (1) This is a hypothetical illustration only and is not indicative of any particular investment or performance. If the **tax-deductible IRA** is surrendered at the end of the 20th year, the principal amount remaining after payment of income tax is \$185,336 at a 25% rate; assumes no penalty tax is assessed. If the **Roth IRA** is surrendered at the end of the 20th year, the full principal amount of \$185,336 is available free of income tax; assumes no penalty tax is assessed. **Non-deductible savings** assumes the income tax is paid out of earnings each year, meaning that the full principal amount of \$146,223 is available free of income tax at the end of the 20<sup>th</sup> year.

## Inflation Doesn't Retire When You Do!

Failing to consider the impact of inflation could result in a gradual erosion of your standard of living after retirement.

### Did You Know...

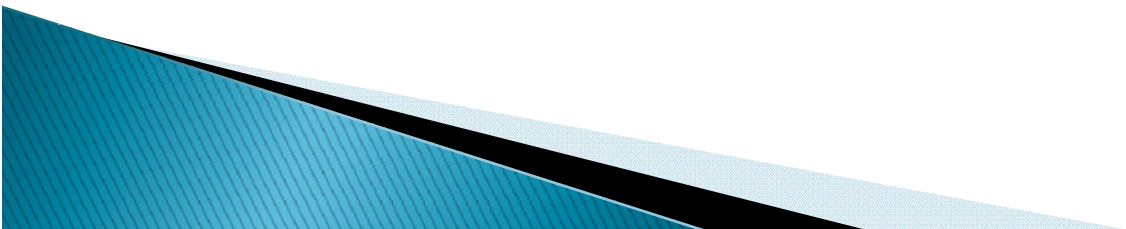
From	To	Based on the Consumer Price Index, the Average Inflation Rate Was:
2003	2008	2.9%
1998	2008	2.6%
1988	2008	3.1%



## What This Means...

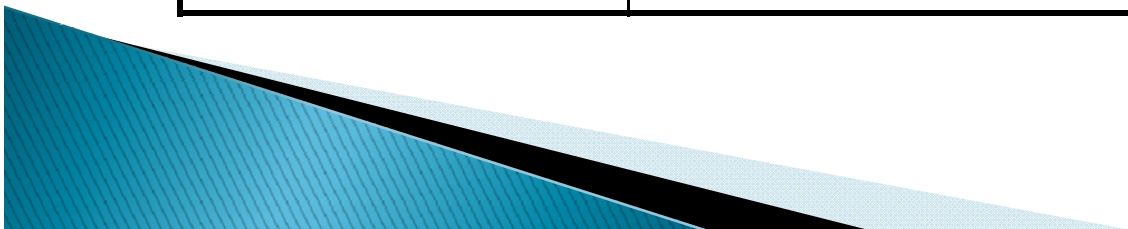
Assuming a person who retired in 1988 with a **fixed monthly retirement income** of \$4,000 had an average monthly food bill of **\$500**, the food bill consumed **12.5%** of this retiree's monthly income.

By 2008, however, with an average inflation rate of 3.1%, that retiree's monthly food bill would have grown to **\$921**, or about **23%** of monthly retirement income.



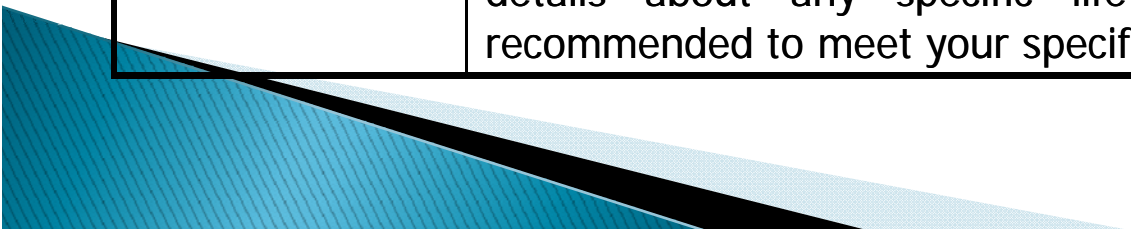
## Some Retirement Planning Options... Qualified Retirement Plans and Individual Retirement Accounts (IRAs):

<b>Qualified Retirement Plans</b>	Some employers offer qualified retirement plans that allow employees to contribute pre-tax dollars that accumulate tax deferred until received. Take full advantage of any such plan offered by your employer. Tax deferral can result in more funds accumulated for retirement than saving for retirement without the benefit of tax deferral.
<b>Individual Retirement Account (IRA)</b>	Anyone with compensation and their spouses can establish this personal, tax-favored retirement plan. You can select a regular IRA, which may allow for tax-deductible contributions, together with tax-deferred accumulations and taxable distributions or, subject to income requirements, a Roth IRA, which does not allow for tax-deductible contributions, but provides tax-deferred accumulations and tax-free distributions.



## Some Retirement Planning Options... Annuities and Life Insurance

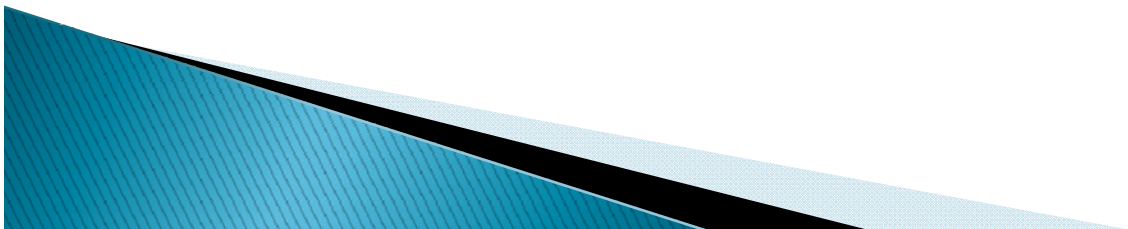
<b>Annuities</b>	An annuity can be used to accumulate funds on a tax-deferred basis. Then, at retirement, the value of the annuity can be converted to an income that you cannot outlive.
<b>Life Insurance</b>	<p>While the primary purpose of life insurance is to provide death benefit protection, some life insurance plans build cash values on a tax-favored basis. If consistent with your life insurance needs after retirement, some or all of this cash value can be used to supplement other sources of retirement income (withdrawals and loans will reduce the policy's death benefit and cash value available for use).</p> <p>Life insurance can also be used by married couples to maximize the pension income received from employer-provided plans.</p>
<b>Note:</b>	Life insurance and annuity contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Your licensed financial adviser will provide you with costs and complete details about any specific life insurance or annuity contracts recommended to meet your specific needs and financial objectives.



# Retirement Planning Action Checklist:

## The Analysis...

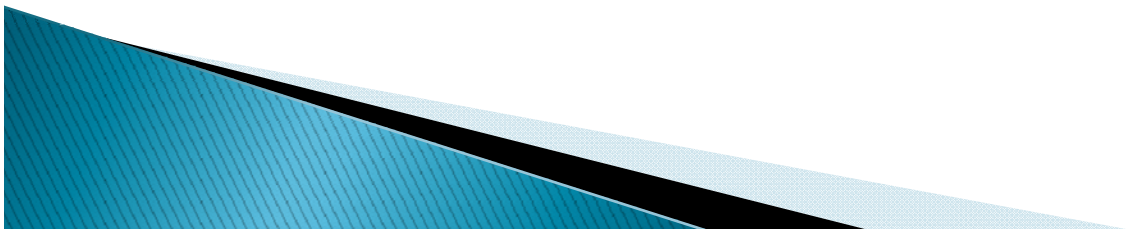
- Estimate the income you will need at retirement.
  
- Estimate the income that will be available to you at retirement, including:
  - Social Security
  - Pension Benefits from Employer-Provided Plans
  - Other Pension Benefits
  - Income from Personal Retirement Savings
  
- Determine the additional monthly income required to achieve your retirement income objective and the capital needed to produce that additional monthly income.



## Retirement Planning Action Checklist:

### The Plan...

- Evaluate and select retirement planning options, with a special emphasis on tax-favored plans.
- Commit to a systematic monthly retirement savings program.



## **You Can Manage Your Finances...**

*It's by managing your finances that you write the story of your life. You are both the author and the story's principal character. Resolve to perform what you ought.*

**Benjamin Franklin**