

RETIREMENT PLANNING WORKBOOK

Moving from **PAYCHECK** to **MY CHECK**.



You have been able to save for retirement in your employer's Retirement Plan (the Plan). Now it's time to think about turning your retirement savings into retirement income. This workbook will help you plan for retirement by providing things to think about, worksheets to estimate expense and income, and resources to access for more information.

Our retirement services provider, the Principal Financial Group® (the Principal®), has retirement professionals you can call. There is no additional charge for the call. You are encouraged to utilize this resource to help you plan for your retirement.

Simple steps to help get ready for retirement

- 1** Determine your retirement **expenses**
- 2** Review your retirement **income** sources
- 3** Call 1-800-243-4380 ext. 2479 to speak with a retirement professional and **review** your retirement outlook

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This workbook is designed to help take some of the confusion out of retirement planning, answer some of the questions that you may have and assist you to make a plan. The planning process first begins with you considering when you might want to retire.

MY RETIREMENT DATE WILL BE

“A goal without a plan is just a wish.”

– Antoine de Saint-Exupery

So let's start planning.

Speak with a retirement professional: Call 1-800-243-4380 ext. 2479

More information: Visit principal.com/retire

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Some things to think about as you prepare to make the switch

from **SAVING** for retirement to **LIVING** in retirement
&
from **RECEIVING** a paycheck to **CREATING** your own check.

- ▶ Do you plan on moving when you retire?
- ▶ What sorts of hobbies and activities are you going to enjoy in retirement?
- ▶ Do you plan on travelling domestically or internationally?
- ▶ When you think about your typical week, what things do you plan on continuing and what will change?
- ▶ What is Medicare and when does it take effect?
- ▶ What are your options for Medigap insurance?
- ▶ How will the cost of healthcare impact you in retirement?
- ▶ How many years do you think you will live in retirement?
- ▶ How can you avoid spending too much too soon?
- ▶ How could your retirement be different without debt?
- ▶ Could rising prices have a negative impact on your retirement savings and your buying power over the course of your retirement?
- ▶ How could stock market fluctuations impact your retirement income?

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What will your monthly expenses be in retirement?

If you haven't already done so, it's a good idea to track your monthly expenses. This will help you identify what expenses you may have in retirement.

RETIREMENT EXPENSES	CURRENT MONTHLY EXPENSES	RETIREMENT MONTHLY EXPENSES
NEEDS		
Food (groceries, dining out)		
Clothing		
Shelter (mortgage/rent, property taxes, insurance)		
Shelter (maintenance, remodeling, furnishings)		
Shelter (utilities)		
Transportation (car payment, public transport)		
Transportation (insurance, license fees)		
Transportation (fuel, maintenance)		
Personal care		
Healthcare (premiums, co-pays, prescriptions)		
Life insurance — personal		
Life insurance — spouse		
Disability or long-term care insurance — personal		
Disability or long-term care insurance — spouse		
Income taxes — personal		
Income taxes — spouse		
Debt — credit cards		
Debt — loans (home equity, other)		
WANTS		
Entertainment (cable, Internet, events)		
Travel		
Hobbies		
Memberships (clubs, subscriptions)		
Gifts		
Charitable donations		
Support for children/grandchildren		
TOTAL		

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How much will you pay yourself each month?

Some research indicates you may need **85%** of your projected final income annually in retirement.^{1,2} This is known as a replacement ratio, or the amount of your pre-retirement income that you may be able to replace at retirement.

You may need less than 85% of your current income if:

- ▶ Your mortgage is paid off
- ▶ You're not supporting dependents
- ▶ You have no work-related expenses

You may need more than 85% of your current income if:

- ▶ You plan to purchase a second home or pay rent
- ▶ You're still supporting dependents
- ▶ You have expensive hobbies or plan to travel

Look at the total amount you identified on the expenses worksheet on the preceding page to complete this simple calculation to help you determine how much income you estimate you will need to replace:

	RETIREMENT MONTHLY EXPENSES TOTAL	÷	CURRENT MONTHLY EXPENSES TOTAL	ESTIMATED REPLACEMENT RATIO ³
SAMPLE CALCULATION	\$5,185	÷	\$6,100	85%
YOUR CALCULATION		÷		

Now you can estimate your monthly retirement income needs in the table below, but keep in mind that this is only an estimate.

Estimate your monthly retirement income needs			
Step	Action	Sample Calculation	Your Calculation
1	Percent of your annual income needed in retirement – replacement ratio calculated above ³	85%	
2	Enter your annual salary (before taxes)	\$75,000	
3	Determine your monthly income (divide step 2 by 12)	\$6,250	
4	Monthly income needed in retirement (multiply step 1 by step 3)	\$5,312	(COPY TO PAGE 8)

¹ Assuming pre-retirement annual gross income of \$40,000. AON Consulting 2008 Replacement Ratio Study, <http://www.aon.com/about-aon/intellectual-capital/attachments/human-capital-consulting/RRStudy070308.pdf>

² Each individual's situation is unique based on savings outside the plan, social security benefits and assumptions noted later. Your savings and post-retirement needs may be more or less than the noted replacement ratio in this report.

³ Calculation assumes you are covering your current monthly expense total needs today.

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Where will your retirement income come from?

The next step is to determine where your retirement income will come from and whether you've saved enough to afford the retirement lifestyle you want to live.

There are four main sources of retirement income:

1. **Social Security** - Throughout your lifetime, you and your employers have been contributing a portion of your income to Social Security. How much you get back in retirement depends on your earnings during your working years, the age you retire and the age at which you start taking benefits.

For average income workers, Social Security replaces about 40% of their wages. You can find out how much you can expect to receive by visiting the Social Security Administration website at ssa.gov and calculating your estimated benefit.

2. **Employer pension plans** - Funded solely by your employer, a defined benefit pension plan provides a specific retirement benefit based on the plan's benefit formula. Your employer makes all contributions, oversees the investments and assumes the risk.
3. **Employer savings plans** - Your employer may offer a tax-deferred retirement savings plan such as a 401(k), 403(b), 457 or SIMPLE IRA plan.

As an employee, you contribute a portion of your pay to these plans generally on a pre-tax basis. In addition, many plans offer a matching contribution, meaning your employer matches up to a certain percentage of the amount you contribute to the plan.

4. **Personal savings** - Don't forget about your personal savings outside of the contributions you make to your workplace retirement plans. What you save in your IRAs, bank accounts, annuities or other investments can be an important source of your retirement income.

You may have additional sources of retirement income to factor in.

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Do I have an expense to income gap?

Use this table to get an idea of how well prepared you may be for retirement. Simply fill in the blanks to see where you stand in terms of today's dollars.

Estimate your monthly retirement income			
Step	Action	Sample Calculation	Your Calculation
1	Estimated monthly retirement income	-	-
1a	Social Security (go to www.ssa.gov or call 800-772-1213)	\$2,500	
1b	Employer pension plan (defined benefit plan)	\$625	
1c	Employer savings plan (no more than 4% of your savings each year) Example: Account balance \$300,000 x 4% = \$6,000 ÷ 12 = \$1,000	\$1,000	
1d	Personal savings (same calculation as above)	\$100	
1e	Additional sources of retirement income	\$100	
1f	TOTAL INCOME (add 1a through 1e)	\$4,325	
2	Estimated monthly retirement income needs (from page 6)	\$5,312	
3	Funding surplus/shortage (difference between 1f and 2)	(\$987)	

Is there a gap between the income you can realistically expect to receive compared to the income you think you'll need during retirement? Here are some suggestions to help you close the gap:

- ▶ Cut your spending now to find more money to save
- ▶ Maximize the amount you contribute to your employer's defined contribution plan — if you can't contribute the maximum, try to increase 2-3%
- ▶ Take advantage of 401(k) and IRA catch-up contributions*
- ▶ Fund IRAs (Roth or traditional) and/or annuities with any additional savings
- ▶ Consolidate your retirement and other accounts from former employers - it may reduce fees and help create a clearer picture of your retirement outlook
- ▶ Make sure your investments are properly allocated to help maximize your return according to your comfort with risk
- ▶ Re-evaluate your retirement expectations

* You must be age 50 or more in the calendar year to be eligible for catch-up contributions: 401(k) & 403(b), \$5,500, IRA \$1,000

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Are you working with a financial professional?

A retirement professional, like The Principal retirement professional or a financial professional you work with, can help you with your decisions about saving more, understand the Social Security options available to you and a retirement income strategy that addresses your wants and needs.

Keep in mind that just because you retire, you don't have to immediately withdraw all of your retirement savings. You can withdraw the portion that you need to cover expenses as you calculated and leave the rest in the account where it continues to potentially compound – just as it did before retirement - or you can visit with a financial professional about other options. Whatever your decision, be sure to consider costs and compare advantages and disadvantages of your decision.

The following items can help develop your retirement income strategy. Gathering this information will help a financial professional create a plan tailored to your situation.

- Earnings and/or pay statement from employer
- Information from your employer about retiree benefits
- Latest statements from employer retirement plans
- Latest statements from personal retirement plans/IRAs
- Social Security statement
- Investment documents (brokerage statements, bank CD statements, etc.)
- Latest statement from mutual funds
- Annuity contracts and latest statement
- Bank statement (checking, savings, money market, etc.)
- Life insurance policies
- Disability insurance policies
- Real estate or other capital investments
- Any expected wages in retirement
- Any expected inheritance

Call 800-243-4380 ext. 2479 and speak with a retirement professional from The Principal, work with your own financial professional or visit www.principal.com/advisor to find a trusted professional in your area.

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What else should I be thinking about as I plan to retire?

- Review and, if necessary, update your beneficiary designations (life insurance, IRAs, retirement accounts)
- Review and, if necessary, update your will
- Talk to a family member or trusted friend about where key documents are kept in case of an emergency
- If you haven't already, research and consider purchasing long-term care insurance

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Resources

	What they do:	Where to find them:
The Principal Financial Group® Retirement Professional	Help you determine how much income your retirement savings might generate, and if it shows a gap, how you might close it.	800-243-4380 ext. 2479
Social Security Administration	Deliver Social Security services that help meet the changing needs of the public.	www.ssa.gov 800-772-1213
Medicare	Medicare is our country's health insurance program for people age 65 or older. The program helps with the cost of health care, but it does not cover all medical expenses or the cost of most long-term care.	www.medicare.gov 800-MEDICARE (800-633-4227)
American Association of Retired Persons (AARP)	AARP is a nonprofit, nonpartisan organization focused on helping people age 50 and over have independence, choice and control in ways that are beneficial and affordable to them and society as a whole and ways to help improve their lives.	www.aarp.org 888-OUR-AARP (888-687-2277)
Mymoney.gov	MyMoney.gov is the U.S. government's website dedicated to teaching all Americans the basics about financial education. This site organizes financial education help from over 20 different Federal web sites in one place. Of particular interest may be the "Life Events" category, where you can find helpful financial information based on where you are in life.	www.mymoney.gov
The Principal®	Continue accessing your account at The Principal and enjoying the information, tools and resources available to you.	www.principal.com 800-547-7754

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