Real Life Series:
Maximizing your 401K

Put Your Company-Sponsored Retirement Plan to Work for You

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Worksheet 1
Estimate Your Retirement Accumulation Goal

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Table A*

Years Until Retirement	Factor
5	23.5
10	28.6
15	34.8
20	42.3
25	51.5
30	62.6
35	76.2
40	92.7
45	112.8

**Assumes 25 years in retirement, a 4% annual inflation rate, and that your savings earn a 6% average annual rate of return during retirement.*

Table B*

Years Until Retirement	Factor
5	1.5
10	2.2
15	3.2
20	4.7
25	6.8
30	10.1
35	14.8
40	21.7
45	31.9

**Assumes an 8% average annual rate of return prior to retirement.*

It's vital to estimate how much you'll need to live on during retirement. This worksheet will help you estimate a total retirement accumulation goal. Note that we assume a 4% average rate of inflation from now on, an 8% average annual rate of return prior to retirement, a 6% average annual rate of return during retirement, and a retirement that lasts 25 years. (Please answer the first three questions in today's dollars.)

			Example:
1.	How much do you estimate you will need each year during retirement? (Experts say you may need 60% to 80% of your final working year's salary each year during retirement.)	$__________	$48,000
2.	How much do you expect to receive each year from Social Security? (The average annual Social Security benefit for a retired worker is $15,936.)	$__________	$15,936
3.	How much do you expect to receive each year from a company pension or annuity? (The average annual private pension benefit is currently about $17,435.)*	$__________	$17,435
4.	Add lines 2 and 3.	$__________	$33,371
5.	Subtract line 4 from line 1.	$__________	$14,629
6.	Using the number of years you have until retirement, please find the appropriate inflation factor from Table A. (Assumes a 4% rate of inflation, 25 years in retirement, an 8% average annual rate of return prior to retirement, and a 6% average annual rate of return during retirement.)	$__________	42.3
7.	Multiply line 5 by line 6. This is your estimated retirement accumulation goal (in future dollars).	$__________	$618,806
8.	How much do you currently have saved for retirement?	$__________	$60,000
9.	Using the number of years you have until retirement, please find the appropriate growth factor in Table B. (Assumes an 8% average annual rate of return prior to retirement.)	__________	4.7
10.	Multiply line 8 by line 9.	$__________	$282,000
11.	Subtract line 10 from line 7. This is the amount of your retirement savings shortfall or surplus. If the value in line 11 is equal to or greater than the value in line 7, you may be well on the way toward meeting your retirement goal. If the value in line 11 is less than the value in line 7, you may need to invest more to potentially reach your goal.	$__________	$336,806

**Source: Pension Rights Center and U.S. Census Bureau, Current Population Survey, March 2014.*

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Worksheet 2
Gauge Your Risk Tolerance

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Determining just the right mix of investments is important to helping you meet your retirement savings goals. The following questions may help in figuring out what risk you can live with and where you might invest your savings.

Your Risk Profile

1. Which best describes your feelings? __________

a. I would never take a chance on losing what I've saved, even if it meant potentially earning less.

b. I would take a chance with some of my savings, providing it meant potentially higher returns.

c. I need to aggressively grow my savings to be able to retire, so I would accept higher risk for potentially higher returns.

2. If the stock market declined 15%, you would: __________

a. Cash out immediately to avoid further losses.

b. Reduce stock and stock fund investments.

c. Probably do nothing.

d. Purchase more shares.

3. How many years until you retire? __________

a. 5 or less

b. 6 to 10

c. 11 to 15

d. 16 to 20

e. 21 or more

4. Which best describes your investment objectives? __________

a. Preserve savings and earn a moderate return.

b. Generate potentially higher returns with a little risk.

c. Grow my savings, assuming moderate risk.

d. Aggressively grow my savings despite the risk.

5. Your emergency savings would cover what time period? __________

a. None

b. A few weeks

c. A few months

d. Six months or more

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Worksheet 2
Gauge Your Risk Tolerance … continued

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Asset Allocation Models

If you answered mostly “a” or “b,” you may be most comfortable with a conservative to balanced investment mix. If you answered mostly “b” and “c,” you may be better off with moderate to aggressive investments. If you answered mostly “c” and “d,” you may want to consider aggressive investments.

Stocks are the most aggressive type of investment, returning an average of 11.34% annually over the last 30 years. However, stocks involve the greatest risk. Bonds provide lower returns but are less risky. Money market instruments earn even less but involve the least risk because they have a fixed rate and maturity date.*

Representative portfolios containing stocks, bonds, and money market instruments follow:

Rate of Return — 8.15%*

Conservative: 20% money market instruments, 50% bonds, 30% stocks.

Rate of Return — 9.71%*

Moderate: 10% money market instruments, 30% bonds, 60% stocks.

Rate of Return — 10.39%*

Aggressive: 10% money market instruments, 10% bonds, 80% stocks.

These are examples of different investment strategies. Your particular allocation of investments will depend on such variables as your risk tolerance, the length of time before you need the money, your financial goals, and other factors unique to your personal situation. A financial professional can help you determine the mix of investments that is appropriate for your situation and goals.

**Sources: Wealth Management Systems Inc.; the Federal Reserve. Stocks are represented by the total return of the S&P 500, an unmanaged index generally considered representative of the U.S. stock market. Results include reinvestment of dividends. Bonds are represented by the Barclays U.S. Aggregate Bond Index. Money market instruments are represented by the Barclays 3-Month Treasury Bill Index. Performance covers the 30-year period ended December 31, 2014. The performance of any index is not indicative of the performance of a particular investment and does not take into account the effects of inflation or the fees and expenses associated with purchasing mutual fund shares. Past performance cannot guarantee future results. Individuals cannot invest directly in any index.*

Asset allocation does not ensure a profit or protect against a loss.