BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

It's A Wonderful Life

A Wonderful Life

Howard is thoroughly enjoying his retirement years with his wife Helen. They have their health, family nearby, and good friends. They are also financially comfortable and can afford to travel and pursue their hobbies. One of the reasons Howard and Helen are able to enjoy their retirement years is because they saved throughout their working years.

A Man with a Plan

Howard's first employer offered a retirement savings plan. Even though retirement was a long way off, Howard joined the plan as soon as he was eligible. He knew that compounded savings could add up significantly over time. Howard also invested a significant portion of his account in stock investments. While he was aware that stocks can be volatile, he also understood that stocks have the potential for higher long-term growth than other types of investments.

Multiple Goals

When Howard and Helen married, their goals included buying a house and starting a family. But they also wanted to save for retirement, so Helen started saving in her employer's plan, too. Even when money was tight and their expenses included a mortgage, home repairs, a car payment, and child care costs, Howard and Helen contributed to their retirement accounts. Since their plan contributions were automatically made before they received their paychecks, they weren't tempted to spend that money on other expenses. Since they didn't stop saving, the value of their accounts continued to grow.

Looking Ahead

As retirement drew closer, Howard and Helen continued saving. In fact, since their children were grown and their mortgage was paid in full, they increased the amount of their contributions. However, they did shift some of their money out of stocks and into less risky bond and cash equivalent investments since they knew they had less time to recover from any short-term stock losses. They held onto some stock investments to help the return on their savings keep pace with inflation during retirement.

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The Next Chapter

Now that they're retired, Howard and Helen keep a close eye on their savings. They make sure they don't withdraw more than they need because they don't want to risk outliving their assets. But because they started saving young and continued saving throughout their careers, Howard and Helen are enjoying a comfortable retirement.

Save Through Your Life

Making saving for retirement a priority will help you accumulate more in your account. If you stop saving to take care of other expenses, you'll limit the amount you'll be able to accumulate over the years.

Years	Lifetime of Saving Monthly Contribution	Life Gets in the Way Monthly Contribution
1-10	$200	$200
11-20	$200	$0
21-40	$400	$400
Balance after 40 Years	**$387,411**	**$303,166**

This is a hypothetical example used for illustrative purposes only. It does not represent the results of an investment in any fund or portfolio. A 5% annual return (compounded monthly) is assumed. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal.

The end of the year is a good time to review the progress you've made in pursuing your retirement goals. Once you've determined where you stand, you can draw up an action plan for the coming year. Your plan can help you refine your strategy, if necessary, and keep you on target. Consider incorporating these approaches into your retirement action plan.

Increase the amount you contribute

Contribute enough to take full advantage of any matching contribution your employer may offer. If you are trying to make up for years in which you contributed little to your plan, consider contributing the maximum amount allowed.

Take advantage of catch-up contributions

If you're age 50 or older by the end of the year, you may be able to turbocharge your retirement funds by making catch-up contributions to your retirement plan in addition to your regular contributions.* The maximum catch-up contribution amount for most types of retirement plans in 2014 is $5,500.

Review your asset allocation

How well (or how poorly) your investments perform may change the makeup of your retirement portfolio. A yearend review of your accounts can alert you to any shifts in your asset allocation. If, for example, your stock investments did well over the past year, the percentage of your account allocated to stocks may be higher than planned, exposing you to more risk than you intended.

You can return to your target asset allocation by rebalancing. One way to rebalance is to transfer money among investments until your asset allocation is back to your intended mix. The other way to rebalance is to direct future plan contributions to the asset class(es) that is currently underrepresented in your investment mix. Note: Rebalancing a portfolio may create a taxable event if done outside a retirement account.

* Your plan may not allow catch-up contributions, and the limit could be lower.

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