FOR FEDERAL EMPLOYEES ONLY

PREPARING FOR A MORE

COMFORTABLE RETIREMENT

As financial professionals who specialize in helping government employees transition from work to retirement, we understand that you may have questions about when and how you can retire. This report addresses common questions and presents strategies to help you prepare for retirement.

In today's volatile markets and uncertain economic conditions, the retirement dream can seem elusive. Many Americans are worried about whether they can afford to retire and want to know how to ensure that their savings last. Government workers have the added challenges of evaluating complex retirement benefits and making the most of their options when they retire. When taxes, healthcare, survivor benefits, and other options are taken into consideration, the right strategy could be worth hundreds of thousands of dollars over the course of a lifetime.

For those who have spent their careers in public service, retiring may involve a mix of emotions. You may be worried about the financial aspects of retirement, you may feel ambivalent about leaving a job you love and losing the camaraderie of your profession, and you may wonder about what you will do when you're no longer working.

These complex feelings are a normal part of the retirement process, but you shouldn't allow them to put off developing strategies for the future. You have very important decisions to make about retirement; the most prudent course is to start thinking now about your retirement needs so that you can evaluate your options and make the right decisions when the time comes. We developed this report to help government employees understand their options and ask better informed questions when developing their retirement strategies. We have also included a **Retirement Forecasting Worksheet** designed to help you think about the Future and a **Retirement Budget Worksheet** to estimate retirement expenses. We strongly recommend that you sit down with your loved ones to read through this guide and work through the questions posed. When you're ready to discuss your thoughts with a professional, simply call us for a complimentary,no-obligation consultation.

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WHEN CAN I AFFORD TO RETIRE?

If you're worried about being able to retire, you're not alone. Millions of Americans are concerned about whether their retirement savings will be enough to keep them comfortable.

Though Americans in public service have historically relied on pension benefits, potential changes to the retirement landscape mean that government employees must carefully evaluate their financial options.

The decision to retire is a very personal one that depends on a number of important factors like your age, years of service, financial circumstances, health, and family situation. It's also important to understand the particulars of when you may be entitled to collect a retirement benefit from your pension plan. Each plan is different with respect to service requirements and retirement eligibility. A knowledgable professional may help you understand the conditions under your specific retirement system.

If you're evaluating the decision to retire, there are a few important steps that you can take now to determine whether you are on-track financially. While a financial professional can help you explore your personal situation in greater detail, you can get started by doing some simple evaluation on your own.

First, start by estimating your expenses in retirement. By adding up all of your basic living expenses and desired discretionary spending, you can develop a better idea of how much money you'll need each month. To make it easier for you to accurately estimate your expenses in retirement, we have developed a **Retirement Budget Worksheet** that uses your current household expenses as a guide.

An alternative to a detailed expense analysis is to use a percentage of pre-retirement expenses in retirement as an estimate. We recommend using 75-90 percent of your pre-retirement monthly spending to arrive at a conservative projection.

The second step is to identify any sources of income from Social Security benefits, a pension, and other sources. Any gap between your income and your expenses will need to be covered by withdrawals from your retirement savings. Understanding how much can be safely withdrawn each year during retirement without running out later in life is a complicated process.

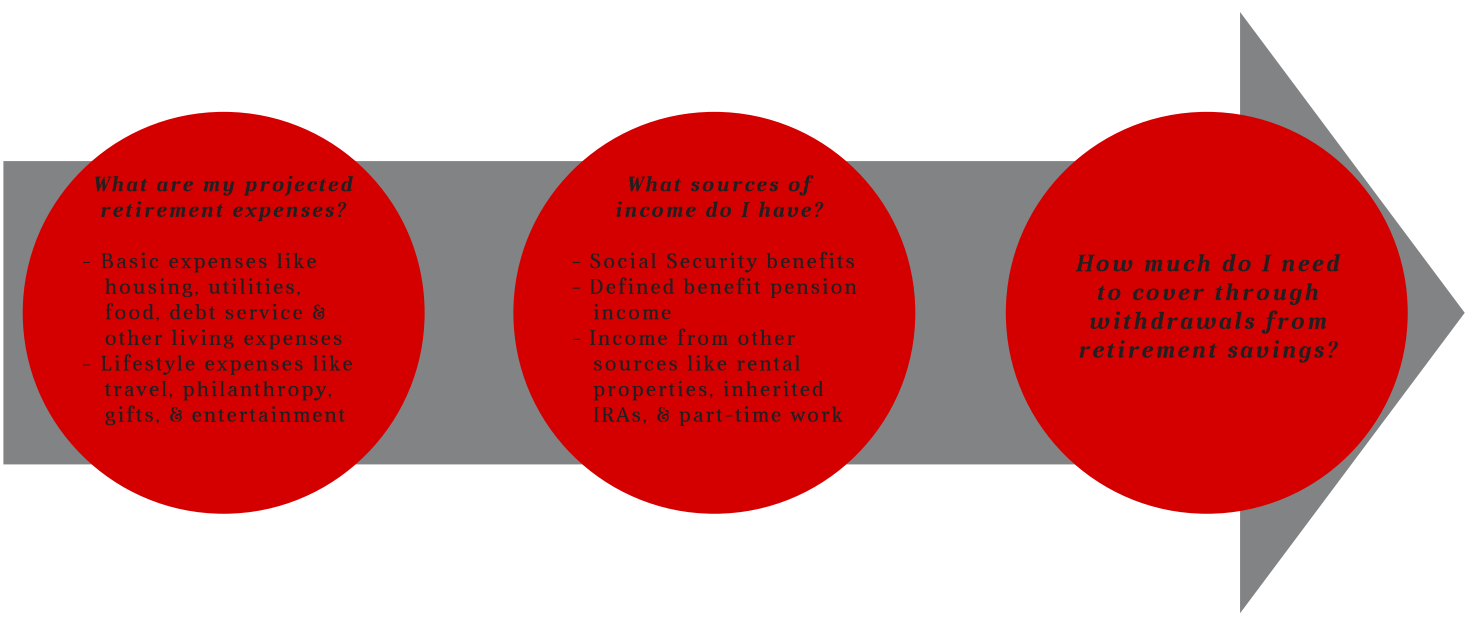
Unfortunately, there is no simple formula or approach that you can use to determine a safe withdrawal rate. The "4 percent" rule became popular in previous decades and meant that retirees could safely take out 4 percent of their retirment savings each year.

Retiring With Debt?

If you have significant mortgage, student loan, or credit card debt, your retirement expenses may go up considerably. A financial professional can help you develop debt reduction strategies while still living a comfortable lifestyle.

In an environment of historically low interest rates and volatile markets, this rule may no longer apply. It's important that you take a personalized approach to your retirement income strategies. There are many methods that you can use to estimate how much you may be able to withdraw in retirement. A financial professional can help you understand how different factors affect your calculations and develop a strategy designed to balance your cash flow against the long-term preservation of your retirement savings.

If you've run the numbers and think that you may have a retirement income shortfall, don't panic. There are several strategies that can help increase your potential retirement income or reduce your expenses.



We analyze your retirement income needs and create a strategy based on factors like age, health history, longevity, inflation, historical market returns, income sources, and total savings.

- **Increasing your savings** rate can help you make up a savings shortfall. Contribute as much as you can to your tax-advantaged retirement plans and consider opening a Roth IRA. If you are 50 or over, use catch-up provisions to boost your retirement contributions.

- **Delaying retirement** by working and adding to your savings can help your retirement savings grow larger, increase your Social Security benefits (if you are under age 70), and shorten the amount of time your savings must last.

- **Downsizing your home and living expenses** is another option. Many retirees are empty nesters who can reduce their expenses by moving into a smaller home. Putting off major expenses in the early part of retirement can help you avoid depleting your savings too soon.

- **Working during retirement** can create extra income while keeping you active and doing something you love. Many public workers retire when they are still young and active, making a second career or part-time work attractive. While some take the skills they have developed into follow-on careers, others pursue passions for teaching, speaking, or take part-time jobs. Keep in mind that working while retired may impact your Social Security or pension benefits if you are younger than your full retirement age.

A financial professional can evaluate your overall circumstances and help you design strategies to maximize your income in retirement. He or she can help you maximize your Social Security benefits, protect your income, and develop an investment approach that helps balance the need for growth against your risk appetite, time horizon, and future goals.

WHAT DOES MY PERFECT RETIREMENT LOOK LIKE?

Take a moment to think about what an ideal retirement looks like. Does it mean spending more time with loved ones or enjoying your passions? Are you interested in a second career? Do you want to travel?

Everyone's retirement dream is different and an important part of developing a retirement strategy is thinking about how you want to spend your time. Many retirees may expect to live long, active lives, making retirement more like the beginning of a new chapter of life rather than its sunset. Increasing numbers of Americans are redefining retirement for themselves in new and interesting ways. Attached to this guide is a **Retirement Forecasting Worksheet** designed to get you thinking about how you want to spend your retirement years. We recommend sitting down with your spouse and loved ones and completing the worksheet together.

HOW WILL I PAY FOR HEALTHCARE IN RETIREMENT?

Healthcare expenses are a major concern for today's retirees and those who aren't thinking ahead may find themselves in trouble down the road. Life expectancy has risen, and many of today's retirees can expect to live well into their 80s. Medical advances are expensive and healthcare costs can go up fast during a serious illness.

Everyone's healthcare needs are different, which is why it's important to consider how factors like your age, health, and family medical history affect your potential expenses.

It's also important to think about how you will pay for services to help you remain independent if you need assistance with daily living later in life. Generally, Medicare and employer-sponsored insurance don't cover long-term care, which is why it's important to think ahead about how you would cover costs. A financial professional can help you consider your current health, family medical history, and other factors and evaluate your options for funding your long-term care needs.

WHAT ARE MY RETIREMENT PLAN OPTIONS?

As a government employee, you may have multiple retirement plan types and distribution options available to you. While the best way for us to answer your specific questions is to meet with you personally, we've developed a list of common retirement plan types and discussed some special concerns you may want to think about.

Defined Benefit (DB) Plans; generally provide guaranteed retirement benefits to participants based on factors like age, years of employment, and salary. If you are enrolled in a DB plan, your employer takes care of investing all contributions to the pension fund and retirement benefits do not depend on investment performance.

Participants in DB plans have some special financial issues to consider.

Median Out-of-Pocket Health Care Spending By Medicare Beneficiaries Age 65 and Older (2010)

Age	*Out-of-Pocket Spending*	*Out-of-Pocket Spending As % of Income*
65-69	$2,768	11.80%
70-74	$3,665	16.80%
75-79	$3,779	18.90%
80-84	$4,028	22.10%
85+	$4,317	24.80%

Source: AARP Public Policy Institute Insight of the issues 88, December 2013 - Medicare Beneficiares, Out-of-pocket spending for Healthcare, Claire Noel-Miller

Federal statutes like the Windfall Elimination Provision (WEP) mean that your Social Security benefits may be affected by your pension income, depending on certain regulations. Because of budgetary issues, some employers have sought to reduce or modify their responsibilities to pensioners. If you are concerned about possible future reductions in your benefits, you should speak with a financial professional about strategies to help mitigate your risk.

Defined Contribution (DC) Plans; are a common type of employer-sponsored retirement plan available today. **The most common types are 401(k)s, 403(b)s, 457s, and Thrift Savings Plans(TSP)**. Many employers offer DC plans in addition to a defined benefit pension plan.

As a plan participant, you decide how much to contribute from each paycheck, allocate your money between the available investment choices, and assume all investment risk. Often times, your employer will match some of your contributions. Your money grows tax deferred since contributions are made with pre-tax income. Once you retire, you retain control over your assets and can choose to roll them over into an Individual Retirement Account (IRA) or many plans allow the assets to remain in place.

Supplemental Retirement Plans may be provided by your employer to allow you to save more for retirement beyond what's contributed to your primary retirement plan. These plans may have higher contribution limits than IRAs though tax deferral provisions vary according to your personal situation.

Contribution limits, early withdrawal penalties, and other details can vary a great deal by retirement system, and it's a good idea to review your options with a qualified financial professional to help insure that you are making the most of valuable retirement resources.

WHAT DO I NEED TO DO BEFORE RETIRING?

As you prepare for retirement, there are a number of things that you need to consider. The following checklist may help you organize:

1. Sit down with your spouse or loved ones to think about the future. Use the Retirement Forecasting Worksheet to guide your thoughts.

2. Estimate your expenses in retirement using the included Retirement Budget Worksheet.

3. Review your income sources, including guaranteed benefits and Social Security. Evaluate your retirement savings and determine whether additional savings are necessary.

4. Review your healthcare coverage options and note important Medicare and insurance deadlines.

5. Review legal documents like wills, trusts, medical directives, beneficiaries, and powers of attorney.

6. Contact your plan sponsor to request information about your retirement requirements, distribution options, and necessary documents.

7. Visit with a qualified financial professional who specializes in working with clients like you and can help you make the most of your options.

HOW CAN A FINANCIAL PROFESSIONAL HELP ME?

Regardless of what your perfect retirement looks like, prudent financial preparation can help you achieve it by helping you build retirement strategies to maximize your income while managing risk. A financial professional can help you understand your current financial circumstances and develop strategies to take you toward your future goals. We believe strongly in the value of experienced guidance and objective advice when navigating the transition to retirement.

5 Questions You Should Ask Your Retirement Plan Sponsor:

1. ***What are the age and service requirements for full retirement?***
2. ***What are my distribution and payout options?***
3. ***Who can I name as a survivor or beneficiary?***
4. ***Do I have any retiree healthcare benefits?***
5. ***Are your Social Security benefits affected by the Windfall Elimination Provision or government pension offset?***

NEXT STEPS

We hope you've found this retirement guide interesting, informative, and, most of all, reassuring. While retirement preparation is complex, we wanted to show you some simple steps you can take to begin answering important questions about your own retirement journey. Most of all, we want to encourage and support you as you prepare for retirement and think about the next stage of your life.

We also want to present ourselves as a resource to you and your family as you navigate the transition from work to retirement.

We are happy to answer any questions you may have about your personal financial situation or future goals, and we provide free consultations at any time. If you have any questions about the information presented in this report, please contact us. We would be delighted to be of service.

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Retirement looks different for everyone. Americans are living longer than ever and are enjoying active, exciting retirements. This worksheet is designed to help you identify what's important to you and develop ideas for how you will use your time once you're no longer working. Please print out this worksheet and take some time to relax and think about your retirement dreams.

RETIREMENT FORECASTING

HOW TO IDENTIFY & CREATE YOUR PERFECT RETIREMENT

Who would I like to spend my time with?

____

____

____

What are some simple activities I enjoy doing every day?

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What have I always wanted to do, but never had the time?

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What gives me a sense of accomplishment?

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What's on my bucket list?

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What am I passionate about?

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What gives my life purpose?

Where would I like to spend most of my time?

What would I like more of in my life?

What would I like less of in my life?

How will I stay active and healthy?

What hobbies and activities do I enjoy?

What skills have I gained that might be valuable in a second career or volunteer work?

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Retirement **Expense Budget Worksheet**

Name: ______________________________ **Date:** ____________

	Today	In Retirement
Housing Expense		
Rent or Mortgage — Balance__________ Payoff Date__________	______	______
HOA Fees	______	______
Insurance and Tax	______	______
Maintenance	______	______
+ Total Housing Expense		
Utilities Expense		
Gas and Electric	______	______
Water / Sewer / Trash	______	______
Telephone and Internet	______	______
Cable or Entertainment	______	______
Other	______	______
+ Total Utilities Expense		
Transportation Expense		
Vehicle Payments — Balance__________ Payoff Date__________	______	______
Auto Insurance	______	______
Fuel and Service	______	______
Maintenance and Repairs	______	______
+ Total Transportation Expense		
Food and Entertainment Expense		
Groceries	______	______
Personal Care	______	______
Entertainment	______	______
Subscriptions	______	______
Dinning Out	______	______
Misc	______	______
+Total Food and Entertainment Expense		
Consumer Debt		
Credit Card Expenses — Balance Due__________	______	______
Home Equity Line — Balance Due__________ Payoff Date__________	______	______
+ Total Consumer Debt Expense		
= Subtotal Monthly Expenses		
+ Other Expenses Total (e.g. Vacations, Hobbies)		
= Grand Total Monthly Expenses		

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