

GUIDING YOUR **RETIREMENT**



RETIREMENT GUIDE
Information to help you build
your financial future.

Intro

You may have a very idealistic vision of retirement – doing all of the things that you never seem to have time to do now. But how do you pursue that vision? Social Security may be around when you retire, but the benefit that you get from Uncle Sam may not provide enough income for your retirement years. To make matters worse, few employers today offer a traditional company pension plan that guarantees you a specific income at retirement. On top of that, people are living longer and must find ways to fund those additional years of retirement.

Such eye-opening facts mean that today, sound retirement planning is critical.

But there's good news: Retirement planning is easier than it used to be, thanks to the many tools and resources available.

Common Questions About Retirement

What sources of income should I draw on and when?

How do I get the most from my pension and Social Security?

Should I rollover my 401(k)?

How should I invest to potentially increase my income?

How can I potentially reduce my taxes?

What can I do to ensure my health care needs are met?

How much can I really spend?

How do I get about setting up a regular income stream?

How much can I leave my children and other heirs?

And most important of all...

Am I financially prepared to retire?

Determine Your Retirement Income Needs

It's common to discuss desired annual retirement income as a percentage of your current income. Depending on who you're talking to, that percentage could be anywhere from 60 to 90 percent, or even more. The appeal of this approach lies in its simplicity. The problem, however, is that it doesn't account for your specific situation. To determine your specific needs, you may want to estimate your annual retirement expenses.

Use your current expenses as a starting point, but note that your expenses may change dramatically by the time you retire. If you're nearing retirement, the gap between your current expenses and your retirement expenses may be small. If retirement is many years away, the gap may be significant, and projecting your future expenses may be more difficult.

Remember to take inflation into account. And keep in mind that your annual expenses may fluctuate throughout retirement. For instance, if you own a home and are paying a mortgage, your expenses will drop if the mortgage is paid off by the time you retire. Other expenses, such as health-related expenses, may increase in your later retirement years. A realistic estimate of your expenses will tell you about how much yearly income you'll need to live comfortably.

Calculate the Gap

Once you have estimated your retirement income needs, take stock of your estimated future assets and income. These may come from Social Security, a retirement plan at work, a part-time job, and other sources. If estimates show that your future assets and income will fall short of what you need, the rest will have to come from additional personal retirement savings.

Figure Out How Much You'll Need to Save

By the time you retire, you'll need a nest egg that will provide you with enough income to fill the gap left by your other income sources. But exactly how much is enough?

The following questions may help you find the answer:

- At what age do you plan to retire? The younger you retire, the longer your retirement will be, and the more money you'll need to carry you through it.
- What is your life expectancy? The longer you live, the more years of retirement you'll have to fund.
- What rate of growth can you expect from your savings now and during retirement? Be conservative when projecting rates of return.
- Do you expect to dip into your principal? If so, you may deplete your savings faster than if you just live off investment earnings. Build in a cushion to guard against these risks.

Build Your Retirement Fund: Save, Save, Save

When you know roughly how much money you'll need, your next goal is to save that amount. First, you'll have to map out a savings plan that works for you. Assume a conservative rate of return (e.g., 5 to 6 percent), and then determine approximately how much you'll need to save every year between now and your retirement to reach your goal.

The next step is to put your savings plan into action. It's never too early to get started (ideally, begin saving in your 20s). To the extent possible, you may want to arrange to have certain amounts taken directly from your paycheck and automatically invested in accounts of your choice (e.g., 401(k) plans, payroll deduction savings). This arrangement reduces the risk of impulsive or unwise spending that will threaten your savings plan—out of sight, out of mind. If possible, save more than you think you'll need to provide a cushion.

Understand Your Investment Options

You need to understand the types of investments that are available, and decide which ones are right for you. If you don't have the time, energy, or inclination to do this yourself, hire a financial professional. He or she will explain the options that are available to you, and will assist you in selecting investments that are appropriate for your goals, risk tolerance, and time horizon. Note that many investments may involve the risk of loss of principal.

Use the Right Savings Tools

The following are among the most common retirement savings tools, but others are also available.

Employer-sponsored retirement plans that allow employee deferrals (like 401(k), 403(b), SIMPLE, and 457(b) plans) are powerful savings tools. Your contributions come out of your salary as pretax contributions (reducing your current taxable income) and any investment earnings are tax deferred until withdrawn. These plans often include employer-matching contributions and should be your first choice when it comes to saving for retirement. 401(k), 403(b) and 457(b) plans can also allow after-tax Roth contributions. While Roth contributions don't offer an immediate tax benefit, qualified distributions from your Roth account are federal income tax free.

IRAs, like employer-sponsored retirement plans, feature tax deferral of earnings. If you are eligible, traditional IRAs may enable you to lower your current taxable income through deductible contributions. Withdrawals, however, are taxable as ordinary income (unless you've made nondeductible contributions, in which case a portion of the withdrawals will not be taxable).

Roth IRAs don't permit tax-deductible contributions but allow you to make completely tax-free withdrawals under certain conditions. With both types, you can typically choose from a wide range of investments to fund your IRA.

Annuities are contracts issued by insurance companies. Annuities are generally funded with after-tax dollars, but their earnings are tax deferred (you pay tax on the portion of distributions that represents earnings). There is generally no annual limit on contributions to an annuity. A typical annuity provides income payments beginning at some future time, usually retirement. The payments may last for your life, for the joint life of you and a beneficiary, or for a specified number of years (guarantees are subject to the claims-paying ability of the issuing insurance company). Annuities may be subject to certain charges and expenses, including mortality charges, surrender charges, administrative fees, and other charges.

Note: In addition to any income taxes owed, a 10 percent premature distribution penalty tax may apply to taxable distributions made from employer-sponsored retirement plans, IRAs, and annuities prior to age 59½ (prior to age 55 for employer-sponsored retirement plans in some circumstances).

Questions about retirement planning,
investments, or insurance?

Make an appointment with one of our
Financial Professionals today!



732.312.1500

firstffcu.com

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker/dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. First Financial Federal Credit Union (FFFCU) and First Financial Investment & Retirement Center **are not** registered as a broker/dealer or investment advisor. Registered representatives of LPL offer products and services using First Financial Investment & Retirement Center, and may also be employees of FFFCU. These products and services are being offered through LPL or its affiliates, which are separate entities from and not affiliates of FFFCU or First Financial Investment & Retirement Center.

Securities and insurance offered through LPL or its affiliates are:

Not Insured by NCUA or Any Other Government Agency	Not Credit Union Guaranteed	Not Credit Union Deposits or Obligations	May Lose Value
---	--	---	-----------------------