Put the Pieces Together:
Your Retirement

PICTURE YOUR RETIREMENT

It's your retirement. You get to decide what it will be. Day by day, piece by piece, you put the picture together until your retirement becomes a whole, unique scene created by you, and for you.

We're privileged to offer our valued employees like you the tools that can help you create the landscape of your retirement. Inside this brochure you'll find the pieces—information, tools and resources—that can help you complete the picture.

START WITH THE EDGE PIECES – Plan Basics

Through your retirement plan, you have the opportunity to save money for your retirement.

The contributions you make to the Plan are tax-deferred, meaning that you will not pay current income taxes on the portion of your income you defer into the Plan, or on any investment income it earns. Instead, you pay income taxes when you withdraw the money from the Plan, usually during retirement.

A tax-deferred plan is a great way to save. And once you contribute to your retirement plan, the money belongs to you. Whether it is money contributed by you or by your company, or if it has been rolled over from another similar plan, it is 100% vested, which means it's always your money.

FILL IN THE BACKGROUND: Are You Retirement-Ready?

If you are regularly contributing to your retirement plan, that's great—but it may not be enough. More is involved in preparing for retirement than simply making contributions; you need to make sure you know how much you're likely to need, figure out how much you have now, and make a plan to fill the gap.

Determining the amount you'll need to retire comfortably starts with estimating your retirement income and expenses. First, picture your ideal retirement—whether that is visiting exotic lands or traveling the country in an RV; taking the part-time job you've always wanted or volunteering at the local grade school; or moving into a condo in the city or staying in your current home. Each of these choices takes money, and now is the time to figure out how much.

Next, gather information about your potential income.

- You may also receive Social Security. Your most recent statement from the Social Security Administration will give you an income estimate, or you can go online to find one at **http://www.socialsecurity.gov/OACT/quickcalc.**
- If you have rental properties or other income sources, include those, too, along with bank or brokerage statements.

Now you have all the pieces in place to calculate your retirement gap. Use the retirement income gap worksheet to see where you stand.

Experts estimate that with the rising cost of health care, most people will need 75% to 100% of their working income to live comfortably in retirement.* You should adjust that figure based on your retirement dreams and whether you simplify your lifestyle or make it more extravagant.

* Source: 2013 Federal Retirement Handbook, http://federalhandbooks.com

ARE THERE PIECES MISSING?

I know I should be saving, but...

You know you need to save, but for some reason you keep putting it off. That reason has a name: behavioral finance. This is a field of study that analyzes the way people interact with money. Do you see yourself in any of these illustrations?

"I was going to start saving in my retirement plan this month, but the TV I want went on sale for such a great price! I'll definitely start next month."

No need to tell you that this is procrastination (something we're all familiar with). Along with that often comes irrational optimism, which leads us to believe that we're better off than we truly are—kind of like the childish "if I close my eyes it will go away" idea. Irrational optimism also leads us to believe that we will follow through later, even though we haven't shown any evidence of it yet.

"There are a lot of funds to choose from for my retirement money. I'll come back and take a look at all of them next week when I'm not so busy. For now, I'll put my money in the Stable Value Fund."

This is an example of inertia. When we're faced with many choices, we tend to avoid making a decision. The consequences may seem small but over the long run they can be serious. (Learn more about asset allocation on page 5.)

"If I put money into the Plan, I'll have to give up my subscription to "Retirement Life" magazine. I might need that to plan my retirement."

One basic of behavioral finance is that people tend to feel the pain of loss more than the joy of the same size gain. Giving up something we enjoy now feels like a great loss when compared to a future reward, even if that reward is larger.

So Why Should You Care About Behavioral Finance?

You should care because chances are, you're making (or not making) decisions about your participation in the Plan based on these ideas. If you understand your motivations with money, you have a better chance of overcoming any roadblocks.

Want to learn more?
Behavioral finance is an interesting subject, and learning more about it can help you with all of your financial decisions. If you're interested, check out these resources:*

- *Nudge: Improving Decisions About Health, Wealth and Happiness*, by Richard H. Thaler and Cass R. Sunstein
- *Why Smart People Make Big Money Mistakes and How to Correct Them: Lessons from the Life-Changing Science of Behavioral Economics*, by Gary Belsky and Thomas Gilovich

THE SMALL DETAILS
How Much Difference Could 1% Make?

You've decided you need to save more but are worried about your budget. Why not take a little time to figure out how you might be able to gather just a little bit more to fund your retirement?

Our budgeting worksheet, "Finding the Cash in Your Budget," can help you track your cash flow and uncover some extra money. To get going, you'll need to gather your monthly financial data—income and expenses. The worksheet includes a list of items people commonly spend their money on; it will remind you of some of the costs you may not think twice about, but that can add up to a considerable sum. Take a few minutes to find your checkbook, your online bank statements, and your receipts. Don't forget to include the "walking around money" you withdraw from the cash machine.

By planning and sticking to a budget, you take control over your finances, rather than letting your finances take control over you. It isn't as hard as you may think to come up with a little extra money each month that you can save toward your long-term goals.

Consider 1% of Your Salary

For an employee who earns $50,000 per year, 1% is $500 per year, or about $42 per month. That's roughly the cost of a cheap date night. Yet if contributed consistently to your retirement plan and invested in a fund returning 6%, that amount would build over the next 30 years to $42,000 at retirement. That's a pretty good deal for the price of two movie tickets, two soft drinks, and one tub of popcorn per month!

FIND THE RIGHT SETTING:
Where Will You Put Your Money?

Whatever amount you contribute to your retirement plan, it will have a much bigger impact on your retirement if you invest it well. Many of us learned in recent years that investing in the stock market carries some risk. You might be surprised to learn that investing in cash alternatives, like a money market fund or the Stable Value fund, also carries risk. The risk when you invest in a cash equivalent, like the Stable Value Fund, is that your investment earnings could fail to keep up with inflation, leaving you with a negative return in the long run.

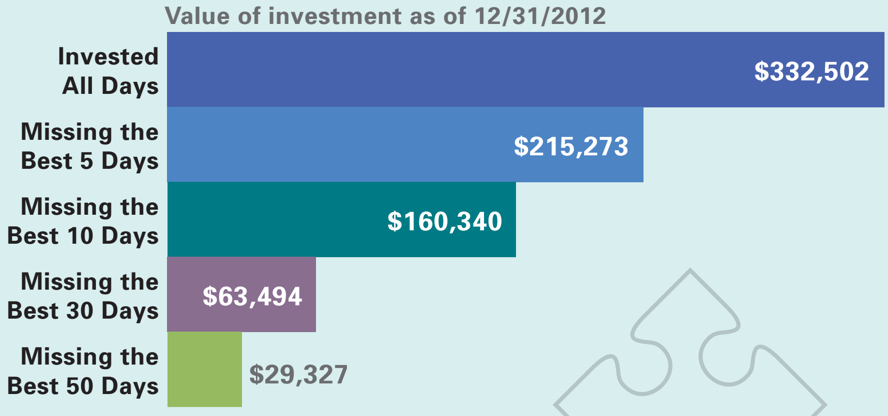
Remember these four principles if you are thinking about investing all of your Plan funds in a cash equivalent.

1. Any money that is not in the stock market will not benefit from stock market increases. In fact, between January 1980 and December 2011 the stock market increased, on average, 11.06% annually. If your money was in a stable value fund in those years, you would have earned about 4.6% annually.*
2. A cash equivalent investment that returns 0.5% per year is actually resulting in a net loss when compared to inflation. If inflation is 3% per year, your spending power decreases by 2.5%.
3. Remember the power of compounding. If your $20,000 account balance earns 5% the first year, or $1,000, your new balance would be $21,000. The next year's 5% earnings would then be based on that figure, earning you $1,050 the second year. By the tenth year, if everything stayed the same, your initial $20,000 account balance would have grown to more than $31,000!
4. Yes, the stock market can be risky, and you should be comfortable with the level of risk you assume when you invest. But remember, a $10,000 account on January 1, 1980, would have been worth $286,700 by the end of 2011 if it was invested in the S&P 500.

Trying to time the market, moving your account in and out of the stock market, can have a similarly destructive impact on your Plan account. Missing out on even a few months of a strong market can result in a much lower balance.

Missing Out on the Best Days in the Market Can Cost You

Hypothetical growth of $10,000 invested in the S&P 500 from Jan. 1 1980–Dec. 31, 2012



Past performance is not a guarantee of future results. The hypothetical example assumes an investment that tracks the returns of the S&P 500® Index and includes divident reinvestment but does not reflect the impact of taxes, which would lower these figures. There is volatility in the market and a sale at any point in time could result in a gain or loss. Your own investment experience will differ, including the possibility of losing money. You cannot invest directly in an index. The S&P 500®, a market capitalization-weighted index of common stocks, is a registered service mark of the McGraw-Hill Companies, Inc. and has been licensed for use but Fidelity Distributors Corporation.

Source: FMRCo, Asset Allocation Research Team as of 12/31/12.

THE LEFTOVER PIECES
Many Other Things to Think About

Life makes many demands on your money. College, a home, a car, vacations—they all take money, and they're easier to obtain if you plan. Here is a checklist of a few of the things you might want to consider that are important to your budget today, as well as to your future and that of your family.

- Do you have adequate life insurance? Experts recommend seven to 10 times your annual earnings if you have a mortgage and other financial obligations, as well as a family that is counting on you.*
- Are you taking full advantage of your employee benefit package?
- Are you taking the maximum advantage of your tax situation? Talk to an advisor mid-year to find out what you can do to minimize taxes.
- Have you explored other ways to pay for life's expenses? An advanced high school music student may be willing to provide inexpensive piano lessons for your child. The Internet offers lots of opportunities for a reasonable vacation, such as house swapping with a family from another land.

The point is, think outside the box and you could save yourself some money—that you can then contribute to your retirement plan!

WHAT IF YOU'RE GETTING A LATE START?

Maybe you've been meaning to save but haven't started yet. The good news is that you can save a substantial amount through your employee retirement plan. Each year, the IRS sets a maximum amount you can save through this Plan combined with any others in which you participate. For 2013, the maximum is $17,500, or 100% of pay if you earn less than that. The amount may change for 2014.

Once you reach the age of 50, though, things can really get moving. The Plan allows for catch-up contributions of an extra $5,500 per year for participants over the age of 50 (again, as of 2013 and adjustable annually).

It's never too late to start saving!

WEB RESOURCES

Check out these websites to help you with our overall financial planning:

www.aarp.org — American Association of Retired Persons (informational articles and interactive tools)

www.dinkytown.net — variety of financial calculators and tools

www.ssa.gov — official Social Security website

www.mint.com — easy budgeting tools; all your accounts in one place

www.irs.gov — Internal Revenue Service official site

www.psca.org — Profit Sharing Council of America (retirement planning and calculation tools)

www.360financialliteracy.org — this website can help you develop money management skills at all ages

www.savingforcollege.com — help for planning and saving for your children's college tuition

www.money.cnn.com/retirement — general financial and retirement information

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