REINVENTING
Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
2nd QUARTER 2003

AMERICA'S MOST WANTED

As summer begins to sizzle, all across America, a nationwide manhunt has begun. Three people have recently been found guilty of major retirement planning offenses. Officials in all 50 states report that there could be thousands more out there just like them.

They're not bad people. They pose no real threat to society. Their only crime is that they have not taken responsibility for their financial future. Specifically, they have failed to take full advantage of their employer's 401(k) Plan.

Your help is needed in capturing these wayward savers. They must get back on the path toward retirement reality. Carefully review the following profiles to help give you a sense of what we're dealing with here.

Please be on the lookout for theseretirement planning outlaws. They could be a friend, a relative or even a coworker.

In fact, they could be someone just like you!

1 KEVIN

GUILTY OF: Wasting away precious years without starting a serious savings plan.

FAVORITE QUOTE: *"Retirement? I haven't even bought my first house yet. I'm too young to start thinking about that stuff!"*

When it comes to retirement planning, time is money. Anyone out there who shares Kevin's attitude toward saving for retirement does not fully understand the cost of waiting. By not joining your 401(k) plan today (or increasing your current contribution), you are depriving yourself of some serious potential savings over the long term.

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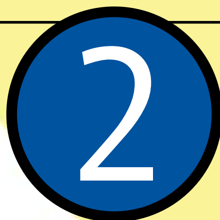
The following illustration shows the cost of waiting just one, two or three years to start saving for retirement (assumes a 25-year-old making monthly personal contributions of $100):

The Longer You Wait, The More it Costs You!

Starting Age	Total Contributions by Age 67	Account Value At Age 67	Cost of Waiting … One Year	Two Years	Three Years
25 (now)	$50,400	$414,796			
26 (1 year from now)	$49,200	$381,850	$32,946 ($414,796 – $381,850)		
27 (2 years from now)	$48,000	$351,428		$63,368 ($414,796 – $351,428)	
28 (3 years from now)	$46,800	$323,338			$91,458 ($414,796 – $323,338)

This is a hypothetical illustration and is intended to show how the number of years invested in the plan could affect participant account values. It is not intended to depict the performance of any particular security or investment plan. Assumes monthly contributions of $100, an annual 8% hypothetical rate of return compounded monthly, retirement at age 67 and no withdrawals.



STACY

GUILTY OF: Squandering away money that could be used to save for retirement

FAVORITE QUOTE: *"Since I don't have any extra money, there's no point in increasing my contribution."*

A quick background check on Stacy reveals the following budgetary crimes:

- Driving to work even though she paid for a bus pass.
- Not sending in rebate cards for products she has purchased.
- Not waiting for sales before buying clothes.
- Subscribing to newspapers and magazines and not reading them.
- Bringing lunch to work but eating out anyway.
- Paying for phone services she doesn't use or really need (such as call waiting).
- Not canceling credit cards that charge an annual fee.
- Not using a gift certificate before it expired.
- Buying name brands instead of generic brands, even though they are exactly the same.
- Buying fresh fruits and vegetables because she wants to eat healthy, but then letting them spoil.

No More Excuses

Anyone who shares Stacy's attitude toward retirement planning should consider keeping a spending diary for at least three months. Tracking your daily spending can help you figure out where all your dollars are disappearing. A video here or a lunch out there may not seem like a lot, but the expense adds up over time. When you see how you're spending your money each month, you can start to make a budget. A budget will help you set spending limits for yourself.

ESTHER

GUILTY OF: Assuming that Social Security will cover her retirement income needs.

FAVORITE QUOTE: *"What's the big deal about saving for retirement? Isn't that what Social Security is for?"*

Anyone who shares Esther's attitude toward retirement planning could use a real wake-up call! Social Security is intended to provide only a minimum level of retirement income to go toward covering the basic necessities: food, shelter and clothing. It was never intended to be your only source of retirement income.
The rest will be up to you!

Check out the table below to get a rough estimate of what a 35-year-old today might expect in Social Security Benefits, based on current pay and retiring at full retirement age (age 67):

Average Annual Pay	Approximate Annual Benefit*	Percentage of Annual Pay Replaced by Social Security
$20,000	$10,560	53%
$40,000	$16,908	42%
$60,000	$20,592	34%
$80,000	$23,568	30%
$100,000	$24,348	25%

* *Source: Social Security Administration, April 2003. The numbers above are for a 35-year-old today planning to retire at full retirement age (67) and assume no future increases in prices or earnings.*

EXPOSED

Social Security

Visit the Social Security Administration Web site at **www.ssa.gov/retire2/calculators.htm**. This online Quick Calculator can help you estimate your benefits based on your current age and salary. If you don't have access to a computer or the Internet, you can use a computer at your local library to access the Internet. In addition, most libraries offer Internet user classes for beginners.

Enter Your Current Age:	A)
Enter Your Current Salary:	B)
Enter monthly estimated benefit amount from Quick Calculator:	C)
Multiply monthly benefit by 12 to get annual benefit:	D)
Divide D by B to get estimated amount of your current income that would be replaced by Social Security during retirement:	E)

TRUE Love

Unmarried couples face some unique retirement planning issues

For unmarried couples, retirement planning may be a bit more challenging than for married couples. That's because neither partner will be eligible for spousal benefits from two key sources of retirement income: Social Security and traditional pension plans. However, there are some planning alternatives you can consider that will allow you to provide each other with an adequate living in retirement. Here's a quick overview:

- **You can designate your partner as the beneficiary of your retirement plan if permitted under plan rules. In some cases, you can name each other as beneficiaries of retirement plans such as 401(k)s, IRAs and 403(b)s. Check with your Plan Administrator for details.**

- **You may want to consider increasing your contribution rate. Plan to save more now to replace the spousal benefits your partner won't receive from Social Security and any pension plan you may have.**

- **Consider using life insurance or an annuity to fund your partner's retirement. Life insurance can help you provide significant replacement income for your partner.**

Make sure you understand what retirement benefits you can expect to receive from one another. Also, make sure you consider all the possibilities. It may seem unlikely now, but your relationship could end before you retire. That could leave one or both of you without enough retirement income. In some cases, it may be wise for each of you to plan for retirement on your own, even though you plan on being together forever.

Additional Resources
(Available at your local bookstore or on amazon.com):

- ***Living Together: A Legal Guide For Unmarried Couples*** **by Ralph Warner, Toni Ihara & Frederick Hertz**
- ***Unmarried to Each Other: The Essential Guide to Living Together as an Unmarried Couple***

The True Cost of Tapping Your Nest Egg

Suppose you need to take a $10,000 hardship withdrawal to get you through a tough financial period. In addition, suppose you and your spouse file a joint tax return and you earn $50,000 combined. That means your income falls into the 27% bracket for 2003.

If you take the $10,000 withdrawal, you will owe $2,700 in federal income taxes and an additional $1,000 to cover the 10% early withdrawal penalty. You'll be left with a net amount of only $6,300. That's only 63 cents on the dollar—and even less if you owe state or local income taxes.

Crisis Management

by Dorian Solot and Marshall Miller

During tough economic times, a hardship withdrawal from your 401(k) should be considered only as a last resort

Most of us will likely be faced with a financial crisis at some point in our lives. Perhaps even more than once. During these tough economic times you may be tempted to tap into your financial future—by taking what is known as a hardship withdrawal from your 401(k).

A hardship withdrawal is not like a Plan loan. The withdrawal may be difficult to get—and very costly if you receive it. Here's a brief overview of how hardship withdrawals work:

Hard Times Mean Hard Choices

Two types of hardship withdrawals are allowed from 401(k) plans. One is called a financial hardship withdrawal. It is subject to any applicable income taxes (federal, state and local) as well as an additional 10% penalty if you are younger than 59 ½. Financial hardship withdrawals are allowed for the following reasons:

- To buy a primary residence (the most common reason cited, according to the Investment Company Institute).
- To prevent foreclosure or eviction from your home.
- To pay college tuition for yourself or a dependent, provided the tuition is due within the next 12 months.
- To pay unreimbursed medical expenses for you or your dependents.

The other type of hardship withdrawal is a penalty-free withdrawal, made under Section 72(t) of the Internal Revenue Code. With this type of withdrawal, you must pay income taxes. However, the 10% early withdrawal penalty is not applied. You may qualify to take a penalty-free withdrawal if you meet one of the following exceptions:

- You become totally disabled.
- You are in debt for medical expenses that exceed 7.5% of your adjusted gross income (AGI).
- You are required by court order to give the money to your divorced spouse, a child or a dependent.
- You are separated from service (through permanent layoff, termination, quitting or taking early retirement) in the year you turn 55 or later.
- You are separated from service and you have set up a payment schedule to withdraw money in substantially equal amounts over the course of your life expectancy. Once you begin taking this kind of distribution you are required to continue for five years or until you reach age 59 ½ (whichever is longer).

Employers are not required to offer either type of hardship withdrawal, so you need to check with your Plan Administrator to find out which type, if any, is available. And, of course, you need to think carefully before you decide what to do. Although a withdrawal may be unavoidable under certain circumstances, in most cases you'll be short-changing your financial future.

Retirement in Motion

A REGULAR SPOTLIGHT
FOR PARTICIPANTS APPROACHING RETIREMENT

Keeping Your Guard Up

Retirement will mean many things to many people: financial freedom, travel, volunteer work or a second career. With so much to see and experience during this stage of life, who wants to worry about something like identity theft?

Identity theft occurs when someone pretends to be you and uses your personal financial information when applying for loans, credit cards, leases and other financial products and services. The thief takes advantage of your good credit record, leaving behind bad credit in your name. According to the Federal Trade Commission, losses to consumers and institutions due to identity theft approach nearly $1 billion each year, and one out of every 50 Americans have been victimized.

It's important to understand some of the ways that identity thieves can get your personal information:

- Stealing your wallet or purse.
- Stealing your mail, such as bank statements and pre-approved credit card applications.
- Posing as your employer, loan officer or landlord to get your credit report.
- Watching your transactions at automated teller machines and phone booths to capture your personal identification number (PIN).
- Going through your trash for credit card receipts or loan applications.

While it's impossible to totally prevent becoming a victim of identity theft, there are ways to make it more difficult for a thief to target you. Some tips to help prevent identity theft include:

- Don't give out your Social Security number.
- Get a copy of your credit report at least once a year to check for errors.
- Monitor credit card bills for unfamiliar charges.
- Buy a paper shredder and shred all papers before throwing them in the garbage.
- Don't carry extra credit cards or checks.
- Don't print your Social Security number on your checks.
- Don't give out your credit card numbers to strangers.
- Don't give out personal information over the phone unless you initiate the call.
- Use a name other than your mother's maiden name as security on your credit card accounts.
- Guard your identity as you would any other valuable asset.

Check out the following resources for more information on identity theft:

Federal Trade Commission. The FTC maintains the federal government's Web site on identity theft. You can visit **http://www.consumer.gov/idtheft** to learn how identity thieves work and to find help if you are victimized. The FTC also has a hotline for victims to report identity theft and receive assistance. Call 877-ID-THEFT.

Social Security Administration. Identity theft frequently includes misuse of your Social Security number. The Social Security Administration has a fraud hotline to help victims. Call 1-800-269-0271 or download more information from the following Web site: **www.ssa.gov/pubs/idtheft.htm.**

Identity Theft Survival Kit. Mari Frank, an identity theft victim, wrote and prepared "The Identity Theft Survival Kit," which has form letters and instructions on how to fight identity theft. The complete package contains a book, computer diskette with form letters, and audiocassette tapes of interviews with experts. You can order the kit online at www.identitytheft.org or by writing to:

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