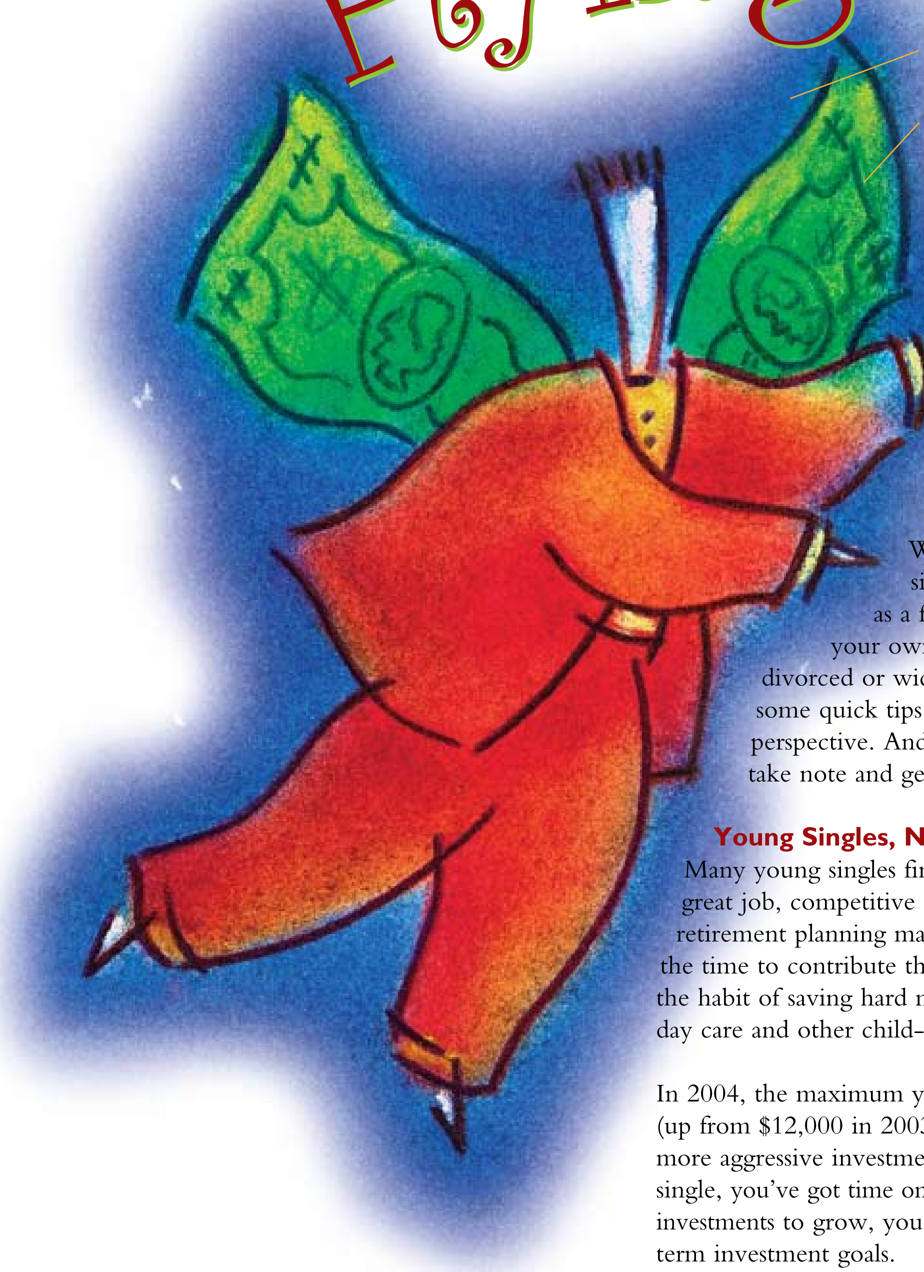
REINVENTING Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
3rd QUARTER 2003

Flying Solo



When it comes to retirement planning, singles have a unique perspective that can inspire us all

According to the U.S. Census Bureau, 38% of Americans over age 18 are single. That's up from 27% back in 1970. The number of single people is growing due to people marrying later—or not at all. And of those who do eventually marry, nearly half find themselves single again following a divorce.[1]

When it comes to saving for retirement, singles have some unique opportunities—as well as a few challenges. That's true whether you're on your own, raising children from a prior relationship, divorced or widowed. For all the singles out there, here are some quick tips to help keep retirement planning in its proper perspective. And for everyone else who is in a relationship – take note and get inspired!

Young Singles, No Children

Many young singles find themselves in a very positive situation: great job, competitive salary and very few responsibilities. Although retirement planning may be the furthest thing from your mind, now is the time to contribute the most you can to your 401(k) plan. Get into the habit of saving hard now, before a mortgage, a second car payment, day care and other child-related expenses may come into play.

In 2004, the maximum you'll be able to contribute will be $13,000 (up from $12,000 in 2003). In addition, you should be able to consider more aggressive investments, such as stock or bond funds. As a young single, you've got time on your side. If you invest wisely and leave your investments to grow, you'll have a better chance of reaching your long-term investment goals.

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Make a Long-Term Commitment

One of the easiest ways to see how time can have a positive effect on your retirement savings is the "Rule of 72." This approximates the time it takes to double an investment. Here's how it works:

Example

1. Take the rate of return you expect to receive on your investment: **8%**
2. Divide it into 72: **72 ÷ 8**
3. The result is the approximate number of years it will take for your investment to double: **9 years**

In this example, it would take roughly 9 years for a $5,000 investment earning 8% to double in value to $10,000.

Although nobody can predict future rates of return, a person in their mid to late 20s could potentially enjoy four or more "doubling periods" during their investing career!

Older Singles, No Children

If you're married, you know there's at least one person to take care of you and earn a living for the family. Older singles have a tougher challenge. You need to provide for your own future.

First, you want to make sure you have an emergency cash reserve that covers 3-6 months of living expenses. In addition, you should consider disability insurance and creating a will. Older singles should also investigate long-term care insurance.

As your earning power increases over the years, you should be in an excellent position to contribute the maximum to your 401(k) each year. In addition, if your plan allows "catch up" contributions, people over age 50 can contribute an extra $3,000 to their account in 2004.

As you strive to contribute as much as you can, you'll also want to make sure you're managing your investment strategy on an ongoing basis. The time you have until retirement is a major component of your investment strategy. Have you set a date for your retirement yet?

Avoid Blind Dates

In general, investors with …

… less than 7 years before retirement may want to consider investments with lower levels of risk.

… 7 to 14 years before retirement may want to consider investments with moderate levels of risk.

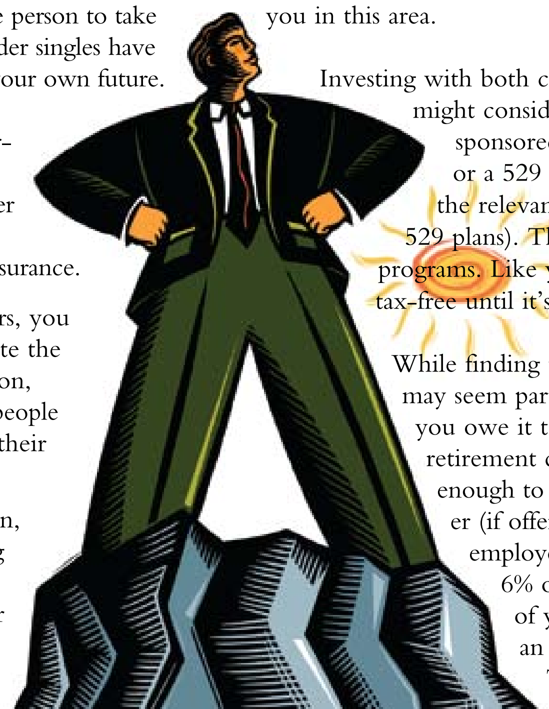
… 15 or more years before retirement may want to consider investments with higher levels of risk.

Single, With Children

If you're a single parent, it's important to set up a basic financial plan for you and your family. That may include the following:

Purchasing life insurance. You need to make sure there's enough money to support and educate your children should something happen to you. You also need to consider disability insurance. Consulting a financial planner or insurance agent can get you started in the right direction for insurance needs.

Creating an estate plan. If your children are minors and you don't want your former spouse or partner to have access to any assets you leave to your children, you need to put those assets in a trust. Again, consulting with a financial planner can help you in this area.



Investing with both college and retirement in mind. You might consider putting some money in a state sponsored pre-paid college tuition program, or a 529 college savings plan (named after the relevant tax code section that created the 529 plans). The majority of states now have these programs. Like your 401(k), the money accumulates tax-free until it's withdrawn.

While finding the money to save in your 401(k) may seem particularly challenging right now, you owe it to yourself to stay focused on your retirement dreams. Plan to contribute at least enough to get the full match from your employer (if offered). For example, suppose your employer matches $.50 on the dollar, up to 6% of your salary. By contributing 6% of your salary on your own, you get an additional 3% from your employer. That's like getting money for free!

Matchmaker: Taking full advantage of your employer match can really add up!

Current Salary	Your 6% Monthly Contribution	3% Employer Match	Total Monthly Contribution	Total Value if Invested for 25 years
$30,000	$150	$75	$225	$213,981
$40,000	$200	$100	$300	$285,308
$50,000	$250	$125	$375	$356,635
$60.000	$300	$150	$450	$427,962

This is a hypothetical illustration and is not intended to reflect the performance of any particular investment or investing strategy. Withdrawals from qualified plans prior to age 59 1/2 may be subject to a 10% IRS penalty. Your investment is not guaranteed and may lose value. This illustration assumes an 8% annual rate of return in a tax-deferred account, compounded monthly. Assumes a match of $.50 on the dollar, up to 6% of pay, and that contributions are made at the end of the month. Not all 401(k) plans include an employer match. Please check with your Plan Administrator.

You can't predict market performance—but you can make some educated guesses

Everyone knows that you can't predict the ups and downs of the market. If you could, we'd all be rich and retired by now! There is, however, one tool of economic measurement that acts as a kind of "crystal ball." It can help you get a general feel for where our economy may be headed. And the more knowledge you have, the more you will feel like you're in control of your financial future!

Our crystal ball has a fancy name: **The Index of Leading Economic Indicators** (but don't let that scare you off!). Here's a quick overview:

The leading index is really ten economic "benchmarks" rolled into one, including unemployment, insurance claims, building permits, interest rates and stock prices. It was designed to measure where the overall U.S. economy is headed during the next 3-6 months. Although determining the index requires some major calculating power, following it doesn't. Basically, when the leading indicators are rising, that's a positive sign of economic growth. When the indicators slow down or start to fall, that's a signal that growth is slowing.

At the end of June of this year, the Index of Leading Economic Indicators rose 0.1 percent. It was the third straight month that the index had increased. Four of the ten components of the index rose in June, including stock prices and building permits. However, with high unemployment and weakness in the manufacturing sector, it was still uncertain whether the United States was about to enter a period of steady growth. But most analysts were feeling optimistic about the chances for a market turnaround.

The important thing to remember is to stay active in managing your financial future. Make an effort to understand what's going on and what effect it may have on your 401(k) account balance. The fact that you're in the market for the long term should help you weather the many ups and downs you'll experience over the years.

You can learn more and find the latest leading indicator figures at www.tcb-indicators.org. In addition, the index is published monthly in the business section of your local paper and in many leading financial publications, such as The Wall Street Journal.

In the (k)now

Test your knowledge of investing as well as the details of your company's 401(k) plan

Loyal readers of this newsletter may remember *In the (k)now* from the past. This is a short quiz designed to make sure you're on top of the basic investing fundamentals as well the benefits of saving through your company's 401(k) plan. Are you ready to test yourself?

1) Investing in a variety of asset classes (such as stock funds, bond funds and money market funds) in order to reduce your overall risk and maximize your potential return is known as:
a) Compounding b) Diversification c) Tax-deferred growth d) Vesting

2) A loan to the government or a corporation (the underlying investments pay a specified interest rate over a certain period of time, after which the owner receives back his or her initial investment) is known as a:
a) Bond b) Stock c) Certificate of Deposit d) IRA

3) An ownership share in a corporation is known as a:
a) Bond b) Stock c) Certificate of Deposit d) IRA

4) Should you leave your company for any reason, can you take a cash distribution from the plan without any tax consequences:
a) True b) False

Answers: 1) b 2) a 3) b 4) b; you would have to pay ordinary income on the distribution; in addition, if you are under age 59 1/2, you may be subject to an additional 10% IRS penalty.

Self-Study: Making the Most of Your Company Match

5) Does your company offer a matching contribution to your 401(k) account? If so, write down what it is and any restrictions that may apply (such as a vesting schedule): ________________
____

6) Are you currently contributing enough to get the full company match (if offered)? _________________ if you answered "no," go on to the next question. If you answered "yes," congratulations! You're taking full advantage of the benefit of free money!

For these next two questions, you may want to check with your Human Resources Department or Plan Administrator if you need help calculating the amounts.

7) Calculate how much free money you are leaving on the table each year by not contributing enough to your 401(k) to at least get the full company match (multiply your annual salary by the percentage match you are currently eligible for but not receiving: $____________ per year.

8) How much more do you need to contribute to get the full match?: ______ % of salary. Make an immediate goal to increase your contribution by this amount as soon as you can!

Retirement in Motion

A REGULAR SPOTLIGHT
FOR PARTICIPANTS APPROACHING RETIREMENT

HOME SWEET HOME

Okay, so the last three years have really taken a toll on your retirement account balance. What will it mean for your soon-to-be retired life? Maybe that cruise you plan to take each year will have to become less frequent. Buying that RV will have to wait a few years. Perhaps you'll need to continue working a little longer.

During times like these, we all need to feel more secure about our retirement income sources. Sure, you'll have Social Security. Maybe you're lucky enough to have a pension. And, of course, if you save hard, your 401(k) will be a big part of this plan as well.

It may give you some additional confidence to know that your home may be a valuable alternative source of retirement income. As you get closer to retirement, you are probably going to hear more and more about something called a "reverse" mortgage.

Reverse Mortgages at a Glance

A reverse mortgage (RM) is a type of home equity loan that allows you to convert some of the equity in your home into cash while you retain home ownership. RMs work much like traditional mortgages, only in reverse. Rather than making a payment to your lender each month, the lender pays you. Unlike conventional home equity loans, most RMs do not require any repayment of principal, interest or servicing fees for as long as you live in your home. Funds obtained from an RM may be used for any purpose.

To qualify for an RM, you must own your home and be at least 62 years old. The RM funds may be paid to you in a lump sum, in monthly advances, through a line-of-credit, or in a combination of the three, depending on the type of RM and the lender. The amount you are eligible to borrow generally is based on your age, the equity in your home and the interest rate the lender is charging.

Because you retain title to your home with an RM, you also remain responsible for taxes, repairs and maintenance. Depending on the plan you select, your RM becomes due with interest either when you permanently move, sell your home, die or reach the end of the preselected loan term. The lender does not take title to your home when you die, but your heirs must pay off the loan. The debt is usually repaid by refinancing the loan into a forward mortgage (if the heirs are eligible) or by using the proceeds from the sale of your home.

Don't Go It Alone

Reverse mortgages aren't for everyone. But for some people it may be worth investigating as an option to help increase your income during retirement. Because your home is such a valuable asset, you will want to consult with your family, attorney or financial advisor before applying for one. Knowing your rights and responsibilities as a borrower may help to minimize your financial risks and avoid any threat of foreclosure or loss of your home.

Additional Resources

- AARP (www.aarp.org/revmort)
- HUD (www.hud.gov/buying/rvrsmort.cfm)
- *Reverse Mortgages For Beginners* by Ken Scholen (available at amazon.com or your local bookstore)

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