REINVENTING Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
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DEAL... or NO DEAL

Control your spending to help achieve your retirement savings goals

Open the case! When it comes to achieving your retirement savings goals, wouldn't it be nice if Howie Mandel were standing there with his freshly shaved head and fancy briefcases—ready for you to open one? Just leaving everything to chance and odds would be a lot easier. But it sure wouldn't feel like you were in control, would it?

DEAL

One thing you can control is spending money. Controlling it can have a huge impact on your retirement future. Every time you have an opportunity to spend a significant amount of money (say, for example, $500 or more) you should evaluate the situation carefully. Think of every purchase as a choice: do you buy a television that costs $500 or $1,000? Do you spend $2,500 on a road trip or $5,000 to visit Europe? Do you spend an extra $5,000 on top-of-the-line appliances and granite counters when you remodel your kitchen?

Before you make a deal, consider the effects of the choices you make. The chart below shows how much you may have in the long run if you take the difference in the costs of the items above and invest the money instead. By making a more economical deal today, you may be in a better position tomorrow to fund your retirement dreams.

DEAL

Item	Extra Cost	Future value if invested at 8% for: 10 Years	20 Years	40 Years
Television	$500	$1,079	$2,330	$10,862
Vacation	$2,500	$5,397	$11,652	$54,311
Kitchen Remodel	$5,000	$10,795	$23,305	$108,623

This is a hypothetical example only and not intended to illustrate any investment strategy. Figures are based on an investment in a tax-deferred retirement account in which you hypothetically earn an average annual return of 8%, compounded annually.

NO DEAL

Now, are you ready to take your new-found wisdom to the next deal-making level? It's a tougher battle—we're talking about the more common and frequent expenditures that you face each day. And we're talking about actually not making each and every deal that comes up.

Whether it's just $7 a month or $100 a month (or anything in between), choosing NO DEAL on a day-to-day basis may also significantly boost your retirement nest egg. Just giving up a few small items here and there can free up even more cash and may make the difference between a comfortable retirement and one without limits.

NO DEAL

Small items to give up	How often	Monthly Expense	Value if same amount invested monthly for: 10 Years	20 Years	40 Years
DVD rental	Twice a month	$7	$1,289	$4,151	$24,600
Soda	Once a day	$12	$2,210	$7,115	$42,171
Movie ticket	Once a month	$10	$1,842	$5,929	$35,143
Bagel and juice	Twice a week	$20	$3,683	$11,859	$70,286
Lunch out	Twice a week	$50	$9,208	$29,647	$175,714
Dinner out	Once a week	$100	$18,417	$59,295	$351,428

This is a hypothetical example only and not intended to illustrate any investment strategy. Figures are based on an investment in a tax-deferred retirement account in which you hypothetically earn an average annual return of 8%, compounded monthly, with contributions made at the beginning of each month.

Worth a LOOK

Using your net worth as a retirement planning tool

Do you know what you are worth? Okay, like most people, you are not going to put up Donald Trump or Bill Gates kinds of numbers. In fact, it may seem almost humorous to even try to figure it out (especially if you are in your twenties). But it is important to know.

Net worth is the basis for a lot of financial planning. It is simply the difference between what you own (your assets) and what you owe (your debts). It's important to note that your net worth has absolutely no relationship to your worth as a human being. Think of it as a snapshot that shows your financial health at a given point in time.

If you took a picture of your finances a year ago, today and a year in the future, you could probably see a trend. Assuming you are doing all the right things, your net worth should grow year by year. As you save money, that money continues to grow (in a good year), and you continue to pay down your debts, including your home mortgage balance.

To figure out your net worth, start with your ASSETS:

- Find the most recent statement from your bank and investment accounts
- Include the value of any life insurance policy you own (if it is a whole life policy). Such policies include a cash value.
- Include any retirement savings and the value of a company pension plan.
- Add property, including the current value of your main residence, vacation property, or other real estate.
- Include a rough estimate of all other physical assets, such as cars, boat, jewelry, art, collectibles and home furnishings.

Next, figure out the total of all your DEBTS, including:

- The balance of your mortgage
- Any loans and lines of credit
- All credit card balances

Doing the Math

Now you can compare the two numbers. The difference you arrive at is your net worth. By consistently saving some money (translation: spending less than you earn), you will grow your net worth. What your net worth amounts to by the time you retire could significantly influence the lifestyle you will enjoy.

Take some time now to figure out what you are worth. When you are done, file it away and take it out again a year from now. Seeing your net worth grow over the years can give your self-confidence a real boost!

ASSETS	Example	You
Cash	$2,000	$___________
Bank accounts	$5,000	$___________
Stocks, bonds, etc.	$10,000	$___________
Retirement plans	$50,000	$___________
Value of home	$250,000	$___________
Value of car	$10,000	$___________
Other		$___________
Other		$___________
TOTAL ASSETS	**$327,000**	$___________

DEBTS	Example	You
Credit card balances	$2,000	$___________
Car loan balance	$5,000	$___________
Student loan	$10,000	$___________
Home mortgage	$150,000	$___________
Lines of credit	$3,000	$___________
Other		$___________
Other		$___________
TOTAL DEBTS	**$170,000**	$___________

Example: ASSETS ($327,000) minus DEBTS ($170,000) = NET WORTH ($157,000).

You: ASSETS $____________ minus DEBTS $ ____________ = YOUR NET WORTH $____________.

HANDLE WITH CARE

Planning for the cost of long-term care is an important part of the retirement planning process

No matter how much each of us wants to deny it, we are all getting older each year. As you edge further toward retirement, it's hard thinking about aging—and the mysterious aches and pains that come with it. It's even more difficult to think about who will take care of you if you stumble and break a hip while skiing in the Alps once you are retired.

And if you think you are too young to be reading this article, you are probably wrong. The fact is, thinking about how you'll pay for long-term care should be a part of everyone's retirement planning process.

A study released in December 2006 by AARP found that most Americans don't have any idea of the cost of long-term care. What's even more alarming is that many Americans believe that if they do need long-term care, the government will pay for it. The reality is that Medicare typically covers only three months of nursing home care, and only if you spend time in a hospital first.

Medicaid's coverage of long-term care doesn't start until you have exhausted nearly all your savings. In addition, while Medicaid covers nursing home care for people who qualify, coverage of in-home health services is limited. And it doesn't cover assisted living at all. Qualifying for Medicaid is more difficult than ever. A provision in the Deficit Reduction Act enacted last year makes it harder for seniors to qualify for Medicaid if they have given away assets in the previous five years. The Act does have some controversy as it was designed to prevent wealthy seniors from hiding assets. Others argue that the Act penalizes middle-income seniors who provide financial assistance to children or grand-children and later need nursing home care.

In any event, good long-term care planning could help you avoid ending up in a nursing home, or at least give you more options should you require institutional care. Here are some steps to consider:

Long-term care insurance. These policies are still relatively new, but they're becoming more flexible. Along with nursing home care, some policies cover in-home care and the cost of an assisted living facility. The cost varies, depending on your age when you buy the policy and the types of services covered. The younger you are, the lower your premiums, which is why many financial planners suggest buying a policy when you are in your 50s. However, before you buy a policy, make sure you can afford to pay the premiums for many years. That's because it could be a long time before you need long-term care. Many people never need nursing home care, and even those who do often stay only a few months.

The U.S. Department of Health and Human Services has created a Web site with information about long-term care and long-term care insurance. Go to www.longtermcare.gov.

Family care. Will you be relying on relatives to care for you? If so, there are some key issues to consider. Do your children or other family members live nearby? Will you pay them? And, of course, there are many psychological factors to consider when involving family in your long-term care. Will you feel guilt over burdening them with your health problems? Will they feel burdened taking it all on? There are some really hard questions that will need to be put on the table when considering family care. Check out "Tools and Techniques" on page 4 of this newsletter for another resource that can help when considering family care.

Reverse mortgages. A reverse mortgage is a loan against your home that doesn't need to be repaid until you move, sell or die. You can receive the money in a lump sum, line of credit or monthly payments for the rest of your life.

You must be at least age 62 to qualify for a reverse mortgage. Because closing costs are typically high—up to 5% of the home's value—they're not a wise idea for homeowners who plan to move in less than five years. But if you want to remain at home, a reverse mortgage could provide money for in-home care or cosmetic adjustments to your home such as wheelchair access, etc.

The National Council on Aging has published a booklet, *Use Your Home to Stay at Home*, for people interested in using reverse mortgages to pay for long-term care. You can find it online at www.ncoa.org. Click on "Publications" then scroll down to the "General Interest/Seniors" section.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Issues facing participants approaching retirement

According to the Securities Industry and Financial Markets Association (SIFMA), more than 3 million baby boomers have turned age 60 since January 1, 2006. As retirement approaches, you may want to consider shifting some of your portfolio out of more volatile investments, such as stocks, and into more stable income-producing investments. That's because, at this stage in the game, your portfolio may not have time to fully recover from a market downturn.

Of course, you'll want to continue to build your assets so they'll last through a long and comfortable retirement. But you may also want to begin thinking about how to manage those assets once you are ready to retire. The choices you make in the few years ahead can affect your income and quality of life during retirement, and your beneficiaries' financial security.

Q & A

Common questions asked by retirement plan participants

At what age can I start withdrawing money from my qualified retirement plan?

Generally speaking, you have to wait until age 59½ to tap your account without getting hit with the IRS 10% early-withdrawal penalty. But if you're age 55 or older and you permanently leave your job, you can begin tapping it immediately without owing the 10% penalty. This is called the "separated from service" exception. It doesn't matter if you quit, retire or are fired. In fact, you could even begin working someplace else. But remember: even when the 10% penalty doesn't apply, you'll still owe income taxes on your withdrawals.

Tools & Techniques

Resources and ideas to guide you in your retirement planning efforts

Sooner or later, everyone must deal with both life and financial issues related to aging parents. WellPoint, one of the nation's largest health benefits companies, recently launched "Connecting the Generations," a nationwide educational initiative to help older adults and their families discuss and plan for important health and aging issues such as health care, financial security, independent living and end-of-life planning. Part of that initiative includes a new Web site that serves as an online resource for older adults and their families to access information on health and aging. Learn more at: www.ConnectingTheGenerations.org

Quarterly Reminders

Spring is in the air—How about some spring cleaning on your 401(k) or other qualified retirement account? Review your tolerance for risk and see if your investment plan still reflects the real you. In particular, make sure you have at least some money invested in the stock market. Over the long term, those types of investments can help you stay ahead of inflation. You'll also want to make sure you review your current contribution level. Have you increased your contribution like you promised yourself you would? You'll likely never miss the money. And the more you contribute to your account, the more you save on taxes.

Corner on the Market

Basic financial terms to know

National Debt

The total value of all outstanding Treasury bills, notes, and bonds that the federal government owes investors is referred to as the national debt. The government holds some of this debt itself, in accounts such as the Social Security, Medicare, Unemployment Insurance, and Highway, Airport and Airway Trust Funds. The rest is held by individual and institutional investors, both domestic and international, or by overseas governments. There is a debt ceiling imposed by Congress, but it is typically raised when outstanding debt approaches that level.

Interest on the national debt is a major item in the federal budget, but the national debt is not the same as the federal budget deficit. The deficit is the amount by which federal spending exceeds federal income in a fiscal year.

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