REINVENTING Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
4th QUARTER 2008

To Your Health

In keeping with New Year's resolutions, this first newsletter of 2009 focuses on healthy habits that improve your physical, mental, emotional and financial well-being. As Americans live longer and many remain active in their retirement, there's more reason than ever to make sure you are financially secure throughout your life. We provide a number of helpful tips. Here's to a happy and healthy year!

How Long Will You Live?

The average 65-year-old American male now can expect to live to age 82 and the average 65-year-old female to age 85.[1] Those averages mean that one in two of us will live longer than that. Nearly one-third (32%) of all women and 20% of men age 65 can expect to reach age 90.[2] Even living to 100, once a rare achievement, is becoming more and more common, due in part to improved medical diagnosis and treatment.

There are a number of good and helpful longevity calculators available. One excellent online quiz is at www.livingto100.com. Take a few minutes to answer the quiz and see where you stand. Click on your results and then learn about ways you can improve your health and live longer.

Go the Distance

Here are some actions you can take to promote a longer, healthier life.

Diet/Nutrition:

- Limit consumption of red meat.
- Eat at least five portions of fruits and vegetables a day.
- Limit desserts, sweets and foods high in saturated fats.
- Frequent, smaller meals are healthier than fewer, larger meals.
- Limit coffee to one or two cups a day and alcohol to one or two drinks a day.

Physical Exercise:

- Exercise vigorously enough to raise a sweat and elevate your heart rate—for at least 20-30 minutes four or five times a week.

- Aerobic exercises such as walking, running, hiking, cycling and swimming are ideal.
- Build or maintain your strength to slow age-related loss of muscle mass—lift light weights or simply do calisthenics, stomach crunches and push ups.
- Join an aerobics class that is appropriate for your age or fitness level.
- Basketball, volleyball, tennis, soccer, squash, racquetball —all can be part of your weekly routine.
- Yard work, such as gardening, mowing your lawn and shoveling snow all count as good exercise, but don't overdo it.

Other important physical health habits:

- Don't smoke.
- Maintain a steady weight.
- Get enough sleep.

Continued on next page

1 Life expectancy, National Center for Health Statistics, www.cdc.gov/nchs/fastats/lifexpec.htm
2 Society of Actuaries Retirement Participant 2000 Table, as cited at https://personal.vanguard.com/us/planningeducation/retirement/PEdRetPicLongRetireContent.jsp

Continued from page 1

Exercise Your Brain:

- Stay young mentally by challenging your mind each day. Stimulating brain exercises include playing Scrabble and solving crossword and Sudoku puzzles.
- Read regularly.
- Play a musical instrument.
- Learn a new language.
- Play bridge or other mentally stimulating card games.

An important part of staying young and healthy is keeping a positive attitude and remaining socially active. Maintaining close ties to family and friends can make you happier, lower your stress and possibly reduce your risk of heart disease.

To learn how you can make your money last as long as you will, read *"Financial Fitness"* on the next page.

Prepare for Your Future Health Care

For many years, health care costs have been rising faster than the overall inflation rate. When you retire, will you be prepared for the medical costs you will face?

Retiree medical costs are among the most critical financial challenges that we face today. The government Medicare program is in worse health than the more-publicized Social Security system.[3] Many companies are cutting back on health benefits for employees and retirees out of financial necessity. Both of these developments are partly due to pervasive medical inflation and the impact of the aging baby boomers. ***What can you do? In brief, learn, plan and save.***

Understand what you face

Although you can't tell what will befall you in the coming decades, you may have a clue based on family medical history. If high blood pressure or heart disease runs in your family, you may face additional costs for medications and doctor's and hospital visits, for example. Take time to consider your risks and potential future costs.

Review all your options

Understand your employer's health-care benefits and what coverage you will have after you retire. Plan to save or insure for anything that isn't covered by Medicare benefits or by your employer. Take advantage of a health savings account (HSA), if one is available to you. HSAs are like an individual retirement account (IRA), but they are used for covering health care costs, now or in the future. Contributions are tax-deductible, and money can compound and be withdrawn tax-free at any time for eligible medical expenses, now or after you retire.

Plan and prepare to pay

Get a sense of what you can expect in actual medical costs. Fidelity publishes an annual estimate for what an average 65-year-old couple will spend on health care costs throughout retirement. The 2008 estimate: $225,000, a 4.7% increase over last year's figure.[4] Expect this to keep rising as the years go by.

Roughly one-third is spent on out-of-pocket prescription drug expenses, one-third on premiums for Medicare Part B (supplemental medical insurance) and Part D (prescription drug plan), and one-third for other out-of-pocket expenses.

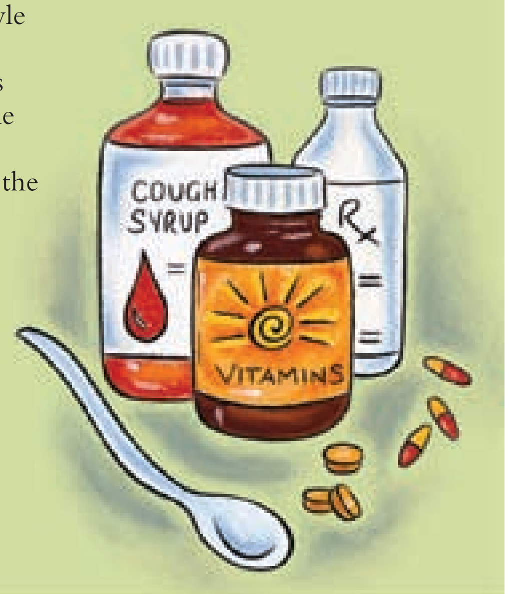
To supplement Medicare coverage, if you don't have an employer-sponsored retiree health insurance plan, consider buying Medigap insurance, which covers many things that Medicare does not.

Save for medical expenses

Because medical costs will make up a large part of your budget as a retiree, possibly rising as you age, keep them in mind when saving for your retirement. Start by factoring medical costs into your retirement budget. Then, decide whether to include saving for future medical costs as part of your overall retirement savings or whether to open a separate account, such as an HSA or an account earmarked for medical expenses.

Invest in your health and wellness

The best medicine is preventive. Follow healthy diet, exercise and lifestyle habits to lower your medical costs in retirement while staying active and living longer. See the cover article, *"To Your Health."*



3 Source: www.ssa.gov/OACT/TRSUM/trsummary.html

4 Source: http://personal.fidelity.com/products/publications. Click on "Insurance & Healthcare" then select *Three Ways to Get Set for Medical Costs*

Financial Fitness

The Key to Making Your Money Last

To live a long life, you'll need a healthy supply of money to go the distance with you. The risk of outliving your money is called "longevity risk." Begin early and follow these good financial habits, and you'll increase the likelihood that your money will last as long as you will.

Set clear goals—short-term and long-term goals—and create a financial plan to reach each goal. The plan needn't be long or formal, just a written plan of action. Try to stick with the plan, even though the market sometimes provides a rocky ride.

Eliminate debt. Maintain a healthy balance sheet and a clean bill of financial health. If you accumulate debt, especially high-interest rate credit card debt, pay it off as soon as you can.

Live within your means. Pay off all monthly bills. Don't overspend. One healthy way is to track all your spending for a month, evaluate which expenses are truly necessary and then cut out needless spending.

Save diligently, invest wisely. Start saving early and keep putting time and the power of compounding on your side as you build long-term financial strength. Understand that longevity risk and inflation risk (having your purchasing power erode over time) are bigger threats to your long-term well being than short-term market movements.

Pay yourself first. Make it your top priority to save for the future throughout your working years.

Grow your net worth. Over time, as you save more and pay off debt, particularly large debt, such as a mortgage, your net worth—your assets minus your liabilities—will grow. Review your net worth each year and track your progress.

Monitor your asset allocation. Set and maintain an appropriate mix of investments throughout your life. Your needs, goals and risk tolerance may shift gradually as you age, but you will always benefit from broad diversification.

Conduct an annual financial check-up. Review your overall financial well being, with a particular focus on your investments. Evaluate how well they perform compared with similar investments. And review your asset allocation, rebalancing it as needed.

Protect your family—in case anything happens to you. This includes life, health and disability insurance as well as keeping a will up to date.

Withdraw safely. To give your money a good chance of lasting as long as you will, withdraw it at a "safe" rate. Limit annual withdrawals to 4%–5% of your initial retirement account balance when you retire. Then adjust for the rate of inflation. This will give your nest egg a better chance of lasting 30 years or longer.

Protect against long-term care costs. Being ill for a long period can be a big financial burden. With health care costs tending to rise faster than overall inflation, it can be worthwhile to investigate long-term care insurance. It can protect your assets and spare your loved ones from having to be your full-time caregivers.

Annuitize some money. To create a lifetime stream of income, you may wish to consider purchasing a fixed annuity with some of your savings. Calculate your fixed monthly costs. Subtract your Social Security benefits. Then, purchase an annuity to cover the difference. Use the rest of your savings to pay for more discretionary and variable items.

Women Face Higher Longevity Risk

While everyone needs to be diligent in making sure their money lasts as long as they do, women face a higher longevity risk for several reasons.

1. American women live three or four years longer than men on average.[5]
2. Despite efforts to create pay equity in the workplace, women still earn just 80 cents for every dollar that men earn, according to the U.S. Department of Labor. Because they earn less, they save less overall.
3. Many women take some time off from their career to raise a family and/or care for elderly parents. This reduces the time they contribute to a retirement plan or receive an employer's contribution. It also affects the size of their Social Security benefits.
4. Women are more likely to work in part-time jobs that don't qualify for pension coverage.

For all of these reasons, women need to make an extra effort to save and accumulate more money and make it last longer.

5 Source: www.cdc.gov/nchs/data/hus/hus07.pdf#027

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Issues facing participants approaching retirement

One in four boomers postponing retirement

Difficult economic times are leading more than one in four baby boomers to postpone retirement, according to a survey conducted by AARP. Twenty-seven percent of workers aged 45 and older said they had put their retirement plans on hold, the survey reported. With longer retirements—and the need for one's savings to last longer, that may not be a bad thing. Another report showed that a 62-year-old earning $100,000 a year and with $500,000 in savings would increase his annual retirement income from investments and Social Security by 6% for every year he continues to work.

Source: http://online.wsj.com/article/SB122204345024061453.html

Q & A

Common questions asked by retirement plan participants

When the stock market is falling, why not sell all stocks and wait for it to rise again?

Market timing—opportunistic and large-scale buying and selling of stocks—is a very difficult and risky way to invest. For it to work, an investor would have to guess right twice—on the optimal timing to sell holdings and on the best time to buy them back. Because the stock market often moves up and down abruptly and dramatically, it is easy to guess wrong, and it can be costly, too, in a number of ways. There's the obvious cost of buying and selling investments. In addition, it could be costly to miss out on market gains by being on the sidelines at the wrong time.

Tools & Techniques

Resources and ideas to guide you in your retirement planning efforts

The theme in this newsletter issue is Health: Physical and Financial. There are many interactive online quizzes on longevity, healthy lifestyles, and calculators on financial saving and compounding, and risk tolerance, among other things. These Web sites have many informative articles and interactive tools:

www.aarp.org
www.wvhc.staywellsolutionsonline.com
www.dinkytown.net

Spending a few minutes responding to some of these quizzes and using the calculators could be fun and informative, and a good investment of your time.

Quarterly Reminder

Is it time for your annual financial check up?

Just as it's important to see your doctor and dentist for regular check-ups, you should conduct an annual review of your finances, including your investments, possibly with a financial advisor. This check-up should answer several key questions. Do you have adequate insurance protection? Are you managing your debts well? What is your credit score? Are you taking full advantage of opportunities to reduce your taxes? Are your investments performing up to par vs. other similar investments? Is your asset allocation right for you? Are you on track to reach your investment goals, including retirement? What is your net worth? The answers to these questions could lead to a plan of action that you can review a year from now.

Contribution Limits Rise in 2009

After the recent broad stock market downturn, it's nice to know that you can save more for your retirement than ever before in 2009. Try to take full advantage of these expanding retirement contribution limits and help restore a healthy balance in your retirement account.

For 2009, you can contribute the following amounts to your workplace retirement savings plan:

- $16,500 if you are under age 50
- $5,500 more if you are 50 or older, for a total of $22,000 if your plan allows catch-up contributions

You can also contribute the following amounts to your IRA:

- $5,000 if you are under age 50
- $6,000 if you are 50 or older

Kmotion, Inc., P.O. Box 1456, Tualatin, OR 97062; www.kmotion.com

© 2008 Kmotion, Inc. This newsletter is a publication of Kmotion, Inc., whose role is solely that of publisher. The articles and opinions in this newsletter are those of Kmotion. The articles and opinions are for general information only and are not intended to provide specific advice or recommendations for any individual. Nothing in this publication shall be construed as providing investment counseling or directing employees to participate in any investment program in any way. Please consult your financial advisor or other appropriate professional for further assistance with regard to your individual situation.