



## Participant Perspectives Newsletter

### YOU CAN GET THERE FROM HERE

No matter how close to retirement you are, it's never too late to start making up for lost time. Here are some steps that can help move you from where you are now to where you want to be, closer to a financially secure retirement.



#### Start with a Review

The first step is to figure out where you stand in terms of meeting your retirement savings goal. To do that, you'll need to determine how much annual income you'll need to live comfortably during retirement. Many experts suggest that you'll need 70% to 80% of your annual preretirement income for each year of retirement. (Future inflation will be a factor in determining the amount necessary for retirement.)

Next, estimate how much your current retirement savings will grow between now and retirement. You can use five- and ten-year average annual total returns for the various asset classes to get a rough estimate of your retirement savings' future growth. Based on your particular mix of assets, be sure to come up with an appropriate average return. (Check your recent plan statements for up-to-date performance information.)

Look at other savings, investments, Social Security benefits, and any pension benefits you may have coming. Once you add it all up, you'll have a good idea of where you stand. If there's a shortfall between the amount you expect to have and the amount you anticipate needing, it's time to get your savings program back on track.

#### Add to Your Plan

One of the best ways to deal with a shortfall is to increase the amount you're contributing to your retirement plan. The maximum amount you can contribute to a 401(k) plan or 403(b) annuity in 2015 is generally \$18,000. If you're age 50 or older and you've contributed the maximum amount, consider making "catch-up" contributions. (Not every retirement plan permits this option.) Essentially, catch-up contributions give older plan participants a chance to make up for lost time. The maximum catch-up contribution amount for most plans for 2015 is \$6,000.

#### Reexamine Your Investing Style

Take a look at how you have allocated your retirement investments. Is a large percentage invested in bond or cash equivalent investments? Bond and cash investments typically deliver fairly modest returns. You want your investment returns to at least beat the rate of inflation.

Historically, stocks have delivered long-term returns that exceed, on average, the inflation rate and are higher than both bond and cash equivalent investment returns. (Past performance doesn't guarantee future results.) If you are not holding the appropriate amount of stocks for your risk profile, you may want to adjust your portfolio to include a greater percentage of stocks. Keep in mind, however, that of the three investment types, stocks carry the greatest risk.

## NO REASONABLE REASON NOT TO SAVE

If you aren't saving for retirement (or aren't saving very much), you probably have a number of reasons. Yet, if you look closely at your non-saving rationale, you may find that it doesn't hold up very well. Preparing financially for your future is so important that there really are no good reasons not to save for retirement. Here are a few common reasons and why they aren't reasonable.

**I'M NOT SAVING BECAUSE INVESTMENT LOSSES WILL WIPE OUT MY EFFORTS.** The stock market is volatile. Yet, it provides an opportunity to produce the highest long-term returns. As a long-term investor, you probably have time to make up any short-term losses. To help cushion any declines in the value of your stock holdings, consider diversifying\* your portfolio. Making regular contributions to an investment lets you benefit from dollar-cost averaging.\*\* Since you invest the same amount on a regular basis, your contribution will buy more investment shares when prices are lower.

**I DON'T NEED TO SAVE BECAUSE I'M GOING TO WORK DURING MY RETIREMENT YEARS.** No one can predict the future. Illness, disability, caring for a loved one, or a layoff could prevent you from working as long as you want. If one of those situations occurs and you haven't saved, your financial security would be at risk. Even if you plan on working during your later years, you should still save as much as possible for retirement, just in case.

**SOCIAL SECURITY WILL PROVIDE THE BULK OF MY RETIREMENT INCOME.** Social Security's future is uncertain and it's always possible that changes may be made to the program. In 2015, the estimated average monthly benefit of all retired workers is \$1,328–\$15,936 a year.\*\*\* It's likely you'll need a lot more than that to maintain your current lifestyle. Consider Social Security just one potential source of income.

**I'LL SAVE ONCE I PAY FOR MY OTHER FINANCIAL NEEDS AND GOALS.** When retirement is a long way off, it may be hard to put money toward it if there are bills to pay and shorter term goals to achieve. You may have every intention of saving for retirement once you pay off the mortgage and help your kids with their college expenses. But by the time you're ready to save for retirement, you may not have enough time to accumulate the money you'll need to fund your desired

lifestyle. By waiting, you will have missed out on years of contributions and potential compounded growth. A better strategy is to prioritize your financial goals and design a plan to meet them. But keep in mind that you'll probably need a lot more to fund a comfortable retirement than you will for other items on your list.



### Don't Take a Break from Saving

You could pay a high price for interrupting your retirement saving, as this illustration shows. For a better chance of reaching your goal, keep saving throughout your working years—and consider increasing your plan contribution periodically.

ANNUAL CONTRIBUTION		ACCOUNT BALANCE AFTER 30 YEARS
\$2,400	No Break	\$200,903
\$2,400	10-year Break	\$141,271
\$2,400	20-year Break	\$108,495

*This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. It assumes a 6% average annual total return compounded monthly and that savings remain invested at 6% compounded monthly during periods of non-contribution. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable on withdrawal, unless they represent qualified Roth distributions.*

Source: DST

\*Diversification does not ensure a profit or protect against losses in a declining market.

\*\*Dollar-cost averaging will not guarantee a profit or protect you from loss in declining markets. For this investment method to be effective, an investor has to continue buying regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.

\*\*\*Fact Sheet, Social Security Administration, 2015 Social Security Changes



## IMMEDIATE ANNUITY: INCOME FOR LIFE

Planning the financial part of your retirement can be stressful. How can you be sure you'll have enough money to live on when you don't know how long your retirement will last or how well your investments will perform? If you're looking for some measure of certainty regarding your retirement income, an immediate annuity may appeal to you.

### What They Are

Offered by life insurance companies, immediate annuities are contracts that are purchased with a single lump-sum premium. Payouts begin immediately according to the terms of the contract. Several payout options are available.

**PAYMENTS FOR A FIXED PERIOD.** This option provides payments for a certain number of years (the *fixed term*). If you die before the term is up, the beneficiary of your annuity receives the rest of the payments. If you outlive the term of the annuity, however, the payments stop.

**PAYMENTS FOR LIFE.** *Single life* or *straight life* payments eliminate the risk of outliving your annuity income—you receive payments as long as you live. However, if you die before you receive payments equal to your premium, the insurance company keeps the remainder. There is also a *joint-and-survivor life option* that provides payments as long as either spouse is living.

**A COMBINATION OF BOTH.** Many annuities offer a *single life option with a guaranteed minimum term*. This option provides you with lifetime payments regardless of how long you live. If you die before the guaranteed period is up, your beneficiary receives payments for the remainder of the term.

### Right for You?

While immediate annuities can be useful, they also have drawbacks. You'll want to carefully weigh the pros and cons, including fees and other costs, before you make any decisions.

*An annuity may impose charges, including, but not limited to, surrender charges, mortality and expense risk charges, administrative fees, underlying fund expenses, and feature charges that can reduce the value of your account and the return on your investment. You will have to pay federal income tax on any earnings you withdraw from the annuity during retirement or before. Payments and guarantees are subject to the claims-paying ability of the issuing insurance company and the underlying investment options are subject to market risk and may lose value.*

## YOUR 401(K) BREADCRUMB TRAIL

Feeling a little like Hansel and Gretel about your retirement accounts? Working for multiple employers during your career can leave a trail of 401(k) plans strewn along the path to your current job. But with a little effort, you can find them and bring them home.

### Where Do I Start?

If you have a large balance in a former employer's plan, you probably haven't forgotten about it. But it can be easy to forget about accounts with low balances. To track down an account you left behind when you changed jobs, contact your former employer. The human resources department or the plan's service provider should be able to assist you.

### Plan B

If human resources can't help or if the company you worked for no longer exists, the Pension Benefit Guaranty Corporation ([www.pb.gc.gov](http://www.pb.gc.gov)) may be able to help you locate the plan. Another resource is the National Registry of Unclaimed Retirement Benefits ([www.unclaimedretirementbenefits.com](http://www.unclaimedretirementbenefits.com)), a nationwide database that helps employees and employers find abandoned or forgotten employee retirement accounts.

### Once You Find Them

If your current employer allows transfers from a former employer's plan, you can roll your old account balances into your current 401(k) plan account. Another option is to roll the money into an individual retirement account. Transferring the money through a direct rollover avoids possible taxes and penalties.

Rollovers aren't always available or appropriate, so consult your advisors for guidance.



## RETIREMENT GOALS: ARE YOU AND YOUR SPOUSE TALKING THE TALK?

Do you and your spouse share the same vision of your future retirement lifestyle? Have you discussed your retirement expectations?

**THE AGE FACTOR.** You and your spouse may each have a retirement age in mind, but have you shared that information with each other? Many of the decisions you'll have to make may hinge on your age and whether one of you is still working. Health insurance coverage, Social Security benefits, and the amount of income you have may all be affected. Spouses often retire at different times, and that's okay as long as you plan ahead, agree on the timing, and cover your bases in terms of having sufficient income and insurance coverage.



**WORK OR NO WORK?** Would you or your spouse be surprised to find out that the other wants to work during retirement? Many retirees become consultants in their fields or turn a hobby into a business after they leave the work force. Talk to your spouse if you're

considering a part-time or full-time job after retirement, and get his or her reaction before you make a decision.

**YOUR INCOME.** Maybe you can live on love when you're 20, but when you're retired, you need actual money. Plan to sit down with your spouse and your financial professional and determine how much income you can expect to have in retirement (based on current savings rates, projected investment growth, etc.). If you and your spouse have separate retirement plan accounts or investments, make sure you know the amounts in each and come up with a tax-smart strategy for making withdrawals during retirement. You'll also want to consider the most advantageous age for each of you to begin receiving Social Security benefits.

**YOUR FINANCIAL LIFE.** Who handles the finances in your household? If only one spouse manages financial matters, would the other spouse be prepared to assume that responsibility in an emergency? Both spouses should have the skills and knowledge to manage finances. Consider sharing all financial information with your spouse so that either one of you could make important financial decisions.

**LOCATION, LOCATION.** Both of you should know where to find copies of your wills, life insurance policies, bank and brokerage account information (including ID and password information for online accounts), and other important documents.

Talking with your spouse about retirement can make the transition easier for both of you.

*This information is for general and educational purposes and not intended as legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Information obtained from third party sources are believed to be reliable but not guaranteed.*

GREENBERG  
&  
WEXLER  
EIG

### Greenberg, Wexler & Eig, LLC

7316 Wisconsin Ave., Suite 230  
Bethesda, MD 20814

Phone: 301.656.0660  
Fax: 301.656.8656

[www.gwellc.com](http://www.gwellc.com)

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