RETIRE WITH IN

HOOSIER S.T.A.R.T.® NEWSLETTER • *Third Quarter 2014*

Do You Have a Date for the big game?

No, not that kind of date. We're talking about deciding on a date for your retirement—one of the most important decisions you will have to make. There are a number of factors that can help you decide, but one stands out: your finances.

Are you on track to being ready for retirement? Ideally, you know the answer to this question without much thought. That's because easy-to-use retirement income calculators are available from your retirement plan's website.[1] For some people, using a retirement income calculator is a little like going to the doctor; they don't want bad news, so they avoid going. By the time they realize they need some help, their issue may be harder to fix. Some people may also worry so much about getting bad news that they put off doing it altogether. But once you know where you stand, the path to where you're going will be clearer. So take a deep breath, dive in, and run those numbers.

What are your other sources of retirement income? For some of us, Social Security benefits will factor into our retirement income. For others, retirement income may be in the form of a pension. But you may have other potential sources that you haven't really considered. Think about any investments you have outside your retirement savings plan at work. For example, real estate could be sold to provide investable assets, or you may receive rental income from it. Maybe you will receive an inheritance. A growing trend that addresses both income and personal needs is working in retirement—more on that next.

How will you spend your time in retirement? For some people, a job figures into their planning. They may want an easy, gradual transition that involves consulting for their former employer, or they may want to start from scratch in a completely new field. Some want to be around lots of people and might take a less demanding part-time job at a retailer, for example. If employment figures into your ideal retirement, you'll want to consider that in terms of both money and timing.

There is a lot to think about when you're making the important decision about when to retire. As with any big decision, you should take the time you need to think it through. When you're ready, grab the ball and head for the goal line!

There is no season like fall to get you feeling cozy. Whether your impulse is to play in a pile of leaves with the kids or to wrap up in a stadium blanket to watch the game with someone you love, fall is a season that reminds us we'd better take action now, because winter will be here soon.

Between your fall activities, why not take some time to reflect on the preparations for the next season of your life? Like winter, after all, retirement will be here soon.

A Pension's Role in your retirement

Does your employer offer a defined benefit pension plan? Today, many employers do not. If you are among those fortunate enough to work for an employer that allows you to earn a pension benefit, you should consider the role it will play in your overall retirement picture.

A pension benefit is usually paid in the form of monthly income that lasts for a lifetime. It can be an important part of retirement because it can fill a portion of your income needs. On its own, though, it may not be enough to meet all your needs.

As you make a plan for retirement, visit your employer's human resources office. There, you can get an estimate of how much you can expect to receive each month from your employer's pension plan. You can likely receive the information in several formats, depending upon the options available in your plan.

With an estimate of your expected pension in hand, you can determine how much you should be saving on your own through your retirement plan. Use a retirement calculator to see how much income you might need, and offset that figure by your expected pension. It will be up to you to fill the gap, and a great way to do that is through your company's retirement plan. By using both plans together to the fullest extent possible, you will give yourself the best chance of achieving a secure retirement.

Start Early, save more

Do you consider a retirement savings plan as something to think about when you are, well, older? While it's true that the plan is meant to provide income during your retirement years, it's actually something you should start thinking about when you are young.

The reason for this is the compounding of earnings. That's the idea that every dollar earned on an investment becomes part of the investment, so that any future earnings are paid on the original investment *plus* any more that it has already earned. The reason it's so important to your retirement savings is because money you contribute when you're young has more time to grow—compounding any earnings on the account. Let's look at an example.

Steve started contributing to his retirement plan right away when he was hired at age 25. He put away 5% of his $40,000 a year income every month until he reached age 45, a total of $40,000 in contributions.

Paul also joined the plan right away when he was hired at age 45. He made the same salary as Steve and also contributed 5% regularly.

When Paul reached age 65, he decided to leave the company and retire. His account, with the 5% return he had earned every month during his 20 years of contributions, totaled $68,045. When Steve moved on to another company at age 45, he left his money in the plan so it would continue earning 5%, as it had all along. His total when he reached age 65: $180,544. That's $112,499 more than Paul's total, even though he hadn't made any more contributions! That's the power of compounding.[2]

While it's true that starting early can mean a bigger balance, it's not too late to start saving. The more you can sock away now, the better off you may be later. Contact your employer to get started today.

Ride Along with the ups and downs

The stock market goes up, and the stock market goes down. Depending upon the news of the day, the swings, or "volatility," could be small or large. You can't control the swings in the stock market, but you can control the way you react to them.

During the stock market lows of the recent recession, some people succumbed to worry and rumors. They took all of their money out of stocks, investing instead in what they perceived to be safe investments. These were often cash equivalents, but cash does not necessarily mean safety.

Those who took their money out of stocks were no longer in a position to enjoy potential returns. In fact, based on returns of the S&P 500® Index, a major stock market index[3], someone who had invested $10,000 from December 31, 1993, to December 31, 2013, would have earned an average of 9.22% per year in investment returns. But if the investor missed the 10 best days during that time period—only 10 days!—his or her investment returns would have averaged 5.49% instead. Rather than a $58,322 nest egg on December 31, 2013, the investor would have had only $29,111.[4]

If stock market swings make you nervous, remember this illustration, and keep your eye firmly on the horizon. Yes, the Dow Jones® Industrial Average℠, another major stock market index, bottomed out in February 2009 at 7,545, a steep decline from the 15,112 it achieved just a few months earlier in October 2007. But in June 2014, it reached a new high at just over 16,000. That's a pretty fair increase in exchange for a little patience and some courage.

Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or prediction of future results. For performance data current to the most recent month-end, please visit ***www.hoosierstart.in.gov****.*[5] *The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than its original cost.*

1 The calculators are intended as educational tools that provide hypothetical information for illustrative purposes only. It is not intended to provide financial planning or investment advice.

2 Source: http://apps.finra.org/Calcs/1/Savings. Assumes $167/month contribution for 20 years at 5% interest per year, and 5% interest per year for another 20 years.

3 A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of a fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.

4 J.P. Morgan Asset Management, using data from Lipper. Twenty-year annualized returns are based on the S&P 500 Total Return Index. www.businessinsider.com/cost-of-missing-10-best-days-in-sp-500-2014-3

5 Access to the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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