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

Make Tracks Toward Retirement Readiness…

The landscape may appear a little bleak if you're not saving enough. But take heart; there are things you can do to increase your progress.

Retirement readiness may mean something different for everyone, and no two people begin their journey at the exact same place. So step one is to decide where you are, and step two is to decide on your destination. Then you can take the final step to make your own plan.

Step One: Start Where You Are

First, take an inventory of your sources of retirement income by answering these questions:

- How much have I saved in my retirement accounts?
- Will I have earned a pension at retirement through my job? If so, how much monthly income do I expect from it?
- What other sources of income do I expect to have (rental properties, investments, etc.)?
- If eligible, how much can I expect from Social Security?

Step Two: Where Are You Going?

Next, decide how much money you are likely to need when you retire. This is usually expressed in terms of a percentage of your final years of pay. To see how your current account balance may convert to income at retirement, log in to your retirement account online and try the provided calculator. It will give you an idea about how you're doing on the road to retirement success and can help you decide if you need to save more, change your investment allocation, or adjust the timing of your retirement.

Step Three: Make Your Plan

Now you're ready to follow that path!

If you're not happy with your progress toward retirement, don't give up. There are three things you can change that may improve your ability to retire ready:

1. **Savings Rate** – How much you contribute to your plan
2. **Portfolio Allocation**[1] – The investment options you choose
3. **Retirement Age** – The age at which you stop working

…By Making Your Own Path

Getting to your destination may require a change in direction. With just a few small adjustments, your path could lead to a retirement that more closely meets the one you have in mind. Below are the three directions you may want to explore along the way.

Savings Rate

While workers who have calculated their retirement income needs tend to save more, fewer than half[2] of all of us have done so. There are great reasons to use a retirement income calculator (like the one you'll find on your online retirement plan website). For example:

- You may pay less in federal income taxes, because your contributions reduce your taxable income;
- Any earnings on your account will accumulate tax-deferred, so you don't pay income tax on them until they are withdrawn[3]; and
- Contributions you make today may help increase your income in retirement. Just $25 per paycheck could add up to $50,000 or more over 30 years.[4]

Portfolio Allocation

A diversified portfolio is one of the most important elements of a savings strategy, yet it can be one of the hardest because we don't feel qualified to do it ourselves.[1] Don't worry; you don't need to be an expert in finance to properly diversify your portfolio. Here are some suggestions to help you.

- **Decide on your risk tolerance level.** As you decide where you fall on the spectrum between conservative and aggressive, think about your investing knowledge, the length of time until you retire, your sensitivity to market fluctuations, and other sources you may have for retirement income.
- **Figure out your time horizon.** How many more years do you have until retirement? If you have many years, you may want to take more risk in your investments; if there isn't much time remaining before you need the money, less risk may be warranted.
- **Determine your investor style.** Traditionally, investors are aggressive, moderate or conservative based upon their risk tolerance level and their time horizon.

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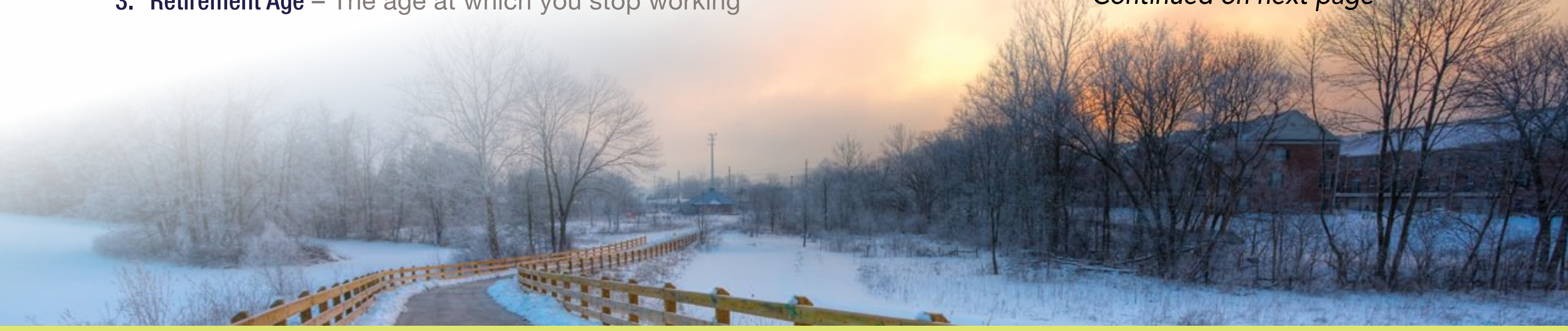

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Retirement Readiness

(continued)

Retirement Age

The vast majority of people (88%) feel that they need help figuring out how much income they can afford to take out of their retirement assets every year to avoid running out of money.[2] The age at which you retire is an important factor in this decision, because it will help determine how long your retirement savings need to last. Other important considerations are:

- **Healthcare.** If you decide to retire early, make sure you understand your healthcare options. Medicare eligibility is generally at age 65; you may be able to purchase private health insurance until then, but it will likely add to your expenses and, therefore, require more income.
- **Social Security.** The amount of any Social Security income you may receive depends upon when you begin receiving the benefit. If you begin Social Security benefits earlier than full eligibility age, your lifetime payments will be lower; if you delay the start of your benefits past your full eligibility age, you'll receive higher payments.
- **Retirement lifestyle.** Younger retirees may have more active lifestyles, which may require more money during the early years of retirement.

The Winter Financial Blahs: take charge, feel better

Are you feeling the financial blahs? By taking charge of your finances, you can overcome that feeling because you will have more financial choices. One choice you can make with your money is to put more of it aside for retirement. When you get control of your debt and your budget, you may be able to afford to do that, and you are more likely to enter retirement debt-free.

So instead of curling up and hibernating until spring arrives, take some time this winter to take action. Here are some thoughts to explore and strategies to try during the long, cold winter.

Are you drowning in debt? Although it may be tempting to ignore the situation, the first step to fixing the problem is clarifying it. List the balances, the minimum payment amounts, and the interest rates for every debt. Writing it down can be a good first step toward taking control of it. Make a commitment, right now, to avoid adding to your debt, and do what you can to pay off your debts quickly. Some experts suggest starting with the smallest debt and working your way to the largest. Others recommend starting with the debt that has the highest interest rate. Whichever way makes the most sense for you, just get started. Paying off debt can be very encouraging, and it can free up more of your income so you can invest in your future.

The Federal Trade Commission offers advice to consumers who are struggling with debts. Visit http://www.consumer.ftc.gov/articles/0150-coping-debt#self-help for information about coping with debt.[5]

Are you controlling your spending? Much like we sometimes eat more than we intend to, we also may spend for reasons that don't really make much sense. If you buy things when you're bored, lonely or frustrated, it is likely you don't need the item. And, of course, it won't make you happy in the long run. For one month write down every purchase you make, noting the item, the date, the time and the amount. You could even note the circumstances—for instance, "waiting for a ride near the coffee shop." At month's end, you may notice a pattern. With that awareness you can begin to take charge of your spending. Moving your actions into your conscious mind can help you control them better, which could ultimately save you money.

American Consumer Credit Counseling publishes a booklet where you can find worksheets and information to help get your personal finances on track. You can review it online at http://www.consumercredit.com/media/53165/financial-workbook-feb-2013.pdf.[5]

1 Asset allocation and diversification do not ensure a profit and do not protect against loss in declining markets.

2 EBRI 2014 Retirement Confidence Survey

3 Withdrawals may be subject to ordinary income tax. Withdrawals made prior to age 59½ may incur a 10% early withdrawal penalty.

4 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration is not intended as a projection or prediction of future investment results, nor is it intended as financial planning or investment advice. It assumes 24 pay periods per year, a 6% annual rate of return, and reinvestment of earnings with no withdrawals. Rates of return may vary. The illustration does not reflect any associated charges, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees had been deducted.

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