

Secure Your Financial Future With an Annual Retirement Check-Up

You're saving, and just as important, you're investing in your 401(k) plan, right? But being confident you'll have a secure retirement requires more. You need a goal. You need a strategy to achieve your goal. And you need to check up on your plan every year. As the years go by, and life changes, so may your retirement savings strategy. Completing the Profit Sharing/401(k) Council's *Annual Retirement Check-up* below will help ensure your retirement will be all you want it to be!

Performing a checkup on your retirement future is as easy as planning for a vacation.

When you plan a vacation, most likely you'll go through the following steps:

- 1) *Identify what you have available:* I have \$500 and one week off work.
- 2) *Determine your destination:* Myrtle Beach.
- 3) *Choose how you'll get there and where you'll stay using the resources available:* I'll fly and stay with my favorite cousin in order to stay within my budget.
- 4) *Implement your plans:* Book reservations and make other arrangements as needed.

Now let's apply the same model to assess where you are with your retirement plan. By the way, the following worksheet is also a great tool that can be used by those who are currently not in a 401(k) plan as a way to begin planning for their retirement.

Annual Retirement Check-Up: Step 1

Identify your resources available: (i.e. \$500 and one week's vacation)

A. What is your current:

Account balance \$ _____
Plan **Investment Return** _____ %
Savings Rate _____ %

Asset allocation approach--percent of savings allocated* to:

U.S. Large Cap Stock Fund	_____ %
U.S. Small Cap Stock Fund	_____ %
U.S. Bond Fund	_____ %
International Stock Fund	_____ %
Money Market Fund (Cash)	_____ %
Total	100%

*Include allocations to stock in your employer's company in either the large cap or small cap equity fund category depending on the size of your company. Include allocations to stable value funds with U.S. Bond Funds.

Annual Retirement Check-Up: Step 2

Determine your destination (i.e., Myrtle Beach): You need to determine your **Personal Retirement Goal** in order to determine how much you need to be saving per month now. Need a modeling program? Go to one of the Web sites listed below, or look in the materials given to you by your plan's investment provider. Look for what is usually called a "retirement planning calculator."

Resources to review:

<http://www.amcore.com/invest/focTools.cfm>

<http://chalk401k.com/calculators.htm>

<http://www.fidelityatwork.com/401k/tools/tools.htm>

<http://www.financecenter.com/retirement.html>

<http://www.financialengines.com>

<http://www.massmutual.com/Retire/perplan.htm>

<http://www.webcalcs.com/cgi-bin/calcs/prod/retire.cgi?client=mfs>

<http://news.morningstar.com/news/ms/numbercrunchers/401kcalc.html>

<http://www.rwbaird.com>

<http://www.ssgi.com>

<http://www.suntrust.com/pers/eb/toolkit/index.html>

<http://university.smartmoney.com/Departments/Retirement401k>

<http://www.strong-funds.com/rps/participants/tools.htm>

<http://www.troweprice.com/retirement/troweretireIRAHome.html>

Annual Retirement Check-Up: Step 3

Choose how you'll get there and how you'll invest the money you have available (i.e., fly and stay with cousin): For this step, you need to determine an **asset allocation**, or **investing strategy** that might best produce the **investment return** you need to reach your retirement goals.

See the resources below or look in the materials given to you by your plan's investment provider.

Resources where you pay a fee for objective advice designed to meet your financial needs and investing personality:

<http://www.aslo.com>

<http://www.directadvice.com>

<http://www.financialengines.com>

<http://www.401kforum.com>

Free resources that recommend their products but still provide advice designed to meet your financial needs and investing personality:

<http://www.troweprice.com>

<http://www.vanguard.com>

<http://www.fidelityatwork.com>

In addition, it is important **rebalance** the amounts you have invested in your different options once a year so they reflect your targeted allocation.

Annual Retirement Check-Up: Step 4

Implement your plan (i.e., book reservations and other arrangements): Submit the changes you want to make to your savings rate deduction, contribution allocations and investment balances on the forms available from your benefits department as soon as possible.

Create a reminder to perform your annual retirement checkup again at the same time next year. By checking your retirement financial plan once a year you can easily and painlessly adapt your retirement course to the ever-changing winds of investing in order to secure your retirement future.

It's as simple as that!

What Do These Terms Mean?

Investment Return

The rate of return you receive on your investments determines how quickly your money will grow. A low return may mean low risk but slow growth, while a high rate of return means that you're making more money from your investments but short term volatility may be greater.

Asset Allocation

Asset allocation is the process of selecting appropriate asset classes and allocating your money among them in order to achieve your investment objective. Asset classes are broad groups of investments that have similar characteristics (risk, capitalization, and dependence on economic factors). Asset classes may be broadly defined (stocks, bonds or stable value and cash) or more narrowly defined (small-capitalization growth stocks, for example).

Personal Retirement Goal

Have you been saving and investing without a clear sense of how much you will actually need for retirement? That's like going on a long trip with no destination. Experts estimate that you'll need at least 70% of your final pre-retirement income to maintain the same standard of living once you stop working. You must decide how much you need at retirement because that target will help you determine your savings and investment strategy.

Savings and Investment Strategy

How much of your paycheck you save and how you invest it should be based on what you need to do to achieve your personal retirement goal. While such decisions are based on your individual needs, keep in mind that:

- 1) The more you save, the more you'll have at retirement.
- 2) Saving consistently over time reduces risk and increases reward.
- 3) 401(k) plans are long-term programs.
- 4) How you invest your 401(k) money will have a large impact on how much you have at retirement.

Rebalancing

Once you have decided how much and where to invest your money, you should actively work to achieve the planned investment return over the long run. For example, assume you determine you should have \$10,000 allocated to a large cap growth fund based on the calculations from one of the web sites above. When you check your account balance, you find you have \$15,000 in the large cap fund since the market increased so much the prior year. You then need to switch **(rebalance)** \$5,000 from the large cap growth fund and move it into the other funds where there is less money than targeted.

The purpose is to start every year with the same percentages of your assets in each investment as provided in your investment strategy. Because each investment has its peaks and valleys, by reallocating like this every year you will be selling high and buying low - every investor's number one goal.