FINANCIAL FOOTNOTES

Retirement Planning Newsletter — Spring 2016

The scent of spring is in the air, and that means it's a great time to do a little housekeeping. In this issue of *Financial Footnotes*, we'll help you tackle some tasks that can make a real difference for your future — and the futures of your loved ones.

Where does your retirement stand?

If you're like most Americans, you may be missing the one piece of information that could have the most impact on your financial future. The answer to the question, "Where do I stand in terms of retirement?" could put you at ease or give you a sense of urgency. Either way, it's something you should know.

How are you really doing?

According to the Government Accountability Office report GAO-15-419, published in May 2015, about half of households age 55 and older have no retirement savings.[1] For those between ages 55 and 64 who do have retirement savings, the median amount is about $104,000. While that may seem like a lot of money, Investopedia says it would translate into a monthly payment of just $310 if invested in an annuity.[2] Add that to the average Social Security monthly payment, $1,335 in June of 2015 (according to Social Security Basic Facts[3]), and you get an average monthly income of just over $1,600 per month. For many people, that may not be enough. That's why saving in the retirement plan at work is so important.

As a group, Americans are not saving enough. We'll need income to live throughout our potentially 30 years of retirement. That's a long time to be without a job, and it means we need

to work hard to save while we're employed and still have the opportunity.

One of the most important things in planning for retirement is figuring out where your retirement income will come from. Visit your plan's website to see a personalized projection of your retirement income.[4] Then, if you're eligible for Social Security benefits, consider signing up with the Social Security Administration

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1 Source: http://www.gao.gov/products/GAO-15-419
2 Source: http://www.investopedia.com/articles/personal-finance/011216/average-retirement-savings-age-2016.asp
3 Source: https://www.ssa.gov/news/press/basicfact.html
4 The projections, or other information generated by any tools on your plan's website regarding the likelihood of various investment outcomes, are hypothetical in nature. They do not reflect actual investment results and are not guarantees of future results. The results may vary with each use and over time.

EMPOWER RETIREMENT™

Get organized

Nothing brings peace of mind like accomplishing a goal — especially one that makes you feel more organized. Find the calm that comes with knowing your financial life is in order by taking these steps:

Name or update your beneficiaries

Financial accounts, like your retirement plan and insurance policies, generally ask you to designate a beneficiary to receive the balances in the event of your death.

If you don't designate or update your beneficiaries, you run the risk that your assets won't go where you intend. Chances are good that your life has changed since you first made those beneficiary designations. Marriage, divorce, the birth or adoption of a child — all of these may affect your choices about who should receive any or all of your assets.

Remember that beneficiary designations take precedence over a will; the person or people you name as beneficiary(ies) on, for example, your life insurance policy, will receive the proceeds — no matter how you distribute your assets in your will.

Consolidate retirement accounts

Do you have a balance in a former employer's retirement plan? If you do, you already know that having accounts in different places can make your life more complicated. It can be hard to maintain your momentum in saving for retirement when your accounts are spread out in several different places. Why not take a few minutes to explore the idea of rolling your old accounts into your current plan?[1] Then, you can easily see and manage everything all at once. Contact Empower Retirement to help you with the process.

Sign up for online documents

By enrolling in the electronic communications for the companies you do business with, you can cut down significantly on the amount of paper you bring into your home because you can receive statements and other communications directly to your inbox. You can make requests or update your information quickly. And if you need a copy of a statement or other information, you can print it from there.

Keep your information current

Keeping your personal information up to date is especially important for your retirement accounts. Take a few minutes every year to review your name, email, physical address and phone numbers. If you move, change jobs or get a new phone number, be sure to update your information, too.

1 You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.

Where does your retirement stand? *(continued from Page 1)*

(www.ssa.gov) to get an estimate of what you can expect to receive from that source.

Other potential sources of retirement income may include a former employer's retirement plan, a pension, savings or investments outside a retirement plan; an inheritance; property you plan to sell; or rental property income. Make a list of these and any other potential income sources and review it periodically.

Once you know where your retirement income will come from, you can estimate how much you'll have. Having that estimate can help you focus your efforts today. If you decide that you need to save more, now is a good time to do it.

Keeping your financial house healthy: What do rising interest rates mean for you?

In December of 2015, the Federal Reserve raised its key interest rate by ¼ point, the first increase in almost a decade. While the increase was modest — from 0.00-0.25% to 0.25-0.50% — expectations are that interest rates may increase gradually in 2016.

Interest rates matter for investors and buyers, and in general, everyone falls into at least one of those categories. How will rising interest rates affect you?

Large purchases

The key interest rate that increased in December determines bank lending rates for very short-term borrowing. In theory it may not seem to have much to do with you. But in reality, this interest rate has a ripple effect and can influence debt you may have, like a mortgage or a car loan. With repeated assurances from the Federal Reserve that future rate hikes will be gradual, it is unlikely that you need to rush out and buy that new car or refinance your mortgage to take advantage of low rates; those consumer interest rates are likely to stay low for some time.

Saving and investing

If you have money in a savings account at the bank, the balance probably hasn't changed much unless you added to or withdrew from the account. That's because savings account interest rates have hovered around 0% for the last seven or eight years. With the increase from the Fed, you may begin to notice slight increases in savings account rates. But you'll need to be patient, because the rates are unlikely to increase quickly. At the same time, banks are increasing borrowing rates on credit cards and other unsecured debt. It appears they are keeping the money, though, rather than paying more on your deposits.

The increase in the Fed rate seems to have contributed to increased volatility in the stock market, something that impacts anyone invested there. In your retirement plan at work, you may have stock market investments. Even if you see fluctuation in your account balances, remember the lessons learned from the earlier recession. Investors who bailed out of the stock market during the low point lost a tremendous amount of potential as compared to those who stayed invested. Rather than picking up more shares at low prices and then enjoying the market's upswing, they sold out at the very bottom and will have to work much harder to catch up.

In any economy, panic is the enemy. Make your plan and stick to it, even if the world around you appears to be crashing. Those stubborn investors who maintained their holdings and their contributions could be enjoying the rewards.

Retirement in motion

Tips and resources that everyone can use

Q&A

Save for kids' college or add to the retirement account?

What should be the priority when budgets are tight? Because retirement may be some years away, it may be tempting to put your kids' education savings on the front burner. But that could be a mistake. College students can apply for low-interest loans, work-study programs and scholarships to help pay for their education, but you cannot realistically expect to borrow funds to pay for your retirement.

Quarterly reminder

Update your estate planning documents

The *Get organized* article on Page 2 mentioned updating the beneficiaries on your retirement and other financial accounts. If your life situation has recently changed — with a divorce, death or a new child, for example — you should also review the beneficiary selections on any other accounts you own. Your insurance policies, will, power of attorney and health care proxy should all be reviewed periodically to ensure that they properly reflect your wishes upon your death.

Tools and techniques: Resources to help guide your retirement plan

How much house can you afford?

A conservative rule of thumb states that no more than 36% of your income should go toward paying your debts, and no more than 28% should be allocated for all housing expenses, including mortgage, property tax and insurance. Of course, where you choose to live will have a significant impact on affordability. Try out the home affordability calculator at Realtor.com to determine how much house you can afford: http://www.realtor.com/mortgage/tools/affordability-calculator/.

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