

THE RETIREMENT INCOME COMPASS

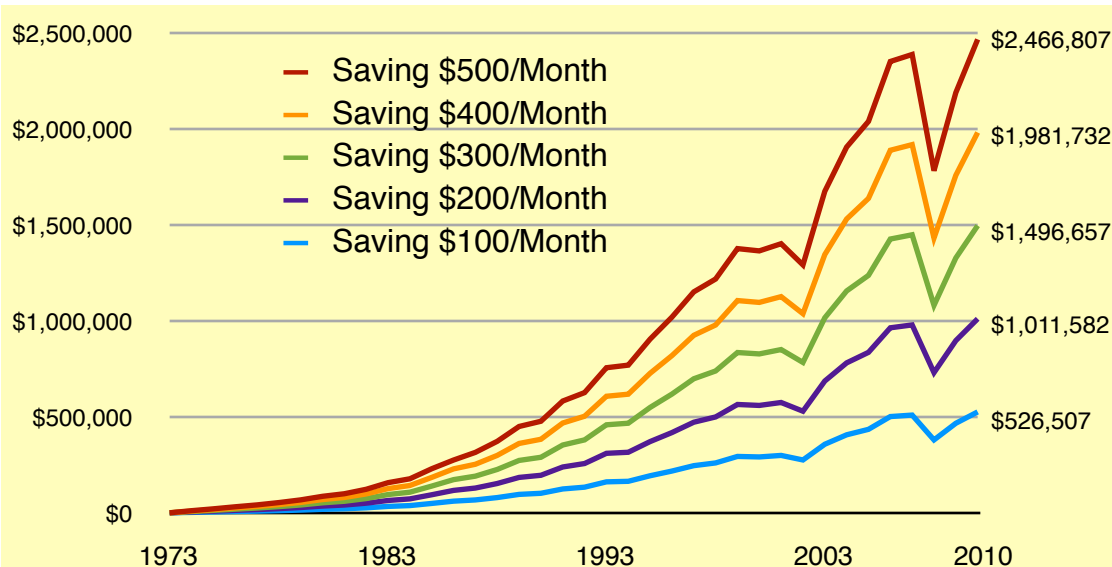
BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

Planning Challenge/Compass Advantage

Adding \$100 per Month to Retirement Savings

Can Dramatically Impact Your Retirement Lifestyle

Growth of a \$1,000 Retirement Account with Various Monthly Savings Rates, 1973-2010



Source: DFA Matrix Book. Returns were reduced 1.5% each year to account for fund expenses and maximum advisor fee. Past performance is no guarantee of future results. This example is for illustrative purposes only and not indicative of any actual investment. An investment cannot be made directly into an index.

The graph above depicts hypothetical growth for five different saving rates—in \$100/month increments—contributed to a retirement account over 38 years.

The \$400,000 difference

Invested in a globally diversified portfolio of 60% stocks & 40% bonds, each additional \$100/month savings would create an additional \$485,000 after 38 years.

What would each additional \$485,000 mean for you at retirement? At a starting 5% withdrawal rate each additional \$485,000 would add \$24,250 to starting annual withdrawals, (\$485,000 x 5% = \$24,250).

The Challenge

As can be seen in the performance lines of the chart, each of the five portfolios had a drop in value of approximately 24% in 2008. As the captain of your own retirement the historic drop might cause you to consider eliminating or cutting back on retirement plan contributions.

The biggest planning mistake an investor can make in distressing times like 2008 is to reduce retirement savings contributions. During market downturns, when it's easy to focus on the 'here and now,' don't lose sight of your long-term goals. Maximizing your portfolio withdrawals in retirement is your long-term retirement income goal.

Make small sacrifices for big gains

If you've cut back on your contributions to your 401(k) or other retirement accounts, revisit your decision. Savings should be the last area you think about when cutting back. In difficult times the focus should be on reducing unnecessary spending. Consider increasing your savings rate. Just imagine how much your lifestyle would be enhanced with an extra \$24,250 annual withdrawal at the start of retirement.

Remember, the factor that will most affect your income during retirement is your savings rate during your working years.

Saving for Retirement Back in Vogue

There is good news from the retirement savings front.

'For those just entering the work force, and even for boomers getting closer to retirement, the notion of saving for retirement is back in fashion for all age groups,' Washington-based AARP, which represents seniors, said in a study issued recently.

Of those who have started cutting back on spending or saving more:

- 73% are doing so to save more for retirement
- The most common retirement accounts are the 401(k) and IRA

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What to know...
and how to go

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