10 Reasons You Should Plan for Your Retirement Now

Looking for a Good Reason to Start Planning for Retirement?

We'll give you 10!

1 YOUR RESPONSIBILITY FOR SAVING MONEY IS INCREASING

The burden for building retirement savings is no longer as "shared" as we may think. Employee pensions, social security, and other benefits are shrinking, while the costs of healthcare, long-term care, and basic goods and services are rising. A third of all Americans depend on Social Security for almost all of their income but the Social Security program is facing a shortfall of more than $4.6 *trillion* over the next 75 years. (**RetirementReform.org**, February 2008)

While most financial planners recommend you'll want 70-80% of what you earned during your peak earning years for your retirement income, CPA Michael Eisenburg cautions "This doesn't take into account a person's personal needs, everyone is different."

"Some retirees indulge in fancy cars, second homes, and overseas travel. Others spend on greens fees, socializing, spa and gym memberships, and gifts for grandkids. Big spending retirees should calculate their nest eggs using a current-salary figure of 100 %." ("How Much do You Need to Retire," New York Post, May 6, 2007.)

To help ensure your retirement income doesn't fall short, you need a sound retirement savings plan. **Start today**.

2 SOCIAL SECURITY IS ONLY "ONE LEG OF THE STOOL"

Social Security isn't what it used to be… currently, the average monthly benefit check covers 40% of the average worker's pre-retirement income, which in 2007 was $1007 a month. (**MSN.com** "Could You Survive on Social Security?" March 22, 2007) **Could you live comfortably on that?**

Some experts say it's not wise for those under 50 to include Social Security in their calculations because it may not fully materialize.

"It's estimated that by 2030, Social Security will only replace 29% of a persons total retirement income." (Social Security Brief no. 25 "Social Security and Retirement Income Adequacy" National Academy of Social Insurance, May 2007).

3 MANY OF US HAVEN'T CALCULATED OUR RETIREMENT NEEDS

Not only have the majority of Americans never even attempted to calculate their retirement needs, most who actually have, either can't remember or have underestimated the amount they'll need to save.

Calculating correctly and setting sound objectives is an essential part of a successful retirement savings plan. **Make sure you do it – make sure you get it right.**

Only 43% of Americans report that they or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement. (Employee Benefits Research Institute (EBRI) "Retirement Confidence Survey 2007")

4 YOU'LL NEED MORE THAN YOU THINK

How much more? Social Security benefits might be adjusted for inflation, but private pensions are generally fixed. Will putting away a little extra here and there suffice? **The short answer: No.**

Let's assume you're age 45, earn $50,000 a year, and you haven't begun to save for retirement yet. Here's what your retirement picture would look like:

Present annual income:	$50,000
Percentage of present income desired in retirement:	70%
Total contributions needed by age 65:	$321,840
Contributions needed this year:	$11,498

This is a hypothetical example only and does not represent any specific investment or fees. Actual results may vary. (Choose to Save's Ballpark Estimate retirement worksheet, **www.choosetosave.com/calculators**. Assumes a 3% return on investments after inflation, 3.4% annual wage growth, no pension benefits, Social Security benefits estimated in future dollars, and a life expectancy of 87 years.) Periodic investing does not assure a profit or protect against loss.

5 WE'RE SAVING LESS

These days our lives are active and spending is up. Our savings, however, are down. Here are the figures pertaining to personal savings in the United States in the past two decades:

Savings as percentage of disposable personal income

1980	10.0%
1990	7.0%
2000	2.3%
2004	1.8%
2007	0.2%

Bureau of Economic Analysis "Personal Income and Outlays December 2007." **http://www.bea.gov/newsreleases/national**

6 WORKING AFTER RETIREMENT

It's not a safe bet. Working after retirement can be a rewarding way to supplement income. However, counting on your ability to do so in advance can be dangerous. **Here's why**:

45% of pre-retirees expect to work past 65, but only 13% of retirees have actually done so. (McKinsey 2006 Consumer Retirement Survey)

40% of retirees leave the workforce earlier than planned because of:

- Health problems or disability (28%)
- Company changes such as downsizing or closure (28%)
- Having to care for a spouse or family member (25%)

(2007 Employee Benefits Research Institute (EBRI) Retirement Confidence Survey)

7 THE HEALTHCARE HURDLE

In 2005, Americans age 65 and over spent on average $4,193, about 13% of their total out of pocket expenses, on healthcare. (Bureau of Labor Statistics "Consumer Expenditures in 2005")

Between 1988 and 2006, the number of large employers offering retiree health benefits declined from 66% to 35%. Why? Because as employers look to cut spending and raise their profit margins, they have been shifting the cost of healthcare onto the retirees in the form of higher premium contributions and cost-sharing requirements. (Kaiser/Hewitt 2006 Survey on Retiree Health Benefits)

8 FACTORING IN LONG-TERM CARE

It's truly difficult to predict whether or not you'll need nursing home or in-home care in the future, but long-term care could be one of the most expensive types of care you'll ever face. Medicare, Medigap, and private health insurance do not cover the costs of long-term care; they only help pay for hospital stays and brief periods of post-hospital recovery.

Medicaid may cover nursing home or in-home care, but you have to spend down your assets in order to be eligible. **Don't forget to factor long-term care into your retirement savings plan.**

Consider this: The average cost of a private room in a nursing home in the U.S. is $77,745 annually, or $213 a day. (2007 MetLife Market Survey of Nursing Home and Home Care Costs)

According to the Center for Retirement Research, out-of-pocket Medicare expenses are currently estimated at $3,800 per person. For a couple retiring in 2010, they will need approximately $205,932 for out-of-pocket medical expenses during their retirement. ("Health Care Costs Drive-up the National Retirement Risk Index" February 2008)

9 RETIREES SPEND AT HIGH LEVELS

Retirees are vital consumers and often spend close to, if not more than, the amount they spent during their working years. Mortgage payments, business suits, and other work-life necessities are often replaced by vacations, recreation, help with the needs of family and grandchildren, and basic goods and services. **Will you have enough?**

According to Secretary of Labor, Elaine L Chao, the average worker between ages 18 and 38 will have 10 jobs before retiring. Only 43% of those who change jobs will preserve their employment-based retirement savings by rolling it over into their new employer's plan or an IRA. For every 10 years a worker puts off saving for retirement, he/she will need to save three times as much each month to catch up. (The 2006 National Summit on Retirement Savings, Final Report, U.S. Department of Labor, March 1-2, 2006, Washington, D.C.)

10 TIME IS MONEY

Contributing to an income tax-deferred retirement account is one way to put time on your side – allowing you the potential to accumulate money for retirement that is deferred from income taxation until it's withdrawn. All withdrawals reduce the death benefit and may reduce the value of any optional benefits. Early withdrawals and other distributions of taxable amounts may be subject to ordinary income tax, a surrender charge, and if taken prior to age 59½, an IRS 10% premature distribution penalty tax may apply.

Putting off planning for even one more year could significantly affect your retirement income.

	At 65 you accumulate	Loss of interest
Begin at 35	$ 89,491	N/A
Begin at 36	$ 83,655	$4,636
Begin at 40	$ 63,194	$20,294

This chart is hypothetical and is for illustrative purposes only and does not represent any specific investment or product. The calculations assume a $100 monthly contribution and a 5.5% annual interest but do not include any specific product fees or charges. If product fees and charges were included, the results would have been lower. Past performance is no guarantee of future results. Periodic investing does not assure a profit or protect against loss.

The ING family of companies offers a number of products and services that can help you meet your retirement savings objectives. For more information, contact your ING representative.

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