Plan for the life you want in retirement.

RETIREMENT: A NEW BEGINNING

When you think about your first day of retirement, what do you see? Are you relaxed and energized, thinking about all the wonderful new possibilities ahead?

LET'S EXPLORE THE POSSIBILITIES

American
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When you think about your first day of retirement, what do you see? Are you relaxed and energized, thinking about all the wonderful new possibilities ahead?

Today's retirees are living longer than ever before – well into their 70s, 80s, 90s, and even 100s – and are pursuing diverse and active lifestyles. They volunteer, travel, exercise, help care for grandchildren and other family members, and even continue to work, ideally on their own terms. Retirement is no longer viewed as a time of rest after years of hard work, but the beginning of a brand new stage of life, complete with new adventures. How will you create yours?

Before you answer, consider this: Most people will probably need between 70% and 100% of their final income each year during retirement to afford a comfortable lifestyle.

But there's a catch: Your income needs to increase a bit each year to keep up with the rising cost of living. For example, if you retire making $60,000 and decide that you'll need 80% of that amount to live on, you'll need a little more than $48,000 in your first of year of retirement (including any income you would receive from Social Security). Then each year after that, your retirement income will need to rise to maintain your lifestyle.

That means you'll need a sizable amount of money set aside before you retire in order to provide the income you'll need during retirement.

There's good news: Your employer offers one of the most valuable employee benefits available today – a defined contribution retirement savings plan. By taking full advantage of your employer's plan, you can help make your retirement the best stage of your life.

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How Much Will You Receive From Social Security?

Social Security has been the subject of much debate in recent years. While some folks hope to rely on Social Security for all of their retirement income, others question whether Social Security will help much at all. For most people, the reality probably falls somewhere in the middle. To get an estimate of your Social Security benefits, visit www.socialsecurity.gov.

In our parents' and grandparents' era, retirement income was built from what was often referred to as the "three-legged stool." One leg was Social Security; the second leg was an employer benefit known as a pension plan; and the third was an individual's own personal savings.

Unfortunately, traditional pension plans are rare nowadays – only a small percentage of firms offer one - and Social Security has become the source of much debate (see sidebar). Tomorrow's retirees will likely need to piece together their income from a variety of sources, which might include the traditional legs mentioned above, as well as other sources of income, such as real estate and art, insurance and annuities, and perhaps even income from a part-time job or a new business venture.

And fortunately for you, a potentially strong source of retirement income could be your employer-sponsored retirement savings plan. By taking full advantage of your plan now, you could make it the core piece of your retirement income strategy down the road.

What Does It Take to Provide Income for a Retirement That Lasts 25 years?

This table offers a glimpse of how much it might take to provide 70% of a given salary each year for 25 years, using certain assumptions, including the fact that your salary will rise by 3% a year until you retire. These amounts do not consider any current savings you may have, or other possible income sources such as Social Security. They are meant to show how important it is to plan ahead.

To see how these figures might compare to your own savings target, use a goal-setting worksheet or an online retirement goal-setting calculator, or visit a financial professional.

Current Salary	Years Until Retirement		
	10	20	30
$40,000	$822,189	$1,104,953	$1,484,965
$60,000	$1,233,284	$1,657,430	$2,227,448
$80,000	$1,644,378	$2,209,907	$2,969,930

Figures are hypothetical and for illustrative purposes only. They assume a 3% inflation rate and a rate of return during retirement of 4% per year. Inflation and returns will fluctuate over time and cannot be guaranteed. Taxes are not considered.

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Your retirement savings plan offers three primary benefits, including convenience, tax advantages, and a variety of investments to consider.

1 Convenience:

When you participate in an employer-sponsored savings plan, your contributions are taken directly from your paycheck. This process makes saving easy, allowing you to "pay yourself first," automatically, each pay period. In addition, some employers offer an employer match—extra money that goes into your plan based on how much you contribute. If your plan offers a match, be sure to save at least enough to get the full amount. The money is similar to a guaranteed return on your contribution dollars.*

2 Tax advantages:

Depending on the type of plan your employer offers, you could cut your tax bill both now and in the future. With a traditional "pretax" savings plan, contributions are deducted from your pay before income taxes. That means your taxable income—and the amount you pay to Uncle Sam each year you participate in the plan—is lower. In addition, your account benefits from "tax deferral." Unlike other investment accounts that require you to pay taxes each year on the earnings, retirement savings plans allow you to put off paying taxes on your earnings until you withdraw the money. Some plans also offer a Roth account. With Roth accounts, your contributions are taken from your pay after taxes, but withdrawals are tax free if certain requirements are met.**

Immediate Benefits of Pretax Contributions

	Employee 1	Employee 2	
Bi-Weekly Pay	$2,000	$2,000	
Plan Contribution	$0	$120	Amount Invested: $120
Taxable Pay	$2,000	$1,880	
Taxes Paid	$500	$470	Immediate Savings: $30

This example assumes a 25% federal tax rate and a 6% plan contribution, and has been simplified for illustrative purposes. Your results will differ based on your unique circumstances.

3 Investment choice:

Your plan offers many different types of investments. This will help you put together a strategy to pursue your saving goals with a comfortable level of risk (see Investing 101 for more information).

***Employer matches are often subject to a vesting schedule, which means you need to be employed for a certain amount of time before the match money, and any earnings on it, is entirely yours.**

****Withdrawals from non-Roth plans and nonqualified withdrawals from Roth plans will be taxed at then-current rates. In addition, early withdrawals will be subject to a 10% penalty tax. See your Summary Plan Description for more details.**

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Risk/Reward Comparison Key

- High Risk/Reward
- Mid Risk/Reward
- Low Risk/Reward

Once you've made the decision to set aside money for retirement, the next important decision you'll make is how to invest that money. That decision really boils down to understanding a few simple concepts and how they relate to your individual circumstances.

First, let's consider some basic principles of investing. The investment options available in your plan may range from not so risky ("conservative") to very risky ("aggressive"). Riskier investments typically offer the chance for higher returns over the long term – but they also come with a greater chance of losing your savings.

Using a mix of different investments, a process known as "diversification," can help you manage risk in your portfolio.

The investments in your plan can generally be placed in one of three categories called "asset classes." They are stocks, bonds, and cash (also known as capital preservation). Each asset class has a different risk/return personality.

Stocks

Higher Risk, Higher Potential Reward

Stocks represent ownership in a company – i.e., when you own stock in an organization, you actually own a small piece of that company. The number of shares you own determines how much of the company you own. Stocks are the most risky of the three asset classes, and therefore tend to offer the best potential for higher returns over time. But they also may present the greatest risk to your money.

Bonds

Moderate Risk, Moderate Potential Reward

Bonds represent loans you (the bondholder) make to a company or a government (the borrower). In return for the money you provide, the borrower promises to pay interest income at a stated rate. However, there are no guarantees that the borrower will continue to make its promised payments or that you will get the full value of your loan back. For this reason, bonds fall in the mid-range of the risk/return scale.

Cash

Lower Risk, Lower Potential Reward

These investments are designed to protect your money. Although they are considered low risk in the sense that there is a small chance of losing your investment dollars, there is a larger risk that your money won't grow enough to adequately pursue your savings goal.

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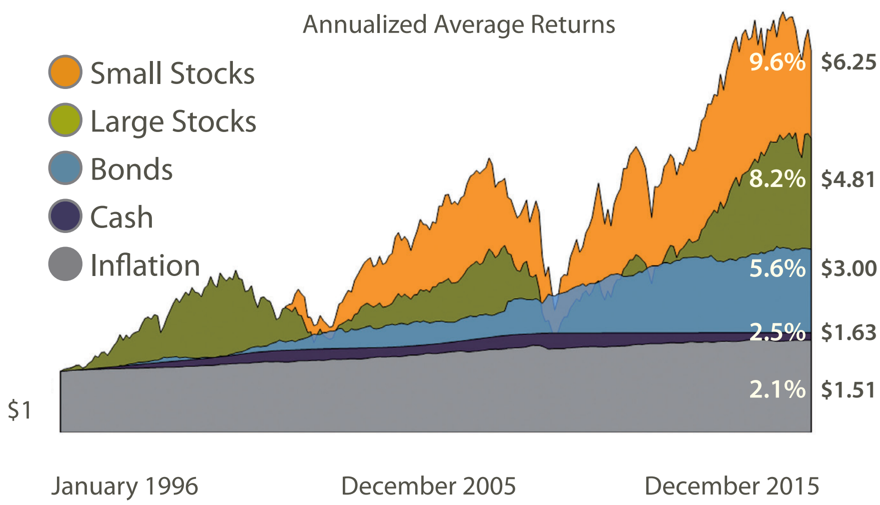
This chart illustrates the historical growth of $1.00 invested in stocks, bonds, and cash for the 20 years ended December 31, 2015. It also shows how costs rise over time (inflation). As you think about your risk tolerance and how it relates to your asset allocation, consider your ability to ride out the dips in the value of your retirement savings plan in pursuit of long-term gains.

20-year historic performance of the three major asset classes and inflation

(results of $1 invested in January 1996)



Source: Morningstar Principia. Performance covers the 20-year period ended December 31, 2015. Small stocks are represented by the Russell 2000 Value Index; large stocks are represented by the S&P 500 Index; bonds are represented by the Barclays Capital Aggregate Bond Index; cash is represented by the 90-day U.S. Treasury bill; and inflation is represented by the Consumer Price Index. Indexes do not take into account the fees and expenses associated with investing, and individuals cannot invest directly in any index. Past performance cannot guarantee future results.

All investing involves risk, including the possible loss of principal. Stocks are particularly susceptible to volatility and market risk, or the risks that their prices will fluctuate with overall market conditions, and small stocks tend to experience wider price swings than large stocks. Bonds are subject to interest rate risk, or the risk that bond prices will decline with rising interest rates, as well as credit risk, or the possibility that the bond issuers will not be able to make their promised interest payments or repay principal. Cash investments are most susceptible to inflation risk, or the risk that returns will not keep pace with the rising cost of living. There can be no assurance than any investment strategy will be successful.

Sneaky Inflation

Why take on any risk at all in your retirement savings plan? One important reason is the need to beat inflation, or the rising cost of living. Consider how much some everyday purchases could cost after 20 years at a 3% inflation rate.

Gallon of milk	**20 Years**
$3.50 today	$6.32
Haircut	**20 Years**
$30 today	$54.18
Running shoes	**20 Years**
$85 today	$153.52
New car	**20 Years**
$20,000 today	$36,122

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Something to Consider

Before investing in a mutual fund, carefully consider its investment objectives, risks, fees, and expenses, which can be found in the prospectus available from the fund. Obtain a copy of the prospectus and read it carefully before investing.

Most retirement savings plans offer access to the three asset classes through mutual funds. These investments bring together the money from many different retirement plan participants to buy a pool, or "portfolio," of individual stocks, bonds, and/or cash investments. By investing in a fund or several funds, you own small portions of each individual security. You are also taking advantage of the principle of diversification, which helps you manage risk. You select funds for your needs based on each fund's objective (what it is designed to achieve).

Following are some common fund objectives:

Typical objective	Description	Invests in	Risk level
Growth	Growth of investment dollars over time (can be more or less aggressive)	Mainly stocks	Tend to offer higher long-term average returns, but carry most risk of loss
Income	Provide stream of income over time	Mainly bonds	Generally fall in the middle of the risk/return spectrum
Capital Preservation	Protect investment dollars	Cash investments and low-risk bonds	Most conservative offerings in the plan; tend to offer lowest returns

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When you choose investments for your retirement savings plan, you use a process called "asset allocation," which refers to how you divide your investment dollars among the three main asset classes. But how do you make your choices?

Three main factors will help guide your asset allocation decision:

1 Savings goal

How much you want to have in your retirement savings plan account at retirement

2 Time horizon

How long until you retire

3 Risk tolerance

How much risk you are willing to take with your savings to pursue returns

Investment Mix

Your savings goal, time horizon and risk tolerance help to determine your investment mix.

Generally speaking, a large goal, a high tolerance for risk, and a long time horizon would translate into a more aggressive strategy – and a higher allocation to stock/growth investments. The opposite is also true: smaller goals, a low tolerance for risk, and a shorter time horizon might require a more conservative approach.

A careful analysis of these three personal factors can help you make thoughtful, strategic choices for your retirement savings plan. The goal setting and risk tolerance worksheets that may be included in this booklet can also help, or consider working with a financial professional.

Also keep in mind that there is no guarantee that any investment strategy will be successful; all investing involves risk, including the possible loss of principal. And remember that asset allocation and diversification can't guarantee a profit or eliminate the possibility of potential losses, including the loss of principal.

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Compounding, the most powerful force in the universe

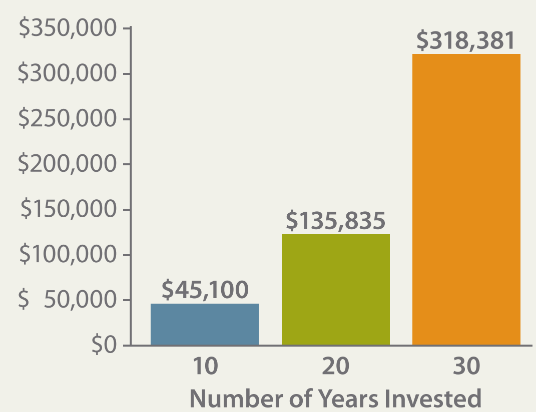
It is believed that Albert Einstein once called compounding "the most powerful force in the universe." Compounding is when your money earns returns, and then those returns earn more returns themselves. In your retirement savings account, compounding can be a driving force behind your rate of success.

Age 50 and Over: Here's a Chance to Catch Up!

If you are age 50 or over and are just now beginning to plan for retirement, don't panic. Special Internal Revenue Service (IRS) "catch up" rules allow you to save more in your retirement savings plan. While most workers can contribute up to $18,000 in 2016, savers age 50 and older can save up to $24,000 in 2016. The IRS reviews these figures each year for possible adjustments.

Let's say you contribute $120 to your retirement savings plan on a biweekly basis. Assuming you earn a 7% rate of return each year, your results would look like this:

The Compounding Difference



That's that power of compounding at work. And the longer your time horizon, the more dramatic the results may be.

Time horizon	Total amount saved	Total amount accumulated
10 years	$31,200	$45,100
20 years	$62,400	$135,835
30 years	$93,600	$318,381

These examples are hypothetical, for illustrative purposes only, and do not represent the performance of any actual investment. Returns will change from year to year, and cannot be guaranteed. You may also lose money in your retirement plan investments.

Plan now for your retirement. No matter what your age, now is the time to begin planning for retirement. And an important first step is participating in your employer-sponsored retirement savings plan.

1. Contribute as much as you can (up to plan limits) to benefit from any employer match, as well as current and future tax advantages.
2. Invest thoughtfully and strategically, based on your savings goal, time horizon, and risk tolerance.
3. Review your plan at least annually to ensure it stays on track.

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ESTIMATE YOUR RETIREMENT SAVINGS GOAL

Years until retirement	5	10	15	20	25	30	35	40
Factor A	1.16	1.34	1.56	1.81	2.09	2.43	2.81	3.26
Factor B	4.90	9.58	14.03	18.27	22.32	26.17	29.84	33.34

How much might you need to retire? Use this worksheet to help target a total accumulation goal.

1. How much is your current income?
2. Multiply this amount by .80. This is an estimated annual income in retirement, in today's dollars, based on 80% of your current income. *(Or enter a different amount, if you choose. Most experts suggest 70% to 100% of your current annual income.)*
3. How much might you receive from Social Security each year, in today's dollars? Visit www.socialsecurity.gov to estimate your Social Security income.
4. How much might you receive each year from other sources, in today's dollars, such as pension income?
5. Add lines 3 and 4. This is your total estimated annual income, in today's dollars, from other sources.
6. Subtract line 5 from line 2. This is your estimated income gap, which you will need to make up from your retirement savings.
7. How many years until you retire?
8. Find the corresponding factor from Factor A *(above)* and enter it here.
9. Multiply line 6 by line 8. This is the amount that your savings will need to generate in year one of your retirement.
10. How long do you expect your retirement to last?
11. Find the corresponding number from Factor B *(above)* and enter it here.
12. Multiply line 9 by line 11. This is the target amount you may need to accumulate by the time you retire.

Example	You
$60,000	1. $__________
$40,000	2. $__________
$23,000	3. $__________
$0	4. $__________
$23,000	5. $__________
$17,000	6. $__________
20 years	7. __________
1.81	8. __________
$30,770	9. $__________
25 years	10. __________
22.32	11. __________
$686,786	12. $__________

This worksheet assumes that inflation rises at an average of 3% per year both before and during retirement. It also assumes that your investments grow at an average of 6% per year before retirement, and 4% per year during retirement. Such assumptions are hypothetical and cannot be guaranteed.

This worksheet is not meant as advice, but as a way to provide a general estimate for illustrative purposes. Your specific goal should take into consideration your total family income, your current and expected assets, and other unique circumstances. A financial professional can help you calculate a goal that is specific to your particular situation.

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RISK TOLERANCE WORKSHEET

The following worksheet may help you assess your ability to take on investment risk in pursuit of long-term goals. Answer each question, then tally your results at the end.

1. When making a long-term investment, I plan to hold the investment for:
   a. 1 to 2 years *(1 point)*
   b. 3 to 4 years *(2 points)*
   c. 5 to 6 years *(3 points)*
   d. 7 to 8 years *(4 points)*
   e. 9 to 10+ years *(5 points)*
2. If you owned an investment that fell 20% over a short period of time, what would you do?
   a. Sell all of the investment *(1 point)*
   b. Sell a portion of the investment *(2 points)*
   c. Sell nothing *(3 points)*
   d. Buy more of the investment *(4 points)*
3. Generally, I prefer an investment with little or no fluctuation in value, and I am willing to accept the lower return associated with this investment.
   a. I strongly agree *(1 point)*
   b. I agree *(2 points)*
   c. I disagree *(3 points)*
   d. I strongly disagree *(4 points)*
4. When it comes to investing in stocks and bonds, I would describe myself as a:
   a. Very inexperienced investor *(1 point)*
   b. Somewhat inexperienced investor *(2 points)*
   c. Somewhat experienced investor *(3 points)*
   d. Experienced investor *(4 points)*
   e. Very experienced investor *(5 points)*
5. How optimistic are you about long-term prospects of the economy?
   a. Pessimistic *(1 point)*
   b. Unsure *(2 points)*
   c. Somewhat optimistic *(3 points)*
   d. Optimistic *(4 points)*
6. What do you hope your account value will be 10 years from now?
   a. A little higher that it is today *(1 point)*
   b. Moderately higher than it is today *(2 points)*
   c. Substantially higher than it is today *(3 points)*

Points

1. ________
2. ________
3. ________
4. ________
5. ________
6. ________

Total Points:

Retirement Savings Goal Score:

Score	Investor Type	Description
6-12	Conservative	In general, a conservative portfolio will invest heavily in bonds and stable value/ cash alternatives. The primary goal is to preserve principal.
13-18	Moderate	A moderate portfolio will generally attempt to balance income and growth by allocating significant investment dollars to both stocks and bonds.
19+	Aggressive	An aggressive portfolio will typically tend to concentrate heavily in stocks, focusing on potential growth.

This tool is not intended as investment advice, but rather as a guide to help you assess your risk tolerance. A financial professional can help you understand how your results relate to your investment choices.

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