ABC Plan
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000001
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RETIREMENT **INCOME ASSESSMENT**

YOU MAY NOT MEET YOUR RETIREMENT GOALS!

This Retirement Income Assessment has been prepared exclusively for Sally Smith. To help with your retirement planning, we calculated your projected savings and income from the ABC Plan. The good news is that you are participating in the plan - a great start toward saving for retirement. However, this assessment reveals that *you may not have enough money to retire* when you reach the age of 65.

Sally, you may not meet your retirement goals

RETIREMENT PROFILE

Name:	Sally Smith
Date of birth:	01/01/1959
Current deferral percentage:	7%
Approximate annual salary:	$150,000.00
Retirement age:	65
Hypothetical investment return:	6%
Monthly Pension Benefit:	$0.00

Potential Retirement Income Shortfall: (see inside for details and suggestions)	**$6,871.10 per month**

YOU CAN REACH **HIGHER GOALS**

The retirement income assessment for Sally Smith shows a potential shortfall in retirement income.

HERE'S YOUR RETIREMENT INCOME ASSESSMENT

- To maintain your current lifestyle in retirement, some advisors say you will need about 80% of your income or $10,000.00 in monthly income.
- At your current 7% contribution rate and assuming a 6% return on your investments, both before and during retirement, your account balance would be $83,595.21 at age 65. (Assumes an existing account balance of $5.00 as of 9/30/20XX)
- That balance would generate monthly payments of $598.90, with a $0.00/month pension benefit and an estimated monthly Social Security benefit of $2,530.00, would produce total monthly income of $3,128.90 (assumes you will deplete your savings over a 20-year period).
- This means you may have a shortage of $6,871.10 in monthly income during your retirement.
- Keep in mind that these illustrations do not consider any investments you may hold outside of the ABC Plan. Also note that the investment return used here is hypothetical and doesn't represent any specific investment offered by your plan. Your investment results will be different, and taxes will apply upon withdrawal.

YOUR RETIREMENT INCOME ANALYSIS

Monthly Retirement Income Required (80% of current income) **$10,000.00**	**Social Security** **$2,530.00**
	Monthly Pension Benefit **$0.00**
	Retirement Plan (assumes a 20-year payout and a 6% return) **$598.90**
	Sally's Gap **$6,871.10**

IT'S UP TO YOU

Here's the good news. You have control over your retirement planning. There are a number of steps you can take to potentially help close the "gap."

STEPS TO CONSIDER

STEP 1

Increasing your deferral to 13%. By participating in the ABC Plan, you have taken an important first step in building your financial future. Now may be the time to weigh an equally important second step, increasing your contribution level to help close your retirement "gap."

Your retirement savings plan contribution level is 7%. Increase that rate to 13% (the maximum pre-tax contribution you can make without exceeding the $19,500 annual IRS limit), and you may be able to help close the "gap." Since your contribution is made on a pre-tax basis, the approximate reduction in your weekly take home pay is $285.00. Assuming a 6% return on your investments, the difference in the growth of your retirement plan nest egg could be dramatic. That change may mean an additional $29,502.08 in the amount you have available at retirement and bring you closer to the $6,871.10 monthly retirement income needed to close your "gap." (This contribution level will not completely close your gap. You will need to consider some of the steps outlined below in addition.)

Notes: This assessment does not take into account other resources you may have for retirement (e.g., your home, a spouse's retirement plan or assets, etc.). As a result, it may not reflect your actual retirement preparedness. Includes a $0.00/month pension benefit payable at retirement.

STEP 2

How much income you'll need at retirement. Our assumption is that you'll need 80% (most financial planners suggest a range between 70-90%). You'll have a better chance of reaching your goal if you determine you can live on less than 80%.

LOWERING EXPECTATIONS AND INCREASING DEFERRALS

Replacement Income	Target balance*	Current 7% contribution	9% (current plus 2%)	11% (current plus 4%)
80%	$1,042,668	$83,595	$93,429	$103,263
75%	$955,430	$83,595	$93,429	$103,263
70%	$868,192	$83,595	$93,429	$103,263

* The target balance is the amount you should have in your account at retirement to meet your income objective. Your target balance declines when you have a lower replacement objective. This illustration assumes that, once you reach the pre-tax contribution limit, you continue to contribute the suggested percentage on an after-tax basis to other investments outside of your plan, such as a traditional or Roth IRA.

STEP 3

Your retirement age. By working a few years longer, you can extend the period during which you save for retirement, and you may reduce the amount you will need for retirement (since the period you will be retired is shorter).

DEFERRING RETIREMENT AND INCREASING DEFERRALS

Retirement Age	Target balance*	Current 7% contribution	9% (current plus 2%)	11% (current plus 4%)
65	$1,042,668	$83,595	$93,429	$103,263
66	$1,014,831	$114,964	$128,489	$142,013
67	$985,277	$148,268	$165,711	$183,153

* Your target balance declines as you get older because you will spend fewer years in retirement. Plus, your Social Security benefit may be higher. This illustration assumes that, if you reach the pre-tax limit, you continue to contribute the suggested percentage on an after-tax basis to other investments outside of your plan, such as a traditional or Roth IRA.

STEP 4

Your asset allocation. Asset allocation refers to how you invest your retirement account. Generally, if you assume greater risk, you can expect, over time, a potentially greater return – and therefore a larger account balance when you retire. But the decision to take on more risk in the hope of generating a greater return should be approached carefully. There is no guarantee that riskier investments will always produce larger returns, and by assuming greater investment risk, you increase the risk of loss to your account balance.

And remember that your retirement income assessment does not take into account any resources you may have outside of your company-sponsored retirement plan (IRAs, spouse's income, pension, other investments, etc.).

TAKE ACTION TODAY!

Increasing your contributions may help you reach your retirement goals. But it's only one option. A combination of the steps we've described may be necessary to close the "gap" and put a comfortable retirement within range.