

BUILDING BLOCKS FOR RETIREMENT

Retirement Planning Essentials

A Financial Plan for All Seasons

Grab your sunglasses -- summer's here, and it's time to kick back and relax.

If only it were that easy. It would be great if all your worries disappeared when summer arrived, but that doesn't happen. Actually, if money is stressing you out and you're planning to take a vacation, summertime may be extra stressful.



Financial stress can strike at any time. If you're worried about money and your solution is to wait for things to get better, you're making a mistake. The best way to tackle money troubles is to take control and make some changes.

Find Your Inner Money Manager

You can't get a handle on your finances until you know where your money is going. And you can't manage your cash until you control your spending. Bottom line:

Set up a spending plan (budget) that covers your expenses and frees up money to put toward your short- and long-term goals.

Deal With Your Debt

If you have outstanding credit card balances or loans, paying down your debt will free up extra cash. The less you pay in interest, the more money you'll have for other things, like saving for retirement. Credit cards generally carry high interest rates, so that's a good place to start.

To get a handle on credit card debt, stop using your cards for new purchases. Focus on the credit card account with the highest interest rate and pay off that balance. (Note: Always pay at least the minimum amount due on all outstanding balances and loans.) Once that debt is zeroed out, go on to the account or loan with the next highest interest rate.

Eliminate Any Penalties

When money is tight, every penny counts. You can't make every penny count if you have to pay late fees on your credit card accounts, loans, or other bills. Get into the habit of always paying on time. Try paying your bills as soon as they arrive or arranging for automatic



payments (as long as you keep an eye on your bank balance to avoid overdraft fees and/or interest charges).

Reduce Stress Later, Too

Taking control of your finances can help improve your situation now – and likely later. Let's say you eliminate a few splurges and free up \$10 a week. Since saving for retirement is a big goal and a top priority, you increase your contribution to your employer's retirement plan or other retirement savings account by that amount. Over time, that extra money could make a substantial difference in your balance, as illustrated in the hypothetical example below.

Once you see how much of a difference small amounts can make, you just might look for another \$10 a week to contribute. And the next time you get a raise or bonus, you might decide to increase your contribution again.

The Power of \$10					
	Account Balance After:				
Weekly Plan Contribution	5 Years	10 Years	20 Years	30 Years	40 Years
\$10	\$3,023	\$7,101	\$20,022	\$43,529	\$86,298
\$20	\$6,047	\$14,203	\$40,044	\$87,058	\$172,596
\$30	\$9,070	\$21,304	\$60,065	\$130,587	\$258,894
\$40	\$12,093	\$28,406	\$80,087	\$174,116	\$345,192

Source: DST Systems, Inc. These are hypothetical examples involving participants who consistently make weekly contributions over various time periods and earn a 6% average annual investment return (compounded monthly). The illustration does not represent any specific investment product offered by your plan and does not include any investment fees and expenses. Your investment returns will differ, and it is unlikely that your contribution amount will remain the same over a long period. Pretax contributions and related plan earnings will be subject to ordinary income taxes and a possible additional tax for early withdrawal upon distribution.

Look at the Difference

The faster you pay off your credit card debt, the less interest you'll pay and the sooner you'll have more money to save for other things. Look at a hypothetical example that illustrates the difference between paying \$100 a month and \$350 a month on a \$5,000 credit card balance.

Monthly Payment	Number of Months to Pay Off Balance	Interest Paid	Total Payments
\$100	73	\$2,240	\$7,240
\$350	16	\$461	\$5,461

Source: DST Systems, Inc. This is a hypothetical example used for illustrative purposes only. Your results will be different. It assumes an interest rate of 13%.

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