Saving for Retirement

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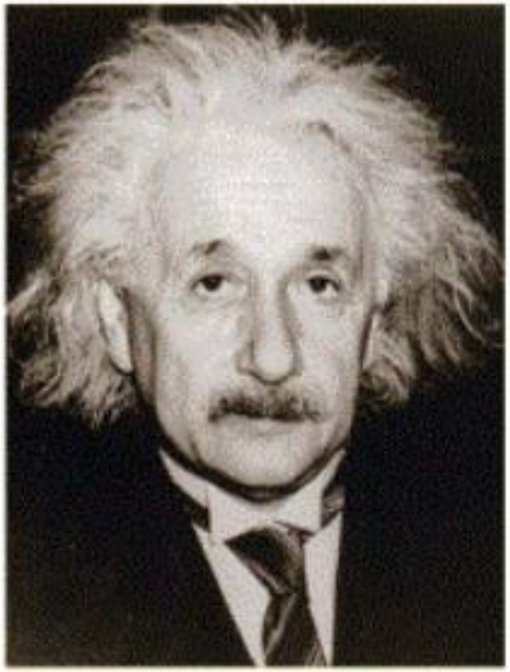
PROFOUNDLY IMPACTING PEOPLE'S LIVES



"The most powerful force in the universe is compound interest."

Interest on interest

Albert Einstein

Inflation Erodes Purchasing Power

If an Item Cost $100 in 1978, then

in	it cost
1988	$181.44
1998	$250.00
2008	$330.20
2018	**$381.89**

If you deposited **$100** in the bank at **3%** in 1978

in	it was worth
1988	$121.90
1998	$148.59
2008	$181.14
2018	**$220.80**

If you invested **$100** in 1978 and earned **8%**

in	it was worth
1988	$215.89
1998	$466.10
2008	$1,006.27
2018	**$2,172.45**

Rule of 72

\# years to double money = 72 ÷ rate of return

Rate of Return	# Years to Double Money	Rate of Return	# Years to Double Money
1%	72	2%	36
3%	24	4%	18
5%	14.4	6%	12
7%	10.29	8%	9
9%	8	10%	7.2
11%	6.55	12%	6

Plenty of Reasons Not to Save

- Teens “What’s retirement?”
- 20’s “I’ve got plenty of time.”
- 30’s “Car needs replacing, house purchase, Hungry kids, … “
- 40’s “I’ll start saving soon. Kids’ college is coming up.”
- 50’s “I’ll start saving now. Oops, too late!”

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FINANCIAL SERVICES
An Independent Firm

It’s not About Timing the Market

It’s About *Time* in the Market

Investor #1 saves $2,000 per year ($166.67/month) for **8 years**, starting at age 19.

Average rate of return = 9%.

At age 65, Investor #1 has

$671,682

If Investor #1 keeps saving $2,000 per year until 65, he has **$1,480,914**

Investor #2 saves $2,000 per year for **38 years**, starting at age 27.

Average rate of return = 9%.

At age 65, Investor #2 has

$648,484

There’s always a reason to delay saving.

START WITH YOUR FIRST PAYCHECK.

Stocks and Bonds

Companies exist to make a profit.

They have two ways to raise money:

1. Sell shares of the company. A share is called stock, or equity.
2. Sell bonds, which are promises to pay which pay interest

Stock / Equity

- The stockholder owns a share of the company.
- When the company generates excess cash, it returns that cash to stockholders. This is called a cash dividend.
- The stockholder's fortunes rise or fall with the health of the company.
  - If the company makes a lot of money and consistently increases its dividend payments, the price of a share goes up in value.
  - If the company does poorly and consistently loses money or loses market share, the price of a share declines, and can go to zero.
- Historically, stocks are riskier than bonds, but also provide a higher expected return (8.6% per year over the last 20 years).

Bonds

- Bonds are a promise to pay.
- You, the bondholder, loan your money to a company (or government).
- The bond has a stated interest rate and maturity date.
- They pay you a constant rate of interest semi-annually, in the form of cash.
- Bonds tend to be less risky than stocks, but companies can go bankrupt and result in the bond being worthless.
- The expected rate of return on a bond is less than a stock.

Retirement Plans

Don't let the alphabet soup of retirement plans intimidate you.

- IRA, Roth IRA, SEP-IRA, SIMPLE IRA
- 401K, 403B, 457
- Defined Benefit Pension Plan

Just remember one thing:

If your employer provides a retirement plan, you'll probably get **free money**. But, most times, **you need to contribute to receive**.

To Receive $, Usually You Must Contribute $

- 401K's permit participants to contribute $19,000 per year
  - Tax deduction for amount you contribute
- Employer may match dollar-for-dollar, up to a limit; e.g., 5%.
  - Salary: $40,000
  - Employ**ee** contributes 10%, or $4,000 per year
  - Employ**er** contributes 5% of salary, or $2,000 per year
    - Total contribution: $6,000 per year ($500 per month)
- Assuming 8.6% year growth, after 45 years you will have **<u>$3,299,203</u>**.

- The information contained in this report does not purport to be a complete description of the securities, markets or developments referred to in this material.
- The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.
- Investing involves risk and investors may incur a profit or a loss, including the loss of all principal.
- Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more of less than your initial investment. Holding bonds to term allows redemption at par value. Bond prices and interest rates have an inverse relationship.
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- There is no assurance any of the trends mentioned will continue or forecasts will occur.
- 401(k) plans are long-term retirement savings vehicles. Withdrawal of pre-tax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 1/2, may be subject to a 10% federal tax penalty.
- There are hypothetical examples for illustration purposes only. Actual investor results will vary.
- Past performance may not be indicative of future results.
- Past performance is not a guarantee of future results.
- Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.

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