

# ► Estimate your retirement savings goal.

**This Retirement Savings Worksheet makes it easy:** Your goal is to live retirement on your own terms. This simple worksheet will help you determine how much you may be responsible for providing in retirement and gives some suggestions on how to reach that goal.

## ACTION PLAN

- Estimate how much you may need annually in retirement
- Determine how much you may be responsible for providing to meet your retirement need
- Set your contribution amount
- Use Fidelity's online retirement income planning tools for more detailed results

### Why save for retirement now?

You may not be thinking much about retirement right now. But there may never be a better time to start. And with tangible goals, the time to save, and all the advantages of your workplace savings plan, you can be on your way.

### How important are your retirement savings?

#### Consider this:

- On average, Social Security provides only 18% of the income received by today's retirees.<sup>1</sup> You could be responsible for most of the money you may need in retirement.
- Medical expenses during retirement can be huge. According to Fidelity research, the average 65-year-old couple retiring in 2010 with no employer-funded

health insurance and living to age 92 for a male, and 94 for a female, could need at least \$430,000 saved at retirement to cover just the out-of-pocket medical expenses over their lifetime.<sup>2</sup>

- We're all living longer. In fact, you could spend 25 years or longer in retirement. This means that you could need more money than you first thought, as life expectancy rates are continuing to increase.

When setting any goal it is important to know what the goal is and how you plan to reach it. This is where the worksheet can help. However, please remember that determining your retirement savings goal is a very personal, subjective estimate based on the kind of lifestyle you envision in retirement.

### A simple, three-step approach to help set your retirement savings goal

In about 5 minutes, you can make a real start toward living retirement on your terms. Just use this worksheet to:

1. Estimate your annual retirement income goal.

2. Estimate how much of that goal you may be responsible for providing.

3. Select a contribution amount within your workplace savings plan to help reach your overall savings goal.

Turn here<sup>SM</sup>



## Worksheet

### Step 1: Estimate how much you may need your first year of retirement beginning at age 67.

It is suggested that you'll need about 85% of your preretirement income to maintain your current lifestyle through retirement. To determine what this amount may be for you, find the current income and age that comes closest to yours from the table below and write it in the box to the right. For example, if you're 45 years old and make \$40,000 today, the amount estimated that you would need in your first year of retirement is \$46,480. Keep in mind that determining the income replacement rate is a very personal, subjective estimate based on the kind of lifestyle you envision in retirement.

\$ _____
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Assumptions: This table estimates how much you might be earning at age 67 (the age at which it is assumed that Social Security payments will begin) by taking your current salary and age and using an assumed 1.5% growth rate. Then 85% of the projected preretirement wage income is taken to illustrate the estimated income replacement rate for your first year of retirement. Values are shown in today's dollars.<sup>3</sup> It is important to consider any other savings and sources of income you may have, as well as your spouse/partner's assets, if applicable.

Current Income	Current Age			
	Age 25	Age 35	Age 45	Age 55
\$20,000	\$ 31,301	\$ 26,971	\$ 23,240	\$ 20,025
\$40,000	\$ 62,602	\$ 53,942	\$ 46,480	\$ 40,050
\$60,000	\$ 93,903	\$ 80,913	\$ 69,720	\$ 60,075
\$80,000	\$125,204	\$107,884	\$ 92,960	\$ 80,101
\$100,000	\$156,504	\$134,855	\$116,200	\$ 100,126

### Step 2: Estimate how much of your retirement income you may be responsible for providing.<sup>4</sup>

This table shows the difference between your retirement income need, shown in Step 1, and what Social Security may provide the first year according to 2008 figures.\* Again, find the income and age that is closest to yours and write the number from the table in the box to the right. This number represents the estimated amount you might need in your first year of retirement after your estimated Social Security benefit is subtracted. You will then multiply that number by a factor of 25. The final number represents the amount you may need to have saved by the time you retire in order for you to be able to sustain a 4% annual withdrawal rate of assets during a retirement lasting 27 years.

\$ _____
x factor of 25
Total: \$ _____

This answer relates to a 4% inflation adjusted withdrawal rate which is the conservative 4%–5% range many experts believe people should be targeting in the early years of retirement. Please keep in mind that the "factor of 25" is an approximation, designed to provide a high-level savings target only. Your own need will depend on your specific situation, including your financial circumstances, taxes, and other goals.

Current Income	Current Age			
	Age 25	Age 35	Age 45	Age 55
\$20,000	\$ 17,319	\$ 14,267	\$ 11,634	\$ 8,859
\$40,000	\$ 40,832	\$ 33,372	\$ 28,000	\$ 22,670
\$60,000	\$ 68,054	\$ 56,606	\$ 46,956	\$ 37,630
\$80,000	\$ 97,621	\$ 80,970	\$ 67,191	\$ 54,741
\$100,000	\$128,783	\$107,182	\$ 88,961	\$ 72,551

\*Table updated on 11/5/2008 using Anyptia tool from the Social Security Administration.

### Step 3: What you can do today to help reach your retirement savings goals.

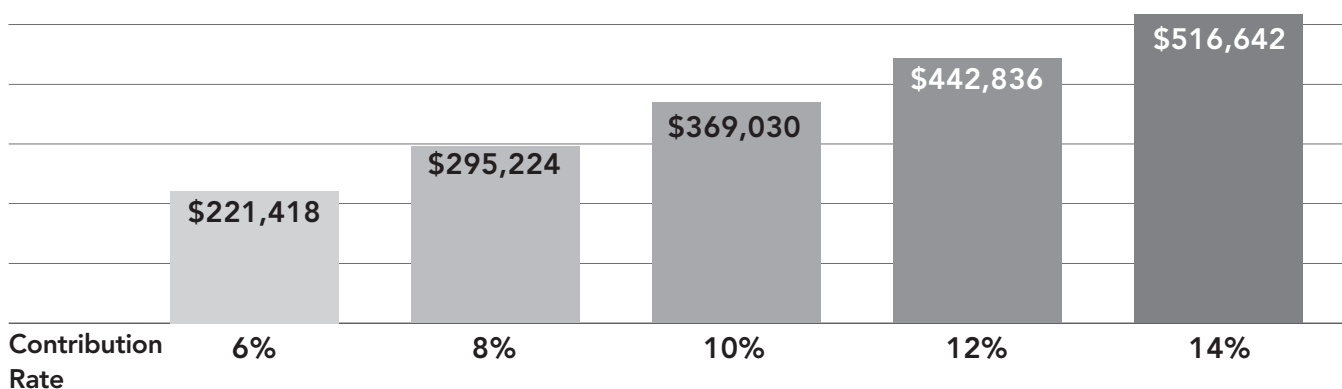
More than any other factor, the amount you put away will determine how much your savings may grow. Your workplace savings plan may be the easiest and most effective way to save for your retirement. Here are some suggestions for setting your contribution amount in your workplace savings plan today.

- If your workplace savings plan offers matching contributions, try to contribute enough to qualify for the full amount. These additional matching contributions are added to your account just to reward you for investing. It's like "free" money!
- Try for 10%. Fidelity considers 10% per paycheck a very good start. Or start at a number that feels comfortable to you. The important thing is to invest what you can and start right away. (Remember that you can change the amount you contribute at any time.)
- Keep in mind that increasing your contribution at "raise time" is also an easy and less painful way to save more. Look at the hypothetical illustration below to see how much just 2% more may give you over time:

#### HYPOTHETICAL BALANCES AT AGE 67

CURRENT AGE: 40

CURRENT SALARY: \$40,000



This hypothetical example is based on monthly contributions to a tax-deferred retirement plan and a 7% annual rate of return compounded monthly. A 1.5% annual increase to salary is assumed as well as a \$0 starting balance. Your own plan account may earn more or less than this example, and income taxes will be due when you withdraw from your account. Investing in this manner does not ensure a profit or guarantee against loss in declining markets. This illustration does not take any fees into account and your own account will generally be reduced by fees. This example does not consider plan or IRS contribution limits and assumes no loans or withdrawals are taken during accumulation. Assumptions: Investments are made at the beginning of the period. Chart balances shown are end-of-year balances, and the annual rate of return is compounded at the same frequency as the contribution. Also, the calculations assume a steady rate of contribution for the number of years invested that is entered.

#### For a more complete picture

This worksheet provides very general guidelines on how much you may need in retirement and how much you may want to start saving. For a more accurate estimate, it is important that you complete a full retirement planning analysis — including the chance to experiment with various savings amounts and investment assumptions. Begin by using the resources listed in the "Here's Help" box to the right.

#### HERE'S HELP

For more information on how much you may want to be saving:

- Call your plan's toll-free number to speak to a Fidelity Retirement Representative
- Log on to Fidelity NetBenefits® at [www.netbenefits.com](http://www.netbenefits.com) and go to tools and learning to access planning tools that may give you a more accurate estimate of your retirement savings goal.†

**†The Retirement Planning Tools illustrations result from running a minimum of 250 hypothetical market simulations. The market return data used to generate the illustrations is intended to provide you with a general idea of how asset mixes have performed historically. Our analysis assumes a level of diversity within each asset class consistent with a market index benchmark that may differ from the diversity of your own portfolio. Please note that the projections do not reflect the impact of any transaction costs or management and servicing fees (except variable annuities); if these had been included, the projected account balances would have been lower.**

**IMPORTANT: The projections or other information generated by the Retirement Planning Tools regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary with each use and over time.**

<sup>1</sup>Source: Social Security Administration, *Income of the Aged Chartbook, 2008*. SSA Publication No. 13-11727. Released: April 2010. Shares of aggregate income using the highest quintile, \$55,889 per year and higher.

<sup>2</sup>Fidelity Investments Benefits Consulting; based on a couple retiring in 2010 with average (82 female, 85 male) and longer (92 male, 94 female) life expectancies. See "Methodology and Information" below for further details about the methodology used to produce this scenario. These estimates assume life expectancy at age 65 of 17 and 20 years, for males and females, respectively. A health care cost inflation rate of 7% is used; underlying this assumption are cost of service increase rates that vary by type of service, ranging from 4% to 9%. The estimates are representative of the amount needed in a taxable account. A 5% after-tax rate of return is assumed on savings in retirement. Medical costs are assumed to be incurred uniformly in each year in retirement after age 65. Estimates are calculated for an "average" retiree. Actual costs will vary depending on actual health status, area, and longevity. Individuals who deviate from this average could require a smaller or larger amount of savings. These estimates assume that there is no employer sponsored post-retirement health care coverage. These estimates assume that the retiree has traditional Medicare coverage, elects Medicare Part D, and, by virtue of their income level, continues to receive the current government Part B subsidy. These savings amounts do not consider the expected costs of expenses related to over-the-counter drugs, dental care, or nursing home care.

<sup>3</sup>Today's dollars represent the value of a future expense at a current point in time and is calculated by removing the effect of projected inflation (2.43%) over time to determine its current value.

<sup>4</sup>Social Security estimates based on Social Security Administration data. Social Security benefits are derived from a person's level of income and the contributions they pay into the system. This table assumes retirement is at age 67. Annual Social Security payments would be higher than what is shown in this exhibit if retirement age was later than 67. For individuals currently 25, 35, or 45 years old, full Social Security would start at age 67. For 55-year-olds, full benefits would start at age 66.

Over time, the value of your account will vary and you may have more or less than the original amount invested.

#### METHODOLOGY AND INFORMATION

Hundreds of financial market return scenarios were run to determine how the asset mix may have performed. Monte Carlo simulations are mathematical methods used to estimate the likelihood of a particular outcome based on historical analysis. Historical performance simulations are conducted to determine the likelihood of various financial outcomes. Each Monte Carlo simulation reproduces random sets of results by generating random returns for the scenario. When analyzed together, these results suggest a probability of occurrence. The savings rates and amount of current savings that are listed are based on a 50% confidence level. This means that in 50% of the historical market scenarios, or 1 out of 2 times, a hypothetical portfolio based on the stated asset allocation would have performed at least as well as the results shown. We consider the 50% confidence level a representation of average market results.

Increasing the confidence level would have provided a more conservative analysis. For example, a 90% confidence level represents market conditions that are generally significantly lower than the historical average and would have resulted in higher savings rate and current savings level results. It is important to understand the impact of different market conditions on your plan.

The estimated returns for the stock and bond asset classes are based on a "risk premium" approach. The risk premium for these asset classes is defined as their historical returns relative to a 10-year Treasury bond yield.

Risk premium estimates for stocks and bonds are each added to the 10-year Treasury yield. Short-term investment asset class returns are based on a historical risk premium added to an inflation rate which is calculated by subtracting the TIPS (Treasury Inflation Protected Securities) yield from the 10-year Treasury yield. This method results in what we believe to be an appropriate estimate of the market inflation rate for the next 10 years.

This information is provided for educational purposes only. You should not rely on it as the primary basis for your investment.

Volatility of the stocks, bonds, and short-term asset classes is based on the historical annual data from 1926 through the most recent year-end data available from Ibbotson Associates, Inc. Stocks, bonds, and short-term debt are represented by the S&P 500<sup>®</sup>, U.S. Intermediate Term Government Bonds, and 30-day U.S. Treasury bills, respectively.

Annual returns assume the reinvestment of interest income and dividends, no transaction costs, no management or servicing fees, and the rebalancing of the portfolio every year. It is not possible to invest directly in an index. All indexes include reinvestment of dividends and interest income.

Although past performance does not guarantee future results, it may be useful in comparing alternate investment strategies over the long term. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical illustrations.