Building a Strong Financial Future: Strategies for Age 45 to Retirement

Worksheet 1: Estimate Your Retirement Accumulation Goal

It is vital to estimate how much you will need to live on during retirement. This worksheet will help you estimate a total retirement accumulation goal. Note that we assume a 4% average rate of inflation from now on, an 8% average annual rate of return prior to retirement, a 6% average annual rate of return during retirement and a retirement that lasts 25 years. (Please answer first three questions in today's dollars.)

	You	Example
1. How much do you estimate you will need each year during retirement? (Experts say you may need 60% to 80% of your final working year's salary each year during retirement.)	$__________	$35,000
2. How much do you expect to receive each year from Social Security? (The average annual Social Security benefit for a retired worker is about $15,228.)	$__________	$15,228
3. How much do you expect to receive each year from traditional company pensions? (The average annual pension benefit is about $13,222.)[1]	$__________	$13,222
4. Add lines 2 and 3.	$__________	$28,450
5. Subtract line 4 from line 1.	$__________	$6,550
6. Using the number of years you have until retirement, please find the appropriate inflation factor from Table A.	$__________	34.8
7. Multiply line 5 by line 6. This is your estimated retirement accumulation goal (in future dollars).	$__________	$227,940
8. How much do you currently have saved for retirement?	$__________	$50,000
9. Using the number of years you have until retirement, please find the appropriate growth factor in Table B.	$__________	3.2
10. Multiply line 8 by line 9.	$__________	$160,000
11. Subtract line 10 from line 7. This is the amount of your retirement savings shortfall or surplus. If the value in line 11 is less than the value in line 7, you may need to invest more to potentially reach your goal.	$__________	$67,940

Table A*

Years Until Retirement	Factor
5	23.5
10	28.6
15	34.8
20	42.3

*Assumes 25 years in retirement, a 4% annual inflation rate, and that your savings earn an 8% average annual rate of return prior to retirement and a 6% average annual rate of return during retirement.

Table B*

Years Until Retirement	Factor
5	1.5
10	2.2
15	3.2
20	4.7

* Assumes an 8% average annual rate of return prior to retirement.

[1] Source: Employee Benefit Research Institute, "Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008," May 2010. Includes data for private-sector pensions.

LPL Financial

Worksheet 2: Gauge Your Risk Tolerance

Determining the right mix of investments is important in helping you meet your retirement savings goals. The following questions can help you figure out your risk tolerance level and how you may want to invest your savings.

Your Risk Profile

1. **Which best describes your feelings? ________**
   a. I would never take a chance on losing what I have saved, even if it meant potentially earning less
   b. I would take a chance with some of my savings, providing it meant potentially higher returns
   c. I need to aggressively grow my savings to be able to retire, so I would accept higher risk for potentially higher returns

2. **If the stock market declined 15%, you would: ________**
   a. Cash out immediately to avoid further losses
   b. Reduce stock and stock fund investments
   c. Probably do nothing
   d. Purchase more shares

3. **How many years until you retire? ________**
   a. 5 or less
   b. 10 to 15
   c. 16 to 20
   d. 20 or more

4. **Which best describes your investment objectives? ________**
   a. Preserve savings and earn a moderate return
   b. Generate potentially higher returns with a little risk
   c. Grow my savings, assuming moderate risk
   d. Aggressively grow my savings despite the risk

5. **Your emergency savings would cover what time period? ________**
   a. None
   b. A few weeks
   c. A few months
   d. Six months or more

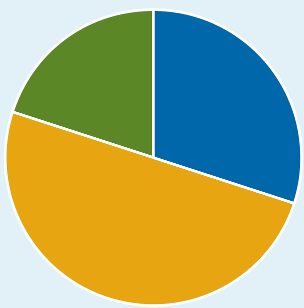
Find Your Asset Allocation Model

- If you answered mostly "a" or "b," you may be most comfortable with a conservative to moderate investment mix.
- If you answered mostly "b" and "c," you may be better off with moderate to aggressive investments.
- If you answered mostly "c" and "d," you may want to consider aggressive investments.

Stocks are the most aggressive type of investment, returning an average of 10.72% annually over the last 30 years. However, stocks involve the greatest risk. Bonds provide lower returns, but are less risky. Money market instruments earn even less, but involve the least risk because they have a fixed rate and maturity date.*

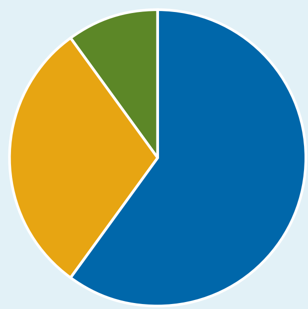
Representative portfolios containing stocks, bonds and money market instruments:

Conservative
Rate of Return: 9.0%*



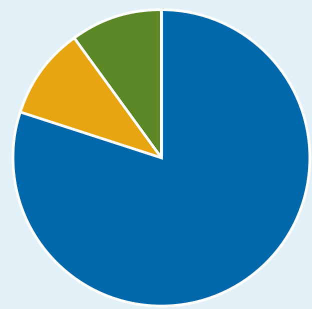
- Stocks 30%
- Bonds 50%
- Money market instruments 20%

Moderate
Rate of Return: 9.94%*



- Stocks 60%
- Bonds 30%
- Money market instruments 10%

Aggressive
Rate of Return: 10.20%*



- Stocks 80%
- Bonds 10%
- Money market instruments 10%

These are examples of different asset allocation models. Your particular allocation of investments will depend on such variables as your risk tolerance, the length of time before you need the money, your financial goals, and other factors unique to your personal situation. A financial professional can help you determine the mix of investments that is appropriate for your situation and goals.

*Sources: Standard & Poor's; the Federal Reserve. Stocks are represented by the total return of the S&P 500, an unmanaged index generally considered representative of the U.S. stock market. Results include reinvestment of dividends. Bonds are represented by the total return of the Barclays Aggregate Bond Index. Money market instruments are represented by the Barclays 3-Month Treasury Bill Index. Performance covers the 30-year period ended December 31, 2010. The performance of any index is not indicative of the performance of a particular investment and does not take into account the effects of inflation or the fees and expenses associated with purchasing mutual fund shares. Past performance cannot guarantee future results. Individuals cannot invest directly in any index.

Tracking #742913
RP-07876-1113