

your retirement resource

Getting the right fit

Tailoring your retirement strategy to your different life stages

Your company's retirement plan is likely the basis of your financial future. But what will that future look like? Whether it lies just a few years away or is several decades off, it will be shaped by many expected and unexpected events, by decisions you made or didn't make along the way, by progress and setbacks. In short, it will be as unique as you are, and change with you as the years pass. With all this flux, how can you ensure that your retirement strategy continues to suit your particular circumstances?

Design your plan

It's no surprise that there isn't a one-size-fits-all approach to building your strategy. There are, however, some time-tested pointers you can draw on as you plan for retirement, and this article will focus on them in the context of an investor's life stages.

First, let's take a moment to underline the importance of planning itself, since research shows that investors who set out a retirement strategy are more likely to reach their goals than those who don't.

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No one can tell what the future holds, but you'll be better positioned to cope with its ups and downs when you have a goal in mind and some sense of how to achieve it.

A comprehensive retirement strategy is one that takes into account your income and expenses, your assets and debts, and important near-, medium- and long-term goals such as buying a house, paying for college and retirement itself, together with the tax implications of each. It should also take into account what you plan to do after you stop working, because managing

your investments *in* retirement requires as much thought as managing them *before* retirement.

Tailor your strategy

The next two pages contain a series of pointers for different life stages that may help give you an idea of how to reach your financial goals. As you read through them, remember that your plan's financial professional is always ready to help you get the right fit for your future.

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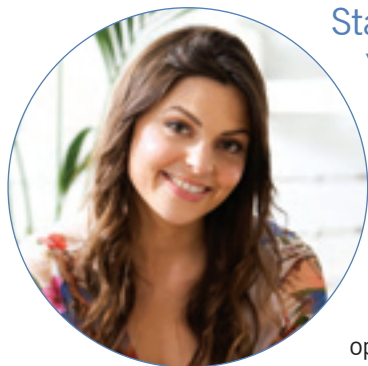
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Deciding what to do with your retirement plan money when you leave your employer

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Stages on the path to retirement and beyond



Starting out: Your 20s and 30s

■ Save in your employer's retirement plan. You can benefit from compounding, which is what happens when the reinvested earnings on your investments have the opportunity to produce even more earnings over time.

- Take advantage of any employer match that's available. If you don't, you'll be leaving free money on the table — and that's money that can help you get closer to your savings goal.
- Save for major purchases such as a home while minimizing expenses wherever possible — from coffee and snacks to the bigger items that show up on your bank statements.

▶ Type keyword **"StartingOut"** in the search box.



Already investing: Your 30s to your 50s

■ Keep investing regularly in your retirement plan. Consult with your plan's financial professional to ensure that your strategy is appropriate for your time horizon and risk tolerance. He or she can also help you if you've stopped investing and want to get started again. Remember, every little bit helps and it's never too late to save.

- Take any opportunity to increase your contributions as even small increases can make a difference over time. Getting a raise or paying off a credit card balance might give you the opportunity to do so.
- If you have children, take advantage of the options offered by 529 college savings accounts. As your kids' college years approach, consider moving a portion of their accounts into cash to preserve capital; your plan's financial professional can advise you.
- When you turn 50, you can boost your retirement plan account value by making annual catch-up contributions (\$5,500 for 2009).

▶ Type keyword **"AlreadyInvesting"** in the search box.

Stitching it all together: Tips for *all* life stages

Of course, real life doesn't fit into clearly defined stages. The key is to tailor your retirement strategy to your personal circumstances and goals — to the present and the future. In that spirit, you might find the following tips helpful for saving at any time and at any age:

■ **Be informed.** Sobering as it may be, the first step to building a retirement strategy is reviewing all of your assets and calculating how much you expect you'll need in retirement.

■ **Get the right mix.** Keeping your age and circumstances in mind, you can help reduce some of the effects of volatility by maintaining a diversified mix of mutual funds with objectives appropriate to your strategy.

■ **Keep investing.** Of course, there aren't any guarantees, and exercising patience is easier said than done, but experience has shown that investors who stayed the course during periods of adversity were in a better position to benefit over the long term when the market finally turned around.

Review the pointers in the panels below and then visit AmericanFundsRetirement.com or the Web address on your statement. Type “LifeStages” in the search box (or click on the Life Stages banner if it’s available) to access a range of tools and articles. ► For specific information on each stage, type the keyword shown at the end of each panel.



Approaching retirement: Your 60s

■ If possible, work a few years past your full retirement age. Consider the option of delaying drawing Social Security as long as you can, setting yourself up for a larger monthly check than you might otherwise get when you do retire.

- Consider part-time employment to postpone drawing on your before-tax retirement savings before required minimum distributions (RMDs) begin at age 70½. By doing so, you’ll give your nest egg an opportunity to grow for a longer period or recover from a down market.
- Because the purpose of a retirement portfolio is to sustain an adequate stream of income over a 20- to 30-year period, it’s important to strike the right balance between income and growth as you seek to preserve the value of your investments *and* keep up with inflation. Your plan’s financial professional can help you shape your portfolio accordingly.

► Type keyword “**ApproachingRetirement**” in the search box.



Living in retirement: Your 70s and beyond

■ You can’t control the stock market but you can manage your income withdrawal strategy. With a diversified portfolio, it may be a good idea to draw your income from bond funds in a down market instead of taking distributions from


growth-oriented funds that may be essential to account recovery and growth in better times. Bear in mind, however, that a severe market correction might require you to rely on such income for up to five years or more. On the other hand, an improvement in the market may prompt you to take more of your income from growth-oriented funds. Ask your financial professional to help you develop a withdrawal strategy that’s right for you.

- If you can, try to go easy in the first years of retirement and withdraw as little as possible (say 4% or 5% a year) from your retirement account(s) to reduce the long-term impact on your portfolio.

► Type keyword “**InRetirement**” in the search box.

■ **Adjust your expectations.** Between increased longevity, rising health care costs and the recent market downturn, you may need to reassess your time horizon, financial goals and risk tolerance. That means re-evaluating when you may be in a position to start withdrawing your money, what you envision your standard of living to be once you do, and what risks you are — or are not — prepared to take on with your investments.

■ **Live within your means.** Remember that having enough money *in* retirement requires saving enough money *before* retirement. That often means keeping a tight budget.

■ **Talk to your plan’s financial professional.** He or she can help you assess or fine-tune your current strategy if it’s not working for you. Ask your employer for his or her contact information if you don’t already have it. 

Regular investing doesn’t guarantee a profit or protect against loss, and you should consider your willingness to keep investing when share prices are declining.

Moving on

If you're leaving your job, there are sure to be plenty of decisions you'll need to make. Figuring out what to do with your retirement plan money is one of the bigger ones, because your choice can affect your financial security down the road. As you'll see below, there are several options open to you, so it's a good idea to weigh the merits of each.

Roll ► You can roll money into an IRA. If you do, you can take advantage of the same tax benefits you received under your plan and avoid incurring possible penalties on the money you've saved. In most cases, an IRA gives you lots of investment choices, too, and since you're no longer bound by your plan's rules, you have more control and flexibility.

Stay ► You can opt to leave your retirement assets in your employer's plan if your balance is more than \$5,000. Bear in mind, however, that if your account has \$1,000 or less, your previous employer can cash it out and send you a check. And if your balance is somewhere in between \$1,000 and \$5,000, your employer can automatically roll your assets into an IRA. Check with your employer to see what your plan's rules are.

Move ► If you're changing jobs, you can choose to move your assets into your new employer's plan. This is a good way to consolidate your assets in one place. Check to see if your new plan allows rollovers from other qualified retirement plans.

Pay ► You also have the option of cashing out. You should know, however, that you could lose almost half of your before-tax savings to income taxes and penalties if financial circumstances compel you to take this route.* In that event, consider withdrawing only the amount you need immediately and rolling the rest of your money into an IRA or your new employer's plan so that it still has the potential to grow. The table below shows what an account balance might grow to if left invested until retirement at age 67:

The value of staying invested until retirement			
Age	Account balance	Years to retirement	Account value at age 67
25	\$ 8,000	42	\$227,760
35	65,000	32	833,715
45	100,000	22	577,859

This illustration assumes that the hypothetical balances earn an average annual return rate of 8%, compounded monthly. Returns are shown for illustrative purposes only and are not intended to predict the returns of any particular investments, which will fluctuate with market conditions. Your actual results may differ. The Social Security Administration has set the full retirement age at 67 for all persons born after 1960.

Consider and consult When leaving your company or changing employers, remember that in most instances you have control over what you do with the money you've accumulated in your plan. Consider all of your options, and contact your plan's financial professional to discuss your particular situation and the tax implications of the option you're considering.

Want to find out more? Go to AmericanFundsRetirement.com or the Web address on your statement to:

- Review the **Rollover options comparison chart**. Type keyword "**CompareOptions**" in the search box.
- Use the **Spend it or save it calculator**. Type keyword "**SpendOrSave**" in the search box.
- Click on **Frequently asked questions** under the **Rollovers** tab to find out more about your options.

* Before you receive your payout, your employer must withhold 20% of the before-tax portion of your distribution for federal income taxes. Depending on your income tax rate, you may owe even more on the taxable amount. You may also owe state and local taxes on the taxable portion of your distribution. If you're under age 59½ when you cash out, you may have to pay a 10% early withdrawal penalty on the taxable portion of your distribution unless an exception applies. If you cash out your after-tax Roth account balance, your distributions are penalty- and tax-free only if your first Roth contribution was made at least five years before and if you're at least 59½ years of age or if withdrawals are made because of disability or death.



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