RETIREMENT WORKSHEET #1

(Part 1)

How much money do I need for retirement?

The following worksheet will help you determine your retirement needs.

	Example	Yourself
1. Estimated living expenses ***Use 70% of current expenses.***	$45,000	_____
2. Estimated retirement income		
a. Social Security	$16,000*	_____
b. Pension plan	$11,000	_____
c. Other income	$ 7,000	_____
3. Total estimated income **(add a,b,c)**	$34,000	_____
4. Retirement shortfall ***Subtract line 3 from line 1.***	$11,000	_____
5. Estimated years of retirement ***According to IRS data, today the average life expectancy for a 65-year-old man is 79, and for a woman it is 84. You may want to assume a life expectancy of 90 to make sure you are covered.***	25	_____
6. Assumed average rate of return from your investments during retirement ***The average rate of return for the S&P 500 has been approximately 11% for the past 20 years. We use 7% to reflect a conservative portfolio.***	7%	_____
7. Average rate of inflation	5%	_____
8. Net inflation-adjusted rate of return	2%	_____
9. Assumed return factor ***From Table A on page 16.***	19.52	_____
10. Retirement goal at age 65 ***Multiply line 9 by line 4.***	$214,720	_____

**Assumes current age of 45.*

To determine your Social Security benefit, call your local Social Security Administration office or 800/772-1213 and ask for "A Personal Earnings and Benefit Statement."

RETIREMENT WORKSHEET #1

(Part 2)

How much money do I need to put aside each year in order to meet my retirement goal?

The following worksheet will help you estimate what you need to save annually to reach your retirement goal.

		Example	Yourself
1.	Your current account balance	$ 25,000	_____
2.	Assumed average rate of return prior to retirement ***According to Ibbotson Associates, the average rate of return for the S&P 500 has been approximately 11% for the past 20 years. We use 8% to reflect the diversification of your portfolio.***	8%	_____
3.	Assumed average rate of inflation	5%	_____
4.	Net inflation-adjusted return	3%	_____
5.	Number of years until retirement ***Example uses current age of 45.***	20	_____
6.	Assumed return factor from Table B (pg.16) ***Example uses 20 years: 3% net return.***	1.81	_____
7.	Projected value of current savings ***Multiply Line 1 by Line 6.***	$ 45,250	_____
8.	Retirement goal ***Insert Line 10 from previous worksheet.***	$214,720	_____
9.	Retirement goal shortfall ***Subtract line 7 from Line 8.***	$169,720	_____
10.	Assumed discount factor from Table C(pg.17)	.037	_____
11.	Annual savings required to meet goal* ***Multiply Line 9 by Line 10.***	$ 6,270	_____

**If you invest $6,270 each year and earn a net return (after inflation) of 3%, you will accumulate $169,470 by retirement. Remember that these dollars are in today's dollars; your annual savings must be adjusted upwards each year with inflation.*

Note: These calculations assume annual compounding and tax deferral. They also assume the pension is adjusted annually for inflation. If a pension is not adjusted for inflation, then your savings goal could be substantially higher. The example shown above is hypothetical.

TABLE A

Example: If your assumed rate of return during retirement is 7% and you expect inflation to average 5%, your net return is 2%. So go to the 2% column; go down to the number of years you expect to be in retirement. If the number of years you expect to be in retirement is 25, the return factor is 19.52. Multiply this by the income stream you need. If you needed $11,000 each year for 25 years, multiply $11,000 times 19.52 which equals $214,720.

Net Return Factor

YEARS	2%	3%	4%	5%	6%	YEARS	2%	3%	4%	5%	6%
1	0.98	0.97	0.96	0.95	0.94	16	13.58	12.56	11.65	10.84	10.11
2	1.94	1.91	1.89	1.86	1.83	17	14.29	13.17	12.17	11.27	10.48
3	2.88	2.83	2.78	2.72	2.67	18	14.99	13.75	12.66	11.69	10.83
4	3.81	3.72	3.63	3.55	3.47	19	15.68	14.32	13.13	12.09	11.16
5	4.71	4.58	4.45	4.33	4.21	20	16.35	14.88	13.59	12.46	11.47
6	5.60	5.42	5.24	5.08	4.92	21	17.01	15.42	14.03	12.82	11.76
7	6.47	6.23	6.00	5.79	5.58	22	17.66	15.94	14.45	13.16	12.04
8	7.33	7.02	6.73	6.46	6.21	23	18.29	16.44	14.86	13.49	12.30
9	8.16	7.79	7.44	7.11	6.80	24	18.91	16.94	15.25	13.80	12.55
10	8.98	8.53	8.11	7.72	7.36	25	19.52	17.41	15.62	14.09	12.78
11	9.79	9.25	8.76	8.31	7.89	26	20.12	17.88	15.98	14.38	13.00
12	10.58	9.95	9.39	8.86	8.38	27	20.71	18.33	16.33	14.64	13.21
13	11.35	10.63	9.99	9.39	8.85	28	21.28	18.76	16.66	14.90	13.41
14	12.11	11.30	10.56	9.90	9.29	29	21.84	19.19	16.98	15.14	13.59
15	12.85	11.94	11.12	10.38	9.71	30	22.40	19.60	17.29	15.37	13.76

TABLE B

Example: If your assumed rate of return prior to retirement is 8% and you expect inflation to average 5%, your net return is 3%. So go to the 3% column, go down to the number of years until retirement. If the number of years until your retirement is 20, the multiplier factor is 1.81. Multiply this by your current savings. If you have saved $25,000 so far, that would be worth $45,250 at retirement.

Assumed Return Factors

YEARS	2%	3%	4%	5%	6%	YEARS	2%	3%	4%	5%	6%
1	1.02	1.03	1.04	1.05	1.06	16	1.37	1.60	1.87	2.18	2.54
2	1.04	1.06	1.08	1.10	1.12	17	1.40	1.65	1.95	2.29	2.69
3	1.06	1.09	1.12	1.16	1.19	18	1.43	1.70	2.03	2.41	2.85
4	1.08	1.13	1.17	1.22	1.26	19	1.46	1.75	2.11	2.53	3.03
5	1.10	1.16	1.22	1.28	1.34	20	1.49	1.81	2.19	2.65	3.21
6	1.13	1.19	1.27	1.34	1.42	22	1.55	1.92	2.37	2.93	3.60
7	1.15	1.23	1.32	1.41	1.50	24	1.61	2.03	2.56	3.23	4.05
8	1.17	1.27	1.37	1.48	1.59	26	1.67	2.16	2.77	3.56	4.55
9	1.20	1.30	1.42	1.55	1.69	28	1.74	2.29	3.00	3.92	5.11
10	1.22	1.34	1.47	1.63	1.79	30	1.81	2.43	3.24	4.32	5.74
11	1.24	1.38	1.54	1.71	1.90	32	1.88	2.58	3.51	4.76	6.45
12	1.27	1.43	1.60	1.80	2.01	34	1.96	2.73	3.79	5.25	8.25
13	1.29	1.47	1.67	1.89	2.13	36	2.04	2.90	4.10	5.49	8.15
14	1.32	1.51	1.73	1.98	2.26	38	2.12	3.07	4.44	6.39	9.15
15	1.35	1.56	1.80	2.08	2.40	40	2.21	3.26	4.80	7.04	10.29

Table C

Example: Let's assume you have 20 years until you retire, and you want to save $169,470 in today's dollars when you retire. If you assume a rate of return of 8% and an inflation rate of 5%, then you will use a net inflation-adjusted return figure of 3% (or 8% minus 5%). So if you have 20 years until retirement, look in the 3% column to find the discount factor for 20 years, or .037, and multiply this by $169,470 which is $6,270.

Net Inflation-Adjusted Return Figure

YEARS	2%	3%	4%	5%	6%	YEARS	2%	3%	4%	5%	6%
1	1.000	1.000	1.000	1.000	1.000	16	0.053	0.049	0.045	0.042	0.038
2	0.495	0.492	0.490	0.487	0.485	17	0.049	0.045	0.042	0.038	0.035
3	0.326	0.323	0.320	0.317	0.314	18	0.046	0.042	0.038	0.035	0.032
4	0.242	0.239	0.235	0.232	0.228	19	0.043	0.039	0.036	0.032	0.029
5	0.192	0.188	0.184	0.180	0.177	20	0.041	0.037	0.033	0.030	0.027
6	0.158	0.154	0.150	0.147	0.143	22	0.036	0.032	0.029	0.025	0.023
7	0.134	0.130	0.126	0.122	0.119	24	0.032	0.029	0.025	0.022	0.019
8	0.116	0.112	0.108	0.104	0.101	26	0.029	0.025	0.022	0.019	0.016
9	0.102	0.098	0.094	0.090	0.087	28	0.026	0.023	0.020	0.017	0.014
10	0.091	0.087	0.083	0.079	0.018	30	0.024	0.021	0.017	0.015	0.012
11	0.082	0.078	0.074	0.070	0.066	32	0.022	0.019	0.015	0.013	0.011
12	0.074	0.070	0.066	0.062	0.059	34	0.020	0.017	0.014	0.011	0.009
13	0.068	0.064	0.060	0.056	0.052	36	0.019	0.015	0.012	0.010	0.008
14	0.062	0.058	0.540	0.051	0.047	38	0.017	0.014	0.011	0.009	0.007
15	0.057	0.053	0.049	0.046	0.042	40	0.016	0.013	0.010	0.008	0.006

Note: Tables are end-of-year factors.