RETIREMENT BASICS

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Retirement & Investment Solutions for Employers

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1. SUGGESTED DEFERRAL RATES

This chart illustrates what experts say you should contribute from your pay each year, based on your salary.
Source: Dimensional "The Retirement Income Equation", author Marlena Lee

Pre-retirement Income	< $25K	$25K-$50K	$50K - $87K	>$87K
Total replacement rate	82%	72%	62%	58%
Social Security	59%	38%	31%	21%
Personal Savings	23%	34%	31%	37%
Suggested savings rate	**9% - 11%**	**13% - 15%**	**12% - 14%**	**13% - 16%**

2. ROTH OR TRADITIONAL TAXATION

Would you rather kick the tax bill down the road or pay today? Would you rather defer taxes on investment earnings or reap the benefits of tax-free growth?

- **Traditional**: contributions grow on tax-deferred basis
- Taxes are paid on withdrawals at marginal tax-rate at time of withdrawal
- Subject to IRS imposed required minimum withdrawals at age 70 ½
- *Please refer to your plan documents for further information about Roth and Traditional contributions.*

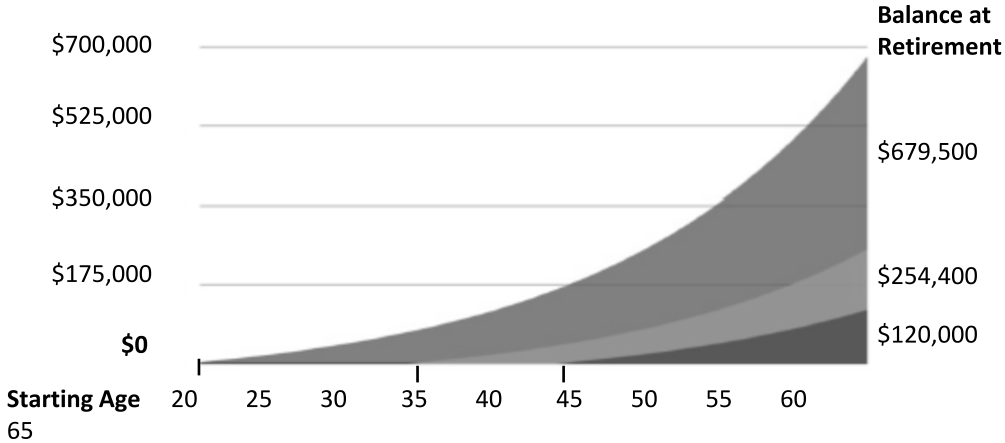
Start where you're at.
Use what you have.
Do what you can.
-Arthur Ashe

- **Roth:** after-tax contributions at current marginal tax rate
- Qualified withdrawals are tax-free
- Tax-free withdrawals means tax-free earnings
- No forced minimum withdrawals

3. THE POWER OF COMPOUNDING

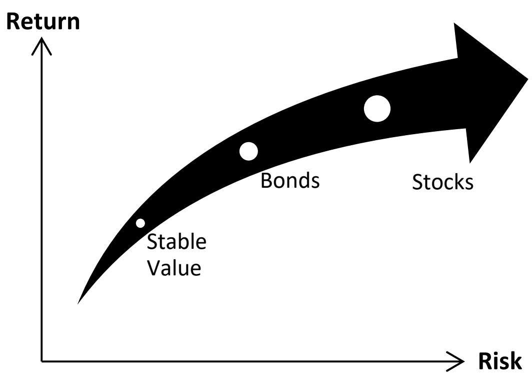
This chart illustrates a $3,000 annual investment at 6% annual growth, assuming reinvestment of all earnings and without annual taxation.

- Compounding means you are continually earning money on the investments you make as well as your earnings
- The longer you invest, the larger your account balance at retirement
- It's important to start as early as possible



4. MAIN INVESTMENT TYPES

Index or Mutual Funds: a pool of investments containing stocks, bonds, and/or other types of assets; they allow investors to spread out risk amongst various investments without requiring large sums of money



- **Stocks:** shares represent partial ownership of a company; therefore they are higher risk with greater upside potential
- Growth comes from dividends the company pays from profits or by an increase in share price (value) and values fluctuate daily
- Also called "equities"

- **Bonds:** the investor lends money to the corporation, municipality, or government and is therefore a creditor
- The investor is paid back with regular interest payments and the original value of investment is returned at the bond's maturity date
- Also called "fixed income"

5. BALANCING RISK BY ASSET ALLOCATION

Diversification among different types of investments is how to avoid the risks of putting all your eggs into one basket.

- Constructing your investment portfolio according to time frames, risks, and objectives
- Creating diversification amongst stocks, bonds, mutual funds, and other investments
- Allocations should be adjusted to manage risk over time

- Aggressive portfolios are for long-term growth and capital appreciation
- Conservative portfolios are appropriate for near-term needs, income generation and capital preservation
- Balanced portfolios are in between