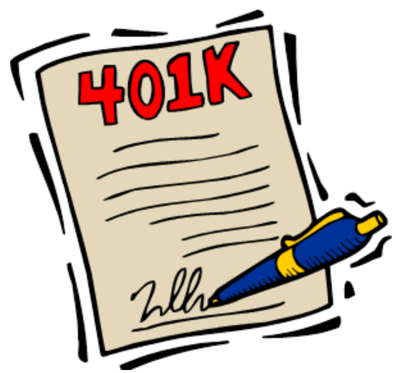
NestEggs Retirement Plan Services Value by Design

WILL YOUR RETIREMENT YEARS BE "GOLDEN"?

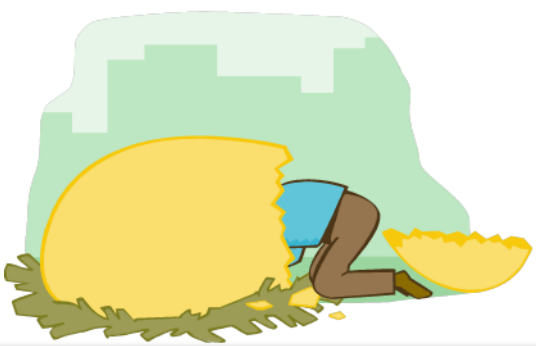


Why 401(k)?

1. SOCIAL SECURITY WILL NOT BE ENOUGH

In 2017, on average, what was the average percentage of working income that was replaced by Social Security post-retirement ?

A) 50%
B) 65%
C) 33%
D) 41%



*Employee Benefits Research Institute

FUN FACTS ABOUT SOCIAL SECURITY

- Social Security is the sole or primary source of income for 44% of today's retirees
- Twenty percent of retirees living on social security live below the poverty line
- Americans today are living 50% longer than they were in the 1930s when the social security benchmark retirement age of 65 was established

DID YOU KNOW?

- Nearly 75% of people claim social security benefits as soon as they are eligible (age 62) BUT for each year you postpone up to age 70, you increase your annual payout by

8%

Birth Date	Current Age	Benefit @62	Benefit@70
6/15/50	61	$1593	$3589
6/15/80	31	$3972	$9006

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2. PAINLESS AND DISCIPLINED SAVING

- Your employer automatically withholds your elected contributions (called deferrals) each payroll – deductions become an “out of sight, out of mind” habit that enforces discipline saving

Deferral Elections … Important Considerations

- **Deferrals can be changed, stopped and started anytime!**
- **Fixed $ versus % of Pay … which one is preferable?**
- **Tax Advantages**
  - **401k contributions are not included as taxable income for the year**
  - **Tax deferment allows for increased savings and investment returns over time**

- **Historically, tax rate goes down post-retirement**

HOW MUCH SHOULD I BE SAVING?

How much do you already have saved?
How many years until you plan to retire?
What are your retirement lifestyle expectations?
How much do you plan to withdraw annually (in today's dollars) post retirement?

- **12% of Gross Annual Pay Contribution Target (401k + Employer Contribution)**

  No minimum – find a starting point that works for you and make small incremental deferral increases on a semi-annual or annual basis!

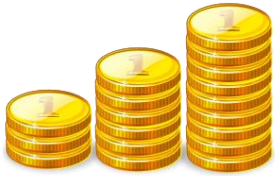
- **4% Rule**

  Financial experts advise that you take out an annual post-retirement draw no greater than 4% of total assets to ensure you do not outlive your savings

- **Replacement Rate**

  To maintain your current standard of living, expect to need approximately 75 – 80% of income earned during your working years after you retire

3. THE POWER OF COMPOUNDING



Compounding arises when interest is added to the principal, so that from that moment on, the interest that has been added a*lso itself* earns interest.

ANNUAL CONTRIBUTION

YEARS OF GROWTH	$7500 ($625/month)		$5000 ($416/month)		$2500 ($208/month)		$1000 ($83/month)	
40	$3,651,388		$2,434,259		$1,217,129		$486,851	
	$300,000	$3,351,388	$200,000	$2,234,259	$100,000	$1,117,129	$40,000	$446,851
25	$811,363		$540,908		$270,454		$108,181	
	$187,500	$623,863	$125,000	$415,908	$62,500	$207,954	$25,000	$83,181
15	$262,132		$174,748		$87,374		$34,949	
	$112,500	$149,632	$75,000	$99,748	$37,500	$49,874	$15,000	$19,949
10	$131,483		$87,655		$43,827		$17,531	
	$75,000	$56,483	$50,000	$37,655	$25,000	$18,827	$10,000	$7,531
5	$50,367		$33,578		$16,789		$6,715	
	$37,500	$12,867	$25,000	$8,578	$12,500	$4,289	$5,000	$1,715

*Principal
*Interest

COMPOUNDING IN REAL LIFE

Hypothetical twins, Earl and Lance - 25 years old:

- Earl decides to start saving for his retirement immediately. He can only afford to contribute $1,000 to his 401(k) each year. Ten years later, when Earl is 35, he decides to stop contributing to his nest egg.
- Lance decides to postpone saving for retirement because he expects to be earning much more once he has an established career. He decides not to contribute to his 401k for the first 10 years of his working life and then contributes $3,000 per year for the next 20 years of his life.
- Let's assume that Earl and Lance both invest their savings into an open-end mutual fund with a 15% annual return

To Recap:

- **Earl saves a total of $10,000 over 10 years (beginning at age 25)**
- **Lance saves a total of $60,000 over 20 years (beginning at age 35)**

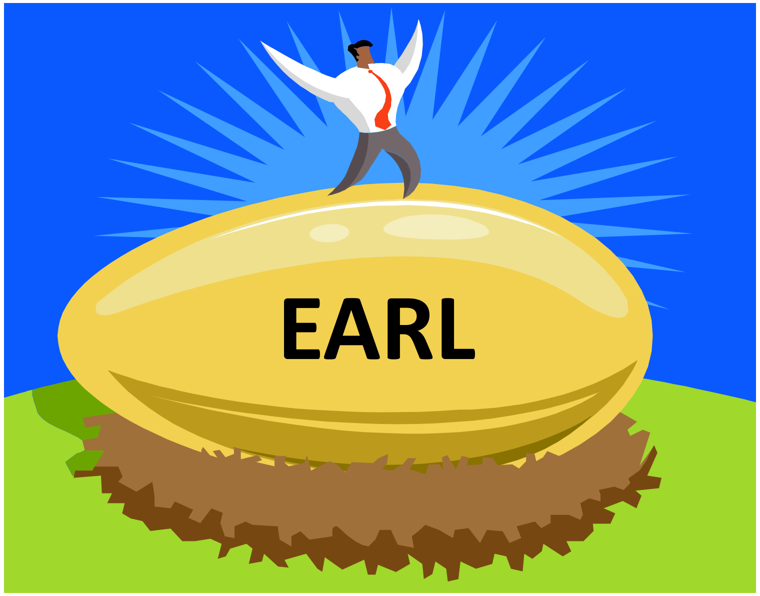
QUESTION:

At age 55, which brother had a larger Nest Egg?

A) Earl

B) Lance

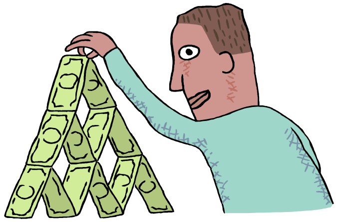
C) They had saved the same amount



Earl's $10,000 has turned into

$340,000

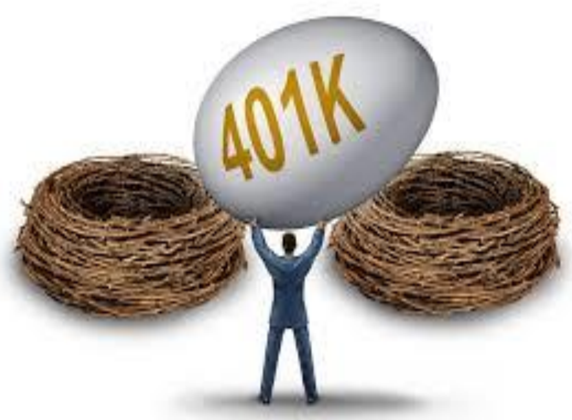
Lance's $60,000 has grown to
$314,000



THE POWER OF COMPOUNDING!

4. YOUR 401(K) STAYS/GOES WITH YOU!

- **Your 401(k) deferrals and the vested portion of any Employer Contributions are yours to take if you terminate employment – you will not lose your hard saved dollars!**
  - **Roll your account into a new employer 401(k) or IRA**
  - **Request a lump sum distribution (tax implications may apply)**



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