

Employee Retirement ZONE



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2nd QUARTER 2013

Saving is Always in Season

As spring gives way to summer, everything slows down. But saving for retirement—which is by far your largest lifetime expense—takes continuous focus.

Summer is a time when we can put our feet up and relax with friends and family. Even when the living's easy, you need to maintain discipline to build a long-term retirement strategy. Putting off your retirement savings for even a few months may add to more financial stress. And that's no picnic!

Here are three ways to stay engaged with your retirement planning during the summer:

1. Calculate the money you'll need

Not knowing how much money you'll need in retirement is like firing up the backyard grill for 35 friends and not knowing how much propane is in the tank

This may come as a surprise, but 57% of American workers age 55-plus have never used a retirement calculator.¹ Many experts believe that retirees will need 75% to 100% of their pre-retirement income to live comfortably.

Let's say Jane earns \$40,000 per year. She will need to receive \$30,000 to \$40,000 per year from a combination of Social Security, pension assets and personal savings to maintain her lifestyle. And, to protect her buying power, Jane's rate of return will also have to meet or beat the rate of inflation.

The web site www.aarp.org has a calculator that uses your income, age, current assets and savings rate to estimate how long your savings should last.

Better yet, consider meeting with a financial advisor. An advisor can help you calculate how much retirement income you'll need, review your investments and make recommendations that better align your goals with your risk tolerance and time horizon. Contact your retirement plan administrator today to see if your plan offers access to an advisor.

2. Start early

It's never too soon or too late to contribute to a retirement plan, but starting early means that you can set aside less to achieve the same or better result. That's because the power of compounding allows your assets to generate earnings.

There's a big cost if you wait. Look at how much money a 26-year-old gives up by delaying the start of contributions just one year:

THE COST OF WAITING			
Your Starting Age	Your Contributions by Age 65	Your Account Value at Age 65	The Cost of Waiting One Year
25	\$48,000	\$324,180	
26	\$46,800	\$299,008	\$25,172

This is a hypothetical illustration intended to show how a one-year delay in investing might affect savings. It is not intended to depict the performance of any particular investment. Assumes monthly contributions of \$100, an annual 8% hypothetical rate of return in a tax-deferred account, retirement at age 65, and no withdrawals. Savings totals do not reflect any fees/expenses or taxes along the way. The accumulations shown would be reduced if fees and taxes had been deducted.

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The Value of Time

One of the most common pieces of wisdom recent retirees offer when asked whether they would have done anything differently about their retirement planning process is that “they wish they’d started sooner.” The mistake that people at all income levels make with retirement accounts is not starting at a younger age.



Time is an important ally when saving and investing, because it allows you to recover from periodic bouts of market volatility. It took five and half years after the vertigo-inducing drop that deleted \$11 trillion from stock portfolios for the Dow Jones Industrial Average to regain all of its losses and reach a new high. Those who did not panic and sell their stock investments in 2008-2009 have fully recovered.

Having time on your side makes it easier to accumulate money for retirement, because those who start early don't have to set aside as much every month. Each decade you put off starting to save, approximately doubles the percentage of your earnings you must set aside to achieve your goal.

For example, if socking away 5% per year starting in your early 20s will get you to your goal, waiting until your 30s may mean having to save 10%; in your 40s 20%, and so on.

Time gives you the luxury to be able to develop a plan, and to adjust your savings strategy as you move through your first job, while building your career and preparing for the transition to retirement.

While you're young, it's fun to spend money and live in the moment. But, if this describes your philosophy of money, you should motivate yourself to start saving sooner. The longer you wait to save, the more you ultimately will need to save, and therefore realistically, the less you can spend today.

Saving is Always in Season

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3. Increase your contributions each year

If you get paid every two weeks (26 times a year), increase your contributions to your retirement plan by just \$10 a paycheck, and maintain that contribution level, you'll be adding \$260 to your account each year. If you have 40 years left until you retire, you will have an additional \$10,400 to spend in retirement, even without considering your investment return.

If you increase your contributions by \$10 each year (so that in the second year you're adding \$10 per paycheck, then \$20 per paycheck in the third year, and so on), by the end of year 40 you'll have an additional \$213,200 to spend, even without considering your investment return—assuming you don't exceed the maximum annual contribution limit for qualified plans.

By taking these simple steps, you may be able to rest easier all summer—and all year.



Global Investing: Adapting to a Changing World

Now that the U.S. stock market is coming back, why should investors consider investing overseas?

Companies in the United States have been making money, despite sluggish economic growth. U.S. stock prices have recovered nicely over the past three and a half years, recently pushing the Dow Jones Industrial Average to an all-time record. Along with corporate profits, consumer confidence is on the rebound.

Even as investors begin to return to U.S. stocks in greater numbers, they need to pay attention to what's happening in the rest of the world.² Here's why:

1. A broader approach

Today, the U.S. represents less than a third of the world's stock markets by capitalization—down significantly from 50% in 1985.³ That said, nearly all stock investors today are global investors, since it is difficult to find any truly pure U.S. firms. In fact, the companies that make up the S&P 500® Index now make nearly half their sales overseas.⁴ And if a company does not compete to sell its products and services overseas, it likely sources materials and services from outside the U.S.

2. Spreading risk

Anyone who lived through the 2008-09 U.S. downturn understands intuitively that the country that one lives in is not without risk. Having your eggs in more than one basket is generally a good idea, because if a crisis affects one country, another country on the opposite side of the globe may not be as susceptible to its negative effects, or at least not to the same degree. During the financial crisis, some countries and companies were more resilient than others. Investing in a geographically varied group of industries and companies may help you garner solid returns while potentially reducing risk.

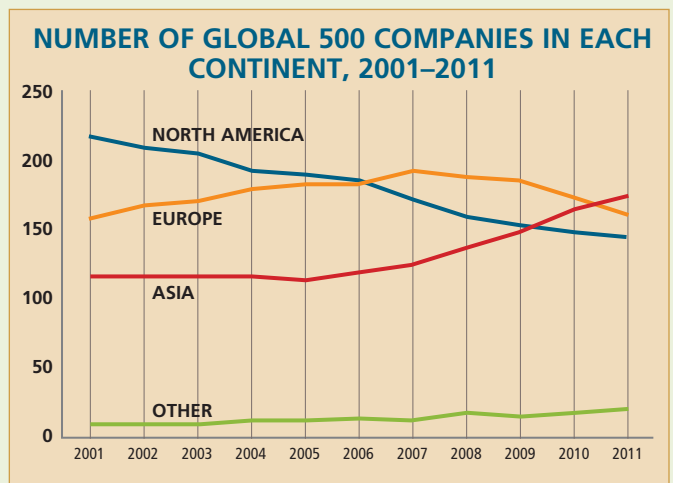
3. Expanding opportunities

Rising personal incomes, particularly in the emerging middle class worldwide, are driving consumption on a huge scale. New technologies, especially in information technology and the life sciences, continue to revolutionize industry. And an aging global population is creating demand for goods and services in the health care and leisure industries, among others. In the long run, the global economy has an irresistible tendency towards growth. Past performance is not indicative of future results.

Nowhere are the opportunities more visibly compelling than in the emerging markets. These markets contain more than 80% of the world's population, contributing roughly half of its economic output, and are becoming less dependent on the developed world for growth.⁵ The following chart shows how

the distribution of company headquarters in the Fortune Global 500 shifted dramatically between 2001 and 2011.

While North America led the number of top firms in the Fortune Global 500 in 2011, it has fallen below Asia and Europe in terms of size in recent years as the world's emerging economies undergo tremendous changes.



Source: Fortune, CNN/Money

4. Balancing the risks

Clearly, investing overseas is not the same as buying stocks or bonds of U.S. corporations whose brands, reported earnings, and management-team track records are well known to U.S.-based analysts and market observers.

European markets share to a great extent a commonality of accounting standards and provide a level playing field as do U.S. markets, although they have somewhat different regulatory environments and political processes. In addition, the 17 European countries that use the euro as currency have been in recession for more than a year. Whether recessions will deepen in Europe and/or Japan, or whether those economies will start to grow again, is very much an open question.

Companies in developing or emerging markets tend to be less transparent about their finances, although governments around the world, eager to attract foreign capital, have made great strides towards adopting commonly accepted accounting principles and imposing standard financial structures. Over time, greater transparency and accountability will help to create more confidence in an already vibrant global financial market.

Investing globally is gaining popularity as investors look for ways to diversify their portfolios, manage risk, and take advantage of growth opportunities wherever in the world they may be.



Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Ten years to go?

What you do in the final decade before you quit working is critical to setting yourself up for your next phase of life. This is the time to evaluate your progress toward your savings goal—experts say you will need to have saved 11 times your salary by the time you're 65—and make any necessary adjustments. It's also important that you coordinate your retirement date with your spouse (hint: it may make sense not to quit working at the same time), and to form strong alliances with the younger folks at your job. Not to be a downer, but they may be the ones with a say in whether you stay or go. Now is not the time to take your foot off the gas!

Tools & Techniques

Too much of a good thing

Your employer may offer you the ability to purchase company stock in your retirement plan—and for good reasons, since owning shares in your company allows you to participate in the company's success as an equity owner. But there is a risk to owning too much company stock, known as concentration risk, and it may happen without your even realizing it as you accumulate shares through profit-sharing and 401(k) plans.

As much as you believe in and work hard for your employer, it may make sense to reduce the size of your company stock position if it makes up more than 20% of your portfolio.

Q & A

What's your "here to there" number?

Getting from "here" to retirement is just a number. At least that is the premise of an online retirement calculator called myPlan SnapshotSM developed by Fidelity Investments. By answering five simple questions—your age, income, retirement savings, monthly contributions and investment style—the calculator shows how close your assets and current savings may come to replacing 85% of your estimated pre-retirement income. You can easily make adjustments to your inputs to see how you can change your results. The whole process takes less than three minutes.

Visit www.personal.fidelity.com/planning/retirement/content/myPlan/index.shtml.

Quarterly Reminder

Keeping on target

With strong stock market performance in 2012, it is possible that your mix of stocks, bonds and cash may have strayed from your portfolio target. Let's say you had 60%

in stock funds and 40% in bonds at the beginning of 2012. If at the end of the year your percentage in stocks increased from 60% to 70%, your portfolio could be exposed to more stock-market risk than you feel comfortable with. To rebalance your portfolio, you would sell enough of your stock holdings and reinvest those funds in bonds to restore your percentages to the original 60/40 mix.⁶

Corner on the Market

Basic financial terms to know

BRIC countries

BRIC is an acronym that refers to the nations of Brazil, Russia, India and China, which some economists have grouped together because they share a similar stage of economic development. The term typically appears as "the BRICs" or "the BRIC countries." Some observers believe that the four BRIC countries are developing so quickly that they could eclipse the developed G7 economies of the U.S., United Kingdom, France, Germany, Italy, Canada and Japan as early as 2027.

A similar acronym is MIKT (also known as MIST) for the rapidly growing economies of Mexico, Indonesia, South Korea and Turkey.

1 Source: Society of Human Resource Management, September 2011.

2 Investing in foreign securities entails special risks (such as currency fluctuations and political uncertainties) and may have higher expenses and volatility. Emerging- and developing-market investments may be especially volatile. Investments in securities of growth, technology and small-cap companies may be especially volatile. Diversification does not guarantee a profit or protect against loss.

3 Source: Standard & Poor's, Emerging Stock Market Fact Book, 1995 and Global Stock Markets Fact Book, 2011.

4 Standard & Poor's, 2011 data.

5 Sources: United Nations; International Monetary Fund, World Economic Outlook, April 2012.

6 Asset allocation and portfolio rebalancing do not ensure a profit or protect against loss.