on track

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A Solid Shelter from Stormy Financial Weather

Life is full of surprises. Unfortunately, some of them can be unwelcome — and costly. The car's transmission fails, the roof starts to leak, there's a medical emergency. If you incur a large, unexpected expense, would you have ready access to cash to pay the bill? Or would you be forced to use your credit card or borrow from your retirement plan to cover it?

Adding to credit card debt and tapping your retirement savings do not have to be your only options in a financial crisis. A better option would be to build and maintain an emergency fund for unanticipated expenses.

Set a Goal

Your emergency fund should have enough money in it to cover three to six months of living expenses. That may seem like a lot to save, but you can start small at first. Put the money into a savings or other cash account that gives you quick access to it if needed.

Think about adding some or all of any bonus, pay increase, or tax refund you may receive to your emergency fund. Avoid the temptation to use the money you save for anything other than a true financial crisis. And make certain that you replace the money you do use as soon as it is feasible.

Could You Live on $16,848 a Year?

It doesn't seem like a lot, but it is the average annual Social Security benefit for all retired workers in 2018. Could you get by on this amount?

FACTS ABOUT SOCIAL SECURITY

8%
The amount your benefit grows per year for each year you put off enrolling after full retirement age (up to age 70)

2.8
The number of current workers for each Social Security beneficiary

95%
Percentage of working Americans between age 20 and 49 who have survivors insurance protection for their spouse and children through Social Security

89%
Percentage of workers who are protected in the event of a long-term disability by Social Security

6.2%
Social Security payroll tax on earnings up to $128,400 in 2018 (the employee and the employer each pay this tax)

Source: Social Security Administration, 2018

Sure, some expenses could be lower once you retire — your mortgage may be paid off, your children may be financially independent, and you won't have work-related expenses. However, other expenses, such as new hobbies or additional travel, may take their place. And you should anticipate that certain expenses, such as health care, will be more costly as you age. Also, don't forget the potential for inflation and its impact on the cost of food, utilities, and other goods and services.

Social Security Is Only a Safety Net

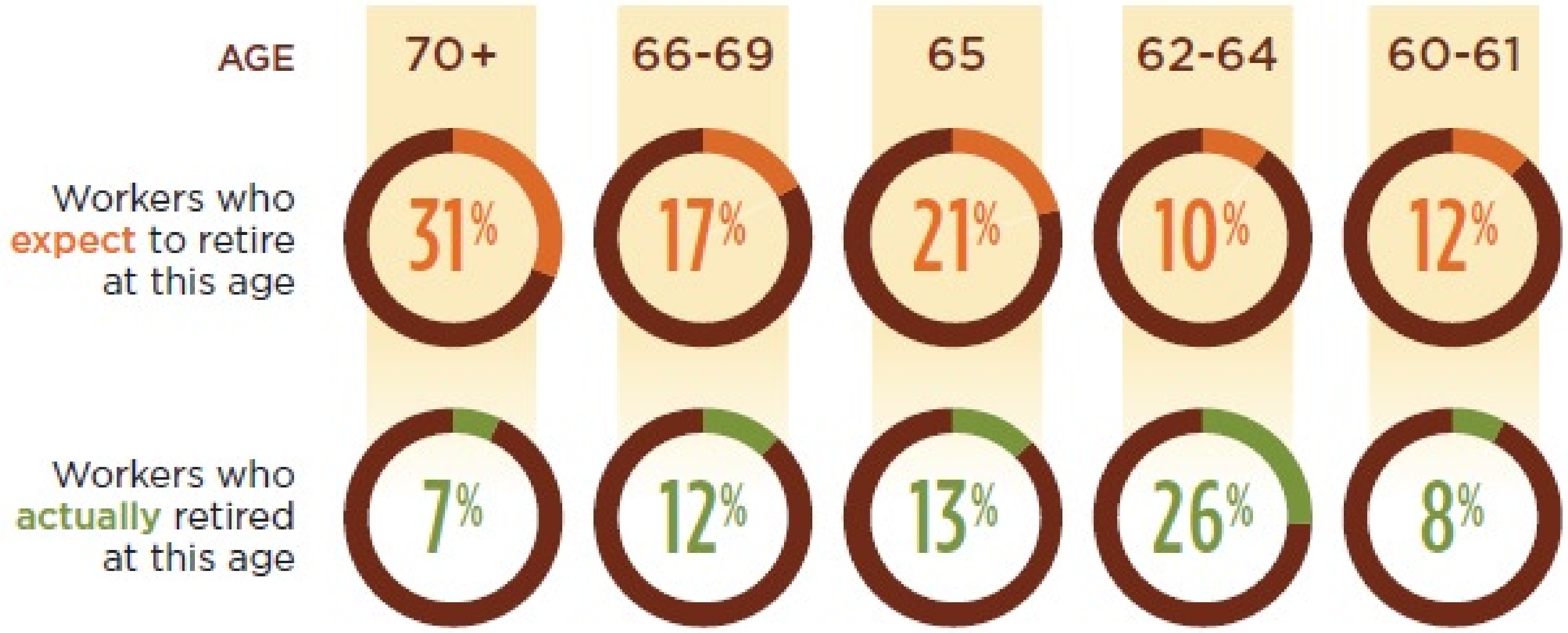
The reality is that it may not be wise to count only on Social Security. If you want a better quality of life in retirement, you have to take responsibility now and focus on building your own retirement savings. You can use the savings you accumulate while you are working to help make up the difference between what Social Security may provide and what you'll need to live comfortably when you retire.

Harness the Power of Compounding

Contributing to your employer-provided retirement plan is an important first step, but it can also be important to keep increasing the amount you contribute over time. The more you put into your plan, the greater your potential retirement income. Long-term compounding may turn even a small contribution increase into a higher plan balance at retirement.

RETIREMENT EXPECTATIONS VS. REALITY

Differences between workers' expected retirement age and retirees' actual age of retirement could indicate a gap exists between workers' expectations and retirees' experience.



Source: Employee Benefit Research Institute and Greenwald & Associates, 2018 Retirement Confidence Survey

Myths About Retirement

These common myths about retirement may be holding you back from contributing as much as you should to your retirement plan.

I Won't Be Retired for Long

It's possible, but government data* shows that a man aged 65 in 2015 could expect to live an additional 18 years while a woman aged 65 in 2015 could live another 20.6 years. Your goal should be to save enough to provide for the retirement you envision into your 80s and beyond.

I Won't Need Much Money During Retirement

Your overall expenses may fall in retirement, but the cost of health care is likely to rise. The Employee Benefit Research Institute estimates that a 65-year-old man (in 2017) would need $131,000 in savings and a 65-year-old woman would need $147,000 just to cover health care expenses in retirement.** In addition, don't forget that inflation is likely to reduce the buying power of today's dollars in the future.

I Can Always Work

You may want to work well past traditional retirement age, but your circumstances may change. An accident or illness that affects you or a family member may make that goal unreachable.

I Can Rely on Social Security

Social Security replaces only a portion of a worker's preretirement income, and the amount varies depending on average earnings and when benefits begin. For individuals who start benefits at age 67, the percentage ranges from as much as 75% for very low earners to about 40% for medium earners and about 27% for high earners.*** You will need additional sources of income to have a financially comfortable retirement.

* National Center for Health Statistics, *Health, United States, 2016*

** The projected savings amounts are for 65-year-olds whose goal is to have a 90% chance of having enough savings to cover premiums and median prescription drug expenses.

*** Social Security Administration, *Retirement Benefits*, 2018

Time Is Your Friend in Investing

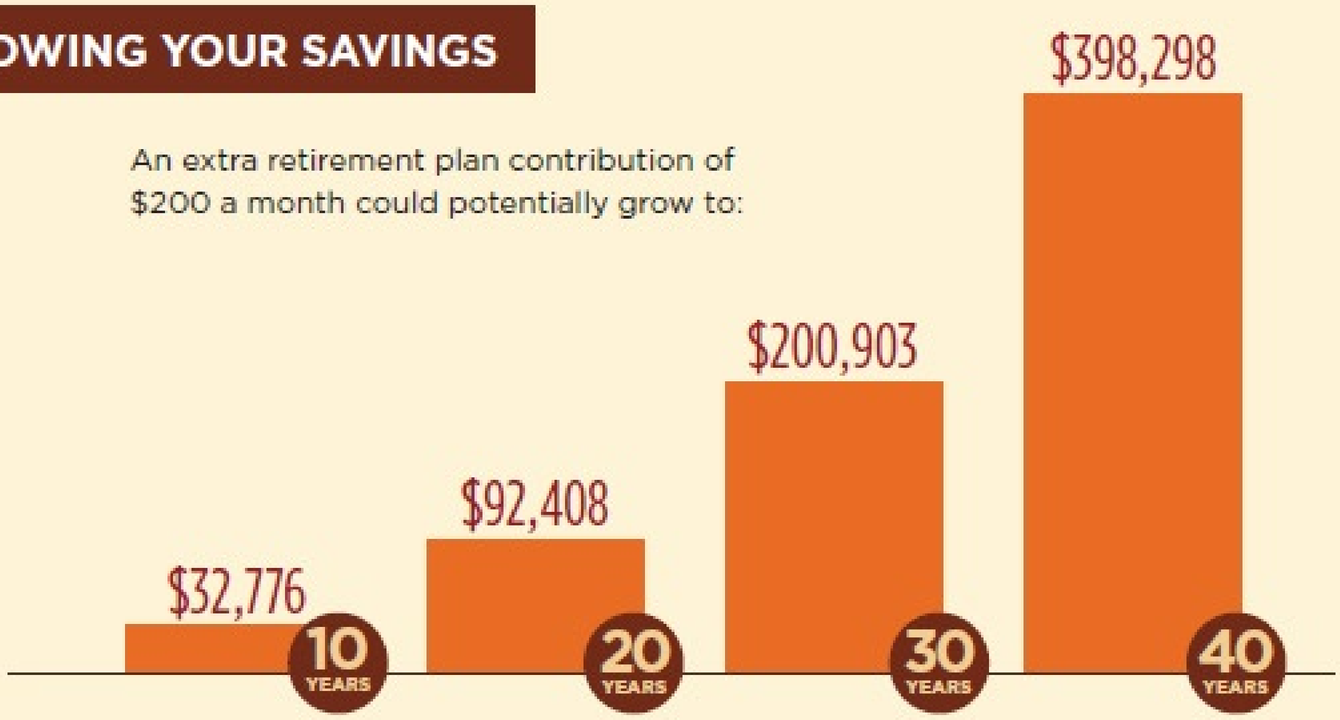
If an uncle died and left you $50,000 in his will, would you prefer to get your hands on that money today or wait a year to receive it? Most likely, your answer would be: "Now, please." You know instinctively that the sooner you receive the money, the sooner you can benefit from it.

It works much the same way with saving for retirement. The sooner you begin adding more to your retirement plan, the more time your extra contribution will have to grow and compound. Compounding is basically money making money. And time is a big part of the magic of compounding. The longer your money is invested, the more you potentially benefit from compounding.

The cumulative result after years of contributions and earnings may be the nest egg you'll need to see you through your retirement years. You can put time and compounding to work on your behalf right away by increasing your retirement plan contribution.

GROWING YOUR SAVINGS

An extra retirement plan contribution of $200 a month could potentially grow to:



This is a hypothetical example used for illustrative purposes only and is not representative of any particular investment vehicle. It assumes a 6% average annual total return compounded monthly. Your investment performance will differ.

Source: DST Systems, Inc.