

Your Money

A Guide To Reaching Your Financial Goals

Supplemental Materials

Retirement Plan Comparisons

Goal Setting Worksheet

Net Worth Worksheet

Investment Risk Chart



Supplemental Materials

Retirement Savings Plan Comparisons

Individual Plans

	Deductible Traditional IRA	Non-deductible Traditional IRA	Roth IRA
who can open one?	Anyone who earns income and is younger than 70½ non-working spouses (spousal IRA)	Anyone who earns income and is younger than 70½ non-working spouses (spousal IRA)	Anyone who earns income and has a MAGI up to \$116,000 as a single tax-filer or \$169,000 as a joint filer non-working spouses (spousal IRA)
maximum contribution	\$5,000 for 2008, plus \$1,000 catch-up if 50 or older	\$5,000 for 2008, plus \$1,000 catch-up if 50 or older	\$5,000 for 2008 plus \$1,000 catch-up if 50 or older
withdrawals	Taxes and 10% tax penalty due on most withdrawals before age 59½ Must start taking minimum required distributions (MRDs) at age 70½	Taxes and 10% tax penalty due on most withdrawals before age 59½ Must start taking minimum required distributions (MRDs) at age 70½	Taxes and 10% tax penalty due on most withdrawals before age 59½ Up to \$10,000 in earnings may be withdrawn tax free to buy first home No required withdrawals
taxes	Earnings <i>and</i> contributions taxed at regular income tax rate at withdrawal	Earnings <i>but not</i> contributions taxed at regular income tax rate at withdrawal	No tax on withdrawals if you are at least 59½ years of age and the account has been open at least 5 years
portability	Can roll over to another IRA or employer plan that accepts rollovers May qualify to convert to Roth IRA, but must pay taxes due	Can roll over to another IRA May qualify to convert to Roth IRA, but must pay taxes due	Can only roll over to another Roth IRA
comments	Tax-deductible contributions mean immediate tax savings Income limits affect amount that is deductible No loans	Contributions never tax deductible No loans	No age limit on contributions if still earning Income limits affect eligibility to contribute Contributions are never tax-deductible No loans Contributions may be withdrawn at any time without penalty

Individual retirement savings plans have tax benefits that make them attractive ways to save for retirement on your own, either in addition to an employer plan or when you're not covered by such a plan. To be eligible to contribute, you must have earned income. Alimony counts as earned income. While you can have more than one individual IRA account, and even more than one type of account, your total contributions to all of your individual accounts cannot exceed the annual contribution limit or the amount that you earn in one year.

In return for these benefits, however, you must follow specific rules on how much you put aside each year and how you take money out. You must also take the initiative to set up and contribute to these plans on your own, but you have the right to choose where to open your account and which investments to make.

Employer Plans

	Traditional 401(k)	Traditional 403(b)	Roth 401(k) or Roth 403(b)	457	Thrift Savings Plan (TSP)
who may offer it?	Corporations and non-profit organizations	Non-profit organizations	Any organization that offers 401(k) or 403(b)	State and local government agencies Non-government tax-exempt organizations	Federal agencies and organizations
maximum contribution	\$15,500 in 2008 Plus \$5,000 catch-up if age 50 or older	\$15,500 in 2008 Plus \$5,000 catch-up if age 50 or older	\$15,500 in 2008 Plus \$5,000 catch-up if age 50 or older	\$15,500 in 2008 Plus \$5,000 catch-up if age 50 or older Additional catch-up when approaching retirement	\$15,500 in 2008 or up to 100% of salary Plus \$5,000 catch-up if age 50 or older Up to \$46,000 in 2008 for qualified military
withdrawals <i>MRD:</i> <i>minimum required distribution</i>	Must start MRDs by 70½ in most cases Withdrawals permitted only when you change jobs, retire, or qualify for hardship withdrawal	Must start MRDs by 70½ unless still working Withdrawals permitted only when you change jobs, retire, or qualify for hardship withdrawal	Must start MRDs by 70½ Withdrawals permitted only when you change jobs, retire, or qualify for hardship withdrawal	Must start MRDs by 70½ Penalty-free withdrawals any time after retiring from government service	Must start MRDs by 70½ Withdrawals permitted only when you change jobs, retire, or qualify for hardship withdrawal
taxes	Withdrawals taxed at regular income tax rate 10% tax penalty for withdrawals before 59½	Withdrawals taxed at regular income tax rate 10% tax penalty for withdrawals before 59½	No tax on withdrawals after 59½ if account has been open at least 5 years Tax at regular rate plus 10% tax penalty for withdrawals before 59½	Withdrawals taxed at regular income tax rate	Withdrawals taxed at regular income tax rate 10% tax penalty for withdrawals before 59½
portability	Can roll over earnings and contributions to an IRA or employer plan that accepts rollovers Can roll over matching money if vested	Can roll over earnings and contributions to an IRA or employer plan that accepts rollovers Can roll over matching money if vested	May roll into Roth IRA if retiring or leaving job Cannot move assets to traditional 401(k) or 403(b), except vested matching funds	Contributions 100% vested Only government employees may roll over to other employer plan	Can roll over to IRA if retiring or leaving job Contributions 100% vested
comments	Contributions lower taxable income Loans permitted in some plans	Contributions lower taxable income Loans permitted in some plans Investments limited to mutual funds and annuities	Contributions made with after-tax income No income restrictions on eligibility to contribute Matching funds put in a parallel traditional account	Contributions lower taxable income Can also participate in 401(k) or 403(b) if offered No matching No loans	Contributions lower taxable income For some federal employees, automatic match of 1% of base pay Investment choices limited to five index funds or one lifecycle fund

Your employer may offer a retirement plan as part of your employee benefits package. Sometimes you must be on the job a specific period of time before qualifying to participate. You fund traditional employer plans by deferring a portion of your pretax salary, reducing your current taxable income. However, with a Roth 401(k) or Roth 403(b), you contribute after-tax income and may qualify for tax-free withdrawals. Some employers also match part of your contribution. A typical formula is 50% of your contribution, up to 5% or 6% of your salary.

All contributions to employer-sponsored retirement plans have the opportunity to grow tax-deferred. As with individual retirement plans there are certain contribution limits and withdrawal restrictions in exchange for tax advantages.

Small Business Plans

	Simplified Employee Pension (SEP)	Savings Incentive Match Plans for Employees (SIMPLE)	Profit-sharing Keogh Plan	Money Purchase Keogh Plan	Solo 401(k)
	Account in your name, funded with employer contributions	For companies with 100 or fewer employees who earn at least \$5,000 a year Can be set up as SIMPLE-IRA or SIMPLE-401(k)	Account in your name, funded with employer contributions	Account in your name, funded with employer contributions	Account in your name to which both you and employer contribute
maximum contribution	Up to 25% of salary or \$46,000 in 2008, whichever is less	\$10,500 in 2008 plus \$2,500 catch-up if 50 or older	Up to 25% of your salary, or \$46,000 in 2008, whichever is less	Up to 25% of salary or \$46,000 in 2008, whichever is less	\$15,500 in 2008 from employee plus \$5,000 catch-up if 50 or older Employer can contribute a maximum of 25% of salary or \$46,000 in 2008, whichever is less
withdrawals <i>MRD: minimum required distribution</i>	Must start MRDs by 70½	Must start MRDs by 70½ Withdrawals permitted only when you change jobs, retire, or qualify for hardship withdrawal	Must start MRDs by 70½	Must start MRDs by 70½	Must start MRDs by 70½
taxes	Withdrawals taxed at regular income tax rate 10% tax penalty for withdrawals before 59½	Withdrawals taxed at regular income tax rate	Withdrawals taxed at regular income tax rate 10% tax penalty for withdrawals before 59½	Withdrawals taxed at regular income tax rate 10% tax penalty for withdrawals before 59½	Withdrawals taxed at regular income tax rate 10% tax penalty for withdrawals before 59½
portability	100% vested at time of deposit Can be rolled over into IRA	Contributions 100% vested Two-year waiting period or a 25% tax penalty on most rollovers	Can be rolled over into SEP or other IRA	100% vested at time of deposit Can be rolled over into SEP or IRA	100% vested at time of deposit Can be rolled over into SEP or IRA
comments	No loans Doesn't commit employer to regular contributions	Contributions lower taxable income Employer must match up to 3% of your contribution or at least 2% of your income	Loans may be available Contributions may vary along with company profits	Loans may be available Employer must contribute specific percentage of each eligible employee's earnings each year	Loans may be available Highest potential annual contribution

Certain types of retirement savings plans are designed specifically for small businesses and self-employed people. These plans give you access to some of the same types of tax advantages found in other employer plans, but with the additional flexibility you might need if you work for yourself or for a small business.

Among their advantages are that the annual contribution limits are higher than with any other plan, individual or employer sponsored, and the choice of investments may be broader than with other employer plans.

Goal Setting & Financial Planning

When you make a financial plan you identify the financial goals that are important to you, your best estimate of what they will cost, your time frame for achieving them, and the types of investments that may be the most appropriate for accumulating the money you need.

Short-term goals

Paying for the expenses you anticipate in the next few years requires a cautious plan. Focus on minimizing the risk to your assets and preserving your wealth. Make sure the money you'll need in the near future is both secure and accessible.

Common short-term goals

- ▶ Buying a car
- ▶ Making a down payment on a home
- ▶ Taking a vacation
- ▶ Returning to school for extra education and degrees
- ▶ Getting married
- ▶ Establishing your own business
- ▶ Paying off credit cards, student loans, and other debts

Possible investments for achieving short-term goals

- ▶ Savings accounts
- ▶ Certificates of Deposit
- ▶ Money market accounts
- ▶ U.S. Treasury bills
- ▶ Short-term bonds or short-term bond funds

Mid-term goals

Think about the next ten years, concentrating on what you hope to accomplish and the expenses you anticipate these goals will cost. Planning for mid-term goals means carefully balancing investment growth and financial security.

Common mid-term goals

- ▶ Paying for children's education
- ▶ Purchasing a larger home
- ▶ Buying a second home or vacation home
- ▶ Buying a boat or recreational vehicle
- ▶ Traveling to a special destination

Possible investments for achieving mid-term goals

- ▶ Stock in a variety of companies
- ▶ Stock mutual funds
- ▶ Exchange traded funds tracking a diversified range of indexes
- ▶ U.S. Treasury notes
- ▶ High-rated bonds or bond funds
- ▶ Zero-coupon bonds with appropriate maturity dates

Long-term goals

It is never too early to begin planning for the major financial goals you want to achieve more than ten years down the road. Realizing your hopes and dreams for the future calls for a persistent and growth-oriented investment strategy.

Common long-term goals

- ▶ Living comfortably during retirement
- ▶ Affording travel and hobbies
- ▶ Continuing to support your children
- ▶ Financial security for long-term health care
- ▶ Providing an inheritance for your heirs
- ▶ Creating a legacy

Possible investments for achieving long-term goals

- ▶ Stock in emerging and developing as well as well-established companies
- ▶ Stock mutual funds that invest in growing companies
- ▶ Exchange traded funds tracking a diversified variety of indexes
- ▶ Long-term bonds
- ▶ Zero-coupon bonds with appropriate maturity dates
- ▶ Real estate

Re-evaluating Your Goals Over Time

Your financial goals will likely change as your financial circumstances change. It is important to reassess your goals periodically — at least once a year. When you do your annual financial check-up ask yourself the following questions. Be prepared to make any changes you think are needed.

- ▶ Are the goals on my list still the goals I care about?
- ▶ Are there other things that matter more to me now?
- ▶ Have I made financial progress since last year?
- ▶ If not, what could the reasons be?
- ▶ Am I using the best investments to meet specific goals?
- ▶ What other choices might provide stronger results?
- ▶ Am I giving each goal the attention it deserves?
- ▶ Do I need to change my investment strategy on any of my goals because of a change in time frame?

goal	time frame	cash on hand	cash needed	amount or rate of return needed to reach goal	Account/Investment
Replace car	12 months	\$4,900	\$5,200 for 20% down on \$26,000 car	\$300 (save \$25 each month), or 6.12% annual rate of return	12-month CD plus savings account

List Your Financial Goals

Make a list of your primary short, mid, and long-term financial goals, the approximate date when you hope to achieve them, how much you have saved already, approximately how much you'll need, and where your savings are. This list can serve as benchmark for evaluating your progress. Remember that it's perfectly normal for your goals to change as your life changes.

Net Worth Worksheet

To figure your net worth, add up the value of all your assets and the value of all your liabilities separately. Then subtract the total value of your liabilities from the total value of your assets.

Assets

Bank accounts \$ _____

- ▶ Checking
- ▶ Savings
- ▶ CDs
- ▶ Money Market

Personal property \$ _____

- ▶ Home
- ▶ Home contents
- ▶ Automobile
- ▶ Boat/Recreational vehicle
- ▶ Collectibles
- ▶ Jewelry

Investments \$ _____

- ▶ Stocks
- ▶ Bonds
- ▶ Mutual Funds
- ▶ ETFs
- ▶ Real Estate/REITs
- ▶ Life insurance (*cash surrender value*)
- ▶ College savings plans
- ▶ Other investments

Retirement savings \$ _____

- ▶ Employer-sponsored plans
401(k), 403(b), 457, SIMPLE, Keogh
including vested employer contributions
- ▶ IRAs
- ▶ Defined benefit (pension) plan
- ▶ Annuities (Cash surrender value)

Other \$ _____

- ▶ Money you're owed
- ▶ Other assets

Total assets \$ _____

Liabilities

Credit cards \$ _____

- ▶ Visa
- ▶ MasterCard
- ▶ American Express
- ▶ Other credit/charge cards

Personal loans \$ _____

- ▶ Mortgage
- ▶ Additional mortgage/
Home equity loan
- ▶ Car loan
- ▶ Student loan
- ▶ Bank loans
- ▶ Other personal loans

Investment loans \$ _____

- ▶ Brokerage account loan
- ▶ 401(k) loan
- ▶ Life insurance loan
- ▶ Business loan
- ▶ Other investment loans

Taxes owed \$ _____

- ▶ Real estate taxes
- ▶ Income taxes
- ▶ Other taxes

Other \$ _____

- ▶ Current/unpaid bills
- ▶ Other debts

Total liabilities \$ _____

Total assets – total liabilities = net worth

\$ _____

Investment Risks

This chart gives an overview of different levels of risk, the types of investments in each risk category, and ways in which they might contribute to your overall investment success.

To evaluate approximately what level of risk you are taking now, make a list of all your holdings and match them against the examples in the chart. If you own mutual funds, you can find information in each fund's prospectus about the level of risk it exposes you to.

All investments expose you to some risk. The primary risk is that you could lose some or all of the principal you invested because a company that has issued stock or bonds you own does poorly over an extended period or goes out of business. At the other end of the scale, insured investments guarantee your principal, but in most cases the rate at which they increase in value or provide income cannot keep pace with the rate of inflation and you lose buying power.

As you choose investments for your portfolio, you should be aware of the level of risk each one could expose you to. Remember that taking some risk has the potential to increase your overall return.

	characteristics	examples	uses
Low risk	Liquid Often insured or backed by government Vulnerable to inflation May be subject to penalties for early redemption	Treasury bills Certificates of Deposit Short-term bonds Savings accounts Money market funds Fixed annuities	Preserve principal Provide income Meet short-term goals Emergency funds
Moderate risk	Somewhat volatile Potential for strong return but possible loss of value Fairly liquid	Growth stocks, stock funds, and ETFs Investment-grade corporate bonds Treasury bonds and notes REITS	Provide growth and income Outpace inflation Meet mid and long-term goals
High risk	Most volatile Low-rated Potential for greatest return but greatest loss of value Can be illiquid	Derivatives High-yield bonds Speculative stock, stock funds, and ETFs (for example, with stock in small technology or biotechnology stocks) Gold and other metals	Speculate with portion of portfolio Add greater diversification Can be used in balance with other investments for long-term goals