



Retirement by Design

Participant Workbook

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Edward Jones[®]
MAKING SENSE OF INVESTING

Welcome

Retirement by Design

Retirement can be a word filled with emotion – excitement, fear, anticipation, uncertainty. For some, thinking about retirement can bring some questions to mind: *Am I saving enough? What will I do when I retire? Will I even be able to retire?*

Retirement by Design is a program to help you answer those questions by translating your vision for retirement into tangible goals. Whether you are 10 or 40 years from retirement, you'll learn investment strategies you can use now to help you retire when and how you want.

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Your Vision for Retirement

Your vision for retirement is important because it influences the amount you'll need to retire and the strategies you should use. Remember, you're not saving to achieve a large sum of money - you're investing to provide income in retirement to cover your expenses and do the things you want to do.

What do you want to do in retirement?

The further you are from retirement, the more difficult it may be to create a clear picture of what it will look like for you. That's OK. We can continue to refine this vision as you get closer to retirement and make adjustments as needed.

Defining Your Goals

Once you have your vision in mind, you can turn it into specific and measurable goals. Here are some questions to get you started:

	You	Your Spouse
1. How much do you estimate you will earn this year (before taxes)?	\$ _____	\$ _____
2. What is the total value of your retirement accounts (company retirement plans, 401(k)s, IRAs, etc.)?	\$ _____	\$ _____
3. What is the total value of your accounts (excluding retirement accounts)?	\$ _____	\$ _____
4. How much do you (and your employer) add to your 401(k) or other retirement accounts each year?	\$ _____	\$ _____
5. When do you want to retire?	_____	_____
6. If you expect to receive a pension, how much will it provide per month?	\$ _____	\$ _____
7. How much do you expect to receive in Social Security benefits?	\$ _____	\$ _____
8. How much income do you want each month during retirement? (This is an estimate of your after-tax monthly spending.)	\$ _____	

Defining Your Goals (continued)

Any expenses above and beyond the income provided by outside sources, such as Social Security and pensions, will have to come from your personal savings and investments.

Rule of 25

A quick rule of thumb on how much you need to save for retirement is the Rule of 25. Basically, you take how much you think you'll need from your investments in the first year of your retirement and multiply that number by 25.

\$	-	\$	=	\$
Expected pretax annual expenses (Consider your retirement vision.)		Expected pretax annual income from outside sources (Q6 & Q7)		Pretax amount needed from savings and investments

Example:

You estimate that you'll need about \$80,000 in pretax income the first year of your retirement, adjusted for inflation. Social Security and part-time earnings will cover half. That means you will need \$40,000 from your savings and investments.

Using the Rule of 25, you will need \$1 million in savings and investments before taxes for your desired income.

\$40,000 x 25 = \$1 million

\$	x 25 =	\$
Pretax amount needed from savings and investments		Your savings goal



Working toward Your Goals

Once you've identified your retirement goals, you can start working to achieve them. It's important to understand what you need to reach all your goals, such as saving for your child's college and your retirement, and then prioritize. If you can't meet all your objectives, you may need to make adjustments. You can use the Power of Three - time, money and return - to help put all of your financial goals within reach.



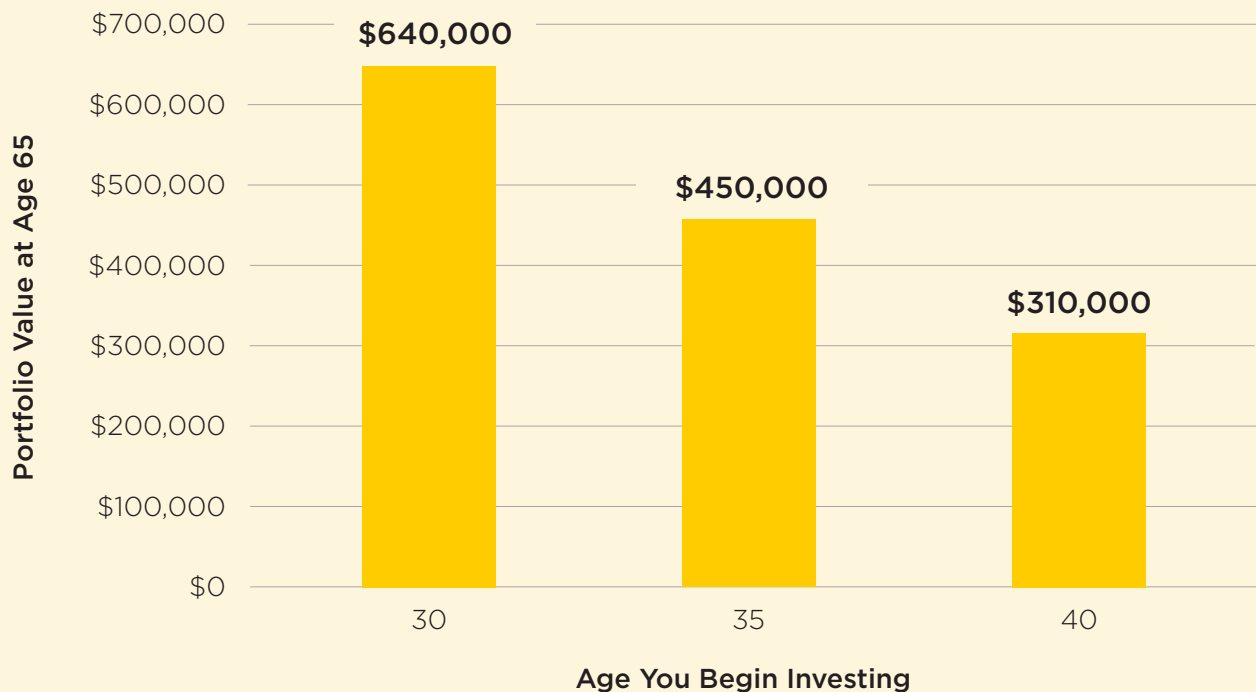
Power of Three: Time

You can use the power of time by adjusting how long you save. Using the power of time will be different for savers early in their careers than for savers closer to retirement.

Early- and Mid-career Savers

The earlier you start saving, the better. Waiting 10 years to invest could cut your savings by more than half, assuming a 6% rate of return.

Cost of Waiting



Source: Edward Jones. Assumes investing \$450 per month and a 6% average hypothetical annual return. This example doesn't include taxes, fees and commissions, which would reduce the return. Figures rounded to the nearest \$5,000.

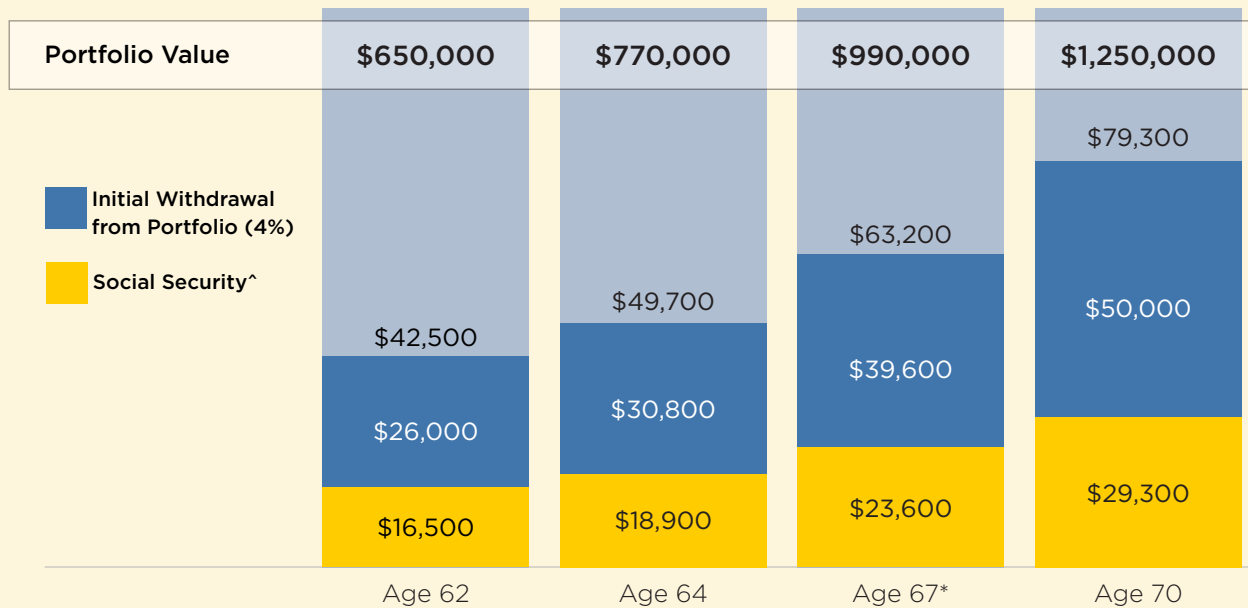


Working toward Your Goals (continued)

Savers Closer to Retirement

If you're not on track, delaying retirement even a few years can have a significant effect on the amount you have available to spend when you retire. Not only could you have more time to save and earn a return on your investments, but delaying also could increase your Social Security benefits.

The Potential Benefits of Waiting



Source: Edward Jones.

*Assumes Full Retirement Age (FRA) is 67 (for individuals born after 1959). Assumes a \$1,250 contribution to 401(k)/IRA at end of every month until retirement, plus a 6.5% average annual return; income rounded to the nearest \$100, portfolio values to the nearest \$5,000.

[^]Based on a formula from www.ssa.gov. Assumes \$60,000 salary. Example does not include any cost-of-living adjustment (COLA).



Working toward Your Goals (continued)

Power of Three: Money

You can use the power of money by adjusting how much you save. Like the power of time, the strategies will be different for savers early in their careers than for savers closer to retirement.

Early and Mid-career Savers

- **Be smart about spending**
Even small cuts in spending can make a big difference when you have time on your side.
- **Use tax advantages**
Be sure to take advantage of retirement savings accounts that offer tax benefits. See Page 13 for more information.
- **Don't miss out on the employer match**
If your employer offers a retirement plan, be sure to contribute enough to earn the employer's match if one is offered.
- **Reduce debt**
Consider investing enough to earn your employer match and then focus on paying off high-interest, nondeductible debt, such as credit cards. Then focus on your retirement savings.



Working toward Your Goals (continued)

Savers Closer to Retirement

- **Save aggressively, but don't invest aggressively**
Save as much as possible, but don't take on more investment risk to make up for lost time.
- **Be smart about spending**
Review your discretionary expenses, such as travel and entertainment, to see where you can cut back.
- **Consider catch-up contributions**
Once you reach age 50, you can make additional contributions to your retirement accounts.

	Basic Limit	Catch-up (age 50 and over)
Traditional IRA/Roth IRA	\$6,000	\$1,000
401(k)/403(b)/457	\$19,000	\$6,000



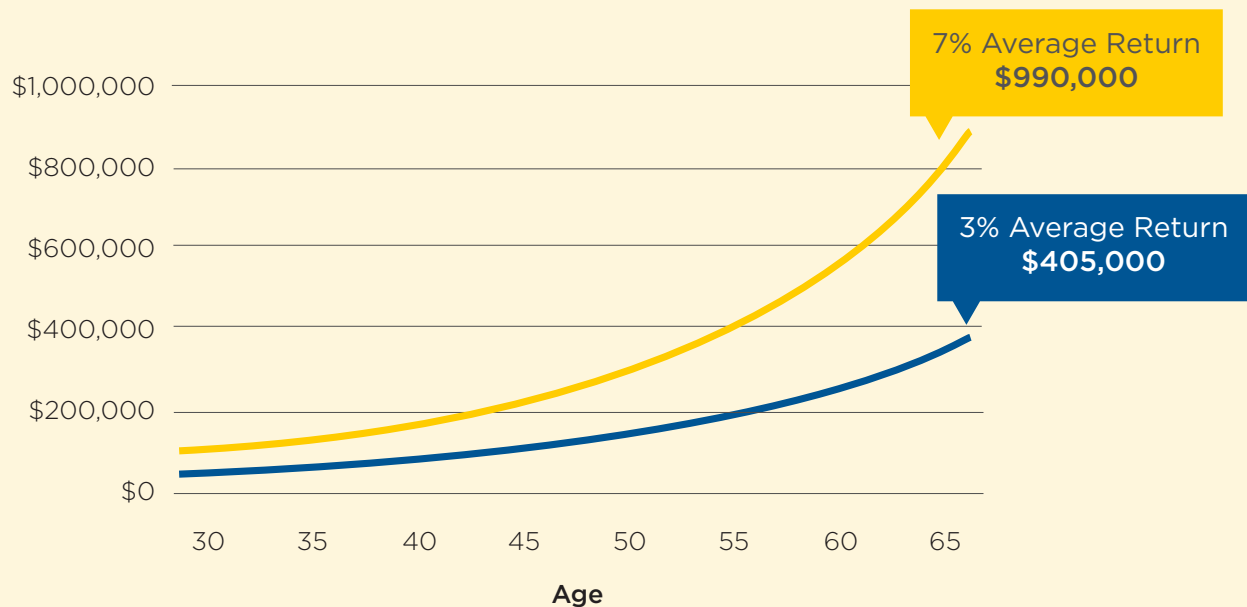
Working toward Your Goals (continued)

% Power of Three: Return

While you can't control your investment return, you can control your return potential.

Generally, the greater the percentage of stocks you own, the more your return potential increases – but so does the risk. Keep in mind, however, that there is risk in being too “safe.” The difference between an average annual return of 7%, which you might expect with a more stock-focused investment portfolio, and a 3% return you may get in a more conservative portfolio, can be substantial.

Same Contributions, Different Returns, Different Results

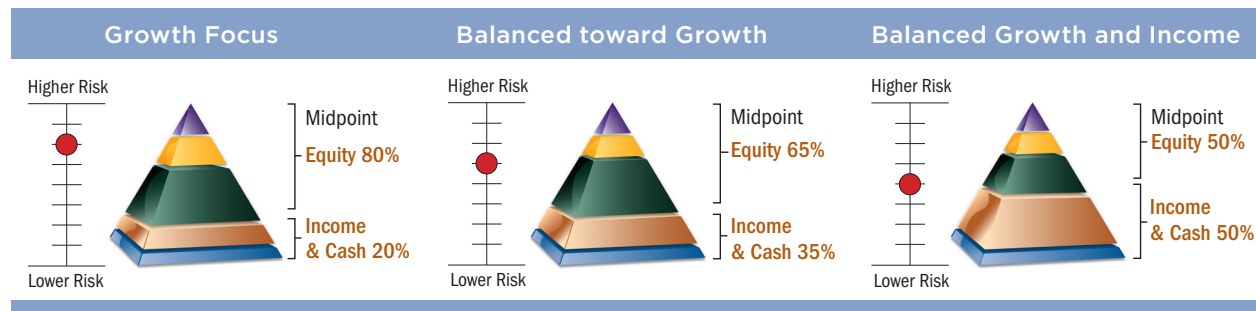
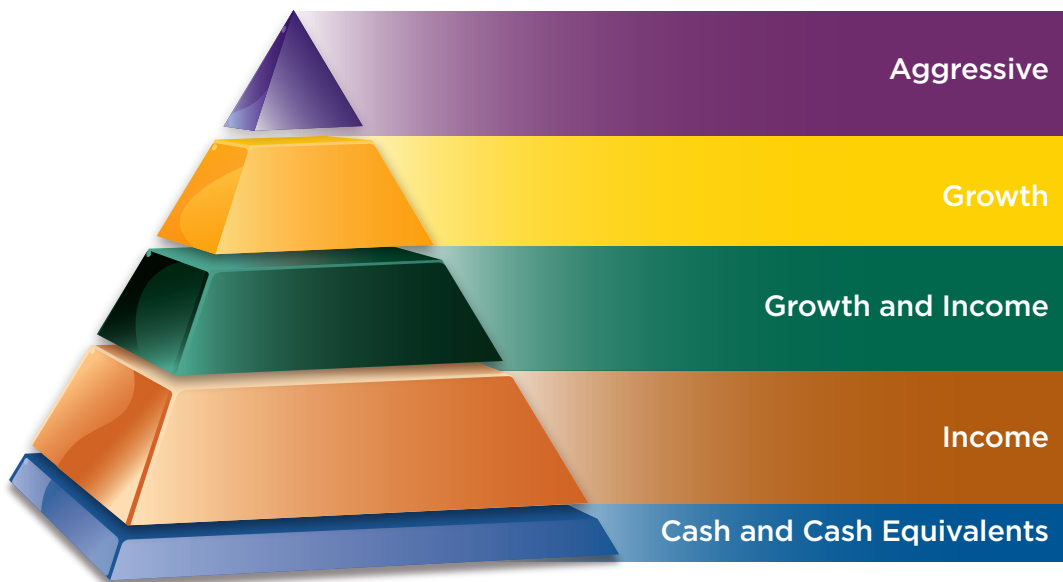


Source: Edward Jones. Assumes saving \$450 per month, rounded to the nearest \$5,000.



Working toward Your Goals (continued)

In general, if you're many years away from retiring, more of your investments should be geared toward those that provide the opportunity for growth, such as stocks and/or stock mutual funds. As you near retirement, your investment mix generally should shift toward a more balanced mix of stocks and fixed income. Additionally, you'll need to position your portfolio for the risks that could get your retirement and other goals off track (see Page 14).

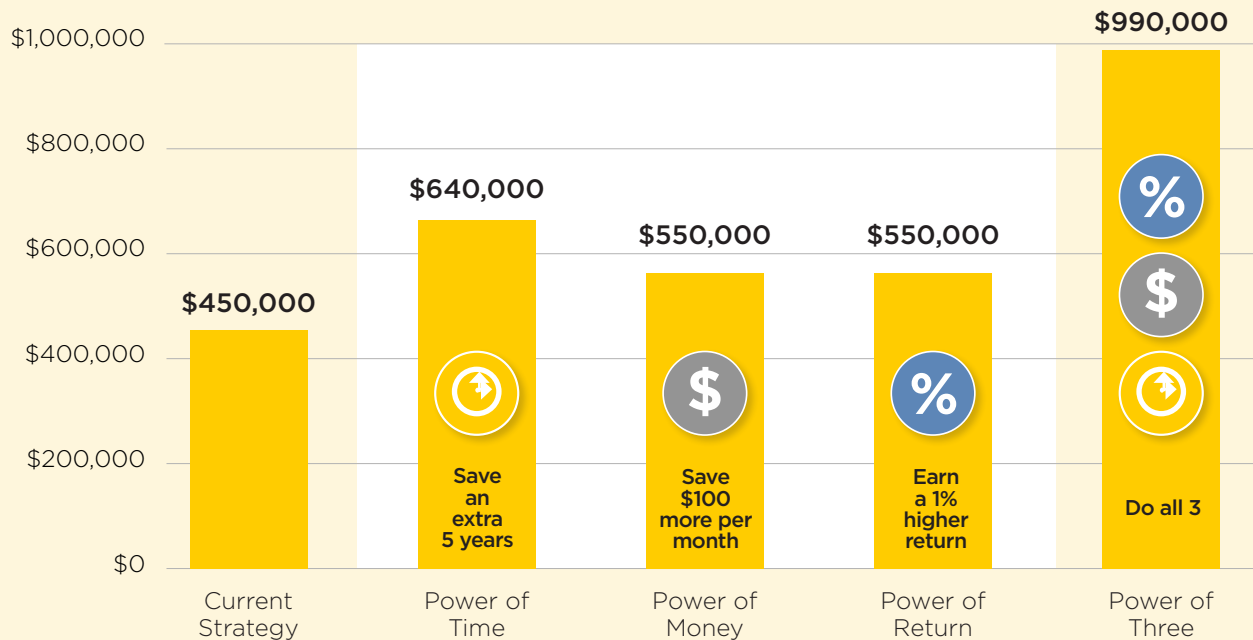




Working toward Your Goals (continued)

Power of Three: Time, Money and Return

Combining the power of time, money and return yields the best results.



Source: Edward Jones.

This hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Income based on a 4% initial withdrawal rate. Portfolio values rounded to the nearest \$5,000.

If you saved \$450 a month and earned an average of 6% per year, your portfolio would be worth \$450,000 at the end of 30 years. You can give your portfolio more growth potential by adjusting time, money and return individually. Combining the three, however, provides the greatest impact.

Taxes

Tax-advantaged accounts, like IRAs and 401(k)s, are smart savings options that can help you save more for retirement and help you work toward your goals on an after-tax basis.

Retirement Plan Features

Your retirement goals may benefit from using one or more of these types of retirement plans:

	Roth IRA	Traditional IRA	401(k), 403(b), 457
Deductibility	Contributions are not deductible	Contributions are deductible (unless participating in an employer plan and above certain income levels)	Pretax contributions (Roth after-tax contributions may be available)
Taxability	Potential for tax-free withdrawals of earnings after five years or age 59½, whichever is later Contributions may be withdrawn tax- and penalty-free anytime	Tax-deferred withdrawals Penalty tax for withdrawal prior to age 59½	Tax-deferred withdrawals (Roth contributions: tax-free withdrawals after five years and age 59½)
Income Limits	Income limits for contribution eligibility	No income limits for contribution eligibility; deductibility may be limited	No income limits for contribution eligibility
Required Minimum Distributions (RMDs)	No RMDs	RMDs at age 70½	RMDs at age 70½; no RMD if actively employed (and not a 5% or more owner)
Contribution Eligibility	Annual contributions at any age if there is earned income	Annual contributions until age 70½ if there is earned income	Contributions at any age if earned income employer eligibility requirements are met
Annual Contribution Limit (adjusted annually for cost-of-living increases)	\$6,000 \$7,000 (age 50+)	\$6,000 \$7,000 (age 50+)	\$19,000 \$25,000 (age 50+)
Investment Choice	Wide variety of investment choices	Wide variety of investment choices	Limited to employer options, generally mutual fund-type accounts

Preparing for the Unexpected

Life can be unpredictable, and you'll likely face unforeseen challenges along the way. You can't predict the future, but you can prepare for it. You can do this by incorporating some risks into your investment strategy and addressing others through insurance.

Here are some common risks and expenses you may encounter and some potential strategies to address them.

Key Risks/ Expenses	Plan for the Expected	Prepare for the Unexpected
Job Loss/ Change in Employment	<ul style="list-style-type: none"> Cash balance of at least six months' worth of living expenses 	Incorporate <ul style="list-style-type: none"> Access to line of credit for additional liquidity¹
Premature Death/Disability	<ul style="list-style-type: none"> Current will and beneficiary information Ensure spouse understands financial picture and actions to take in event of emergency/death Cash to cover at least six months' worth of living expenses to bridge gap until insurance payments are received 	Insure <ul style="list-style-type: none"> Life and disability insurance through employer and/or outside coverage
Unexpected Events/ Expenses	<ul style="list-style-type: none"> Cash balance of at least six months' worth of living expenses 	Insure <ul style="list-style-type: none"> Property and casualty insurance² Homeowners/renters insurance²
Health Care	<ul style="list-style-type: none"> Up-to-date health care directives Cash balance of at least six months' worth of living expenses 	Insure <ul style="list-style-type: none"> Health insurance through employer or outside coverage Long-term care insurance or life insurance with long-term care benefit as retirement gets closer
Market Declines	<ul style="list-style-type: none"> Diversified portfolio appropriate for your risk tolerance Long-term investment focus to help keep emotions from driving investment decisions Disciplined portfolio rebalancing strategy Systematic investing³ 	Incorporate <ul style="list-style-type: none"> Increase savings to provide flexibility in case markets underperform Short-term CD/fixed-income ladder when transitioning into retirement Insure <ul style="list-style-type: none"> Annuities with guaranteed income when approaching retirement⁴
Inflation	<ul style="list-style-type: none"> Adjust retirement income needs for inflation Diversified portfolio appropriate for your risk tolerance Allocation to equities to provide the opportunity for long-term growth and rising dividend potential to help combat inflation 	Incorporate <ul style="list-style-type: none"> Automatic increase in savings rate each year and/or save a greater portion of raises

1 Our Personal Line of Credit is a margin account. Borrowing against securities has its risks and is not appropriate for everyone.

2 Edward Jones does not offer property and casualty insurance or homeowners/renters insurance.

3 Systematic investing and diversification do not guarantee a profit or protect against loss.

4 You could annuitize an existing annuity or purchase an immediate or variable annuity with optional guaranteed income benefits. Income payments are backed by the claims-paying ability of the issuing insurance company. The principal value of the variable annuity can decline with the market and lose principal, but the income stream can be insured by the insurance company for life.

Staying on Track

Once you have a strategy in place, it's important to review it regularly to make sure you're on track and to see if changes need to be made.

Things to consider:

- **Goals**
It's important to make sure your goals and strategies align with your vision if it changes over time.
- **Life changes**
A life change could be anything, such as a marriage, divorce, new baby, new home, new job or an inheritance.
- **Investments**
You may need to rebalance your investments periodically to make sure your investment mix stays suited to your goals and that you aren't taking on too much, or too little, risk.
- **Insurance**
Making sure you have the appropriate amount and type of insurance is critical. You also should revisit your beneficiary designations and other legal documents regularly to make sure everything aligns and will work the way you intend.

The Time Is Now

Whether retirement is down the road, or just around the corner, having a strategy in place will better prepare you to reach your goals. Take the first step and schedule an appointment today.

