QUARTER 4 2015

focus on Retirement

Got Goals?

Like most people, you probably have a lot of financial goals. Early in your career, your goals may include buying a car or paying off student loans. A few years later, you may want to buy a home. And further on, you may focus on helping your children pay for college.

Throughout your career, saving for retirement should be one of your most important financial goals, even though you probably won't need that money until after you've achieved all of your other goals. The reason that saving for retirement is a priority: You're probably going to need a lot of money to cover your expenses once you stop working.

Get a Game Plan

Your retirement savings goal will depend on your anticipated lifestyle during retirement and how long you expect to be retired. Do you plan to travel extensively, pursue a new hobby, or relocate? While you may not have some expenses once you stop working, new ones may take their place.

Remember that the cost of the things you buy today will likely increase in the future because of inflation. And don't forget to factor in health care costs during retirement. Take advantage of any tools and resources your plan makes available to set a realistic goal.

Set Your Strategy

Your investment strategy should be based on your time frame and how comfortable you are with risk. When retirement is far in the future, you may want to consider including investments that have the potential for long-term growth, such as stock funds, in your investment mix. (Note: Stock investing involves a high degree of risk. Stock prices fluctuate and investors may lose money.) As you get closer to retirement, however, you may want to shift more of your account into less volatile types of investments, such as bonds and cash investments.

Team Up with Your Plan

Your employer's plan can help you reach your savings goal. Your plan allows you to make pretax contributions, save automatically through payroll deductions, and potentially benefit from tax-deferred earnings compounded over time. (Note: Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.)

Savings Goal	Years Until Retirement	Average Annual Return	Weekly Savings
$250,000	30	6%	$57.43
$500,000	30	6%	$114.87
$750,000	30	6%	$172.30

This is a hypothetical example used for illustrative purposes only and does not represent any specific investment product. It assumes monthly deposits into the plan and monthly compounding. Your investment performance will be different. Tax-deferred amounts accumulated in a retirement plan are taxable upon withdrawal, unless they represent qualified Roth distributions.

Ready for RMD Time?

The close of another year signals different things for different people. Those of a "certain age" will want to remember to take required minimum distributions (RMDs) from their retirement accounts before December 31.

There are several key differences in the RMD rules for individual retirement accounts (IRAs) and 401(k) accounts. Following is an overview.

When do RMDs begin?

Both IRA owners and 401(k) participants must begin receiving RMDs on their "required beginning date" (RBD). RBD for traditional IRA owners is April 1 of the year following the calendar year in which they reach age 70½. **Note:** It is the IRA owner's responsibility to take his or her annual RMD.

Example: John was born on December 7, 1944, and turned age 70½ on June 7, 2015. His RBD is April 1, 2016.

RBD for 401(k) participants is defined by the plan document. Generally, it is April 1 following the year the participant reaches age 70½ or the year he or she retires, whichever is later. However, there are exceptions. Individuals who are 5% owners of the company sponsoring the retirement plan must begin taking their RMDs by April 1 of the year following the calendar year they reach age 70½. Also, the plan document may require that *all individuals* begin taking RMDs by April 1 of the year following the calendar year in which they reach age 70½.

Can RMDs be aggregated?

The IRS allows individuals who own more than one traditional IRA to calculate their RMD for each one and then withdraw the total (aggregate) of all RMD amounts from any one or more of their traditional IRAs.

RMDs from qualified plans, such as 401(k)s, may not be aggregated. So, if an individual has a 401(k) at more than one employer, the requisite RMD is taken from each employer's 401(k) plan.

Example: Beth has a 401(k) account with her current employer. She also has 401(k) accounts with two previous unrelated employers. Beth, who turned 70½ on June 7, 2015, is retiring in September of 2015, and her RBD is April 1, 2016. In order to satisfy her RMD requirements, she must take an RMD from each of her three different employer's 401(k) plans. She is unable to aggregate them because each 401(k) plan is separately responsible (under Code Section 401(a)(9)) for distributing an RMD.

Beth also has four traditional IRAs. She can aggregate the RMDs from her IRAs and withdraw the total RMD amount from any one or more of her IRAs. But she *may not* aggregate her 401(k) and IRA RMDs.

What about Roth accounts?

The RMD rules apply to Roth 401(k) accounts but not to Roth IRAs while the owner is alive. Once the Roth IRA owner dies, his or her beneficiary must begin taking distributions.

"The trouble with retirement is that you never get a day off."
- Abe Lemons