

Action Plan

Close your Retirement Gap

Do you know how much you should be investing toward retirement? Complete this calculator for an estimate then get with the plan!				You	Example
A.	Your current yearly income	Current yearly income	A.		\$25,000
B.	Yearly income you will need at retirement in today's dollars. (Average 70-90% of current income)	Multiply A x .80	B.		\$20,000
C.	Estimate how much you will receive (in today's dollars) from Social Security; for a more accurate total, call 1-800-772-1213 for a statement.	Multiply A x .25 (no more than \$19,920)	C.		\$6,250
D.	Does your employer contribute to a retirement plan for you? Enter the expected annual benefit.	Annual pension benefit	D.		\$3,000
E.	Annual income you will need from personal retirement investments.	Subtract: B - C - D	E.		\$10,750
F.	Based on the number of years before you retire, enter the appropriate factor from Table A on the back page.	Table A	F.		2.36
G.	Inflation adjusted amount of income you'll need in the first year of retirement.	Multiply: E x F	G.		\$25,370
H.	Use the number of years you'll need retirement money and expected return on investments in retirement to find the factor. (Investors typically are more conservative in retirement.)	Table B	H.		21.68
I.	The total amount you will need to have saved by retirement.	Multiply: G x H	I.		\$550,022
J.	How much do you currently have saved for retirement?	Current investment value	J.		\$50,000
K.	How many years until you retire? What do you expect to earn on investments while working? Find factor in table C.	Table C	K.		6.85
L.	How much will current investment grow?	Multiply: J x K	L.		\$342,500
M.	Determine the shortfall. (If the number is negative, congratulations, you're on schedule.)	Subtract: I - L	M.		\$207,521
N.	Use the investment return and years used in question K, find the factor in Table D.	Table D	N.		0.014
O.	The amount to invest each year to reach goal.	Multiply: M x N	O.		\$2,905
P.	The amount as a percentage of income.	Divide: O ÷ A	P.		11%

When determining how much to invest, don't forget to include any employer match and other retirement investments such as IRAs.

Factor Tables for Action Plan

The rates of return in the following tables are not guaranteed and will vary, particularly for long-term investors. Tables are hypothetical and are not intended to predict or project the investment results of any specific investment. The effect of taxes or fees have not been reflected.

Table A — Years until retirement

Years	5	10	15	20	25	30	35	40
	1.19	1.41	1.68	1.99	2.36	2.81	3.33	3.96

Assumes 3.5% inflation

Table B — Investment return during retirement

Years in retirement	3%	4%	5%	6%	7%
5	5.05	4.95	4.86	4.77	4.68
10	10.22	9.79	9.38	9.00	8.65
15	15.52	14.51	13.59	12.76	12.01
20	20.95	19.11	17.50	16.09	14.85
25	26.51	23.61	21.15	19.05	17.26
30	32.21	28.00	24.54	21.68	19.30
35	38.05	32.29	27.70	24.01	21.03
40	44.03	36.47	30.63	26.08	22.49

Assumes 3.5% inflation

Table C — Investment return until retirement

Years until retirement	5%	6%	7%	8%	9%	10%
5	1.28	1.34	1.40	1.47	1.54	1.61
10	1.63	1.79	1.97	2.16	2.37	2.59
15	2.08	2.40	2.76	3.17	3.64	4.18
20	2.65	3.21	3.87	4.66	5.60	6.73
25	3.39	4.29	5.43	6.85	8.62	10.83
30	4.32	5.74	7.61	10.06	13.27	17.45
35	5.52	7.69	10.68	14.79	20.41	28.10
40	7.04	10.29	14.97	21.72	31.41	45.26

Table D — Investment return until retirement

Years until retirement	5%	6%	7%	8%	9%	10%
5	0.181	0.177	0.174	0.170	0.167	0.164
10	0.080	0.076	0.072	0.069	0.066	0.063
15	0.046	0.043	0.040	0.037	0.034	0.031
20	0.030	0.027	0.024	0.022	0.020	0.017
25	0.021	0.018	0.016	0.014	0.012	0.010
30	0.015	0.013	0.011	0.009	0.007	0.006
35	0.011	0.009	0.007	0.006	0.005	0.004
40	0.008	0.006	0.005	0.004	0.003	0.002

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