



## **STOP GUESSING! START PLANNING!**

### **The Importance of Saving for Retirement**

In order to pay for life during your retirement – and maybe have some fun along the way – you will need a source of income. You will need to set money aside now and allow that money the potential to grow in order to reach your retirement goals.

People's retirement needs vary greatly, but everyone will have basic expenditures – home maintenance or rent, transportation, medical care and living expenses. And, "some fun along the way" may include travel, golf, dining out or big-ticket indulgences.

Your employer-sponsored 401K Plan can be one of the most critical elements for saving for retirement.

### **Calculating your Replacement Ratio**

When most people think about retirement planning, they wonder "how much do I need to save?" Key in calculating your retirement income outlook is determining what income you will need during retirement and defining your wage replacement ratio—that is, what percentage of your pre-retirement income is needed to fund your retirement years.

### **Let's Start**

Estimating how much you'll need to fund your retirement years sounds easy, but can get pretty complicated. Here are some steps to get you started.

1. Start by using your current income  
You will hear people say that you should calculate your replacement ratio at 60-90%. But, your current income sustains your present lifestyle and taking that income and reducing it by a specific percentage may not be valid. After all, while you can factor in several different expenses that you will not be paying or that will be reduced—for example, tax expenses, transportation expenses, miscellaneous living expenses, other expenses may increase – such as, travel and entertainment.
2. Project your retirement expenses  
Before you apply a replacement ratio percentage, take some time to estimate your retirement expenses. After all, your annual income during retirement should be enough to meet your expenses. To help you get started, here are some common retirement expenses:
  - Food and clothing
  - Housing: Rent or mortgage payments, property taxes, homeowners insurance, property upkeep and repairs
  - Utilities: Gas, electric, water, telephone, cable TV, internet
  - Transportation: Car payments, auto insurance, gas, maintenance and repairs, public transportation
  - Insurance: Medical, dental, life, disability, long-term care
  - Health-Care costs not covered by insurance: Deductibles, co-payments, prescription drugs, over-the-counter drugs
  - Taxes: Federal and state income tax, capital gains
  - Debts: Personal/business loans, credit card payments
  - Education: Children's or grandchildren's college expenses
  - Gifts: Charitable and personal
  - Savings and Investments: Ongoing contributions to IRA's or other investment accounts
  - Recreation: Travel, dining out, hobbies, leisure activities

Need help defining a strategy to meet your retirement needs? Contact the representatives at **EPIC** who will be glad to work with you on a one-on-one basis to provide guidance. Also, see the Retirement Calculator in our Knowledge Center for help in estimating your retirement income needs.

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