Investment Services • Retirement Planning • Trust and Investment Management

Financial Issues

SUMMER 2016 CEFCU® Investment Services and Wealth Management

Reducing the Risk of Outliving Your Money

Steps to help you sustain and grow your retirement savings.

What is your greatest retirement fear? For many investors, the answer is "outliving my money." In a 2014 Wells Fargo/Gallup survey of more than 1,000 investors, 46% of respondents cited that very fear. And the fear isn't limited to those with smaller incomes: 42% of the survey respondents made $90,000 a year or more.[1]

Retirees face greater "longevity risk" today.

According to an analysis of Census Bureau data by the Center for Retirement Research at Boston College, the average retirement age is 65 for men and 63 for women. Many retirees will live into their eighties and nineties, or even longer: as of 2014, more than 72,000 Americans were age 100 or older.[2,3]

If your retirement lasts 20, 30, or even 40 years, how well will your nest egg hold up? And, what financial steps can you take to prevent those savings from eroding? As you think ahead, consider the following possibilities and realities.

Social Security benefits might shrink in the future.

Today, there are three workers funding Social Security for every retiree. According to federal estimates, by 2030 there will be only two workers for every retiree. Since nearly one-fifth of Americans will be 65 or older in 2030, that does not bode well for the health of the program.[4]

Social Security's trust fund is projected to run dry by 2034. Although Congress may intervene to rescue it, the strain on Social Security will continue to mount over the next 20 years. With this in mind, it's prudent to investigate other potential retirement income sources now.[3]

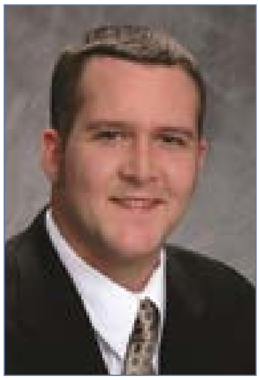
You may need to work part-time in your sixties and seventies.

The income from part-time work can be an economic lifesaver for retirees. For example, if you retire with $500,000 in savings and withdraw 4% of that income every year, not adjusting for inflation, your money would be gone in 21 years. However, if you work part-time for five to ten years and earn $20,000–30,000 per year, you effectively give your retirement savings that many more years to last and grow.[3]

Retire with health insurance and prepare adequately for out-of-pocket costs.

Financially speaking, this may be the biggest area of retirement uncertainty today. You can enroll in Medicare at age 65, but until then, you must handle the premiums for private health insurance. Working until you are eligible for Medicare and building a health care emergency fund for out-of-pocket costs makes economic sense. According to data from Health Affairs, out-of-pocket costs approached $16,000 per year in 2014 for Americans aged 65–84, and $35,000 per year for Americans aged 85 or older.[4]

As a CEFCU Investment Services Representative, Chris can help you make sound financial decisions consistent with your comfort level, investment timeline, and goals.



Chris Jackson
Financial Advisor

As a trusted partner of CEFCU, Chris has a strong history of working with credit union members, their family, and their friends. He has access to a wide variety of investment and insurance products and can make sure you have solid answers to these key questions:

- Is your retirement money invested properly?
- Will you have enough income in retirement?
- What should you do with an existing retirement plan from a previous employer?
- How will you pay for a child's or grandchild's education?
- Financially, what would happen to your family if you died?
- How will you pay for long-term care?

Specifically, Chris can design a strategy to help you build, protect, use, and transfer assets in the most advantageous way.

Chris has nine years of Credit Union experience, which includes seven years of experience in the Securities Industry, and is FINRA registered to sell Securities. He holds State of Illinois Life and Health Insurance licenses and is a Registered Representative of CUNA Brokerage Services, Inc., member FINRA/SIPC.

To schedule a no-cost, no-obligation appointment with Chris or another CEFCU Investment Services Representative, call 1.800.356.7865, ext. 32571 today.

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Many people may not be aware of these financial factors.

With luck and a favorable investing climate, your retirement savings may last a long time. **Luck is not a plan, however, and hope is not a strategy.** Those who fail to plan for these factors may risk outliving their money.

Will your retirement savings last?

To evaluate your portfolio, consider talking with a Representative from CEFCU Investment Services. Representatives can meet with you at most CEFCU Member Centers, or you can schedule a phone appointment.

Best of all, Representatives work on a salary, so there's no financial incentive to guide you to products or investments that are not right for you. To schedule a no-cost, no-obligation appointment with a CEFCU Investment Services Representative, call 1.800.356.7865, ext. 32571 today.

Citations.

1 – usatoday.com/story/money/personalfinance/2014/09/24/investors-fear-outliving-retirement-savings/16095591/ [9/24/14]
2 – thestreet.com/story/13468811/1/here-rsquo-s-how-to-make-your-money-last-in-retirement.html [2/23/16]
3 – marketwatch.com/story/so-whos-going-to-pay-for-you-to-live-to-be-100-2016-02-17/ [2/17/16]
4 – thinkadvisor.com/2016/02/22/6-ways-to-prevent-going-broke-in-retirement [2/22/16]

Keep an Eye on Your Investments

What do you look at first when you get a statement from your retirement plan? Your account balance, right?

So what will *your* retirement be like? A lot depends on your ability to recognize and overcome the potential financial challenges you may face in the years ahead.

Different Types of Returns

In general, return is the amount you earn on the money you invest. If you invest $1,000 and earn $30 in dividends the first year, your return is $30, or 3%. Your total return includes any gains or losses in the investment's value. If your investment gains $50 during the year, or 5% of its initial value, your total return would be 8% (3% plus 5%).

Understanding Fund Total Returns

An investment fund or portfolio is made up of numerous individual investments. A fund's total return is made up of three components:

- **Share appreciation/depreciation**, which is the increase or decrease in the market value of the fund's shares.
- **Income**, which is the amount of interest or dividends earned by the investments that make up the fund.
- **Capital gains,** which are the profits earned by the fund when fund investments are sold.

Next Steps

Once you know an investment's total return (or average annual total return), you can compare it to other investments and to an appropriate benchmark index. If your investments aren't doing as well, that doesn't necessarily mean you should make a change. Compare your returns with a benchmark index over longer time periods (e.g., one, three, five, and 10 years) before you make a move.

A Lesson in Losses

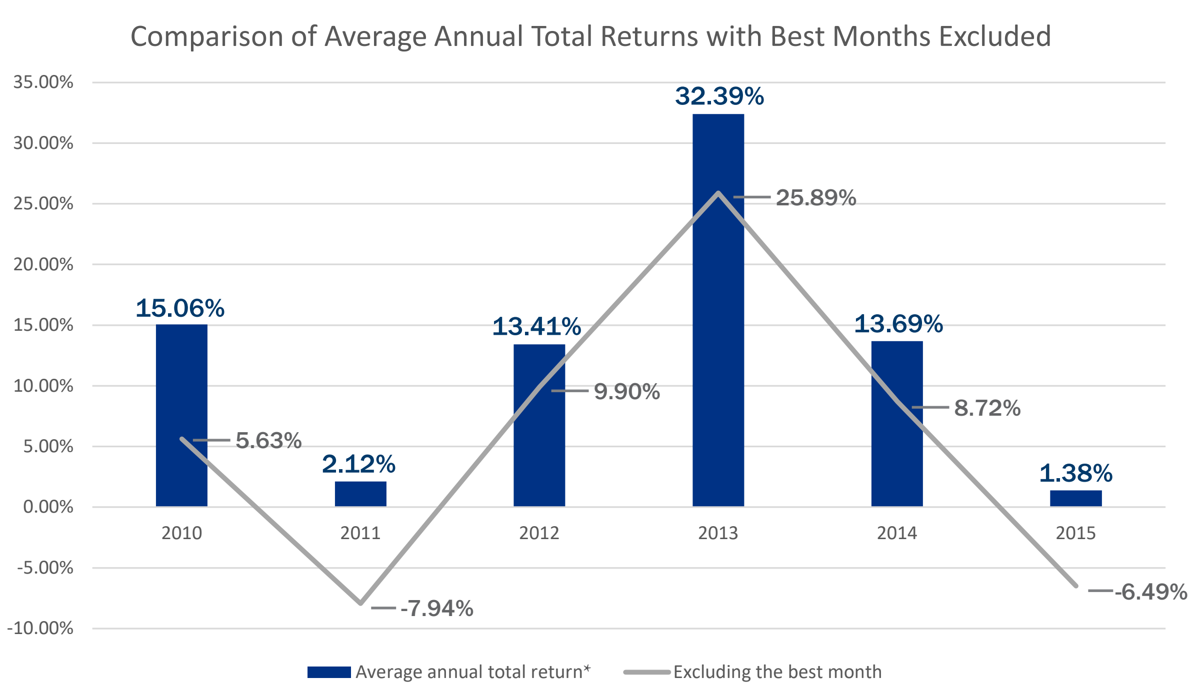
Sometimes, investments don't just underperform, they fall into negative territory. It's important to remember you don't have an actual loss until you sell an investment for less than you paid for it. Until then, a loss that appears on your retirement plan statement is a "paper loss."

Remember, if you sell an investment that has lost value, you effectively "lock in your loss." And, you could miss out on significant gains if that investment recovers.

Keep an Eye on Your Investments, *continued on back page*

This chart illustrates the difference it can make to miss out on months with strong performance. It compares the results of being invested in stocks* all year, versus being invested for all but the month with the highest return.

*As measured by the S&P 500, an index of the stocks of 500 major U.S. corporations. The index is unmanaged and carries no expenses. You cannot invest directly in an index. Past performance does not guarantee future results.



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Keep an Eye on Your Investments, *continued*

Focus on the Long Term

Market downturns are inevitable, but the best course of action might be to just give your portfolio some time. A good strategy is to choose the investments that fit your timeline, goals, and risk tolerance — and then, monitor them.

Professional Assistance

If you're ready to review your portfolio, or if you would like to learn more about investment strategies, contact Kevin Barbier, Trust and Investment Management Officer and CERTIFIED FINANCIAL PLANNER™ professional.

Kevin is part of the CEFCU Wealth Management team and can provide sound, unbiased investment planning and management that follows the same standards that guide your Credit Union — looking out for your best interests. To schedule your appointment, call 309.633.3836 or 1.800.633.7077, ext. 33836 today.

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Call Us Today!

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