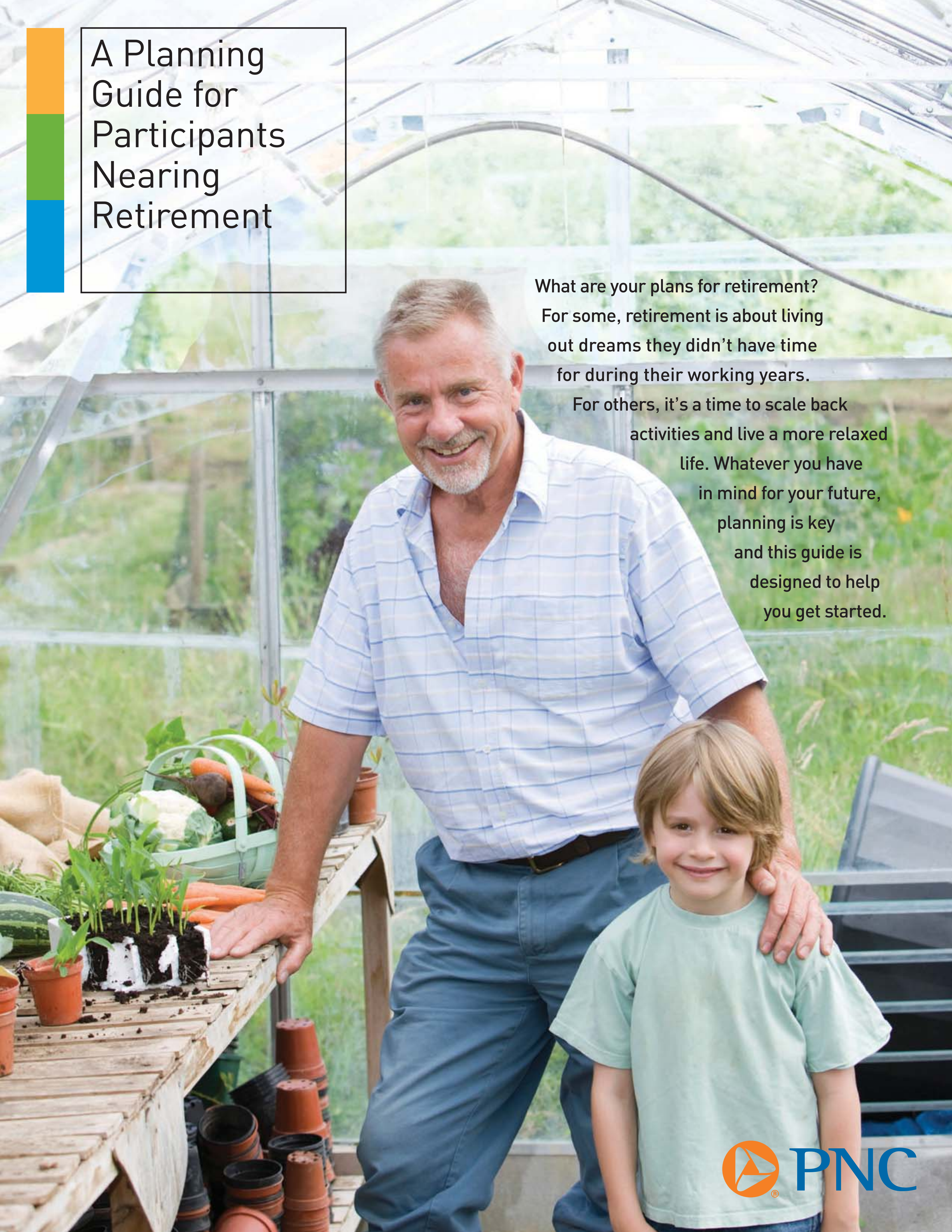


A Planning Guide for Participants Nearing Retirement

What are your plans for retirement? For some, retirement is about living out dreams they didn't have time for during their working years. For others, it's a time to scale back activities and live a more relaxed life. Whatever you have in mind for your future, planning is key and this guide is designed to help you get started.

Step 1: Budget and Fund

Calculate the costs

During retirement, whether you plan to be adventurous, restful or some combination of the two, it is important that you anticipate your expenses ahead of time and budget accordingly.

Essential vs. nonessential expenses — be realistic

Make a comprehensive list of your anticipated expenses, both essential and nonessential. Costs that are not optional – your mortgage, car and other loan payments, and food, to name a few – are essential expenses. Expenses during retirement that are tied to leisure activities are considered nonessential. Essential expenses should be weighted more heavily in your planning process, but be realistic about your lifestyle expectations, too; planning now to have some "fun money" at your disposal can help you get the most enjoyment out of your future.

Filling in the gaps with Medigap

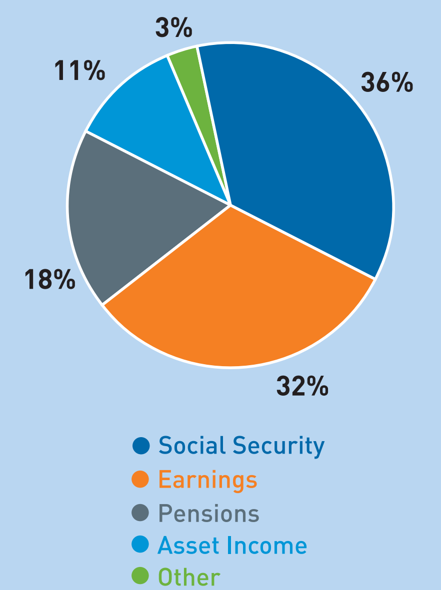
You may be counting on Medicare to cover your health expenses when you retire. However, Medicare alone may not pay for some of your basic medical bills, including routine physical exams, copayments, deductibles, and dental and eye care, and the program rarely covers long-term care, such as nursing home expenses and home health aides. As a general rule, Medicare may be expected to pay for approximately half of your medical expenses during retirement.

How will you cover the other half? You may have retiree medical coverage through your former employer, but in today's economy, companies may be cutting back on benefits to former employees. Investigate this possibility long before you actually need the coverage. With or without such supplemental coverage, you may consider enrolling in Medigap. Medigap is an insurance policy that covers certain costs that Medicare won't, but it does have limitations. You may also be interested in long-term care insurance. Do your research to find out what type of insurance is right for you.

Break out the calculator

Once you have identified your expenses, do the math to determine how much you'll need each year to fund the life you imagine in retirement. You may consider meeting with a financial advisor to help with the calculations. Or, you can calculate your projected retirement income at www.retirementdirections.com.

Your Retirement Income[1]



Fund your vision

Generally, you will need an annual retirement income equal to approximately 70 – 85% of your preretirement income to maintain your preretirement lifestyle. With your retirement date in mind, review all of your savings and investments to determine whether you are on track to achieve your retirement goals.

Social Security is only part of your retirement income

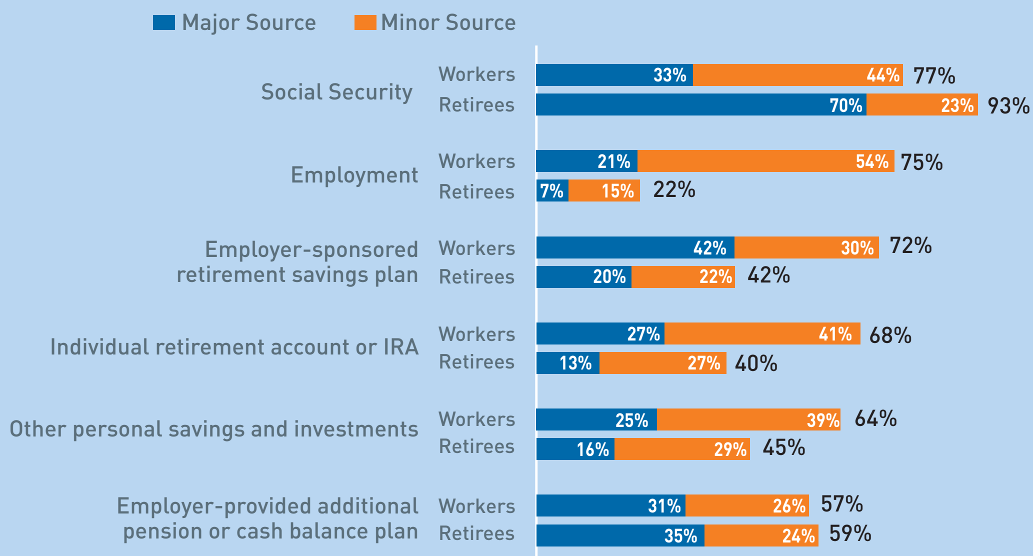
The latest figures show that today's retirees can count on Social Security to provide about 36% of their income during retirement.[1] And since reserves are projected to be exhausted by 2033,[2] experts encourage today's investors to carefully consider other sources of retirement income.

[1] *Source: Social Security Administration, Fast Facts & Figures About Social Security, 2013. Totals do not necessarily equal the sum of rounded components.*

[2] *Source: 2013 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

Personal Savings Expected to Play A Larger Role in Retirement

Expected sources of retirement income (workers) differ from actual sources of retirement income (retirees)



Source: Ruth Helman, Nevin Adams, Craig Copeland, and Jack VanDerhei, "2013 Retirement Confidence Survey: Perceived Savings Needs Outpace Reality for Many," *EBRI Issue Brief*, no. 384, March 2013.

Income you can control

If you have a financial advisor, he or she may not be aware of all of your savings and investments. Make an appointment with your advisor, or sit down with your spouse, children or attorney, to review your entire investment portfolio, savings accounts and any other sources of retirement income. Tallying up your total retirement fund picture in advance may help you have a stress-free retirement.

Income source	What to know
Employer-sponsored retirement plan	Most retirees are invested in at least one employer-sponsored plan upon retirement. If you've worked for several companies throughout your career, you may have assets spread out among your former employers. Whether you have one account or five, now is the time for you to consider your distribution options. 1. Roll over the assets into an IRA, letting your assets remain tax deferred and providing you a wide variety of investment options. 2. Take a lump-sum payment, but be mindful of the tax consequences. 3. Leave your money in the plan, tax deferred, but remember that your investment options remain limited to what is available in the plan. We encourage you to discuss these options with your financial advisor or a tax advisor to fully understand the tax consequences, potential costs, and pros and cons of each option.
Pensions	Every pension plan is different, so check on the distribution options available to you. The regular income of a monthly pension payment, if available to you, is a steady payment option few other retirement savings plans typically provide.
Other income	Remember to factor in any income you may receive from other sources. If you are considering working part time during retirement, don't forget to list that potential income as well.

Step 2: Determine Withdrawals

Your personal financial advisor can help you determine how much you need to withdraw each month during retirement and when to withdraw from your various investments. There is no magic number that suits everyone, however. You should consider many factors, including your time horizon and your asset allocation mix, to establish a withdrawal rate that is appropriate for you.

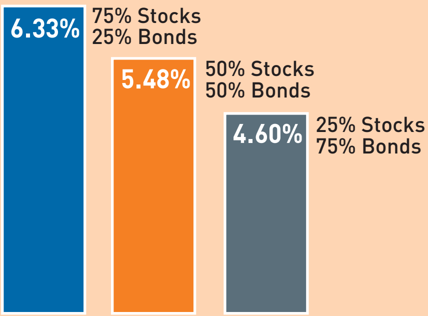
Set dollar amount vs. set percentage

When planning your withdrawal strategy, you have two basic options for receiving your systematic withdrawals: 1) withdraw a set dollar amount; or 2) withdraw a percentage of your account value. You may receive these payments monthly, quarterly, semiannually or annually. The choice is yours.

The primary advantage of the set dollar amount approach is that the withdrawals are predictable and therefore typically helpful for budgeting purposes. However, you may deplete your funds too quickly if the value of your account falls and you end up withdrawing too much each period. If you choose the set percentage method, you may have more control over the rate at which you use your retirement savings. However, budgeting may be tricky, as the actual amount of each withdrawal will depend on market volatility and the amount left in your account each period. Review both options carefully to establish a sound withdrawal method.

Withdrawal Rate You Can Sustain May Be Lower Than You Think

Average 1926 – 2012



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2013 Morningstar, Inc. All rights reserved 3/1/2013.

This graph shows that historically, withdrawal rates that could support a retiree over 30 years have ranged from 4.60% to 6.33%, depending on the asset allocation of the portfolio. Many financial advisors consider a withdrawal rate of 4% to 5% reasonable, but there is no set rate that works for every investor. Keep in mind, government bonds are guaranteed by the full faith and credit of the United States government, while stocks and corporate bonds are not guaranteed and carry more risk than government bonds. Stocks in this example are represented by the Standard & Poor's 90 Index from 1926 through February 1957 and the S&P 500® Index thereafter, which is an unmanaged group of securities and considered to be representative of the U.S. Stock market in general. Bonds are represented by the five-year U.S. government bond, and fees from Morningstar. Annual fees of 0.76% for stocks and 0.61% for bonds were assumed. An investment cannot be made directly in an index. Source: Morningstar.

Order of withdrawals

Regardless of which method you choose, the order in which you withdraw retirement assets is key to your financial outlook. If you are at least 70½, you might consider following the steps outlined below.

STEP	WITHDRAWAL
1	**Take your required minimum distributions (RMDs)** – Once you reach the age of 70½, you are required to take minimum distributions from many retirement accounts, including traditional IRAs, 401(k) and 403(b) plans, profit-sharing plans, and SIMPLE and SEP IRAs. (RMDs do not apply to Roth IRAs until after the death of the account owner.) Find out which of your accounts qualify, how much you are required to withdraw, and make those required minimum withdrawals first.
2	**Draw on your taxable accounts** – Liquidate loss positions in your taxable accounts to offset capital gains elsewhere, as well as ordinary income from wages or interest. Then sell assets in taxable accounts such as money market funds that will generate neither capital gains nor capital losses. Withdrawing from your taxable accounts early can allow your tax-deferred and tax-exempt investments to continue to be invested and working for you longer.
3	**Move on to tax-deferred savings vehicles** – You should withdraw from your tax-deferred accounts only after you've withdrawn from your taxable investments.
4	**Finally, withdraw from tax-exempt accounts** – Your Roth IRAs should be your last resort, since those assets come out tax-free and you have the option of passing them on to your heirs without income tax penalties.

Bear in mind that no one strategy is right for everyone. We encourage you to discuss the tax ramifications of the strategy above, in conjunction with your personal investment portfolio, with your financial advisor and your qualified tax advisor.

You have a will, right?

If you don't have a will, now is the time to have one written for you. In addition to a traditional will, you should also have a living will in place to provide guidance to your family and to your doctors in case of emergency. Once your wills are recorded, discuss the contents of each one with your spouse, children and any other named heirs. It will give you peace of mind and prepare them to cope with whatever may happen in the future.

Step 3: Evaluate

Are your investments set up to benefit you most?

Before you retire, conduct a thorough assessment of your assets. Your entire portfolio should be reviewed to confirm that your investments are properly diversified given your age, the number of years you may live into retirement and your risk tolerance – and to establish whether you have enough accumulated. You should review your beneficiary designations to confirm they are set up according to your wishes.

Stay on target

Everyone's target asset allocation is unique, depending on personal investment philosophies, financial circumstances, age, and risk tolerance. Typically, as we age, our mix becomes more conservative. However, depending on how long you may live in retirement, you may want to maintain some higher risk investments in your portfolio to continue to take advantage of the potential for growth. Now is a good time to review your holdings and make adjustments to confirm that your asset mix is still on track. Periodic rebalancing should continue throughout retirement, with the goal of preserving the assets you have while retaining the potential to grow them to help sustain you financially for many years to come.

Consolidate holdings

If your investments are spread out among various asset managers, it may make sense for you to put all of your investments under one roof. This can make it easier to monitor your investments as you enjoy the freedom of your retirement, and it can simplify things for you and your family in the long run.

Prepare for the unexpected

Do you have an emergency savings account? Consider setting up a liquid account to which you have easy and immediate access, so that you're prepared when and if something unexpected happens. If you already have such an account set up, think about increasing your savings before you retire.

Catch up

Catch-up contributions allow people age 50 and older to contribute an extra amount per year into retirement accounts. If you are eligible and financially able, you should consider taking advantage of this benefit.

Who are your retirement plan beneficiaries?

Your beneficiary is the person who will receive your retirement plan account balance upon your death:

- **Primary Beneficiary**
  > By law, your spouse is the primary beneficiary unless he or she waives this right in writing
  > If you are unmarried, you may name a primary beneficiary of your choice
- **Secondary Beneficiary**
  > The person to receive your account balance if the primary beneficiary cannot
  > You may name a secondary beneficiary of your choice regardless of your marital status

Think about the various benefits you have set up for your loved ones, some of which probably date back several decades. Be sure to update beneficiary designations now, and consult a tax advisor or attorney as necessary.

Tools and resources are also available:

- Online at www.retirementdirections.com
  - > Interactive Education Center
    - – Retirement Planning Tools: Calculators, worksheets and bulletins
    - – Interactive Charts (iCharts)
    - – Tutorials
    - – Videos
    - – Retirement Planning Articles
  - > Live Chat with a Participant Services Representative between 9 a.m. and 5 p.m. Eastern Time Monday – Friday
- Over the phone at (800) 374-4631
  - > Representatives are available from 8 a.m. to 10 p.m. Eastern Time Monday – Friday

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