BENEFITS

TOOLKIT

Financial Wellness

Provided by Aebly & Associates Insurance Services, Inc.

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Introduction

Saving money for the things we want is a well-understood concept. If you want to buy a TV or go on vacation, you'll have to save up for it. Simply put, you can't expect future expenses to pay for themselves.

Yet, despite this basic idea, people are still not saving for the really important expenses—emergencies and retirement. It's easy to abstain from buying coffee for a month so you can afford new shoes, but it's harder when the end goal is so far off. Many people believe Social Security will be enough to cover them during retirement, so they don't buy into their retirement plans. In fact, only 54 percent of workers are earning retirement benefits at work, according to the Department of Labor (DOL).

Besides the fact that Social Security only provides minor financial protection, not investing in your future can leave you vulnerable when emergencies hit before retirement age. Right now, would you be able to scrape together $2,000 in a month for an emergency? Many people couldn't.

This financial uncertainty leads to stress and all the negative effects that come with it, like absenteeism, health complications and mental fatigue. Employee financial instability affects workplace performance. Imagine trying to focus on work when you don't know how you'll make your monthly car payment, or how productive you'd be if you had a pile of bills waiting at home. These situations illustrate the impact financial wellness can have on job performance and overall well-being. When you feel secure, you perform better in every aspect of life.

This toolkit is designed to inform you and your employees about the importance of financial wellness. The materials below help answer important questions like how to start saving, how to understand retirement plans and how to stay out of debt. Together, we can help your employees maximize their retirement benefits and enjoy a more stable financial future.

What is Financial Wellness?

Financial wellness is the balance between having enough money to cover recurring expenses, while still saving enough to support yourself down the road—particularly during retirement. Much like physical wellness, financial wellness takes hard work. You can't expect to run a marathon if you don't train, just like you can't expect to have a comfortable retirement if you don't invest.

Employees must understand that investing in personal financial wellness is the key to a secure financial future. Use the resources in this toolkit to stress this message to employees. Financial wellness education is the first step to achieving their long-term success.

Why Financial Wellness is Important

The road to financial wellness can be tough, but the benefits make it worth it. Consider how scary unexpected expenses are. They make you choose between something you want to buy and something you need to buy. For instance, a car accident may force you to put off a vacation because you need a vehicle to get to work.

Financial wellness reminds you to save often because you never know what unexpected events may be around the corner. If you focus on financial wellness, you have to worry less about hidden costs because you're already preparing yourself by saving money. Ideally, if you save enough, you'll have plenty to cover surprise costs and your retirement.

Moreover, financial wellness is important because the majority of Americans cannot pass a financial literacy test, according to a Financial Industry Regulatory Authority (FINRA) study. The FINRA study found that many people had trouble calculating interest and putting away money for emergencies. This underscores how badly employees need financial education. It's one thing to offer financial services like a defined contribution plan, but it's another to inform employees about financial issues like when to take out a loan.

Educating Employees

Financial uncertainty can be extremely debilitating for employees. It creates stress that distracts from the workplace and causes rifts that could have been prevented by proactive financial education. Even simple instruction like saving or budgeting tips can go a long way.

Think about employee financial education another way: offering financial wellness tools can enable employees to get the most out of their benefits, most notably their employer-sponsored retirement plans. Why bother offering such plans if employees aren't maximizing their value? With this in mind, consider pairing your conventional retirement plans with other financial wellness programs.

How to Facilitate Financial Wellness

Employee financial education looks different based on employer, but over 80 percent of employers offer some sort of financial wellness program, according to a study from Prudential. The study notes that common programs include retirement and saving calculators, and access to financial advisors. These programs can help employees understand basic financial concepts and avoid risky decisions, like payday loans.

You don't need to spend thousands of dollars to implement an effective employee financial education campaign. Even small, informative offerings can be enough to get employees thinking about their savings goals. The following are just some of the ways you can start encouraging financial wellness:

- Hold a class on budgeting basics.
- Distribute surveys about financial concepts to gauge employee understanding.
- Offer access to financial planners through your employee assistance program.
- Distribute worksheets to help employees plan for their savings goals.
- Provide access to debt calculator tools.
- Hold a meeting to explain retirement benefits before open enrollment.

Appendix

The following resources were compiled from the DOL, with slight edits for improved readability. This appendix includes comprehensive information about saving for retirement and other long-term financial goals. These printer-friendly articles and worksheets can be extremely helpful for employees, whether they are nearing retirement or just starting their careers.

Please review these documents and consider offering a selection to your employees. These tips could be just what your employees need to maximize their savings plans.

Printing Help

There are many printable resources in this appendix. Please follow the instructions below if you need help printing individual pages.

1. Choose the “Print” option from the “File” menu.
2. Under the “Settings” option, click on the arrow next to “Print All Pages” to access the drop-down menu. Select “Custom Print” and enter the page number range you would like to print, or enter the page number range you would like to print in the “Pages” box.
3. Click “Print.” For more information, please visit the Microsoft Word printing support page.

Your Savings Fitness Dream

It starts with a dream, the dream of a secure retirement. Yet, like many people you may wonder how you can achieve that dream when so many other financial issues have priority.

Besides trying to pay for daily living expenses, you may need to buy a car, pay off debts, save for your children's education, take a vacation or buy a home. You may have aging parents to support. You may be going through a major event in your life such as starting a new job, getting married or divorced, raising children or coping with a death in the family.

How do you manage all these financial challenges and at the same time try to "buy" a secure retirement? How do you turn your dreams into reality?

Start by writing down each of your goals in the Goals and Priorities Worksheet at the end of this toolkit. You may want to have family members come up with ideas. Don't leave something out at this stage because you don't think you can afford it. This is your wish list.

Organize them into goals you want to accomplish within the next five years or less, and goals that will take longer than five years. It's important to separate them because, as you'll see later, you save for short-term and long-term goals differently.

Next, organize your goals in order of priority. Make retirement a priority! This needs to be among your goals regardless of your age. Some goals you may be able to borrow for, such as college, but you can't borrow for retirement.

Write down on the Goals and Priorities Worksheet what you need to do to accomplish each goal, when do you want to accomplish it, what it will cost (we'll tell you more about that later), what money you have set aside already and what you are willing to do to reach the goal.

Look again at the order of priority. How hard are you willing to work and save to achieve a particular goal? Would you work extra hours, for example? How realistic is a goal when compared with other goals? Reorganize their priority if necessary. Put those goals that are unrealistic into your wish list. Maybe you can turn them into reality too.

Beginning Your Savings Fitness Plan

Now let's look at your current financial resources. This is important because, as you will learn later in this toolkit, your financial resources affect not only your ability to reach your goals, but also your ability to protect those goals from potential financial crises. These are also the resources you will draw on to meet various life events.

Source: DOL

Calculate your net worth

This isn't as difficult as it might sound. Your net worth is simply the total value of what you own (assets) minus what you owe (liabilities). It's a snapshot of your financial health. Use the Balance Sheet to Calculate Net Worth at the end of this toolkit to write down your information and do the calculation.

First, add up the approximate value of all your assets. This includes your home (if you own one) and your checking and savings accounts. Include the current value of investments, such as stocks, real estate, certificates of deposit, retirement accounts, individual retirement accounts (IRAs), and any other retirement benefits you have.

Now add up your liabilities: the remaining mortgage on your home, credit card debt, auto loans, student loans, income taxes due, taxes due on the profits of your investments (if you cashed them in), and any other outstanding bills.

Subtract your liabilities from your assets. Do you have more assets than liabilities? Or is it the other way around? Your aim is to create a positive net worth, and you want it to grow each year. Your net worth is part of what you will draw on to pay for financial goals and your retirement. A strong net worth also will help you through financial crises.

Review your net worth annually

Recalculate your net worth once a year. It's a way to monitor your financial health.

Identify other financial resources

You may have other financial resources that aren't included in your net worth but that can help you through tough times. These include the death benefits of your life insurance policies, Social Security survivor's benefits, health care coverage, disability insurance, liability insurance, and auto and home insurance. Although you may have to pay for some of these resources, they offer financial protection in case of illness, accidents or other catastrophes.

Envision your retirement

Retirement is a state of mind as well as a financial issue. You are not so much retiring from work as you are moving into another stage of your life. Some people call retirement a "new career."

What do you want to do in that stage? Travel? Relax? Move to a retirement community or be near grandchildren? Pursue a favorite hobby? Go fishing or join a country club? Work part time or do volunteer work? Go back to school? What is the outlook for your health? Do you expect your family to take care of you if you are unable to care for yourself? Do you want to enter this stage of your life earlier than normal retirement age or later?

The answers to these questions are crucial when determining how much money you will need for the retirement you desire—and how much you'll need to save between now and then. Let's say you plan to retire early, with no plans to work even part time. You'll need to build a larger nest egg than if you retire later because you'll have to depend on it far longer.

Source: DOL

How's Your Financial Fitness?

Now that you have a clearer picture of your retirement goal, it's time to estimate how large your retirement nest egg will need to be and how much you need to save each month to buy that goal. This step is critical!

The vast majority of people never take this step, yet it is very difficult to save adequately for retirement if you don't at least have a rough idea of how much you need to save every month.

There are numerous worksheets and software programs that can help you calculate approximately how much you'll need to save. Professional financial planners and other financial advisors can help as well. At the end of this toolkit, we provide the Calculate Retirement Savings Worksheet to get you started.

Here are some of the basic questions and assumptions to keep in mind.

How much retirement income will I need?
An easy rule of thumb is that you'll need to replace about 80 percent of your preretirement income. If you're making $50,000 a year (before taxes), you might need about $40,000 a year in retirement income to enjoy the same standard of living you had before retirement. Think of this as your annual "cost" of retirement.

However, no rule of thumb fits everyone. Expenses typically decline for retirees: taxes are smaller (though not always) and work-related costs usually disappear. But overall expenses may not decline much if you still have a home and other debts to pay off. Large medical bills may keep your retirement costs high. Much will depend on the kind of retirement you want to enjoy. Someone who plans to live a quiet, modest retirement in a low-cost part of the country will need a lot less money than someone who plans to be active, take expensive vacations and live in an expensive region.

For younger people in the early stages of their working life, estimating income needs that may be 30 to 40 years in the future is obviously difficult.

The Calculate Retirement Savings Worksheet can help you come up with a rough estimate. Every year or two, review your retirement plan and adjust your retirement savings estimate as your annual earnings grow and your vision of retirement begins to come into focus.

How long will I live in retirement?
Based on current estimates, a male retiring at age 65 today can expect to live approximately 21 years in retirement. A female retiring today at age 65 can expect to live approximately 24 years.

These are average figures and how long you can expect to live will depend on factors such as your general health and family history. But using today's average or past history may not give you a complete picture. People are living longer today than they did in the past, and virtually all expert opinion expects the trend toward living longer to continue.

Source: DOL

Will I have other sources of income?

What other sources of income will I have? You can get your Social Security statement and an estimate of your retirement benefits on the Social Security Administration's website, www.socialsecurity.gov/myaccount. For more information, visit their website or call 1-800-772-1213.

What savings do I already have for retirement?

You'll need to build a nest egg sufficient to make up the gap between the total amount of income you will need each year and the amount provided annually by Social Security and any retirement income. This nest egg will come from your retirement plan accounts at work, IRAs, annuities and personal savings.

What adjustments must be made for inflation?

The cost of retirement will likely go up every year due to inflation—that is, $40,000 won't buy as much in year five of your retirement as it will the first year because the cost of living usually rises. Although Social Security benefits are adjusted for inflation, any other estimates of how much income you need each year—and how much you'll need to save to provide that income—must be adjusted for inflation. The annual inflation rate is about 3 percent, but it varies over time. In 1980, for instance, the annual inflation rate was 13.5 percent, but in 1998, it reached a low of 1.6 percent. When planning for your retirement it is always safer to assume a higher, rather than a lower, rate and have your money buy more than you previously thought.

What will my investments return?

Any calculation must take into account what annual rate of return you expect to earn on the savings you've already accumulated and on the savings you intend to make in the future. You also need to determine the rate of return on your savings after you retire. These rates of return will depend in part on whether the money is inside or outside a tax-deferred account.

It's important to choose realistic annual returns when making your estimates. Most financial planners recommend that you stick with the historical rates of return based on the types of investments you choose or even slightly lower.

How many years do I have left until I retire?

The more years you have, the less you'll have to save each month to reach your goal.

How much should I save each month?

Once you determine the number of years until you retire and the size of the nest egg you need to "buy" in order to provide the income not provided by other sources, you can estimate how much you need to save.

It's a good idea to revisit this worksheet at least every year or two. Your vision of retirement, your earnings and your financial circumstances may change. You'll also want to check periodically to be sure you are achieving your objectives along the way.

Source: DOL

How to Prepare for Retirement with Little time Left

What if retirement is just around the corner and you haven't saved enough? Here are some tips. Some are painful, but they'll help you toward your goal.

- It's never too late to start. It's only too late if you don't start at all.
- Sock it away. Put everything you can into your tax-sheltered retirement plans and personal savings. Try to put away at least 20 percent of your income.
- Reduce expenses. Funnel the savings into your nest egg.
- Take a second job or work extra hours.
- Retire later. You may not need to work full time beyond your planned retirement age. Part time may be enough.
- Refine your goal. You may have to live a less expensive lifestyle in retirement. Delay taking Social Security. Benefits will be higher when you start taking them.

Source: Department of Labor

Boost Your Financial Performance

Now comes the tough part. You have a rough idea of how much you need to save each month to reach your retirement goal. But how do you find that money? Where does it come from? There's one simple trick for saving for any goal: spend less than you earn. That's not easy if you have trouble making ends meet or if you find it difficult to resist spending whatever money you have in hand. Even people who make high incomes often have difficulty saving. But we've got some ideas that may help you.

Let's start with a spending plan—a guide for how we want to spend our money. Some people call this a budget, but since we're thinking of retirement as something to buy, a spending plan seems more appropriate. A spending plan is simple to set up. Consider the following steps as a guide as you fill in the information in the Cash Flow Spending Plan at the end of this toolkit.

Income
Add up your monthly income: wages, average tips or bonuses, alimony payments, investment income and so on. Don't include anything you can't count on, such as lottery winnings or a bonus that's not definite.

Expenses
Add up monthly expenses: mortgage or rent, car payments, average food bills, medical expenses, entertainment and so on. Determine an average for expenses that vary each month, such as clothing, or that don't occur every month, such as car insurance or self-employment taxes. Review your checkbook, credit and debit card records, and receipts to estimate expenses. You will probably need to track how you spend cash for a month or two. Most of us are surprised to find out where and how much cash disappears each month.

Include savings as an expense
Better yet, put it at the top of your expense list. Here's where you add in the total of the amounts you need to save each month to accomplish the goals you wrote down earlier in the Goals and Priorities Worksheet.

Subtract expenses from income
What if you have more expenses (including savings) than you have income? It's not an uncommon problem. You have three choices: cut expenses, increase income or both.

Cut expenses
There are hundreds of ways to reduce expenses, from clipping grocery coupons and bargain hunting to comparison shopping for insurance and buying new cars less often. The section that follows on debt and credit card problems will help. You also can find lots of expense-cutting ideas in books, magazine articles and financial newsletters.

Increase income
Take a second job, improve your job skills or education to get a raise or a better paying job, make money from a hobby or jointly decide that another family member will work.

Source: DOL

Avoiding Financial Setbacks

High debt and misuse of credit cards make it tough to save for retirement. Money that goes to pay interest, late fees and old bills is money that could earn money for retirement and other goals.

How much debt is too much debt?

Debt isn't necessarily bad, but too much debt is. Add up what you pay monthly in car loans, student loans, credit card and charge card loans, personal loans—everything but your mortgage. Divide that total by the money you bring home each month. The result is your debt ratio. Try to keep that ratio to 10 percent or less. Total mortgage and nonmortgage debt payments should be no more than 36 percent of your take-home pay.

What's the difference between good debt and bad debt?

Yes, there is such a thing as good debt. That's debt that can provide a financial pay off. Borrowing to buy or remodel a home, pay for a child's education, advance your own career skills or buy a car for getting to work can provide long-term financial benefits.

Bad debt is when you borrow for things that don't provide financial benefits or that don't last as long as the loan. This includes borrowing for vacations, clothing, furniture or dining out.

Do you have debt problems?

Here are some warning signs:

- Borrowing to pay off other loans.
- Creditors calling for payment.
- Paying only the minimum on credit cards.
- Maxing out credit cards.
- Borrowing to pay regular bills.
- Being turned down for credit.

Avoid high interest rate loans

Loan solicitations that come in the mail, pawning items for cash, or payday loans in which people write postdated checks to check-cashing services are usually extremely expensive. For example, rolling over a payday loan every two weeks for a year can run up interest charges of over 600 percent! While the Truth in Lending Act requires lenders to disclose the cost of your loan expressed as an annual percentage rate, it is up to you to read the fine print telling you exactly what the details of your loan and its costs are.

The key to recognizing just how expensive these loans can be is to focus on the total cost of the loan—principal and interest. Don't just look at the monthly payment, which may be small, but adds up over time.

Handle credit cards wisely

Credit cards can serve many useful purposes, but people often misuse them. Take, for example, the habit of making only the 2 percent minimum payment each month. On a $2,000 balance with a credit card

Source: DOL

charging 18 percent interest, it would take 30 years to pay off the amount owed. Then imagine how fast you would run up your debts if you did this with several credit cards at the same time.

How to climb out of debt

Despite your best efforts, you may find yourself in severe debt. The Debt Reduction Worksheet at the end of this toolkit can help you come up with a plan to pay down your credit card and other bad debt. A credit counseling service can help you set up a plan to work with your creditors and reduce your debts. Or you can work with your creditors directly to try and work out payment arrangements.

Source: DOL

Strengthening Your Financial Wellness Plan

Once you've reduced unnecessary debt and created a workable spending plan that frees up money, you're ready to begin saving toward retirement.

You may do this through a company retirement plan or on your own—options that are covered in more detail later in this toolkit. First, however, let's look at a few of the places where you might put your money for retirement.

- **Savings accounts, money market mutual funds, certificates of deposit and U.S. Treasury bills**—These are sometimes referred to as cash or cash equivalents because you can get to them quickly and there's little risk of losing the money you put in.
- **Domestic bonds**—You loan money to a U.S. company or a government body in return for its promise to pay back what you loaned, with interest.
- **Domestic stocks**—You own part of a U.S. company.
- **Mutual funds**—Instead of investing directly in stocks, bonds or real estate, you can use mutual funds. These pool your money with money of other shareholders and invest it for you. A stock mutual fund, for example, would invest in stocks on behalf of all the fund's shareholders. This makes it easier to invest and to diversify your money.

Choosing Where to Put Your Money

How do you decide where to put your money? Look back at the short-term goals you wrote down earlier—a family vacation, perhaps, or a down payment for a home. Remember, you should always be saving for retirement. But, for goals you want to happen soon—say, within a year—it's best to put your money into one or more of the cash equivalents—a bank account or CD, for example. You'll earn a little interest and the money will be there when you need it.

For goals that are at least five years in the future, however, such as retirement, you may want to put some of your money into stocks, bonds, real estate, foreign investments, mutual funds or other assets. Unlike savings accounts or bank CDs, these types of investments typically are not insured by the federal government. There is the risk that you can lose some of your money. How much risk depends on the type of investment. Generally, the longer you have until retirement and the greater your other sources of income, the more risk you can afford. For those who will be retiring soon and who will depend on their investment for income during their retirement years, a low-risk investment strategy is more prudent. Only you can decide how much risk to take.

Why take any risk at all? Because the greater the risk, the greater the potential reward. By investing carefully in such things as stocks and bonds, you are likely to earn significantly more money than by keeping all of your retirement money in a savings account, for example.

The differences in the average annual returns of various types of investments over time are dramatic. Over the past 50 years, the compound annual rate of return of short-term U.S. Treasury bills, which roughly equals the return of other cash equivalents such as savings accounts, has been 4.8 percent. The compound annual rate of return of long-term government bonds over the same period has been 6.7 percent. Large-company stocks, on the other hand, while riskier, have averaged an annual return of 10.1 percent.

Let's put that into dollars. If you had invested $1 in Treasury bills 50 years ago, it would have grown to approximately $10 today. However, inflation, at an annual average of 4.1 percent, would have eaten about $9 of that gain, leaving $1 as the return. If the $1 had been invested in government bonds, it would have grown to about $26, with $3 left after inflation. If the $1 had been invested in large-company stocks, it would have grown to nearly $123, with about $17 left after inflation. None of these rates of return is guaranteed in the future, but they clearly show the relationship between risk and potential reward.

Many financial experts feel it is important to save at least a portion of your retirement money in higher risk—but potentially higher returning—assets. These higher risk assets can help you stay ahead of inflation, which eats away at your nest egg over time.

Which assets you want to invest in, of course, is your decision. Never invest in anything you don't thoroughly understand or don't feel comfortable about.

Source: DOL

Personal Financial Fitness

There are two main ways to reduce risk.

- **First, diversify within each category of investment.** You can do this by investing in pooled arrangements, such as mutual funds, index funds and bank products offered by reliable professionals. These investments typically give you a small share of different individual investments and will allow you to spread your money among many stocks, bonds and other financial instruments, even if you don't have a lot of money to invest. Your risk of losing money is less than if you buy shares in only a few individual companies. Distributing your investments in this way is called diversification.
- **Second, you can reduce risk by investing among categories of investments.** Generally speaking, you should put some of your money in cash, some in bonds, some in stocks and some in other investment vehicles. Studies show that once you have diversified your investments within each category, the choices you make about how much to put in these major categories is the most important decision you will make and should define your investment strategy.

Why diversify?

Because at any given time one investment or type of investment might do better than another. Diversification lets you manage your risk in a particular investment or category of investments and decreases your chances of losing money. In fact, the factors that can cause one investment to do poorly may cause another to do well. Bond prices, for example, often go down when stock prices are up. When stock prices go down, bonds often increase in value. Over a long time—the time you probably have to save for retirement—the risk of losing money or earning less than you would in a savings account tends to decline.

By diversifying into different types of assets, you are more likely to reduce risk and actually improve return, than by putting all of your money into one investment or one type of investment. The familiar saying "Don't put all your eggs in one basket" definitely applies to investing.

Deciding on an investment mix

How you diversify—that is, how much you decide to put into each type of investment—is called asset allocation. For example, if you decide to invest in stocks, how much of your retirement nest egg should you put into stocks: 10 percent, 30 percent or 75 percent? How much into bonds and cash? Your decision will depend on many factors: how much time you have until retirement, your life expectancy, the size of your current nest egg, other sources of retirement income, how much risk you are willing to take and how healthy your current financial picture is, among others.

Your asset allocation also may change over time. When you are younger, you might invest more heavily in stocks than bonds and cash. As you get older and enter retirement, you may reduce your exposure to stocks and hold more in bonds and cash. You also might change your asset allocation because your goals, risk tolerance or financial circumstances have changed.

Source: DOL

Rebalancing your portfolio

Once you've decided on your investment mix and invested your money, over time some of your investments will go up and others will go down. If this continues, you may eventually have a different investment mix than you intended.

Reassessing your mix, or rebalancing, as it is commonly called, brings your portfolio back to your original plan. Rebalancing also helps you to make logical, not emotional, investment decisions. For instance, instead of selling investments in a sector that is declining, you would sell an investment that has made gains and, with that money, purchase more in the declining investment sector. This way, you rebalance your portfolio mix, lessen your risk of loss and increase your chance for greater returns in the long run.

Here's how rebalancing works: Let's say your original investment called for 10 percent in U.S. small company stocks. Because of a stock market decline, they now represent 6 percent of your portfolio. You would sell assets that had increased and purchase enough U.S. small company stocks so they again represent 10 percent of your portfolio.

How do you know when to rebalance?

There are two methods of rebalancing: calendar and conditional.

- Calendar rebalancing means that once a quarter or once a year you will reduce the investments that have gone up and will add to investments that have gone down.
- Conditional rebalancing is done whenever an asset class goes up or down more than some percentage, such as 25 percent. This method lets the markets tell you when it is time to rebalance.

Source: DOL

Maximizing Your Financial Potential

Regardless of where you choose to put your money—cash, stocks, bonds, real estate or a combination of places—the key to saving for retirement is to make your money work for you. It does this through the power of compounding.

The Power of Compounding

Compounding investment earnings is what can make even small investments become larger given enough time. You're probably already familiar with the principle of compounding. Money you put into a savings account earns interest. Then you earn interest on the money you originally put in, plus on the interest you've accumulated. As the size of your savings account grows, you earn interest on a bigger and bigger pool of money.

The chart below provides an example of how an investment grows at different annual rates of return over different time periods. Notice how the amount of gain increases each 10-year period. That's because money is being earned on a bigger and bigger pool of money.

Compounding
The value of $1,000 compounded at various rates of return over time is as follows:

Years	4%	6%	8%	10%
10	$1,481	$1,791	$2,159	$2,594
20	$2,191	$3,207	$4,661	$6,728
30	$3,243	$5,743	$10,063	$17,449

Also notice that when you double your rate of return from 4 percent to 8 percent, the end result after 30 years is over three times what you would have accumulated with a 4 percent return. That's the power of compounding!

The real power of compounding comes with time. The earlier you start saving, the more your money can work for you. Look at it another way. For every 10 years you delay before starting to save for retirement, you will need to save three times as much each month to catch up. That's why, no matter how young you are, the sooner you begin saving for retirement, the better.

Source: DOL

Employer Financial Wellness Programs

Does your employer provide a retirement plan? If so, retirement experts say grab it! Employer-based plans are the most effective way to save for your future. What's more, you'll gain certain tax benefits.

Employer-based plans come in one of two varieties (some employers provide both): defined benefit and defined contribution.

Defined Benefit Plans

These plans pay a lump sum upon retirement or a guaranteed monthly benefit. The amount of payout is typically based on a set formula, such as the number of years you have worked for the employer times a percentage of your highest earnings on the job. Usually the employer funds the plan—commonly called a traditional pension plan—though in some plans workers also contribute. Most defined benefit plans are insured by the federal government.

Defined Contribution Plans

The popular 401(k) plan is one type of defined contribution plan. Unlike a defined benefit plan, this type of savings arrangement does not guarantee a specified amount for retirement. Instead, the amount you have available in the plan to help fund your retirement will depend on how long you participate in the plan, how much is invested and how well the investments do over the years. The federal government does not guarantee how much you accumulate in your account, but it does protect the account assets from misuse by the employer.

In the past 20 years, defined contribution plans have become more common than traditional defined benefit retirement plans. Employers fund most types of defined contribution plans, though the amount of their contributions is not necessarily guaranteed.

Workers with a retirement plan are more likely to be covered by a defined contribution plan, usually a 401(k) plan, rather than the traditional defined benefit plan. In many defined contribution plans, you are offered a choice of investment options, and you must decide where to invest your contributions. This shifts much of the responsibility for retirement planning to workers. Thus, it is critical that you choose to contribute to the plan once you become eligible (usually after working full time for a minimum period) and, even if you are automatically enrolled in the plan, to contribute as much as possible. Invest wisely, review your plan investment options and revisit your choices at least once a year.

Tax Breaks

Even though you may be responsible for funding a defined contribution plan, you receive important tax breaks. The money you invest in the plan and the earnings on those contributions are deferred from income tax until you withdraw the money (hopefully not until retirement). Why is that important? Because postponing taxes on what you earn allows your nest egg to grow faster.

Remember the power of compounding? The larger the amount you have to compound, the faster it grows. Even after the withdrawals are taxed, you typically come out ahead.

Source: DOL

The tax deduction also means that the decline in your take-home pay, because of your contribution, won't be as large as you might think. For example, let's assume you are thinking about putting $100 into a retirement plan each month and that the rate you pay on income taxes is 15 percent. If you don't put that $100 into a retirement plan, you'll pay $15 in taxes on it. If you put in $100, you postpone the taxes. Thus, your $100 retirement plan contribution would actually reduce your take-home pay by only $85. If you're in the 25 percent tax bracket, the cost of the $100 contribution is only $75. This is like buying your retirement at a discount.

Vesting Rules

Any money you put into a retirement plan out of your pay, and earnings on those contributions, always belong to you. However, contrary to popular belief, employees don't always have immediate access to the money their employer puts into their pension fund or their defined contribution plan. Under some plans, such as a 401(k) or a traditional pension plan, you have to work for a certain number of years—say, three—before you become "vested" and can receive benefits. Some plans vest in stages. Other defined contribution plans, such as the SEP and the SIMPLE IRA, vest immediately, meaning you have access to the employer's contributions the day the money is deposited. No employer can require you to work longer than seven years before you become vested in your retirement benefit.

Be aware of the vesting rules in your employer's plan. Make sure you know when you're vested. Changing jobs too quickly can mean losing part or all of your retirement benefits or, at the very least, your employer's matching contributions.

Retirement Plan Rights

The federal government regulates and monitors company retirement plans. The vast majority of employers do an excellent job complying with federal law. Unfortunately, a small fraction doesn't. For warning signs that your 401(k) contributions are being misused and other information on protecting your retirement benefits, call the Employee Benefits Security Administration's (EBSA) toll-free number at 1-866-444-3272 and request the booklet "What You Should Know About Your Retirement Plan."

Source: DOL

Types of Defined Contribution Plans

The following are some of the most common types of defined contribution plans. For a more detailed description and comparison of some of these plans, see “What You Should Know About Your Retirement Plan.”

401(k) Plan

This is the most popular of the defined contribution plans and is most commonly offered by larger employers. Employers often match employee contributions.

403(b) Plan

Think of this as a 401(k) plan for employees of school systems and certain nonprofit organizations. Investments are made in tax-sheltered annuities or mutual funds.

SIMPLE IRA

The Savings Incentive Match Plan for Employees of Small Employers is a simpler type of employer-based retirement plan. There is also a 401(k) version of the SIMPLE.

Profit-sharing Plan

The employer shares company profits with employees, usually based on the level of each employee’s wages.

ESOP

Employee stock ownership plans are similar to profit-sharing plans, except that an ESOP must invest primarily in company stock. Under an ESOP, the employees share in the ownership of the company.

SEP

Simplified employee pension plans are used by both small employers and the self-employed.

Other retirement plans you may want to learn more about include 457 plans, which cover state and local government workers, and the Federal Thrift Savings Plan, which covers federal employees. If you are eligible, you may also want to open a Roth IRA.

Source: DOL

How to Make the Most of a Defined Contribution Plan

- Study your employee handbook and talk to your benefits administrator to see what plan is offered and what its rules are. Read the summary plan description for specifics. Plans must follow federal law, but they can still vary widely in contribution limitations, investment options, employer matches and other features.
- Join as soon as you become eligible.
- If you can't afford the maximum, try to contribute enough to maximize any employer matching funds. This is free money!
- Study carefully the menu of investment choices. Some plans offer only a few choices, while others may offer hundreds. The more you know about the choices, investing and your investment goals, the more likely you will choose wisely.
- Many companies match employee contributions with stock instead of cash. Financial experts often recommend that you don't let your account get over loaded with company stock, particularly if the account makes up most of your retirement nest egg. Too much of a single stock increases risk.

For more information on fees, call EBSA's toll-free line at 1-866-444-3272 and request the booklet "A Look at 401(k) Plan Fees."

Source: Department of Labor

A Lifetime of Financial Growth

As mentioned earlier, you probably will experience several major events in your life that can make it more difficult to start or keep saving toward retirement and other goals.

The key is to have a clear plan, to stay focused on your goals, and to manage your money so that life events don't prevent you from keeping on target. Here are a few suggestions for saving for retirement while financially managing some common life events.

Marriage

Getting married creates new financial demands that compete for retirement dollars, such as changing life insurance needs and saving to buy a home. But it's usually less expensive for two people to live together, thus freeing up dollars. A spending plan is essential. Remember, every little bit helps.

Raising children

The U.S. Department of Agriculture estimates that it costs the average American middle-income family approximately $233,610 to raise a child to age 17. Furthermore, in some cases, a spouse may stay out of the workforce to raise children, thus cutting into income and the opportunity to fund retirement. Having a child may alter your major financial goals, but should never eliminate them. Make the best effort you can. Also, many financial planners stress that saving for retirement should have priority over saving for a child's college education. There are financial aid programs for college-bound students but not for retirement.

Changing jobs

It's estimated that the average worker changes jobs more than 10 times in a working lifetime. Changing jobs often puts you at risk of not vesting in your current job, or a new job may not offer a retirement plan. Consider keeping your money in your former employer's retirement plan or rolling it into a new company plan or an IRA. Don't cash out and spend the money, however small the amount.

Divorce

It's important that you know the laws regarding your spousal rights to Social Security and retirement benefits. Under current law, spouses and dependents have specific rights. Remember, retirement assets may well be the biggest financial asset in the marriage. Be sure to divide those assets carefully. It's also critical to review your overall financial situation before and after your divorce. Income typically drops for partners in the wake of a divorce, particularly for women.

Disability

A severe or long-lasting disability can undermine efforts to save for retirement. Although Social Security disability benefits can help sustain a family if severe disability strikes, you may wish to explore the availability and cost of other forms of disability insurance.

Death

The premature death of a spouse can undermine efforts for the partner to save for retirement, particularly if there are dependent children. That's why it's important to check your Social Security statement to find out how much children will receive if a parent dies. Maintaining adequate life insurance is also important. Be sure that you have properly named the beneficiaries for any insurance policies, retirement plans, IRAs and other retirement vehicles.

Source: DOL

Staying on Track

Life has a way of throwing unexpected financial roadblocks and detours in our path. These might be in the form of large medical bills, car or home repairs, a death in the family, loss of a job or expensive legal problems.

Such financial emergencies can derail your efforts to save for retirement or other goals. Here are some strategies for managing financial crises.

Establish an emergency fund

This can lessen the need to dip into retirement savings for a financial emergency. Building an emergency fund is tough if income is tight, but every few dollars help. Fund it with pay from extra working hours or a temporary job, a tax refund or a raise. Put the money into a low-risk, accessible account such as a savings account or a money market fund.

Insure yourself

Insurance protects your financial assets, such as your retirement funds, by helping to take care of the really big financial disasters. Here's a list of insurance coverage you should consider buying:

- **Health**—If you and your family aren't covered under an employer's policy, consider a health plan through the Health Insurance Marketplace. At least try to buy catastrophic medical coverage on your own.
- **Disability**—Did you know you are more likely before age 67 to miss work because of a disability than to die? Social Security disability insurance can pay you and your family benefits if you are severely disabled and are expected to be so for at least 12 months. In addition, your employer may offer some disability coverage, but you may need to supplement it with private coverage.
- **Renters**—Homeowners usually are insured against hazards such as fire, theft and liability, but the majority of renters aren't. Renters insurance is inexpensive.
- **Automobile**— The costs of repairs and medical bills can add up without auto insurance. It is also illegal in some states to drive without coverage.
- **Umbrella**—This provides additional liability coverage, usually through your home or auto insurance policies, in the event you face a lawsuit.
- **Life**—Life insurance can provide financial security to your beneficiaries beyond what Social Security pays. Also, only a spouse, child or parent can receive your Social Security payout, while anyone you designate as a beneficiary can receive the payout of a life insurance policy. There are many types of life insurance, with a variety of fees and commissions attached.
- **Long-term care**—This insurance can help pay for costly long-term health care either at home, or in a health care facility or nursing home. It protects you from draining savings and assets you otherwise could use for retirement.

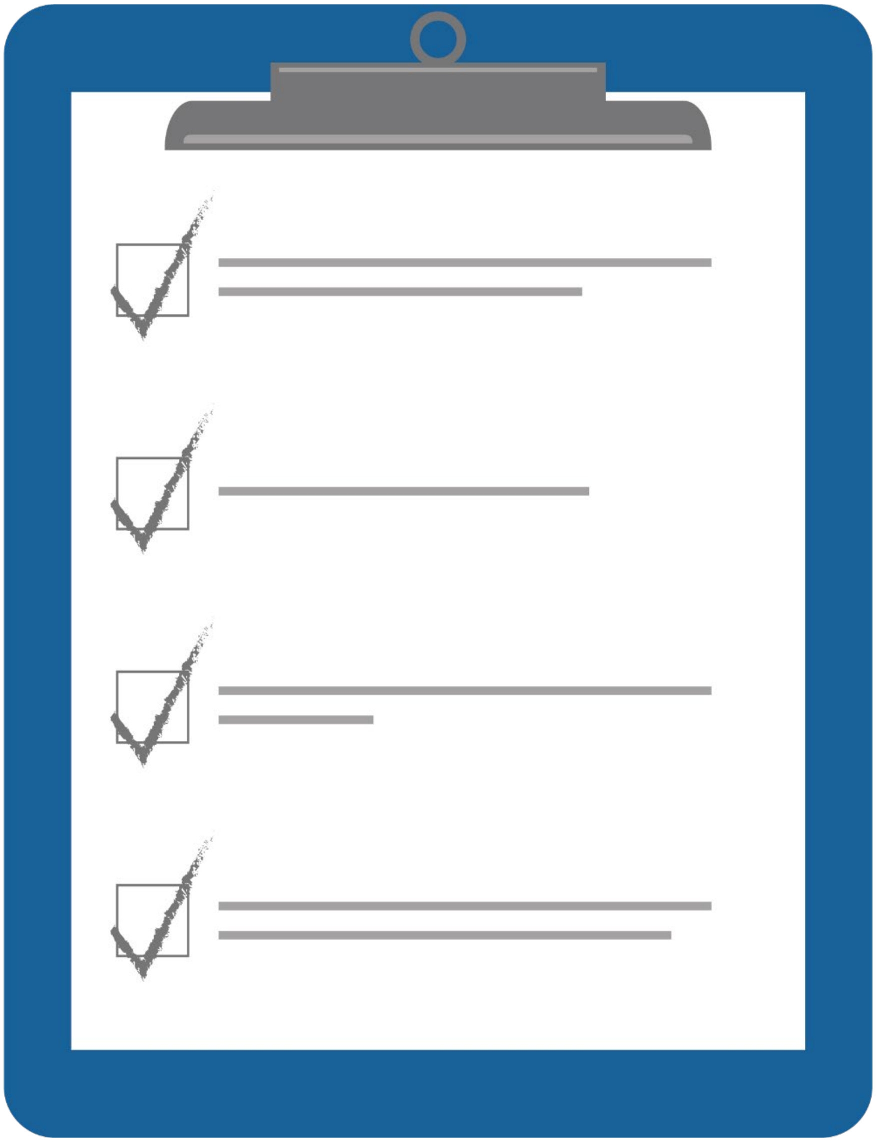
Source: DOL

Borrow

If you must borrow because of a financial emergency, carefully compare the costs of all options available to you.

Sell investments

It's usually advisable to sell taxable investments first. Try not to touch your faster growing retirement accounts. Taking money out of your retirement accounts could trigger income taxes and penalties.



Source: DOL

Goals and Priorities Worksheet

Write down your goals, listing both short-term and long-term goals. Then number them in order of priority. Think about what you need to do to accomplish each goal, including cost, and what you are willing to do to reach the goal. Remember to make saving for retirement a priority!

Priority	What is your goal?	By when?	How much will it cost?	What money do you have saved for this goal?	What are you willing to do?
SHORT-TERM GOALS (5 years or less)					
1	*Example: Emergency savings fund*	*1 year*	*6 months of expenses*	*3 months of expenses*	*Pack a lunch for work each day.*
LONG-TERM GOALS (longer than 5 years)					
1	*Example: A secure retirement*	*Retirement age*	*__% of pre-tax pay*	*Some savings in an IRA*	*Sign up for workplace plan.*

Source: DOL

Balance Sheet to Calculate Net Worth

Use this balance sheet to calculate your net worth, which is the total value of what you own (assets) minus what you owe (liabilities). Your goal is to have a positive net worth that grows each year.

First, add up the approximate value of your assets, including your checking and savings accounts, investments and property, such as your home (if you own it). Then add up your liabilities (debts), including any amounts you currently owe on a home mortgage, auto or student loans, credit card debt and other outstanding amounts owed. Finally, subtract your liabilities from your assets to get your net worth.

ASSETS	VALUE	LIABILITIES	VALUE
Cash Reserves		Home mortgage	________________
Cash	________________	Second mortgage	________________
Checking	________________	Home equity loan	________________
Savings	________________		
Savings bonds	________________	Student loans	________________
Money market account	________________	Auto loan	________________
Certificates of deposit (CDs)	________________		________________
Other	________________		________________
SUBTOTAL			
Home or condo (if owned)	________________	Credit cards	________________
SUBTOTAL			________________
Retirement Accounts			________________
401(k), 403(b)	________________		________________
IRAs	________________		________________
Annuities	________________		________________
Other retirement plans	________________		
SUBTOTAL		Other debt	________________
Personal Investments			________________
Mutual funds	________________		________________
Stocks	________________		________________
Bonds	________________		
Brokerage accounts	________________		
Real estate	________________		
Other	________________		
SUBTOTAL			
Other assets	________________		
SUBTOTAL			
TOTAL ASSETS		TOTAL LIABILITIES	
NET WORTH (Total assets minus total liabilities)			

Source: DOL

Calculating Retirement Savings Worksheet

The Calculating Retirement Savings Worksheet can help you figure out how much you need to save each year toward your goal of a secure retirement. It estimates how much you should save as a percentage of your current annual salary to give you a savings goal. You can save through a retirement savings plan at work, on your own or both. While the worksheet does not take into account your unique circumstances, it will give you an idea of how much to save each year and a clearer picture of your retirement goals. The sooner you start saving, the longer your savings have to grow.

As you fill out the worksheet, think about your plans including when you might retire, what savings you have and how many years you hope to enjoy in retirement. Of course, your plans and circumstances may change, so update this worksheet periodically to reflect any changes. If you are filling this out and are married, consider whether only one spouse is working (either now or in the future) and what will happen to your Social Security and retirement benefits if your spouse dies or you divorce. Use a longer estimate for years in retirement since one spouse is likely to outlive the other. If you and your spouse are both working, but are not close in age, consider filling out separate worksheets with the period of time each spouse has to save.

The worksheet breaks the calculations into four steps. A 7 percent rate of return is used to keep it simple. Remember investing involves risk, so investment returns—even assuming a diversified mix of stocks and bonds—go up and down and cannot be guaranteed. The worksheet, which uses a 3 percent inflation rate, increases your salary 3 percent each year but does not include any other increases.

Step 1

This step estimates what your annual salary will be at retirement as a result of inflation and how much savings you will need in addition to Social Security for the first year of retirement. (The next three steps will help you determine how much to save to have enough savings to last through your retirement.)

To start, enter the number of years until you expect to retire on line 1. Next, enter your current annual salary—this is your total pay before taxes or other deductions. You can probably get this from your pay statement. Multiply your current annual salary by a projected salary growth factor from the box below the worksheet and enter the result on line 4. Select the factor that corresponds most closely to the number of years until you plan to retire. Multiply the amount on line 4 by 40 percent to estimate the annual income you will need for your first year of retirement.

Where does this 40 percent come from? On average, people need to replace about 80 percent of preretirement income for living in retirement. According to the Social Security Administration, Social Security retirement benefits replace about 40 percent of an average wage earner's income after retiring. This leaves approximately 40 percent to be replaced by retirement savings. However, keep in mind that this is an estimate. You may need more or less depending on your individual circumstances, such as whether you are married, will have dependents while in retirement or have other sources of retirement income.

Source: DOL

Step 1 Worksheet

1. Number of years until retirement (retirement age minus current age) ________________
2. Current annual salary ________________
3. Projected salary growth factor ________________
4. Value of salary at retirement (multiply line 2 by line 3) ________________
5. Replacement rate ________________
6. Income goal for the first year of retirement (multiply line 4 by line 5) ________________

PROJECTED SALARY GROWTH FACTORS (by number of years until retirement)

Years	20	25	30	35	40	45
Growth Factors	1.8061	2.0938	2.4273	2.8139	3.2620	3.7816

Example for Step 1

For example, if you are now 30 years old, plan to retire in 35 years at age 65 and earn $50,000 a year, the calculation for step 1 would look like this:

1. Number of years until retirement	35
2. Current annual salary	$50,000
3. Projected salary growth factor	X 2.8139
4. Value of salary at retirement	$140,695
5. Replacement rate	x .40
6. Income goal for the first year of retirement	$56,278

Source: DOL

Step 2

This step takes the result from step 1, the income you need for the first year of retirement, and estimates how much you will need to last through retirement. In retirement, while your investments will continue to grow, the cost of retirement likely will go up every year due to inflation—that is, today's dollars will buy less each year because the cost of living usually rises. Step 2 estimates how much savings you will need, taking into account the growth of your investments and inflation through your retirement. People are living longer, on average, which means you could need retirement income for 30 years or more. Planning to live well into your 90s can help you have a secure retirement and avoid outliving your income.

Enter the result from step 1 on the first line. Then enter the number of years you think you will spend in retirement. Select a projected income factor from the box under the step 2 worksheet that corresponds most closely to the number of years you expect to live in retirement and enter it on line 3. Multiply line 1 by line 3 and enter the result on line 4. This is the estimated value of savings you need at retirement to last through retirement.

Step 2 Worksheet

1. Income goal for the first year of retirement (from step 1, line 6) ________________
2. Number of years in retirement ________________
3. Projected income factor ________________
4. Savings needed at retirement (multiply line 1 by line 3) ________________

PROJECTED INCOME FACTORS (by number of years spent in retirement)

Years	20	25	30	35	40
Growth Factors	14.2649	16.4305	18.2204	19.6999	20.9228

Example for Step 2

If, for example, you are planning for 30 years in retirement, multiply the result from step 1 by the projected income factor for 30 years in retirement.

1. Income goal for the first year of retirement	$56,278
2. Number of years in retirement	30
3. Projected income factor	x 18.2204
4. Savings needed at retirement	$1,025,408

Source: DOL

Step 3

This step estimates how much your current retirement savings will grow by the time you plan to retire.

On line 1, enter your current retirement savings. Make sure you include all of the savings and assets you have for retirement. Next, enter the number of years until you plan to retire—use the same number you used in step 1. Multiply your current savings by the projected value factor (from the box below the step 3 worksheet) that you choose based on the number of years until retirement. The result is what your current savings will be worth at retirement.

Step 3 Worksheet

1. Current savings ________________
2. Number of years until retirement (from step 1, line 1) ________________
3. Projected value factor ________________
4. Value of current savings at retirement (multiply line 1 by line 3) ________________

PROJECTED VALUE FACTORS (by number of years until retirement)

Years	20	25	30	35	40	45
Growth Factors	3.8697	5.4274	7.6123	10.6766	14.9745	21.0025

Example for Step 3

If, for example, you have $2,000 in retirement savings and plan to retire in 35 years you would make this calculation:

1. Current savings	$2,000
2. Number of years until retirement	35
3. Projected value factor	x 10.6766
4. Value of current savings at retirement	$21,353

Source: DOL

Step 4

This step pulls the prior calculations together so you can see where you are today and how much to save each year as a percentage of your current salary. This percentage is also called your "target saving rate." Saving this amount each year will help you reach your retirement goals.

Start by entering the number of years until you plan to retire from step 1 on line 1. Next, enter the estimated savings needed at retirement from step 2. From step 3, write down the value of your current savings at retirement on line 3. Subtract line 3 from line 2 and enter it on line 4—this is the additional retirement savings you need.

Enter your current annual salary on line 5. Multiply it by the projected saving rate factor (in the box below the step 4 worksheet) that corresponds to the number of years until you plan to retire and enter it on line 7. This is the maximum amount you would have if you saved your entire salary between now and retirement including inflation and investment earnings, or the maximum possible savings based on salary until retirement. Saving this much is not something you would normally do. This number is only used to help figure out how much of your salary to save. Divide line 4 by line 7. This is your target saving rate, or the percentage of your salary to save.

The target rate includes any contributions your employer makes to a retirement savings plan for you, such as an employer matching contribution. For example, if you contribute 4 percent of your salary to a 401(k) plan, and your employer also contributes 4 percent, your savings rate would be 8 percent of your salary.

Remember that the worksheet only gives you a rough idea, a savings goal. Some may face higher expenses in retirement because of personal circumstances and choose to save more. Some may have other sources of income in retirement, such as a traditional defined benefit pension or money from selling a home that would lower the target rate.

You can compare your results with what you are currently saving after you complete the Cash Flow Spending Plan. If you are currently saving less, don't be discouraged. The important thing is to start saving, even a small amount, and increase that amount when you can. Come back and update this worksheet from time to time to reflect changes and track your progress.

Source: DOL

Step 4 Worksheet

1. Number of years until retirement (from step 1, line 1) ________________
2. Savings needed at retirement (from step 2, line 4) ________________
3. Value of current savings at retirement (from step 3, line 4) ________________
4. Additional retirement savings needed (subtract line 3, from line 2) ________________
5. Current annual salary (from step 1, line 2) ________________
6. Projected saving rate factor ________________
7. Maximum possible savings based on salary until retirement (multiply line 5 by line 6) ________________
8. Target saving rate (divide line 4 by line 7) ________________

PROJECTED SAVING RATE FACTORS (by number of years until retirement)

Years	20	25	30	35	40	45
Growth Factors	55.2006	89.1753	138.6986	210.3277	313.3072	460.6579

Example for Step 4

This step pulls together results from the previous steps and gives you a target saving rate.

1. Number of years until retirement	35
2. Savings needed at retirement	$1,025,408
3. Value of current savings at retirement	- $21,353
4. Additional retirement savings needed	$1,004,055
5. Current annual salary	$50,000
6. Projected saving rate factor	x 210.3277
7. Maximum possible savings based on salary until retirement	$10,516,385
8. Target saving rate	9.5%

Source: DOL

Cash Flow Spending Plan

Use the first two columns of this worksheet to create a budget, sometimes called a cash flow spending plan or a guide for how you expect to spend your money. Don't worry if you don't have all of the information. You can make a guess now and fill in more specific information later.

Start with your monthly income. If you know your annual gross income, divide it by 12 to get the monthly amount. Most pay statements or pay stubs list your total (or gross) income and your deductions, along with your net take-home pay. You can find your net take-home pay by subtracting your deductions from your gross income. List all taxes, including federal, state and local income taxes, plus Social Security and Medicare taxes.

Next, enter all of your monthly expenses. You can find an average for expenses that are different or don't occur each month, such as heating or car insurance, by adding up the bills for the year and dividing by 12. Once you know your monthly income and expenses, multiply it times 12 to get an annual cash flow spending plan or budget.

Return to this worksheet at the end of the year to see how you did in following your budget. Use the last two columns to track your actual spending and see how it is different from what you planned to spend. If what you spent is more than you planned, enter it with a plus sign. If it was less, enter it with a minus sign. This will make it easier for you to add up the differences for the year and find ways to spend less, if you need to. Each year, you can review your cash flow plan and make changes for the next year's budget to help you reach your financial goals.

Add up your total retirement savings, both at work and on your own. If your employer also contributes money to your retirement savings plan, in a 401(k) for example, enter that amount in the row labeled "employer match" and add it to your retirement savings to get the total. Then, divide the total retirement savings by gross income (the first line in the worksheet) to get your current retirement savings rate. You can compare it to the results from the Calculating Retirement Savings Worksheet, which is your target saving rate.

Source: DOL

	1 – Your current monthly and annual budget		2 – Track how your spending varies from what you planned	
	Monthly	Annual	Actual spending	Was it more (+) or less (-) than planned?
INCOME:				
Gross income (total pay before deductions)				
Deductions:				
Retirement contributions				
Health, dental, vision insurance				
Disability, long-term care insurance				
Life insurance				
Taxes				
Other deductions				
Net take-home pay (gross income minus deductions)				
Other income				
TOTAL NET INCOME				
EXPENSES:				
Savings and investing:				
Retirement (outside of workplace plan)				
Cash reserves				
Down payment for a home				
Education				
Other				
Housing				
Mortgage (including condo fees)				
Rent				
Maintenance				
Food (at home)				

Source: DOL

	1 – Your current monthly and annual budget		2 – Track how your spending varies from what you planned	
	Monthly	Annual	Actual spending	Was it more (+) or less (-) than planned?
Utilities Electricity Heat Internet/cable Phones Water/sewer				
Clothing				
Taxes Real estate Other property taxes Other taxes				
Insurance Homeowner or renter Car Life (if bought outside of work) Disability, long-term care (if bought outside of work)				
Loan payments Car Credit card Education Other				
Caregiving Child care Elder care				
Personal care Haircut Dry cleaning Gym Other				
Transportation Car repairs and maintenance Gas Parking Public transportation				

Source: DOL

	1 – Your current monthly and annual budget		2 – Track how your spending varies from what you planned	
	Monthly	Annual	Actual spending	Was it more (+) or less (-) than planned?
Health care: out-of-pocket spending Health, dental, vision insurance (if bought outside of work) Doctor visits Hospital Medicine Over-the-counter medicine Noncovered items				
Travel/vacations				
Entertainment Eating out Hobbies Movies/theater				
Charitable contributions				
Other Gifts Membership dues Pet-related costs				
TOTAL EXPENSES				
TOTAL NET INCOME – TOTAL EXPENSES				
Subtotal retirement savings (workplace plan contributions + saving on your own)				
Employer match				
Total Retirement Savings				
Current retirement savings rate as a percentage of gross income (total retirement savings ÷ gross income)				
Target savings rate (from Retirement Savings Worksheet)				

Source: DOL

Debt Reduction Worksheet

This worksheet will help you organize your debt so that you can plan how you will pay down each debt and track your progress. Money that goes to pay interest, late fees and old bills could be saved and invested to earn more for retirement and other goals.

On this sheet, list your home mortgage first, if you have one. Then list your auto loans, student loans, any credit card debts or other money that you owe. In the final column, write down which debts you will pay off first, second and so on. Generally, you may want to pay off the debts with the highest interest rates first. However, if you have a debt with a small balance, you may want to pay it off to get it off your list.

Creditor	Interest Rate	Balance	Required Minimum Monthly Premium	Planned Payment	Priority
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
___________________	_________%	$___________	$_________________	$_____________	________
	TOTAL	$___________	$_________________	$_____________	________

Source: DOL