

February 2015 - Are You on Track to Reach Your Goals?

Using Ascensus' Retirement Plan Calculator

This article was originally written in April, 2014, but it has been updated with the most recent Projected 10 Year returns (see table on page 3).

In addition to saving for retirement, it's important to periodically check if the amount you're saving is on track to cover your future retirement needs. Ascensus offers a Retirement Plan Calculator on their website which calculates an estimate of how much you'll need for retirement based on your age, plan balance and the amount you are regularly contributing to your plan. Are you on track to reach your goals?

We encourage you to revisit this calculation annually and would be happy to review the results with you during our annual one-on-one meeting or six month check-in.

Run an Initial Calculation

To use Ascensus' retirement plan calculator, click on the Set My Goals button on the main page of the participant website as illustrated below:

Calculator Disclaimer

I Want To...

Summary Information	
Total Balance (Less Outstanding Loan)	\$0.00
Vested Balance (Less Outstanding Loan)	\$0.00
Outstanding Loan Balance	\$0.00

The following is the account balance as of 3/24/2014.

Account Balance				
By Fund	By Source	By Asset Allocation	Contribution Summary	
Funds	Units	Price	Balance	% of Total
TOTAL BALANCE			\$0.00	100%

Message Center (2 Unread, 0 Read)

Questions

For additional information or questions please contact us at 866-809-8146.

Personal Rate of Return

From 01/01/2014 to 03/24/2014
0.00%

The calculator then asks:

- Your current salary
- Contribution rate, or percent you're currently saving for retirement
- Total retirement savings (it shows your Ascensus balance and lets you input amounts from other retirement accounts)
- Age you want to retire (default=67)
- Percent of current income you'll need in retirement (default=75%)
- Expected rate of return for investments

It gives you a projected monthly income as well as the amount of income you're projected to need. If these numbers are close, you are on the right track. If you're saving too little, it's time to re-evaluate the parameters and see what you can change.

There are four parameters that you can modify right from the results page. Clicking "Start Over" saves your initial inputs, but

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lets you go back to the beginning and modify any of those inputs that you wish.

Before you log out, click on the Save My Goals button as illustrated below:



Understand the Parameters

Here are some tips on what the parameters mean and which ones to modify:

Current Salary: It may seem that getting a raise would be the perfect way to save more for retirement if you're behind, but people generally spend in proportion to how much they earn. Your higher salary probably means that you'll spend more, and will continue those habits of spending more even after retirement. Your savings goal will still be a percentage of your current salary, so a higher salary means that you'll need to save more.

Contribution Rate: This is the factor that you have the most control over. If you are meeting your expenses and have 3-6 months' worth of expenses set aside as an emergency reserve, you can maximize your contribution rate. If your company has a match, contribute at least that percentage to take advantage of the free money. It is helpful to use this parameter as a trial and error way to figure out how much to contribute, i.e. put in the amount you are currently contributing, and see if you are on track with what you need to save with that calculation. If not, try a higher rate, and keep adjusting it until you know what you need to contribute to reach your goals. If you can't contribute that amount right now, put in as much as you can and adjust it at a later date.

Other Retirement Savings: Total up your IRAs, and any other retirement plans from former employers (note that 401ks from other employers can be rolled into your Ascensus 401k plan if you wish).

Retirement Age: The Social Security Administration has raised full retirement age to 67 for those born in 1960 and later. For full details see <http://www.ssa.gov/retire2/retirechart.htm>. Although you may plan to work past age 65 or 67, health reasons may prohibit you from doing so, or from working full time. It's best to have enough saved for a comfortable retirement without relying on working longer, but those years could provide extra savings and professional fulfillment as a bonus.

Percent of Current Income for Retirement: Many financial planners recommend taking a number between 75 and 85%, but it depends on factors such as whether your mortgage will be paid off, what your expected health care costs will be, and other spending goals you may have, such as travel.

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Expected Return on Investments: This number should be based on the historical returns for the asset allocation that matches your risk tolerance and risk capacity. As a guide, we have provided two return estimates corresponding to the asset allocation targets for your plan's Model Portfolios in the table below. The first estimate reflects the actual historical returns for stocks and bonds (fixed income) since 1926 as published each year in the Morningstar/Ibbotson S&P Yearbook. The second, lower estimate (Projected 10 Year Returns) represents a projection for returns over the next ten years based on the reality of today's low interest rates and bond yields. If you aren't invested in one of the model portfolios, you can match your portfolio's asset allocation (i.e. percentage of stocks and bonds) with the allocation of one of the model portfolios to come up with a return estimate. (This is something we can help you with during our annual one on one meeting, or during our six month check in with you.)

Which estimate should you use? If you want to be conservative or you are approaching retirement in the next ten years, it would be prudent to use the lower projected return. If you do, you may also use the lower projection for inflation (see below - Advanced Options: Inflation). If you'll be retiring in more than ten years, you may use the historical returns, but you should also use the default estimate for inflation, which is based on the long-term average historical inflation rate.

Projected 10 Year Returns

Risk Categories	Target 20	Target 30	Target 40	Target 50	Target 60	Target 70	Target 85
Equities	20	30	40	50	60	70	85
Fixed Income	80	70	60	50	40	30	15
Expected Annual Return: (10-year forward)	4.5%	5%	5.5%	6%	6.5%	7.0%	7.5%
Annual Return (1926-2014):	6.2%	6.7%	7.2%	7.7%	8.4%	8.9%	9.7%

Keep in mind that the return numbers given are estimates based on historical returns. Past performance is not a guarantee of future returns. It is unwise to assume a higher than reasonable rate of return, and we do not recommend changing to a riskier asset allocation than your risk profile would support in order to increase your retirement assets. We hope you have/will take advantage of one-on-one meetings to have guidance in choosing the proper asset allocation.

Advanced Options

Clicking the Advanced Options button allows you to change a few more options:

Life Expectancy: If there is longevity in your family history, this number could be increased.

Inflation Rate: The default is 3%, which approximates the average inflation rate since 1926. Participants retiring in the next ten years and those who use the Projected 10 Year Returns estimate may input an inflation rate of 2%, which approximates current inflation expectations. Whichever number you use, it could be useful to see what a rise in inflation would do to your retirement projection.

Social Security: There is an option for omitting or discounting the amount of income expected from Social Security.

Marital Status: If you indicate you are married, the calculator will assume you have a non-working spouse and include a Social Security benefit for him/her. This will increase your monthly Social Security income assumption in retirement. If you have a working spouse whose own benefit is greater than the non-working spousal benefit, your monthly Social Security income will be higher than what the calculation shows.

Summary

The Retirement Calculator on the Ascensus website provides a valuable tool for tracking where you are in relation to your retirement funding requirements, and we recommend using/reviewing it on a regular basis.

Disclaimer on TWM Projected Return data: *Historical Return Data for intermediate term bonds and equities provided by Ibbotson S&P Yearbook. Stocks are represented by 90% of the Standard & Poor's 90 Index from 1926 -1957, the S&P 500 Index since 1957, with dividends reinvested, plus 10% of the small cap stock return in S&P as represented by the NYSE fifth capitalization quintile from 1926 to 1981, and the DFA US 9-10 Small Cap Portfolio from 1982 to present. Bonds are represented by one-half of Intermediate Term Government Bond Return and one-half of the Citigroup High Grade Index. Inflation is represented by the CPI-All Urban Consumers Index, not seasonally adjusted. Historical results are not a guarantee of future returns.*