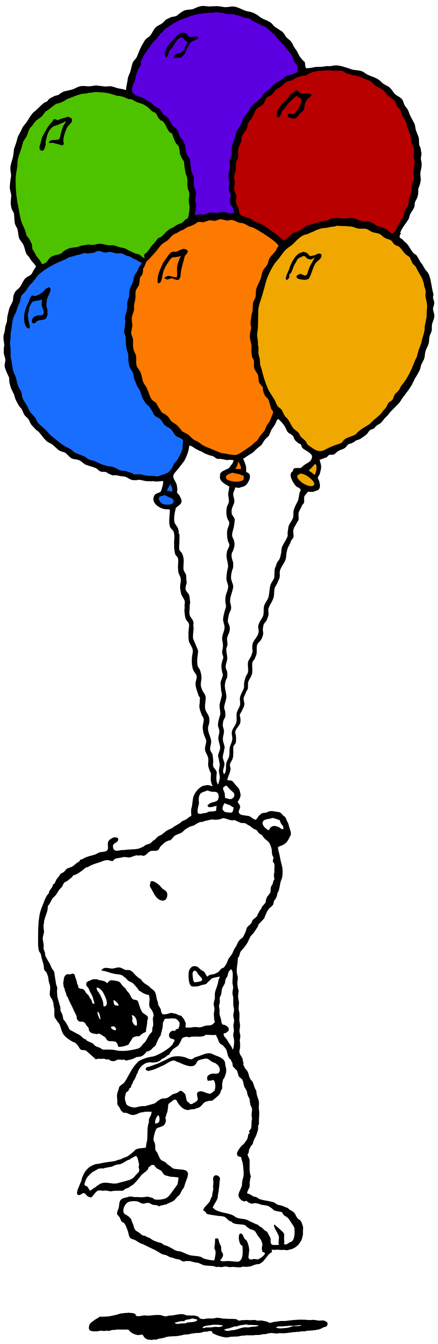
Retirement

MetLife®

LIFE ADVICE

Planning, protecting and enjoying your retirement



Life Advice®

MetLife Consumer Education Center

Retirement means different things to different people. Some look forward to pursuing new interests, while others just want time to relax. Whatever the future holds, one thing is certain — a secure retirement requires careful planning. Taking some time to envision how you'd like to spend your time during retirement will help ensure that you enjoy your later years. After you have established your general retirement goals, determining how your financial resources will be invested and later used can help ensure a comfortable retirement.

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This Life Advice® booklet about Retirement was produced by the MetLife Consumer Education Center and reviewed by The National Council on Aging.

Planning Your Time

Everyone knows that financial security is a key component of a happy retirement. How you choose to spend your time in retirement is critical as well. If you don't have any idea what you'd like to do in retirement, you might start by thinking about how you will replace your usual work schedule. For most people, the goal is to get the most out of a precious resource — time.

New Choices

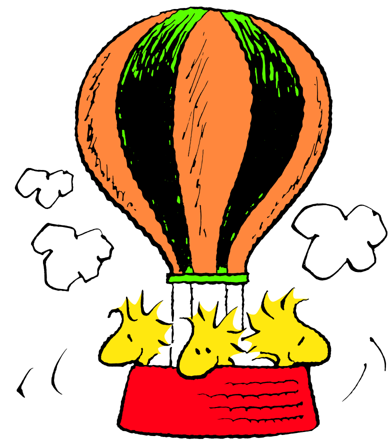
Now is the time to focus on what you want to do — what are the activities you want to build your retirement days around? Here are a few ideas:

- **Education.** Maybe retirement is or will be the time to study something for the sheer joy of learning. After retiring, you may choose to pursue a degree in an area you've always been interested in, or take classes at the local community college on a topic you want to know more about. Or go to the library and develop a list of books you've always wanted to read.
- **Handwork.** Woodworking, needlework and painting are examples of hands-on hobbies. Perhaps you'll finally have the time to put together the workspace you've always wanted.
- **Speak out.** If an interest in politics and government has always taken a back seat to your career, your retirement years may give you the chance to run for office, work on someone else's campaign, or monitor legislation that affects you.
- **Pet pleasure.** With more time on your hands, you could provide a good home for a dog, cat, bird, or other pet. If you have the space and the desire, caring for a pet can be a rewarding experience. Pets can be loyal companions and can have positive effects on your well-being.
- **Volunteer Work.** Volunteer work can be a wonderful way to spend retirement. Volunteering allows you to use your life experience and skills and talents to help others. The Service Corps of Retired Executives (SCORE), the National Coalition for Literacy, American Red Cross, United Way, Peace Corps, and Volunteers in Service to America (VISTA) are some of the organizations that depend on volunteers for their success. Other possibilities include local hospitals, schools, scout troops, and religious organizations.

Time for Travel

Travel is the most popular leisure activity among retirees. Many airlines, hotels, restaurants, car rental companies, and tourist attractions offer senior discounts.

One very popular travel/study program is Elderhostel, which offers short-term residential learning programs to people over 55 throughout the United States and in more than 50 foreign countries. For a catalog, call Elderhostel toll-free at 1-800-454-5768, or visit their website at www.elderhostel.org.



To Work or Not to Work

You may find that there's still a place in your life for work — either because you want to continue working or because you need the income. You may even be able to continue working for your previous employer, perhaps as a consultant or a part-time employee with valuable knowledge gained over the years.

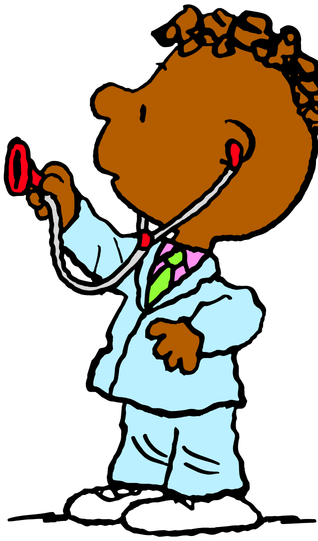
Your retirement may offer you the opportunity to turn your hobby into a business. For example, you might open a small photography studio or a surfboard rental service at the beach. Whatever your plans, if you decide to work after you retire, you will be joined by more and more retirees who are working in a variety of ways from second careers to part time retail jobs.

Additional income you earn during retirement can supplement your savings and the retirement benefits you are entitled to — Social Security and/or any pension income from your employer.

Planning for a Healthy Retirement

While you're thinking about your new lifestyle, allow time to monitor your health. Exercise is important for maintaining good health, so consider how you'll get the needed exercise. Perhaps, after you retire, you'll have the time to join that gym you have been thinking about, or maybe you can begin those yoga classes you've been promising yourself.

Retirement also offers an opportunity to fine-tune your diet; you will no longer need to buy a hamburger for lunch at work, or drink that daily 20-ounce cup of coffee every morning. Without the demands of a busy work schedule, you may find it is easier to include the recommended daily allowance of fruits, vegetables, and grains in your diet.



Talk to your doctor about your family's health history and the likelihood that you could develop a problem. After you retire, schedule regular preventive health visits, particularly for blood pressure and cholesterol level checks.

What about Medicare?

Medicare, the government-run health insurance program, kicks in when you turn age 65. If you retire before you are age 65, you will need to decide how to handle your health care expenses. You may have alternatives to enrolling in a new health insurance plan. For example, if your spouse is working and has an employer-sponsored plan, you may be able to enroll in that plan. Or, you may elect to continue purchasing your health insurance through your old employer.

Before you retire, you will need to check on your Medicare eligibility. Medicare doesn't happen automatically; you must enroll. If you don't sign up for Medicare when you're first eligible — at age 65 — you may have to pay a higher premium for a portion of your coverage. Check with your local Social Security office for information and a copy of the Medicare Handbook or visit www.medicare.gov.

As you approach age 65, you will have to decide whether you need supplemental insurance beyond the coverage offered in Part B, and you will have to decide what prescription drug coverage to choose under Part D. Choosing a supplemental health policy can be complicated. Do your homework, shop around and don't allow yourself to be pressured into a quick decision. Most states have a counseling program on senior health insurance issues with trained volunteers available to help older adults and their families with questions. Insurance companies sell long-term care insurance to help pay for nursing home or home health care expenses.

How Much Is Enough?

Assuming for a moment that you would like to maintain your current lifestyle in retirement, your question now is likely, "How much will I need?" To answer that question, you can begin by preparing an estimate of your current annual expenses. Whether your spending varies from month to month, or you live with a budget and have a good handle on your expenses, the following "Current Annual Expenses Worksheet" is a good start for summarizing what you need to spend each year to maintain your present lifestyle.

Current Annual Expenses Worksheet

Category	Current Annual Expenses
1. **Housing Costs** (rent or mortgage, taxes, utilities, and maintenance)	
2. **Necessities** (groceries, clothing, etc.)	
3. **Taxes** (e.g., income, property, capital gains)	
4. **Health Care** (e.g., health insurance, co-pays)	
5. **Insurance** (e.g., life insurance, home-owner's, auto)	
6. **Transportation** (car payments, gas, maintenance)	
7. **Leisure Activities** (hobbies, travel, entertainment)	
8. **Other Expenses** (charities, gifts, etc.)	
9. **Outstanding Debt** (e.g., loans, credit cards)	
10. **Savings** (current contributions)	
TOTAL Annual Expenses (in today's dollars)	

Financial planners estimate that during retirement, you will need 80 – 100 percent of your current income to maintain the same standard of living. The exact amount will depend on your lifestyle choices. If you want to move closer to your children, for example, and real estate is very expensive in that area, your living costs could be substantially higher. Often, people underestimate how much they'll need to cover future health care and long-term care costs.If you are younger than the traditional retirement age — 65 — these estimates may not be reliable.

Retirement income can come from a variety of sources — Social Security, employer pensions, and IRAs. Annuities can be another source of retirement income, providing guaranteed income payments for life. See **Annuities: A Steady Stream of Retirement Income** page 5. To enjoy a comfortable retirement, however, you will almost certainly need to accumulate savings to supplement your retirement income. Figuring out what you need, and how to get it, is not simple. A qualified financial planner can help you evaluate all the factors (e.g., inflation) that will influence your retirement income.

What about Social Security?

For most people, a Social Security check will be an important part of their retirement income. The age at which you will receive full retirement benefits (called "full retirement age") is shown in the table below.

Age to Receive Full Social Security Benefits*

Year of Birth	Full Retirement Age
1937 and earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

*Source: http://www.socialsecurity.gov/retire2/retirechart.htm

If you choose, you can begin taking your Social Security benefits anytime after age 62. Since you will be getting benefits for a longer period, you will receive a lower monthly payment.

Taxes on Your Social Security. If you have income in addition to your social security, you may owe tax on the social security benefit. Currently, if your yearly "combined income" (your earnings plus non-taxable interest plus one half of your annual social security receipts) exceeds $25,000, you could owe income tax on a portion of your social security receipts. The Social Security laws and limits change frequently; you can get up-to-date information at www.irs.gov, or you can check with a financial advisor or tax professional to determine how the IRS rules apply to your situation.

What If You Retire before 65?

Medicare starts at age 65, so you will need to decide how to pay for your health care if you retire before then. If you have to purchase medical insurance, it can be a significant expense, perhaps even approaching the total of your social security checks. Some early retirees take a part time job that offers medical benefits. If you elect to do this, it could provide you with an opportunity to "do something different" until you reach 65.

Saving for Sunny…and Rainy Days

When it comes to savings, time can be an asset in helping money grow. For example, if you estimate that you will need $500,000 in retirement savings (to supplement the income from your Social Security and work pension), the following chart shows how much you would have to save and invest, assuming an 8 percent tax-deferred annual rate of return.

Years to Retirement	Monthly Savings Required	Annual Savings Required
40	$ 143.23	$ 1,718.76
30	335.49	4,025.88
20	848.87	10,186.44
10	2,733.05	32,796.60

Source: www.bankrate.com

Note that this chart does not reflect the effect of taxes. It is for illustrative purposes only and does not reflect returns on any specific product.

When saving for retirement, you'll want to consider your retirement goals, the number of years until you retire, your tolerance for risk, and the tax implications of your investments.

Anticipating the Risks

There are three types of risk to consider in creating a retirement savings strategy:

Inflation Risk. During years of employment, periodic pay increases usually offset the impact of inflation. When you retire, however, the rising costs of necessities may have a significant impact on your expected standard of living. Consider this: If you needed $3,000 a month for expenses in 1977, you would need $10,264 a month in 2007 dollars. (Source: Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/cgi-bin/cpicalc.pl).

If your investments and savings don't beat inflation, you'll have less buying power than you started with.

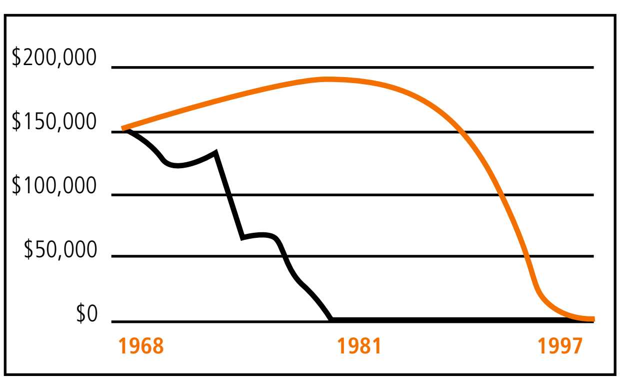
You can lower inflation risk by keeping a portion of retirement savings in growth-oriented investments. While higher returning investments do bring higher market risk, potentially higher returns can offset your risks from inflation.

Market Risk. Certain investments, such as stocks, fluctuate with the market. If you'll be retiring many years from now, the peaks and valleys of the financial markets are less likely to alter your basic retirement savings strategy. A longtime horizon will allow your portfolio to smooth out the ups and downs in the market. Once you retire, and begin withdrawing money, short-term market losses can cause your balance to decrease at an accelerated rate. See the example below.

Diversifying your portfolio to include a variety of stocks, bonds and cash equivalents may help offset market risk, but keep in mind that there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified.

EXAMPLE:

Suppose you retired with $150,000 invested in stocks with earnings that matched the average for the stock market (e.g., the S&P 500® Stock Index) and want to withdraw $1,000 per month. You plan to increase your withdrawals by 3.5 percent each year to offset inflation and assume your money will grow by 12 percent annually, which was the average return of the S&P 500® from 1968 – 1998. Under these conditions, if the 12 percent growth were consistent and steady, your nest egg would last almost 30 years (orange line in the chart below). However, it may be a mistake to rely on average returns when planning your retirement income. Compare this example with what can really happen in the market (black line in the chart below). If you had retired in 1968, just before financial markets went into a tailspin in the early 70s, you would have run out of money in just 13 years.



Longevity Risk. With healthier lifestyle choices and continued advances in medical science, people are living longer. A thoughtful retirement plan should assume that savings will need to last for at least the number of years you can expect to live after you retire. In the coming years, it may be quite common for people to remain active well into their 80s and 90s.

Conservative and careful planning can help alleviate the risk of running out of savings while you are alive. Similarly, an Immediate Annuity (also know as an Income Annuity, (see page 5) is a type of financial contract with an insurance company that can guarantee income for life.

Savings and Investment Choices

Tax-Smart Retirement Savings Choices

Financial experts are pretty much in agreement: *save for retirement sooner rather than later.* It's *never* too early to begin saving for retirement. If you don't already have one, consider establishing a tax-favored retirement savings account. Note that these plans, overviewed below, may be complex. You may want to consult with a financial advisor or tax professional to determine which plans are best for you.

401(k) Plans (named after a section of the federal tax code) is an employer-established plan similar to an Individual Retirement Arrangement (IRA). If your employer has a 401(k), it may be one of the best retirement savings vehicles available to you, particularly if your employer matches all or a portion of your contribution to the plan. With a 401(k) plan, you may contribute up to a certain percentage of your gross income (i.e., total income before taxes). The amount you contribute will be tax deductible for the year in which you make the contribution.

Typically, 401(k) plans offer many investment choices, including a variety of mutual funds (e.g., stocks, bonds, or money market). Some plans may allow investments in company stock and U.S. Series EE Savings Bonds, as well. You choose how to invest your savings, and you will have the option to change investments at specified times (e.g., quarterly). Usually, you may stop contributions at any time.

Earnings in a 401(k) grow tax-deferred until the money is withdrawn — usually after retirement. If you withdraw money before you turn age 59½, however, you may be subject to a 10 percent IRS penalty. While early withdrawals are generally not permitted without penalty, some 401(k) plans permit withdrawals for "hardship" reasons, such as medical emergencies or college tuition. You *do* pay income tax on the amount withdrawn, and a 20 percent mandatory withholding generally is required from the distribution. Some 401(k) plans may also permit loans against your savings.

403(b) Plans are also known as Tax Sheltered Annuities, or TSAs. They are retirement plans for *non-profit organizations* that are similar to 401(k) plans. Investment options in 403(b) plans include annuities and mutual funds.

Individual Retirement Arrangements (IRAs) are sometimes called "traditional IRAs." They were established by Congress to encourage people to save for retirement by providing tax advantages. If you are qualified to participate in an IRA, you may select from a wide variety of investment options and contribute up to $5,000 annually. You are permitted to make catch-up contributions to your IRA if you are age 50 or over. You may contribute an extra $1,000 per year in 2008 and $2,000 in 2009. Your money must be designated as an IRA, in an approved account.

Tax benefits vary depending on your income and whether you contribute to other tax-advantaged savings plans (e.g., a 401(k) plan). Earnings in an IRA grow tax deferred until withdrawals begin. Funds in an IRA are considered long-term savings and, as with 401(k) plans, you may be subject to a 10 percent IRS penalty as well as to tax liability for premature withdrawals — generally before the age of 59½.

Roth IRAs have the same basic structure and restrictions as a traditional IRA. Roth IRAs have income limits and they're not available for single filers with incomes over $114,000 or joint filers with incomes over $166,000. As with a traditional IRA investments grow tax-free. But, unlike traditional IRAs, Roth IRA contributions are made with after-tax dollars. Withdrawals made after age 59½ are *tax-free*, which can be a big advantage. Other withdrawals may be taxed or may incur tax penalties.

Keogh Plans are retirement plans for self-employed people. Rules covering contributions to Keoghs are more complex than those of IRAs. The amount you may contribute on a tax-deferred basis will depend on your net earnings from your business. Contributions and all earnings accumulate free of tax until withdrawn, usually at retirement. In general, withdrawals prior to age 59½ are subject to a 10 percent premature distribution penalty, in addition to ordinary income tax. Keogh plans may not authorize loans. Keoghs may be more complicated than IRAs, 401(k)s or 403(b)s, so consult a tax professional before setting up a plan.

Annuities: A Steady Stream of Retirement Income

Contributions to annuities are made on an after tax-basis (assuming the annuity is not part of a qualified retirement plan), so they will not reduce your current taxable income. Annuity earnings, however, are tax-deferred for individuals.

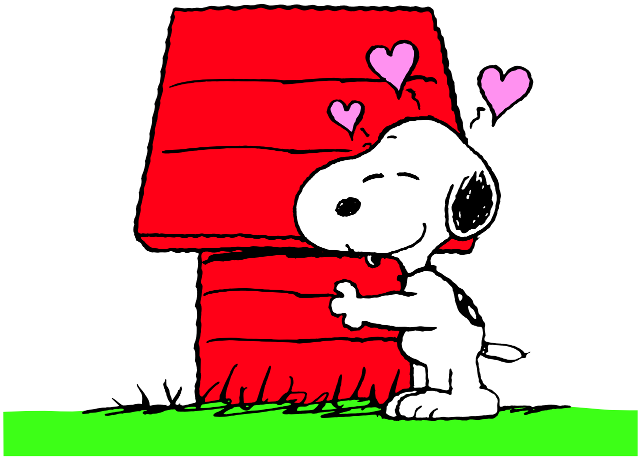
Annuities are financial contracts you make with an insurance company. An annuity may be deferred or immediate. With a **Deferred Annuity**, you put money in and over time it accrues income and earnings; the payout occurs at some later date, when you may receive a steady stream of payments to supplement your income. Because insurance companies generally administer annuities, they can be set up to include life insurance benefits, such as a death benefit to a surviving spouse.

When you near retirement, you may elect to purchase an **Immediate Annuity** (sometimes known as an Income Annuity). Purchasers make one lump sum payment — often with savings accumulated in a tax-smart retirement plan such as an IRA or 401(k) — and then begin getting income within a short period, typically less than 13 months. You can receive payments from an Immediate Annuity on a regular basis (e.g., monthly), giving you needed income. Also, you could choose from a number of other payment options including having the payouts guaranteed by the issuer for as long as you live. Immediate income annuities may help to maximize your income in retirement.

It is important to understand the features and benefits of annuities, including their surrender charges and terms for keeping them in force. Discuss them with a qualified financial advisor to make sure you understand all the options and that you make the smartest decisions for your financial needs.

Home Sweet Home?

At some point, you may want to evaluate housing alternatives for your retirement. If you own your home, think about the size of the house and property and the amount of money required for its upkeep. Look ahead and consider how well this home will meet your future needs. If at some point for example, you find it difficult to climb stairs in your two-story home, it may be time for a move.



Consider location — perhaps a move to a more moderate climate is worth thinking about. But before planning to head off to a new location, consider the distance from family and friends. Most retirement experts advise staying close to loved ones. Retirement brings changes, so keeping your relationships in place gives you a good support system.

If you decide a move is appropriate, you'll want to check the availability and eligibility requirements for various services you might need, particularly if you're thinking of retiring in a new state. Moving to a different state may have a big impact on your finances; some states have high taxes that can put a significant dent in a fixed income. Also, the cost of living, transportation, availability of good medical care, and safety factors need to be considered before you take the plunge and put down new roots. Make sure you know the area well, in different seasons, and consider renting for a while before buying a home.

You'll have a number of housing options to consider. In addition to apartments and houses, there's a boom in living choices, some specifically geared toward retirees.

- **Condominiums.** Providing all the comforts of home without all of the upkeep, condos are apartment-style homes you purchase rather than rent. A monthly fee ensures upkeep of the common areas you share with your neighbors.
- **Retirement communities.** If you'd like to be surrounded by people your age, consider retirement community living. There may be housing options to choose from, along with a host of services and activities — transportation, security, community dining, and social events. Some retirees find this lifestyle too rigid; others miss being around people of all ages. Some communities have restrictions on guests and pets.
- **Assisted-living communities.** If health considerations are a big factor in your retirement choices, you might consider assisted-living communities. With this style of housing, you could have private living quarters and get assistance, as you need it.
- **Life care centers.** These communities offer a full range of services. Usually, you pay an entrance fee and are guaranteed housing for life. You also pay a monthly service fee that covers such services as housekeeping, meals, and custodial care.

To find out more about popular retirement spots, assisted-living communities, and life care centers, the Internet and local library are good places to start. There are numerous guides published on retirement communities. Many communities now offer video tapes or online tours to give you a better idea of what they're like. It's important to visit several communities, ask lots of questions and get a feel for whether or not it's a comfortable, well-managed place. Always investigate choices thoroughly before committing any money.

Planning Can Make the Difference

Planning for your retirement is complex and may require considerable time and effort. Your local community college may offer retirement planning classes. Or you can talk to a professional financial planner or tax advisor you trust; one who is trained in the details of various financial vehicles appropriate for retirement saving. He or she also can help you assess how much you'll need for retirement and give you tips for accumulating that money. If the company you work for has a benefits specialist or pension administrator, they can probably help you better understand your retirement funding options.

Taking a realistic look ahead and planning carefully will help ensure that your retirement years will meet your expectations.

For More Information

References

Get a Life: You Don't Need a Million to Retire Well (4th Edition)
by Ralph Warner
Published by Nolo Press

Ready or Not, Your Retirement Planning Guide (2005 Edition)
by Susan Arnold
Published by Manpower Education Institute

Baby Boomer Retirement: 65 Simple Ways to Protect Your Future
by Donald Silver
Published by: Adams-Hall Publishing

Free Brochures

The quarterly Consumer Information Center Catalog lists more than 200 helpful federal publications. Obtain a free copy by calling 888-8-PUEBLO or on the Internet at www.pueblo.gsa.gov.

From the Centers for Medicare and Medicaid Services (CMS):

1. *Medicare & You*—CMS Pub. 10050
2. *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*—CMS Pub. 02110
3. *Your Guide to Medicare Prescription Drug Coverage*—CMS Pub. No. 11109

A complimentary copy of each may be obtained by calling the Medicare Hotline at 1-800-633-4227 or on the Internet at www.medicare.gov/publications.

Helpful Websites

www.ssa.gov
The Social Security Administration has a wealth of retirement information and can determine what you can expect to receive from Social Security when you retire. You may reach the SSA by calling 800-772-1213.

www.sec.gov
The U.S. Securities and Exchange Commission offers online publications including Variable Annuities: What You Should Know. You may reach the SEC by calling 800-638-5433.

www.medicare.gov
The official site of Medicare, providing access to information about Medicare, Medicare health plans, prescription drug plans, contact information, and more.

data.bls.gov/cgi-bin/cpicalc.pl
The Bureau of Labor Statistics has a convenient Inflation calculator at this site.

www.choosetosave.org
Choose to Save® is a national public education and outreach program dedicated to raising awareness about the need to plan and save for long-term personal financial security. Choose to Save® develops user-friendly, multimedia materials to help individuals plan and save for their financial future.

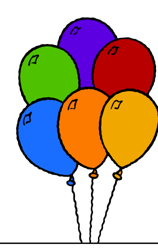
www.wiser.heinz.org
The Women's Institute for a Secure Retirement (WISER) is a national nonprofit organization dedicated to improving the long-term financial security of all women through education and advocacy.

www.BenefitsCheckUp.org
The National Council on the Aging (NCOA) is a national network of organizations and individuals dedicated to increasing the health and independence of older persons. Their site offers a free Internet service to help older persons learn about benefit programs. The site is especially useful for those with limited means including persons without Medicare. You may also reach NCOA at www.ncoa.org.

www.elderhostel.org
Elderhostel is a not-for-profit organization offering educationally based travel packages specifically designed for people over 55. You may reach ElderHostel by calling 800-454-5768.

www.asec.org
The American Savings Education Council website has tools and downloadable booklets related to the importance of planning and saving.

www.maturemarketinstitute.com
The MetLife Mature Market Institute is the company's information and policy resource center on issues related to aging, retirement, long-term care and the 50+ marketplace. The Institute offers numerous publications and quick facts useful to retirees and those planning for retirement.



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