

**CAP** Member

# Newsletter

---

## COMFORTABLE RETIREMENT—AN EASIER WAY

### America's Retirement Savings Crisis

We are passionate about retirement planning at Mutual Savings. That passion results from the knowledge that America is facing a "retirement savings crisis." Most Americans are not saving nearly enough to fund their own retirement. Unfortunately, the government "safety nets" that past generations have relied on are facing a dilemma that will increasingly pit one generation against another as we seek solutions. The dilemma? Dramatically cut benefits under social security, Medicare, and other programs for retirees; or raise taxes on working families to unconscionable levels to keep the programs solvent.

Although there are no easy ways out of this crisis, one thing is clear: Younger Americans need to do much more...NOW...to secure their own retirement.

That's why we're asking for your help. We're asking you to do three things: 1) Share a copy of this newsletter with family members and friends under 40 years of age. Make your own or ask for additional copies. 2) Discuss the retirement savings issue with them every chance you get. 3) Encourage them to contact us to talk about their retirement savings plan, or ask them if you can make a referral so we can take the initiative and contact them.

### Retirement Planning Is For The Young

When we're young, human nature being what it is, we tend to discount (make less important) retirement funding in favor of more immediate concerns...like houses, cars, kids, and college. Retirement planning turns into retirement "panic" in our 40's and 50's. But, if you start in your 20's or 30's it's relatively easy to secure the kind of retirement we all envision for ourselves. Wait 10 years and it's twice as hard. Wait another 10 years and it's extremely difficult, if not impossible.

Think of it this way. There are three people working to build your retirement nest egg:

#1---You

#2---Mr. Compounding (Albert Einstein called compound interest man's greatest invention.)

#3---Mr. Tax-deferral (Tax deferral using IRA's and 401(k)'s is one of the most powerful wealth-building tools available to working families.)

The question is, when do you put the other two guys to work? They don't start "busting their hump" until you start saving. The earlier you start saving, the longer and harder they work, and the less you have to. They can be your strong, hard-working allies, or a couple of "goof-offs." You make the ultimate decision.

To get them to work for you, you pay them a small salary in the form of your deferred consumption. The great thing is they work their butts off for you and give their salary right back.

Note we used the term "deferred consumption" not "foregone consumption." Defer just a little spending for a few years when you're young, and you can have tons more money to spend on things you want and need the rest of your life.

### Why You Shouldn't Wait

Let's look at an example that clearly illustrates why you should not wait until you are older to start saving for retirement.

Linda is 25 and single. She plans to retire at age 67, the first year a person of her age can receive full social security benefits. She expects her salary to increase an average of 3% (the average rate of inflation) until age 67. Her income at age 67 would be \$103,281. Linda's company does not offer a defined benefit pension plan, so social security and her personal savings will determine her retirement nest egg.

Linda's financial planner has done a capital needs analysis for her. This is the process of calculating the amount of investment capital needed at retirement to maintain the pre-retirement lifestyle and mitigate the impact of inflation during the retirement years.

Linda's financial planner estimates she will need 80% of her pre-retirement income to maintain her lifestyle during retirement. He has assumed inflation will average 3% a year and she will earn an average annual return of 8% on her investments. He has factored her social security benefit into the calculations. Based on the capital needs analysis, he has told her she will need a total nest egg at retirement of \$610,619.

What must she save monthly to meet her goal? If she begins now? At age 35? At age 45? Later?

<u>Age</u>	<u>Income</u>	<u>Monthly Savings</u>	<u>% of Gross Income</u>	<u>Total Saved</u>	<u>Invest. Earnings</u>	<u>Nest Egg</u>
25	\$30,000	\$148	5.92%	\$74,592	\$536,027	\$610,619
35	\$40,317	\$344	10.23%	\$132,000	\$478,619	\$610,619
45	\$54,183	\$852	18.86%	\$224,928	\$385,691	\$610,619
55	\$72,818	\$2,539	41.84%	\$365,616	\$245,003	\$610,619
67	\$103,821					\$610,619

Why You Should Talk With Us

We provide reliable, objective advice about financial tools, setting realistic and effective goals, spending wisely, and managing debt. Here are a few of the reasons we are recognized as the RETIREMENT PLANNING CENTER:

- All of our personal bankers receive extensive training on IRA's. Many have more advanced training in retirement planning.
- Money Concepts @ Mutual Savings offers a complete line of investment products and services.
- Financial Strategies, Inc., Mutual's wholly-owned subsidiary, is a registered investment advisor in Kansas and Missouri. We have financial planning professionals, including a Certified Financial Planner, on staff.
- No matter what your age, as an investor preparing for retirement, Mutual Savings and its affiliates have everything you need under one roof, under local management, using Mutual's 117 year commitment to client service.

Put us to the test. Come and talk with us about IRA's and retirement. You'll find our people are the most knowledgeable, easy to talk to, and caring retirement professionals you've ever met.

**LEAVENWORTH**

- 4th & Shawnee  
682-3491
- Plaza Center  
682-7088

**EUDORA**

- 8th & Main  
542-2123

**TONGANOXIE**

- 4th & Green  
845-2556

**OSKALOOSA**

- On the Square  
863-2205

**BONNER SPRINGS**

- 229 Oak  
441-5555