

# Social Security and your financial future

If you're 25 or older, the federal government mails you a "present" every year about three months before your birthday. It's a personalized projection of your Social Security benefits that can help you plan your financial future.

## Project total income

Your statement estimates the monthly income you can expect to receive from Social Security at different retirement ages. You may be surprised to see the amount. Social Security currently replaces less than half of an average worker's pre-retirement income.

Using your estimated Social Security benefit as a base, you'll need to plan on how to accumulate the rest of your retirement income. Your tax-deferred retirement savings is likely to be a very important income source. You also may have other investments or savings and possibly a company pension.

## Maximize savings

The more money you are able to save before retirement, the more income you'll be able to withdraw during your retirement years. So, regardless of your current age, your plan should be to maximize your retirement savings. How to do that is partially a question of budgeting: *Can you make room in your budget for increased retirement savings?* It's also an investment question: *Where should you invest your savings to achieve the gains you need?*

To find more room in your budget for savings, try tracking your spending for a few months. List and prioritize your needs, and then decide how you can best fit your obligations, including saving for retirement, within your income. Once you take a close look at your current financial situation, you're likely to discover some practical ways to free up the extra money.

Your retirement savings belong in investments that offer both the potential for long-term gains and a level of risk that you

are comfortable with. Your best strategy for achieving long-term growth may be a careful mix of investment options.

## Track progress

With your plan in place, when you receive your annual birthday message from Social Security, make it a reminder: check to see if you're making progress toward your savings goal – and consider making changes in your strategy if you're not.



## The growth power of a contribution increase

| \$25,000 annual salary  | Balance after 35 years of saving** |
|-------------------------|------------------------------------|
| Today's contribution 4% | \$150,082                          |
| 1% increase*            | \$187,616                          |
| 2% increase*            | \$225,132                          |
| 3% increase*            | \$262,648                          |

\*Additional growth. \*\*Assuming zero present balance and 7% average annual investment return compounded monthly. This is a hypothetical example. Your return will be different and your pay may increase.

## How much of your income Social Security might replace

| Annual income before retirement | Percentage paid as Social Security benefit* |
|---------------------------------|---|
| \$30,000                        | 53%   |
| \$50,000                        | 44%   |
| \$70,000                        | 35%   |
| \$90,000                        | 28%   |

\*Assumes one wage earner retiring at age 65 with a spouse who is age 62. Source: Aon Consulting/Georgia State University

# How your financial personality affects your retirement

**What is your financial personality? Do you save consistently for your long-term goals or do you have trouble just planning ahead for this weekend?**

## Financial Personality Types

The 2002 Retirement Confidence Survey (RCS)\* shows a direct link between financial personality and how prepared a person is for retirement. It identifies five distinct personality types. Which best describes your approach toward retirement saving?

- **Planners** – Disciplined savers who are comfortable taking financial risks.
- **Savers** – Disciplined savers who are risk averse.
- **Strugglers** – Consistent savers who are cautious due to frequent financial setbacks.
- **Impulsives** – Inconsistent savers who are prone to impulsive buying and financial setbacks.
- **Deniers** – Those who rarely save for even immediate financial needs.

## Personality plays a big part

Financial personality appears to play a big part in how much a person has accumulated for retirement. Planners and Savers are more likely to be on track with their retirement savings than Impulsives and Deniers.

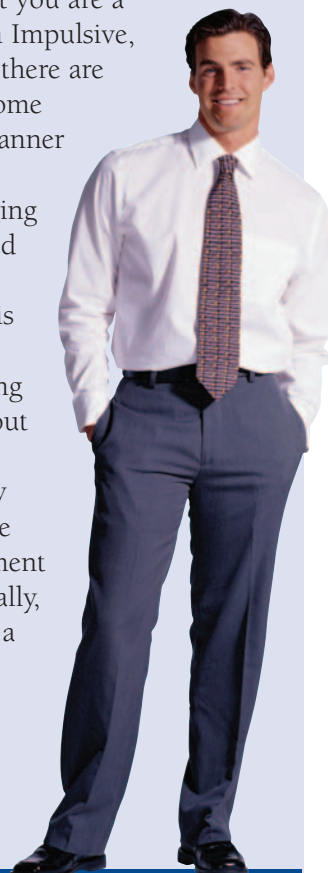
Planners and Savers are also more likely than other personality types to have calculated how much they will actually need for retirement, and 11% of Planners and Savers have accumulated \$250,000 or more for retirement.

By contrast, 20% of Impulsives and 31% of Deniers have nothing saved for retirement.

## Time for a change?

Fortunately, your financial personality is not set in stone. If you find that you are a Struggler, an Impulsive, or a Denier, there are ways to become more of a Planner or Saver.

Acknowledging that you need to change your habits is a first step. Next, learning as much about investing as possible may help improve your investment strategy. Finally, maintaining a disciplined savings and investing strategy will help you achieve your goal of a financially comfortable retirement.



**What is your financial personality?**

\*The 2002 Retirement Confidence Survey was co-sponsored by the Employee Benefit Research Institute, The American Savings Education Council, and Mathew Greenwald & Associates, Inc.

## Call us today

The professionals at Alaska USA Trust Company can help you formulate plans to reach your financial goals. With several available investment options, you can choose your level of involvement in the management of your account – plan it all, or sit back and let us take care of it. Call 562-5644 or (888) 628-4567 outside Anchorage to get started today.

# Investing for all your goals

If you had only one financial goal – retirement, for example – investing money to reach it would be simple.

But you don't have only one goal; you have several. You may need money for a down payment on a home, a child's college education, or retirement. Because all your goals are different, how soon you'll need the money will help determine the types of investments you make to reach them.

## In the near future

You'll probably want to invest money that you'll need for short-term goals, like buying a new home, in income investments that don't present a lot of risk to your principal. Bonds, Treasury bills, and other fixed-income investments pay interest, usually at a fixed rate, over the term of the investment, which may be a few days to several years.

## Going the distance

Your retirement money and other funds that you won't need for several years should be invested mainly in growth investments with the potential to increase significantly in value over time.\* Certain stocks and mutual funds are examples of growth investments. Because they are typically more volatile, growth investments are considered riskier than income investments.

Some dividend-paying stocks of well-established companies provide both growth and income

opportunities. Your financial professional can help you choose investments that are right for your goals, time frame, and risk tolerance.

\*Past performance is no guarantee of future performance. Mutual funds are sold by prospectus, which includes information on charges, expenses, and risks. Please read the prospectus carefully before you invest or send money.