Knowledge is power

Basics you should know

RETIREMENT
101

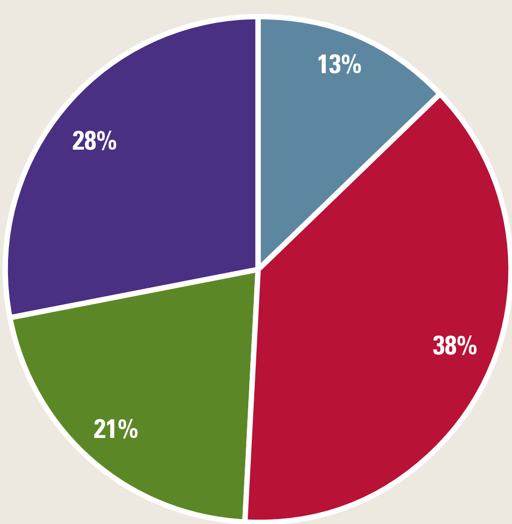
5 MAIN RETIREMENT PRINCIPLES

5 Basic retirement principles

1. Have retirement goals
2. Participate in your employer's retirement plan
3. Make contributions to the plan
4. Create an investment strategy
5. Monitor your retirement account

We know you have a lot going on. Between work and personal responsibilities, you may think you don't have the time or money to prepare for retirement. It doesn't have to be complicated, though. By focusing on these five basic retirement principles, you can work toward your retirement goals even with limited resources.

Worker confidence in having enough money to live comfortably throughout their retirement years



Confidence level	Percentage
Very confident	13%
Somewhat confident	38%
Not too confident	21%
Not at all confident	28%

Source: 2013 Retirement Confidence Survey, Employee Benefit Research Institute and Mathew Greenwald & Associates.

Principle 1: Have retirement goals

As a general rule, financial professionals recommend that retirees accumulate at least enough in their retirement account to replace 75 to 80 percent of their pre-retirement income. For example, someone who earns $40,000 per year would need a minimum of $30,000 per year during retirement to maintain a similar lifestyle.

Social Security, personal savings and investments outside of your retirement account may aid in covering expenses after retirement; however, most often these are only part of the overall retirement income picture. Your retirement plan can play an important role in reaching your retirement goals.

What's your number?

Have you figured how much you should have accumulated to maintain your current lifestyle after retirement? According to the 2013 Retirement Confidence Survey (conducted by the Employee Benefit Research Institute and Mathew Greenwald & Associates) only 46% of Americans have done the math. The chart below can give you an idea of the retirement income needs of those employees who have calculated their number.

To figure out your number, check out the calculators at *www.oneamerica.com/today.*

Retirement preparation by the numbers

31% of workers who have done a retirement needs calculation (compared with 14 percent who have not) say they are very confident that they will be able to accumulate the amount they need.

57% of workers say they (and/or their spouses) are currently saving for retirement

40% of all workers think they need to accumulate at least $500K by the time they retire to live comfortably in retirement.

26% of workers believe they will be 70 or older when they retire.

Source: 2013 Retirement Confidence Survey, Employee Benefit Research Institute and Mathew Greenwald & Associates.

Principle 2: Participate in your employer's retirement plan

Your employer recognizes the importance of preparing for your future goals. That is why they provide a retirement plan as an important benefit to you. Through this plan, contributions are taken out of your check with payroll deduction. It's like paying yourself first each payday, and because payroll deductions occur automatically, you don't have to do anything. Also, contributing to your retirement plan will not affect the calculation of your Social Security benefits, if applicable.

It is a smart idea to participate in your retirement plan as soon as possible. If you start contributing right away, your account may have more time to weather ups and downs in the stock market.

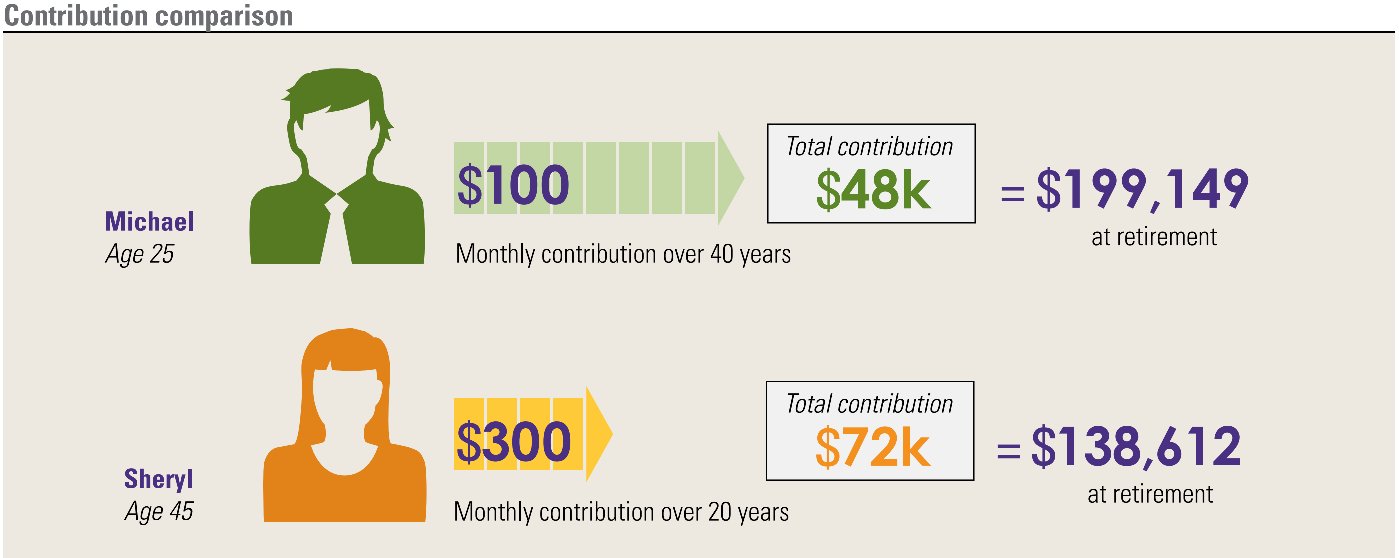
Though starting early is important, there may be some assistance available through your plan if you are contributing later in life. Check with your plan administrator to see if "catch up contributions" are available.

Whose account would you rather have?

	Sheryl (age 45)	Michael (age 25)
Monthly contributions	$300	$100
Years to retirement	20	40
Total contributions	$72,000	$48,000
Balance at retirement	$138,612	$200,145

Note: These hypothetical investment returns and fictitious names are designed to demonstrate the impact of compounding returns and are not indicative of any particular investment or performance. Hypothetical returns assume reinvestment of earnings and a 6 percent average return on investment. Actual returns or principal value will vary. Balances shown are before reduction of taxes.

Contribution comparison



Principle 3: Make contributions to the plan

Let's look at how tax-deferred contributions work

In this example, Sarah makes $2,500 per month in taxable income and is in a 15 percent federal income tax bracket. If she contributes $150 monthly to her retirement plan, that reduces her taxable monthly income to $2,350. The federal taxes she pays on that come to $352.50 versus the $375 she would have paid in taxes if she hadn't contributed to the retirement plan. That means her contribution of $150 really only cost her $127.50.

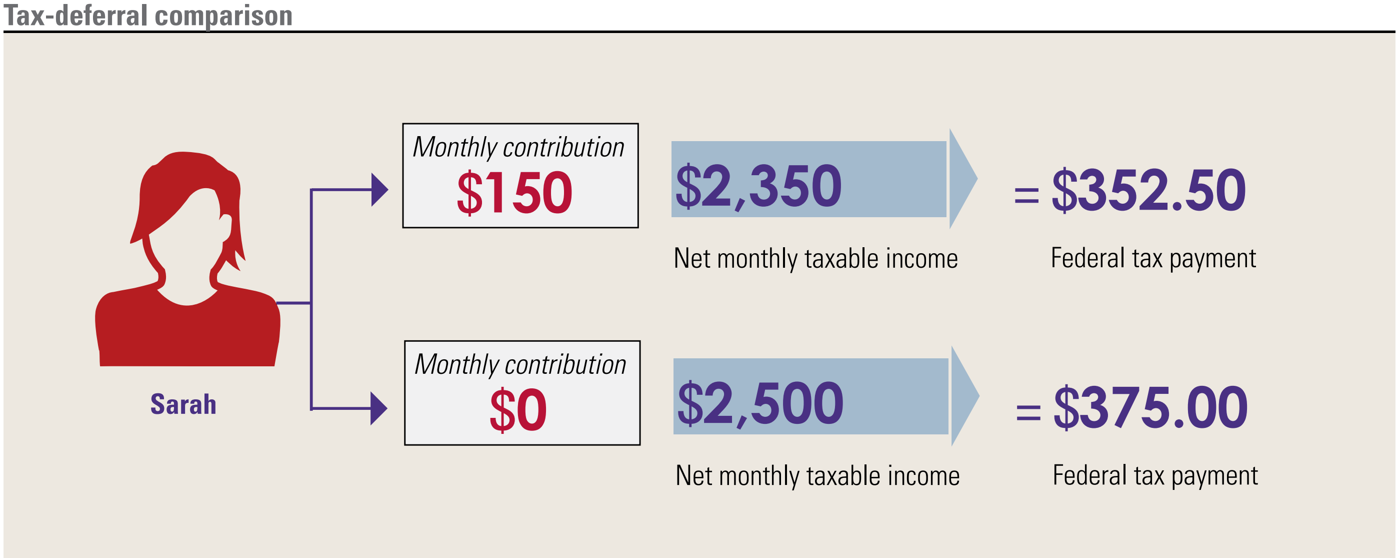
The impact on Sarah's take-home pay

	With contribution	Without contribution
Taxable monthly income	$2,500	$2,500
Monthly retirement plan contribution	$150	$0
Net monthly taxable income	$2,350	$2,500
Federal taxes	$352.50	$375
Monthly take-home pay	$1,997.50	$2,125

Note: All individuals are fictitious and all numeric examples are hypothetical. These hypothetical investment returns are for educational purposes only and are not indicative of any particular investment or performance. Hypothetical returns assume reinvestment of earnings. Actual returns or principal value will vary. Balances shown are before reduction for taxes. When you take a distribution from your retirement account the money will be taxed as ordinary income. Additionally, if you make a withdrawal before age 59½ you may also have to pay an additional 10 percent tax penalty on top of ordinary income taxes. You should consider your risk tolerance and time horizon before investing.

Contributions to your retirement plan are made with pre-tax dollars. This tax benefit helps your money work harder for you because the reduction in your take-home pay will actually be less than the amount of your contribution.

Tax-deferral comparison



Principle 4: Create an investment strategy

Another important aspect of retirement preparation is investing your contributions. Determining how to invest your account can seem intimidating, but it is actually not all that complicated.

You may have heard the term "diversification" used in relation to investing. Diversification is all about making sure your retirement portfolio contains a mix of investments. Because different asset categories (such as stocks, bonds or cash) will perform differently over time, dividing your investments among them may help smooth out the ups and downs of the markets a little bit.

Dividing your contributions among the different types of investment options offered by your retirement plan is called "asset allocation." Your asset allocation should be tailored to your risk tolerance and the amount of time you have until retirement. Investors with more time until retirement (or those who can handle a little more risk) may be more comfortable with less conservative investment options. Employees whose retirement is right around the corner (or those that prefer to play it a bit safer) may consider avoiding risky investment choices.

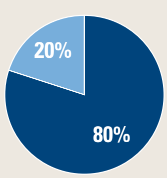
Keep in mind, the use of diversification and asset allocation as part of an overall investment strategy does not ensure a profit or protect against loss.

Not sure where to begin with developing your investment strategy? Our Asset Allocation Builder tool can help! To determine risk tolerance and select your diversification strategy, visit *www.oneamerica.com/assetallocation.*

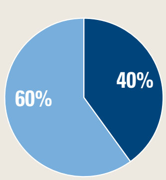
Investor models

Investment categories

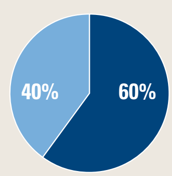
- Stocks
- Bonds



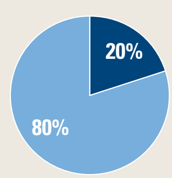
Conservative strategy (Score 10–19)
Seeks to provide:
- High current income
- Low long-term capital appreciation



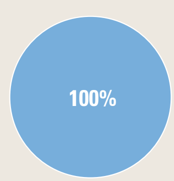
Moderate strategy (Score 20–26)
Seeks to provide:
- High current income
- Moderate long-term capital appreciation



Balanced strategy (Score 27–33)
Seeks to provide:
- Above average capital appreciation
- Moderate level of current income



Growth strategy (Score 34–40)
Seeks to provide:
- High long-term capital appreciation
- Low current income



Equity growth strategy (Score 41–50)
Seeks to provide:
- High long-term capital appreciation

Principle 5: Monitor your retirement account

Enrolling in a retirement plan and choosing investment options is not the end of the story when it comes to retirement preparation. Like other important things in life, your retirement account requires periodic monitoring and review.

As your life and priorities change, the amount you can contribute to your retirement account or your investment allocation strategy may also change. Any of these events might signal a need to re-evaluate your retirement plan choices.

Events that signal a need to re-evaluate your plan choices

- Marriage
- Birth or adoption of a child
- Change of employment for you or your spouse
- Divorce
- Financial emergency
- Death of a spouse
- Approaching retirement

Note: Investment information is provided for educational purposes only. OneAmerica Retirement Services LLC provides administrative and recordkeeping services and is not a broker/dealer or an investment advisor. Neither OneAmerica Retirement Services LLC nor its employees provide tax, legal or investment advice.

Mutual funds are sold by prospectus. To obtain a copy of the prospectus, the participant should contact the plan's investment advisor or the mutual fund company directly. Before investing, carefully consider the fund's investment objectives, risks, charges, and expenses. The underlying fund prospectuses contain this and other important information. Read the prospectuses carefully before investing.

Investing involves risk which includes potential loss of principal.

Employee Benefit Research Institute and Mathew Greenwald & Associates is not affiliated with the companies of OneAmerica and is not a OneAmerica company.

It is also good practice to check in on your retirement account at least once a year to make sure the choices you made when setting up the account are still working for your situation. Manage your account today at *www.oaretirement.com* or call **1-800-660-6282**.

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