

## WILL YOUR NEST EGG BE ENOUGH?

### Do the math, and be prepared

Has the recent market turmoil left you uneasy about your retirement prospects? The only way to know whether you're in good shape is to do the math. Here's a worksheet to help. One caution: Don't be too optimistic about returns. A diversified portfolio comprised of roughly 60 percent stocks and 40 percent fixed income investments earned about 9 percent in the past. But seasoned experts predict this same portfolio will earn closer to 8 percent in the future. It's better to guess on the conservative side now, which might cause you to boost your savings rate a bit, than land in retirement far poorer than you'd hoped.

#### \*Step 1: Figure what you'll spend:

Consider what you're spending each month now, and then project how your spending might change when you're not working. Cut out, for instance, the cost of saving for retirement. If your home will be paid off, scratch that expense, too. Add in expenses that you expect or hope to have in retirement - greens fees, vacation costs, additional costs for medical care, etc.

Enter the result here: \$ \_\_\_\_\_ monthly

#### \*Step 2: Adjust for inflation:

Inflation has averaged about 3 percent a year since 1926. Assuming it will continue at that pace, multiply the answer in Step 1 by the multiplier that best corresponds with the amount of time you have until retirement age. This is how much you'll need when you retire to have the spending power you calculated in Step 1.

##### Inflation Multipliers:

5 Years	1.159
10 Years	1.344
15 Years	1.558
20 Years	1.806
25 Years	2.094

Enter the result here: \$ \_\_\_\_\_ monthly

#### \*Step 3: Determine the future value of existing savings:

Multiply the amount you already have saved (include 401k, I.R.A., personal savings, etc.) by the multiplier below that most closely corresponds with the number of years until retirement and the annual return you expect to earn on your savings.

##### Estimated Return:

	6%	7%	8%	9%	10%
5 Years	1.35	1.42	1.49	1.57	1.64
10 Years	1.82	2.01	2.22	2.45	2.71
15 Years	2.45	2.85	3.31	3.84	4.45
20 Years	3.31	4.04	4.93	6.01	7.32
25 Years	4.46	5.72	7.34	9.41	12.06

Enter the result here: \$ \_\_\_\_\_

**\*Step 4: Figure out your monthly retirement income:**

Take the result from Step 3 and multiply by the amount of return you expect to earn annually on your savings after retirement (i.e.: 3%, 5%, etc.).

A: Enter the result here: \$ \_\_\_\_\_

B: Divide the result in line A by 12 and enter here: \$ \_\_\_\_\_

C: Enter your expected monthly pension amount here: \$ \_\_\_\_\_

D: Enter your expected monthly Social Security amount here: \$ \_\_\_\_\_

E: Add Lines A, B, C, and D and enter the total here: \$ \_\_\_\_\_

This (E) is your expected total retirement income. Compare this total to the total in Step 2. If it is more, you are on track to a comfortable retirement. If it is less, you need to make changes now or you may risk not being able to retire when you planned.