It's All in the Cards

Money that goes to pay off credit-card debt isn't going to help build your retirement nest egg. Here are a few ideas on how to get—and stay—out of credit-card debt:

- **Pay off the credit card with the highest rate** of interest first.
- **Shop for a card with the lowest rate**—and try to make that the only card you use.[6]
- **Try to negotiate a lower rate** on your high-interest card.[6]
- **Avoid impulse purchases:** Think twice about "charging it."
- **Ask for help:** If you can't manage debt on your own, consider contacting a local affiliate of the National Foundation for Credit Counseling (nfcc.org).

6. Read and understand terms and conditions.

Have Questions? Need More Information?

457 Web site*:	www.vermont457.com
403(b) Web site*:	www.VSTRS403b.com
KeyTalk®*:	800-457-1028

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STATE OF VERMONT

FALL 2011

FINANCIAL Footnotes

A retirement-planning newsletter brought to you by Great-West Retirement Services®

Make Your Savings Last

Planning for retirement

How much money will you need to live on when you retire? Do you think your expenses will change in the years to come? Take the steps on the next page to help you set realistic goals.

Continued inside

Great-West RETIREMENT SERVICES®

Make Your Savings Last

Continued from cover

Assess your expenses

Most financial advisers say you'll need about 70% of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.[1] Reason: Inflation gradually increases your cost of living while eroding the purchasing power of your money, especially if you have a lot of it parked in cash investments. What's more, you may face high medical costs. You may be eligible for Medicare at age 65, but the federal insurance program may not cover all your expenses.

Do the math

Examine your current budget and estimate how it might change. Then add up all your anticipated sources of retirement income, including Social Security benefits and a pension, if you have one. The difference between your annual income and expenses is the amount you'll need to withdraw from savings.

Follow the 4% rule

Today's 65-year-olds have a 30% chance of living past age 92.[2] To make your savings last, financial planners generally suggest that you withdraw no more than 4% of your savings during the first year of retirement, and then adjust for inflation each year thereafter. At that rate, your portfolio could last 25 to 30 years—not bad, considering today's long life spans.

Today's 65-year-olds have a 30% chance of living past age 92.

1. "Top 10 Ways to Prepare for Retirement," 2011, dol.gov/ebsa/Publications/10_ways_to_prepare.html.
2. U.S. Department of Health and Human Services, National Center for Health Statistics, August 19, 2009.

Juggling Priorities

Is retirement your top savings goal?

A recent survey shows that an increasing number of parents make their children's college education their top savings priority—above retirement.[3]

Build your retirement savings

Your workplace retirement savings plan may be your most effective retirement savings tool. Consider contributing as much as you can. In 2011, maximum contribution limits are:

2011 Workplace Plan Pretax Contribution Limits[4]	
Under age 50: **$16,500**	Age 50 or older: **$22,000**

Maximizing retirement plan contributions is important. However, you may have other priorities that you may need to take care of before retirement. For example, it could be repayment of debt or accumulation of three to six months worth of expenses in a cash account that you can use in case of emergency.

Consider a 529 plan[5]

These education savings plans, operated by a state or educational institution, are generally designed to help families set aside funds for future college expenses and can be used to meet costs of qualified colleges nationwide, depending on a plan's design. As long as the plan satisfies requirements, the federal tax law provides tax benefits to the plan participant. Benefits may include tax-deferral on investment growth and tax-free distributions that are used to pay for the beneficiary's qualified college costs.[6]

3. "How America Saves for College 2010: A National Study," salliemae.com.
4. "403(b) Contribution Limits," irs.gov, 2011.
5. To learn about a specific 529 Plan, its objectives, risks and costs, read the Official Statement. Check with your home state to see if it offers tax or other benefits for investing in its own 529 Plan. 529 Plans are federally tax-advantaged, but certain conditions may apply.
6. "Topic 313 — Qualified Tuition Programs (QTPs)," irs.gov, 2011.