FINANCIAL LITERACY EDUCATION PROGRAMS

Retirement planning

A part of planning for financial security

Financial planning offered through VALIC Financial Advisors, Inc. (VFA).

SAVING : INVESTING : PLANNING

VALIC®

Getting started

Planning for retirement is a lot like getting ready for a long trip. Advance preparation can help minimize the impact of unexpected bumps in the road and lead to a more enjoyable journey.

As part of the Planning for Financial Security educational series, the Retirement Planning workshop helps you identify your retirement goals, take advantage of all your funding sources and remember to account for the effects of taxes and inflation.

This workbook is designed as an interactive guide to help reinforce the major points covered today. Use it to jot down notes about items that are important to you as you develop your own financial strategy.

First class or coach? Your retirement may depend on how you prepare for it

For many people who have spent a lifetime saving, retirement is the ultimate destination. And like any big endeavor, planning ahead is one of the keys to an enjoyable adventure. How prepared are you for the journey?

Did you know?

- 47% of Americans have less than $25,000 saved for retirement - and 24% have less than $1,000
- 52% of workers have not done a basic retirement needs calculation
- 66% of working households do not meet conservative retirement savings targets

Sources: Lisa Greenwald, Craig Copeland, and Jack VanDerhei, "The 2017 Retirement Confidence Survey—Many Workers Lack Retirement Confidence and Feel Stressed About Retirement Preparations," EBRI Issue Brief, no. 431 (Employee Benefit Research Institute, March 21, 2017); "The Continuing Retirement Savings Crisis," National Institute on Retirement Security, March 2015.

What are your expectations for retirement?

When you plan a vacation, you spend time considering the locations you want to visit, sights you want to see and things you want to do. Planning your itinerary and activities before you leave home helps make your trip a success.

So, why not do the same for your retirement? If you treated your retirement like a 20-year vacation, you would prepare accordingly by anticipating your future lifestyle and financial needs. This would help ensure that you reach your goals.

What are your expectations for retirement?

Your home ______________________________

Transportation ______________________________

Food ______________________________

Clothing and personal care ______________________________

Health and healthcare ______________________________

Entertainment ______________________________

Hobbies ______________________________

Recreation ______________________________

Travel ______________________________

The cost of retirement

It is estimated that you will need approximately 80%* of your pre-retirement income in retirement. This figure assumes certain changes in your lifestyle post-retirement.

When will you need the most income in retirement?

Over time, your income requirements may adjust as your lifestyle changes throughout your retirement. Take a look at this chart to get a better idea of what these changes might entail. Although you may find yourself spending more on healthcare at age 75 than you did at age 55, other expenses such as clothing, entertainment, food and transportation are typically greatly reduced. In addition, you may no longer owe on a mortgage or contribute to your workplace retirement plan, further reducing your expenses in retirement.

Annual spending	Age 55 - 64	Age 65 - 74	Age 75+	% Change 55 – 75+
Apparel & services	$1,596	$1,331	$698	-56%
Entertainment	$3,323	$3,005	$1,728	-48%
Food & alcohol	$7,566	$6,665	$4,805	-36%
Healthcare	$5,112	$5,715	$5,814	14%
Housing	$18,188	$16,465	$14,253	-22%
Personal insurance & pensions	$7,664	$3,686	$1,425	-81%
Transportation	$10,024	$8,028	$5,228	-48%
Total expenditures	**$53,473**	**$44,895**	**$33,951**	**-36%**

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, 2015.

* Retirement Benefits. SSA Publication No. 05-10035. Social Security Administration. January 2015.

It is estimated that total expenditures for people age 75 and over are 36% less than those aged 55 – 64.

Notes:

Worksheet - Estimated changes in spending after retirement

So how might possible expense changes during retirement affect you personally? Use this worksheet to calculate the difference. For each expense category, determine the difference between what you spend now and what you expect to spend after retirement. If the retirement expense will be lower, put the difference in the "less" column; if it will be higher, put the difference in the "more" column. Add the figures in both columns and compare the totals.

Expense	Expected Expenses		Post-retirement Difference	
	Current	Post-retirement	Amount if less	Amount if more
Work related:				
Transportation	$ ________	$ ________	$ ________	$ ________
Clothing	$ ________	$ ________	$ ________	$ ________
Meals	$ ________	$ ________	$ ________	$ ________
Other ____________	$ ________	$ ________	$ ________	$ ________
Social Security taxes (withheld from paycheck)	$ ________	$ ________	$ ________	$ ________
Income taxes	$ ________	$ ________	$ ________	$ ________
Contributions to retirement accounts (ERP, IRA, etc.)	$ ________	$ ________	$ ________	$ ________
Savings, investments for retirement	$ ________	$ ________	$ ________	$ ________
Travel	$ ________	$ ________	$ ________	$ ________
Entertainment/ leisure activities	$ ________	$ ________	$ ________	$ ________
Health insurance	$ ________	$ ________	$ ________	$ ________
Short-term disability	$ ________	$ ________	$ ________	$ ________
Long-term care insurance	$ ________	$ ________	$ ________	$ ________
Other	$ ________	$ ________	$ ________	$ ________
Sum of expenses			Less $ ________	More $ ________

Which total is larger? ____________________

What does that suggest about your future spending? ____________________

Will you need to adjust your expectations? ____________________

What will be your sources of retirement income? ____________________

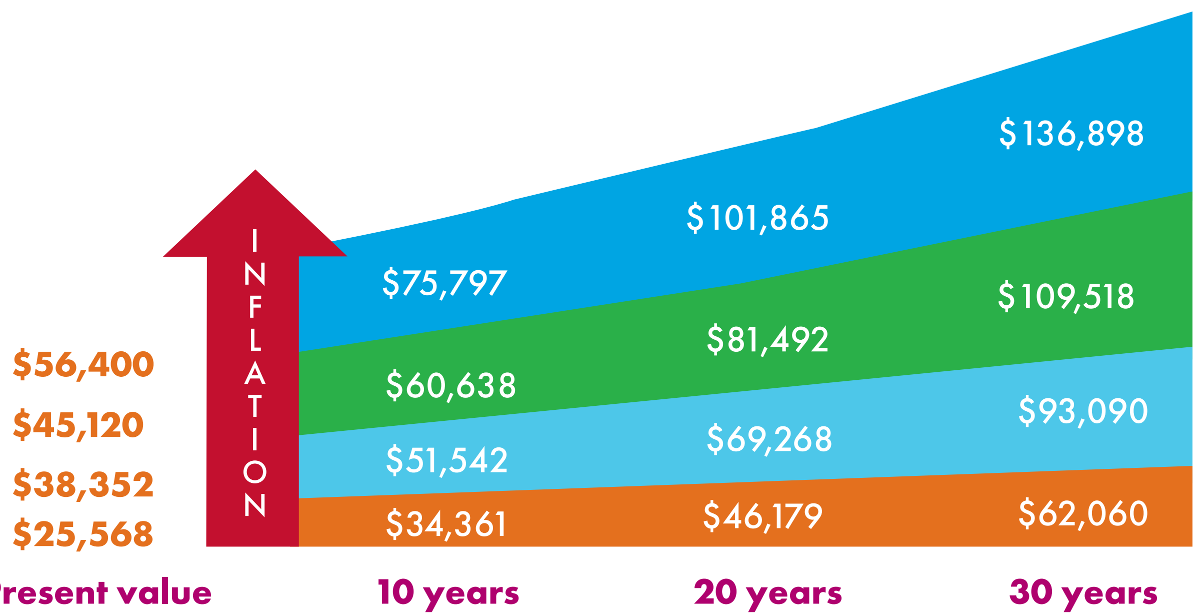
Don't forget inflation

The cost of inflation

Most people underestimate the impact inflation will have on their retirement plans. Even at relatively low rates, inflation can diminish buying power over time. And when you are living off savings, inflation essentially robs you of income.

So, how can inflation impact your retirement income? Let's look at the chart below. Assuming that the present value is the income you will need in retirement, after 20% for decreased expenses has been deducted, notice how at a 3% inflation rate, the thickness of the band continues to widen, signifying the rate of compounding. How inflated will your income needs become?

Annual income needed in retirement



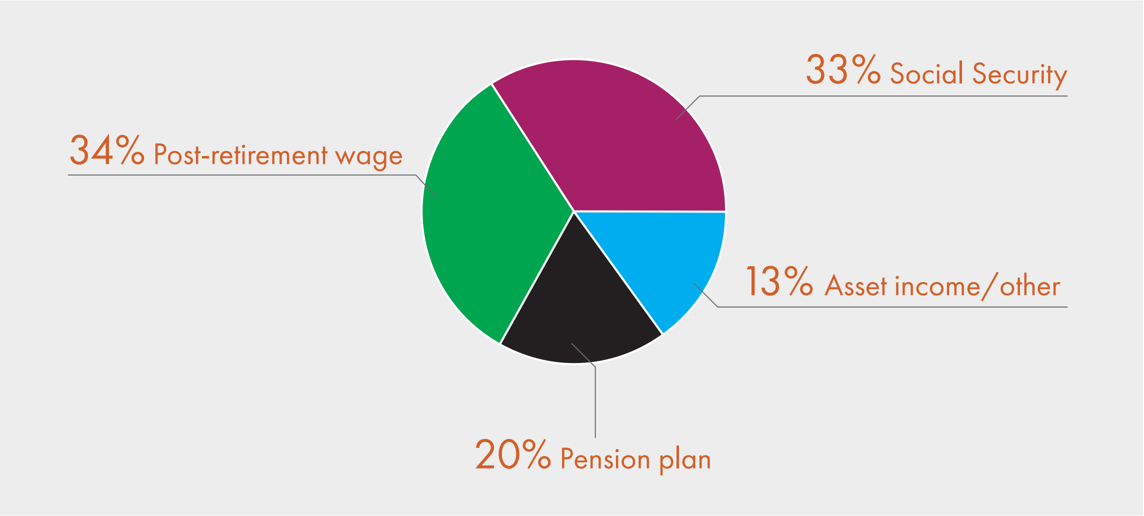
This chart is a hypothetical example of how annual income needs increase over time, assuming a 3% annual inflation rate.

Consider that people are living longer than they used to and some may be entering retirement earlier. Whatever your circumstances may be, you should provide for your retirement income to last longer. Imagine that you live 30 years in retirement. If your current income need is approximately $56,000, in 30 years, with inflation, that income need may increase to over $136,000! Any prudent retirement plan will factor inflation into the calculations.

Sources of retirement income

The realities of today's retirement can be daunting. One of the first steps to figure out how much money you will need in retirement is to identify your guaranteed sources of income.

Typically, Social Security supplements less than 35% of a retiree's income. That leaves the individual to come up with the remainder through personal savings and investments and, perhaps, even post-retirement wages. Keep in mind that the percentages will vary depending on your individual situation.



Source: Income of the Aged Population, Shares of Aggregate Income by Source, 1962 and 2015. Fast Facts and Figures About Social Security, 2017. SSA Publication No. 13-11785. Released September 2017.

Notes

Social Security

When planning for retirement, you might want to consider having a financial plan to account for income from other sources to supplement your Social Security benefits.

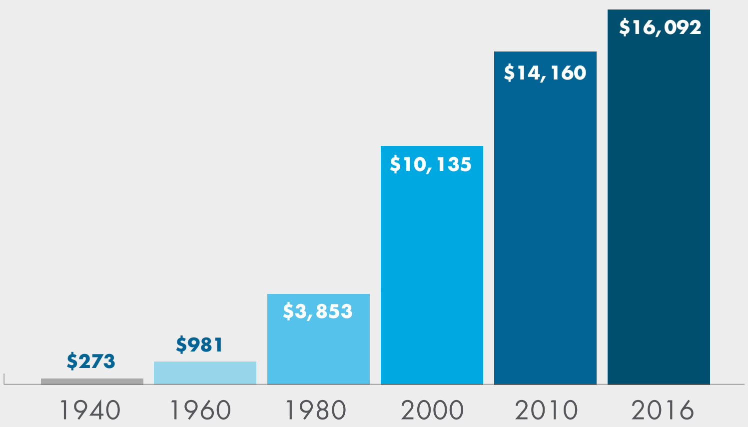
Social Security benefits

You must accumulate 40 quarters of working service to qualify for 100% of Social Security benefits at your full retirement age.

Social Security benefits are progressive: the higher your earnings (up to the maximum allowed), the higher your benefit will be. Social Security automatically factors in a cost-of-living adjustment (COLA) and your benefits automatically increase to keep pace with inflation.

This chart shows annual Social Security benefits since 1940. Although benefits have increased over the years, the amount may not be enough for most people to maintain a comfortable lifestyle in retirement in today's economy. And, keep in mind that if you retire before full retirement age, say before age 66, your benefits are reduced. If however, you wait until full retirement age to start drawing Social Security benefits, you may have to start drawing down your retirement savings. Either way, there will likely be a gap to fill, whether it's at the start of retirement or when savings run out.

Historical annual Social Security benefits, 1940-2016



Sources: (Years 1940 – 2010). Average Monthly Social Security Benefits (calculated to provide annual total), 1940–2011. Social Security Bulletin: Annual Statistical Supplement. SocialSecurity.gov. (Year 2016). 2014 Social Security Changes, Fact Sheet and 2016 Social Security Changes, Fact Sheet. ssa.gov.

Estimating your benefits

The Social Security Administration provides an online Retirement Estimator tool to help you estimate your future benefits amount based on your actual Social Security earnings record.

Employer-sponsored retirement plans

Taking advantage of your employer-sponsored retirement plan is a great way to start saving toward your retirement future.

Pension/defined benefit plans

A pension is a retirement account that an employer maintains to give a fixed payout when you retire. In recent years, fewer employers have offered traditional defined-benefit pension plans and instead have offered defined-contribution plans, which pay benefits based on workers' contributions to the plan and the rates of return they earn.

Defined contribution plans

The most common workplace retirement plans are 403(b), 457(b) and 401(k) plans. All three plans can offer a broad range of investment options, including annuity contracts and mutual funds.

Category	403(b)	457(b)	401(k)
Employers	Public schools and nonprofit organizations	Government and tax-exempt organizations	Non-government organizations
Contribution limits for 2018	Maximum annual elective employee contribution: $18,500	See employee and employer combined contributions below	Maximum annual elective employee contribution: $18,500
Employee and employer combined contributions	Lesser of $55,000 or 100% of includible compensation which excludes any age-based catch-up contributions for age 50+	100% of includible income up to $18,500	Lesser of $55,000 or 100% includible compensation which excludes any age-based catch-up contributions for age 50+
Age-based catch-up contributions	Employee age 50+ catch-up contribution limit: $6,000	Employee age 50+ catch-up contribution limit: $6,000[1] (governmental plans only)	Employee age 50+ catch-up contribution limit: $6,000
Service-based catch-up contributions	15+ years of service: Up to $3,000 per year ($15,000 lifetime maximum) if undercontributed in prior 15 years[3]	Up to an additional $18,500 in last three years prior to normal retirement age if undercontributed in prior years[1]	Not applicable
Withdrawal restrictions[2]	• Reached age 59½ • Severance from employment • Death • Disability • Financial hardship	• Reached age 70½ • Severance from employment • Unforeseeable emergency	• Reached age 59½ • Severance from employment • Death • Disability • Financial hardship
10% federal early withdrawal tax penalty	May apply to withdrawals prior to age 59½	Not applicable, except on distributions from amounts rolled over from non-457(b) plans to a governmental 457(b) plan	May apply to withdrawals prior to age 59½

[1] Important note: For 457(b) plans, employees who are eligible for both the age-based and service-based catch-up contributions in the same year may not combine them, but may contribute up to the higher amount. Nongovernmental 457(b) plan participants are not eligible for the age-based catch-up option.

[2] Ordinary income taxes are due upon withdrawal.

[3] For employees who are eligible for both the age- based and service-based catch-up contributions, you must exhaust the service-based contribution first.

Paycheck comparison

This chart compares the effect of saving $200 on an after-tax basis versus saving pretax in an employer-sponsored plan. If your monthly salary is $3,000 and you contribute $200 to your plan, your taxable income is reduced to $2,800. If you are in a 25% federal marginal income tax bracket, you will have $700 deducted from your paycheck for federal income tax, as opposed to $750 if you do not contribute.

Paycheck items	Current gross income	Tax-qualified savings plan
Monthly salary	$ 3,000.00	$3,000.00
Pretax contribution	$ 0.00	$ 200.00
Taxable income	$ 3,000.00	$2,800.00
Federal marginal income taxes*	$ 750.00	$ 700.00
Total take-home pay	$ 2,250.00	$ 2,100.00
After-tax savings	$ 200.00	$ 0.00
Net take-home pay	$ 2,050.00	$ 2,100.00

* 25% marginal tax rate and single filer. This table is hypothetical and only an example. It does not reflect any specific investment and is not a guarantee of future income. Keep in mind that for tax-qualified plans, taxes are payable upon withdrawal and a 10% federal early withdrawal tax penalty can apply to withdrawals before age 59½.

Dollar-cost averaging

When saving for retirement, you can also tap into the benefits of dollar-cost averaging. Using dollar-cost averaging, you invest a specific amount of money at regular intervals over an extended period of time — regardless of how the market is performing.

The chart is a hypothetical example of how dollar-cost averaging works. Although the average price per share for the period shown is $13.25, with dollar-cost averaging, the average actual cost per share is only $12.50 — a savings of 75 cents per share. Dollar-cost averaging does not assure a profit or protect against a loss in declining markets. This type of investment involves continuous investment in securities regardless of fluctuating price levels, so investors should consider their financial ability to continue their purchases through periods of both high and low price levels.

Date	Quarterly Investment	Share Value	Shares Purchased
January 15	$500	$15	33.33
April 15	$500	$17	29.41
July 15	$500	$9	55.55
October 15	$500	$12	41.66
Totals	**$ 2,000.00**		**159.95 shares**
Average price per share		$13.25 ($53/4)	
Average cost per share		$12.50 ($2,000 ÷ 159.95)	

This table is hypothetical and only an example. It does not reflect any specific investment and is not a guarantee of future income.

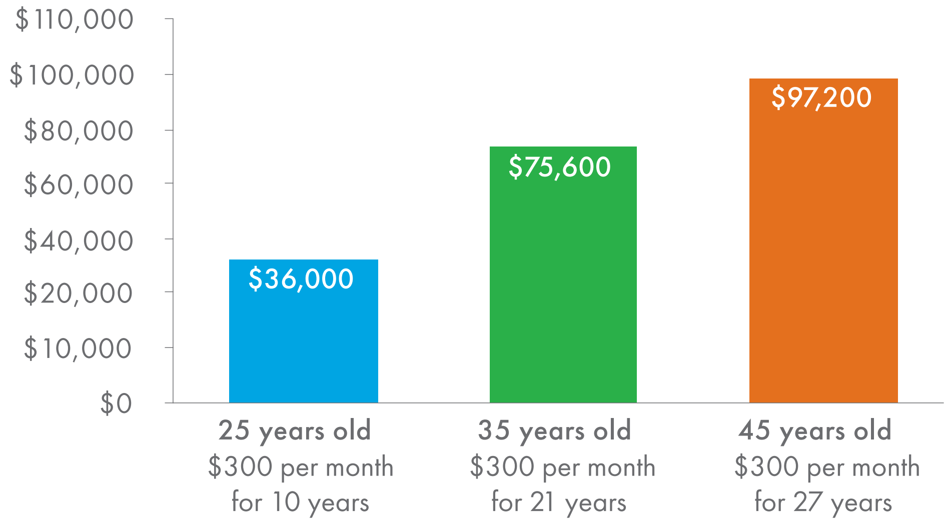
Personal savings and investments

Increasingly, your retirement income will depend on your personal savings and investments.

Start saving early

When you start saving early you reap the benefits of compound interest. Compounding is growing your returns by reinvesting the interest you earn. Your returns go back to work for you to make you even more money. The more frequently the interest compounds, the bigger the payoff, because, on average, more money is earning interest at any given time.

The cost of procrastination



This hypothetical example compares the total out-of-pocket costs required to fund the retirement goals of an investor if the investor started contributing $300 a month at different ages. This example assumes a 5% annual rate of return. Tax-qualified plan accumulations are taxed as ordinary income when withdrawn. Federal restrictions and tax penalties can apply to early withdrawals. This information is hypothetical and only an example. It does not reflect the return of any investment and is not a guarantee of future income. Investing involves risk, including possible loss of principal. NOTE: $300 in pretax contributions would equal about $400 out of pocket if paid with after-tax dollars.

Every day you delay saving for retirement means less time to benefit from compound interest. You have to make up for that time by saving more in the time remaining until retirement and/or working longer.

Notes

Are you saving enough to meet your retirement goals?

1. Are you currently contributing to savings?

- ○ Yes
- ○ No

(If no, do you plan to participate in the near future?) ______________________

2. Do you have enough savings in reserve to sustain you for at least six months?

- ○ Yes
- ○ No

3. Where do you invest your savings?

- ○ Savings account
- ○ Private investment (shares, bonds, etc.)
- ○ Property
- ○ Private pension
- ○ Other: ______________________
- ○ N/A

4. How much do you save annually?

- ○ Less than $500
- ○ $500 - $1,000
- ○ $1,000 - $5,000
- ○ $5,000 – $10,000
- ○ More than $10,000

5. How do you manage your savings and investments?

- ○ Alone
- ○ Through a banking institution
- ○ Through a financial advisor
- ○ Other: ______________________

Individual retirement accounts (IRAs)

By investing your money in an Individual Retirement Account (IRA) you can supplement your employer-sponsored plan and complement your regular investment program. The interest and earnings in traditional IRAs grow tax deferred. Earnings from a Roth IRA can be withdrawn tax-free and penalty-free when certain conditions are met.

Features	Traditional IRA	Roth IRA
Deductibility	Yes, subject to a deduction phase-out based on coverage by a retirement plan at work and adjusted gross income	No
Tax advantages	Earnings grow tax deferred	Qualified distributions are tax-free if certain conditions are met*
Age limit	Contributions are not allowed after the taxpayer reaches age 70½	None
Distributions	May be taken at any time; may be subject to tax penalty for early withdrawal while taxpayer is under the age of 59½	May be taken at any time; if qualified, distributions are tax-free and penalty-free*; may be subject to penalties on taxable withdrawals while taxpayer is under the age of 59½
Required Minimum Distribution (RMD)	Yes; must begin by April 1 of year following the year taxpayer turns 70½; beneficiaries also subject to RMD rules	Owners not subject to RMD rules; however, beneficiaries are

* If distribution is made after five years from date of first contribution **and** reaching age 59½, death, disability or for qualified first-time homebuyer distribution.

Rollover IRAs

A rollover IRA is a transfer of funds from a retirement account into a traditional IRA or a Roth IRA.

Direct Rollover	Indirect Rollover
• Money transferred directly to an IRA • No mandatory 20% withholding • No early withdrawal penalties	• Money goes directly to you • 20% federal income tax withholding deducted • 60 days to transfer in an IRA

Advantages

- Consolidation of retirement account assets
- Continues tax-deferred growth
- Penalty-free withdrawals for first-time home purchase and/or college expenses
- Flexible beneficiary designations
- Tax benefits for beneficiaries

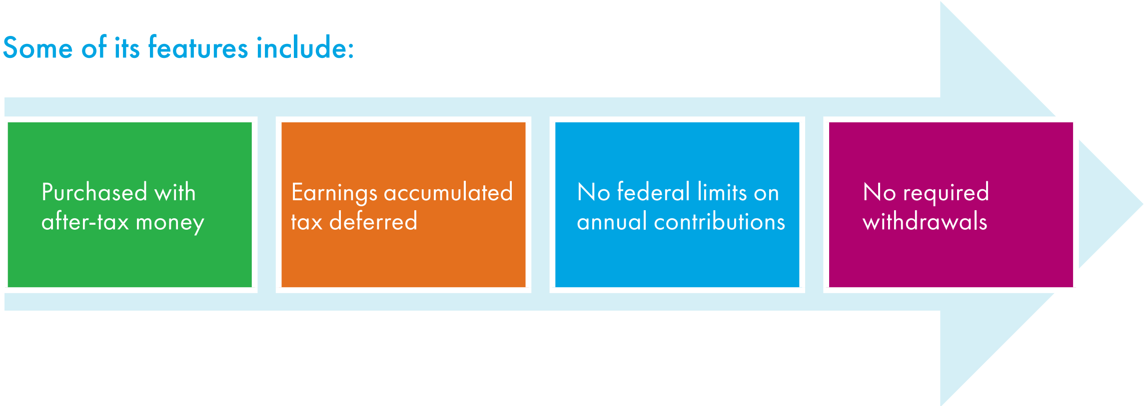
Disadvantages

- 10% federal early withdrawal tax penalty may apply to withdrawals prior to age 59½
- Less protection from creditors

Nonqualified deferred annuities (NQDA)

A nonqualified deferred annuity (NQDA) is a savings vehicle in which you invest after-tax dollars and your money grows tax deferred, which means you pay no taxes on earnings until you begin to withdraw your money. It is an attractive option for people who have maxed out their employer-sponsored retirement accounts or don't have access to such accounts.

Some of its features include:



Due to early withdrawal penalties and taxes, an NQDA is not a vehicle for money you may need for current expenses. If you withdraw income before age 59½, you may incur a 10% federal early withdrawal tax penalty in addition to ordinary income tax. What's more, your insurer may impose its own early withdrawal penalty, also known as a surrender fee, if you cash in all or part of your deferred annuity within a specified period. Within this structure you can invest in fixed options, stock funds, bond funds, balanced funds and other subaccounts. NQDAs are particularly effective if you have many years before retirement. Fixed annuities may be impacted by inflation. Variable annuities have market risk, can lose value and are sold by prospectus.

Working in retirement

Many people today want or need to work part time after they officially retire. Will you?

Why work in retirement?

For many, working provides more than a paycheck. It provides happiness and purpose, and staying in the working world can provide many lifestyle benefits in addition to financial gains.

You might consider working in retirement if:

- You enjoy working
- You want to remain physically and mentally healthy
- You want to try a new line of work
- Your savings aren't enough
- Your investments have lost value
- You want to delay receiving Social Security

You can still receive Social Security benefits

Age	Earn up to	After which some portion of your benefits will be deferred by
In years before Full Retirement Age (FRA)	$17,040	$1 for every $2 you earn over limit
Up to the month within the year you reach FRA	$45,360	$1 for every $3 you earn over limit

Source: Social Security Administration; ssa.gov.

Assess your situation

1. At what age do you plan to retire? ______________________________

____

2. If it meant that you could save more for retirement, how many years would you consider working?

____

____

3. Would working longer meet your income needs and allow you to wait until your full retirement age so you could receive full Social Security benefits?

____

____

Retirement roadmap

Retirement may seem a distant dream, but it could get here sooner than you think. So, when should you begin preparing?

Planning for retirement at any age

No matter what your stage of life, there are always valid excuses for not saving "right now" ... as well as very real demands on your budget. But check below to see the advantages of starting as soon as possible and suggestions for making your savings work as hard as possible.

	20s	30s	40s	50s
Roadblock	"I'm too young"	"Too many expenses"	"Saving for child's college tuition"	"Supporting children and parents"
Opportunity	Time is on your side	Pay yourself first	Compound savings	Workplace plan and catch-up provision

Notes

Reality check

Now that you have a better understanding of the realities in saving for retirement, how would you answer the following questions?

Question	Yes	No	I don't know
1. Have you calculated how much income you'll need in retirement?			
2. Do you know where your income for retirement will come from?			
3. Do you know how much you are currently saving in your workplace retirement plan?			
4. Are you contributing the maximum allowed?			
5. Are you eligible for any catch-up contributions?			
6. Are your assets properly allocated?			
7. Are you confident that you will be able to maintain your current lifestyle in retirement?			

Notes

Take action!

Sound financial planning addresses the most important aspects of saving for retirement. Let us help you develop a personal financial plan, as well as outline the action steps and strategies that will help you achieve your financial goals.

To schedule a complimentary consultation with a VALIC financial advisor, simply check "yes" on the evaluation form on page 19. Be sure to complete the entire evaluation and turn it in at the end of the workshop. We've provided an overview of items you'll need to bring with you to the consultation, as well as what you can expect from your financial advisor.

What you'll need

Once you've decided to work with a financial advisor, you'll need to bring certain documents to your first appointment. These documents are listed below. Don't delay your meeting if some items are not available. Bring what you have.

- ○ Current retirement account statement
- ○ Recent statements from other investments
- ○ Social Security Statement of Benefits
- ○ Insurance policies (recent statement or billing)
- ○ List of assets and liabilities (credit cards, loans, etc.)
- ○ Recent paycheck stub
- ○ Household budget

What to expect

Your financial advisor can help you:

- Prioritize investment goals
- Determine the time horizon needed to achieve your goals
- Determine a financial strategy to help you meet your goals

VALIC is a leading provider of retirement plans and investment services.* Our longevity within the financial services industry and range of investment options means that we've helped hundreds of thousands of people, just like you, plan for and enjoy a secure retirement. Most importantly, through our experience, our goal is to help you live retirement on your terms.

* Source: LIMRA SRI Not-for-Profit Retirement Market Survey 09/30/2017. Based on total assets in a survey of 25 major companies.

Seminar evaluation form

Date of seminar: ________________________ Name of presenter: ________________________

Would you like to schedule a complimentary consultation?

_____Yes _____No

Name: _____________________________________

Day phone: _________________________________

Evening phone: ______________________________

Email address: _______________________________

(Please indicate your preferred contact method.)

Please rate the overall seminar

Not very good 1 2 3 4 5 Excellent

1. What did you find of particular interest in today's seminar?________________________

____

____

2. How could we improve this seminar? ____

____

____

3. What other topics would you like to learn more about? __________________________

____

____

4. Would any of your friends or associates benefit from this presentation?

If so, may we invite them to a future seminar?

Name:____ Telephone: __________________

Name: ____ Telephone: __________________

VALIC has more than half a century of experience helping Americans plan for and enjoy a secure retirement. We provide real solutions for real lives by consistently offering products and services that are innovative, simple to understand and easy to use. We take a personal approach to retirement plans and programs, offering customized solutions for individual needs.

We are committed to the same unchanging standard of one-on-one service we have delivered since our founding. Our goal is to help you live retirement on your terms.

Your Future is Calling. Meet It with Confidence.

CLICK VALIC.com **CALL** 1-800-426-3753 **VISIT** your financial advisor

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