



Retirement on the Brain

Moving Toward Retirement



Moving toward tomorrow

Approaching your retirement destination

Congratulations! You've almost reached your retirement destination. You've planned, set goals, developed a saving and investment strategy, and accumulated savings. Now your retirement dreams can be close to becoming a reality.

What will it take to move you smoothly from your working life to retirement? In some cases the answer may well be a simple but strategic change of focus to help ensure that your savings last through retirement.

Pension, retirement savings or both?

When your father retired, he likely received a pension which, along with his Social Security payments, provided monthly cash flow and formed the backbone of his retirement income. Together, his pension and Social Security benefits may have been enough to cover his income needs. If not, he probably accumulated some personal savings during his working years that served as a cushion and supplemented any shortfall.

You may have a retirement savings plan, such as a 403(b), 401(k) or a 457(b), which, when combined with your Social Security benefit, can provide your income stream during retirement. Perhaps you have a state pension plan, which will pay you a benefit in place of Social Security.

Regardless of the type of plan you have, it will be up to you to convert your retirement savings and your pension or Social Security benefit into a cash flow that can support you during your retirement years.

That's not as difficult as it sounds. It's basically an extension of the step-by-step process you've already gone through to get yourself where you are today.

Being ready

For most people, a successful retirement isn't about being rich. It's about being prepared for what lies ahead. It's about a secure financial future. And yes, it's also about getting to do some of those things you've been anticipating for a lifetime.

You can enjoy that kind of retirement with some careful forward planning as you approach your retirement years.

In this brochure you will learn how to:

- choose the appropriate investments for retirement
- decide when to begin taking Social Security benefits¹
- manage your money to provide retirement income
- learn ways to help make your money last

Pension plans are referred to as defined benefit plans. The benefit, usually in the form of a monthly income amount, is determined by a formula based on criteria such as length of employment and salary.

401(k) and 403(b) plans are referred to as defined contribution plans. Savings accumulate based on the amount contributed and investment returns.

457(b) plans are defined contribution plans like 403(b) plans. They usually allow employee deferrals only.

¹ If you have a state pension plan instead of Social Security, use the amount of your accrued or projected pension benefit in place of Social Security benefits.

Challenges to retirees: longevity and inflation

In a few years — perhaps a few months — your retirement plan will transition from a savings vehicle into a source of income. And instead of making regular contributions, you will be making regular withdrawals.

You can help ensure that your savings will last through your retirement by factoring a couple of key variables into your pre-retirement planning.

Longevity

If you've ever taken a long trip and spent the last week of your journey with just a few dollars in your pocket, you understand the challenge posed by longevity. Sometimes, the journey can last longer than the money does.

Regardless of how much you've saved, the questions are the same: How long will the money last? How long will the journey be?

The Society of Actuaries recently increased the top edge of its mortality tables from 100 years to 120.

When you think about it, longevity colors every decision, from when you should begin taking Social Security benefits to how you invest your savings and how much you withdraw from your account each year.

For retirees, living longer means it's easier to outlive their savings. In fact, a recent survey found that 55% of new middle-class retirees will outlive their savings if they try to maintain their pre-retirement standard of living.¹

According to the Social Security Administration, the average life expectancy of a 65-year-old man is 83 years; for a 65-year-old woman, it is 85 years.

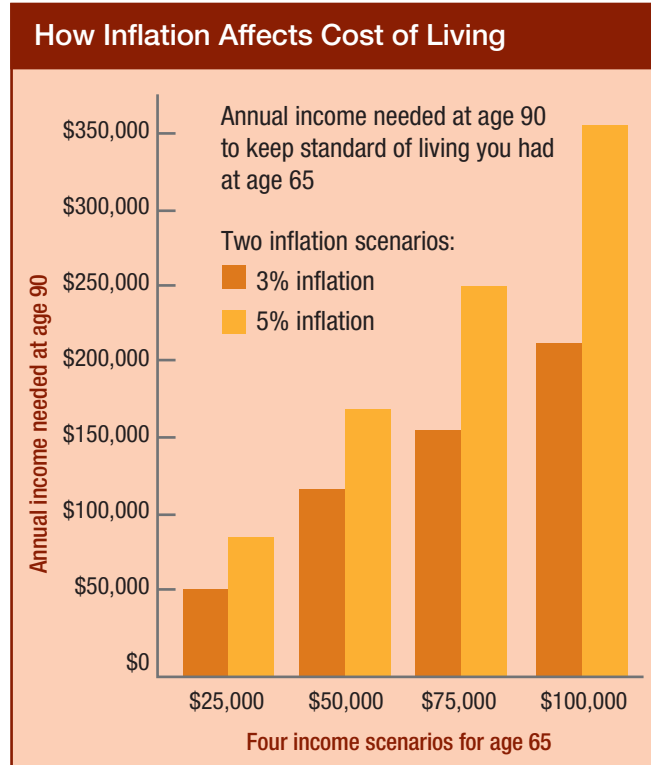
Inflation

Remember when a gallon of gas cost less than \$2 and a new car could be bought for less than \$10,000? Those days are long gone. Everything costs more today because of inflation, which has averaged about 3 percent per year for the past 30 years.² At that rate, a retirement stretching 25 years or more will see basic expenses such as food, gas and clothing nearly double in price.

Inflation is a double-edged sword. As expenses increase, the purchasing power of your assets erodes if their growth doesn't keep pace with inflation.

Also, retirees are vulnerable to health care expenses, which in recent years have outpaced the overall rate of inflation.

Some financial advisors suggest retirees use an inflationary index of 5 percent as a way to factor the extra cost of health care into their living expenses.



This chart is hypothetical and for illustrative purposes only and is not intended to be a projection of future values of any product.

¹ "The Likelihood of New Retirees Outliving Their Financial Assets", Americans for Secure Retirement, January 2013.

² U.S. Bureau of Labor Statistics. Based on the Consumer Price Index.

Choose the right investments for retirement

When you have a long time to invest, volatile episodes in the financial markets may not be very bothersome. If investments lose value, you can tell yourself to be patient, knowing that historical data shows they can rebound.

But when you're nearing retirement, there is the pressure of time and the need to transform your savings plan into an income source. As a result, you have less time to recover if your investments lose value. You need an asset allocation (investment mix) that's designed to take you into retirement.

It is a sound strategy to invest in a more conservative portfolio than you had at age 40. However, because you may spend 30 years in retirement, you're facing the challenges of longevity and inflation. Fortunately, a long retirement time frame means that you still have time to let the stock markets potentially help your portfolio perform.

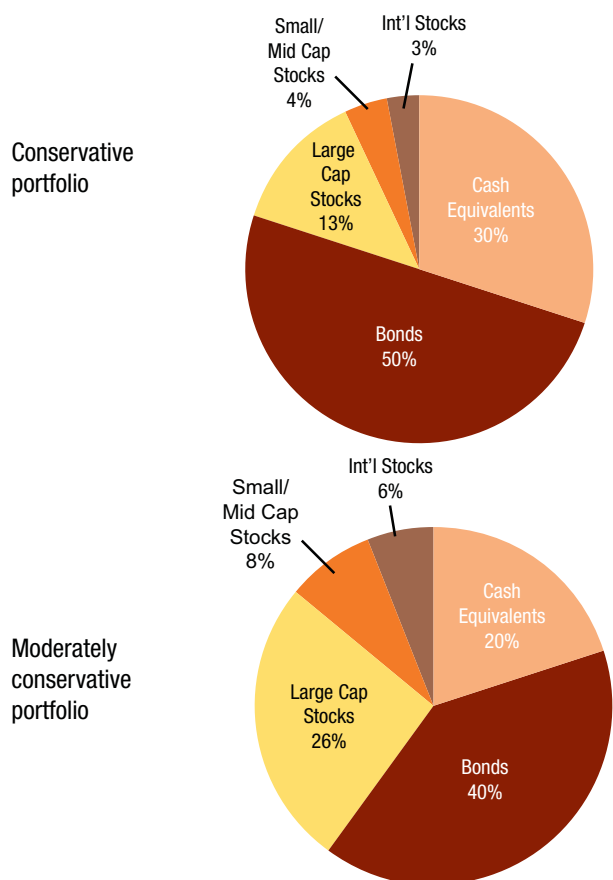
Although you have enough time to take on some risk in search of higher-than-average returns, it is important to also recognize that safely earning consistent returns is a key part of your plan. Being too heavily invested in stock funds, particularly if a market downturn strikes (as it did in 2001), can be devastating. Even a short-term market downturn in the early years of your retirement can damage your long-term retirement income potential.

Asset allocation for the retirement years

Asset allocation is as important an investment strategy for decreasing risk during retirement as it is when preparing for retirement. By spreading your investments among asset classes, in proportions that are appropriate for your retirement time frame, you balance risk. That's because different investments tend to do better in different market conditions; stocks may take off while bonds suffer and vice versa.

Below are two examples from The Standard's guided portfolios.¹ These two diversified portfolios provide growth opportunities for investors while still being conservative.

You may want to discuss an asset allocation for retirement with your financial planner as you move closer to your target date. (See page 10 for tips on choosing a financial planner.)



Your plan may be funded by a mutual fund trust or a group annuity contract. Both are suitable for long-term investing, including saving for retirement. While annuities generally provide tax-deferred treatment of earnings, the group annuity contract does not provide any additional tax-deferred treatment beyond the treatment provided by your retirement plan.

¹ Diversification does not ensure a profit or protect against loss in a declining market. International investing involves certain risks, such as currency fluctuations, economic instability and political developments. These risks may be accentuated in emerging markets. Small company investing involves specific risks not necessarily encountered in large company investing, such as increased volatility. Funds that invest in bonds are subject to certain risks including interest-rate risk, credit risk and inflation risk. As interest rates rise, the prices of bonds fall.

On receiving Social Security

Although you can use the table below as a general guideline, the Social Security Administration can give you a more accurate figure. In fact, the Social Security Administration now sends an annual personal Social Security statement detailing the benefits for which you would be eligible under various retirement scenarios. (If you don't receive this statement, contact the Social Security Administration.)

If you were born between 1943 and 1954, the age at which you can receive full (unreduced) Social Security benefits is 66.

Social Security has a staggered structure that allows you to collect benefits before you reach full retirement age (as early as age 62) but rewards you for waiting longer.

The table below shows how your benefit may be affected if you retire earlier than your full retirement age or delay receiving benefits until after your full retirement age.

Current annual income	Approximate monthly benefit based on your age at retirement		
	Age 62 ²	Age 66	Age 70
\$20,000	\$760	\$1,147	\$1,824
\$30,000	\$968	\$1,461	\$2,325
\$40,000	\$1,176	\$1,775	\$2,823
\$50,000	\$1,384	\$2,088	\$3,323
\$60,000	\$1,538	\$2,322	\$3,693
\$70,000	\$1,633	\$2,466	\$3,923
\$80,000	\$1,718	\$2,593	\$4,123
\$90,000	\$1,798	\$2,713	\$4,316
\$100,000	\$1,864	\$2,798	\$4,477

Taxes

Generally, when you withdraw money from your plan, you'll pay taxes on the amount you withdraw (Roth accounts may be an exception). A taxable lump-sum distribution from your retirement plan usually is subject to 20 percent withholding. (Your actual tax burden may differ depending on your income, filing status, number of dependents and other factors.)

Taking withdrawals from tax-deferred retirement accounts

At certain ages you will be eligible for—or required to take—withdrawals from your tax-deferred retirement accounts:

- **Turning age 55:** If you stop working during or after the year you turn 55, you can begin withdrawing money from your retirement plan after you leave employment without paying the 10 percent penalty for early withdrawal.⁴
- **Reaching age 59½:** You may withdraw money from your retirement plan or IRA without paying the early withdrawal penalty, regardless of employment (if your plan allows).⁴
- **At age 70½:** If you have terminated employment or are an owner of the company sponsoring the plan, you are required to withdraw a minimum amount (based on your life expectancy) from your retirement plan or traditional IRA, or you will pay penalties.⁴ *(There is no required minimum distribution for Roth IRAs.)*

¹ If you have a state pension plan instead of Social Security, use the amount of your accrued or projected pension benefit in place of Social Security benefits.

² Based on 2013 average wage index (AWI), cost-of-living adjustment (COLA), and assumed annual earnings since age 22. To estimate your Social Security benefits, use this table, call 800.772.1213 or visit www.ssa.gov for a Personal Earnings and Benefit Estimate Statement.

³ Actual minimum age is 62 years and 1 month for people born in 1951.

⁴ The 10 percent penalty for early withdrawal does not apply to governmental 457(b) plans.

Managing your money with IRAs and annuities

Would you prefer to continue investing and managing your own money or would you rather receive regular payments for the rest of your life, regardless of how long you live or what the stock market does?

The answers to those questions will help you decide whether to keep your money in a qualified retirement savings plan (or transfer it to an IRA), or whether to opt for a fixed annuity.

Retirement savings plans

Some retirement plans allow you to leave your savings in the plan and take periodic withdrawals. You may also be able to transfer or roll over your funds into a 401(a), 401(k), 403(b) or Governmental 457(b) plan. Check with your plan administrator to find out the plan's rules on accepting rollovers.

IRAs

You may want to roll over your retirement account to an Individual Retirement Account (IRA), which allows you to select an investment portfolio and manage your money much like you currently do with your current retirement plan. It also allows your investments to grow tax-free until you make a withdrawal, as in your current plan.

IRAs are offered by many banks and other financial institutions, such as brokerage houses. To select one that's right for you, examine the company's investment options and find out what fees they charge to administer your account.

An investor in a traditional IRA is required to take annual distributions from the account at age 70½. (See the information on page 4 on required distributions.)

With an IRA, it's up to you to make your money last as long as possible. A financial planner can help you determine the amount to withdraw.

Fixed annuities

A fixed annuity takes the guesswork out of withdrawals. When you purchase one, you make a long-term financial investment that provides a predictable income for a fixed number of years or the remainder of your life, depending on the annuity.

Your retirement plan may offer annuities as distribution options, or you can roll over your account balance into an Individual Retirement Annuity. (Annuities can also be purchased with after-tax dollars.)

Three common types of annuities

Single life annuity. A single or "straight life" annuity pays you an income for life, with the amount of the payment based on the amount you invest and your life expectancy. No payments are made to a spouse or other beneficiary after your death.

Certain and life annuity. You may choose to receive regular payments for a fixed period of time, usually up to 20 years, or for the duration of your life, whichever is longer. If you die before the fixed period ends, your beneficiaries will continue receiving payments until the end of that period. Benefit payments under a certain and life annuity will be less than under a single life annuity, and the longer the certain period, the lower the benefit payment.

Joint and survivor annuity. Benefit payments are made for the remainder of your life, with payments made for the remainder of your beneficiary's life after you die. Typically, you may choose to have benefits paid to your beneficiary at the same amount (100 percent) or reduced to two-thirds or one-half of the amount paid to you before your death. Payments will depend on the ages of you and your beneficiary, the size of the survivor payment and the amount you invest.

Maximizing other sources of retirement income

In addition to your retirement savings and Social Security benefits, you are likely to have other resources that can also help fund your retirement.

Pensions

Pensions provide a steady stream of income during retirement. Although these types of plans are becoming less common, you may have worked for employers who provided pension benefits. If so, ask them to calculate the payments and explain distribution options. (The amount you receive is usually tied to your length of employment and earnings.) Also find out if your benefit will be indexed to inflation and how Social Security benefits may affect it, if you are eligible for Social Security.

The Pension Benefit Guaranty Corporation, an arm of the U.S. Department of Labor, guarantees the benefit payments provided in many defined benefit plans, even for employers that go out of business. Contact the Department of Labor if you have questions.

Other savings

By now you probably have bank savings and brokerage investment accounts, including IRAs, in which you've accumulated additional savings. Consider these ideas to help maximize your savings as you approach retirement:

- Think of a raise as an opportunity to save more without having to see the negative impact on your income. If you were to get a 5 percent raise, a 1 or 2 percent deposit to your savings or brokerage account would be absorbed by a portion of your pay increase. You wouldn't have to deal with a reduction in pay. You'd just receive less of an increase.
- Keep a little of your tax refund to spend, then save the rest.
- Consider any windfall or unexpected cash (insurance settlement, cash gift, rebate or refund) as a chance to save rather than spend.

Personal property

Your personal property is worth money and may even provide an income stream. For example, you could:

- sell your home and buy a less expensive one, using the equity to lower or eliminate your mortgage payments.
- create an income stream by renting out your cottage at the beach or lake.
- sell some of your collectibles, antiques and other valuables.

Protect your assets

You've worked a lifetime to accumulate assets and prepare for retirement. Help protect them by insuring yourself against loss:

Homeowner's: Are your policy limits adequate to replace your home in the event of loss? If you live in an area prone to flooding or earthquakes, do you have the appropriate extra coverage?

Valuables: Your homeowner's policy offers limited coverage for collectibles, jewelry and other valuables. Your agent can add a rider or write a separate policy to extend your coverage.

Liability: What are the liability limits on your homeowner's and auto policies? Personal liability umbrella policies of \$1 million or more are relatively inexpensive.

Health: If you plan to retire before age 65, be sure that you have health insurance to fill the gap. If you plan to work beyond age 65, you will still want to enroll for Medicare and sign up for a Medicare supplement policy (there is a limited time window for a preferred rate on these policies).

Long-term care: These policies are not for everyone. A healthy 65-year-old could pay \$3,800 a year for coverage. On the other hand, a year-long stay in a nursing home cost approximately \$81,000 in 2012—a cost not covered by Medicare.¹

¹ "2012 Cost of Care Survey," Genworth Financial, January 2013.

Making up for lost time

Many people reach a point where they realize they don't have enough money saved for retirement. If you are 50 or older and find yourself in that position, it's not too late.

With some innovative thinking, forward planning and the will to see it through, you can significantly increase your savings over the next few years. Start by taking a fresh look at all of your life circumstances from the viewpoint of retirement readiness. Here are a few ideas to get you going.

Downsize and liquidate—NOW

Consider downsizing to a smaller house now, or soon, depending on the housing market. There may be enough equity in your home to buy another, less expensive home outright; there may even be cash left over. That immediately frees up money that can be invested and have a chance to grow before you retire. You should also be able to save additional money because of reduced home maintenance expenses and property taxes.

Also think about liquidating other valuables: vintage cars, antique furniture, jewelry, art and other collectibles.

A word of caution: If your property and/or collectibles are appreciating in value more quickly than the 6 to 8 percent your savings might earn, it may be a good idea to hold on to them for now rather than selling.

Accelerate your saving—NOW

Take the money that you free up from downsizing or liquidating and invest it now. In addition, save as much as you can from your paycheck each month.

Even if you participate in your retirement plan, you can still contribute to an IRA. For more information, visit www.irs.gov, select the More Forms and Publications link and download IRS Publication 590, "Individual Retirement Arrangements (IRAs)."

Suppose that you sold your classic car or limited edition art prints. Maybe you received a small inheritance or a tax refund. Let's assume that you begin with \$30,000, then save another \$400 a month. At the end of five years, you could have accumulated nearly \$75,000.

Take a look at the chart below for other examples of how much you might be able to accumulate in a five-year period.

Accumulated savings in five years

Savings	<i>Beginning balance</i>				
	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000
\$1,000/month	\$88,865	\$103,764	\$118,662	\$133,561	\$148,459
\$500/month	\$51,882	\$66,780	\$81,679	\$96,577	\$111,476
\$400/month	\$44,485	\$59,384	\$74,282	\$89,181	\$104,079
\$300/month	\$37,088	\$51,987	\$66,885	\$81,784	\$96,682
\$200/month	\$29,692	\$44,590	\$59,489	\$74,387	\$89,286
\$100/month	\$22,295	\$37,194	\$52,092	\$66,990	\$81,889

The key to accumulating relatively large amounts of money in a relatively short period of time is to start with as large a beginning balance as possible and contribute as much as possible on a regular basis.

This chart is hypothetical and assumes an 8 percent rate of return compounded monthly. It is for illustrative purposes only and is not indicative of the performance of any specific investment. Investment return and principal values will fluctuate so that your investment when redeemed may be worth more or less than its original cost. Past performance is no guarantee of future results.

Making your money last

If you don't have enough money saved to support your lifestyle throughout retirement, or if you retire when the market is in a down cycle, there are steps you can take to help compensate.

Have a cushion

Keep some of your savings liquid; in other words, in cash equivalents or other investments that tend to maintain a stable value during market swings. This protects you from having to liquidate volatile stock investments when their value is low. Financial planners suggest keeping enough in cash equivalents to pay for up to three years of living expenses.

Extend your benefits

The longer you wait before drawing down your savings, the more time you have for your savings to accumulate, and the less risk that you might run short in retirement. The same principle applies to Social Security benefits and many pension plans: The longer you wait before collecting these benefits, the greater the monthly benefit.

Consider waiting a few more years before collecting benefits. If your mortgage is paid off and children are out of the home, you may be able to support yourself with a part-time job and even avoid withdrawing money from your savings.

Social Security benefits ... more or less?

If you were born between 1946 and 1957, your full retirement age is 66. If you were to start receiving benefits at age 62 (the earliest age at which you can begin receiving benefits), your benefit would be reduced by 25 percent.

If you were to delay receiving benefits, your benefit would increase by 8 percent a year, up to age 70. (After age 70, the benefit increase no longer applies.)

Retirement planning resources online

AARP – www.aarp.org. Provides a host of services for retirees and people nearing retirement.

American Association for Long-Term Care Insurance – www.aaltci.org. Information on choosing long-term care insurance.

Annuities, retirement planning, investing – www.pueblo.gsa.gov. Click on “Money” for free publications to download.

Certified Financial Planner™ Board of Standards – www.cfp.net. Tips on finding a financial planner.

The Standard's Personal Savings Center – www.standard.com/retirement. Details about your retirement account with The Standard, including account balances and asset allocation, as well as retirement planning tools.

Social Security Administration – www.ssa.gov. Get details on your Social Security benefits and retirement planning.

Withdraw at a safe rate

How much can you withdraw from your savings and still be reasonably sure that you won't outlive your savings?

Financial planners and researchers generally agree that if you withdraw 4 to 5 percent of your assets in a given year, chances are that your savings will last throughout your retirement. With a withdrawal rate of less than 4 percent, there is a high probability that you will not exhaust your savings during your lifetime. However, if you retire during a prolonged market downturn, you may not be able to withdraw even 4 percent without the risk of exhausting your savings too soon. It's especially important to keep the withdrawal rate as low as practically possible early in retirement. This helps conserve your assets so they maintain their earning power.

Estate planning makes your intentions clear

While you're working on an income plan for the rest of your life, why not also take steps to help ensure that your wishes are carried out when you're no longer here to manage your own affairs?

Everyone should have three essential documents prepared long before they die:

- Will
- Advance directives
- Power of attorney

Each of these documents should be reviewed periodically and, if appropriate, updated.

Your will

A will is the foundation of your estate planning. It directs how your assets will be handled and who will care for your dependents after you die.

If you die without a will—a situation called “intestate”—a probate court will assign an impartial administrator to make decisions about how your assets and property will be divided. These decisions will be made according to state laws, not necessarily according to your wishes.

Your will can be used to:

- name people who will inherit your estate
- create a trust for minors and name a person responsible for managing the trust
- name an executor, who will handle your estate according to the directions in your will

Advance directives

In some states advance directives have slightly different names, or they're known as living wills, but their purpose is the same: to state your wishes for end-of-life care and appoint someone to speak on your behalf when you can't speak for yourself.

Advance directives state your wishes regarding life-sustaining treatment, such as the use of feeding tubes. If you choose, they include a Do Not Resuscitate order (DNR), a directive to not resuscitate you if your heart stops or if you quit breathing.

Your doctor or local hospital can provide an advance directive form that you can fill out and they can keep on file.

Power of attorney

A power of attorney identifies an agent who is authorized by you to act as your representative in financial and legal matters after you become incapacitated (typically because of health matters).

The agent should be a person you have informed of your wishes and whom you can trust to follow them.

Some states provide these forms, which can be completed without the help of an attorney. You can often find these forms online as well.

Take steps to help ensure that your wishes will be carried out when you're no longer able to manage your own affairs.

Finding a financial planner

There comes a time when it makes good sense to get some professional assistance with retirement decisions. If you're considering using the services of a financial planner, here are some tips for finding someone reputable:

- **Ask about qualifications or credentials.**
Look for someone who has industry credentials: a Certified Financial Planner™ (CFP), a Chartered Financial Consultant (ChFC) or a Certified Public Accountant - Personal Finance Specialist (CPA-PFS). You can check on their standing with the professional organizations that issued the credentials, such as the Certified Financial Planner Board of Standards for a CFP. Also, make sure your advisor is licensed. Most investment advisors are required to hold a securities license, such as the Series 65 license.
- **Ask about experience and specialties.**
Many financial planners specialize in particular areas: retirement planning, estate planning, investments, insurance and taxes. Ask about classes they've attended recently to find out if they stay up-to-date on their area of expertise.
- **Ask about their approach to financial planning.**
How will they develop a financial plan for you? Will they look at your whole financial picture, or just a small part of it? How aggressive or conservative is their approach to retirement investing? The point is to find a planner who offers the services you want, and who can work with your investing temperament.

Interview several candidates

Shop around – interview several candidates with solid credentials to get a sense of whether you'd feel comfortable working with one of them on a long-term basis.

- **Find out how much they charge and how they will be paid.** Financial planners are paid in one or more of the following ways:
 - a salary from the company for which the planner works
 - fees: either a flat rate, an hourly rate or a percentage of the assets they manage for you
 - commissions from products they sell to you, such as mutual funds or annuities
 - a combination of fees for their services and commissions on the products they sellIf you can't get a straight answer on this, consider it a red flag and find a different planner.
- **Ask for a full disclosure of their conflicts of interest.** Find out if they have business relationships that could prevent them from acting in your best interests. For example, do they have a business incentive to refer you to a specific company or professional, such as a lawyer or accountant, to help with other aspects of your financial planning? Do they have a financial incentive for recommending certain investment products? It's a good idea to get this disclosure in writing.
- **Ask for references.** Talk to a few of the planner's established clients. Find out what they like and dislike about the planner's work and their level of overall satisfaction.



Employers and plan participants should carefully consider the investment objectives, risks, charges and expenses of the investment options offered under the retirement plan before investing. The prospectuses for the individual mutual funds and each available investment option in the group annuity contain this and other important information. Prospectuses may be obtained by calling 877.805.1127. Please read the prospectus carefully before investing. Investments are subject to market risk and fluctuate in value.

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