

Your Hartford Financial Services Group

Financial News



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Preparing For A Long Retirement

As life expectancies increase, you may enjoy a longer and healthier retirement than previous generations.

But in order to maintain your lifestyle, you're likely to need substantial savings because you may spend 30 years or more in retirement. That's nearly as much time as you will spend preparing for it. Building a nest egg large enough to sustain you through several decades is an important financial goal—one that you may be able to achieve with careful planning. Think of it as a three-step process: saving, investing and withdrawing.

Building savings

The most important step toward building your retirement savings is to contribute to your employer-sponsored retirement plan. For a specific idea of how much more you may need to set aside, consider the following age-based guidelines:

- Try to save 10% to 15% of your annual income if you're in your 20s
- If you begin saving in your 30s, you may need to contribute 15% to 25% of your annual income
- If you wait until your early 40s to begin building your nest egg, consider investing 25% to 35% of your income toward retirement.

Of course, you have competing demands on your money. So try to contribute at least enough to earn any available matching contributions from your employer. Next, consider setting up an automatic investment plan to boost your contribution rate by a small percentage each year as your income increases.

Seeking long-term growth

Once you've determined how much you can afford to save, you'll need to decide how to invest your contributions so that your money will grow as much as possible – keeping in mind your risk tolerance and time line until retirement. And as retirement draws closer, you'll also need to make sure your investments can keep pace with the rising cost of living.

Spending what you've saved

You need to give as much thought to withdrawing money from your nest egg as you did to accumulating those savings. Otherwise, you may run the risk of outliving your money. Financial experts suggest withdrawing no more than 4% of your portfolio in your first year of retirement, and then adjusting that amount for inflation each year thereafter.* For example, with savings of \$1.25 million, if you withdraw \$50,000 in your first year of retirement and the average annual rate of inflation is 3%, your second withdrawal would be \$51,500—and so on.

Sticking to your plan

Whether you're just starting your career or you're already in retirement, remember this: Investing takes patience. Once you've settled on an appropriate strategy, stay with it—monitoring and adjusting your portfolio over time as necessary. Over the past year, financial headlines have been dominated by market volatility, rattling even the most seasoned investors. Try not to react emotionally to such news.

Although no one can accurately predict market performance, history can offer valuable insights. When markets turn around, gains tend to come quickly. If you're not invested, you could miss out on the sharp gains that often come early in a rally.

Creating a retirement strategy is an important goal. With a disciplined, calm approach to saving, investing and withdrawing, you can potentially build a portfolio to sustain you through decades of retirement.

* *Retirement Spending: The 4% Solution*, Schwab Center for Financial Research, August 2006.

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Mid-Life Crisis

After being married for 44 years, I took a careful look at my wife one day and said, "Honey, 44 years ago we had a cheap apartment, a cheap car, slept on a sofa bed and watched a 10-inch black and white tv, but I got to sleep every night with a hot 25-year-old gal.

"Now I have a \$500,000 home, a \$45,000 car, nice big bed and plasma screen TV, but I'm sleeping with a 65-year-old woman. It seems to me that you're not holding up your side of things."

My wife is a very reasonable woman. She told me to go out and find a hot 25-year-old gal and she would make sure that I would once again be living in a cheap apartment, driving a cheap car, sleeping on a sofa bed and watching a 10-inch black and white tv.

Aren't older women great? They really know how to solve your mid-life crises.

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A Good Wife

A doctor examining a woman who had been rushed to the Emergency Room, took the husband aside and said, "I don't like the looks of your wife at all."
 "Me neither, doc," said the husband. "But she's a great cook and really good with the kids."