Jerry McCarthy: Thank you, Pam.

And I think this is great for everybody taking time out of their schedule. I think this is going to be a very beneficial webinar for everybody.

What I’m going to cover today has to do more with the statistics and questions for retirement. What do you really need to start thinking about now?

On this first slide, what I’m going to focus on at this time is the statistics in savings.

I went through a lot of different numbers, and I thought there were a couple of them that really stood out to me.

Almost 7 in 10 workers--or about 68% of people today--expect to work in retirement, but after further research, 4 in 10 end up having to leave work early due to unexpected health problems, disability, or company downsizing.

So this is the world we live in today.

Another interesting statistic has to do with income -- what’s you’re income today and looking out into the future.

Although most financial experts estimate that individuals will need approximately 70 to 80% of their current income to meet everyday living expenses, nearly 40% of all workers guessed that they would need less than
70% of their pre-retirement income to live comfortably after leaving the workforce.

This was an area that really surprised me. As I go through a little bit further in my presentation, you’ll see with health care [and] some of the other retirement savings gaps how you really need to be a little more pointed towards some of the talking points that Pam mentioned earlier.

The next slide--which is a very telling slide -- this has to do with the sources of retirement income--starting to really think today and looking into the future, some of the sources of retirement income. It’s important because the retirement territory has changed.

So what do I mean by the new retirement territory?

Retirement for our parents and perhaps our grandparents was different - very different. Life was easier then. Social Security and pension benefits pretty much covered their retirement needs, but today things are greatly changing.

You may be more personally responsible, more on the hook for funding your own retirement.

If you could take a look at the chart, which is based on the Social Security Administration’s latest analysis, it shows that people needing almost $41,000 or more a year of retirement income can count on Social Security payments for just 20% of their income, and pensions--if you’re lucky enough to have one--account for just 20% of that total.

That leaves most individuals responsible for nearly 60% of their own [retirement] income, meaning, you may be carrying the majority of the burden of funding your own retirement.
You’re also a generation whose expectations around lifestyles are generally higher, so you may be spending more. The good news is you’re young enough to start saving for your retirement now.

And those strategies are possible or even enhanced by the various and numerous investment vehicles that are available for you today, for example, your employer’s retirement plan, individual [retirement] accounts—which I believe Jonathan will be speaking about later--individual securities, and mutual funds.

With the greater responsibility placed on each of us on our ability to save for the future, there are also additional risks that I’d like to share with you in the next couple of slides.

You’ll see on this next slide some of the key risks -- not all of them, but some of the key risks that I would like to talk about today. Longevity, inflation rates, asset allocation, and healthcare costs are just some of the risks that you really need to start thinking about and planning for today, and, as Pam said earlier, having an action plan and starting to put that in place today.

We’re going to briefly discuss each of these.

While in retirement - while retirement is years away, you should begin to think how long are you really going to spend in retirement. [For] a lot of you I know this is an unrealistic thing to think about at this stage of your life, but it’s something you really have to start focusing on.

The life expectancy of the average American has increased, placing added importance on the need for younger people like yourselves to take control of your own destiny and to start saving today.
Since retirement lasts longer these days and will only increase due to medical advancements, you’ll have a greater chance of outliving your retirement income than any of your parents or grandparents.

Your retirement savings must provide enough income to last your entire life, which could be 25 years or more.

Another risk is inflation, and the answer is you may need to plan for double the income in 25, 30, 40 years just to equal what you have the ability of purchasing in today’s dollars.

Why? Because even if inflation averaged just about 3% over the next 25 years, it may take roughly double the amount of money to cover the same expenses today in the future.

And a lot of people think I’m exaggerating on this point. Think back to when each of you purchased your first car. Does anybody remember what they paid for their first car?

Chances are you may have purchased your first car in 2004 and it might have cost around $28,000. Take this out 25 years into the future. You may not be able to get a new car for less than $50,000. These are real numbers, which you can see from this chart.

Even the smaller ticket items see big increases each year and inflation in cost. For example, if you look at a loaf of bread in the second column, your parents might have purchased a loaf of bread in 1979 for 50 cents. Today you may need a full $1 - even a little bit more than that--to buy that same loaf of bread.
If you look out to the year 2029 you may need to purchase a loaf of bread for over $2 just to look at the purchasing power of today.

Jane Walstedt: Jerry, you’re not moving your slides.

Jerry McCarthy: Oh, it’s not moving?

Jane Walstedt: No.

Jerry McCarthy: Okay. I’m sorry. This is a wonderful slide, by the way. Can everybody see that?

Jane Walstedt: Yes.

Jerry McCarthy: So on this slide right here—the inflation risk—you’ll be able to see [for] the various years going back in history what would’ve been [paid] for an automobile, a loaf of bread. You’ll notice the last column that has to do with wages.

So let’s say you and your family had an income in 2004 of over $50,000. In order to maintain the same living expenses and life style, that $50,000+ would end up being around $117,000 in 2029 to maintain the same life style.

We hear the term inflation tossed around by a lot of people, but as you can see, it has a very practical, very real impact on how much income you may need [in order] to [fund] your long retirement, which just means you should start planning today so you’re in a position to maintain your [standard of living] in the future.
The last area—which I think is one of the most important areas, especially since we’re talking about the different vehicles for saving for the future—is why is asset allocation so important.

I’m going to read the page here - the Magic of Diversification.

The practice of spreading money around different investments to reduce risk is known as diversification.

By picking the right group of investments you may be able to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.

Let me even take this a little bit further. This is based on a study. For those of you that are actively saving, that are thinking about saving and are afraid or scared of where to put your money, diversification is one of the most important aspects in order to properly build your savings and your net worth into the future. Over 95+% of a person’s overall historical returns are based on diversification.

On the next slide you’re going to see there’s a lot of different ways that you can go ahead and diversify your portfolio. On this slide--Determine a Target Mix--you’re going to be able to see on this slide here the importance of diversification.

Some of the key factors to consider on this -- and again, I believe Jonathan will be speaking about this a little bit further -- are time horizon (How young are you at this time?), [risk tolerance] (How comfortable are you with risk?), investment experience (Do you have any experience? Have you been saving in the past? Are you doing this yourself?), and obviously, your financial situation.
And you’ll notice there’s a little pie chart on the left of this screen [entitled] “Target Asset Mix.” You’ll see bonds, equities, [and] short term, which are savings accounts, money market accounts. This is a very efficient way as far as trying to start saving and doing this efficiently.

So when you look at a lot of the risk, it seems daunting. You’re young right now, and the main thing with all these different statistics -- I’d like to have you get out of this--is please don’t be a statistic.

Start saving today for your retirement. As Pam said earlier, having an action plan now and putting it in place, you will be greatly thankful in the future.

So that is the conclusion of my presentation, and I am going to pass it back over to Pam at this time.

Pam Krueger: Yes, Jerry. Thank you.

You know, pointing out that we have to learn how to invest to stay ahead of inflation… and investing of course being part of the saving process. When we talk about saving for retirement, we’re not talking about putting it under a mattress. We’re talking about investing our money wisely, and diversification does win all battles on that front.

But thank you obviously for pointing out the things that we need to be very, very, very aware of from your perspective as we are saving and investing.