BALLPARK E$TIMATE®

Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need when you retire.
So let's play ball!

If you are married, you and your spouse should each fill out your own Ballpark Estimate worksheet taking your marital status into account when entering your Social Security benefit in number 2 below.

1. How much annual income will you want in retirement? (Figure at least 70% of your current annual gross income just to maintain your current standard of living. Really.) $ _____

2. Subtract the income you expect to receive annually from:
   - Social Security—If you make under $25,000, enter $8,000; between $25,000 - $40,000, enter $12,000; over $40,000, enter $14,500 (For married couples - the lower earning spouse should enter either their own benefit based on their income or 50% of the higher earning spouse's benefit, whichever is higher)
     For a more personalized estimate, enter the appropriate benefit figure from your Social Security statement from the Social Security Administration (1-800-772-1213, www.ssa.gov). Ballpark assumes you will begin receiving Social Security Benefits at age 65, however the age for full benefits is rising to 67. Your Social Security statement will provide a personalized benefit estimate based on your actual earning history. −$ _____
   - Traditional Employer Pension – a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) −$ _____
   - Part-time income −$ _____
   - Other −$ _____

This is how much you need to make up for each retirement year: =$ _____

Now you want a ballpark estimate of how much money you'll need in the bank the day you retire. So the accountants went to work and devised this simple formula. For the record, they figure you'll realize a constant real rate of return of 3% after inflation, you'll live to age 87, and you'll begin to receive income from Social Security at age 65. If you anticipate living longer than age 87 or earning less than a 3% real rate of return on your savings, you'll want to consider using a higher percentage of your current annual gross income as a goal on line 1.

3. To determine the amount you'll need to save, multiply the amount you need to make up by the factor below. $ _____

Age you expect to retire:	Your factor is:
55	21.0
60	18.9
65	16.4
70	13.6

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below. +$ _____

Age you expect to retire:	Your factor is:
55	8.8
60	4.7

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan). −$ _____

If you want to retire in:	Your factor is:
10 years	1.3
15 years	1.6
20 years	1.8
25 years	2.1
30 years	2.4
35 years	2.8
40 years	3.3

Total additional savings needed at retirement: =$ _____

Don't panic. Those same accountants devised another formula to show you how much to save each year in order to reach your goal amount. They factor in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.

6. To determine the ANNUAL amount you'll need to save, multiply the TOTAL amount by the factor below. =$ _____

If you want to retire in:	Your factor is:
10 years	.085
15 years	.052
20 years	.036
25 years	.027
30 years	.020
35 years	.016
40 years	.013

ASEC
American Savings Education Council

ASEC/EBRI-ERF
Suite 600
2121 K Street NW
Washington, DC
20037-1896

202-775-9130 or
202-659-0670
Fax 202-775-6360
www.asec.org
www.ebri.org
www.choosetosave.org

See? It's not impossible or even particularly painful. It just takes planning. And the sooner you start, the better off you'll be.

The Ballpark Estimate is designed to provide a rough estimate of what you will need to save annually to fund a comfortable retirement. It provides an approximation of projected Social Security benefits and utilizes only one of many possible rates of return on your savings. Ballpark reflects today's dollars and does not account for inflation; therefore, you should recalculate your savings needs on a regular basis and as your salary and circumstances change. You won't want to stop with the Ballpark Estimate; it is only a first step in the retirement planning process. You will need to do further analysis, either yourself using a more detailed worksheet or computer software, or with the assistance of a financial professional.

©Copyright, ASEC/EBRI Education and Research Fund. All rights reserved.

10/01

ASEC
American Savings Education Council
www.asec.org

Get a Ballpark Estimate of Your Retirement Needs

Choose to Save.®
www.choosetosave.org

The American Savings Education Council's Planning and Saving Tool

Forget, for a moment, the complexity of planning and saving for a comfortable retirement. The American Savings Education Council (ASEC) has a savings tool that can help—the ***Ballpark Estimate*** worksheet.

By simplifying some issues, such as projected Social Security benefits and earnings assumptions on savings, ***Ballpark*** offers users a way to obtain a rough first estimate of what Americans need for retirement. The worksheet assumes you'll live to age 87, you'll realize a constant real rate of return of 3% after inflation, and you'll need at least 70% of current income.

For example, let's say Jane is a 35-year-old woman with two children, earning $30,000 per year. Jane has determined that she will need 80% of her current annual income to maintain her standard of living in retirement. (Visit www.asec.org/ballpark for tips on selecting a goal for line 1 of the worksheet.) Eighty percent of Jane's current annual income ($30,000) is $24,000. Jane would then subtract the income she expects to receive from Social Security ($12,000 in her case) from $24,000, equaling $12,000. This is how much Jane needs to make up for each retirement year. Jane expects to retire at age 65, so she multiplies $12,000 x 16.4 equaling $196,799. Jane has already saved $2,000 in her 401(k) plan. She plans to retire in 30 years so she multiplies $2,000 x 2.4 equaling $4,800. She subtracts that from her total, making her projected total savings needed at retirement $191,999. Jane then multiplies $191,999 x .020 = $3,839. This is the amount Jane will need to save annually for her retirement.

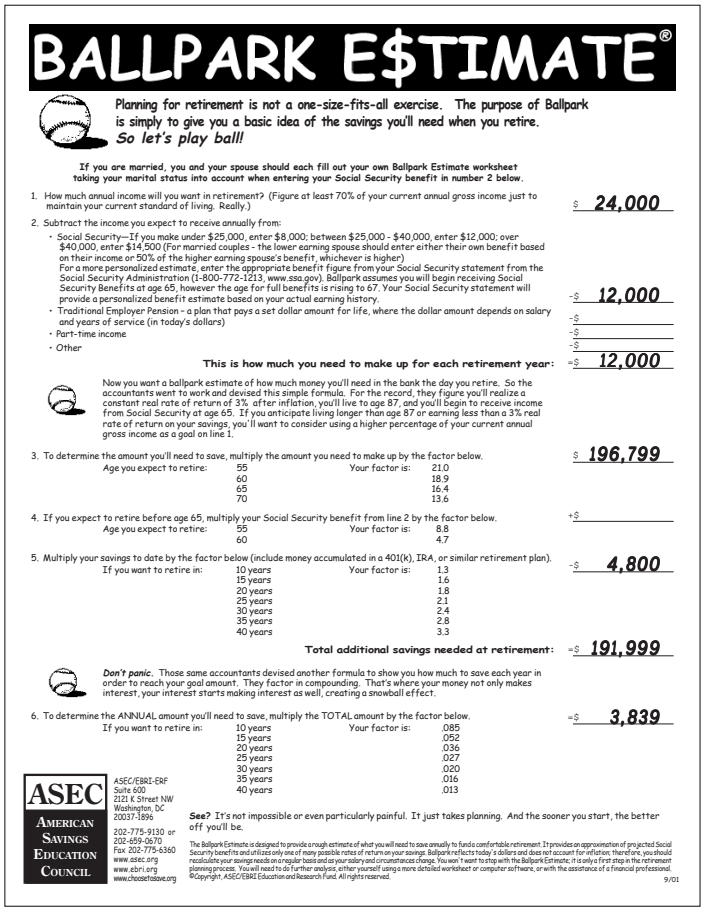
According to the annual Retirement Confidence Survey (RCS), co-sponsored by ASEC, the Employee Benefit Research Institute (EBRI), and Matthew Greenwald & Associates (MGA), only 53% of workers surveyed have tried to determine how much they'll need to save for a comfortable retirement.

Helping Americans learn about savings and retirement planning is ASEC's primary mission. A coalition of private- and public-sector organizations, ASEC's goal is to make saving and planning a vital concern of Americans. Through the *Choose to Save®* national education program and other initiatives, ASEC works to raise public awareness about what is needed to successfully ensure long-term personal financial independence.

An interactive version of the ***Ballpark Estimate*** worksheet, tips for completing the worksheet, and a *Ballpark* FAQ are available on ASEC's web site <www.asec.org> and at <www.choosetosave.org>.

To obtain printed copies of ASEC brochures, send a self-addressed, stamped ($1.03 postage), business-sized envelope to: ASEC Savings Education Brochures, American Savings Education Council, Suite 600, 2121 K Street NW, Washington, DC 20037-1896

ASEC is a program of the Employee Benefit Research Institute Education and Research Fund, a 501(c)(3) nonprofit, educational association.



BALLPARK E$TIMATE®

Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need when you retire. *So let's play ball!*

If you are married, you and your spouse should each fill out your own Ballpark Estimate worksheet taking your marital status into account when entering your Social Security benefit in number 2 below.

1. How much annual income will you want in retirement? (Figure at least 70% of your current annual gross income just to maintain your current standard of living. Really.) $ 24,000
2. Subtract the income you expect to receive annually from:
   - Social Security—If you make under $25,000, enter $8,000; between $25,000 - $40,000, enter $12,000; over $40,000, enter $14,500 (For married couples - the lower earning spouse should enter either their own benefit based on their income or 50% of the higher earning spouse's benefit, whichever is higher) For a more personalized estimate, enter the appropriate benefit figure from your Social Security statement from the Social Security Administration (1-800-772-1213, www.ssa.gov). Ballpark assumes you will begin receiving Social Security Benefits at age 65, however the age for full benefits is rising to 67. Your Social Security statement will provide a personalized benefit estimate based on your actual earning history. -$ 12,000
   - Traditional Employer Pension – a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) -$
   - Part-time income -$
   - Other -$

This is how much you need to make up for each retirement year: =$ 12,000

Now you want a ballpark estimate of how much money you'll need in the bank the day you retire. So the accountants went to work and devised this simple formula. For the record, they figure you'll realize a constant real rate of return of 3% after inflation, you'll live to age 87, and you'll begin to receive income from Social Security at age 65. If you anticipate living longer than age 87 or earning less than a 3% real rate of return on your savings, you'll want to consider using a higher percentage of your current annual gross income as a goal on line 1.

3. To determine the amount you'll need to save, multiply the amount you need to make up by the factor below. $ 196,799

Age you expect to retire:	Your factor is:
55	21.0
60	18.9
65	16.4
70	13.6

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below. +$

Age you expect to retire:	Your factor is:
55	8.8
60	4.7

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan). -$ 4,800

If you want to retire in:	Your factor is:
10 years	1.3
15 years	1.6
20 years	1.8
25 years	2.1
30 years	2.4
35 years	2.8
40 years	3.3

Total additional savings needed at retirement: =$ 191,999

Don't panic. Those same accountants devised another formula to show you how much to save each year in order to reach your goal amount. They factor in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.

6. To determine the ANNUAL amount you'll need to save, multiply the TOTAL amount by the factor below. =$ 3,839

If you want to retire in:	Your factor is:
10 years	.085
15 years	.052
20 years	.036
25 years	.027
30 years	.020
35 years	.016
40 years	.013

ASEC American Savings Education Council
ASEC/EBRI-ERF Suite 600 2121 K Street NW Washington, DC 20037-1896
202-775-9130 or 202-659-0670 Fax 202-775-6360
www.asec.org www.ebri.org www.choosetosave.org

See? It's not impossible or even particularly painful. It just takes planning. And the sooner you start, the better off you'll be.

The Ballpark Estimate is designed to provide a rough estimate of what you will need to save annually to fund a comfortable retirement. It provides an approximation of projected Social Security benefits and utilizes only one of many possible rates of return on your savings. Ballpark reflects today's dollars and does not account for inflation; therefore, you should recalculate your savings needs on a regular basis and as your salary and circumstances change. You won't want to stop with the Ballpark Estimate; it is only a first step in the retirement planning process. You will need to do further analysis, either yourself using a more detailed worksheet or computer software, or with the assistance of a financial professional.
©Copyright, ASEC/EBRI Education and Research Fund. All rights reserved. 9/01

###