

savingtoday

PLANNING FOR TOMORROW

Get Personal with
SmartMoney
 Page 2

QUICK TIP

The 4% guide

How can you make sure your retirement money lasts as long as you do?

Experts recommend withdrawing 4% of your nest egg in your first year of retirement and then boosting each annual withdrawal by the inflation rate. If you have a \$500,000 nest egg, for example, you'd withdraw \$20,000 the first year. Assuming 3% annual inflation, you'd withdraw \$20,600 the second year, \$21,218 the third year, \$21,855 the fourth year, and so on. ●

A little planning goes a long way

Everyone knows it's important to save for retirement, but a recent survey shows that few people know *how much* to save.*

To determine a realistic retirement-savings goal, start by estimating the amount you'll withdraw from your nest egg in your first year of retirement.

Let's say you plan to live on \$48,000 a year — 80% of your current \$60,000 salary. If your Social Security benefit will be \$15,000 a year, you'll need \$33,000 a year from your savings. Multiply that annual \$33,000 by 25.**

The answer — \$825,000 — is the nest egg you'll need to produce \$33,000 a year, adjusted annually for inflation, for a 30-year retirement.

If the number you arrive at seems out of reach, consider making one or more adjustments:

- contribute more money toward retirement; maximize retirement plan contributions
- rethink your investment strategy (see chart at right)
- delay retirement
- plan to work part-time after you retire.

Use the online tools at www.thehartford.com/retirementplans/access to help you with retirement planning. ●

*Employee Benefit Research Institute "Retirement Confidence Survey," 2009.

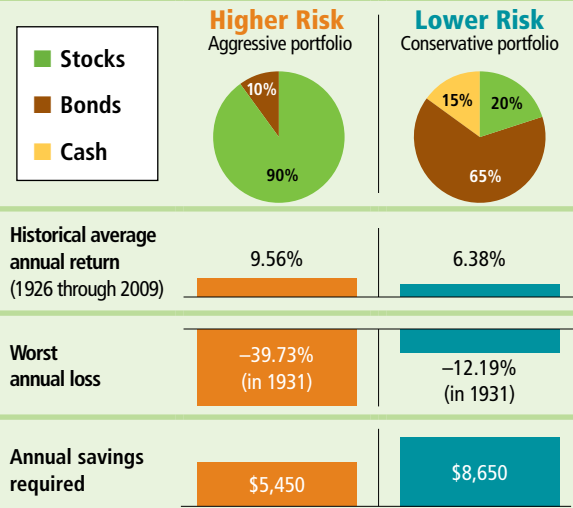
**The number 25 is a mathematical multiplier that gives you the amount it takes to generate a 4% withdrawal plus inflation for 30 years. See "The 4% guide" at left.



Build your plan wisely

Your strategy depends in part on the degree of investment risk you can live with. If you choose investments with lower risks, you may need to save more money each year to reach your goal, as shown below. **Remember: Past performance doesn't guarantee future results.**

Goal: \$500,000
Time frame for reaching goal: 25 years



Source: Morningstar Inc. Stock returns based on the Standard & Poor's 500 Index (S&P 500); bond returns based on U.S. government long-term bonds; cash based on U.S. 30-day Treasury bills. The S&P 500 is an unmanaged market capitalization-weighted index of 500 widely held securities designed to measure broad U.S. equity investment. The index does not represent the performance of any specific investment option. It is not possible to invest directly in an index.

GET PERSONAL WITH SMARTMONEY

Should you be debt-free?

That's a nice fantasy! But in the real world, debt is an essential financial tool. And effective debt management is an important skill: Your credit record and your peace of mind both depend on it.

The first rule of smart debt management is to minimize your "bad debt."

"Good debts" are loans that allow you to make purchases of long-lasting — and potentially increasing — value. A student loan, for example, lets you buy an education that can enhance your future earning power. A mortgage not only helps you buy a home for your family for many years to come, but it's also an asset, the value of which may grow over time.

By contrast, "bad debts" are loans to buy something that disappears almost immediately — like a night out for dinner and a movie — or something that starts losing value as soon as you've bought it — such as a car or a plasma TV.

Of course, it's impossible to entirely avoid bad debts. But it's a good idea to try to minimize them. You don't want to be overly burdened paying for things long after their value has vanished.

Paying off debt

You'll save yourself a bundle — and free up extra cash to sock away for retirement — by making more than the minimum payment on your credit cards every month.

Take a card on which you owe \$4,500 and pay 18% interest, for example. Your minimum payment is \$180 a month. If that's all you pay, it will take about 12 years to pay off that debt and cost you about \$2,600 in interest charges alone. If you pay \$280 a month instead, you'll pay off the balance in less than two years — and your interest cost will fall to about \$690. ●



The new credit card rules

New credit card rules that went into effect in February 2010 make important consumer-friendly changes. Among them:

- Card issuers can no longer raise your interest rate on a card because you made a late payment on another bill, such as your mortgage or utility bill.
- If you pay your credit card bill on time, your rate can't be raised for the first year you have the card. (An introductory, promotional fixed rate must last for at least six months.)
- You must receive 45 days' notice before your rate is raised (some exceptions apply). You can then choose to cancel the card instead of accepting the new rate, and pay off your existing balance at the old rate.
- You can no longer be charged a fee for exceeding your credit limit on a card unless you've agreed to it in advance. If you haven't, the issuer may reject transactions that put you over the limit. ●

You'll find more information online at www.federalreserve.gov/creditcard.

FYI

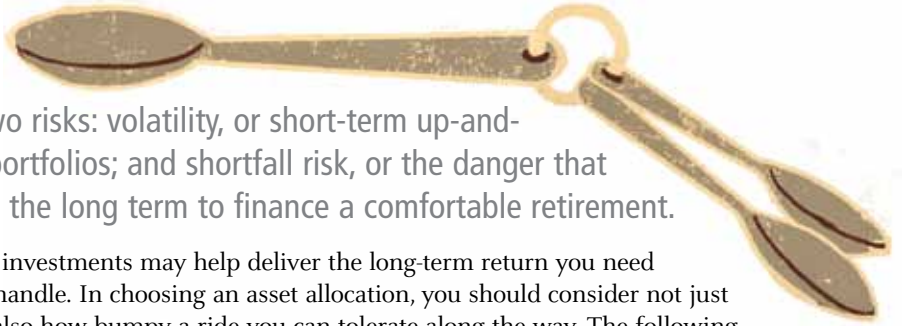
Rolling it over

When you change jobs, you may be able to move your old retirement plan account balance into your new employer's retirement plan. You'll find it easier to monitor and manage your nest egg when it's in one place. The switch won't trigger any income taxes or penalties if it's done as a direct transfer between plans, with no distribution to you.

The new employer's retirement plan may be preferable to rolling your account to an Individual Retirement Account. In many retirement plans, you can spread your money among diversified investments that have no minimum-deposit requirement. That's particularly helpful if your balance is just a few thousand dollars. Many mutual funds require a \$3,000 minimum investment in an IRA, which can make it hard to diversify if you have a relatively modest account. Remember that diversification doesn't protect against loss or ensure a profit. ●

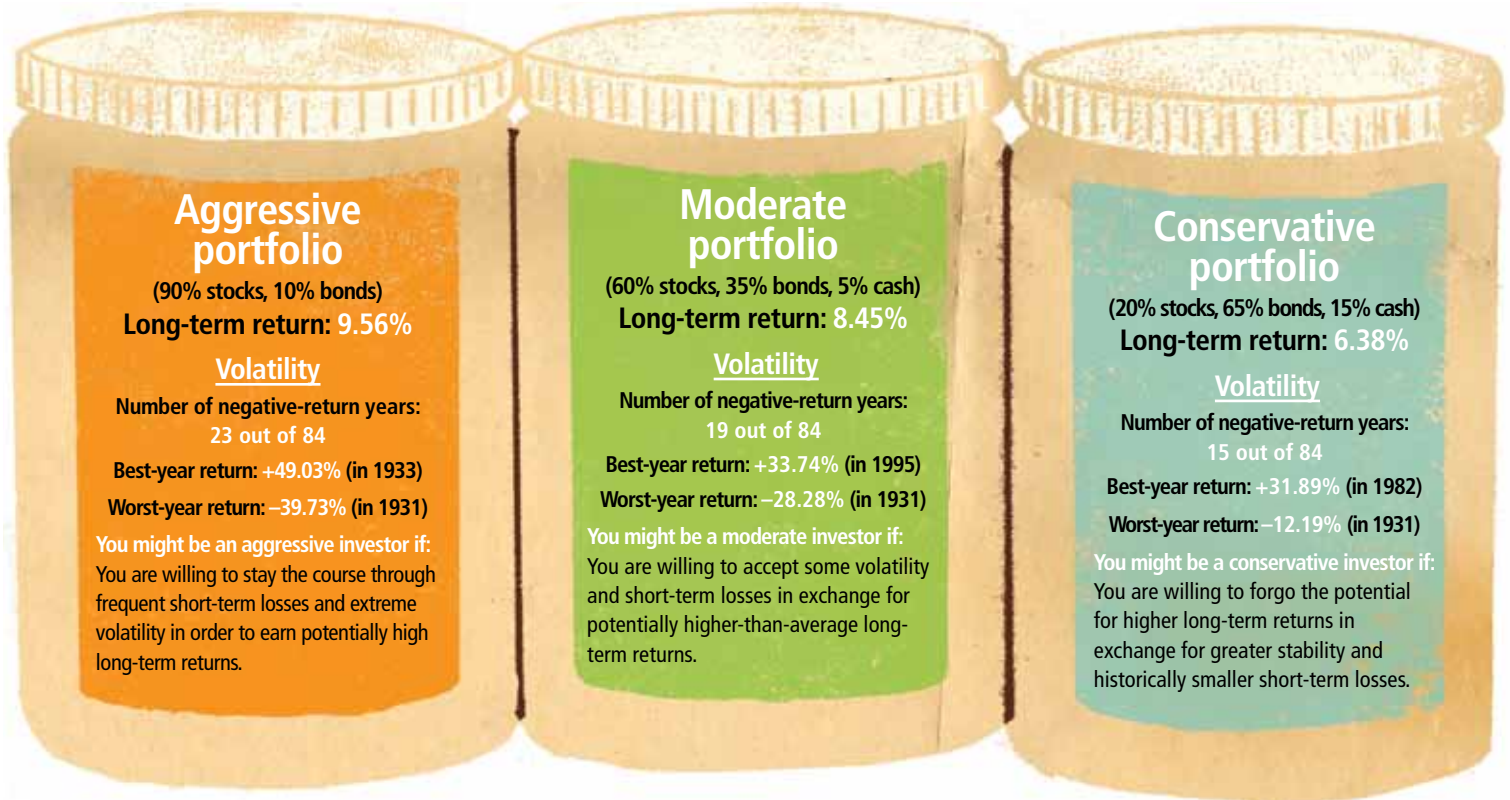
IN SUMMARY

Risk and your mix



All retirement investors must balance two risks: volatility, or short-term up-and-down fluctuations in the value of their portfolios; and shortfall risk, or the danger that their investments won't grow enough in the long term to finance a comfortable retirement.

The right combination of stocks, bonds and cash investments may help deliver the long-term return you need without more short-term volatility than you can handle. In choosing an asset allocation, you should consider not just the potential return you hope for over time, but also how bumpy a ride you can tolerate along the way. The following chart can help to guide your decision. It illustrates the long-term returns and the volatility of three different asset mixes.*



Remember, your individual situation will change over time — so don't be surprised if your investment preferences change, too. Asset allocation doesn't protect against loss or ensure a profit. Also, past performance doesn't guarantee future results. ●

*Ibbotson® S&P® *Classic Yearbook: Market Results for Stocks, Bonds, Bills, and Inflation, 1926–2009*. Long-term returns are for the period 1926 through 2009. Returns are based on Ibbotson Associates (IA) total return (TR) indexes. Stock market returns are based on the IA S&P 500 TR Index, representing an unmanaged market capitalization-weighted index of 500 widely held securities designed to measure broad U.S. equity investment; the composite index with dividends reinvested includes total return, income return and capital appreciation return. Bond returns are based on the IA S&P U.S. Long-term Government Bond Index, which is based on a one-bond portfolio of approximately 20 years' duration; index components are total return, income return, capital appreciation and yield. Cash returns are based on the IA S&P U.S. 30-day Treasury Bill TR Index, which represents a one-bill portfolio with a total-return component. The indexes do not represent the performance of any specific investment options. It is not possible to invest directly in an index.

➔ The Hartford Asset Allocation Questionnaire (thehartford.com/retirementplans/access) can help you determine your investing style.

LEARN MORE

Guessing wrong

No one can predict with any certainty how the market will move. And yet many investors try to anticipate its direction — an approach called market timing. Their goal, like that of any investor, is to buy low and sell high. The decisions they make are guesses, however, often based on faulty thinking and emotions.

When markets decline, investors tend to panic and that leads to bad decisions, according to a study by the financial research firm DALBAR Inc. It found that throughout the five-year period ending December 31, 2008, the average investor bought shares when the stock market rose and sold shares when it dropped. By sticking with a well-thought-out, long-term investment strategy, you avoid the guesswork and overreactions that market-timers face. ●

Source: DALBAR Inc., "Quantitative Analysis of Investor Behavior, 2009," www.dalbar.com. Stock market performance is based on the S&P 500 Composite Index.

Q&A

Q: How can I accurately estimate how many years my retirement might need to last?

A: Chances are, you'll live longer than you think. Financial planners now routinely advise retirees to anticipate that their money will have to last until they're age 95.

To be sure, your own life expectancy depends both on your family history and your lifestyle. (Do long lifespans run in your family? Do you smoke? Skydive? Eat a balanced diet? Always use a seat belt in a car?)

In general, Americans are living longer than ever before. On average, healthy people in their 50s and 60s now can expect to live until their mid-80s. A 65-year-old couple has an 81% chance that one or both of them will live to age 85 — and a 58% chance that one or both will live to age 90.

It's a statistical fact that the older you become, the longer you're likely to live. Indeed, older Americans have become so numerous that a few years ago the U.S. Census Bureau created a 100-plus age category.

Q: Is it a good idea to consolidate retirement accounts once I retire?

A: Yes, based on how much easier it is to keep track of your money. It takes time and attention to efficiently manage multiple accounts at different institutions. So, unless you're good at financial details and that's how you want to spend your time, you should consider simplifying.

When you look at all your holdings in one statement, you can assess your overall financial picture much more readily. Keeping your money under one roof also makes it a simpler task to follow your investments' performance and to rebalance your asset mix. (You can easily diversify within a single account, since many financial firms offer a wide range of investments.)

Remember, too, that in retirement you'll be taking withdrawals from your nest egg. Indeed, after you turn age 70½ you may be required by law to take a minimum annual distribution from retirement plans and traditional IRAs. Consolidating your accounts makes it more convenient to manage your required distributions, beneficiary designations, recordkeeping and tax paperwork. And with fewer accounts, you may even save money by reducing maintenance charges and other fees that may be charged by custodians of your accounts. ●

By the numbers

A 65-year-old couple has an

81%

chance that one or both of them will live to age 85

In 2010, there are about

84,000

centenarians living in the U.S.

Americans age

85

and older are the country's fastest-growing group

Source: U.S. Census Bureau, 2010.

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 **Questions: Retirement Plan Information Line**

Automated information/ transactions and customer service
1-800-854-0647

 **Transactions: Retirement Access**

Online account access and transactions
thehartford.com/retirement plans/access

 **Comments**

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The Hartford

31 St. James Avenue, Boston, MA 02116

Heide Connelly, Editor

Heide.Connelly@thehartford.com

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