

# ARE YOU ON TRACK FOR RETIREMENT?



If you haven't calculated how much retirement income your current savings may provide, it's time. To maintain your standard of living, some experts say retirement income should be about 85 percent of your current income.<sup>1</sup> Figure out how much of your current pay you may need to reach your retirement savings goal. Grab a calculator to help with the math.

## RETIREMENT SAVINGS WORKSHEET

### STEPS

#### 1. Current annual gross income.

Enter your current annual gross income. \$ \_\_\_\_\_

#### 2. Annual Income before retirement.

Multiply **STEP 1** times the Salary Inflation Factor from **TABLE A** that most closely matches the number of years until you retire

$$\text{STEP 1} \times \text{Inflation Factor} = \$ \text{_____}$$

#### 3. Income needed during retirement.

Depending on your retirement goals, you may need 85-100 percent of your current income. Multiply **STEP 2** by that percentage (for example, .85) to estimate annual retirement income.

$$\text{STEP 2} \times \text{Percentage} = \$ \text{_____}$$

#### 4. A. Percentage of Income replaced by Social Security at age 65.

Enter the percentage from **TABLE B** that most closely corresponds to your current income from **STEP 1** \$ \_\_\_\_\_

#### B. Social Security Income.

Multiply **STEP 2** by **STEP 4a**

$$\text{STEP 2} \times \text{STEP 4a} = \$ \text{_____}$$

#### C. Defined Benefit Estimate.

If you participant in a Defined Benefit (DB) Plan, enter your estimated future annual DB benefit, otherwise enter 0. \$ \_\_\_\_\_

#### D. Other Sources of Retirement Income.

Add **STEP 4b** and **STEP 4c**

$$\text{STEP 4b} + \text{STEP 4c} = \$ \text{_____}$$

#### 5. Future Retirement Income.

**STEP 3** minus **STEP 4d**

$$\text{STEP 3} - \text{STEP 4d} = \$ \text{_____}$$

**TABLE A: INFLATION FACTOR**

Years to Retirement	Inflation Factor
5	1.19
10	1.41
15	1.68
20	1.99
25	2.36
30	2.81
35	3.33
40	3.96

This table assumes an annual inflation of 3.5 percent.

**TABLE B: SOCIAL SECURITY BENEFITS**

Current Annual Gross Income	Portion of Income Replaced by Social Security at age 65
\$25,000	0.52
\$30,000	0.48
\$40,000	0.45
\$50,000	0.43
\$60,000	0.39
\$80,000	0.33
\$100,000	0.29

This table assumes your salary and the Social Security National Average Wage Increases 3.5 percent annually as well as a 2.5 percent increase in the Social Security CPI. Salary is assumed to be earned during 2014. Benefits are reduced for commencement at age 65.

6. **Retirement goal<sup>2</sup>.**  x 22.50 = \$ \_\_\_\_\_  
 Multiply STEP 5 by 22.50. STEP 5

7. **Current portfolio:**  \$ \_\_\_\_\_  
 Enter the total amount of current retirement investments, including savings in the retirement plan.

8. **Value of current investments at retirement.** Multiply STEP 7 by the growth factor from TABLE C that corresponds most closely to the number of years until you retire.  
 x  = \$ \_\_\_\_\_  
STEP 7

9. **Retirement savings shortfall.** Subtract STEP 8 from STEP 6 to get how much you still need to accumulate before you retire.  
 -  = \$ \_\_\_\_\_  
STEP 6 STEP 8

10. **Annual savings goal.** Multiply STEP 9 by the accumulation factor from TABLE C that most closely matches the number of years until you retire.  
 x  = \$ \_\_\_\_\_  
STEP 9

11. **Percentage of your pay you need to save.** Divide STEP 10 by STEP 1, and multiply by 100 (e.g., 0.119 x 100 = 12%) to get the total percentage (including employer match, if applicable) to help reach a retirement savings goal of 85 percent of your pre-retirement income at retirement.

$$\frac{\text{STEP 10}}{\text{STEP 1}} = \text{_____} \times 100 = \text{_____} \%$$

TABLE C: ACCUMULATION FACTOR		
Years to Retirement	Growth Factor	Accumulation Factor
5	1.403	.157
10	1.967	.061
15	2.759	.031
20	3.870	.018
25	5.427	.011
30	7.612	.007
35	10.677	.005
40	14.974	.003

Growth Factor — assumes a 7% annual rate of return on current investments before retirement; Accum. Factor — assumes the amount you invest each year before retirement occurs mid-year at a 7% annual rate of return. Assumes annual inflation of 3.5% before retirement.

**LOOKING FOR MORE INFORMATION?** Visit [principal.com](http://principal.com) for more resources and calculators to help prepare for retirement or call us at **1-800-547-7754**.

**This worksheet is for illustrative purposes only. It is hypothetical and does not guarantee any specific returns on any investment options.**

<sup>1</sup>Aon Consulting's 2008 Replacement Ratio Study™  
<http://www.aon.com/about-aon/intellectual-capital/attachments/human-capital-consulting/RRStudy070308.pdf>

<sup>2</sup>Assumes a 4.5% withdrawal rate adjusted annually for inflation in retirement.



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