



Retirement Planning Guide 2008

May 17, 2008

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Winning the retirement game



**Retiring abroad:
Perks and warnings**



**Life insurance:
Avoid common mistakes**



Managing a 401(k)



**Health care:
Saving for the high cost of care**





Will you have enough?

Judi Szyszka always figured that when she turned 65, she'd punch her State of Minnesota time card for the last time. Then again, with a slowing economy, a depressed housing market and a nest egg that's declining in value, maybe not.

"I don't feel as comfortable as I would have felt, say, if I was ready to retire at this age five years ago," said Szyszka, now 66.

She has plenty of company. The number of American workers very confident they will have enough money to live comfortably during retirement has decreased from 27 percent to 18 percent, according to the 2008 Retirement Confidence Survey. That's the biggest one-year drop in the 18-year history of the survey, conducted by the Employee Benefit Research Institute.

Mirroring the survey findings, Szyszka's big fears are:

■ Health care: "I don't want to put myself into the position of not being able to do anything but pay for medical costs."

■ Finding a part-time job in this economy: "I wouldn't want to take a job away from somebody else who really needs it."

■ Selling her condo: "With the economy the way it is now, I would lose money."

So, like many near-retirees, Szyszka has decided to keep working. The proportion of workers between 55 and 64 years of age rose 1.5 percentage points in February, according to the Department of Labor. The number of people age 65 and older still in the workforce is up, too.

It could be that the days of a 30-year vacation are over. A new survey from Scottrade found that 31 percent of Generation X believe they will never be able to fully retire.

John Nelson, co-author of "What Color is Your Parachute?" for Retirement Planning," sug-

gests that people pondering retirement consider "the possibility of working for meaning and money." Instead of retiring and never working another day for another dollar, find a part-time gig, whether seasonal or on a per-project basis, to stay involved and to put less pressure on your retirement portfolio.

In a bear market, your savings will thank you. According to a scenario run for me by Thrivent Financial for Lutherans, an investor with a \$500,000 portfolio made up of 56 percent stocks and 44 percent cash and bonds can be 80 percent certain that she can withdraw \$20,000 a year, adjusted for inflation, for the next three decades without running out. But if her portfolio's average return in the first five years ekes out just 2 percent, then there's a 37 percent chance that her nest egg will crack.

"Waiting five years can make a big difference. It's five more years for assets to grow, five fewer years [people] need to rely on their savings," said certified financial planner Mike Branch of Focus Financial Network.

Extra time is especially important for women. A new report from the Retirement Security Project — a partnership of the Pew Charitable Trusts, Georgetown University's Public Policy Institute and the Brookings Institution — found that women near retirement have an average of \$34,000 in a retirement plan compared to their male counterparts' \$70,000.

For Szyszka, postponing retirement until 2010 will allow her to increase her savings and pay down bills. And it could very well be a blessing in disguise. Szyszka's mom "quickly came bored" once she quit her part-time job at age 71. So Szyszka plans to keep busy, whether by making art, volunteering, or joining the Peace Corps. "Retiring at two-thirds of life doesn't make much sense."

—Kara McGuire, MCT

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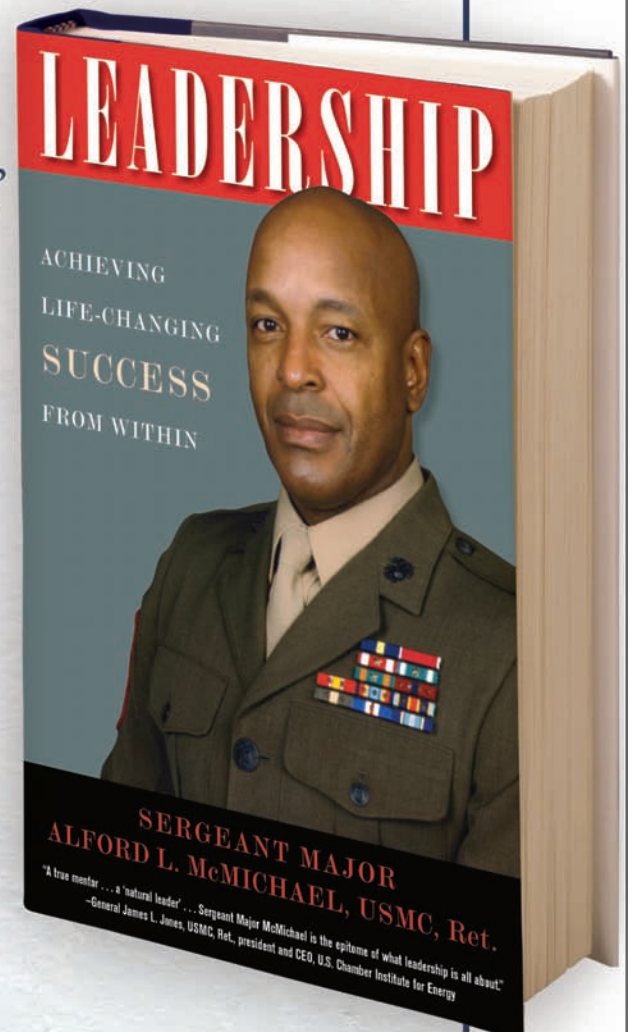
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United States Marine Corps, Ret.



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Health costs mount in retirement

NEW YORK — Many baby boomers are not going to be able to maintain their standard of living in retirement, not only because they're not saving enough but also because they face skyrocketing health care costs.

A study being released by the Center for Retirement Research at Boston College found that health care expenses could take a big bite out of retirees' budgets.

The government currently estimates an individual's costs for Medicare premiums, co-payments and other cost-sharing at about \$3,800 a year for a single person and \$7,600 for a couple.

Add to that \$500 per person for dental care, eye glasses, hearing aids and other items not covered by Medicare.

To cover such costs in the decades most baby boomers and Generation Xers will live after quitting their jobs, an individual needs to go into retirement with some \$102,000 earmarked just for health care coverage, the center estimated. A couple needs about \$206,000.

Baby boomers come from the generation born between 1946 and 1964; Gen Xers were born between 1965 and 1974.

The center worries that most

Americans have savings far below the level needed for health and non-health expenses. In fact, the median retirement savings balance for households approaching retirement is just \$60,000, it said.

Before health care costs are factored in, the center estimates that some 44 percent of baby boomers and Gen Xers are "at risk" of being unable to maintain their standard of living in retirement.

Add in the health care costs, and that rises to 61 percent being at risk for a lower standard of living.

Alicia Munnell, director of the center, said the numbers were "shockingly large." At the same time, she added, there are steps people can take to reduce the odds of an unpleasant retirement.

"The most effective step is to plan on working a few years longer," Munnell said. "That cuts the percent at risk by about 10 percentage points."

People also can step up their savings. And, she added, they can watch their weight and exercise more.

"Good health habits matters when it comes to holding down health care costs," she said.

—The Associated Press

Retirement health checklist

1. Have you made your appointment for your Pre-Retirement Physical?

2. Have you requested a copy of your medical records? DoD retirees all medical records for active duty personnel when they retire. These records are then sent to St. Louis. To maintain access to your earlier medical history, personnel should consider requesting a copy of their current medical records prior to retirement. This copy is provided at no cost to the servicemember. Contact your clinic for additional information. Medical records of family members of active duty personnel are not retired. Family members only need to consider requesting a copy of their records if they will primarily be seeking civilian care when their sponsor retires. Individuals moving to another area who will be using a different military treatment facility can request their records be forwarded.

3. Have you decided where you will be living after you retire? Where you live will determine what military health benefit you have available to you. If you already know where you will be living, contact that particular TRICARE Region and request a packet of information. You will be better able to compare potential medical insurance plans and the need for supplemental health insurance if you have the appropriate TRICARE information. If you plan on staying in the area, you should be able to continue receiving care in much the same manner as you are now.

4. Have you made the necessary decisions regarding health care coverage? You may have many options for health care coverage when you retire. Future employers may offer a benefit package that includes health insurance. You will want to compare the costs and features of a company-sponsored medical insurance plan with TRICARE. Costs, access standards, appeal process and grievances, specialty referrals, benefit package, dental coverage and coverage after reaching Medicare eligibility and the age of 65 are all considerations when deciding which program best meets your needs.

5. Do you have (or need) supplemental health insurance? Keeping or obtaining supplemental health insurance is a personal decision based on where you will be living after retirement, your personal health care needs and whether you are confident you will be able to receive all of your health care through military medical facilities where the cost of care is minimal.

—http://www.dewitt.wramc.amedd.army.mil/Tricare/Pre_Ret_Chk.htm

As you step from military life



to civilian life,



take along your life insurance protection with MBA Term 90.

With MBA Term 90, you can purchase up to \$250,000 of competitively-priced group term life insurance that you can take with you when you leave the military. Unlike SGLI, you do not have to convert this coverage to the government's more expensive VGLI.

This new coverage offers several other important advantages over the government plan:

- **Continuity.** Your coverage can be continued until age 90.
- **Competitive Premiums.** The cost of coverage under MBA's Term 90 plan is competitive with SGLI.
- **Separate Spousal Coverage.** Your spouse may purchase separate life insurance coverage of up to \$250,000.
- **Coverage for Children.** Your children may be covered for up to \$12,500 of coverage AT NO COST when you purchase \$250,000 of life insurance.

Coverage can continue to age 90	
Current MBA monthly non-tobacco user premium per \$50,000 unit of coverage	
AGE	CURRENT PREMIUM
0-39	\$ 3.25
40-49	\$ 3.75
50-59	\$17.50
60-89	\$32.00
Coverage reduced to \$17,500 at age 70; and \$5,000 at age 80, per unit.	

There are other valuable features to MBA's Term 90 Life Insurance

- **No War Clause, No Aviation Limitation or Reduced Benefits for Flyers.** Pay the same affordable premiums as those offered to other MBA members.
- **\$10,000 Emergency Death Benefit.** This sum may be paid to the designated beneficiary upon the death of a member, subject to request and approval.
- **Waiver of Premium for Officially Declared POW/MIA.** MBA is among the first to sponsor this compassionate benefit.

Exclusions: Suicide and misrepresentation of health can exclude coverage within the first two years.

Step into civilian life with MBA Term 90

For more information about MBA Term 90 group term life insurance, underwritten by Government Personnel Mutual Life Insurance Company, under policy number GP01, visit our website:

www.militarybenefit.org

or call our toll-free number 1-800-336-0100



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Military Benefit Association

Not available in all states.

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Where are you going

For some, the ideal retirement location lies abroad

With careful planning and lots of passion, some baby boomers are turning a dream of an overseas retirement into reality. They're lured to distant climes on the promise of a higher quality of life. Often they discover a lower cost of living, stunning natural beauty and a sense of community.

But relocating overseas isn't all fun in the sun, retirees and experts caution. A weakening dollar, the obstacles of a foreign language and culture, and disconnection from family and friends can intrude on paradise.

The Internet helps, however. Ubiquitous Web access aids planning and lets expatriates stay in touch with loved ones and up on current events.

It's difficult to know how many U.S. retirees seek new lives overseas. Neither the Census Bureau nor the State Department break out numbers on such people. That makes Social Security figures the closest estimate. According to the Social Security Administration, 441,693 beneficiaries, or about 1 percent of those in the system, received benefits while abroad as of the end of 2005. The AARP points out, however, that these numbers do not take into account people who may live abroad but collect Social Security payments at a U.S. address.

The overseas dream takes many shapes. Mary Strociek, 49, and her husband Matt, 67, had their hearts set on retiring to Cabo San Lucas, Mexico. They bought a condo there in the late 1980s, "when it was a quiet, sleepy village," Mary Strociek said. But then others discovered the beauty of the area and the place boomed. "We decided to get out of there," she said.

Then they discovered Panama. The Strocieks were overwhelmed by the breathtaking sights. "It's one of the few places I can see the curvature of the Earth," Mary Strociek said of the view from her property, which she says looks out on nearly 300 miles of coastline.

Won over, the Strocieks sold their Chicago home and built a house near the mountain town of El Valle, where they now live, Mary explained in a phone interview from her pool. Two years ago, it cost the couple about \$150,000 to buy their land and build a house, pool and bohio — a type of tropical gazebo. They're now living debt-free and enjoying the perk of a newly built Panamanian abode: no property tax for 20 years.

The Strocieks are among many Americans who have settled in Panama for their retirement years. The Migration Policy Institute, a Washington think tank, said in a report last year that the number of U.S. citizens receiving the kind of Panamanian visas most often used by retirees more than tripled between 2003 and 2005.

The institute found in focus groups with U.S. seniors in Mexico and Panama that the lower cost of living was among the most attractive features for Americans. The natural beauty and a sense of community also ranked high.

"People felt like they had more interaction with people in their daily life than in the U.S.," said Julia Gelatt, a research assistant who worked on the study.

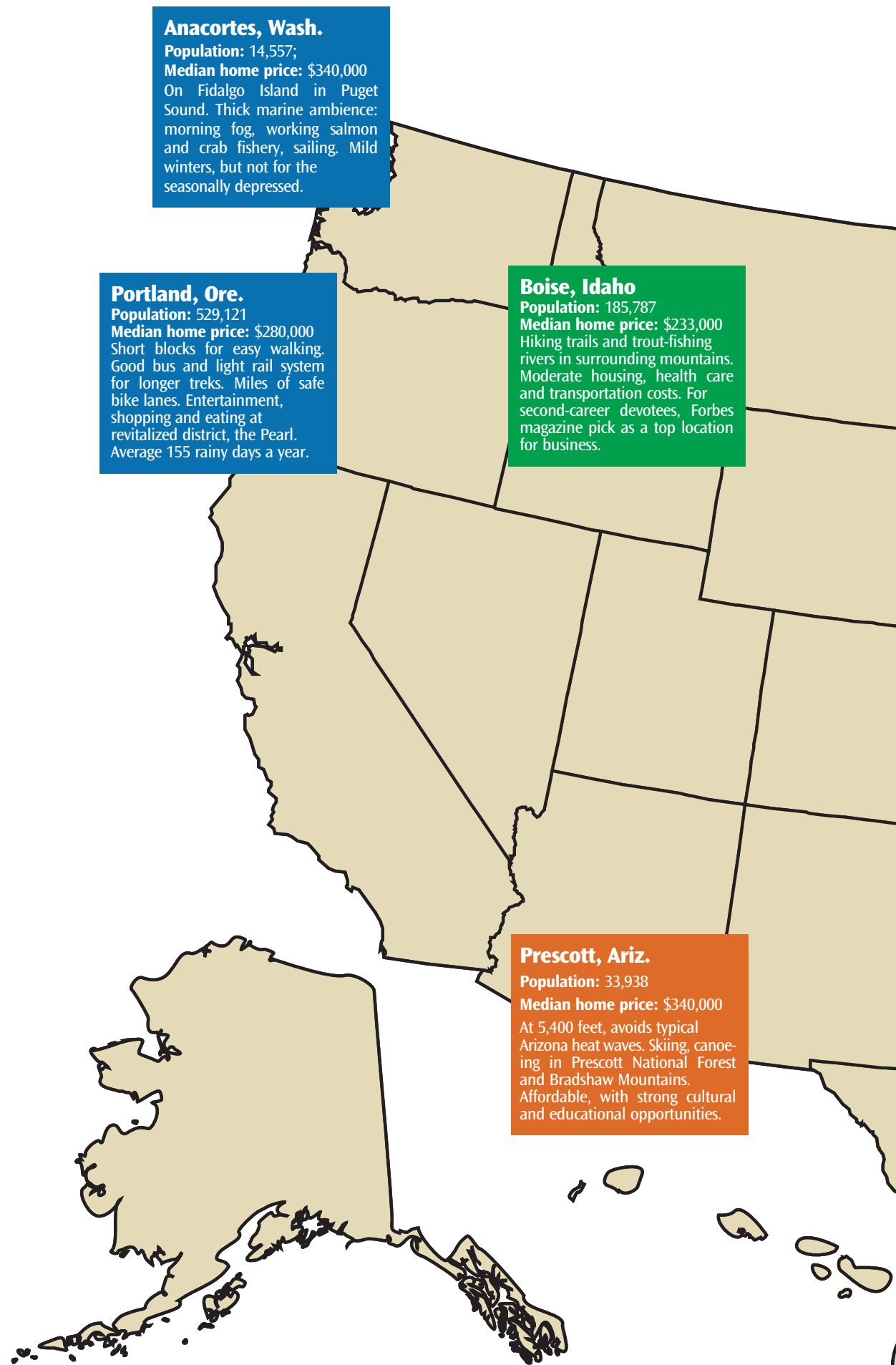
Both the institute's report and its interviews with retirees highlighted the importance of the Internet to seniors living abroad. Mary Strociek said she is constantly linked in thanks to the Web. She orders products online and regularly talks with family members, including the couple's children and grandchildren, over the Internet.

"With that access, there's nothing that I miss about the United States. ... I don't miss the weather or the traffic," she said.

The main obstacles of life in Panama, Mary Strociek said, are the bureaucracy and the banking system. She said it took her a year and a half to get license plates for the car she brought from the States. She added, however, that she knows others who didn't have difficulties.

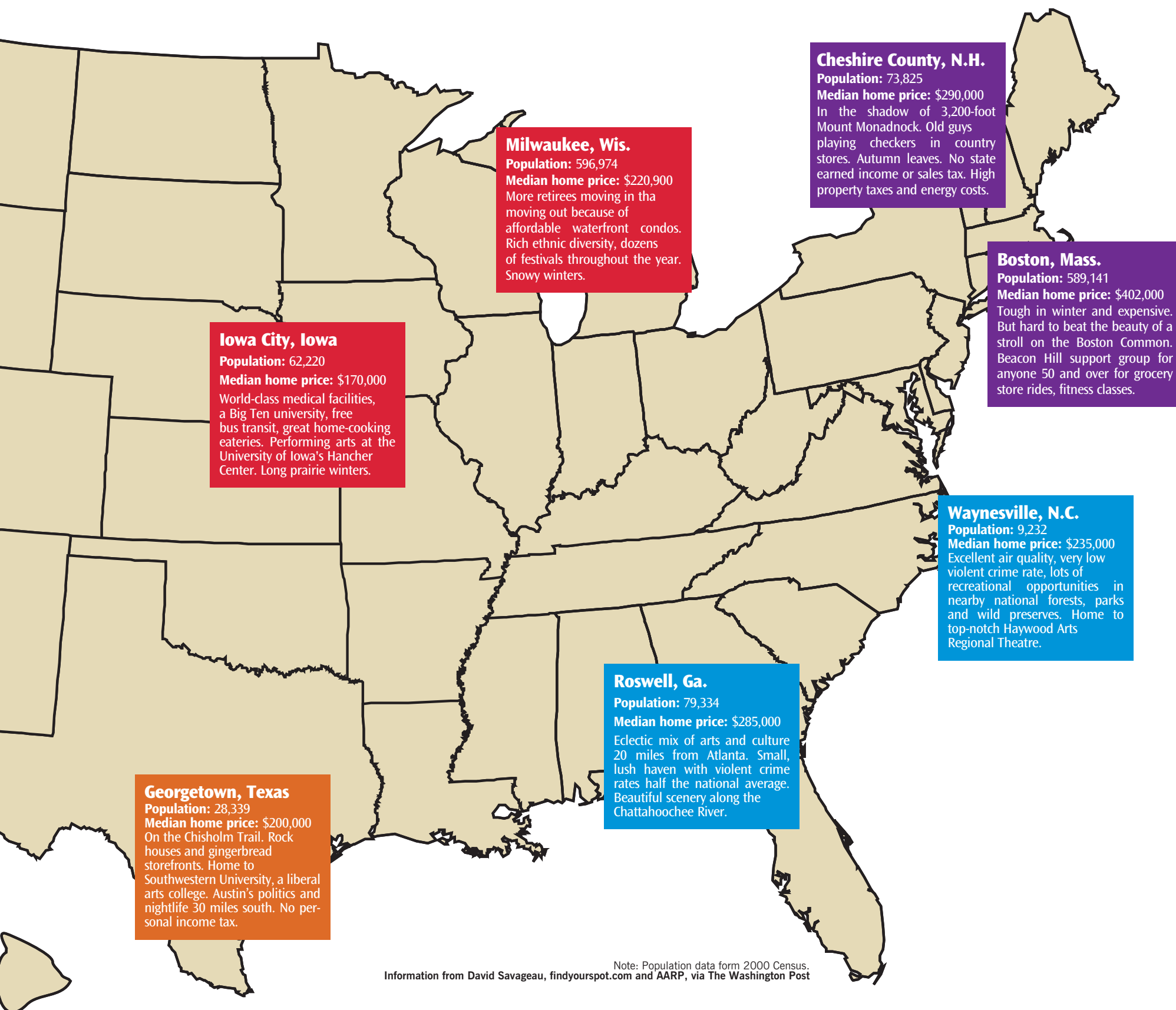
She also noted that although she lacks health insurance, the cost of medical care and prescriptions in Panama is a fraction of what she paid in the United States.

—The Washington Post



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Experts offer a selection of non-traditional destinations that may prove popular with America's retirees of the future.



Note: Population data from 2000 Census. Information from David Savageau, findyourspot.com and AARP, via The Washington Post

How you can avoid insurance mistakes

If you are approached by a life insurance agent suggesting that you terminate your current whole life insurance for a product they offer, please be careful. Most agents work on commission only and the way they get paid is to sell you something. Is the new policy they are offering in your best interest or in their best interest? It's something to keep in mind.

The agent should provide you with a policy illustration. Make sure you read the illustration carefully. The illustration should show you how the life insurance policy will perform well into the future. There should be columns for both cash value and death benefit. If you see zeros on that illustration, that is usually a bad sign.

Make sure that the illustration is using an interest rate that is realistic; for example, a 10 percent or 12 percent rate of return is not realistic year after year. If a prospectus is given to you in connection with that new policy, read the prospectus very carefully. Don't be afraid to ask questions. If possible, ask someone knowledgeable who you trust. Make an informed decision.

When considering a universal life policy, whether fixed interest or variable, it is important to know that much of the time, the cash value is not guaranteed (that means you can lose all your money that you put into it) and also, much of the time, the death benefit is not guaranteed (which means that universal life policy can lapse later on in the future leaving you with nothing).

Finally, we are all familiar with the big name insurance providers such as New York Life, Metropolitan Life, Prudential, Northwest Mutual, Hartford and many others. They are great companies with plans and services for everyone. However, as military members, be aware that you have unique circumstances requiring special consideration such as deployment to war zones, flying in helicopters or working with explosives. Many commercial insurers will decline coverage or charge higher premiums for dangerous and hazardous lifestyles and circumstances.

The good news is that there are a number of great insurance and benefit providers that specialize in providing insurance and benefits to the military. Check out AAFMAA (Army and Air Force Mutual Aid Association) if you are in the Army or Air Force and NMAA (Navy Mutual Aid Association) if you are in the Navy or Marines or other sea services. They have been serving the military for over 129 years with low-cost life insurance and benefit services. The important thing is to compare prices and services before you buy a policy. The membership coordinators of both these companies are not commission-oriented and will always have your best interests in mind.

—AAFMAA
Special to Stars and Stripes

Why do insurance rates vary so much?

Why does one person pay more than the next for the exact same insurance coverage?

Usually because of a difference in age, health and lifestyles. When we say the exact same insurance, we mean all of the following will be the same: (1) Type of insurance (term or whole life); (2) Age and gender of each person; (3) Term or length of time the policy runs; (4) Coverage amount; (5) Lifestyles and health.

If one person smokes and another doesn't their rates will differ. If one person has a family history of diabetes or another health related issue and the other person is in perfect health, their rates could differ. If one person is a pilot and another isn't, their rates could vary.

What are some of the things I should look for when comparing policies?

First there are the obvious differences: poli-

cy type, duration, coverage amount, etc. There are also some other more subtle differences: Is it a group policy or individual? This may determine whether the premium is guaranteed to never change. Some policies do not require physical exams. They will usually have a much higher premium rate. Renewal options and guarantees are another difference that can cause rate differences.

Considering VGLI upon Retiring?

If so, you need to read this!

Veterans Group Life Insurance (VGLI) is a great option for those service members separating or retiring who **cannot** medically qualify for a regular life insurance policy. You are guaranteed to be able to convert your SGLI to VGLI if you do it within their time frame, *without* medical underwriting. And, you can even get a discounted rate if you pay annually instead of monthly. **HOWEVER**, if you can medically qualify, **there IS a better alternative than VGLI — AAFMAA.**

Our **Level Term II** policy can *save you thousands* of dollars in premiums over the life of the policy. Go to the aafmaa.com Get a Quote section and compare our Level Term II policy to VGLI. Select the amount of years you would want the Level Term II policy and your results will pop right up. When you get your quote, you will also see the first two VGLI rate groups for your age. Remember, VGLI premiums increase every five years according to age; Level Term II premiums remain the same for the entire term.

As an example, below are premiums for a \$400,000 10-Year Level Term II policy for a 45 year old male. Monthly premiums are used to calculate total cost for the 10 year term.

Level Term II Rate Category	AAFMAA Monthly Premium	Total Cost for 10 Year Term	VGLI Total Cost for 10 Years (\$100/mo age 45-49 \$160 mo age 50-54)	Total Savings Over 10 Years with AAFMAA
Super Select	\$20.60	\$2,472	\$15,600	\$13,128
Select	\$30.20	\$3,624	\$15,600	\$11,976
Standard	\$42.60	\$5,112	\$15,600	\$10,488

Even at AAFMAA's Standard rate, the SAVINGS over VGLI in this 10 year example equals \$10,488!!!!

If you have VGLI, and can medically qualify, you owe it to yourself and your family to consider AAFMAA's Level Term II policy.

Level Term II policies can be issued up to age 75 for members and spouses and can last until age 85.

Call a Membership Coordinator TODAY toll-free at 1-877-398-2263 for more information or visit www.aafmaa.com and Get a Quote!

Keys to approaching a 401(k) plan

1. Participate. Automatic enrollment dramatically increases worker participation, but don't wait for an employer sign you up. The earlier you enroll the better. Saving even small sums in your 20s will be beneficial and a lot easier than playing catch-up in your 40s or 50s. If money is tight, contribute at least enough to get the

company match. Raise your contributions when your pay rises.

2. Invest wisely. Workers have an average of 14 investment options in their 401(k), according to Hewitt, but many gravitate to two investments that could put their retirement at risk: company stock and stable-value funds.

Your savings could be wiped

out if all your money is in an employer's stock and the company tanks. And by being too conservative at a young age when you can afford to take some risk, you forfeit the prospect of the returns you might need to retire comfortably.

If you're not a hands-on investor, choose a so-called target-date

retirement fund, if your plan offers this. You select a fund whose date is closest to the year you expect to retire, say, 2040. Professional managers do the rest. They will make sure you are appropriately diversified and gradually shift to more conservative investments as you approach retirement.

3. Don't borrow. About 1 in 5 workers borrow, and the average outstanding loan is nearly \$8,000, says Pam Hess, director of retirement research at Hewitt. There are a variety of reasons why loans are bad. Mainly, if you take money out of your account, it's no longer invested and growing.

4. Don't cash out. Forty-five percent of workers at mid-size and large companies cash out their account when switching jobs, especially when balances are small, Hess says.

This devastates your retirement finances. Not only are you spending money that you'll need later, but you will owe taxes on the cash and possibly an early-withdrawal penalty, too.

Instead, roll the account over to a tax-friendly individual retirement account, where you can have a wide choice of investments. Or, better yet, roll the money into your new employer's plan if possible, says Martha Priddy Patterson, a director with Deloitte's human capital practice. "It's so much easier for individuals to track their money," she says.

Here's another reason to do that: Investment fees in a 401(k) are lower than what you would pay with an IRA at a brokerage, Hess says.

—Eileen Ambrose
The Washington Post



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Tips to boost your savings

Looking for some painless ways to increase your savings? Here are tips from three Washington-area financial experts.

Christine Fahlund, senior financial planner at T. Rowe Price in Baltimore:

■ The sooner you start, the more time your money has to grow. Enroll in your company's 401(k) plan and/or sign up for a program in which money from your paycheck or bank account, often as little as \$50 a month, is automatically deposited into a savings or investment account.

■ If your employer matches contributions to your retirement plan, be sure to contribute at least enough to get the full match. Contribute as high a percentage of your salary as you can, and increase it two percentage points a year.

■ Small amounts can add up. Take the pocket change you accumulate, or the money you save by brown-bagging it, and deposit it into your account.

Dennis Gurtz, a principal of Gurtz, Yurachek, and Associates with Ameriprise Financial in Bethesda, Md.:

■ Every time you get a raise, spend only one third of it. Another third goes to new savings, and the final third goes toward taxes. Over time, this will really compound.

■ Make a game of saving money. See how much of your daily spending you can cut out, and price check all purchases. Not buying a gourmet brand cup of coffee and taking a bagged lunch to work can easily save \$10 a day.

You It's your money.
should give the orders.

SaveAndInvest.org

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