YOUR LIFE & YOUR MONEY IN RETIREMENT

UNDERSTANDING THE 5 KEY RETIREMENT RISKS

Planning for the lifestyle you want in retirement

Principal® Financial Group

PICTURE IT your moment of retirement. You've worked hard to get here. Now it's time to do all of the things you've been dreaming about for the last 40 years. Whatever it is you want to do, you're going to need to make sure you have a paycheck to do it.

During your working years, your focus was saving for retirement. But now your focus shifts to creating income in retirement. That means creating a paycheck from your retirement savings. When planning how much income you'll need for your retirement paycheck, it's important to consider the impact outside factors can have on how long your money will last.

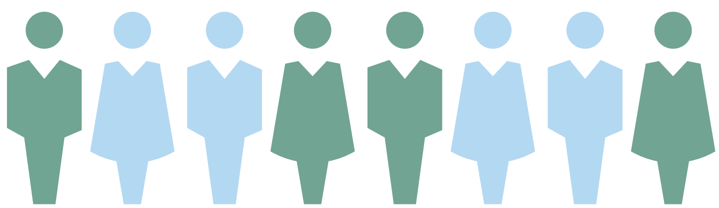
THINGS YOU DON'T EXPECT ARE GOING TO HAPPEN.
Things like unexpected health issues or declines in the market. You can prepare for the unexpected by understanding such risks and having a plan in place to ensure you can create your own check — *my*check — to last throughout your retirement. The following pages explain the risks and potential impact on retirees.

LONGEVITY

1 PLAN FOR A LONG LIFE

The good news is that people are living longer. According to the U.S. Census Bureau, there are nearly 2 million Americans over the age of 90, and 53,000 over the age of 100.[1]

With that comes the risk that you will live longer than your savings can support. It's important to consider how long you may live to help determine how long your income will need to last. Keep in mind you could spend 20 to 30 years or more in retirement.



TODAY, there's a 55% chance that the husband or wife in a married couple age 65 will live to age 92.[2]

Everyone wants to live a long, healthy life. That's a great thing, but it's imperative for your money to last for the 30 or more years you may spend in retirement.

[1] U.S. Census Bureau - 2010 Census Special Report, Dec. 2012.
[2] Society of Actuaries, 2012 Individual Annuity Mortality Basic Table.

HEALTH CARE

2 EXPECT HIGHER SPENDING

Retirees today are more active and living longer than ever. But health care is one of the biggest expenses — and uncertainties — in retirement. Don't let health care coverage needs surprise you.

Keep in mind:

$207,000 is the amount a couple (each age 65) may need to cover their health care costs in retirement.[3]

Health care costs are expected to increase by 5.8% each year — more than double the average rate of inflation.[4]

Long-term care is also a factor. On average, it currently costs $83,950 a year for a private nursing home room.[5]

You must be 65 to be eligible for Medicare.
If you retire before age 65, you'll need to obtain private health care insurance or continue coverage through an employer's health care plan under COBRA.

Medicare alone may not be enough. It generally only covers about 60% of the cost of health care services.[6] In addition, premiums and out-of-pocket expenses apply.

[3] Savings needed for Medigap premiums, Medicare Part B and Part D premiums and out-of-pocket prescription drug expenses. Assumes median drug expenses and excludes long-term care. Employee Benefit Research Institute, "Amount of Savings Needed for Health Expenses for People Eligible for Medicare," October 2013.

[4] National Health Expenditure Fact Sheet, May 2014.

[5] Genworth Cost of Care Survey, 2013.

[6] EBRI Notes, October 2012, Vol. 23, No. 10.

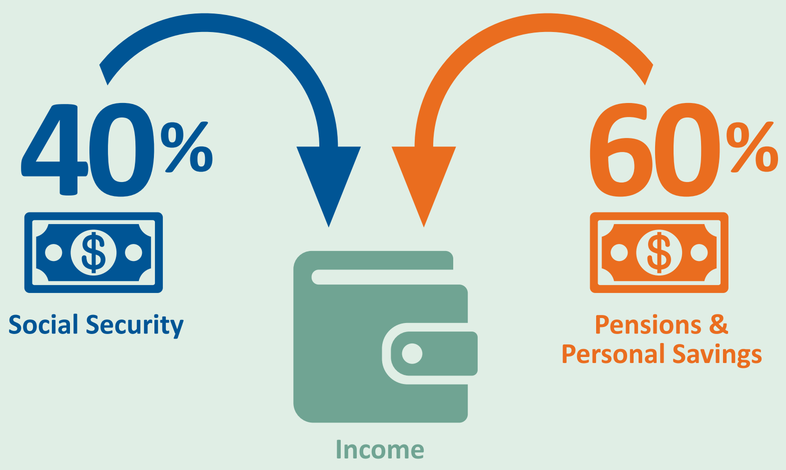
PUBLIC POLICY

3 UNDERSTAND THE CURRENT ISSUES

Will new taxes or tax increases reduce your retirement income? Will Medicare continue in its current form? What is the future of Social Security?

The fact is, no one can predict — with certainty — what our government will do in the future. All you can do is keep yourself educated and informed about public policy so you can make changes as necessary.

Social Security will only replace a *portion* of your income in retirement.
There's a lot to consider. Currently, Social Security replaces about 40% of pre-retirement earnings for a worker earning $40,000 a year.[7] But this may change: In 2021, the Social Security Administration will begin paying more in benefits than it collects in taxes.[8]



[7] Social Security Administration Annual Statistics 2012.
[8] 2013 Social Security Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.

INFLATION

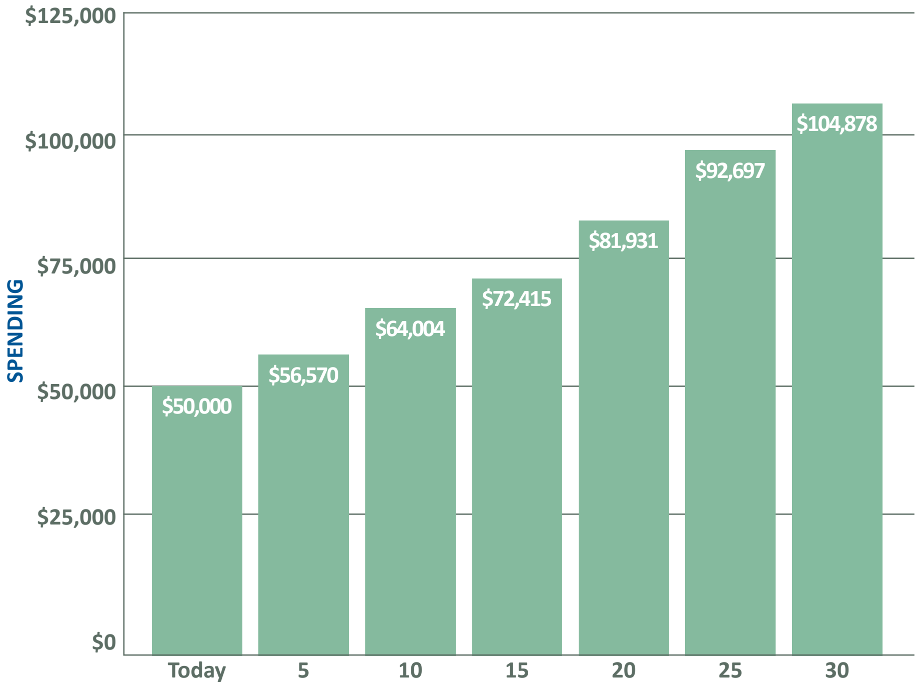
4 CONSIDER YOUR PURCHASING POWER

Inflation equates to a loss of spending power. No matter what your lifestyle in retirement, inflation can erode your buying power over 20 or 30 years.

Your annual income needs could double over the course of retirement. Suppose you need retirement income of $50,000 a year, today — and inflation averages 2.5% a year going forward. In 30 years you'll need more than $100,000 a year to buy the same goods and services you do today, to maintain the same standard of living.

Impact of Inflation on Income Needs

The hypothetical example is for illustrative purposes only and assumes a 2.5% annual rate of inflation and annual retirement expenses of $50,000 at the start of retirement.



You don't notice it much from year to year, but over time inflation can have a tremendous impact on your buying power. During your working years, if you received pay raises, they generally covered the cost of inflation. But without a paycheck, inflation poses a bigger threat in retirement.

INVESTING

5 CONSIDER THE IMPACT OF INVESTMENT RISK

The market continually rises and falls, but a down market when you're in retirement can reduce your income and affect how long your money will last. A good defense against market volatility includes a financial plan with a long-term view and a diversified portfolio.

The chart below shows the risks that accompany investing in the market — you invest in the market to help your money grow, but along with that comes the "cost" of those potentially higher rewards in the form of risk.

S&P 500 Composite Total Return 1985 – 2014

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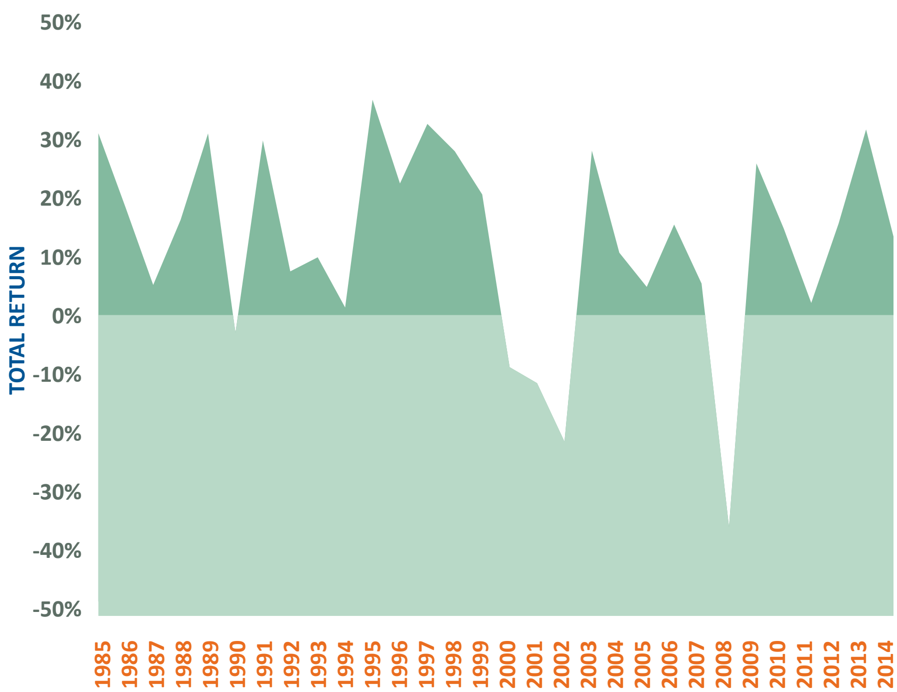

Consider how much risk you're willing to take on to meet your personal goals and continue to grow your nest egg. Spreading savings across a range of investments can help reduce the impact of investment risk.

WHAT DOES IT ALL MEAN?

START PLANNING TODAY

The unexpected can happen in retirement. But a financial professional can help you customize a retirement income plan to help mitigate the risks where possible.

A FINANCIAL PROFESSIONAL CAN HELP YOU:	
	Envision your retirement goals
	Determine your income needs
	Assess your sources of guaranteed income*
	Identify your assets available to fund retirement income
	Create and implement a plan
	And ultimately, help you monitor your retirement income plan on an ongoing basis

Proper planning during the transition into retirement can help you address the risks, ensuring you'll have enough income to last for the rest of your life. **Meet one-on-one with a financial professional on a regular basis to discuss these risks and to review your retirement income plan.**

WE'LL GIVE YOU AN EDGE®

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*Guarantees are based on the claims-paying ability of the issuing insurance company.

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