

# Your Future

January 2010 | News from Lincoln Financial Group to help you save for an enjoyable retirement. Hello future.®

► **Despite stock market volatility, nine in 10 said it was important to stay invested in equities.**

## The journey continues

We're resilient people. Only one in 10 working Americans recently surveyed said their retirement dreams have been permanently impaired by market losses. Asked how they would cope with their retirement savings shortfall, most said they would spend less, save more, and work longer. Despite stock market volatility, nine in 10 said it was important to stay invested in equities.<sup>1</sup>

Although most Americans disagree with economists who've declared the recession over,<sup>2</sup> most are hopeful and view life not as a battle, a race, or a merry-go-round but a journey.<sup>3</sup> As the journey continues in 2010, consider stepping up your retirement saving. Here's a three-step strategy to help you save for a secure financial future.

### 1 Save more at work.

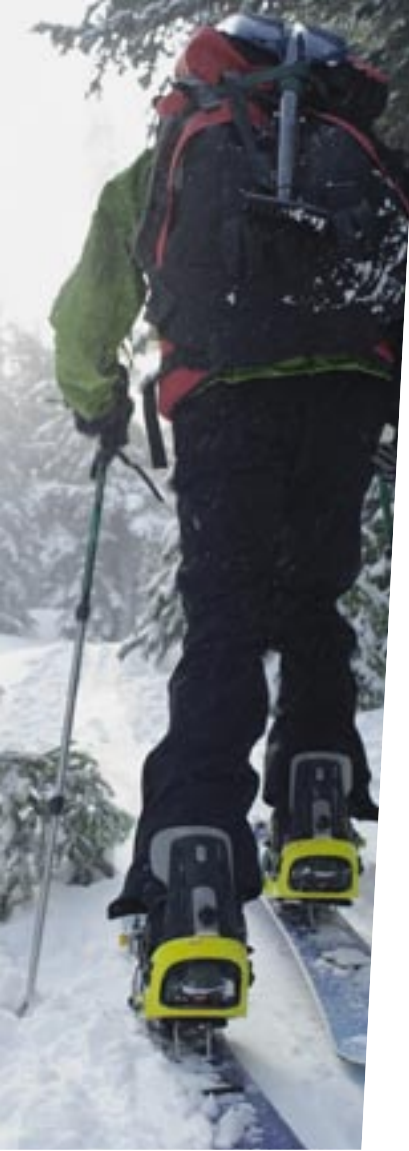
Consider increasing contributions to your employer-sponsored retirement plan. You may gradually increase your tax-deferred retirement savings over time. The limit is adjusted annually to keep pace with inflation. The most you can set aside in your plan in 2010 is \$16,500, with additional catch-up contributions of up to \$5,500 if you're 50 or older. If your employer offers a matching contribution, try to contribute enough to receive the match. Since the economic downturn has eased short-term inflationary pressures,<sup>4</sup> limits are unchanged from 2009:

Year	Contribution limit	"Catch-up"	Total age 50+
2009	\$16,500	\$5,500	\$22,000
2010	\$16,500	\$5,500	\$22,000

### Which of the following metaphors best describes your life?

- A journey **51%**
- A battle **11%**
- The seasons **10%**
- A novel **8%**
- A race **6%**
- A live performance **5%**
- A carousel **5%**
- Other/unsure **4%**

Source: *BrandWeek*, October 26, 2009.



## 2 Save more in an IRA.

Once you've contributed the maximum allowed to your employer-sponsored plan—or at least met your employer's match—you may want to save even more in a tax-deferred Individual Retirement Account (IRA). If you're eligible, you have until April 15 to contribute to an IRA for the 2009 tax year. The IRA ceiling has not changed since 2008, and future increases will be indexed to inflation:

Year	Contribution limit	"Catch-up"	Total age 50+
2008	\$5,000	\$1,000	\$6,000
2009	\$5,000	\$1,000	\$6,000
2010	\$5,000	\$1,000	\$6,000

## 3 Save smarter, starting with an annual review.

A new year provides an excellent opportunity to conduct a three-point annual review of your retirement account. Contact your Lincoln Financial representative to help reassess your long-term goals, contribution levels, and three specific areas:

**First**, revisit your asset allocation, which is the way your money is diversified among these major asset classes—stocks, bonds, and cash/stable value options.

**Second**, determine whether you should rebalance, or adjust your portfolio to restore a target asset allocation mix.

**Finally**, reevaluate the timing of your retirement. You may want more time to rebuild your nest egg in the aftermath of the recent downturn.

<sup>1</sup>"Most Don't Think Market Has Ruined Retirement Plans," *PLANSPONSOR.com*, October 20, 2009.

<sup>2</sup>"Poll: Has the Recession Ended?" *Washington Post*, October 23, 2009.

<sup>3</sup>"Pick a Life Metaphor," *BrandWeek*, October 26, 2009.

<sup>4</sup>"Where's the Inflation?" *Money*, November 2009.

## Power savers

### Retirement plan participation actually increased during the downturn.

Although eight in 10 Americans have personally felt the impact of the recession, some good has come out of the wrenching experience. More than half of us are forming stronger bonds with our families, half are reconnecting with old friends and rediscovering community or religious groups, and one-third are volunteering more for charities.<sup>1</sup>

In addition to giving back, former power spenders are cutting back. Half of us expect to spend less even if our financial conditions improve. Studies show a new generation is learning disciplined spending habits in the same way that the Great Depression turned many people now in their 80s and 90s into lifelong savers.<sup>2</sup>

**Here's how serious we've become about saving:** The number of workers participating in employer-sponsored retirement plans increased even as the stock market declined and the economy weakened:

- Overall participation increased to 77% at the end of 2008 from 73% at the end of 2007, with average contribution rates holding steady at 7% of annual pay.<sup>3</sup>
- While a rising proportion decreased or stopped contributions, it was still exceeded by the percentage that increased contributions.<sup>4</sup>

Moreover, most participants value their plans highly. Eight in 10 said their plan was a "very important" part of their retirement strategy; nine in 10 said the best way to save was by having their investments automatically deducted from their paycheck.<sup>5</sup> Bottom line: power savers are making wise decisions about their financial futures.

<sup>1</sup>"How the Economic Crisis Changed Us," *PARADE*, November 1, 2009.

<sup>2</sup>"Frugal Forever?" *U.S. News & World Report*, July 2009.

<sup>3</sup>"New Data Reveals Increase in 401(k) Plan Participation," *401khelpcenter.com*, October 27, 2009.

<sup>4</sup>"DC Plan Contribution Rate Increases Still Outnumber Decreases," *PLANSPONSOR.com*, September 2, 2009.

<sup>5</sup>"Workers Still Committed to Workplace Retirement Plans," *PLANSPONSOR.com*, October 19, 2009.



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