TAKE CHARGE OF YOUR FINANCIAL FUTURE

A Woman's Guide to Investing for Retirement

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TODAY
I made retirement planning a
“must-do” item.

When you line up all of the items on your "to-do" list, planning for retirement is likely to fall somewhere between the very bottom and not on the list at all. While your retirement may be 20, 30 or even 40 years away, it's still a stage of life that requires planning, and not just once you hit your fifties.

The secret to planning for your retirement is doing so *early*.

The earlier you begin to invest, the less you need to put away to create larger retirement savings. As a woman, you have a lot going on. You are likely to be juggling your "to-do" list with your "must-do" and "would-like-to-do" lists. By taking charge of your financial future, and beginning to plan for your retirement, you'll be able to cross off a "must-do" item, so you'll have more resources to conquer the items on your "would-like to-do" list now… and when you reach retirement.

Why Take Charge of Your Financial Future Now?

What does the future hold? Uncertainty. Life can be uncertain, and the future is always unpredictable. While factors like the national economy, interest rates and inflation are out of our control, all have great potential to affect each of us and our families financially.

To add to the uncertainty, programs that were established decades ago to help us in retirement are now questionable. Our parents and grandparents relied on their pension plans, Social Security, and Medicare. Many grew up hearing that these programs would help support in retirement as well, but that may no longer be the case for future generations.

If you have another 20 or 30 years until you retire, the availability of Social Security benefits in your retirement is a question mark. Currently, it's projected that Social Security will be unable to pay full benefits beginning in 2033[1]. And the future of Medicare also hangs in the balance, making it an unreliable resource for those who plan on retiring decades from now.

The economy, reduced employee benefit plans, Social Security, Medicare, interest rates, taxes … these factors could all affect your retirement — and you can't control them. What you can control is how and when you invest for your retirement.

Out-of-control factors = uncertainty for you

- **Economy.** The nation has an escalating debt of more than $16 trillion.[2] Interest rates are uncertain, taxes may escalate.
- **Pensions.** Pension plans used to be a standard benefit for employees. The recession brought 401(k) reductions and eliminations.[3] Nationwide, public pension plans are $1 trillion short.[4] As a result, many companies no longer offer pensions as an employee benefit.
- **Medicare.** Within twelve years, there will be a shortfall in Medicare. Adequate funding is needed so Medicare can continue to pay for seniors' hospital care and to prevent increases in seniors' out-of pocket costs.[5]
- **Social Security.** Today, the ratio of workers paying into the system versus those receiving benefits is falling. Under present laws, Social Security will exhaust its trust funds in 2038, and would have to cut benefits by 19 percent.[6]

[1] Janet Novack, Forbes, Will Social Security Be There For Your Retirement?" April 23, 2012; http://www.forbes.com/sites/janetnovack/2012/04/23/will-social-security-be-there-for-your-retirement/

[2] US Debt Clock; http://www.usdebtclock.org/

[3] Dallas Salisbury, Wall Street Journal Online, The Future of Retirement Plans; http://online.wsj.com/ad/article/employeebenefits-future, accessed February 3, 2013.

[4] Bill Whitaker, CBS Evening News, "U.S. public pension plans face $1 trillion shortfall," http://www.cbsnews.com/8301-18563_162 57457451/u.s-public-pension-plans-face-$1-trillion-shortfall/, June 20, 2012.

[5] AARP.org, "Medicare and Social Security: What's at Stake?," http://www.aarp.org/content/dam/aarp/health/medicare_insurance/2012-02/Medicare-and-Social-Security-Whats-at-Stake-AARP.pdf, February 2012.

[6] Philip Moeller, U.S. News and World Report, "The Future of Social Security," http://money.usnews.com/money/retirement slideshows/the-future-of-social-security, accessed February 3, 2013.

RETIREMENT CONCERNS FOR WOMEN

In addition to the uncertainties that come with the future of Social Security and Medicare, dwindling pensions, and a stressed federal economy, women face even more factors that can put their retirement at different risks than men. Being aware of what you can do and beginning to invest now can put you in a better financial position when it's time to retire.

Let's start by looking at salary. It's probable that a woman will experience more gaps in her employment than a man. Even as women make great strides in breaking through the glass ceiling and continue to contribute more and more to household incomes, they are still more likely than men to take extended periods of time away from work to care for their children or run their households. While being a homemaker is a noble profession, it unfortunately doesn't draw a salary and contribute to Social Security, pensions and retirement accounts. That time away from work is a period in which a woman isn't contributing to her very important retirement savings accounts. In addition, women still don't make as much as men — approximately 18 to 22 percent less[7]. While women continue to close the widely reported income gap, that time away from work can contribute to the nearly $500,000 less that a college-educated woman will make over the course of her career[8].

Then, there is longevity. Women tend to live longer than men, an average of 5 to 10 years longer[9]. About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95[10]. While a longer life expectancy is great, it's something that women need to factor into their retirement plans. A 40-year-old woman who plans to retire at age 65 will need to plan to have retirement funds last at least 20 years or longer, keeping in mind that she may have contributed less to Social Security and other retirement accounts due to the wage and employment gaps.

And finally, widowhood. While it's a subject that nobody wants to think about, the reality is that the average age of widowhood for women in the United States is only 56.6 years old[11]. The probability that you will outlive your spouse is high, so it's wise to be prepared for a time when you may be solely responsible for your financial situation.

What does all of this mean for you? You will probably need to save more for retirement than your male counterparts; the money simply has to last longer. Starting to take charge of your financial future today is crucial. Many factors are out of your control, but you can control your plan for investing for retirement, putting you in a better financial situation in the future.

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7 Peter Coy and Elizabeth Dwoskin, Bloomberg Businessweek, "Shortchanged: Why Women Get Paid Less than Men," June 21, 2012; http://www.businessweek.com/articles/2012-06-21/equal-pay-plaintiffs-burden-of-proof.

8 Christianne Corbett, M.A., Catherine Hill, Ph.D., "Graduating to a Pay Gap", October 2012

9 Eve Kaplan, "Women Live Longer Than Men But Save Less for Retirement," Forbes.com, November 8, 2012. http://www.forbes.com/sites/feeonlyplanner/2012/11/08/women-live-longer-than-men-but-save-less-for-retirement/.

10 Social Security Administration, Calculators: Life Expectancy; http://www.ssa.gov/planners/lifeexpectancy.htm

11 Jeannette Bajalia, Wi$e Up, Women! A Guide to Total Fiscal and Physical Well-Being, Advantage Media Group, 2012

TODAY
I set my financial goals.

Setting Your Financial Goals

What do you want to achieve?

When you picture yourself retired 30 to 40 years from now, what does it look like? Most of us want to have a "comfortable" retirement, but what does that really mean to you? Are you focused on any of these retirement goals:

- *Having saved a specific amount of money by the time you retire?*
- *Having enough resources to spend time traveling?*
- *Buying a retirement home – at the beach, in wine country, near family?*
- *Do you want to be debt-free?*
- *Is something else important to you?*

What goals have you set for yourself and for your family? Take a minute to think about what your goals are and write them here:

My retirement goals (daydreams welcome):

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____

____

____

Now that you have identified your goals, try to clarify them. Focusing on what you want to work toward will help grow your commitment in reaching it. Envisioning your retirement and documenting the details will encourage you to invest now for your retirement.

Tips on developing SMART goals:

- **S*pecific.*** *Do you have a certain dollar goal? A dream house you want to buy? A travel itinerary? Make sure you can picture your ideal outcome clearly.*
- **M*easurable*.** *Want to become debt-free before retirement? Calculate how much you need to pay off every month.*
- **A*ttainable.*** *Any budget can provide enough savings to plan for retirement, but there are limits. Set a realistic goal you know you can achieve.*
- **R*elevant.*** *Don't work for someone else's idea of a dream retirement. Make sure your goals are meaningful to you.*
- **T*ime-Specific.*** *Know when you want to retire. If you have a career timeline or a Social Security deadline, keep that date in mind as you work toward your goals.*

Clarifying and quantifying your goals will make it easier for you to pinpoint how much you need to put aside to invest. A clear vision of your retirement years is the first step in figuring out how much money you'll need to make your dreams a reality.

How Will You Get There?

With retirement decades away, and so many other priorities today—paying off the mortgage and other debts, saving for college, paying childcare expenses, daily living expenses, and the list goes on—how do you start putting together the funds to invest now? Let's start with some easy steps you can put into place as you start to invest for retirement.

THE "LATTE FACTOR"

Many people feel that they simply do not have the money to invest. But most of us have minor daily splurges — grabbing a latte or coffee on your way to the office rather than drinking the office brew, going out to lunch every day rather than bringing your lunch from home or raiding the vending machines in the afternoon. As a way to "find" money to invest, take a look at your daily spending habits. Some people call this the "latte factor."

Let's put this to work for you. First, jot down some of the items you splurge on day-to-day in the chart on the right, and add up the money that you spend. Could you eliminate one or more of those expenses and turn that cash into retirement investment money instead? (Complete chart below.) You will probably find a small amount in your daily spending that you can live without, and eventually turn that small amount into big savings.

My Daily Splurges

Splurge	Cost
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
Total	$ __________

Here's how:

Put the amount of your daily splurges in the chart below. Multiply this number by the number of days a week you can live without this splurge — is this daily, or just on work days, or a weekly event?

Multiply this number by the number of weeks you plan to do this in a year. Do you include vacation weeks or weeks when you travel? The total number is the amount you could move from your splurges to start your investment account.

Saving $6 a day for a year will give you an additional $2,184 to invest. Using the principal of compound interest, if you invested this $2,184 a year for 20 years (a $43,776 investment) at a 5 percent annual interest rate, at the end of 20 years, you would have more than $74,972.

Finding my first investment

Daily Splurge: $ ______________________

X # of days/week ______________________

$ ______________________

X # of weeks/year ______________________

Available to invest $ ______________________

GROW YOUR MONEY

While the old adage "money doesn't grow on trees" is certainly true, with the right planning, you can figure out how to make your money grow. How long it will take? Or even better, what does it take to double your money? There is a rule of thumb, called the "Rule of 72," a shortcut to help you find the number of years required to double your money at a given interest rate.

To calculate the length of time it will take you to double the money you invest, take the number 72 and divide it by the rate of return you think you can expect on your investment, and you will have the number of years. For example, if you have an investment with a 6 percent interest rate, your money will double in 12 years. The length of time it takes to double your money will change based on your interest rate.

By understanding the amount of time that is needed for your investments to grow, you can begin to really picture how your current savings plan will look at the end of 10, 20, or 30 years…or what you can expect with your investments when you reach full retirement age.

How long to double my money?

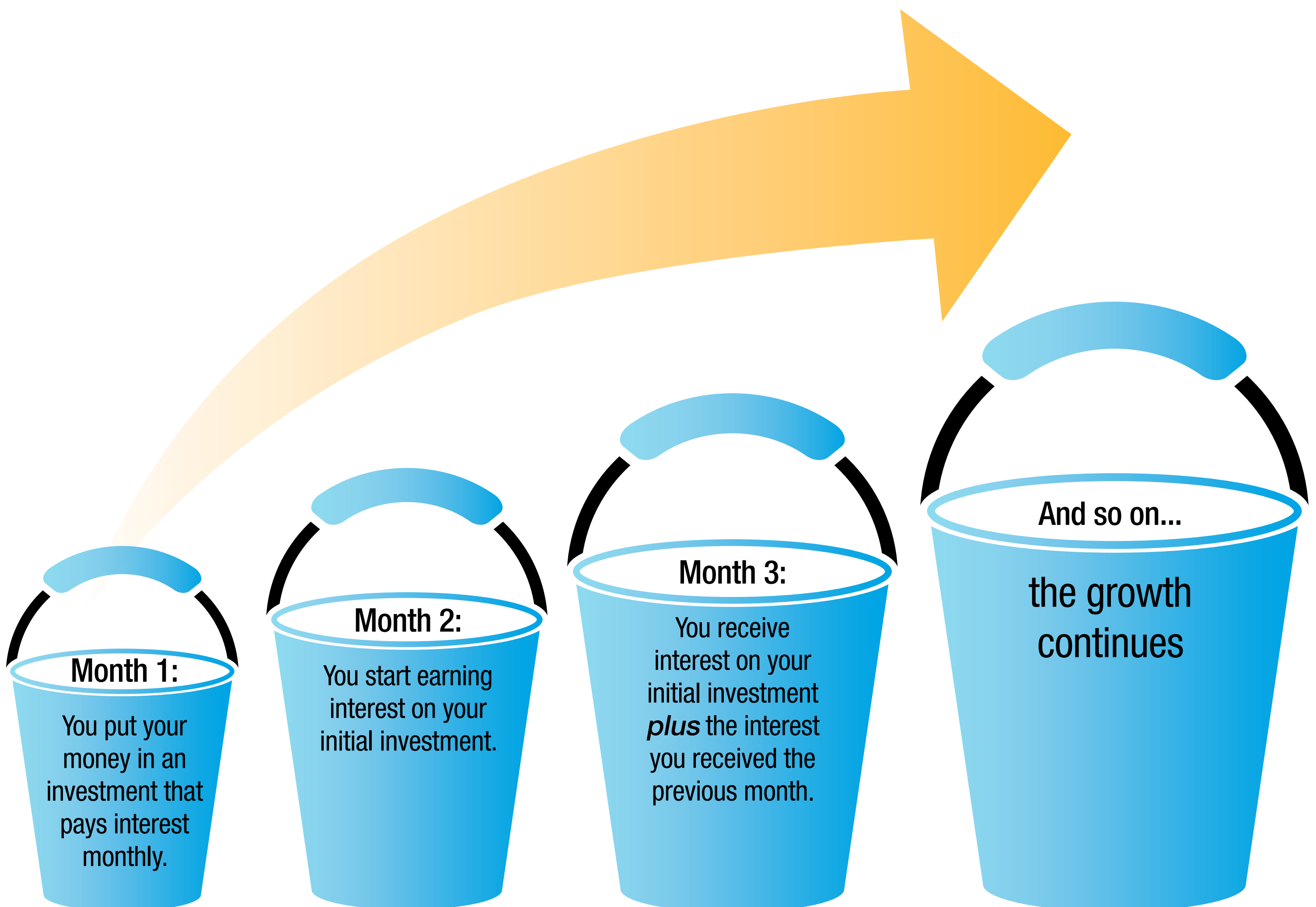
72 ÷ interest rate = number of years to double money

72 ÷ _____________ = __________ years

COMPOUNDING: TIME IS MONEY

While you now understand how long it will take for an investment to grow, there's still more to the investment story. Time is money. Once you start investing into your 401(k), 403(b), or any other investment vehicles, you put your money to work and you start earning interest. How does it work?

The amount of interest that you are receiving each month grows. This is called compounding, and it shows that the earlier you begin to invest your money, the more it will grow — helping you reach your investment goals more efficiently.



EARLIER VS. LATER: THE POWER OF COMPOUNDING

Let's say Jennifer and Ann are the same age, and began working at age 22 and plan to retire when they reach age 67. But they are approaching retirement savings in different ways, at different points in their careers.

Jennifer chooses start investing as soon as she gets her first job at age 22. She puts away $2,000/year for 20 years, at a 7% annual interest rate, for a total investment of $40,000. Then she stops investing for the next 25 years, but she continues to earn a compound interest on that investment. **At the end of 45 years, she had a balance of more than $475,000.**

Ann did not choose to invest for the first 20 years of her career, and doesn't save at all. But she began saving $2,000/year at a 7% interest rate once she hit age 43, and continues at that pace for the next 25 years for a total investment of $50,000. Because Ann started investing later and didn't have the advantage of compound interest for the first 20 years, **Ann's investment was worth just over $135,000 for the same period of time— even though she invested $10,000 more than Jennifer.**

	45 YEARS OF INVESTING			RETIREMENT
	Her investments at ages 22-42 *(first 20 years of career)*	Her investments at ages 43-67 *(last 25 years of career)*	Interest rate	Final balance at age 67:
Jennifer	$2,000 a year, for 20 years: **$40,000 TOTAL**	$0	7%	**$476,150**
Ann	$0	$2,000 a year for 25 years: **$50,000 TOTAL**	7%	**$135,352**

What made the difference? The power of time and compound interest. Jennifer's decision to invest early meant that she saved $10,000 less, but still had over $340,000 more than Ann by the time they reached retirement age. This is a powerful combination that can work for you, especially if you start to invest early.

Building Your Portfolio

By now you've identified your "latte factor" and know where you can find money to save for retirement. You've also seen the incredible advantage time brings to an investment portfolio—just through the magic of compound interest. Now we'll look at how finding tax-advantaged investments can add to your savings, both now and in retirement, and consider a few additional options for retirement savings.

Investing your money on a tax-advantaged basis allows you to put away less money to reach your goal. How does this work? When you make an investment that is tax-deferred, you don't have to pay income tax on your contribution or earnings within your retirement account until you decide to withdrawal money, ideally at retirement age. When you wait to take withdrawals at retirement age, you may be in a lower income tax bracket than you are now, and you may pay less income tax at that time.

The following are all types of tax-advantaged investments:

- *a 401(k) plan*
- *a 403(b) plan*
- *IRA, or an Individual Retirement Account*
- *Some annuities*
- *Life Insurance*

In addition to the vehicles above, you may want to invest in stocks, bonds or mutual funds. Each investment type has different advantages and qualifications, and you should speak to your financial advisor to understand which ones are best suited for you and your situation

401(K) AND 403(B) PLANS

For those of you who are employed, look at your employer's workplace savings plan and the tools they offer. These might include a 401(k) plan or, if you work for a nonprofit, a 403(b) plan. Putting money into these plans with every paycheck offers you an easy way to start investing for your retirement.

All of the money you put into your plan, known as your "contributions," are put into the plan pre-tax. That means that the money you put into your 401(k) or 403(b) plan is taken out of your paycheck before they deduct taxes. This is a benefit to you because it means that less of your paycheck is subject to taxes.

While you are checking into your benefits package, look to see if your company offers an employer match, where employers match a percentage of the money you invest in your account. An employer match is almost like "free money" to you – but you can only use it if you invest in the retirement plan. Some companies may offer a $1 for $1 match, while other companies may match 50 cents for every dollar you invest, up to a certain amount. If you are already investing in your 401(k), this is an easy way to invest more money and grow your investment balance.

How much can you contribute to your 401(k) or 403(b) plan? This amount changes every year. In 2013, employees can contribute up to $17,500/year. If you are over 50, you are able to "catch-up" on contributions by adding up to an additional $5,500/year to your plan.

Participating in a 401(k) or 403(b) plan through your employer is one of the easiest ways to begin investing. The process is often seamless, and when your contributions are being taken directly from your earnings pre-tax, sometimes with an employer match, you really are maximizing your savings opportunities. But your 401(k) or 403(b) plan is just part of a well-balanced retirement savings strategy.

Neither Protective Life nor its representatives offer legal or tax advice. Purchasers should consult with their legal or tax adviser regarding their individual situations before making any tax-related decisions.

IRAS

If your employer doesn't offer a 401(k) or 403(b) plan, or if you want to invest additional money in a different retirement savings vehicle, you may consider an Individual Retirement Account, or IRA. The basic IRA types are Traditional IRAs and Roth IRAs. The amount you can contribute in these are the same for both: in 2013, you can contribute up to $5,500, and you can contribute an extra $1,000 if you are over 50. The biggest difference between these two types of IRAs is how the taxes are handled.

Traditional IRAs allow you to deposit money pre-tax, but when you make withdrawals and take money from the account, your money is taxed. On the other hand, when you make a deposit into a Roth IRA, the contribution is taxed, but you are able to withdrawal earnings tax-free.

There are other types of IRAs, including SEP and SIMPLE IRAs, which small business owners can establish. Contact your financial advisor if you have questions or are interested in knowing more about any of these IRAs.

IRA BASICS

	WHO CAN PARTICIPATE?	TAX ADVANTAGES	CONTRIBUTION LIMITS	WITHDRAWAL REQUIREMENTS
Traditional IRAs	Anyone under age 70½	Tax-deductible	Up to $5,500 (up to $6,500 if over 50)	Taxable Required after 70½
Roth IRAs	Anyone	After-tax dollars	Up to $5,500 (up to $6,500 if over 50)	No required age

STOCKS, BONDS AND MUTUAL FUNDS

In addition workplace savings, IRAs and annuities, there are still more ways to invest your money and watch it grow. Stocks, bonds and mutual funds are all accumulation vehicles with varying levels of risk and returns.

A bond is a fixed-income security that you purchase, usually though the government. In exchange for your purchase, the company or government bond offers interest, but usually at a low rate. Bonds offer low potential on return, but are also low risk.

When you purchase a stock, or equity, you are buying part of a company. By owning part of a company, you may profit from that company's prosperity in the form of either dividends paid back to you as a stock owner, or from your stock increasing in value. On the flip side, you may lose value in your purchase if the company experiences low earnings. A much more volatile and risky investment, stocks fluctuate in value on a daily basis. While your earnings are not guaranteed, there is a much higher potential for earnings.

Another option is a mutual fund, which is a fund that is invested in stocks, bonds, other assets, or a combination thereof. A mutual fund is an investment vehicle that is made of a pool of funds collected from many investors, and then professionally managed by money managers who select the stocks, bonds and other assets within the fund. A mutual fund can offer some of the risk and potential of stocks, along with the safety and stability of bond purchases.

This brochure contains statements regarding the tax treatment of certain financial assets and transactions. These statements represent only our current understanding of the law in general and are not to be relied upon by Purchasers. Individual Retirement Accounts (IRAs), Income, estate, gift, and generation skipping tax rules are subject to change at any time.

The income tax on an IRA is not due until each distribution is taken.If the participant made non-deductible contributions to the IRA, a portion of the IRA proceeds may be an income tax-free return of basis. Neither Protective Life nor its representatives offer legal or tax advice.

Purchasers should consult with their legal or tax adviser regarding their individual situations before making any tax-related decisions.

ANNUITIES

In addition to interest earning accounts like workplace savings plans or IRAs, there are still more ways to save for retirement that can provide retirement income. Annuities are a vehicle that can provide income for the duration of your retirement, which makes them an attractive option for those who may have a long life expectancy.

An annuity is a contract between you and a life insurance company that provides you with regular payments. In exchange for your money, the issuer guarantees to make a series of payments for however long you choose—even for as long as you live. In fact, it is one of the few investments that can provide this.

Variable annuities have an interest rate and payments that may fluctuate. They may provide payments for a longer period of time, but to have this flexibility, the contract holder—you—assumes the volatility risk. These offer opportunities for tax-deferred growth. Fixed annuities offer safe, competitive interest rates for growth and/or income and you pay no income taxes on your gains until you take withdrawals. There are different types of annuities with different characteristics. To understand the differences and which are best for you and your situation, talk to your advisor.

LIFE INSURANCE

There are other options for investments as well. Life insurance may not be something that you think about as a retirement investment, but it has many advantages you should consider, including building a cash value and providing tax advantages. You may consider life insurance for retirement planning once you have maxed out your IRA contribution limits, but you still wish to contribute more to a tax-advantaged savings vehicle.

One type of insurance is variable universal life, which is designed to be a long-term investment. It has a cash value, which can be invested. Variable universal life has investment possibilities, offering lifetime coverage with long-term investment potential.

Capitalizing on life's opportunities can be just as important as preparing for life's uncertainties. Variable universal life has flexible terms that allow you to change, within limits, the death benefit and the timing and amount of your premiums. It also lets you invest your cash value in professionally managed funding options that reflect the performance of underlying investments such as stocks and bonds.

And remember, when you purchase life insurance, you're not only protecting your assets, but you're protecting your family or loved ones should you die unexpectedly. This dual-purpose investment could be right for your situation. Talk to your advisor about if life insurance options are right for you.

No matter how you choose to invest, talking to an advisor before you start making decisions is a great first step. Together you can evaluate your needs, wants, and goals to create an investment strategy that makes you comfortable. Your advisor can show you a multi-faceted approach that takes advantage of the investment vehicles available to you.

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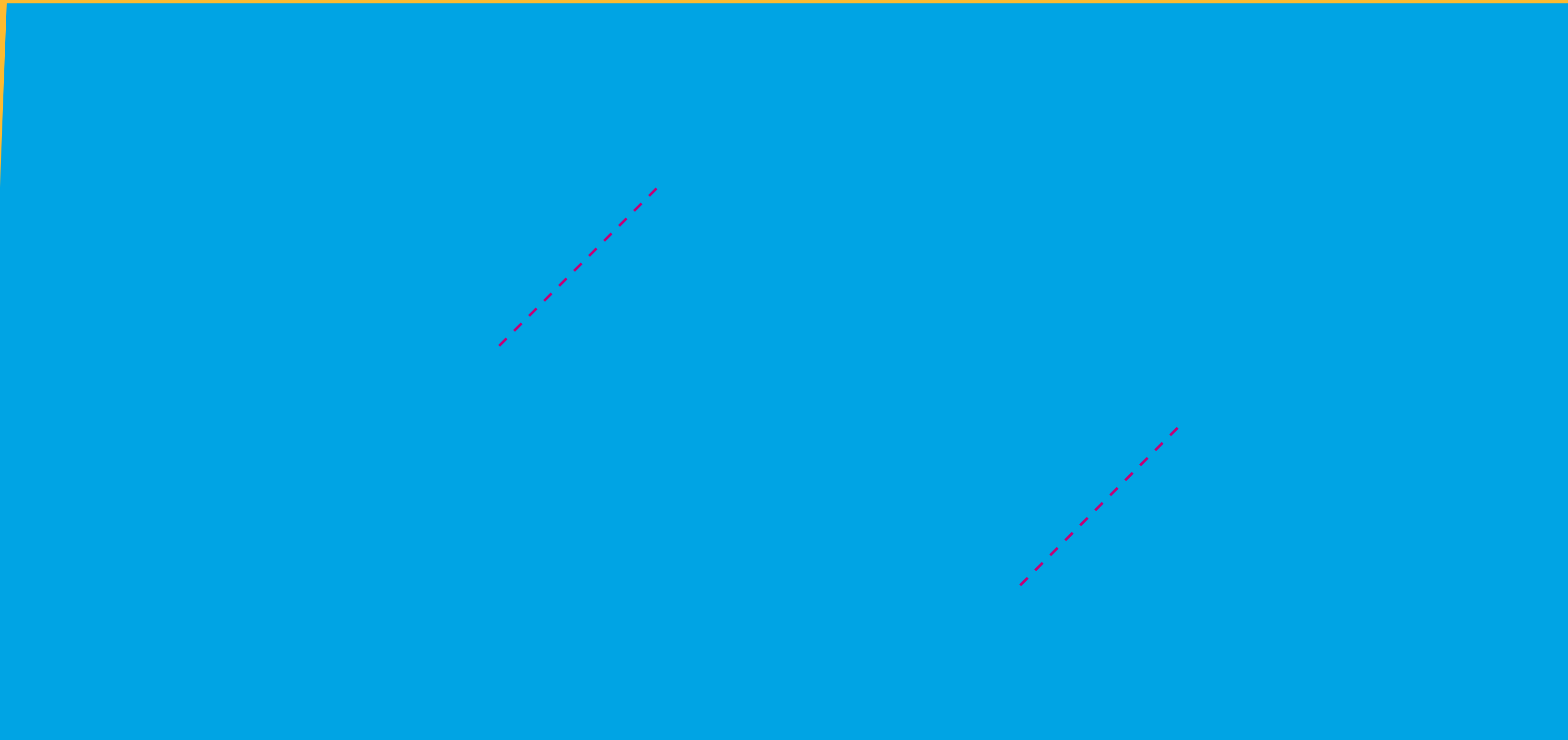
Getting Started

When it comes to investing for your retirement, it's best get started now. Remember, time is money! While your retirement may seem far away, now is the time to put your investments to work. You work hard to balance the demands of your career, your home, and your family and friends every day. Why not do something for yourself and your future, today?

- ◯ Review the notes you have made in this booklet and the principals that will help you.
- ◯ Review and reaffirm your goals.
- ◯ Start putting ideas in place to build your money to invest. If you haven't already, invest in your 401(k) or 403(b) plan.
- ◯ What's your "latte factor"? Take a look at your daily habits — and maybe your discretionary budget, or your "guilty" pleasures. Listing them in this workbook may pinpoint some areas where you can start saving.
- ◯ Set up time with your financial advisor to review your current situation. He or she can help you make adjustments that may have a big impact on your retirement savings in the future. Bring along your notes from this session.

This workbook is just a starting point. Make sure you meet with an advisor who can help you make decisions that can influence your total retirement plan. Spend some time thinking about your retirement goals and fears. Your advisor can help you craft a plan that's suited to your aspirations, and will help you protect tomorrow, so you can embrace today.



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Investors should carefully consider the investment objectives, risks, charges and expenses of a variable annuity before investing. This information is contained in the prospectus for a variable annuity and its underlying investment options. Prospectuses may be obtained by calling Protective Life at 800.456.6330.

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