MFS

THE AWFUL TRUTH: A $515,000 RETIREMENT ACCOUNT GIVES YOU JUST $1,356 PER MONTH

There's a good chance you're underestimating your income needs

Retirement unreadiness

28% of US workers say they are not at all confident in having enough money to live comfortably throughout retirement, an increase from 23% in 2012.[3]

54% of US workers have not determined how much they'll need to save for retirement.[3]

11x You'll need 11 times your final working salary to retire in comfort. So if your annual pay at retirement is $100,000, your retirement savings should total $1.1 million.[4]

2033 is the year retirees will be unable to rely on Social Security funds for additional income.[5]

How much savings do you think you'll need to have accumulated throughout your working years to retire comfortably? According to our research, the average retirement plan participant expects to need only $515,000.[1]

While half a million dollars may sound like a lot of money, there's a good chance it won't generate the monthly income you'll need to keep living the lifestyle to which you've grown accustomed. We did the math and the results below may surprise you.

Are you saving enough for retirement?

Pre-tax lump sum savings (not including Social Security or other potential income sources)	$515,000
Withdrawal rate	4%[2]
Annual income before taxes	$20,600
Monthly income before taxes	$1,716.67
Federal tax (taxed monthly)	15%
State tax (taxed monthly)	6%
Total monthly tax	$360.50
Monthly income after taxes	**$1,356.17**

$515,000 saved equals just $1,356 per month after taxes or $313 per week. Can you live comfortably on this? If it falls short of your anticipated future income needs, you may want to reevaluate your retirement savings plan.

Hypothetical results are for illustrative purposes only and are not intended to represent the future performance of any MFS® product. Example does not factor in other potential income sources, such as Social Security. Nor does it include compounding or reinvestment of initial amount. Actual tax rates may vary.

Federal tax is based on an annual income of $20,600 (source: IRS). State tax is based on an average state tax; individual state tax rates will vary.

What you can do now

- Increase your deferral rate.
- Take a self-assessment to find out what your risk tolerance is.
- Make sure your portfolio is properly allocated.
- Consult your financial advisor to estimate your real retirement income needs.

DC Pulse methodology: MFS®, through Research Collaborative, an independent research firm, sponsored an online survey from January 29 to February 6, 2013, of 1,002 defined contribution plan participants who identified themselves as being between the ages of 20 and 69, employed and with at least a $1,000 balance in a plan with their current employer. MFS was not identified as the research sponsor.

[1] Source: MFSI DC Pulse, Q1 2013

[2] The 4% rule of thumb withdrawal rate was devised by financial planner William Bengen to determine the amount investors can potentially take from savings each year of retirement without running out of money for at least 30 years.

[3] Source: EBRI, 2013 Retirement Confidence Survey

[4] Source: Human Resources Consulting Firm Aon Hewitt's new Rule of 11, www.nextavenue.org/blog/are-you-saving-enough-retirement

[5] Source: www.plansponsor.com, 6/6/13

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