Summer Job? Save for Retirement

Remember your first summer job? Whether it's flipping burgers at a fast food joint or interning at an investment bank, summer jobs can have a powerful impact on young people. They could also give them a head start saving for retirement.

Children with earned income can open a Roth IRA and build a nest egg. For children under age 18, it will need to be a custodial account with an adult as co-signer.

A key advantage of a Roth IRA is that assets grow unburdened by taxes, and withdrawals are generally tax-free during retirement. (For guidance, contact your personal tax advisor.) For 2015, the maximum amount you can contribute to a Roth is $5,500.

Take, for example, Ally, an 18-year-old college freshman who earns $2,000 waiting tables. She invests $2,000 in a Roth IRA. If it earns 8% annually, that single deposit would grow to $74,464 by age 65. If she were to continue making $2,000 deposits during each of her four years in college, her nest egg would hit $266,365 at age 65.

There may be some college financial aid considerations, however. Although a student's Roth or other retirement accounts isn't part of the calculation when filling out the form to determine federal student aid, some schools require additional paperwork. Check with your child's school's financial aid office and your personal tax advisor.

Saving at a young age teaches the value of thrift and sets in motion the powerful force of compound earnings over the course of many decades. For more information on Roth IRAs, contact your plan's financial professional.

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Are you following us on Facebook? Visit facebook.com/americanfunds to follow us for timely investing information and entertaining news nuggets. While you're there, share your thoughts on retirement savings. Your comment could be featured in a future issue!

This issue's question:

Lots of college students are on the hunt for summer employment right now (or even starting their first jobs). *What was your best or worst summer job?*

Visit facebook.com/americanfunds to provide your answer and look for the responses in an upcoming issue of *Retirement News*!

Did You Know …

62 and 64

The average retirement age for women and men, respectively, in 2013.[1]

21%

The percentage of people who said they're never going to retire.[2]

[1] Center for Retirement Research at Boston College.

[2] Pew Charitable Trusts.

On the Web: Check out our online calculator. Enter your current (or expected) total savings, and then adjust the withdrawal rate and return rate to see how long your savings might last.

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Be prepared for your next act.

Six Questions to Ask Before You Retire

If you're nearing retirement, you might already be picturing yourself traveling cross-country, relaxing on a beach or hitting the links. But before you move on to the next act of your life, you'll need to ask yourself some questions.

1 When do you want to retire?

For nearly a century through the 1980s, work activity among older people declined. Since then, more people of retirement age have remained in the workforce. This "working retirement" trend has been spurred by many factors, including the shift away from traditional pensions, improved health and less physically demanding jobs.

The vast majority of current workers (65% according to the Employee Benefit Research Institute) plan to continue working for pay in retirement. Many will do it for positive reasons – enjoyment, camaraderie, a sense of purpose.

But, some will have to work to meet their expenses. Delaying retirement gives you more years of earning an income, additional years to save and invest, and fewer years of withdrawing money from your retirement account.

2 Have you accumulated enough money?

Longer life expectancies have stretched retirement to two or three decades. A man reaching age 65 today can expect to live, on average, until about 84, and a woman turning age 65 can expect to live, on average, until about 87.

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Six Questions to Ask Before You Retire

To help you determine if your savings can stand the test of time, set up a meeting with your plan's financial professional. If you're concerned about not having enough stashed away, you may want to step up your savings during your remaining working years.

You can max out your plan contributions (up to $18,000 for 2015). If you're age 50 or older, you may be able to make catch-up contributions (up to $6,000 more in 2015). Check with your HR department about plan maximums and how to increase your savings level.

About **one out of every four 65-year-olds today will live past age 90**, according to the Social Security Administration.

3 Where do you want to retire?

A Better Homes and Garden Real Estate report found that almost one-third of those surveyed plan to move to another state at retirement. Deciding to relocate is a big decision that involves careful planning.

When people think about places they want to retire to, they often picture warm, sunny climates. But weather is just one part of the equation. You'll want to consider the cost of living, since moving to a more affordable area could help stretch your nest egg.

You'll also want to look at the property, local, and state income and sales taxes, the opportunities for work, access to health care and proximity to the activities that you enjoy.

4 What's your Social Security strategy?

Social Security has been providing benefits to retirees for 75 years (see story on page 3). It's important to note that it replaces about 40% of an average wage earner's income during retirement. That means that personal savings will need to make up the bulk of retirement income.

The complex array of Social Security options can be confusing. You can apply for early benefits (age 62), full benefits (the age depends on your date of birth) or delay benefits until age 70. The longer you wait, the higher the payout. If you're married, your spouse will have to decide when to receive benefits as well. To get a sense of your benefit options, discuss your situation with your personal tax advisor.

5 What's your investment approach during retirement?

Once you leave the workforce, the paychecks stop, so you'll need to turn your nest egg into a source of income. Moving into retirement, the investment goal shifts from mostly growth to income and capital preservation.

You shouldn't abandon growth investments completely, as they offer the potential to outpace inflation and meet the needs of a long life. Reach out to your plan's financial professional to help reshape your portfolio to meet your evolving priorities.

6 What will you do with the money in your plan?

Some employer retirement plans allow you to keep your balance in the plan after you retire. Check with your HR contact to see if this is an option. Rolling over your balance into an individual retirement account (IRA) is another option. Doing so allows you to continue to benefit from the potential of tax-deferred growth.

If you have accounts with previous employers, keeping track of them can be difficult. You can consider using an IRA to consolidate all of your investments. Before making a decision about your retirement plan assets, talk with your personal tax advisor. Carefully compare all your options, so you can make the best choice for you.

Strive to Reach Your Goals

These are only a few of the issues you'll need to explore as you move closer to retirement. Planning for retirement is complex and very personal. To develop a strategy that works for your specific needs, we encourage you to contact your personal tax advisor and your plan's financial professional.

Keeping Positive and Helping Others

Happy and healthy 100-year-old Frank Fukuhara is devoted to his family and enjoys a good game of golf. His financial professional helped him budget for both, as well as donate generously to charity.

Watch videos of Frank Fukuhara and other American Funds investors at:
YouTube youtube.com/americanfunds

Retire With No Regrets

You don't want to look back years from now saying, "I should have saved more for retirement." Here are some potential missteps and what you can do to avoid them:

- ***Not starting early*** – Jumping into a retirement plan at a young age allows you to put the power of time on your side, enabling earnings to earn additional earnings over decades.
- ***Not saving enough*** – Start saving as much as you can. Contribute enough to get the maximum company match (if your plan offers one). But don't stop there; increase your contributions regularly, like each time you get a raise.
- ***Not being diversified*** – Markets don't move in lockstep. Spreading your contributions across a broad array of investments with differing objectives and asset classes can help temper the markets' ups and downs.
- ***Not being patient*** – Some investors overreact to short-term events and run to the sidelines. It's better to view investment results over longer periods.
- ***Not seeking information*** – Take advantage of the resources available: your plan's website, educational brochures, worksite seminars and one-on-one meetings with your plan's financial professional.

How Much Can You Expect From Social Security?

Seventy-five years ago, the government cut 65-year-old Ida May Fuller of Ludlow, Vermont, a Social Security check in the amount of $22.54. It was check number 00-000-001. She was the first beneficiary of recurring monthly Social Security payments.

By the time Ms. Fuller died in 1975 at age 100, she had received benefits totaling $22,888.92. She told a reporter near the end of her life that the payments "come pretty near paying for my expenses."

Today, of course, Social Security payments don't come close to covering one's expenses. That's why saving as much as you can over the long haul in your employer's retirement plan is so important.

To get a rough estimate of how much you can expect to receive from Social Security, see the table below. Find your age and the salary amount that's closest to what you currently earn. Then, circle the amount. Please note that your actual benefit will vary depending on your past and future earnings.

Estimated Monthly Income From Social Security

	Your current salary						
Your age	$30,000	$40,000	$50,000	$60,000	$70,000	$80,000	$90,000
25	$1,279	$1,545	$1,812	$2,075	$2,200	$2,325	$2,450
30	$1,279	$1,545	$1,812	$2,075	$2,200	$2,325	$2,450
35	$1,271	$1,536	$1,800	$2,064	$2,192	$2,316	$2,440
40	$1,250	$1,508	$1,765	$2,022	$2,169	$2,290	$2,411
45	$1,221	$1,468	$1,715	$1,963	$2,137	$2,253	$2,369
50	$1,183	$1,418	$1,653	$1,888	$2,096	$2,206	$2,316
55	$1,138	$1,358	$1,578	$1,798	$2,018	$2,150	$2,253
60	$1,075	$1,274	$1,473	$1,673	$1,872	$2,071	$2,165

Source: Social Security Administration. Based on full retirement age. Calculated as of February 2015.

You can estimate your own benefit by using Social Security's online Retirement Estimator at socialsecurity.gov/retire/estimator.html. It gives estimates based on your actual Social Security earnings record.

If you haven't checked your *Social Security Statement*, do it today. Then, going forward, to help you remember to look at it annually, set up a reminder on your birthday. You can access your personal *Social Security Statement* online at socialsecurity.gov/myaccount.