Sather Financial Group, Inc.
Comprehensive Wealth Managers

2012 Retirement Planning Comments & Questionnaire

Before we get too far into the year we want to address some retirement planning issues that you need to at least evaluate and consider for the year.

Maximum 2012 contributions for a 401(k), 403(b), or 457 plan are the lesser of **$17,000 (up from $16,500) or 100% of pay**. Additionally, participants in one of these retirement plans who are age 50 or older may be eligible for **"catch-up" contributions of an additional $5,500 per year (this stays the same from 2011)**.

A **SIMPLE IRA or 401(k) is limited to the lesser of $11,500 or 100% of pay with a $2,500 catch-up** contribution.

In 2012, individuals can put up to **$5,000** into a traditional IRA or a ROTH IRA and those age 50 or more can benefit from an additional **$1,000 "catch-up" contribution**.

Also, it is **not too late to fund an IRA for tax year 2011**. You have until April 15th to fund it (but don't wait until the last minute). The 2012 contribution limits are the same as stated above for 2011.

It is important to recognize that you can fully fund a 401(k), 403(b) or 457 plan **AND** an IRA each year.

Furthermore, remember that while contributions to a retirement plan can provide you with a current **income tax deduction**, the earnings from **contributions grow tax deferred** and the assets within a retirement account are **protected from your creditors**.

An additional consideration is the fact that **the income limits on an individuals ability to roll a traditional IRA into a ROTH IRA have been eliminated**. Given this, anyone should be considering transferring their traditional IRA into a ROTH or funding a traditional IRA and then converting it into a ROTH. This is a great way to hedge future tax rate increases. As such, you would **make a non-tax deductible contribution to a Traditional IRA and then immediately convert it to a ROTH IRA**. Even someone with Bill Gates income can take advantage of this "back door" way of funding a ROTH IRA.

Anyone who is under age 70, with earned income, who is NOT making ROTH IRA contributions is making a huge mistake!

Do not count on governmental systems such as Social Security to provide for all of your retirement needs. If Social Security is available, it will merely be a supplement to your needs.

One final thought on planning for your retirement: It is far better to have more than enough money in retirement than to have less than enough. Retirement will cost more than you think and retirees these days are more active than ever. These activities obviously cost money. Unfortunately, those who do not save enough may not realize their predicament until it is too late to go back to work.

In assessing your personal situation, please consider the following: **(OVER)**

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1. Will you receive a defined benefit pension? If yes, at what point (age and years of service) will you receive full benefits under your pension?
2. Are you eligible to contribute to a defined contribution retirement plan (401(k), 403(b), 457, profit sharing, money purchase) and are you doing so?
3. What is the “vesting schedule” for your employer’s deposits to your defined contribution retirement plan?
4. What is the amount of your salary deferral (dollar and percentage amounts) into your plan?
5. If age 50 or older, are you taking advantage of “catch-up” contributions?
6. What is your employer’s salary deferral matching policy (dollar and percentage amounts)?
7. Are you contributing at least as much as your employer will match?
8. Are you deferring at least 10% (if not 20%) of your *gross* pay into retirement plans?
9. When was the last time you reviewed your investment options for your retirement plan? Even if your 401k is held elsewhere, we will review it and give you recommendations.
10. Have you positioned your retirement plan assets to provide necessary growth to protect you against inflation?
11. Are you contributing to a traditional IRA or a ROTH IRA? Everyone with earned income, under age 70, should be.
12. If you have a non-employed spouse, are you contributing to an IRA for your non-employed spouse?
13. When was the last time you reviewed your investment options for your IRA?
14. Have you positioned your retirement plan assets to provide necessary growth to protect you against inflation?
15. When was the last time you checked your beneficiary designations for your IRA’s or other retirement plans? Do they properly reflect your wishes? It is very important to realize that your retirement account beneficiary designations must be properly coordinated with the wishes of your last will and testament. Beneficiary language in an IRA, 401(k) or other retirement plan actually supersedes the language in your will. As such, if this is not properly coordinated, your assets may not pass according to your wishes.
16. Have you determined how much money you need to have saved up to support you in retirement?
17. If retired, have you determined how much you can safely withdraw from your retirement accounts without fully depleting them? As a general rule, we recommend that clients limit withdrawals preferably to 3% of principal with a maximum of 4%.
18. While the thought of retirement at age 55 (and possibly younger) may sound attractive it presents a huge financial hurdle. If contemplating this, have you truly thought about the financial implications?
19. If you retire early, what are your plans to either transition into another full time job or at least work part time?
20. If you retire early, how have you evaluated whether or not to take your Social Security benefits early at age 62 or at your full retirement age?
21. How much debt do you currently have?
22. How much debt will you have at retirement? The best answer is ***none***.
23. What is your plan to have your debt paid off before retirement?
24. How many dependents will you have while in retirement? Obviously, the more that other people rely on you financially the more strain will be placed upon your financial assets.

As you review each of these items, please don’t hesitate to call for our input, rate of return estimates or to schedule an appointment to discuss these matters, or anything else, in further detail.

Sincerely,

Dave *Warren*

Dave Sather, President
CERTIFIED FINANCIAL PLANNER™

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