MorganStanley SmithBarney

It's time.

How ready are you for retirement?

Retirement Readiness with Morgan Stanley Smith Barney

At Morgan Stanley Smith Barney, we look forward to working with you to address the 10 elements that are key to a successful plan.

- [ ] **LIFESTYLE REVIEW.** Everything starts with an understanding of how you want to live in retirement and what you need to live that way.

- [ ] **FAMILY RECORDS ORGANIZER.** It is essential that you know where all your critical documents are and ideal to keep them in one place.

- [ ] **BENEFICIARY REVIEW.** Your beneficiary designations may help you minimize estate taxes and ensure that loved ones are taken care of as intended.

- [ ] **RETIREMENT ACCOUNT ASSESSMENT.** Managed properly, your 401(k) and IRA accounts can be powerful tools to help maximize retirement savings.

- [ ] **YOUR RETIREMENT INCOME PLAN.** Key steps are determining where your retirement "paycheck" will come from and ensuring that investments, pensions and Social Security will meet your needs.

- [ ] **RISK REVIEW.** Variables like longevity, health care and long-term needs can impact your retirement plans. Identifying these risks now can help protect against them.

- [ ] **PENSION ELECTION.** Figuring out what pension payout option makes the most sense for you can be especially complex.

- [ ] **SOCIAL SECURITY BENEFITS.** Should you start collecting Social Security benefits at age 62? Or age 65? How will your decision affect your spouse?

- [ ] **HEALTH CARE COST EVALUATION.** We will look at industry trends and your health care coverage to help determine how these costs will factor into your retirement plan.

- [ ] **RETIREMENT GOAL ANALYSIS.** Together, we'll create a financial strategy that addresses your specific retirement goals and schedule reviews to ensure we stay on track.

It's time. Getting ready for retirement takes time, thought, analysis and investment skill. As you get closer to your own retirement, it becomes increasingly important to understand where you are in the process and the steps you need to take to achieve the retirement you envision.

Your Future's Landscape

What the future holds is anyone's guess, but thoughtful prioritization now of your life's expectations is the first step to identifying important landmarks for a fulfilling retirement.

Wishes.

Don't forget your wish list. Retirement is a time when you can embrace things you may not have been able to do before. Just budget for them appropriately.

Wants.

Not as crucial but still important, you should secondarily consider expenses for things that add a boost to your life, like golf trips, spa visits and philanthropic events.

Needs.

Living expenses should lay the base foundation for your retirement needs. Essentials will vary based on your lifestyle but will include things such as your mortgage, doctor costs and car payments.

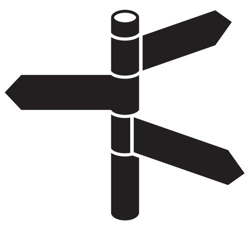
THE FUTURE IS ALMOST HERE.

RETIREMENT IS NO LONGER SOME DISTANT EVENT ON THE HORIZON, AND, WITH RETIREMENT, EVERYTHING SHIFTS. YOU ARE ABOUT TO BECOME RESPONSIBLE FOR YOUR OWN PAYCHECK—QUITE POSSIBLY FOR THE NEXT 20 OR 30 YEARS. WE'RE READY TO HELP.

As retirement gets closer, you're right to have a lot of questions—about income, expenses, health care, housing, travel, investing, a host of what-ifs, and even your legacy. What's more, the answers that are most appropriate for you are likely to be different from those that make sense for your colleagues and coworkers, neighbors and friends, or even other members of your family.

At Morgan Stanley Smith Barney, we've developed an approach to retirement planning that can help you define your unique goals and guide you on a path toward them. It's a collaborative approach that integrates all the aspects of your life, provides a disciplined framework for making decisions and is designed to result in a plan that is uniquely your own.

THE GOAL. Retirement planning is about determining how you can meet your needs and goals in retirement. A sound plan helps you understand where the cash will come from in advance, prepare for predictable expenses and unexpected costs and prioritize your goals. Your plan also helps guide an investment strategy that meets current spending needs while growing your savings so they sustain you throughout retirement.



A SENSE OF DIRECTION. What will it take for you to live comfortably in retirement? From the standpoint of both forecasting and investing, it helps to look at goals across some broad categories: *needs, wants and wishes*.

Needs: The first step is to look at essential expenses such as housing, food, transportation, family visits, heath care, insurance and taxes. These are nondiscretionary costs associated with basic needs.

Wants: Next, consider expenses that are discretionary but important to the lifestyle you want in retirement. This category often includes budgeted amounts for travel, memberships at clubs or other associations, continuing education programs and charities that you want to support.

Wishes: The last category is a wish list of goals you would like to pursue if and when you have the resources to do so. Here, you might include plans for a new business, a gift to a philanthropic organization and contributions to help cover the cost of your grandchild's education. Making a wish list can help motivate you to set aside money for far-reaching goals. ■

A PLAN with LONGEVITY

THE TASK OF RETIREMENT PLANNING IS MORE COMPLICATED THAN EVER. ONE REASON IS THAT PEOPLE ARE LIVING LONGER IN RETIREMENT THAN EVER BEFORE—WHICH MEANS YOUR PLAN HAS TO KEEP WORKING LONGER THAN EVER BEFORE.

On average, if you are a 65-year-old man, you will likely live to be 82, and, if you are a 65-year-old woman, to age 85.* That added longevity is good news—but it also creates new planning and investment challenges. While retirement savings have to last longer than they did for previous generations, the same factors that have always affected financial stability are still at work. To stay on track, your plan must weather those forces for a longer period.

PURCHASING POWER. Inflation will have a critical impact on your ability to provide for yourself and your family once you retire. There have been periods—such as the late 1970s—when persistently high inflation had a devastating impact on people's savings, and even low inflation can affect purchasing power over time. That means, to keep pace, you need to invest for appreciation at the same time that you're investing for a steady cash flow.

HEALTH-RELATED COSTS. Over the course of retirement, estimates are that a couple will likely spend $635,000 for health care—and medical and long-term-care costs are rising faster than overall inflation. Even with Medicare, these costs can rapidly erode even well-funded retirement plans, leaving you, your spouse or partner and your family facing major, unexpected expenses. Given the magnitude of the potential costs, an increasing number of people are making long-term-care insurance a part of their retirement plans.

MARKET UNPREDICTABILITY. No one knows what the market is going to do from one year to the next. Once you retire and begin to draw on your savings, market ups and downs can have a significant effect on your retirement security. As many investors discovered in 2008, a sharp drop in the financial markets in the early years of retirement can be devastating if you do not have adequate liquidity on hand to meet expenses.

YOUR SPENDING. If you withdraw too much of your savings, especially early on, you could run out of money prematurely. It's important to have a spending plan that reflects routine expenses while providing for unexpected emergencies, which can change your financial picture over the long term. ■

Navigate Retirement Skillfully

A carefully crafted plan takes many factors into account. The more complete your plan, the better prepared you will be for the unexpected—and the more confidently you can pursue the retirement you've been anticipating.

Nurture Your Assets

Ideally, your retirement income sources will all work together to provide an income you can count on. That goal is easier to achieve when your investments are consolidated and managed using a consistent, coordinated retirement income strategy at Morgan Stanley Smith Barney.

INVESTING in RETIREMENT

WHEN YOU RETIRE, YOU COME FACE TO FACE WITH NEW INVESTMENT REALITIES AND CHALLENGES. YOU'LL BE WRITING YOUR OWN PAYCHECK USING THE FUNDS YOU'VE ACCUMULATED OVER YOUR WORKING YEARS. THAT REQUIRES A DIFFERENT INVESTING MINDSET.

During your working years—the "accumulation phase" as it's called in retirement planning—you probably invested primarily for growth, and you may have done so using a range of accounts and plans: 401(k)s with different employers and IRAs for yourself and your spouse or partner, as well as profit sharing accounts. Appreciation was key; risk management and coordination were secondary. The balance reverses in retirement.

DIFFERENT SEGMENT. DIFFERENT STRATEGY. There are many ways to invest in retirement. One approach you may want to consider divides your retirement into segments based on time—the first five years, the next few years, and so on. Working together, we devise a strategy that includes multiple portfolios invested with these segments and key retirement assets in mind. Our objectives: to provide the income you need now, to grow assets to adequately fund income needs in later years, to meet emergencies and to achieve your legacy goals.

Money that you need to live on is invested conservatively with the purpose of providing you income. Money you need later is invested with a greater focus on growth to protect your lifestyle from inflation in the years ahead. We'll work to customize this strategy to your needs and goals—or to develop another strategy if that is more appropriate for you.

THE POWER OF CONSOLIDATION. For your investments to carry you through, it's critical to know where you stand when it comes to risk across your entire portfolio. That requires a coordinated investment strategy across all your assets. Consolidating accounts with a single advisor can facilitate coordination—and simplify a host of other issues. For example, decisions about distributions need to be based on your full investment picture, and taking withdrawals in the required proportions from multiple accounts can be especially complex. In addition, estimating the tax implications of different strategies also requires a comprehensive view. Finally, as people get older they often find that the control that comes from streamlining and consolidating investments gives them the confidence to pursue a wider range of retirement goals. ■

GETTING READY:
THE NEXT STEP

YOU HAVE BEEN WORKING AND INVESTING FOR YEARS TO CREATE THE RETIREMENT YOU WANT, BUT BUILDING UP YOUR ASSETS WAS ONLY THE FIRST STEP. TO SUCCEED AT RETIREMENT, YOU NEED TO GET READY FOR A NEW SET OF OPPORTUNITIES—AND PREPARE FOR NEW FINANCIAL REALITIES.

A CONVERSATION WITH US CAN ANSWER QUESTIONS, CLARIFY IMPORTANT ISSUES AND HELP MAKE SURE YOU'RE ON THE RIGHT TRACK.

IT'S TIME. LET'S GET STARTED.

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* Source: Social Security Administration, 2007 Period Life Table, http://ww.ssa.gov/oact/STATS/table4c6.html

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