

BALLPARK E\$TIMATE



Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need when you retire.
So let's play ball!

- How much annual income will you want in retirement? (Figure 70% of your current annual gross income just to maintain your current standard of living. Really.) \$ _____
- Subtract the income you expect to receive annually from:
 - Social Security—If you make under \$25,000, enter \$8,000; between \$25,000 - \$40,000, enter \$12,000; over \$40,000, enter \$14,500 - \$ _____
 - Traditional Employer Pension - a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) - \$ _____
 - Part-time income - \$ _____
 - Other - \$ _____

This is how much you need to make up for each retirement year: = \$ _____



Now you want a ballpark estimate of how much money you'll need in the bank the day you retire. So the accountants went to work and devised this simple formula. For the record, they figure you'll realize a constant real rate of return of 3% after inflation, you'll live to age 87, and you'll begin to receive income from Social Security at age 65.

- To determine the amount you'll need to save, multiply the amount you need to make up by the factor below. \$ _____

Age you expect to retire:	55	Your factor is:	21.0
	60		18.9
	65		16.4
	70		13.6
- If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below. + \$ _____

Age you expect to retire:	55	Your factor is:	8.8
	60		4.7
- Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan). - \$ _____

If you want to retire in:	10 years	Your factor is:	1.3
	15 years		1.6
	20 years		1.8
	25 years		2.1
	30 years		2.4
	35 years		2.8
	40 years		3.3

Total additional savings needed at retirement: = \$ _____



Don't panic. Those same accountants devised another formula to show you how much to save each year in order to reach your goal amount. They factor in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.

- To determine the ANNUAL amount you'll need to save, multiply the TOTAL amount by the factor below. = \$ _____

If you want to retire in:	10 years	Your factor is:	.085
	15 years		.052
	20 years		.036
	25 years		.027
	30 years		.020
	35 years		.016
	40 years		.013



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See? It's not impossible or even particularly painful. It just takes planning. And the sooner you start, the better off you'll be.

This worksheet simplifies several retirement planning issues such as projected Social Security benefits and earnings assumptions on savings. It also reflects today's dollars; therefore you will need to re-calculate your retirement needs annually and as your salary and circumstances change. You may want to consider doing further analysis, either by yourself using a more detailed worksheet or computer software or with the assistance of a financial professional.