



Retirement by the Numbers

Calculating the retirement that's right for you

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Retirement should equal success

Your retirement is likely the biggest investment you'll make in life. So it's important to carefully calculate the best way to make your retirement a success by deciding what you want from it and saving appropriately.

Because you're concerned about solving your retirement equation, you're already on the right track. And because this is such an important part of your future, you'll want to contact your financial adviser as soon as possible to discuss your retirement plan. Ask your adviser how Invesco can help you achieve your financial goals.

Your retirement formula

Retirement should be a major concern no matter what stage of life you're in. Financial priorities may vary depending on your age, but every person has the same ultimate goal: a successful retirement.

With all the troubling news – pension programs and the Social Security system¹ in significant deficit, the standard retirement age growing past 65, and people needing more retirement income than ever as they live well into their 80s and 90s – it can feel overwhelming to try to estimate what your retirement needs will be.

There's good news, though. With appropriate preparation, you and your financial adviser can create an effective retirement formula – and this brochure can help.

What does it take to retire successfully?

While there are as many ways to calculate a successful retirement as there are individuals, one factor in that calculation is the same for everyone – the desire for financial independence. With that as your primary goal for retirement, the next step is to make a plan.

That's easy to say but can be complex to execute – determining what the relevant variables are can feel daunting. To factor in the right information, consider these five key questions:

- Where am I in life?
- What are my expectations for retirement?
- How much do I need to save?
- How should I manage my retirement spending and income?
- What are my retirement savings options?

Let's look at each of these in more detail.

There isn't a universal magic number when saving for retirement, so work with your financial adviser to find the retirement number that's right for you.



1 Source: ssa.gov, Status of the Social Security and Medicare Programs, 2010

Where am I in life?

Your first consideration is what stage of life you're in and the responsibilities you have. Review the entire list of variables below and check those that apply to you. Talk to your financial adviser about how these factors can affect your retirement calculation.

Considerations for your 20s

- Job benefits, especially the retirement program
- Retirement savings, including taking advantage of employer matching, if available
- Traditional or Roth IRAs, especially if your employer doesn't offer a retirement program
- Life insurance
- Credit status
- Life changes, such as buying a house or starting a family

Considerations for your 30s

- Retirement savings, including maximizing your savings by taking advantage of employer matching if it's available
- Rollover or traditional IRAs, depending on employment status and retirement program availability
- College savings accounts if you have children
- Consequences of borrowing against your retirement savings
- Distribution options for your retirement account if you change jobs, whether it's a rollover, cash or combination of the two, and potential tax consequences
- Legal documents, including wills, living wills, estate plans and durable power of attorney

Considerations for your 40s

- Retirement plans and retirement savings goals
- Retirement savings
- College savings, including deciding if grants or scholarships will be needed
- Aging parents' health care and long-term care insurance needs

Considerations for your 50s

- Retirement plans and desired retirement age
- Retirement savings, including preliminary calculations to determine if your retirement savings goal is on target
- Maximum allowed contributions to your retirement plan and catch-up contributions if you're behind in your retirement savings



Considerations for your 60s

- Retirement savings distribution options
- 401(k) rollovers, depending on employment status
- Retirement plan finalization
- The transition from accumulation of savings to distribution
- Work options if you can't afford to retire or want to continue working
- Medicare application (three months before turning 65)
- Employer-provided insurance, Medigap insurance, long-term health care insurance, prescription drug coverage and other options for meeting health care needs
- Social Security benefits
- Estate planning
- End-of-life instructions and wishes

Considerations for your 70s

- Required distributions from your retirement accounts at age 70½
- Estate planning
- Adequacy of your distribution track

Considerations for any age

- A solid working relationship with a trusted financial adviser
- A complete set of financial information, especially beneficiary designations
- Your net worth
- Your retirement plan
- Employer-sponsored retirement account consolidation
- Debt
- Your credit rating
- Money for emergencies
- Life-altering events, such as disability
- Your medical history
- Local, state or federal tax law changes

What else should I consider?

Anticipating and planning for major life events – expected or unexpected – can mean the difference between a successful retirement and one that just doesn't add up. Remember, your retirement needs will change over time.

Consider possibilities like these:

- Sending a grandchild to college
- Paying for assisted living costs for yourself or a family member
- Buying a second home
- Experiencing disabling events and emergencies

You should factor the possibility of such events into your retirement calculation.



What are my expectations for retirement?

With life spans increasing, your retirement could last as long as your working career, which is why it's important to have a plan that clearly identifies your personal objectives.

Most experts say you'll need about 70%¹ of what you make now to maintain your current standard of living in retirement.

How do you want to divide your time – and more importantly, your savings – during retirement? Working on the garden of your dreams or working to make sure you have enough income? Buying a summer home or paying off your current mortgage? Playing golf or playing financial catch-up?

Whether your retirement goals include European vacations, sending your grandchildren to college or donating to charities, remember, most experts say you'll need about 70%¹ of what you make now to maintain your current standard of living in retirement. That's why it's critical to identify the components of your dream retirement, so you and your adviser can invest your assets appropriately.

Sum it up

To get you started thinking about your retirement wish list, use the space below to record your top five retirement objectives.



My top five retirement objectives

1. _____
2. _____
3. _____
4. _____
5. _____

Sample retirement objectives

1. Traveling
2. Buying a second home
3. Helping send my grandchildren to college
4. Spending more time with friends and family
5. Enjoying my hobbies

1 Source: ssa.gov, 2008. Statistics reflect the income needed by the most affluent 20% of retirees.

How much do I need to save?

The variables that influence each individual's retirement are unique. That's why no single number can equate to a successful retirement for everyone – there's only your number.

You'll need to consider several key factors to determine your number, including these:

- Current savings
- Risk tolerance
- Inflation
- Taxes
- Social Security benefits

Current savings. The closer you are to retirement, the more you'll need to save to make sure you have enough to cover expenses. For example, if you're 10 years from retirement, your savings goal is \$500,000 and you have \$125,000 saved, you would need to invest an additional \$1,208 per month to make up the difference.¹ With the same \$500,000 savings goal, 40 years until retirement and no savings, a \$142 monthly investment would equal the same amount.¹ Remember, starting early is the best way to ensure you have the financial standing you want in retirement – but it's never too late to begin saving.

Risk tolerance. This is the most important factor in determining how you arrive in retirement with the right amount of assets. Many people make the mistake of thinking they're more risk tolerant than they actually are. For example, you might decide to start skydiving in retirement, but that kind of risk-taking behavior has nothing to do with your ability to tolerate financial risk.

While riskier investments have historically produced higher returns than less risky ones, recent market events have shown they also increase your probability of losing principal. With conservative investments such as U.S. Treasury bonds, the opposite is true – and the lower return rates mean you must consider investing more money to ensure you hit your retirement financial target.

Talk to your adviser about how much risk you're willing to take, so together you can determine how much you need to save – and the appropriate investment vehicles to invest those savings in – to cover your full retirement.

Inflation. Again, with today's increasing life spans, you'll likely have a long retirement, so inflation could substantially deflate the value of your assets. For example, \$100,000 saved today would be valued at \$30,059 in 30 years with a 4% inflation rate.² Because inflation is here to stay, it's important to have an investment plan that can help your savings keep pace with inflation and not leave you with a fraction of what you'll need for retirement.

Taxes. Just because you retire doesn't mean the Internal Revenue Service (IRS) will. So taxes will still subtract from the value of your retirement assets. You'll have to pay federal income taxes on any withdrawals you make from a tax-deferred account, such as a 401(k), and you'll have to pay any applicable property and state taxes.

Social Security benefits. Counting on Uncle Sam for the majority of your retirement dollars isn't the best idea – by the Social Security Administration's own admission³ – especially if your retirement is decades away. You should think of Social Security benefits as a supplement to personal savings because they likely won't provide enough income to fund your retirement.

1 This hypothetical example assumes an 8% average annual return and does not represent the results for any investment product or investor. Your actual return likely won't be consistent every year, and there is no guarantee of any specific rate of return.

2 The hypothetical estimate of 4% inflation is for illustrative purposes only. Inflation has averaged 3.31% over the last 30 years as of Dec. 31, 2010. Inflation is represented by the Consumer Price Index, which is a measure of change in consumer prices as determined by the U.S. Bureau of Labor Statistics.

3 Source: ssa.gov, 2010

Age: 57

Current savings:

\$125,000

Savings goal:

\$500,000

Years before retirement:

10

Required monthly savings:

\$1,208

Age: 27

Current savings:

\$0

Savings goal:

\$500,000

Years before retirement:

40

Required monthly savings:

\$142

My age:

My current savings:

My savings goal:

Years before retirement:

Required monthly savings:

Take your retirement numbers and visit the retirement planning center on invesco.com/us to see how much you'll need to save.



How should I manage my retirement spending and income?

Most people have an unbalanced retirement equation because they plan the best way to save for retirement without considering the best way to *spend* during retirement to make their savings last.

Work with your financial adviser well in advance to make sure your plan is complete and helps your savings last your full retirement.

Create a budget

You've already decided what you want from retirement. Now add up your anticipated essential expenses, such as food, health care and housing, and also consider your nonessential costs, like vacations. Remember to earmark some savings for emergencies. Your budget will serve as a good starting point for deciding how much you'll need to withdraw each month after you retire.

Decide which assets to use first

No one likes paying taxes, so delay paying them as long as possible by using your taxable accounts first – those accounts that include assets you invested *after* paying taxes on them. More savings can compound over time tax free if you don't touch tax-deferred accounts until you have to. Once you turn age 70½, you're required to take required minimum distributions (RMDs) – age-based, IRS-specified dollar amounts – from your retirement accounts (except Roth IRAs). You should use RMDs before calculating any additional savings withdrawals.

Select a withdrawal method

There are basically two ways to withdraw funds from your retirement accounts: dollar-adjusted withdrawals and percentage withdrawals. With dollar-adjusted withdrawals, you pull out an initial base amount and adjust it for inflation every year. Percentage withdrawals mean you remove a certain percentage of your portfolio's value each year.

Dollar-adjusted withdrawals will give you a more consistent, inflation-adjusted cash flow, but you run the risk of depleting your portfolio too quickly if markets experience a downturn. Percentage withdrawals will fluctuate depending on your account balance, so you'll have to adjust your spending if your balance drops substantially from down markets or excessive early spending. The percentage method is typically considered the best way to increase the likelihood of your savings lasting through retirement.

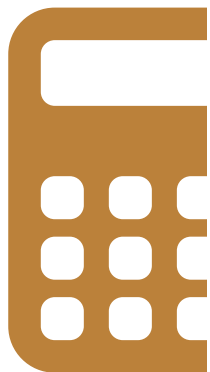
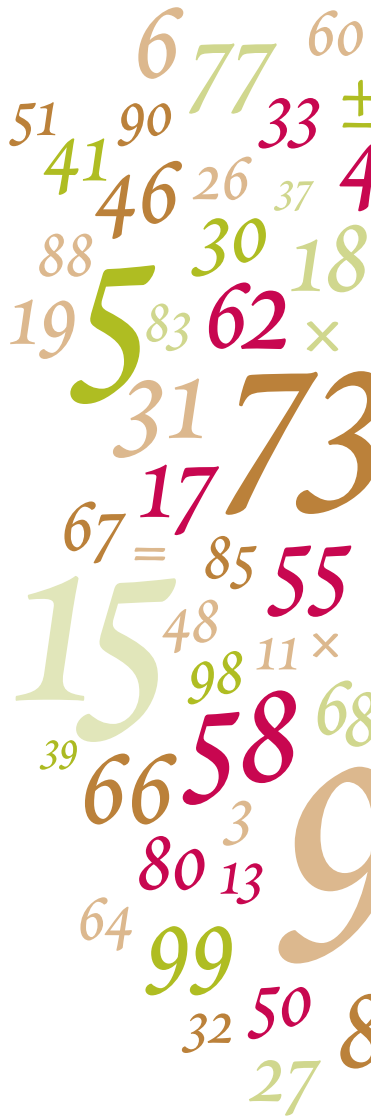
Withdrawal Methods

The chart below illustrates the differences between the two withdrawal methods for the same account with an initial balance of \$500,000.

	Returns (%)	Dollar-Adjusted Withdrawals ¹ (\$)	Account Balance (\$)	Percentage Withdrawals ² (\$)	Account Balance (\$)
Initial	–	25,000	500,000	25,000	500,000
Year 1	8	26,000	513,000	25,650	513,000
Year 2	-5	27,040	462,650	23,149	462,983
Year 3	-6	28,122	409,473	20,672	413,443
Year 4	12	29,246	427,114	21,995	439,904
Year 5	0	30,416	397,868	20,895	417,909

1 Dollar-adjusted withdrawals (5% of initial portfolio balance adjusted annually for 4% inflation)

2 Percentage withdrawals (5% of portfolio balance)



Take RMDs

As mentioned, the IRS requires you to take RMDs from all your retirement accounts – except Roth IRAs – starting at age 70½. If you don't take the full, specified distribution, you'll be hit with a 50% federal tax penalty on the remaining amount you should have taken. Plus, you'll still have to withdraw the total RMD amount and pay applicable taxes. RMDs should become part of your withdrawal strategy to help you avoid paying unnecessary penalties and get the most from your savings.

Account for market downturn

No one likes to see their investment values drop. During the first few years of retirement, a bear market could significantly deplete your savings, especially if you plan to use the dollar-adjusted withdrawal method for distributions.

The order of returns – or the timing of positive or negative market returns – is important because the later a market downturn comes in your retirement, the longer your savings have had time to compound, so your portfolio is more likely to last through your retirement. Negative returns early on, coupled with withdrawals, will mean smaller savings balances will compound, increasing the likelihood that your retirement funds may run out before the end of your retirement.

You can handle a variable like market downturns by adapting to the conditions. You could delay retirement to increase savings or decrease your spending if you're already retired. Working is another way to help add needed income. Talk with your financial adviser to make sure your decisions are appropriate in terms of how they affect your status in retirement.

Market Returns During Retirement

The chart below shows the effects of early market decline versus late market decline on an account with an initial balance of \$500,000 using the dollar-adjusted withdrawal method.²

	Early Market Decline		Late Market Decline	
	Annual Return (%)	Portfolio Balance (\$)	Annual Return (%)	Portfolio Balance (\$)
Year 1	-12	426,800	8	523,800
Year 2	-10	370,080	8	548,856
Year 3	-5	336,163	8	575,243
Year 4	8	344,833	8	603,039
Year 5	8	353,468	8	632,331
Year 6	8	362,036	8	663,207
Year 7	8	371,288	8	696,553
Year 8	8	381,279	-12	596,905
Year 9	8	392,069	-10	520,787
Year 10	8	403,720	-5	477,407

You have to calculate RMDs separately for each retirement account, but you don't always have to take them separately. Your annual total RMD amount for 403(b) and IRA RMDs can come from one account, or you can take RMDs from each account separately.¹



This information is not intended as legal or tax advice. Investors should consult an attorney or tax adviser.

1 You can aggregate RMDs from IRAs or 403(b) plans, but not both.

2 This hypothetical example assumes an annual withdrawal of 3% from the first year's balance that is adjusted 4% annually for inflation.

What are my retirement savings options?

There are several retirement investments to help you prepare financially and create a balanced equation for a successful retirement. Talk with your financial adviser about which of these options is right for you and make sure your unique retirement plan variables are included in any investment decision.

Individual retirement options	
Roth IRA	Individual retirement plans that allow tax-free earnings and distributions.
Traditional IRA	Individual retirement plans that permit tax-deferred savings for workers younger than 70½.
Rollover IRA	Individual retirement plans for retirement assets rolled over from other eligible retirement plans, such as 401(k) plans, profit sharing plans and SEP IRA accounts (see below).
Annuity	Individual insurance contracts designed to provide income from premium payments and tax-deferred asset growth.

Employer-sponsored retirement plans	
403(b)	Pretax salary deferral plans for employees of nonprofit organizations, public schools and churches.
SEP IRA	Low-cost retirement plans for small business owners and the self-employed that allow for tax-deferred earnings.
SIMPLE IRA	Payroll deduction plans that permit employees to make pretax salary deferral contributions in addition to their respective employers' contributions.
SOLO 401(k)	401(k) plans for owner-only businesses with no plans to add employees in the near future.
Age-weighted, new comparability and super comparability plans	Plans that categorize employees into groups that influence the value of employer-made contributions. These plans provide the option for 401(k)-like deferrals.
Profit sharing plans	Plans that allow for discretionary annual contributions by employers.
401(k) plans	Qualified plans that allow for employee pretax contributions. The value of a 401(k) investment grows tax deferred until withdrawn, when it's taxed as ordinary income.
Roth 401(k) plans	Qualified plans that combine some of the most advantageous aspects of both the 401(k) and the Roth IRA. Employees can decide to contribute funds on a post-tax elective deferral basis, in addition to, or instead of, pre-tax elective deferrals under their traditional 401(k) plans.
Safe harbor 401(k) plans	401(k) plans designed with a mandatory employer contribution.
Defined-benefit plans	Plans that offer predetermined employer contributions based on factors such as salary history and length of employment.
457 plans	Nonqualified plans that allow for employee pretax contributions and tax-deferred growth of investment value until withdrawn, when it's taxed as ordinary income.



Talk to your financial adviser about calculating your personal retirement formula and ask how Invesco can help you achieve the retirement you deserve.

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6

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74

34

62

24

31

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66

42

71

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x

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85

+ 15

Invesco: Helping investors worldwide achieve their financial objectives

With more than 600 dedicated investment professionals worldwide and an operational network spanning more than 20 countries, Invesco has the global capability to deliver our best ideas to investors around the world.

Our “investors first” approach is built on:

Commitment to investment excellence

We believe the best investment insights come from specialized investment teams with discrete investment perspectives, operating under a disciplined philosophy and process with strong risk oversight and quality controls.

We believe high-quality results begin with specialized insight and disciplined oversight.

Depth of investment capabilities

Our long history of providing client-driven investment solutions means we offer a wide range of single-country, regional and global capabilities across major equity, fixed income and alternative asset classes.

Our wide range of investment capabilities is designed to support a variety of financial objectives.

Organizational strength

At Invesco, we believe focus brings success. That’s why investment management is all we do.

As an independent firm, our global organization is solely focused on investment management.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisers for a prospectus/summary prospectus or visit invesco.com/fundprospectus.

Data as of Jan. 31, 2011, unless otherwise noted.