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There's a 'you' in retirement: Start planning, and use Boeing tools

BY BRAD CHRISMAN AND GEOFF POTTER

Planning for retirement is a highly personal process. There is no quick checklist, and no single formula works for everyone.

But if you're one of the 105,000 U.S.-based Boeing employees who have viewed your online Pay & Benefits Profile, you've taken an important step toward planning a secure future for yourself. The profile provides a personalized snapshot of your total pay and benefits package and other sources of income available to you during retirement—as well as tools to help you estimate your future income needs.

"It's never too early to start planning, and the Pay & Benefits Profile is a great place to start," said Pam French, director of global employee benefits. "We encourage people to look at their individual profile and take advantage of the profile's interactive financial modeling tools. The profile can also be a helpful reference in discussions with financial planners or tax advisors."

Ready to peer into your financial future? You'll find a wealth of information waiting for you in the Profile—available at work or from home

through the "My Pay & Incentives" section of TotalAccess. It includes

- Projections of your savings plan balances at specified retirement ages.
- Estimates of your monthly pension benefits and Social Security benefits at specified retirement ages.
- Calculators to help you estimate other sources of income and projected expenses to help determine how much you will need in retirement.

The profile makes it easy for you to determine your "income replacement ratio"—an estimate of your projected monthly income during retirement, compared to your pay. The tool summarizes your estimated total monthly retirement income from Boeing (pension benefits and savings plan balances) and lets you chart other potential income (Social Security and personal savings).

Remember that a secure retirement comes from planning and from funds from a variety of sources: Your total retirement income comes from Boeing retirement benefits, Social Security and personal savings.

HOW MUCH WILL YOU NEED?

Planning and saving for retirement often begins with the question, "How much money will I need?"

There's no single "correct" answer. According to U.S. Department of Labor estimates, you'll need at least 70 percent of your preretirement income to maintain your standard of living when you stop working (lower earners need 90 percent or more).

"Of course, your own 'magic number' will depend on your personal situation, which calls for taking a realistic look at what you expect your expenses to be in retirement and how they will be affected by inflation," said Julie Curtis, Boeing director of actuarial services. With the average annual inflation rate at 3 percent, it takes only 24 years for your income needs to double.

Your personal income needs when you retire will depend on a variety of factors. Among them: the lifestyle you desire, your life expectancy, the number of dependents you'll be supporting, where you plan to live, whether you'll be paying a home mortgage, your future health care needs. The Pay & Benefits Profile links to an online tool designed to estimate your monthly expenses in retirement, including the impact of inflation. By comparing the total projected income to your known expenses, you can see how close you are to meeting your income needs in retirement.

As you plan, remember that your expenses may change as you grow older. While you'll spend less on work-related things like transportation and clothing early on, you may spend more on traveling, hobbies, or other activities you've long wanted to do. And as you age, more of your budget will likely go toward medical expenses. Benefits consultancy Hewitt Associates estimates that retirees

spend an average of 20 percent of their income on health care.

"It's never too early to lay out your personal plan, and it's never too late to crunch the numbers and see where you stand," Curtis said. She cited the Labor Department publication "Taking the Mystery Out Of Retirement Planning," which states: "Few people will have exactly the amount of money they will need in retirement. Most will get a negative figure—a gap—when they do the math."

It suggests five ways to close the gap: contribute the maximum to your retirement plan; work longer, retire later; cut expenses, big and little; delay your start date for Social Security benefits; and "put your money where the returns are" by allocating your assets and diversifying your investments.

What else can you do?

- Increase your contribution to the Boeing savings plan if you are not contributing the maximum.
- Go to the Financial Resource Center available at Boeing Savings Plans Online for information on retirement investment planning, help with personal finance, online plan savings and retirement planning calculators, and more.
- Talk to a financial advisor about financial and investment planning.

"Boeing offers tools and resources to help you build your future retirement income, but you need to take an active role in planning and saving," French said. ■

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Top 10 ways to prepare for retirement

Americans spend 18 years in retirement, on average, according to the U.S. Department of Labor, yet only 43 percent of U.S. workers have calculated how much they need to save for it. And experts now suggest planning to spend 30 years in retirement. If you're a U.S. person at Boeing, here's how you can prepare.

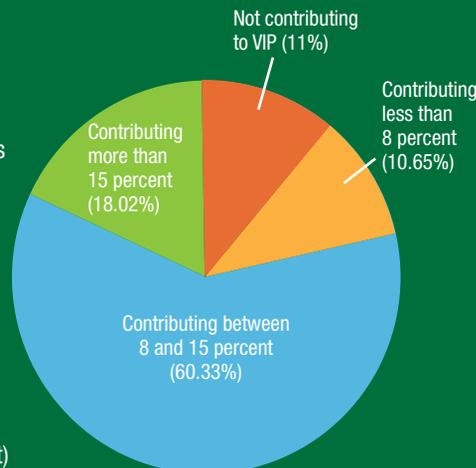
- 1. Know your retirement needs**
Retirement is expensive. Experts estimate you'll need 70 to 90 percent of your annual preretirement income to maintain your standard of living when you stop working.
- 2. Find out about your Social Security benefits**
Social Security pays the average retiree about 40 percent of preretirement earnings. Visit www.socialsecurity.gov to learn more.
- 3. Learn about your pension benefits**
Check out your Pay & Benefits Profile on TotalAccess. (Data in the profile, which is updated annually, will be refreshed this summer.)
- 4. Contribute to a tax-sheltered savings plan**
Your taxes will be lower, Boeing may kick in a contribution, and automatic deductions make it easy.
- 5. Put your money into an Individual Retirement Account (IRA)**
You can put up to \$4,000 a year into an IRA and gain tax advantages. Over time, compounded interest and tax deferrals make a big difference in the amount you will accumulate.
- 6. Choose a Roth or traditional IRA plan**
The tax treatment of your contributions—and the after-tax value of your withdrawal—will depend on inflation and the type of IRA you choose.
- 7. Don't touch your retirement savings**
You'll lose principal and interest—and maybe even tax benefits.
- 8. Start now, set goals, and stick to them**
Put time on your side. The sooner you start saving, the more time your money has to grow. Devise a plan, stick to it, and set goals for yourself.
- 9. Consider basic investment principles**
How you save can be as important as how much you save. Inflation and the type of investments you make play important roles in how much you'll have saved at retirement.
- 10. Ask questions**
Consult your bank or a financial advisor. Also, the Labor Department's Employee Benefits Security Administration offers information at www.dol.gov/ebsa/publications or 866-444-EBSA.

Source: U.S. Department of Labor

Who's in VIP

Some 146,773 Boeing employees are eligible to participate in the Boeing Voluntary Investment Plan (VIP). Many employees are eligible for company matching contributions in the VIP; learn more by visiting the Boeing Savings Plans Online Web site via TotalAccess.

How much are they setting aside for retirement? This pie chart shows employee-contribution rates as of Dec. 31, 2007.



Who's not participating?

The average age of eligible employees who do not participate is 45—putting them just 20 years from retirement—with 13 years of service. Just 1 in 6 nonparticipants (17 percent) has less than one year of service.