



WORTH A LOOK

News & Investment Insights for Retirement **Plan Participants** • Vol. 8/No. 4/Winter 2006

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Where in the World Would You Like to Retire?



Retiring in a different country isn't for everyone, but if you've ever thought or dreamt about retirement in a different culture, you may be a candidate. You may have traveled to or worked in other countries, and liked what you experienced. Or you might have ancestral roots in a foreign country, perhaps one as close as Mexico or Canada. That could make such a move easier and more practical.

Research, research, research

If you do plan on exploring the idea of retiring abroad, do some extensive research. Read books about your desired destination and about the general experience of retiring abroad, such as Rosanne Knorr's *The Grown-Up's Guide to Retiring Abroad*, a practical guide. Read magazines and newspaper articles; visit bookstores and libraries; contact tourist bureaus; search the Web.

A good resource is The Association of Americans Resident Overseas (AARO), www.aaro.org. The AARO describes itself as "a volunteer, non-partisan service organization representing the interests of more than 4.1 million Americans

living and working abroad." One tangible benefit of AARO membership is access to a "reasonably priced health insurance plan."

Also, spend time in your dream retirement destination, talking to people and learning about some of the practical considerations you'll encounter. If you've been to a particular location for a week or two at a time, how do you know it's not just a "nice

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Dear Participant:

Retirement is full of practical considerations, such as how much to save, when to retire or where to retire. In this issue, we explore the possibility of retiring abroad. Could this be your dream? We offer some tips on how to turn it into reality.

You'll also find a step-by-step guide to increasing your contributions so you can save enough money to stretch your retirement income longer.

In this issue's "Money Matters," we turn our focus on something much more immediate, and something many people have thought about in the wake of recent hurricanes and severe flooding — how to disaster-proof your finances. We believe that planning — for both the short and long term — pays off.

Sincerely,

David Shute
Worth A Look Publisher

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www.TA-Retirement.com

If you're nearing retirement, you've probably thought about where you'd like to retire. Perhaps you are happy to stay where you are, but many people have plans to move. Some might want to move closer to their family members, while others might be drawn to warmer weather and the prospect of golfing 12 months a year, or just avoiding wintry weather altogether. And some people plan to retire abroad.

Increase Your Contributions Step by Step

One of the most important actions you can take in saving for your retirement is to join your company's retirement savings plan. The benefits include reduced taxes, tax deferred earnings, and matching contributions from your employer in many cases. But most important is the long-term benefit of having enough money for your retirement.

However, it's possible that despite saving steadily, you'll still fall short of what you'll need to replace your income in retirement.

Minnie falls short

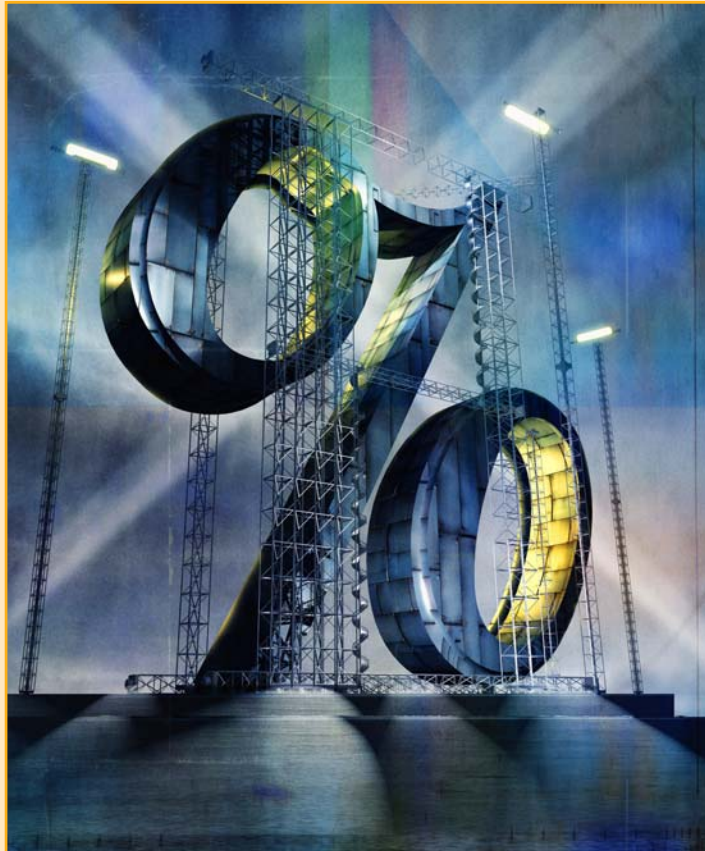
Look at Minnie, a hypothetical plan participant who saves 2% of her \$30,000 annual salary from the age of 35. That's \$600 a year, plus a company match of 50 cents for every dollar she contributes. Her contribution increases a little as her salary climbs by 3% each year. Her final salary before retiring is \$70,697.¹ *Her 30 years of diligent saving, earning an 8% annual rate of return, would generate a total nest egg of \$129,052.*

Based on an assumed need for 75% of her final salary after she retires, she'd require \$53,023 in retirement income. And with an assumed \$25,810 in annual Social Security benefits initially, she would need to withdraw \$27,213 in retirement savings in her first year in retirement. In this scenario, *Minnie would run out of money by age 70.*

Max goes the distance

Now consider Max, who has the same salary as Minnie, but a different approach to saving. Like Minnie, Max's salary increases by 3% a year, so his contribution amount goes up a little for this reason, too. But, unlike Minnie, Max increases his contribution rate by 1% every year until he reaches a contribution level of 10% in eight years.

This approach makes a very significant difference: *Max would accumulate a total of \$460,210 by age 65. More importantly, his savings would last until age 95, 25 years longer than Minnie.* Not a bad reward for increasing his contribution level by only 1% a year!



What you can do

- Commit to always increasing your contribution rate by 1% a year. If you receive a salary increase annually, that could be a painless occasion to increase your contribution, as you may not notice the difference.
- Use an online calculator to project what you can achieve with gradual step-by-step contribution increases. Visit the Transamerica² Retirement Services Web site at www.TA-Retirement.com and use the calculators in the Planning Tools section. 💡

¹ All calculations in this article were made with the Retirement Planner calculator at <http://www.dinkytown.net/java/RetirementPlan.html>.

² Transamerica Retirement Services, a marketing unit of Transamerica Financial Life Insurance Company and its affiliates, specializes in the promotion of retirement plan products and services. Transamerica Financial Life Insurance Company and its affiliates are members of the AEGON Group of Companies. Securities offered through Diversified Investor Securities Corp. (DISC) Member NASD.

Where Will You Retire? (Continued from cover)

place to visit?" Try it for a month or two—or even for half a year—before committing to a permanent move. Better to find out sooner rather than later that it's not really for you.

Practical considerations

Don't expect things to go as smoothly as you're used to. Different cultures have their own versions of "business as usual." Don't just prepare for delays, expect them. Also, ask yourself whether you are flexible enough to adapt to a different way of life.

Your "to do" list should include:

- *Review and update your will.* Your host country's government regulations will take precedence. If you own property in the United States and overseas, consider having two wills. Each will should mention the other.
- *Find a good lawyer.* Consult a good tax attorney or accountant who specializes in or is knowledgeable about international or expatriate issues.
- *Set up a bank account.* Establishing a bank account in your host country will let the authorities know you are serious about becoming a permanent resident. Find out about monetary rules and banking regulations that govern foreign residents. What about practical banking needs? Are there delays in depositing foreign checks?
- *Leave yourself an out.* You may want to maintain a legal residence in the United States. That will make it easier if you change your mind and want to return. Similarly, hedge your currency risk. The dollar may fluctuate substantially against certain currencies. Consider maintaining some money in the United States.
- *Get good health insurance.* Although you'll be able to collect Social Security benefits from the U.S. anywhere in the world, U.S. Medicare coverage DOESN'T extend to U.S. citizens living abroad. Find out whether public or private medical insurance in the country where you will reside is available to resident foreigners. Find out what is covered. You may have to purchase private health coverage or consider a state-sponsored program.
- *Consider retaining your U.S. Medicare coverage.* Even if you're not covered while abroad, retaining your Medicare coverage would open the door to returning to the U.S. for hospitalization or medical care at any time.



- *Know your tax obligations.* U.S. citizens residing abroad must still file a U.S. federal income tax return. Some countries have tax treaties with the U.S. that will help avoid double taxation. But even in those cases, you'll need to know how to file your U.S. taxes and how to get credit for taxes already paid abroad. Find out more in the IRS Publication 54, "Tax Guide for U.S. Citizens Abroad."
- *Consult your local American embassy or consulate.* When you move, register your passport, address, e-mail address and telephone number with the U.S. embassy. This is your link to home.

Many more considerations

If you do seriously plan to retire abroad, you'll have many other things to think about. Would you prefer living in an urban, suburban or rural setting? How do you feel about owning vs. renting a home? (Some countries impose restrictions on foreigners owning property.) Is cost of living a primary factor or is it more important to either find a large American expatriate community or, conversely, to be immersed in another culture? How are your language skills?

So many questions, so much to learn. The world is yours, so be sure to have fun exploring your new adventures! ☺



How to Disaster-Proof Your Finances



Hurricanes Katrina and Rita were wake-up calls—to residents of the Gulf Coast, to disaster-relief organizations and to millions of individuals who can take action to disaster-proof their finances.

Plan and communicate

Perhaps you've wondered what you would do if disaster struck your home or family. Disaster-readiness begins with a plan. Develop an escape plan and make sure every family member is aware of it. Then prepare a survival plan.

Supplies

Basic non-perishable food and clean water for a few days along with supplies, such as flashlights, batteries and an emergency kit, will get you through a few dark days in a worst-case type of disaster.

Keep good records

Keep thorough records of your key financial documents in a safe place. Include insurance policies, birth certificates, your marriage license, your will and financial accounts. Make duplicate copies of anything sensitive or essential. That can include an electronic file that you send to a relative or close friend in a different geographic area. Back up your computer files.

Insurance

Insure yourself and your belongings thoroughly and adequately. Make sure you have the basic insurance plans in effect, including home insurance, car insurance, life insurance and health insurance. Don't forget disability insurance – you'll need a source of income if you're unable to work. Your

homeowners insurance should include coverage for specific events such as flooding.

Financial cushion

A financial cushion is essential for protection against a disaster that wipes out your ability to earn your livelihood. In addition to having actual cash for a few days' worth of essentials, a three- to six-month cash reserve is generally recommended. If you live in an area that's prone to disasters, perhaps a six-month financial cushion should be your minimum threshold. Also establish a line of credit before you need it. Avoid tapping into your retirement accounts.

Disasters do happen, but preparing a disaster-proof financial plan could make the difference in your family's ability to weather the storm. ☺

WORTH A LOOK is published quarterly by Transamerica Retirement Services. The newsletter's mission is to provide timely, relevant information that Participants in retirement plans administered by Transamerica can put to work as they develop investment strategies to achieve their financial objectives.

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