BUILDING BLOCKS FOR RETIREMENT

Distribution Planning

When Your Nest Empties . . .

Having a child leave home permanently is a significant event. After you've packed away the memorabilia, sit down and revisit your finances. It may be a good time to make some other changes.

From Their Diapers . . .

Raising a child is expensive. For a child born in 2012 (the latest figures available), a middle-income family can expect to spend about $241,080 for food, shelter, and other necessities associated with raising a child over the next 17 years.* Since 1960, the average annual increase in child-raising costs has been 4.4%.

To Your Dreams

If you think it's a big change when the kids leave home, the next one — retirement — may be even bigger. Once you no longer have the expenses of raising a family, use the financial "windfall" to beef up your retirement savings. If you haven't been saving as much as you should, this is the time to catch up. Building up your retirement savings should be a priority.

Check to see how much you're currently contributing to your retirement account, and consider increasing that amount. If you can sock away an extra $200 a month for 10 years and earn 6% a year (compounded monthly), you'll have added more than $32,000 to your account balance.

Max It Out

If you can, keep increasing the amount you're saving until you reach your plan's maximum contribution amount. Check with your plan administrator if you don't know how much the annual limit is. If you're age 50 or older by the end of the calendar year — and your plan allows for them — you may be able to make additional catch-up contributions.

No Procrastinating

It won't take long to adjust to having more money to spend after the kids leave home, so don't wait to reset your financial priorities. Earmark at least some of your empty nest surplus as retirement savings.

*Expenditures on Children by Families, U.S. Department of Agriculture, August 14, 2013

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Save More Now, Spend More Later

	Save an extra $2,400 a year	Save an extra $5,000 a year
For 7 Years	$20,815	$43,364
For 10 Years	$32,776	$68,283

These are hypothetical examples used for illustrative purposes. They do not represent the results of any particular investment vehicle. Monthly contributions and a 6% average annual total return (compounded monthly) are assumed. Your investment results will be different. Tax-deferred amounts accumulated in the plan are subject to ordinary income tax upon withdrawal. Source: DST

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