Fall 2013

Wise Choices®

Don't just dream about it, *make it happen*

No two dreams are exactly alike. And while that may be especially true of retirement dreams, they do have one common thread—money. Whether you're dreaming of traveling the world, hiking the Appalachian Trail, or rocking out on the back patio, you're going to need money.

The income pie is changing
In the past, retirees could generally rely on three sources of retirement income: Social Security, pensions, and their own savings and investments. But times have changed. Take Social Security, for example. Officials have warned that legislative changes are necessary to make the current system sustainable in the long run.

Social security
Even if social security benefits stay at current levels, it was never meant to cover all of your retirement expenses. It's only one piece of the income pie. In 2013, the average monthly Social Security retirement benefit is $1,261 ($15,132 per year),* which is not enough to allow most people to live comfortably.

Pensions are disappearing
The income slice represented by pensions has changed significantly. Pensions used to provide eligible retirees with a steady monthly benefit amount. But fewer companies offer pension plans these days. Employers are much more likely to offer defined contribution plans instead, such as 401(k) plans. Retirement benefits under these plans are determined by the amount you have accumulated in the plan.

It's up to you
The bottom line is that you will almost certainly have to rely on the balance in your employer's retirement savings plan along with your other savings and investments to provide a significant portion of your retirement income. This is especially true if you won't receive traditional pension benefits.

What can you do to improve your chances of living your dream? Make saving for retirement a top priority and contribute as much as you can to your plan account. Then set a goal based on how much income you think you'll need, choose investments that have the potential to help you meet your goal, and check your progress regularly.

Where your money might come from

Earnings	30%
Social Security	37%
Other	4%
Pensions	18%
Savings & Investments	11%

Source: Fast Facts and Figures About Social Security, 2012, Social Security Administration

Be a more poised investor

Are you the first one to scream during a scary movie? Or cry at a wedding? People get emotional about many things, but investing shouldn't be one of them. Emotions can override your common sense, and you might end up making irrational investment decisions. Acting on your feelings instead of relying on facts and logic can undermine your efforts to build up the savings you're going to need for retirement.

Quiet your fears
At some point, all investors worry about their investments losing money. However, if worry escalates to full-fledged fear, it might cause you to invest all of your retirement plan account in conservative, low-risk investments, even though you don't plan to retire anytime soon. While a conservative focus may protect you against losses and preserve your savings, it can also stunt your account's growth. Your attempt to avoid short-term losses could short-circuit your potential for earning long-term gains.

Including stock funds or portfolios in your mix of investments can increase your long-term returns and put you closer to meeting your savings goal. Diversifying** your investments can help you manage risk.

Be patient
Lack of patience can also cause some investing missteps. It can be tempting to chase returns by switching into investments that have been showing impressive gains. However, more often than not, investors who try to "time" the market rush to buy a "hot" investment, only to watch its price drop. Or they switch out of an investment whose price has plummeted, only to watch it rebound. Letting your patient side shine through and staying with your long-term investment strategy may yield better long-term results.

Face the facts
On the other hand, holding on to an investment just because you feel good about it isn't always the best idea either. If an investment *consistently* underperforms its benchmark index, it may be time to make a change—regardless of how much you like the investment.

Take control
Letting emotions influence your investment decisions can be hazardous to your wealth. Learn to recognize the signals of emotional investing and replace them with balanced, well-reasoned investment strategies.

* *Fact Sheet, 2013 Social Security Changes,* Social Security Administration
** *Diversification does not ensure a profit or protect against loss in a declining market.*

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