WINTER 2016

OnTrack

A BETTER WAY To Use Your Tax Refund

Are you one of those people who looks forward to getting an income-tax refund every year? Instead of spending it on the newest electronic gadget or an expensive vacation, make your refund work for you. Using it wisely can help you improve your long-term financial well-being. Here are some ideas to consider.

Beat Back Debt

Constantly paying large interest charges on credit card balances and consumer loans can make it tough to get ahead financially. Think about using your tax refund to reduce or eliminate your debt. One strategy is to pay down the cards with the highest interest rate first, while making minimum payments on all the others.

Prepare for Emergencies

Life is full of surprises. Unfortunately, some of these unexpected events can be expensive. If you don't have an emergency fund, you may be forced to rely on your credit card to cover the costs. And if cash is tight, you may end up paying interest on the money you borrowed for a long time.

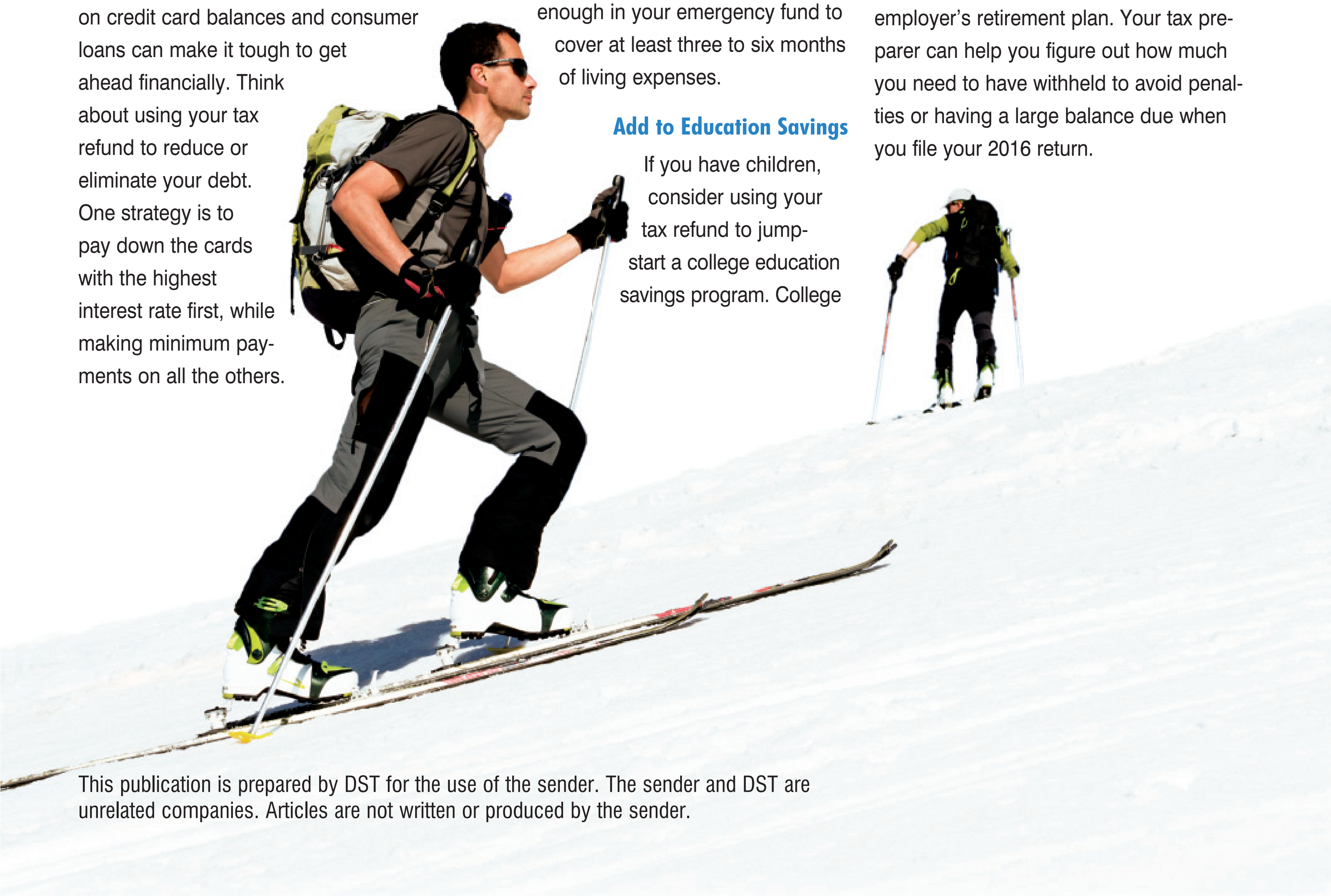
Use your tax refund to start or add to your emergency fund. Ideally, you should have enough in your emergency fund to cover at least three to six months of living expenses.

Add to Education Savings

If you have children, consider using your tax refund to jump-start a college education savings program. College tuition is expensive and is likely to remain so. Regular additions, however small, to a college savings program can help make college more affordable for your children.

Boost Your Retirement Security

When it comes to saving for retirement, every little bit helps. Consider having less income tax withheld from your pay in 2016 so you won't receive a big tax refund. Then increase your contributions to your employer's retirement plan. Your tax preparer can help you figure out how much you need to have withheld to avoid penalties or having a large balance due when you file your 2016 return.



Promises To Keep — FINANCIAL RESOLUTIONS for the New Year

Every new year holds out the promise of new possibilities. That's why now is a good time to examine your financial situation and make sure you're on track to a comfortable retirement. Once you identify areas that need improvement, you can resolve to do something about them in the coming year.

I Will Understand My Plan

Learn as much as you can about your employer's retirement plan so you can make the most out of this opportunity to save and invest for your retirement. The Summary Plan Description (SPD) explains your rights and benefits under the plan. And there are additional resources available to you as a plan participant that can also help you use the plan effectively.

I Will Contribute More to My Retirement Plan

The more money you put into your plan, the bigger your potential nest egg. Adding an extra $10 or $20 per paycheck could make a big difference over the long term. Consider putting some or all of any pay increase or bonus you receive into the plan. Participants in 401(k) plans contribute an average of 6.9% of their pay, according to the Plan Sponsor Council of America.* However, many experts recommend that workers save at even higher rates.

I Will Take a Long-term View of Investing

While playing it safe with your retirement investments may help you sleep better, it may not help you stay ahead of inflation. Far too many retirees find that their savings are insufficient to support their standard of living during all of their retirement years. Although not saving enough while working is one reason this occurs, low rates of growth on retirement assets can also be to blame. If you invest all of your retirement assets in very conservative investments, you risk having inflation erode the purchasing power of your savings.

Review how you have allocated your investments in your retirement plan. You may find that your allocation is too conservative and focused on "safe" investments. The reality is that to earn inflation-beating returns, you will have to take on some additional risk. That means including stock funds in your portfolio. Though stocks are more volatile than either bonds or cash

A Look at Performance

Investment	Average annual total return (through June 30, 2015) 1 year	3 years	5 years	10 years
Stocks*	7.42%	17.29%	17.34%	7.89%
Bonds**	1.86%	1.83%	3.35%	4.44%
Cash***	0.01%	0.04%	0.06%	1.34%
Inflation (CPI)	0.12%	1.31%	1.83%	2.07%

* Stocks are represented by the S&P 500 Index, an unmanaged index of the stocks of 500 major corporations.

** Bonds are measured by Barclays Capital U.S. Aggregate Bond Index, an unmanaged index of U.S. government, corporate, and mortgage-backed securities.

*** Cash equivalents are measured by Barclays U.S. Treasury Bill 1-3 Month Index.

Past performance does not guarantee future results. Your investment results will be different. This chart is for illustrative purposes only and does not represent the performance of any particular investment. Investments cannot be made in an index. Stocks have greater return potential but are more volatile than other investment types. Unlike stocks and corporate bonds, government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer fixed rates of return and stable principal.

Source: DST

investments, over the long term, they have outperformed both of these asset classes and delivered inflation-beating returns.

I Will Diversify My Portfolio

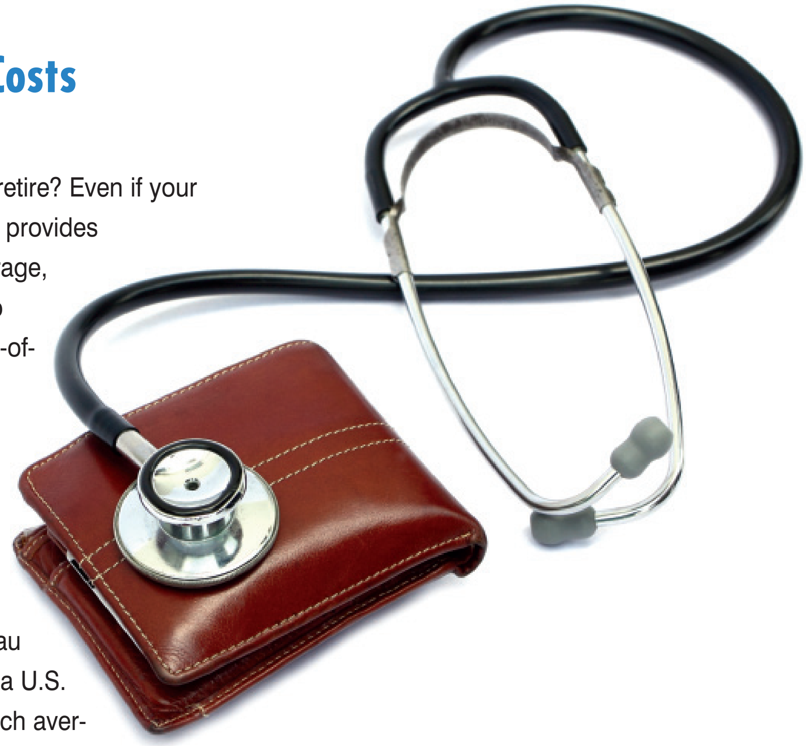
Whatever your capacity for handling investment risk, it's generally advisable not to invest 100% of your retirement savings in just one investment or asset class. When you spread your money among several different investments in different asset classes, you reduce the risk that your overall portfolio will be dramatically impacted if a particular investment or asset class performs poorly.

Take Action

Once you make your financial resolutions, stick to them. Over time, they will help you reach your retirement savings goal.

* *The 57th Annual Survey of Profit Sharing and 401(k) Plans*, Plan Sponsor Council of America, 2014 (reflecting 2013 plan experience)

Don't FORGET Retirement Health Care Costs



Sooner is better than later when it comes to planning your retirement budget. While you're still receiving a paycheck, figure out how much you'll need for a financially stable retirement.

Spending in Retirement

Once you retire, you won't have the day-to-day expenses you had while working. However, you will still have to pay for items like utilities, insurance, and transportation, as well as for groceries and other everyday expenses. And don't forget the one item that could have the biggest impact on your retirement budget — health care.

Getting Real About Health Care Expenses

You may be happy with the health care coverage you currently receive through your employer. But will that coverage continue after you retire? Even if your spouse's employer provides retiree health coverage, you will still have to pay a variety of out-of-pocket costs — deductibles, copayments, and part of the total premiums.

According to data from the U.S. Bureau of Labor Statistics, a U.S. consumer unit (which averages 2.5 people) spent an average of $4,290 on health care in 2014.* Of course, you'll spend less if you are young and healthy. However, you can see from this table that spending on health care tends to increase as you get older.

2014 Health Care Costs (Per Consumer Unit)*

Age group	Annual amount spent on health care
25 – 34	$2,659
35 – 44	$4,033
45 – 54	$4,497
55 – 64	$4,958
65 – 74	$5,956
75 and older	$5,708

* Amounts are for "consumer units," which average 2.5 people.

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2015 (2014 data)

Medicare will cover some of your health care expenses once you become eligible. But not all expenses are covered by Medicare. You may choose to buy supplemental insurance to cover expenses that Medicare won't. If you add up the cost of Medicare premiums, supplemental insurance, and out-of-pocket health care costs, you could be looking at a large annual expense for your health care.

What the Future Holds

You can't predict how much or how little health care you will need in the future. You can predict, however, that you will have to spend a portion of your retirement budget on health care. The smart way to prepare is to create a budget using realistic estimates of all your expenses — and to keep putting as much money as you can in your retirement account.

* Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2015 (2014 data)