Financial security doesn't just happen. It takes planning and commitment and, yes, money.

FACT Today, only 42 percent of Americans have calculated how much they need to save for retirement.

FACT In 2001, of those who had 401(k) coverage available, 30 percent didn't participate.

FACT The average American spends 18 years in retirement.

Putting money away for retirement is a habit we can all live with. Remember…
Saving Matters!

To find out more, call the Employee Benefits Security Administration at 1-866-444-3272 and request the following brochures:

Savings Fitness:
A Guide to Your Money and Your Financial Future

What You Should Know about Your Retirement Plan

Choosing a Retirement Plan for Your Small Business

Women and Retirement Savings

Or view them on the Web at: www.dol.gov/ebsa

The following Web sites can also be helpful:

AARP
www.aarp.org

American Savings Education Council
www.asec.org

Certified Financial Planner Board of Standards
www.cfp.net/learn

Consumer Federation of America
www.consumerfed.org

The Investor's Clearinghouse
www.investoreducation.org

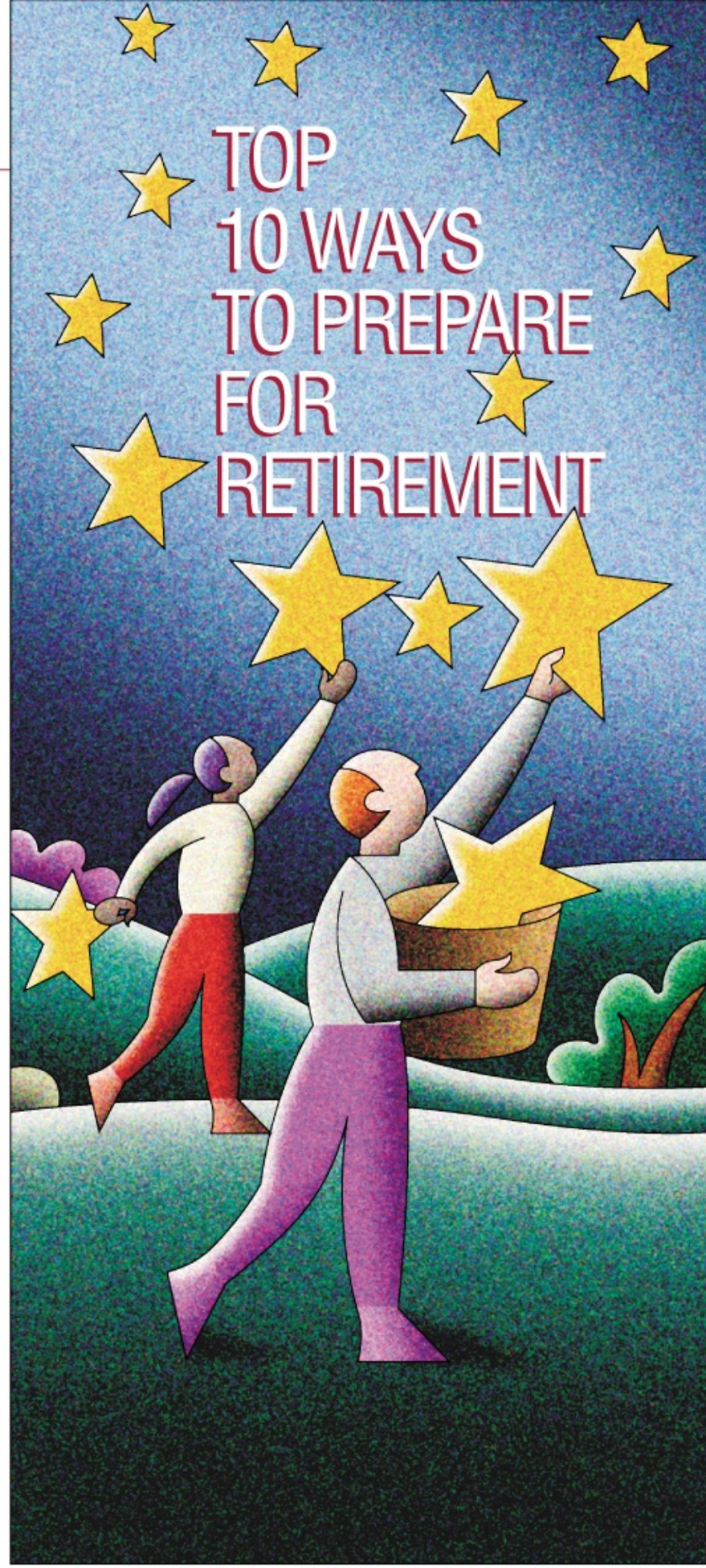
U.S. Securities and Exchange Commission
www.sec.gov

SAVING MATTERS
RETIREMENT SAVINGS EDUCATION CAMPAIGN

U.S. Department of Labor
Employee Benefits Security Administration

August 2004

TOP 10 WAYS TO PREPARE FOR RETIREMENT



1. Know your retirement needs.

Retirement is expensive. Experts estimate that you'll need about 70 percent of your preretirement income – lower earners, 90 percent or more – to maintain your standard of living when you stop working. Take charge of your financial future. Start by requesting *Savings Fitness: A Guide to Your Money and Your Financial Future.* (See back panel to order a copy.)

2. Find out about your Social Security benefits.

Social Security pays the average retiree about 40 percent of preretirement earnings. Call the Social Security Administration at 1-800-772-1213 for a free Social Security Statement and find out more about your benefits at www.socialsecurity.gov.

3. Learn about your employer's pension or profit-sharing plan.

If your employer offers a plan, check to see what your benefit is worth. Most employers will provide an individual benefit statement if you request one. Before you change jobs, find out what will happen to your pension. Learn what benefits you may have from previous employment. Find out if you will be entitled to benefits from your spouse's plan. For a free booklet about protecting your pension, request *What You Should Know about Your Retirement Plan*. (See back panel for more information.)

4. Contribute to a tax-sheltered savings plan.

If your employer offers a tax-sheltered savings plan, such as a 401(k), sign up and contribute all you can. Your taxes will be lower, your company may kick in more, and automatic deductions make it easy. Over time, compound interest and tax deferrals make a big difference in the amount you will accumulate.

5. Ask your employer to start a plan.

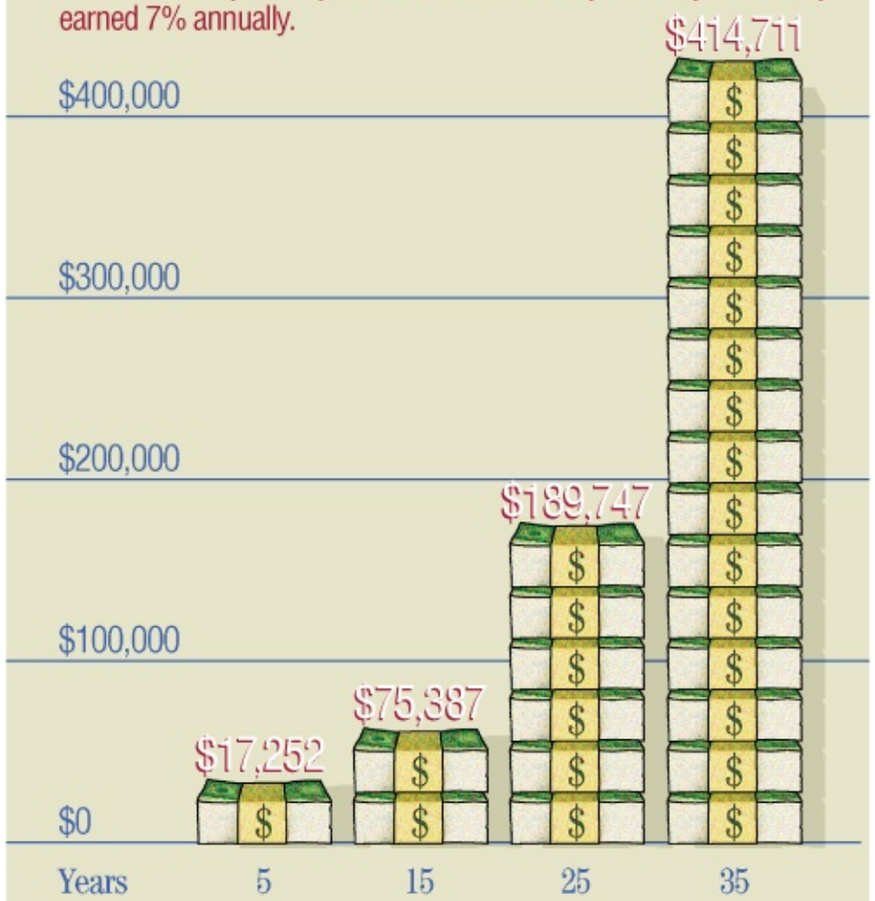
If your employer doesn't offer a retirement plan, suggest that it start one. Simplified plans can be set up by certain employers. For information on simplified employment pensions, order Internal Revenue Service Publication 590 by calling 1-800-829-3676. Or you can view a copy at www.irs.gov. You may also want to request a copy of *Choosing a Retirement Plan for Your Small Business* (see back panel).

6. Put your money into an Individual Retirement Account.

You can put up to $3,000 a year into an Individual Retirement Account (IRA) and gain tax advantages. The chart below illustrates the way your account can grow in an IRA.

THE ADVANTAGE OF STARTING EARLY

Start now! This chart shows what you would accumulate after 5, 15, 25, and 35 years if you saved $3,000 each year and your money earned 7% annually.



When you open an IRA, you have two options – a traditional IRA or the newer Roth IRA. The tax treatment of your contributions and withdrawals will depend on which option you select. Also, you should know that the after-tax value of your withdrawal will depend on inflation and the type of IRA you choose.

7. Don't touch your savings.

Don't dip into your retirement savings. You'll lose principal and interest, and you may lose tax benefits. If you change jobs, roll over your savings directly into an IRA or your new employer's retirement plan.

8. Start now, set goals, and stick to them.

Start early. The sooner you start saving, the more time your money has to grow. Put time on your side. Make retirement savings a high priority. Devise a plan, stick to it, and set goals for yourself. Remember, it's never too early or too late to start saving. So start now, whatever your age!

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. Know how your pension or savings plan is invested. Financial security and knowledge go hand in hand.

10. Ask questions.

These tips point you in the right direction. But you'll need more information. Talk to your employer, your bank, your union, or a financial advisor. Ask questions and make sure the answers make sense to you. Get practical advice and act now.