RetireOnTarget® Calculation Overview

The RetireOnTarget system calculator (RetireOnTarget) can project how much income you need in retirement as well as determine both estimated savings rates and possible investment mixes to help meet your goals.

Calculations use information including age, salary and investment elections provided by the plan administrator, data provided by the you, the individual investor and various industry assumptions to arrive at current projections and targeted goals. *Read more on how this works below.*

Frequently Asked Questions

1. **How do you determine if I am on target?** Based on recordkeeping system information, assumptions and information provided by you, the user, RetireOnTarget uses an analytical process to estimate how much wealth you can potentially accumulate by your designated retirement date. It then looks at how much annual income your accumulated wealth can expect to generate in retirement and compares it to your retirement income goal. If the projected income meets or exceeds the goal, you're on target! If there is a retirement income shortfall, however, you will see you are not on target.

2. **How do you calculate your retirement income goal?** The retirement income goal is computed by projecting your current salary at a 3% rate of inflation up to the specified retirement date. The resulting amount is then multiplied by the specified retirement income goal percentage, typically 80% of current salary, to determine an income goal in the first year of retirement. That income goal continues to grow by a 2% inflation rate during each year in retirement.

3. **How do you calculate the projected retirement income and total savings values?** The retirement income and total savings values are estimated using a process called Monte Carlo simulation. As part of the calculation process, RetireOnTarget maintains several statistics and rate of return projections about each asset class in the plan. These assumptions are updated from time to time, usually on an annual basis, and may impact your projections when changed.

   RetireOnTarget first identifies any holdings in your current portfolio as belonging to an asset class, or set of asset classes. Next, a target asset allocation is determined based on an appropriate mix of equity and fixed income investments based on your time horizon to retirement.

   RetireOnTarget then estimates how much total savings wealth a user's current asset allocation and the target asset allocation will accumulate from the current date until the specified retirement date. The simulation step produces 1000 total savings projections, each being a real-life projection that considers the account balance and savings levels, the randomness of the economy, the markets, and the inter-related behavior of the various types of investments. The simulation step is performed separately for both portfolios.

   The 1000 projections are sorted by total savings amount and summarized. The value that is exceeded by 80% of the simulated results is the *most likely* total savings amount.

   The monthly income amount in retirement is calculated as a steady income stream (including plan savings growth and withdrawals, Social Security and defined benefit payments) that keeps pace

with a 2% annual inflation rate and exhausts the ***most likely*** total savings amount at a user's life expectancy.

4. **What interest rate and inflation assumptions do you use?**

Because the system uses Monte Carlo processing, it does not use fixed interest rate assumptions during the working years. Rather, it looks at 1000 different scenarios and uses the ***most likely*** outcomes as described above. A 3% salary increase rate is assumed until retirement. Once a user is retired, the system uses a fixed 5% annual rate of return on the investable assets and a 2% annual increase in retirement income.

5. **What happens when I reach the age of my retirement age goal?** When the user reaches the projected retirement age, but continues to work, the system will add one year to the age when it generates projections.

Definitions/Fields

- **Estimated Social Security.** Based on current salary, this is an estimation of the Social Security benefit at the selected retirement age.

- **Not on target.** A user is not saving enough and/or investing properly during their working years so that they may not be able to meet their retirement income goals.

- **On target.** A user is saving enough and/or investing properly during their working years so that they may be able to meet their retirement income goals.

- **Pension plan.** Enter any projected monthly income from a pension/ defined benefits plan. This must be entered by the user to be included in the calculations.

- **Other investments.** This includes other assets set aside for retirement such as IRAs, other 401(k) plans, annuities, CDs, etc. Enter the total value of these items in this field and update it over time.

- **Projected retirement income/savings.** Based on current contribution amounts, current balances, current contribution percentages, investment elections, and salary, this estimates what the savings will grow to and how much income the savings will generate.

- **Replacement income.** This is the amount of projected working income just prior to retirement that a user would like to replace. It uses the current salary and projects it out to retirement using salary increase assumptions. Expressed as a percentage, it defaults to 80% but it may be changed to reflect a user's income needs.

- **Retirement age.** This is the age that a user plans to retire. It defaults to the full retirement age for Social Security. This can be edited.

- **Target retirement income/savings.** This includes the future amount of total savings required to generate the targeted monthly income at retirement. The targeted total contribution is the percentage of income the user should be saving to reach the total savings goal. This total contribution represents all savings dedicated to retirement in the Plan and includes outside IRA contributions and other savings added to the calculation.

Assumptions/Inputs

The retirement calculations use the following assumptions:

- The account balances and total savings include the assets in participant-directed retirement accounts administered by CUNA Mutual Retirement Solutions (a CMFG Life Insurance Company) and any amounts entered in the "Other investments" and "Pension" fields. If there is no data entered about retirement assets outside of the CUNA Mutual Retirement Solutions administered plans [Plan], the calculations will not include those.

- Users may add additional retirement savings in "Other investments" or pension income in the "Pension" section. The system will assume that balances listed use a similar asset allocation as assets in the Plan. It is recommended to update these balances over time.

- The target retirement age is set at the normal retirement age for full Social Security benefits unless the user changes it.

- The target retirement income will be set at 80% of the user's monthly working income projected at the time of your retirement date unless the user changes it. An 80% income replacement in retirement is often cited by industry experts as equivalent to an income for someone still working.

- Salary increases of 3% per year are factored into all future projections and affects income, contributions, and retirement income needs.

- Estimated Social Security benefits assume the user will continue to work until retirement. The system uses a calculator from ssa.gov and uses future values. Please be aware that actual benefits will likely differ as Social Security benefits are based on actual wage history. Please visit www.ssa.gov for a more accurate and personalized calculation. Users may enter a specific amount or enter a percentage of the calculated projected benefit if they do not want to use the default calculation.

- The date of birth, salary information and account balances used are from employer-provided census and deposit data related to the Plan.

- The salary and contribution percentages are estimations calculated from information in the Plans record-keeping system. These estimations may be incorrect if salary or contribution changes made after the data pull. Users can edit the contribution percentages or current salary with current information.

- Information that is automatically included is only about users. Information about a spouse/partner may be added manually to include them in the projections.

- The projections or other information generated by RetireOnTarget regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. The results of this analysis may vary over time.

- The calculation considers plan investments and any outside investments entered by the user. The system computes a suggested asset allocation based on time horizon to retirement. Individual sector breakdowns are assigned within the high-level asset groups based on the available funds in the plan and industry accepted ratios. Other investments not considered here may have characteristics similar or superior to those being analyzed.

- At retirement, your income from your invested savings is generated by spending down a user's investable savings to their projected life expectancy (as defined by Social Security), using a 5% rate of return, with a payment that increases at 2% per year.

- If a user chooses different time frames for their retirement, the election of Social Security benefits, or the retirement of a partner/spouse, the projections will include a "smoothing algorithm" where some assets will be depleted faster than normal to project a steady income. For instance, if a user chooses to retire at age 62 but delays Social Security benefits until age 66, the income projections will show more income being withdrawn from investable savings for 4 years until Social Security payments begin. At that time, payments from investable assets will be reduced and the income will continue at the same annual amount (plus 2% inflation).

For assistance or questions, call **800.999.8786**.