After a modest gain in the second quarter, the U.S. stock market advanced sharply in the third quarter. Stocks as measured by the S&P 500 gained 5.24% over the three-month period. On a year-to-date basis the S&P 500 is up 19.79% and has advanced 19.34% over the one-year period.

Smaller U.S. companies, as measured by the Russell 2000, gained 10.21% over the quarter and are up 27.69% year-to-date. In general, growth-oriented U.S. companies outperformed their value counterparts by a significant margin so far during the calendar year 2013.

For the current quarter, the foreign developed markets posted higher returns than the domestic counterpart, as the MSCI EAFE gained 11.56% for the quarter. Year-to-date, this international index is up 16.14%.

Bonds as measured by the Barclays U.S. Aggregate had a modest gain of 0.57% over the period. On a year-to-date basis, the index is down 1.89%, as interest rates spiked during the second quarter as a response to the Fed’s consideration of tapering. The hunt for yield in a low interest rate environment drove up the demand for low-quality bonds, allowing it to outperform government and high-quality bonds over the quarter and on a year-to-date basis.

The chart on the right shows the major index and style category returns for the quarter, year-to-date, one-year, three-year and five-year time periods ended September 30, 2013.

### RETIREMENT READINESS

One way to help you get closer to being retirement ready

In our last newsletter, we visited the idea of retirement readiness, which is a buzz phrase floating around the industry. We began with a sobering statistic of how we, as a nation, are far from being retirement ready. According to a U.S. Government Accountability Office survey, the median account balance for participants in defined contribution retirement plans is only $22,800, and the median account balance among workers age 60 - 64 is only $60,600. To help you gain some perspective, we illustrated the benefits of saving early, consistently, and as much as you are able. We also provided different ways to address the financial goals of retirement, such as 401(k) plans, 403(b) plans, and both the Traditional and Roth IRA's. This is great information for our participants, and hopefully, it encouraged you to be proactive in thinking about your retirement years, no matter how far off they may seem. It still remains, however, that there are so many variables to consider when assessing a personal level of retirement readiness: family circumstances, health issues, size of household debt and assets, and retirement plans from former employers, to name a few. For this quarter’s newsletter, we recommend a more hands-on approach to thinking about your retirement and have picked a few online retirement calculators that are available to you at no cost. With varying degrees of
specificity, these online tools can help you get a better picture of your personal road to retirement.

**If you have ten minutes to spare**

For a quick overview of one's retirement readiness, Fidelity provides "myPlan Snapshot," which takes less than 5 minutes to complete. This simple platform poses five questions concerning your current age, current salary, total savings, rate of additional monthly savings, and your risk profile or investment style. With this information, the website provides an estimate of your goal nest egg at retirement. If you were to replace 85% of your pre-retirement income, it also provides two different scenarios of what your balance would be, under poor market conditions and average market conditions. This page also allows you to see graphically how these balances may change if you change your retirement age, contribution amount, and/or investment style by sliding the knobs on the right hand side of the page. Again, this is a very quick and simple estimate to help you start thinking about your retirement outlook.

The Vanguard Retirement Income Calculator is another simple solution to generating a potential monthly income during retirement, based on a few questions about your age, your current financial situation, and the expected returns on your investment. For a simple calculator, it allows you to include estimated monthly Social Security benefit and pension benefit as a percentage of salary at retirement, if any.

TIAA-CREF Financial Services also offers several tools to help you stay on track to meet your retirement goals. The "TIAA-CREF Retirement Advisor" is similar to other retirement calculators and asks personal and financial questions to assess a monthly income level you may need after retirement. Then your savings into account thus far, the website will determine whether or not you have a gap in savings and suggest options for bridging that gap, should there be any. In addition, there are other tools and calculators on the website that you may explore to determine your retirement readiness.

For those between the ages of 55 and 65, the CoRI by BlackRock is a tool for people who are preparing for retirement, or so-called “pre-retirees.” The CoRI Index takes into account real time data, such as inflation and daily interest rates, and also incorporates the most recent assumptions on risk and life expectancy used by Social Security, pension plans, and insurance companies. When you first enter the website, it asks for your age, which determines the CoRI Index level for you. Then you can calculate a potential annual retirement income by entering all of your current retirement savings (401(k), 403(b), IRA accounts, savings, investments, etc.). This tool uses real-time data, so it is a more accurate view of current state of the economy, and the index changes daily. Current data, however, is not necessarily superior to past data in a sense that it still cannot predict the future. CoRI should be used to generate only a general estimate of how your savings can translate into retirement income.

**If you have fifteen minutes to spare**

Another helpful online resource is the E*Trade “Retirement Planning Calculator.” This website requests similar questions as the simple calculators mentioned above, but you can personalize more by including your state of residence, your spouse's information (if you are married), and how you picture your retirement (from Dream Retirement to Living Frugally). After you enter your personal information, the calculator makes an estimated projection. On this page, there are sliders to help you see the changes if you were to increase/decrease your monthly contributions to savings or to change your investing style. The E*Trade retirement calculator also helps you to think about what you might spend during retirement. You can input your estimated mortgage/housing expense, living expenses, healthcare, and other expenses by adjusting the sliders. The estimated expenses information is compared to the savings and other financial information, and the calculator provides a projected shortfall or surplus. Finally, the website offers a few suggested actions to take to close the gap, if there is a shortfall. Since this website asks you to estimate future retirement expenses, this tool may be more appropriate for those who are preparing for or nearing their retirement.

The T. Rowe Price website offers an award-winning retirement calculator that will help you to determine your potential monthly income during retirement, and the probability of your savings lasting until a certain age. This calculator asks the basic financial questions, and in addition, takes into account where you are in the retirement process, any employer contribution that you might have in your 401(k) or 403(b) plan, and other savings such as an IRA. A useful aspect of this calculator is that you may or may not opt to include...

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1. [www.fidelity.com/calculators-tools/retirement/saving-for-retirement]
2. [https://retirement.plans.vanguard.com/VGApp/pe/pubeducation/calculators/RetirementIncomeCalc.jsf]
3. [https://www.tiaa cref.org/public/advice/guidance/tools-calculators]
5. [https://us.ctrade.com/e/t/plan/retirement/quickplan]
Social Security benefits, and if you are expecting pension or other sources of income, you can include it in the calculation. After 1000 market simulations, the website provides an assessment of what you are projected to have on a monthly basis and what the calculator thinks you will need in income in order to replace 75% of your currently monthly income. If you have a shortfall, the website suggests different ways to eliminate it, and you can also change the parameters right there on the page to see how different your projection would be based on these changes. The final page suggests different ways to help you get on track to meet your retirement income needs, including a downloadable budget planning worksheet to help you obtain a clear picture of your current finances and perhaps increase your savings today.

If you are Interested in a more in-depth look

Last but not least, we have the Retirement Planning Calculator from American Funds. This website offers two options: quick analysis and detailed analysis. The quick analysis poses four questions regarding your age, current salary, investments set aside for retirement, and any other expected annual retirement income. Based on your answers, the calculator estimates whether or not your savings will support what you’ll need during retirement. One great aspect of this calculator is the “Cash Flow” tab. It provides estimated annual income stream and retirement savings balance during your working years, and need-based withdrawals from retirement savings and the remaining savings balance during retirement.

The detailed analysis from American Funds contains fifteen questions pertaining to your age, finances, personal plans during retirement, and extra sources of retirement income. This questionnaire is not for the faint-hearted. It allows for those who own fixed and/or variable annuities, tax-exempt securities, and profit sharing plans to estimate their future retirement income with more accuracy. In addition, there is a separate section for taxable investments, such as regular stocks and bonds, mutual funds, and other interest earning investment vehicles outside of retirement plans. For those with more complex assets, this website offers a more comprehensive approach to estimating future income streams.

While these websites offer a more personalized approach to help you understand your current state of retirement preparation, we would like to remind you that you can also find great estimators on your 401(k) or 403(b) platform. When you log in to your account, do a search for a retirement calculator, and you will be able to incorporate all your information in a secure site to help you gauge your retirement readiness. While these calculators cannot predict the future activity of the markets, it may certainly help act as a mirror for your retirement readiness, and to help you to become more proactive about securing your future.

We strongly encourage all retirement plan investors to utilize these tools mentioned to prepare a retirement estimate annually. For those within ten years of retirement... this exercise is a must! As always, you can reach out to your plan provider or to CBIZ Retirement Plan Services. Our toll-free number is located on the bottom left corner of page one of this newsletter and is an important resource for our participants.