SECURING YOUR FUTURE

Your personal savings along with your Western Metal Industry Pension Fund benefit and Social Security can help you secure your future. Start planning and saving now and don't stop – your future depends on it!

As a member of the Western Metal Industry Pension Fund, you're likely to have three sources of income during retirement: your pension plan, Social Security, and personal savings. You may recognize this as the three-legged stool of retirement planning.

Having all three types of retirement income is ideal. Each leg of the stool contributes to a more stable financial foundation:

- **Pension benefits** offer a dependable benefit at retirement, a steady monthly income for life, and professional asset management. You're fortunate to have an employer-sponsored pension plan – only one in five Americans today does. Many companies (particularly in the corporate world) have stopped offering pension plans, switching entirely to 401(k) plans. This trend worries economists and financial experts. By eliminating one important pillar from the stool, the responsibility for saving and investing is shifted primarily onto employees.
- **Social Security** offers a lifelong monthly benefit starting at Social Security retirement age that increases with inflation. The amount of your benefit is based on a complex formula that takes into account your average earnings during the 35 highest paid years of your working career (starting at age 21). You can receive a full benefit if you wait until normal Social Security retirement age, or take reduced benefits early.
- **Personal savings** include income from employer-sponsored 401(k) plans, Individual Retirement Accounts (IRAs), other savings, and real estate holdings such as owning a home. Even with a pension benefit and Social Security, you still need to save on your own to create adequate savings for your future. The more you save and the earlier you save the more value personal savings will provide at retirement. There are a few potential pitfalls you'll want to avoid: Deal with any debt. There's no faster way to kill your savings plan and put a damper on your future than by getting into debt. Learn to live within your means. This helps you put a plan in place and protect your nest egg as it grows. And while it may be tempting to borrow from your retirement savings to make a major purchase or cover a short-term cash crunch, you'll want to avoid this if at all possible. Borrowing from retirement savings will set you back on your goal to a comfortable retirement, and may carry hefty tax penalties.

Putting It All Together

This table highlights some fundamental differences between the three types of retirement income, and shows why having all three sources creates the optimal situation:

	Defined benefit plan (pension plan)	Social Security	Personal Savings (401k plan, IRA, etc.)
How it is funded	Employer	Employer and you share the cost equally	You (some employers offer a match on your 401(k) savings)
How benefits are determined	By a set formula Your benefit value is not affected by changes in the stock market	By a set formula Your benefit value is not affected by changes in the stock market	Value of the account balance You can benefit from investment earnings – but also subject to investment losses Benefit can be protected by purchasing an annuity from an insurance company
What's required to qualify for benefit	Vesting (typically 5 years of service, as in our pension plan)	10 years of working	Nothing – your contributions are yours (subject to investment gains or losses)
Who chooses investments and takes risk	The plan	The government	You
When benefits are paid	Full benefit at normal retirement age or reduced benefit at early retirement as early as age 55 Because you cannot withdraw benefits before retirement age, you can count on them to be there when you retire	At normal, early, or late Social Security retirement age (depending on your year of birth)	Generally at age 59½ without a penalty Because money can be withdrawn early (with a 10% penalty), some people spend it rather than preserving it for retirement
Payment options	Steady, monthly benefit for life (annuity), with option to continue benefits to a surviving spouse	Steady, monthly benefit for life	Flexible (you decide when to withdraw funds) Cash provides flexibility but may be more difficult to manage financially An annuity could be purchased from an insurance company
Disability benefits	Available upon total disability subject to plan rules	Available if sufficient credits have been accumulated at the time disability begins*	None
Survivor benefits	If you're vested and benefits have not begun, paid to surviving spouse If benefits have begun, based on form of payment elected	May be payable to certain family members if you worked at least 10 years*	Vested account balance paid to any beneficiary you identify

**For more details, see "Social Security: How You Earn Credits" at www.ssa.gov/pubs/EN-05-10072.pdf.*

Three Legs Provide More Stability

Having a variety of income types fortifies your safety net. It allows you to take advantage of the best each investment vehicle has to offer.

For example, consider **investment risk**. If you have personal savings, Social Security, and a pension, you can take advantage of the upswings in the market via your personal account and still have the stability of your pension and Social Security. If the market takes a downturn, you still have the peace of mind that your other income sources, such as your pension benefit, will remain stable.

With regard to **investment choice**, there may be times in your life when you do not have the time, knowledge, or interest to make informed investment decisions, as 401(k) plans require. A pension plan works in your favor, since professional advisors take responsibility for monitoring investment policy and strategy. When and if you have the interest in learning more about and controlling your investments, you can use your personal savings and round out your retirement portfolio the way you see fit.

Once retired, you'll start to see the advantages of **receiving income** using different payment methods. Financial experts tout the virtue of annuities – a hallmark of pension plans – which provide a monthly benefit for life. The beauty of the annuity is that you don't have to try and predict how long you will live or how to make your sum of money last until the day you die. On the other hand, your personal savings can be very flexible. You could purchase an additional annuity or take a lump sum of cash when you are faced with larger expenditures, whether it's fixing a leaky roof, buying a new car, or funding a trip to see a new grandchild. With different sources of income, again, you get the best of both. In short, having a variety of income sources allows you to have your cake and eat it, too!