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Reinventing Retirement



Reinventing Retirement

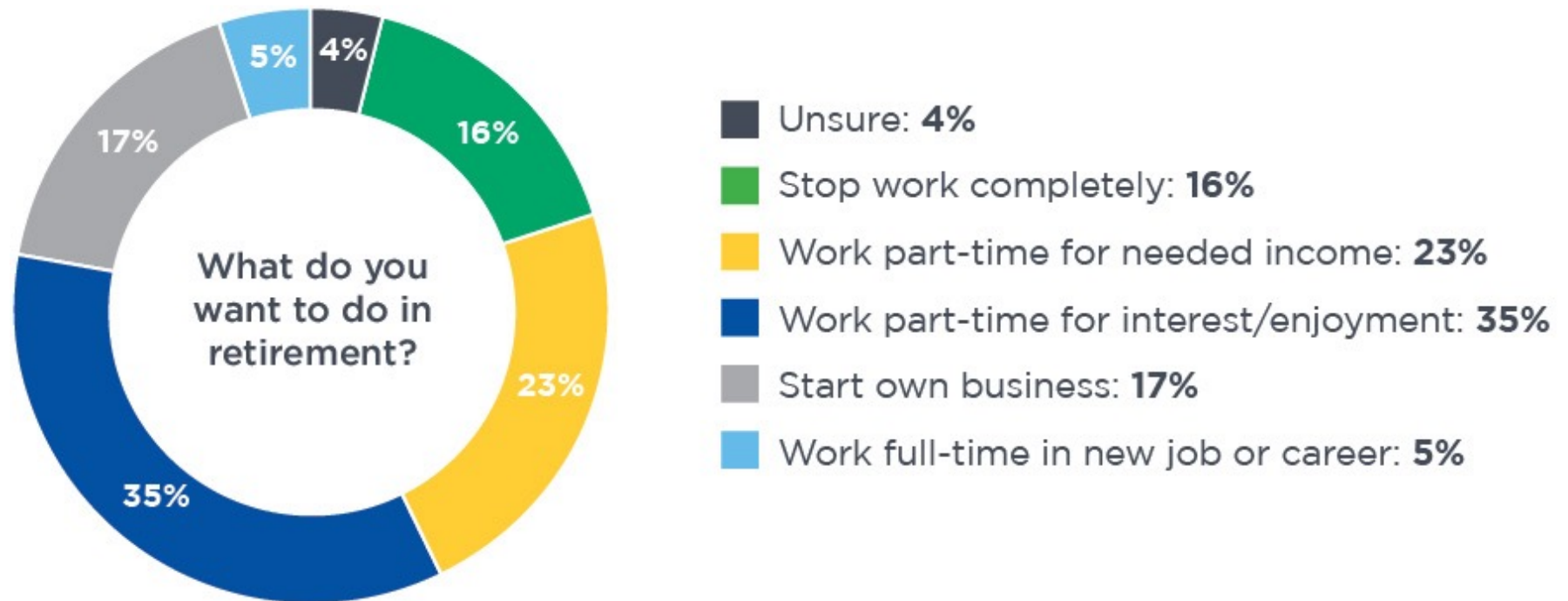
- Your 401(k) “Purchase Plan”
- Finding the Money to Save
- The Price of Your Retirement
- How Social Security Fits In
- It’s About Time
- Investing Basics
- Enrolling in Your Plan



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What Does the Future Hold for You?



Source: AARP

Buyer's Index

In a typical workday, number of minutes the average American works:

To pay for food:	44
To pay for gas:	34
To pay for clothes:	19
To fund savings:	8

Source: American Tax Foundation

Consumer Clue

- Know What You're Looking For
- Have a Goal
- Have the Right Tools
- Have a Plan to Make it Happen





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A photograph of a man and a woman hiking on a trail. The man is in the foreground, wearing a blue plaid shirt and brown pants, with a large tan backpack. The woman is slightly behind him, wearing a red and black plaid shirt and blue jeans, also with a backpack. They are both looking out over a valley towards a bright sunset or sunrise. The sky is a mix of orange and yellow, and the hills in the background are silhouetted against the light.

Your 401(k) “Purchase Plan”

The Payment Plan

- Automatic Payroll Contributions
- You're In Control
- Pre-Tax Savings Power



Comparison Shopping

	Amanda's 6% Pre-Tax Savings Strategy	Jake's 6% After-Tax Savings Strategy
\$25,000	Annual Pay	\$25,000
-\$1,500	Pre-tax Contribution	\$0
\$23,500	Taxable Pay	\$25,000
-\$3,525	Federal Income Tax*	-\$3,750
\$225	Tax Savings	\$0
\$0	After Tax Contribution	-\$1,500
\$19,975	Take-Home Pay	\$19,750

*Assumes a 15% flat federal tax. State and local taxes are not included

The Payment Plan

- Automatic Payroll Contributions
- You're In Control
- Pre-Tax Savings Power
- **Tax-deferred Growth**



Comparison Shopping

Amanda (earns 8% in her 401(k))		Jake (earns 8% but has to pay taxes first)	
Pre-Tax Account Balance	Year	After-Tax Account Balance	
\$23,468	10	\$21,926	
\$43,468	15	\$39,642	
\$74,134	20	\$64,258	
\$118,432	25	\$98,462	
\$183,519	30	\$145,988	
\$279,153	35	\$212,026	
\$419,672	40	\$303,785	

*Assumes a 15% flat federal tax. State and local taxes are not included

Consumer Clue

Amanda		Jake
\$419,672	Account Balance	\$303,785
\$20,984	Annual Withdrawal	\$15,189
-\$3,147	Less Taxes @15%	\$0
<hr/>		
\$17,836	Money To Dream with Each Year	\$15,189

*Assumes a 15% flat federal tax. State and local taxes are not included

The Payment Plan

- Automatic Payroll Contributions
- You're In Control
- Pre-Tax Savings Power
- Tax-deferred Growth
- **Company Match**





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Finding the Money to Save

Finding the Money to Save

- Too many expenses
- Struggling to make ends meet
- Need a new car
- Taking care of parents



Tracking the Cash

- Spending Journal
- Awareness
- Budget

“Before I started tracking where all my money was going, it was just crazy! Every day was a living nightmare — Attack of the Spending Monster” ...

Tracking the Cash

Excerpts from a sample spending journal

Track the Cash	
From the Desk of Amanda & Jake	
Here are some excerpts from a sample spending journal.	
★ = savings opportunities	
Sunday	
\$63.00	Groceries (Forgot coupons and went in without a grocery list!)
★ \$6.00	Toy action figure for Tommy while grocery shopping (He threatened a tantrum!)
★ \$40.00	Pizza delivered for Sunday Pro Football (Friends dropped by, gotta remember to buy a frozen pizza next time!)
★ \$10.00	Ice cream out for the family for letting me watch football!
Monday	
★ \$4.00	Got a latté on the way to work
★ \$6.00	Lunch—hot sandwich and soda at restaurant (Must start brown-bagging it!)
\$50.00	Filled gas tank (I should look into carpool or bus!)
Tuesday	
★ \$15.95	Went to a movie and bought a soda
\$75.00	New outfit for Molly (Should buy on sale!)
★ \$2.00	"Breakfast" at the vending machines
★ = \$83.95 easy savings opportunities in one week	



Turn a Few Small Sacrifices Into a Better Retirement Deal

Give Up	How Often?	Monthly Expense	Value if Invested for 25 Years*
Coffee and bagel	Twice a week	\$20.00	\$19,147
Lunch out	Twice a week	\$50.00	\$47,868
Dinner out	Once a week	\$100.00	\$95,737
Movie Ticket	Once a month	\$10.00	\$9,574
Car Wash	Once a month	\$6.00	\$5,754
Vending machine soda	Once a day	\$12.00	\$11,488

Start with a Few Small Sacrifices

- Buy frozen pizza instead of eating out
- Exercise at home instead of the gym
- Cancel call waiting
- Carpool to work

“It’s better to dream big, I always say. But the first time I did a retirement estimate, I just about fainted. How on earth was I supposed to come up with that kind of money? Then I realized that you have to start somewhere.”

Start with a Few Small Sacrifices

- Leave the ATM card at home
- Shop for clothes on sale
- E-mail or send letters to long-distance friends instead of calling
- Take your lunch to work
- Shop for groceries with coupons and a list
- Avoid beverages at restaurants (order water instead)



Discover Bigger Savings

- Refinance mortgage at a lower interest rate
- Consolidate credit card debt at lowest interest rate available
- Shop for less expensive car insurance
- Consider renting out the spare bedroom (if you're a homeowner)



Discover Bigger Savings

- Do your homework and buy a good used car (rather than a new car that depreciates quickly)
- Plan on taking a low-budget vacation
- Pay off a car loan or personal loan — put the money into your retirement plan instead
- Use raise or bonus money to increase your retirement contribution

Consumer Clue

- Become Aware of Spending Habits
- Track Spending with a Journal
- Use a Budget
- Pay Yourself First





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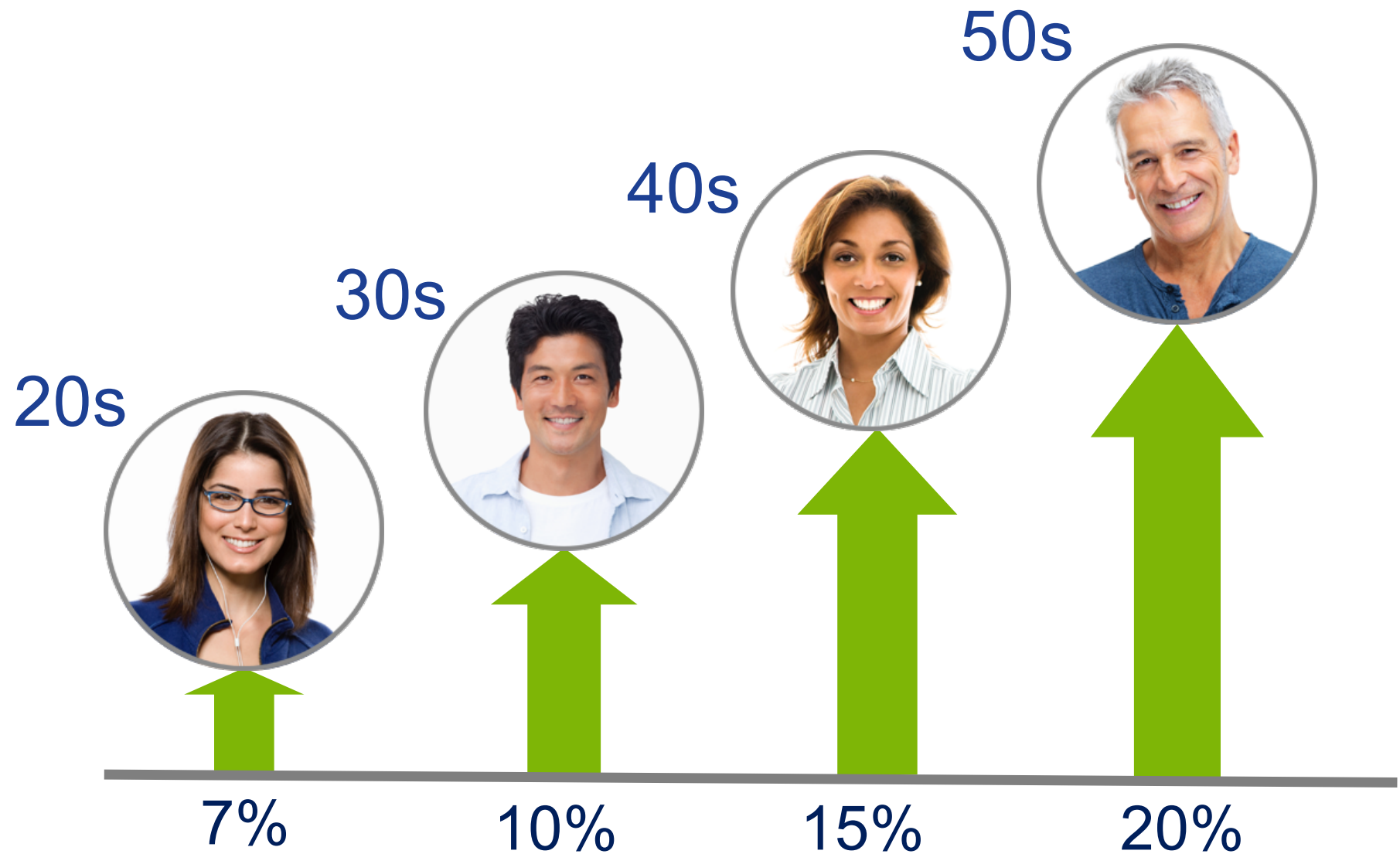
The Price of Your Retirement

The Price of Your Retirement

- Do the math
- Revisit calculations annually
- Retirement planning is an on-going process



A Rule of Thumb...



Source: Kmotion, Inc. 2016



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How Social Security Fits In

About Social Security

“Retirement...I guess Social Security will help cover some expenses. I don't really know how much — I'll figure it all out when the time comes.”

Knowledge is Retirement Power

Average Annual Pay	Approximate Annual Benefit*		Percentage of Annual Pay Replaced by Social Security	
	Age 35	Age 62	Age 35	Age 62
\$20,000	\$8,016	\$7,104	40%	36%
\$40,000	\$12,360	\$10,272	31%	26%
\$60,000	\$16,272	\$13,452	27%	22%
\$80,000	\$18,312	\$16,620	23%	21%
\$100,000	\$20,340	\$18,312	20%	18%

*Source: Social Security Administration

Consumer Clue

- People are living longer
- Outlook for Social Security is uncertain



Changes are Afoot

- Full retirement age is being increased
- Increased reduction in benefits at age 62



Consumer Clue

The Early Retirement Penalty

If you were born in 1960 and your average annual pay is \$35,000:

- Your full retirement age benefit: **\$1253 per month (at age 67)**
- Your reduction in benefit if taken at age 62: **33%, or \$414 per month**

Source: Social Security Administration

Reinventing Retirement

- Staying informed — www.ssa.gov
- Taking responsibility for your own financial security
- Planning for retirement *now* - no matter what your age





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It's About Time

It's About Time

“There is a lot going on in my life right now. I like to travel and I want to buy a house. I figure I’ve got plenty of time before I need to get serious about saving for retirement.”



Consumer Clue

The Rule of 72



Expected rate of Return	8%
Divide into 72	$72 \div 8$
Equals Number of Years for Your Money To Double	9

Doubling Your Investment

Expected Rate of Return	Years for Investment to Double
6%	12 years
8%	9 years
10%	7 years
12%	6 years

Can You Afford to Wait?

An Initial \$2,500 Investment Will Double Every 9 Years if You Start at Age:

Age 22	\$2,500		
Age 31	\$5,000	\$2,500	
Age 40	\$10,000	\$5,000	\$2,500
Age 49	\$20,000	\$10,000	\$5,000
Age 58	\$40,000	\$20,000	\$10,000
Age 67 (Full Retirement Age)	\$80,000	\$40,000	\$20,000
Cost of Missing 1 Doubling Period:		-\$40,000	
Cost of Missing 2 Doubling Periods:		-\$60,000	

The Impact of Inflation

The Impact of Inflation Over Time

Item	1989	2019	2049
Gallon of milk	\$2.30	\$3.35	\$8.13
Postage stamp	\$.25	\$.55	\$1.33
Cup of coffee	\$.80	\$2.70	\$6.55
Gallon of gas	\$1.12	\$2.80	\$6.80
Movie ticket	\$3.99	\$12.00	\$29.13
Mid-priced car	\$12,000	\$25,000	\$60,682

Source: 1989 prices are based on Kmotion Research. 2019 prices are based on general averages. Projections for 2049 prices assume a 3% annual inflation rate.

The Impact of Inflation

If...

Your rate of return is: **4%**

And inflation is: **3%**

Your **real rate of return** is actually: **1%**



Consumer Clue

Managing Inflation

- Increase your contribution each year
- Consider investments that have the potential to beat inflation





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Questions?



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These materials do not constitute investment advice. Please contact your investment advisor for advice specific to your situation.

These materials are only a brief overview of the Plan features and are not a legally binding document. A more detailed Summary Plan Description is available. Please contact your Benefit Administrator with questions.

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