



Planning for Retirement

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Retirement Meeting Agenda

- How much will you need?
- What are your sources of retirement income?
- What can you do to prepare now?
- How will you invest your retirement savings?



How does retirement look to you?

- To begin to visualize your retirement goals
- To discuss appropriate ways to potentially generate income for your retirement
- To help you pursue the retirement you envision



How Much Will You Need?

- Roughly 80% of your pre-retirement income multiplied by the number of years
- 70% of retirees report spending an equal or greater amount than they did before retirement*
- Just to eat? 2 people x 3 meals/day x 365 days x 20 years x cost per meal
 - @ \$5 per meal = \$219,000.00
 - @ \$7 per meal = \$306,600.00
 - @ \$10 per meal = \$438,000.00

Why Is Planning Important?

- Americans are living longer – 3rd fastest growing age group is age 90 to 94¹
- Social Security will not be enough for most – retirees received about \$14,760 at the beginning of 2012²
- Healthcare costs are higher – average 65 year-old expected to spend about \$7,740 on healthcare annually³

Source:

1 U.S. census data from OppenheimerFunds Investing for Retirement Survey

2 Social Security Online www.socialsecurity.gov.

3 Fidelity Investments

How Much Can You Spend?

- Generally no more than 4% of your account value!
 - In your first year of retirement
 - Grow first-year dollar amount for inflation each year
- Consider portfolio volatility
- Consider a fixed annuity
 - Provides a guaranteed income stream
 - Not affected by market volatility
 - Generally no inflation adjustment
 - Does not allow for one-time distributions or modification
 - Consider a portion of your personal savings
 - *Any payment guarantees are based on the claims paying ability of the insurance company.

What Are Your Sources of Retirement Income?

- Social Security
- Employer Sponsored Retirement Plans
- Personal Savings
 - IRAs
 - 401(k)s
 - Taxable Accounts
 - Annuities

Personal Savings

- IRAs and 401(k) Plans
 - Save on current taxes – contributions are tax-deductible
 - Traditional accounts provide tax-deferred growth
 - Roth accounts can provide tax-free distributions
- Taxable Accounts
 - After-tax savings
 - Taxable growth
- Annuities
 - Fixed
 - Variable

What is an IRA

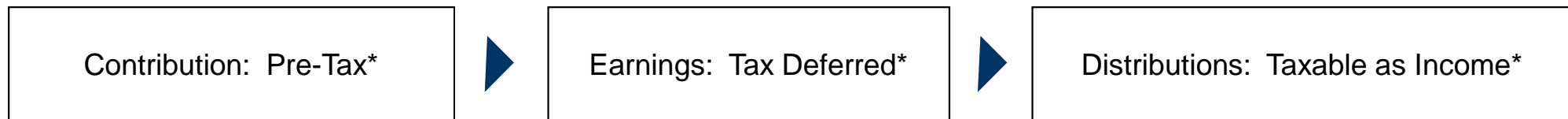
- Traditional
 - Contributions are generally tax-deductible
 - Rollover deposits from a qualified plan or IRA continue tax-deferred growth
 - Distributions of pre-tax amounts are included in income

- Roth
 - Contributions are not tax-deductible
 - Rollover deposits of pre-tax amounts from a qualified plan or IRA are included in income
 - Qualified distributions are tax-free

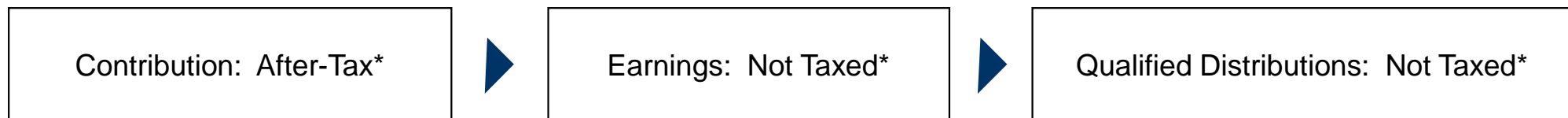
What is the Difference?

Traditional IRA/Qualified Plan vs. Roth IRA

Qualified Plan or Traditional IRA:



Roth IRA:



*This is a general discussion to the tax consequences of these respective types of retirement accounts. These types of accounts are subject to IRS regulations which govern the tax treatment. Traditional IRA and qualified plan contributions may or may not be tax-deductible. There are exceptions to these general rules. Please consult your tax or legal advisor for application of IRS regulations to your specific situation. Oppenheimer & Co. Inc. does not provide tax or legal counsel to our clients.

What is the Difference?

Traditional IRA/Qualified Plan vs. Roth IRA

Case Study:

- 45 years old
- Retires at age 65, distributions start at 66
- Lives to age 85
- 31% tax bracket (current and retired)
- 20% tax on tax savings investment return
- \$250,000 rollover IRA balance
- 8% hypothetical pre-retirement and 6% post-retirement return on investments

What is the Difference?

Traditional IRA/Qualified Plan vs. Roth IRA

IRA:

Projected Value at 65:
\$1,165,239 +
\$268,000 Tax Savings Account



Projected After-Tax
Annual Distributions
Age 65-85:
\$94,380

Roth IRA:

Projected Value at 65:
\$1,165,239



Projected (No Tax)
Annual Distributions
Age 65-85:
\$106,812

Note: IRA projected value reflects investment of \$77,500 in taxes payable at conversion. Payout projections are based on after-tax values. The projections above use a hypothetical 8% rate of return and are not intended to represent the performance of any specific investment. There is no guarantee that the selected rate of return can be achieved. Rates of return will vary over time, particularly for long term investments.

Investing in Retirement

- Allocate your investments based on the length of time until retirement
- Have patience with short term performance
- Diversify your investments*
- Consider with guarantee provisions**
- Establish income for life

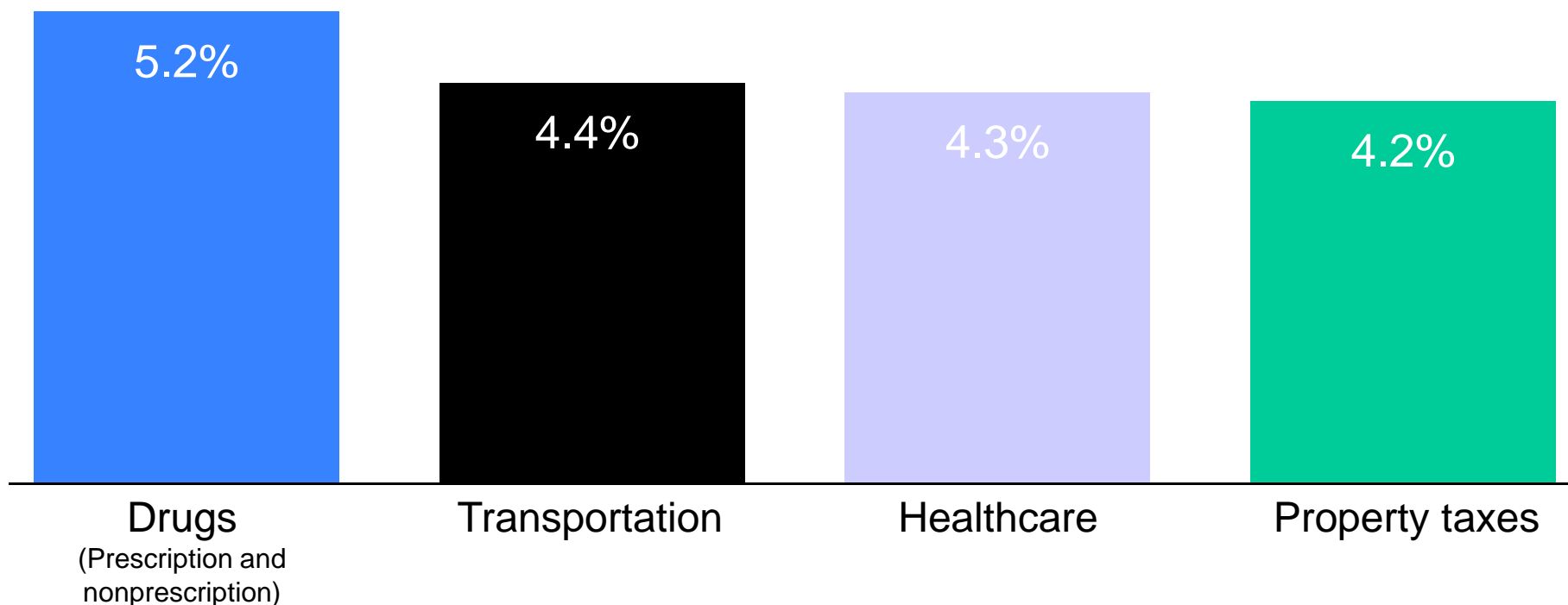


*Keep in mind that diversification does not guarantee a profit or protect against a loss.
 **Guarantee provisions vary and are based on the claims paying ability of the insurance company and may involve additional fees.

Rising costs have to be considered

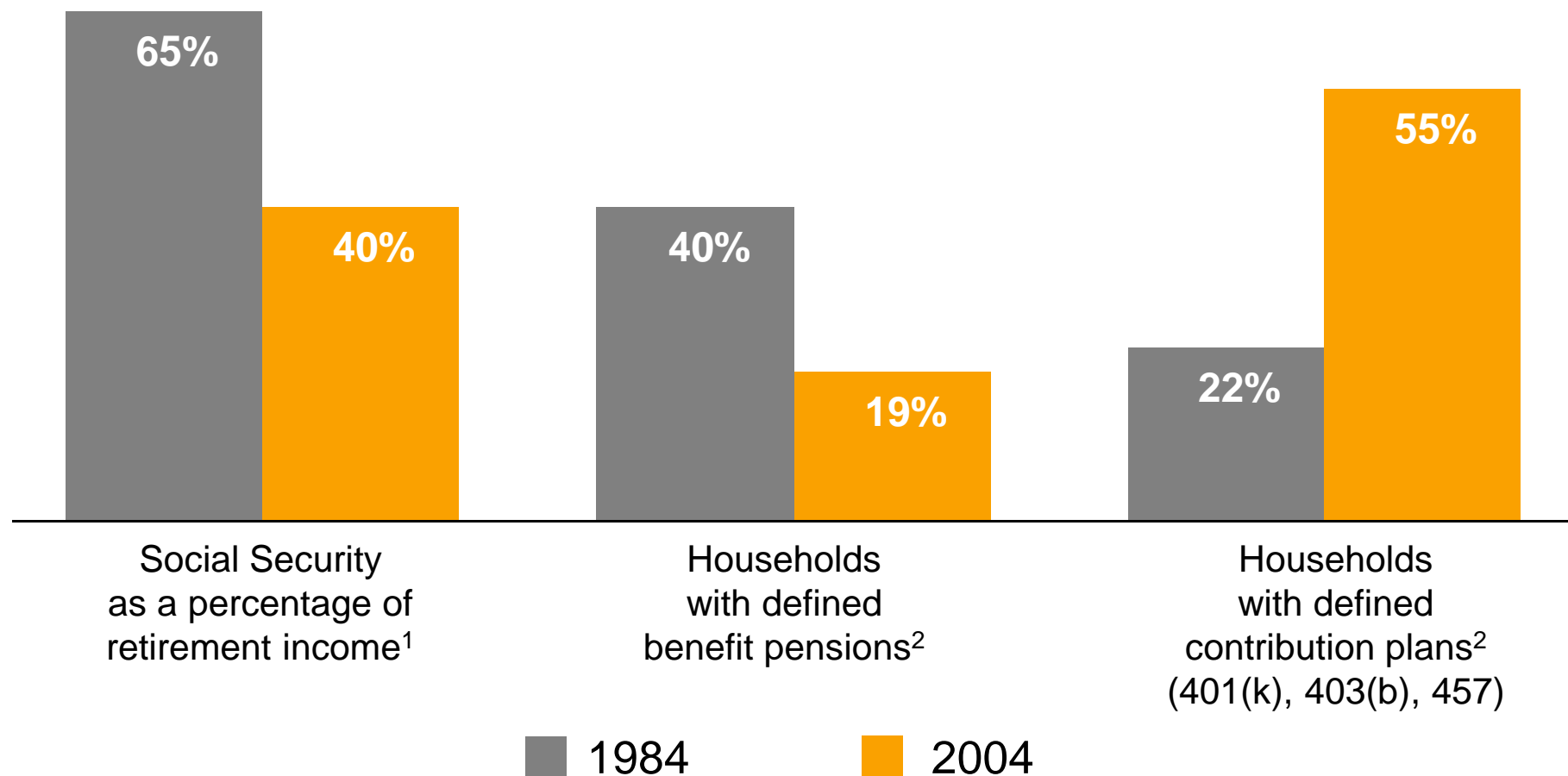
Over the past 10 years general inflation has been 2.2%, but some costs for retirees have doubled—or risen higher

Inflation Rates Since 1996–2005 for Americans ages 65+



Source: Bureau of Labor Statistics Note: CAGR from 1996 through August 2005

Much of retirement funding will come from you

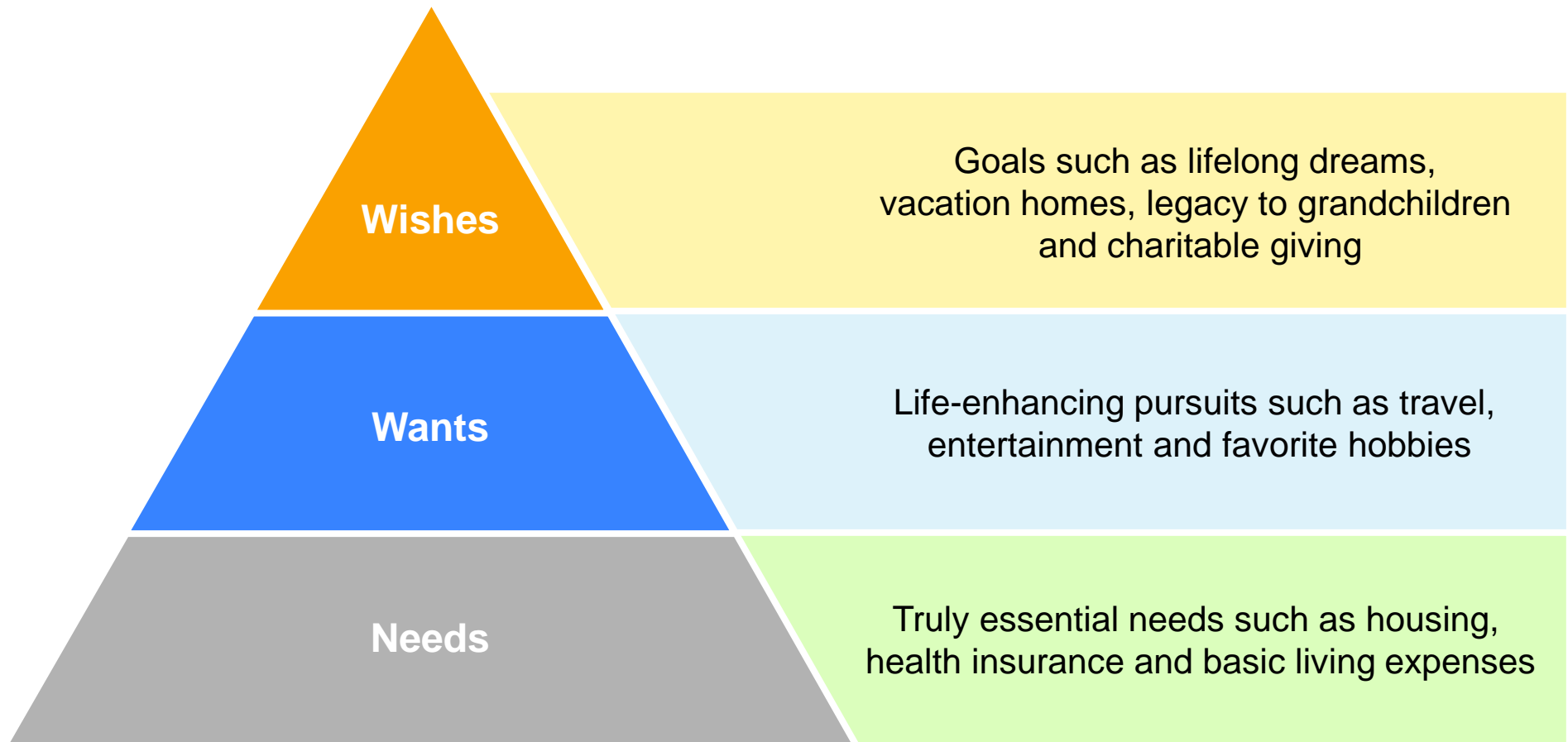


Source: ¹ Social Security Administration

² Economic Policy Institute, "Retirement Insecurity," September 2006

What is your vision for retirement?

Focus on three groups of goals



Retirement planning for the Wilsons

A Case Study

The following example is hypothetical and for illustrative purposes only and does not constitute a recommendation or refer to any specific strategy. You should consult your Financial Advisor regarding your specific circumstances before making financial decisions.

Case study: The Wilsons (Frank and Joanne)

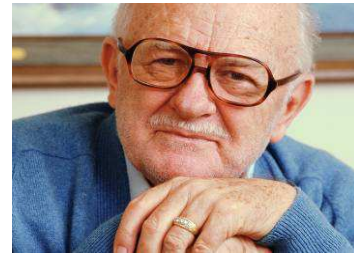


Frank Wilson (62)

- Part-time management consultant
 - Retired

Joanne Wilson (60)

- Volunteer art history teacher
- Plans to retire in two years



Frank's father, 90



Joanne's mother, 85



Son, Chris, 30, married

Grandchildren:

- Nick, 5
- Stephanie, 3



Daughter, Megan, 27,
unmarried

Case study: The Wilsons

A snapshot of Frank and Joanne's assets

Total Financial Assets: \$2.0 MM

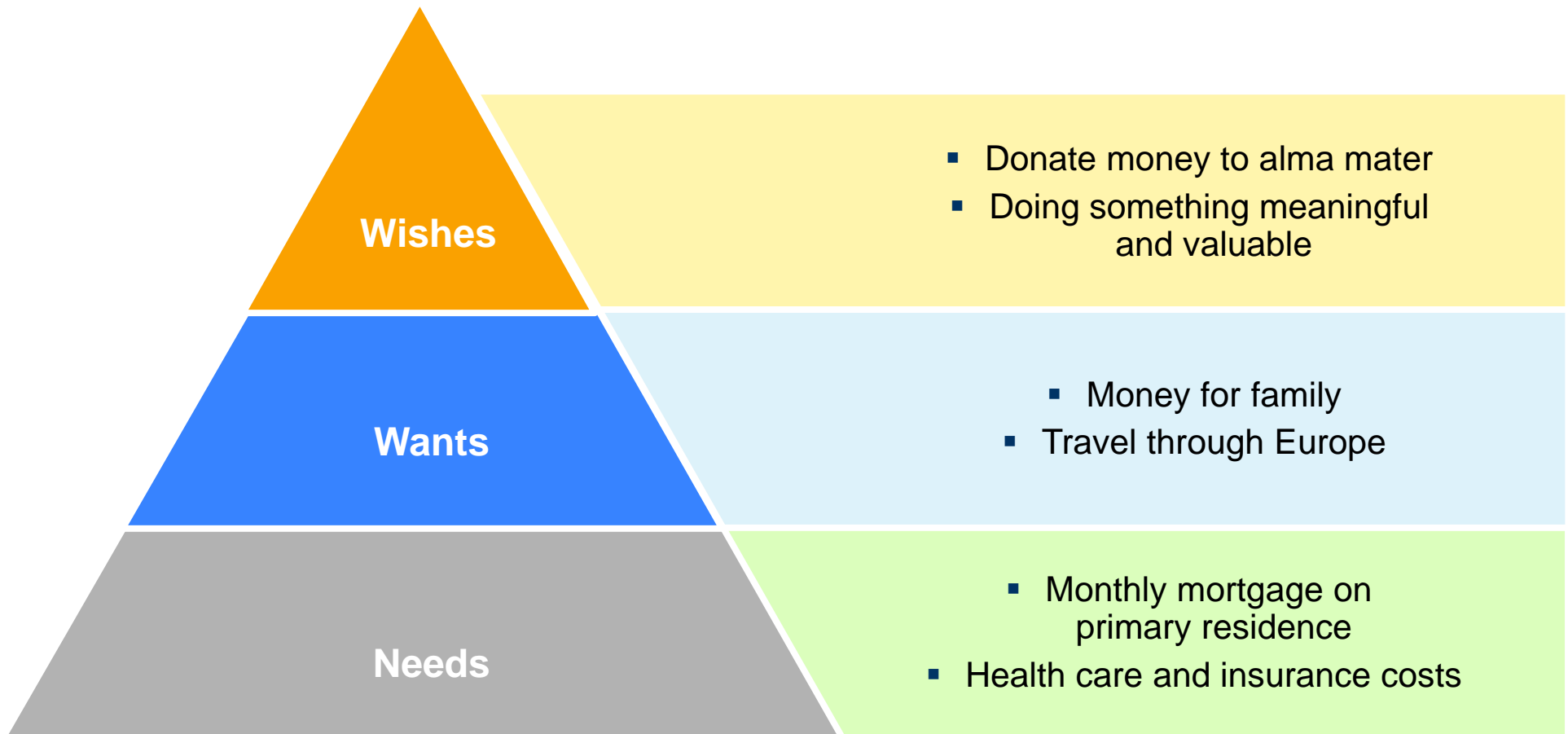
- Investments outside of retirement accounts: \$.5 MM
- Retirement accounts: \$1.5 MM

Primary Residence: \$1 MM
(\$400,000 mortgage)



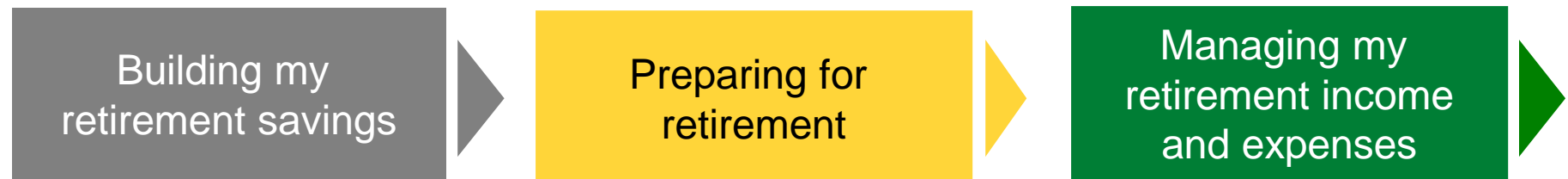
What is your vision for retirement?

Ten years ago, this is what they told us . . .



What will Frank and Joanne's retirement look like?

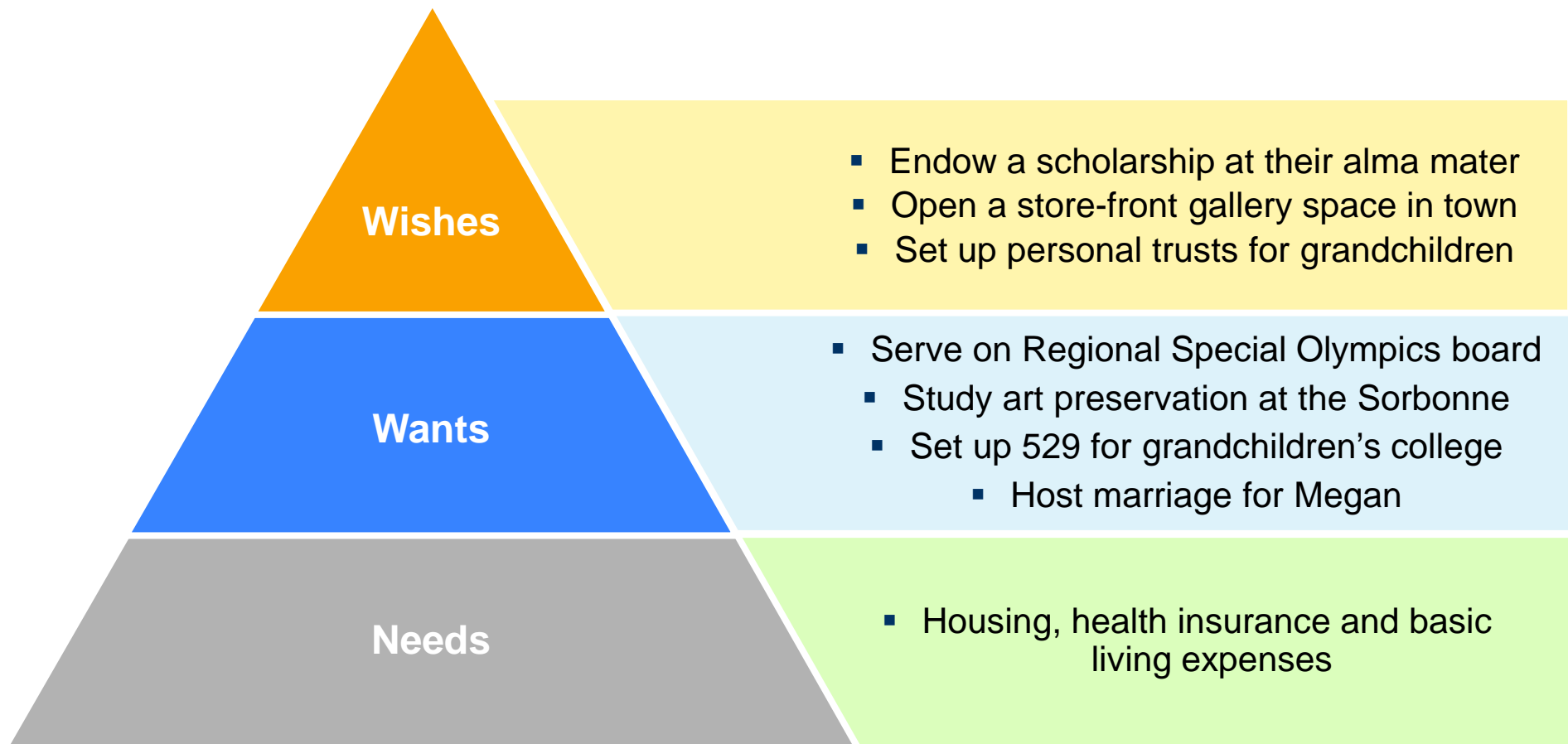
Together we discussed these questions:



- Will they live in their current home or move closer to Nick and Stephanie?
- Are they insured in a way that will provide for the surviving spouse and their children and grandchildren?
 - How will they pass wealth on to their children or grandchildren?
 - How will they care for their parents?

What is your vision for retirement?

... this is what they told us today



Frank and Joanne's expenses

Retirement—estimated annual living expenses in retirement

First 5 Years

Ongoing living expenses

Nondiscretionary \$100,000

Discretionary \$50,000

Travel (goal) \$25,000

Est. annual living expenses \$175,000

Years 6 forward

Ongoing living expenses

Nondiscretionary \$100,000

Discretionary \$50,000

Est. living expenses \$150,000

Special one-time expenses

Wedding \$100,000

This scenario does not take into account the effect of inflation on Frank and Joanne's expenses. If inflation was considered, their expenses would be higher.

Income Resources

Annual income resources

Frank's Social Security	\$20,000
Joanne's Social Security	\$10,000
Frank's part-time consulting income	+ \$20,000

Total annual income resources	\$50,000
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Retirement—estimated annual living expenses	\$175,000
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Total annual income resources	- \$50,000
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Estimated shortfall	\$125,000
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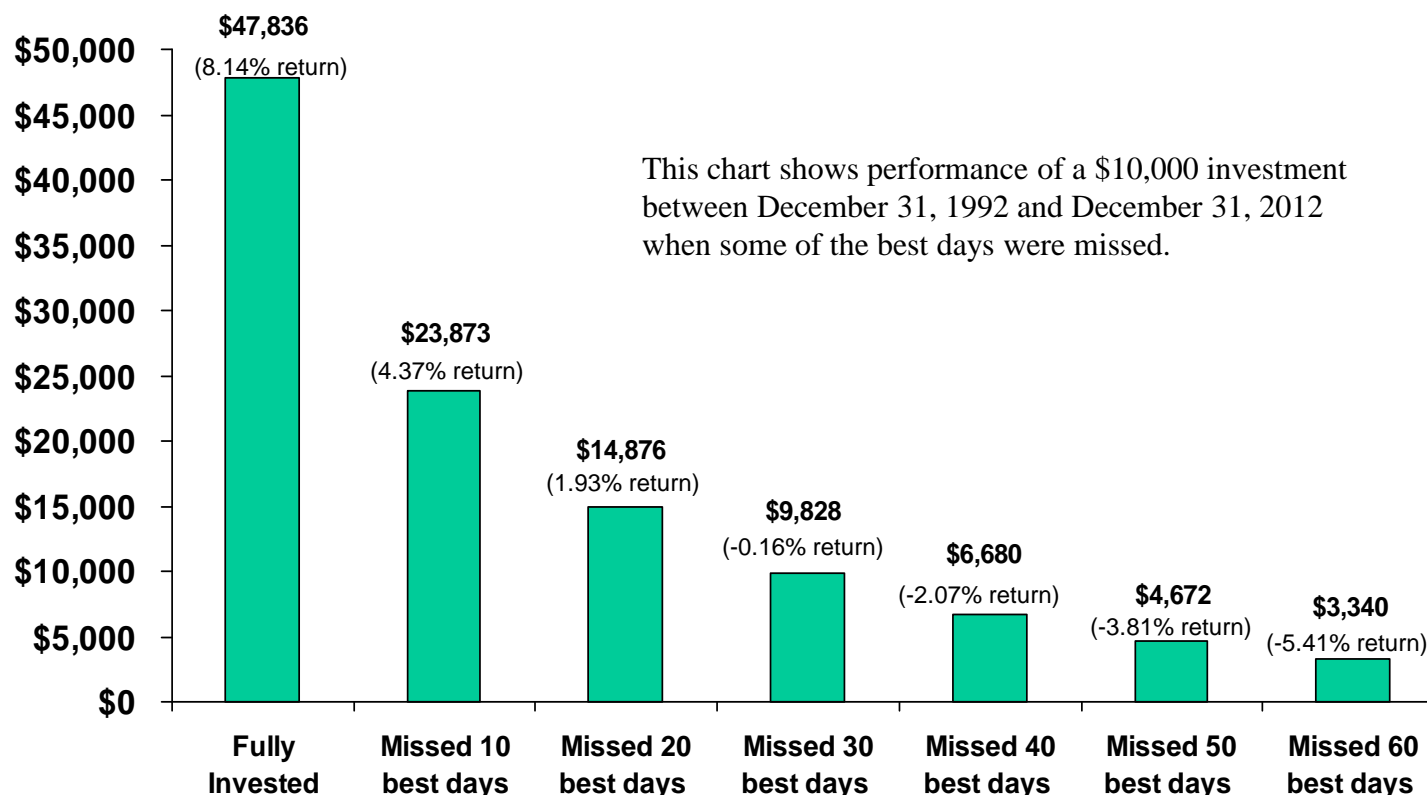
Frank and Joanne's strategy

A potential approach to meeting their needs

1. Run through hypothetical investment scenarios and update asset allocation
2. Help Frank and Joanne determine the age to begin Social Security withdrawals
3. Identify appropriate products to help generate sustainable income stream. Options may include: Annuities, Laddered Bonds and Structured Products
4. Identify appropriate products to help protect principal. Options may include: Principal Protected Structured Products, CDs, TIPS (Treasury Inflation Protected Securities)
5. Address insurance needs

This is a hypothetical case study. The recommendations on this page will not apply to all investors, and there may be other solutions more applicable for your individual situation.

Impact of Being Out of the Market



▪ **Plan to stay invested:** Trying to time the market is extremely difficult as opposed to remaining invested for the long term (both good and bad). When investors pull out at market lows, they may miss out on the rallies that usually follow.

**For illustration purposes only*

Source: Lipper.

20-year annualized returns are based on the S&P 500 Total Return Index, and unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2012.

Asset Class Diversification

ASSET CLASS RETURNS

A 20-Year Snapshot

A DIVERSIFIED PORTFOLIO MAY "SMOOTH" THE RIDE

Ranked Annual Total Returns of Key Indices (1993-2012)

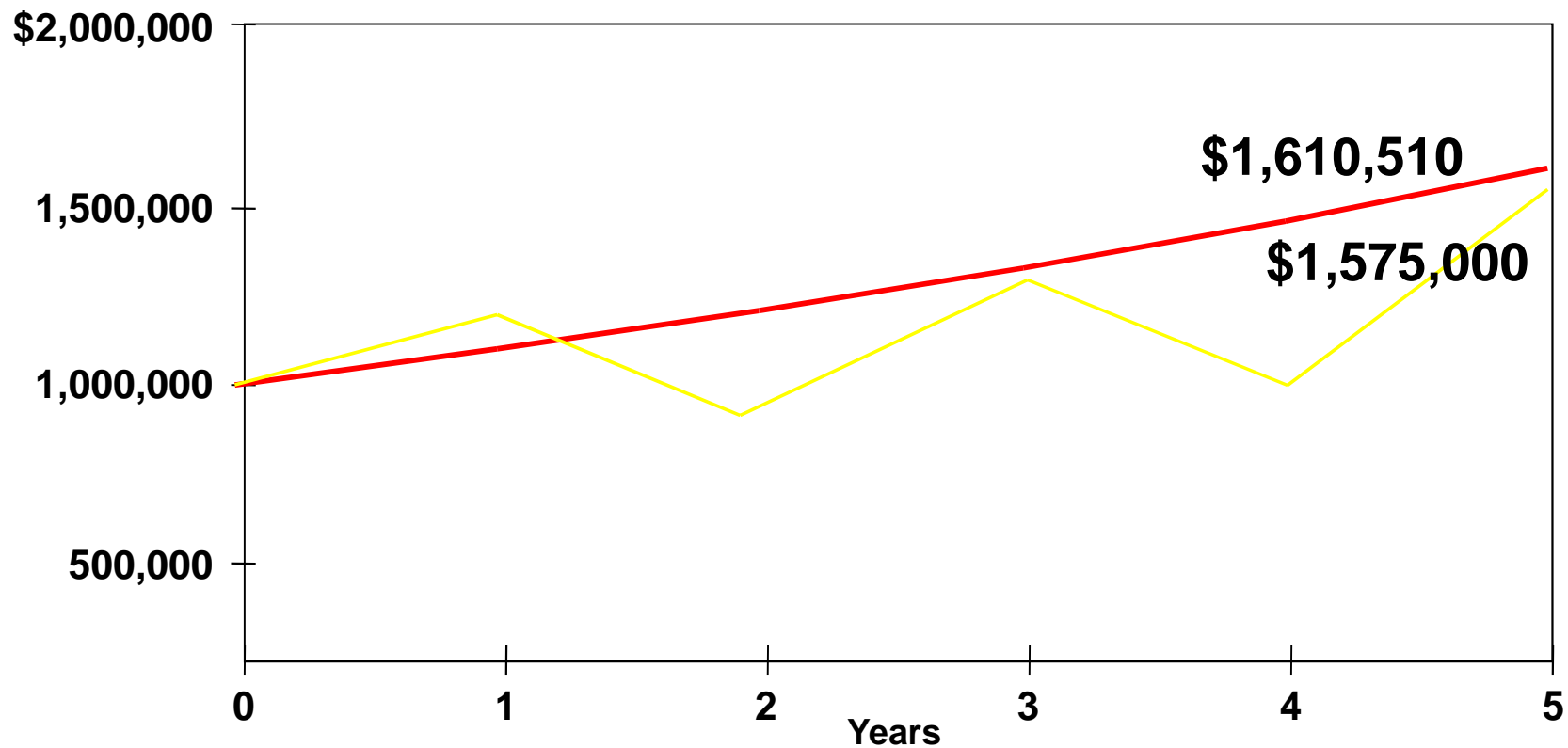
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Best	Int'l 32.6%	Int'l 7.9%	Lg Cap Value 38.4%	Lg Cap Growth 23.1%	Lg Cap Value 35.2%	Lg Cap Growth 38.7%	Lg Cap Growth 33.2%	Fixed Income 11.6%	Fixed Income 8.4%	Fixed Income 10.3%	Sm Cap 47.3%	Int'l 20.3%	Int'l 13.5%	Int'l 26.3%	Lg Cap Growth 11.8%	Fixed Income 5.2%	Lg Cap Growth 37.2%	Sm Cap 28.9%	Fixed Income 7.8%	Lg Cap Value 17.5%
	Sm Cap 18.9%	Cash 4.2%	Lg Cap Core 37.8%	Lg Cap Core 23.0%	Lg Cap Core 33.4%	Lg Cap Core 28.6%	Int'l 27.0%	Lg Cap Value 7.0%	Cash 4.4%	Cash 1.8%	Int'l 30.6%	Sm Cap 18.3%	Lg Cap Value 7.1%	Lg Cap Value 22.3%	Int'l 11.2%	Cash 2.1%	Int'l 31.8%	Lg Cap Growth 16.7%	Lg Cap Growth 2.6%	Int'l 17.3%
	Lg Cap Value 18.1%	Lg Cap Growth 2.6%	Lg Cap Growth 37.2%	Lg Cap Value 21.6%	Lg Cap Growth 30.5%	Int'l 20.0%	Sm Cap 21.3%	Cash 6.2%	Sm Cap 2.5%	Div Portfolio -9.8%	Lg Cap Value 30.0%	Lg Cap Value 16.5%	Div Portfolio 5.4%	Sm Cap 16.4%	Fixed Income 7.0%	Div Portfolio -22.8%	Sm Cap 27.2%	Lg Cap Value 15.5%	Lg Cap Core 2.1%	Sm Cap 16.4%
	Div Portfolio 13.3%	Lg Cap Core 1.3%	Sm Cap 28.5%	Sm Cap 16.5%	Sm Cap 22.4%	Div Portfolio 17.0%	Lg Cap Core 21.0%	Div Portfolio -1.1%	Div Portfolio -4.8%	Lg Cap Value -15.5%	Lg Cap Growth 29.8%	Lg Cap Core 10.9%	Lg Cap Growth 5.3%	Lg Cap Core 15.8%	Div Portfolio 6.0%	Sm Cap -33.9%	Lg Cap Core 26.5%	Lg Cap Core 15.1%	Div Portfolio 1.8%	Lg Cap Core 16.0%
	Lg Cap Core 10.1%	Div Portfolio -0.3%	Div Portfolio 27.4%	Div Portfolio 13.6%	Div Portfolio 20.6%	Lg Cap Value 15.6%	Div Portfolio 13.6%	Sm Cap -3.0%	Lg Cap Value -5.6%	Int'l -15.9%	Lg Cap Core 28.7%	Div Portfolio 10.5%	Lg Cap Core 4.9%	Div Portfolio 13.0%	Lg Cap Core 5.5%	Lg Cap Value -36.9%	Div Portfolio 20.8%	Div Portfolio 13.0%	Lg Cap Value 0.4%	Lg Cap Growth 15.3%
	Fixed Income 9.8%	Sm Cap -1.8%	Fixed Income 18.5%	Int'l 6.1%	Fixed Income 9.7%	Fixed Income 8.7%	Lg Cap Value 7.4%	Lg Cap Core -9.1%	Lg Cap Core -11.9%	Sm Cap -20.5%	Div Portfolio 23.5%	Lg Cap Growth 6.3%	Sm Cap 4.6%	Lg Cap Growth 9.1%	Cash 5.0%	Lg Cap Core -37.0%	Lg Cap Value 19.7%	Int'l 7.8%	Cash 0.1%	Div Portfolio 12.2%
	Cash 3.2%	Lg Cap Value -2.0%	Int'l 11.2%	Cash 5.3%	Cash 5.3%	Cash 5.2%	Cash 4.9%	Int'l -14.2%	Lg Cap Growth -20.4%	Lg Cap Core -22.1%	Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.1%	Cash 4.9%	Lg Cap Value -0.2%	Lg Cap Growth -38.4%	Fixed Income 5.9%	Fixed Income 6.5%	Sm Cap -4.2%	Fixed Income 4.2%
Worst	Lg Cap Growth 2.9%	Fixed Income -2.9%	Cash 6.0%	Fixed Income -3.6%	Int'l 1.8%	Sm Cap -2.6%	Fixed Income -0.8%	Lg Cap Growth -22.4%	Int'l -21.4%	Lg Cap Growth -27.9%	Cash 1.2%	Cash 1.3%	Fixed Income 2.4%	Fixed Income 4.3%	Sm Cap -1.8%	Int'l -43.4%	Cash 0.2%	Cash 0.1%	Int'l -12.1%	Cash 0.1%

Source: Informa Investment Solutions. Past performance is no guarantee of future results. The information provided is for illustrative purposes and is not meant to represent the performance of any particular investment. Assumes reinvestment of all distributions. It is not possible to directly invest in an index. Diversification does not guarantee a profit or protect against loss.

■ **Large Cap Core** is represented by the S&P 500 Index, an unmanaged index that consists of the common stocks of 500 large capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange. ■ **Large Cap Growth** is represented by the Russell 1000 Growth Index, which consists of those Russell 1000 Index securities with higher price-to-book ratios and higher forecasted growth rates. ■ **Large Cap Value** is represented by the Russell 1000 Value Index, which consists of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth rates. ■ **Small Cap** is represented by the Russell 2000 Index, which is a market-weighted small capitalization index composed of the smaller 2,000 stocks, ranked by market capitalization, of the Russell 3000 Index. ■ **International** is represented by the Morgan Stanley Capital International (MSCI) EAFE Index, an unmanaged index that measures the total returns of developed foreign stock markets in Europe, Asia and the Far East. ■ **Fixed Income** is represented by the Barclays US Aggregate Bond Index, an unmanaged market-weighted index that consists of investment grade corporate bonds (rated BBB or better), mortgages and US Treasury and government agency issues with at least one year to maturity. ■ **Cash** is represented by the ML US Treasury Bill 3 Month Index, an unmanaged index based on the value of a 3-month Treasury Bill assumed to be purchased at the beginning of the month and rolled into another single issue at the end of the month. US Treasury securities are direct obligations of the US government and are backed by the "full faith and credit" of the US government if held to maturity. ■ **Diversified Portfolio** is composed of 35% of the Barclays US Aggregate Bond Index, 10% of the MSCI EAFE Index, 10% of the Russell 2000 Index, 22.5% of the Russell 1000 Growth Index and 22.5% of the Russell 1000 Value Index.

Is Consistency Better?

— Consistent	+10%	+10%	+10%	+10%	+10%	= 10% avg. = 16% avg.
— Volatile	+25%	- 30%	+50%	- 25%	+60%	



Rates shown are for illustrative purposes only and are not representative of the performance of any specific investment and there is no guarantee that the hypothetical rate of return can be achieved.

Glossary of Index Terms

- Dollar cost Averaging is an approach to investing where an investor sets a specified amount of money aside to be invested on a regular schedule over a long period of time, regardless of whether the prices of the securities purchased are high or low. This gives the investor a way to even out the ups and downs of the market by averaging out their investment cost over time. The investor buys when the market is high, low or in between. Timing the market will no longer be an issue. Keep in mind that dollar cost averaging does not guarantee profits or protect against losses in a declining market. In addition, since the plan involves continuous investments regardless of fluctuating price levels, investors should consider their financial ability to continue purchases through periods of low price levels.
- Indexes are hypothetical portfolios of securities that are often used as a benchmark in evaluating the relative performance of a particular investment manager's mandate and are not available for direct investment. An index should only be compared with a mandate that has a similar investment objective. The performance of an index does not reflect the impact of fees and commissions. There is no guarantee that your portfolio would perform in a similar manner to the referenced indexes.
- S&P 500 Index: A broad based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a capitalization-weighted, unmanaged index that is calculated on a total basis with dividends reinvested. The S&P 500 represents about 75% of the NYSE market capitalizations.
- S&P 500/Barra Growth Index (S&P Growth): Represents approximately half of the total market capitalization of the S&P 500 Index. However, since companies in this index tend to have higher market capitalizations than the S&P 500/Barra Value Index, it tends to have fewer stocks than the Value index. The index tracks the performance of those stocks in the S&P 500 with higher price-to-book ratios.
- S&P 500/Barra (S&P Value): Represents approximately half of the total market capitalization of the S&P 500 Index. However, since companies in this index tend to have lower market capitalizations than the S&P 500/Barra Growth Index, it tends to have fewer stocks than the Growth index. The index tracks the performance of those stocks in the S&P 500 with lower price-to-book ratios.

Glossary of Index Terms

- **BC Aggregate Bond:** Barclay Capital Aggregate is an index comprised of approximately 6,000 publicly traded bonds including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The index is weighted by the market value of the bonds included in the index. This index represents asset types that are subject to risk, including loss of principal.
- **BC Intermediate Government/Credit:** Measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.
- **Morgan Stanley Capital International, Europe, Australia, Far East Index (MSCI EAFE):** An unmanaged index in U.S. dollars based on the share price of approximately 1,600 companies listed on stock exchanges in 20 developed countries outside North America. This index is created by aggregating the 20 different country indexes, all of which are created separately. It is considered to be generally representative of overseas stock markets.
- **Russell 1000 Index (Russell 1000):** Measures the performance of the 1,000 largest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 1000 Index represents the vast majority of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Large Cap performance.
- **Russell 1000 Growth Index (R1000 Growth):** Measures the performance of the Russell 1000 companies with higher-price-to-book ratios and higher forecasted growth values.
- **Russell 1000 Value Index (R1000 Value):** Measures the performance of the Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- **Russell 2500 Index (Russell 2500):** Measures the performance of the 2,500 companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2500 Index represents a small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.

Glossary of Index Terms

- Citigroup 3 Month T-Bill Index (previously the Salomon Smith Barney 3 Month T-Bill Index) consists of equal dollar amounts of three-month Treasury bills that are purchased at the beginning of each of three consecutive months. As each bill matures, all proceeds are rolled over or reinvested in a new three month bill. The income used to calculate the monthly return is derived by subtracting the original amount invested from the maturity value. The yield curve average is the basis for calculating the return on the index. The index is rebalanced monthly by market capitalization.

- Standard Deviation: A gauge or risk measures total volatility, or the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard deviation. Generally, the higher the standard deviation the more volatility that will occur in the portfolio.

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Questions and Answers

