LIFESTORIES | GENERATIONAL INVESTMENT PLANNING SERIES | **WORKBOOK**

LifeStories | Retirement Strategies for Women

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Contents

FIN830WB-1

Retirement Facts for Women

Do you feel you are on track to achieving your life goals and dreams? We all have dreams and goals to reach. It might be having a family, building a future through college or marriage, or the dream vacation home. What's yours?

Do women need to plan differently than men to reach these goals? Or do they play a different role in achieving these dreams? Consider the following facts.

Women live longer than men.[1]

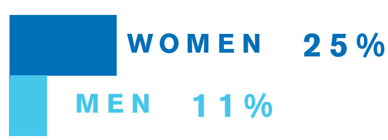
According to the National Center for Health Statistics, American women can expect to live to age 80.4 whereas American men can expect to live only to age 75.2. Living longer means you need more money.

Women earn less money than men.[2]

According to the U.S. Census Bureau, women who work full-time, year round, average 76 cents to every dollar earned by men. It isn't easy to set aside money for retirement on a lower income, but it can be done.

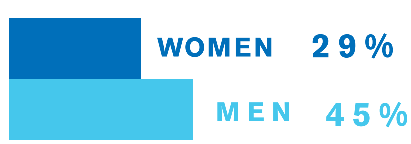
Women are more likely than men to work part time.[3]

The Department of Labor notes that women are more likely than men to work part-time. Consequently, they earn less money. Less time and lower wages can adversely affect your Social Security retirement benefits, pension and personal retirement savings.



Women are not as likely as men to have a pension.[4]

According to the U.S. Government Accounting Office, 29% of women 65 or older received pension benefits versus 45% of men. If you won't be getting a pension from your employer, you will need to increase your personal savings for retirement.



[1] National Center for Health Statistics, National Vital Statistics Reports, Vol. 54, No. 19, June 28, 2006
[2] U.S. Census Bureau, America Fact Finder, "Household Income Unchanged Between 2002 & 2003", September 10, 2007
[3] U.S. Department of Labor, US, Bureau of Labor Statistics, Report 995, September 2006
[4] U.S. Government Accounting Office, Pension Income for Women, September 13, 2007

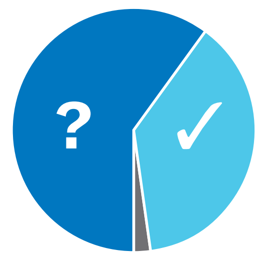
Women are more likely than men to fall below the poverty level in old age.[5]

Statistics from the U.S. Census Bureau show that more women age 75 or older live in poverty than men that age – 12.8% versus 6.6%, respectively. Laying a solid financial foundation earlier in life can help prevent this.

Women are more likely than men to be in a nursing home.[6]

According to the AARP Public Policy Institute, more than 70% of nursing home residents are women. Investigate extended care insurance as part of a comprehensive financial strategy for your retirement.

Women may not know or may underestimate the amount of money needed for retirement.[7]



The 2007 Retirement Confidence Survey reports that 60% of women surveyed have never calculated how much money they will need for retirement. 38% think they will have enough money to take care of basic expenses. Retirement is one case where ignorance is not bliss.

The average monthly Social Security benefit as of July 2007 was $962…[8]

According to Social Security Online, Monthly Statistical Snapshot, July 2007. Differences in lifetime earning and work histories result, on average, in lower retirement income for women than men.

Most Social Security beneficiaries are women.[9]
Older people living alone are more likely to be poor.[10]

Statistics show that older persons living on their own were more likely to be poor than those living with family. If you don't picture yourself moving in with your children and their spouses, plan now to save more.

Nursing home expenses rose by 150% from 1987-1996.[11]

Nursing home expenses rose by 150% from 1987 – 1996. The Agency for Healthcare Research and Quality gathered these statistics in September of 2001. What is scary is how out-of-date these statistics are. The cost of nursing homes today is likely to have risen how much? These numbers aren't in yet, but it is anyone's guess.

[5]U.S. Government Accounting Office, 21st Century Challenges: Key Areas for Oversight, September 13, 2007
[6]AARP Public Policy Institute, Fact Sheet Number 77R, Women & Long-Term Care, 2007
[7]Employee Benefit Research Institute and Matt Greenwald & Associates, 2007 Retirement Confidence Survey
[8]According to Social Security Online, Monthly Statistical Snapshot, July 2007
[9]Social Security Online, www.socialsecurity.gov 2006, Social Security Information for Women
[10]Current Populations Survey, issued August, 2005, by the U.S. Bureau of the Census
[11]Agency for Healthcare Research and Quality gathered these statistics in September of 2001

Planning for Retirement

- Determine what you are worth financially.
- Determine what is important to you.
- Develop financial goals.

What are your goals for retirement?

Financial Net Worth

Determine your net worth with this simple formula:

ASSETS – **DEBTS** = **FINANCIAL NET WORTH**

Net Worth Worksheet

Use this worksheet to help determine your personal net worth.

CATEGORY

ASSETS:	
Cash in Savings Accounts	________
Cash in Checking Accounts	________
Certificates of Deposit (CDs)	________
Cash on Hand	________
Money Market Accounts	________
Money Owed to Me (Rent Deposits, etc.)	________
Cash Value of Life Insurance	________
Savings Bonds (current value)	________
Stocks	________
Bonds	________
Mutual Funds	________
Vested Value of Stock Options	________
Other Investments	________
Individual Retirement Accounts (IRAs)	________
Keogh Accounts	________
401(k) or 403(b) Accounts	________
Other Retirement Plans	________
Market Value of Your Home	________
Market Value of Other Real Estate	________
Blue Book Value of Cars/Trucks	________
Boats, Planes, Other Vehicles	________
Jewelry	________
Collectibles	________
Furnishings and Other Personal Property	________
Other	________
TOTAL ASSETS	

LIABILITIES:	
Mortgages	________
Car Loans	________
Bank Loans	________
Student Loans	________
Home Equity Loans	________
Other Loans	________
Credit Card Balances	________
Real Estate Taxes Owed	________
Income Taxes Owed	________
Other Taxes Owed	________
Other Debts	________
TOTAL LIABILITIES	

NET WORTH
(TOTAL ASSETS LESS TOTAL LIABILITIES)

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Cash Flow

Now that you have determined your net worth, the next step is to calculate your Cash Flow. It will help you determine how much money you can put aside:

MONEY COMING IN – **MONEY GOING OUT** = **CASH FLOW**

WHERE YOUR MONEY COMES FROM:

Net Salary (After Taxes)

Investment Income (Dividends, Interest, Annuities)

Income from Rental Properties

Other Income

Total Income

WHERE YOUR MONEY GOES:

Savings

- Short-term Savings ________
- Retirement Savings ________
- Education ________
- Other ________

Subtotal - Savings ________

Expenses

Housing:

- Mortgage/Rent ________
- Property Tax ________

Utilities:

- Water ________
- Gas & Electric ________
- Heat ________
- Cable TV ________
- Telephone ________
- Other ________

Insurance ________

Repairs & Maintenance ________

Groceries ________

Clothing & Personal Care ________

Medical ________

Transportation

- Car Payments ________
- Repairs/Maintenance ________
- Fuel ________
- License ________
- Transit ________
- Parking ________

Loans

Payments ________

Credit Card Payments ________

Personal Insurance

- Life, Disability ________
- Medical Insurance (Prescriptions, Dental) ________

Discretionary Expenses

- Education ________
- Entertainment ________
- Subscriptions, Memberships, Clubs ________
- Gifts/Donations ________
- Household Purchases ________
- Vacation ________
- Pocket Money ________
- Other ________

Subtotal - Expenses ________

Total Outflow ________

"The future belongs to those who believe in the beauty of their dreams."

— Eleanor Roosevelt

What Is Important to You?

- Consider what matters to you.
- Determine what you want out of life during retirement.
- Think about what makes you feel secure and why.
- Dream about the lifestyle you want to have.

The possibilities are endless here, but if you don't take the time to figure it out now, you won't be able to develop the financial goals to help you achieve those dreams.

10 Ways to Put Your House in Order

1. Update your living will

2. Review **all** insurance coverage

3. Consider refinancing

4. List and photograph all your valuables

5. Review Social Security benefits

6. Lower interest expenses

7. Review sources of income

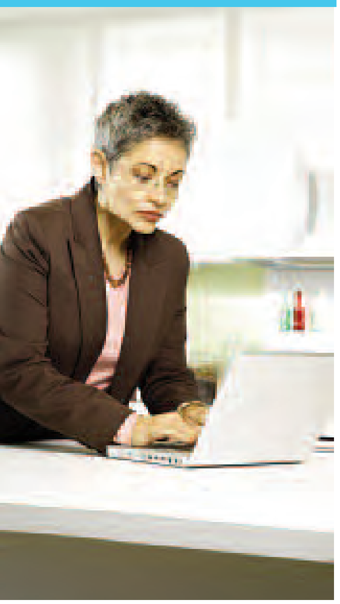
8. Anticipate major expenses

9. Establish durable power of attorney

10. Consider extended care insurance

It's a good idea to use the Net Worth Worksheet provided earlier as a reference to help you catalog your assets. Consider recording key information on all your assets and major documents as in the example worksheet below.

Asset	Policy or Account No.	Company/ Contact Address	Phone No. and Email	Professional Contact
Life Insurance				
Annuity				
Mutual Funds				
Brokerage Account				
Retirement Account				
Legal documents – Will, Trust, etc.				



Develop Financial Goals

Key components to a sound financial plan include:

Goals

Your goals will be shaped by what matters to you. Take those dreams we talked about and put a dollar amount to them. In today's dollars, you would like to set aside $5000 a year to travel. That's a goal.

Time horizon

Time horizon is easy enough. If you haven't done anything, today is the first day of your new financial life. From today, you have x number of days until you retire. That is your time horizon.

Risk tolerance

Risk tolerance is a very personal preference. But educating yourself on the financial markets will help you understand your risk tolerance.

The U.S. Department of Labor Women's Bureau[1], reports that women invest more conservatively than men and receive lower rates of return for their investments over time. You need to choose carefully where to put your money and learn now to make your investments grow. Remember the old saying, "no risk, no reward".

[1]www.dol.gov/wb/Publications/women.html Women in the Labor Force in 2004

Pay Yourself First

This means you should first allocate money to investments and savings accounts that are designed to make your future more secure. Carefully consider the ownership of investment accounts. Consider your own name alone, joint tenancy with rights of survivorship, tenancy in common.

- Maximize contributions to qualified plans
- Contribute to 401(k)s & IRAs
- Evaluate college savings options, like 529 Plans
- Use salary increases to fund savings

tip

Consider setting up a savings account with automatic withdrawals from your paycheck or checking account.

Examples of Investment Options

Now that you have tools to help you determine what you might have to allocate toward your goals, what's the next step? Where do you invest your funds to reach your goals? What is suitable for you?

Determining Equity Types

It's easy to say start a savings program and direct money into the different retirement plans or accounts available, but where are you really putting your money into? Each type of account, such as 401(k) or funds designated for particular goals, will have investment choices for you to make. Let's touch on some of the investment options you may come across in making your decisions. When you are talking about the stock market or stock investments, you are talking about equity or actual ownership in companies. Types of equities may be broken down even further into different classes—by *Company Size, Investment Orientation, Market Diversity and Sector*—are just a few categories you might hear about.

This is where meeting with a Financial Professional, who can review your goals and help determine what is suitable for you, is important.

Types of Debt or Bonds

We've briefly discussed types of equity. The other side of the coin is types of *debt*–investing in vehicles where you pay a principal amount and the borrower pays you interest. This would include government bonds and treasuries, municipal bonds that have tax-exempt attributes and corporate bonds.

Can you think of any other options that might fit into this category?
CDs? FNMAs and GNMAs or mortgage-type investments? Fixed annuities?

Consider mutual funds

Consider mutual funds–they often offer the following:

- Professional management
- Diversification
- Convenience
- Many styles of investing
- Many different objectives
- Liquidity

Consider annuities

- Tax-deferred growth[1]
- Some contracts provide for guaranteed living benefits
  - Any payments or benefits due on the annuity are backed by the claims-paying ability of the issuing insurance company and are subject to the financial condition of the issuing insurance company
- Some contracts provide for death benefits
- Annuitization of contracts is designed so that you won't outlive the income stream
- Variable annuities have subaccounts which invest in an array of investment options
- Fixed annuities provide a fixed rate of return

Notice to consumers: annuities are long-term investments designed for retirement purposes. You should carefully consider the investment objectives, risks, charges and expenses of the investment alternative before purchasing a contract or investing money. These contracts have limitations and are sold by prospectus only. The prospectus contains details on the investment alternatives, contract features, the underlying portfolios, fees, charges, expenses and other pertinent information. To obtain a prospectus or a copy of the underlying portfolio prospectuses, please contact your financial representative, or call Allstate Life Insurance Company at 800-203-0068. Please read the prospectuses carefully before purchasing a contract or sending money.

[1] Distributions taken prior to annuitization are generally considered to come from the gain in the contract first. If the contract is tax-qualified, generally all withdrawals are treated as distributions of gain. Withdrawals of gain are taxed as ordinary income and, if taken prior to age 59½, may be subject to an additional 10% federal tax penalty.

Consider real estate

- Owning your own home is both an investment and a lifestyle choice that may save you taxes
- Owning rental income property may generate both cash flow and income tax deductions
- Real estate is a traditional hedge against inflation

Time Horizons

LONGER TIME HORIZONS = **LOWER RISK OF FALLING SHORT OF GOALS**

SHORTER TIME HORIZONS = **GREATER RISK**

"Why put off until tomorrow what you can do today."

—Grandmother

Risk versus Reward

- Stocks…higher risk and higher potential return
- Bonds…reduced risk and fixed returns with little growth
- Asset Allocation helps you keep your balance*
- Diversification helps to reduce, not eliminate, your risk

Consider this. If you had invested $1 in the S&P® 500 on January 31, 1950, that $1 would be worth $87.00 as of 8/31/07. If you had invested that same $1 in US Treasury bills, it would be worth $15.00. And don't forget inflation. That $1 is now worth $8 according to the Consumer Price Index. (Note: You cannot directly invest in the S&P® Index.)

INVESTMENT	AMOUNT	DATE	VALUE AS OF 8-31-07
S&P 500®	$1	1-31-1950	$87.00**
U.S. TREASURIES	$1	1-31-1950	$15.00**

WHAT ABOUT INFLATION?	$9.00

** The effects of income and capital gain taxes are not demonstrated.

Past Performance is no guarantee of future results. This is a hypothetical illustration and is not intended to give investment advice. Individuals should consult an investment professional for advice specific to their particular circumstances. Stocks are represented by the S&P 500® Composite Stock Price Index, US 30-day Treasuries, and the Consumer Price Index. Source data: Thomson Financial Company 800.232.2285, 2007.

Asset Allocation:* What You Should Know

- Wide variety of asset allocation models
- Choose a model that is aligned with your risk tolerance and will help you reach your financial goals
- Keep in mind your time horizon
- Most financial professionals have tools to help determine how much you will need.
- Asset allocation does not guarantee a profit nor prevent loss.

* Asset Allocation programs do not assure a profit or protect against loss in a declining market.

Developing Your Retirement Strategy

A successful retirement strategy contains several elements to help you arrive at your goal. This checklist is designed to help you evaluate whether you have considered several important aspects.

- I have put my goals in **writing**.
- My goals are specific, measurable and **achievable.**
- I am confident that the amount I am **saving each month** is enough to meet my savings goal.
- I am confident I have used a realistic inflation estimate and have factored inflation into my **projected retirement income needs**– throughout my retirement years.
- I have used sound investment principles to choose my investments.
- I am confident I have chosen investments appropriate for my time horizon and return expectations.
- I am comfortable with the level of risk my investments carry.
- I regularly monitor the progress of my strategy and make changes if necessary.
- If developing and implementing a retirement strategy seems overwhelming, consider working with a financial professional.
- Financial professionals have the skills and the resources to help you develop and implement strategies to set and achieve your financial goals.

What Else?

- Never stop asking questions.
- Never stop learning.
- Never stop dreaming; for if you can dream it, you can make it so.

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