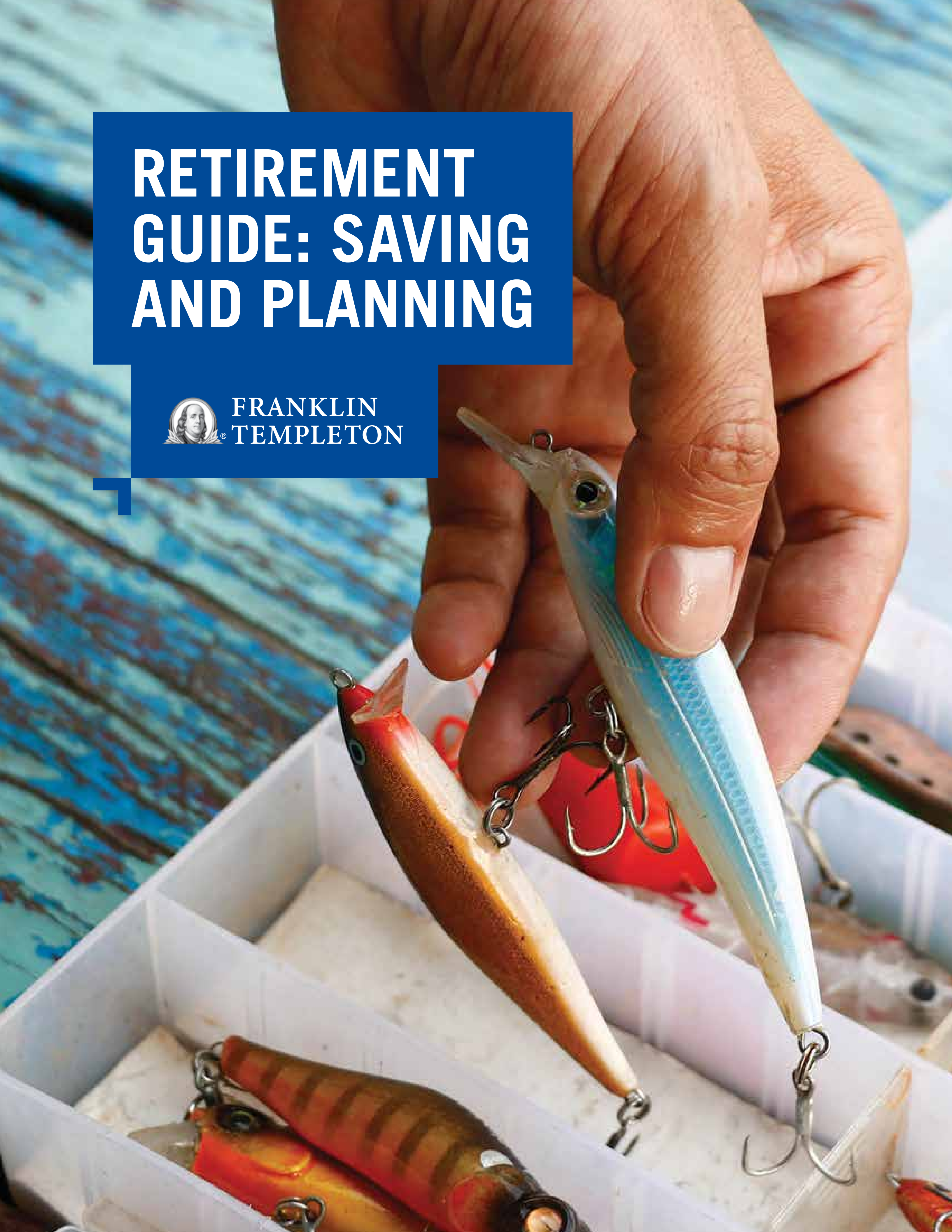
RETIREMENT GUIDE: SAVING AND PLANNING

FRANKLIN TEMPLETON



IT'S NEVER TOO EARLY TO START

What You Need to Know About Saving for Retirement

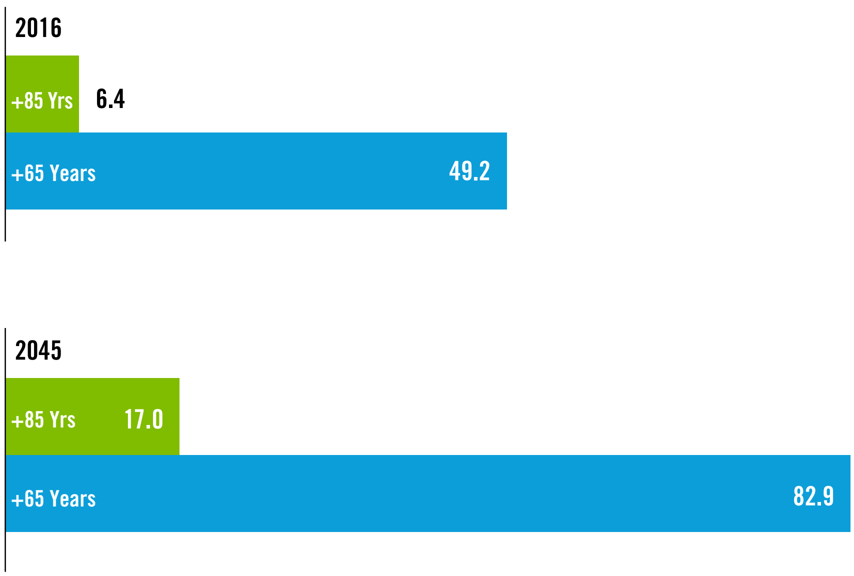
Many of us don't realize how much time we may spend in retirement. In fact, statistics suggest that you could spend up to one-third of your life in retirement.[1] This means that you need to plan for a longer retirement and start saving early to help ensure that assets for creating retirement income last as long as you do.

There are a few reasons it's becoming increasingly important for each of us to take responsibility for our own retirement savings.

1 | People Are Living Longer

It's a well-known fact that people are living longer, which means that savings needed to support spending in retirement may need to last longer than one might think. The chart below illustrates the projected number of people living past ages 65 and 85 in 2016 compared to 2045. As you can see, current estimates suggest that the number of Americans living past age 85 will more than double.

Americans are Living Longer[2]
In Millions



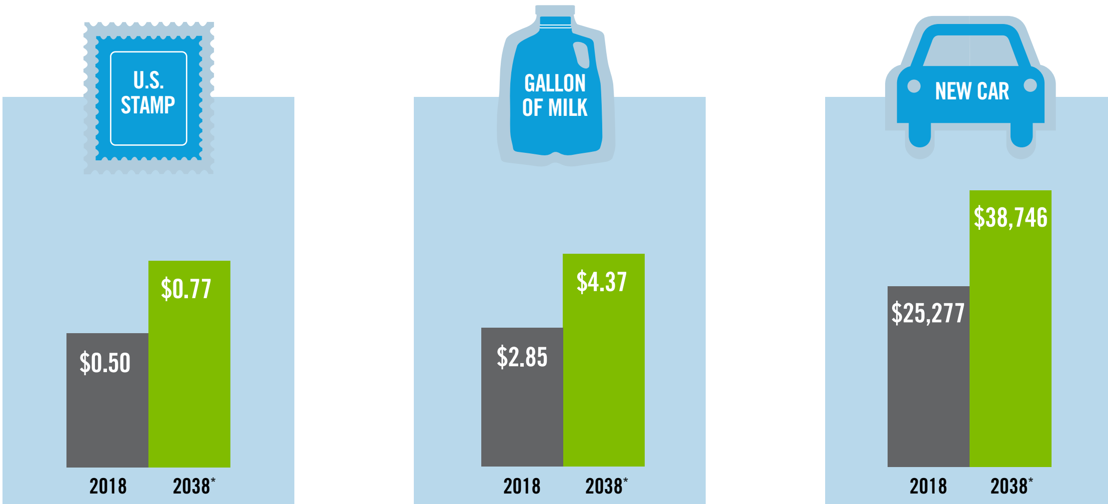
With average longevity increasing, people run the risk of outliving their retirement savings. Working with a financial advisor to create a sound financial plan may help ensure your assets last throughout your retirement years.

1. U.S. Department of Health and Human Services. Source: Calculations are based on data from United States Life Tables, 2016. NVSR Volume 68, Number 4. Published on May 7, 2019. https://www.cdc.gov/nchs/products/life_tables.htm. Table 2. Life Table for Males: United States, 2016 & Table 3. Life Table for Females: United States, 2016. Based on the 25% probability that a male and female will live to age 88 and 91, respectively.
2. Source: U.S. Census Bureau, U.S. Interim Projections by Age, Sex, Race and Hispanic Origin. Table 2. Projections of the Population by Selected Age Groups and Sex for the United States: 2017 to 2060.

2 | Inflation Shrinks Your Buying Power

By the time you retire, you'll probably be living in a more expensive world. The table below illustrates how inflation can impact the future buying power of your dollars. Consider investing more each year to help your retirement savings keep pace with inflation.

Impact of Inflation on Your Buying Power[3]



*2038 figures are based on historical averages. The hypothetical examples are for illustrative purposes only and are not intended to predict or project inflation rates. Actual inflation rate may be higher or lower.

3 | Social Security Will Likely Not Provide All the Income You'll Need or Want

Investment professionals estimate that you'll need 70–80% of your current income to maintain a comfortable lifestyle during retirement. Social Security provides today's retirees with 33% of their total income, and is expected to provide future generations with proportionately less.[4]

Even with the added savings from your workplace retirement plan, you may need additional sources of retirement income.

"Our goal is to retire early, so we're working with our financial advisor to maximize our retirement savings now. We want our investments to help us create enough income to live comfortably in retirement."

3. Based on an average annual inflation rate of 2.16% for the 20-year period ended December 31, 2018. U.S. Postal Regulatory Commission. U.S. stamp prices are based on the year-end rate for the first ounce of a first-class letter. U.S. Bureau of Labor Statistics. Price per gallon of milk is based on year-end price per gallon. U.S. Department of Commerce. New car historical prices are based on average prices per year, due to seasonality.

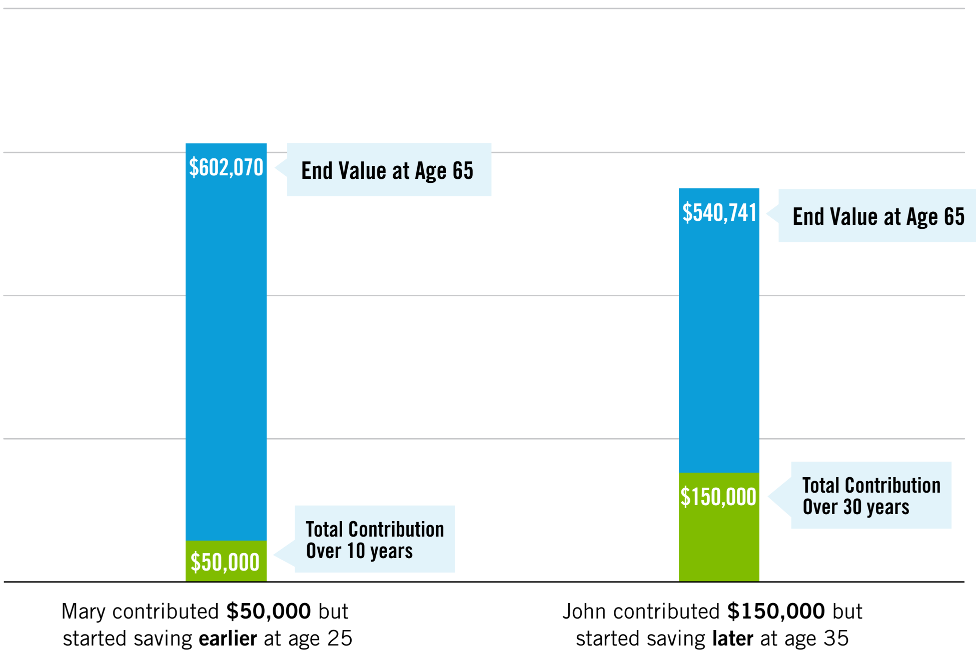
4. Source: U.S. Census Bureau, Current Population Survey, 2018 Annual Social and Economic Supplement.

TIME IS YOUR ALLY

The earlier you begin saving for retirement, the better, because year after year, the money you invest may earn dividends and gains. When you invest in a tax-qualified retirement account, you don't pay taxes on investment earnings until you withdraw them, so you have more money working for you—a process known as tax-deferred compounding.

For example, the chart below illustrates how Mary started investing $5,000 each year beginning at age 25, and stopped after contributing $50,000 over 10 years. John began saving for retirement at age 35, and continued to invest $5,000 every year for the next 30 years. The tax-deferred accounts of both investors earned 7% annually. Even though John contributed three times as much as Mary, at age 65, her account is worth 11% more.

The Difference Investing Earlier Can Make[5]
Hypothetical Example



The chart shows the hypothetical values of assets held in a tax-deferred account, assuming a fixed 7% average annual rate of return compounded monthly and no fluctuation of principal. **This example is for illustrative purposes only and does not represent the performance of any Franklin Templeton fund. Note that all investments are subject to risks.**

Putting off an investing program by just 10 years can make a big difference. However, it's never too late to start planning your financial future. Review the **THREE STEPS** on the following pages to begin *your* plan.

5. This example is for illustrative purposes only and does not represent the performance of any Franklin Templeton fund. The chart assumes a fixed 7% average annual rate of return compounded monthly, and no fluctuation of principal. An investment in a Franklin Templeton fund does not guarantee that you will have sufficient funds to meet future retirement needs. Distributions of deductible contributions and all earnings are taxed as ordinary income for the year in which money is withdrawn. Withdrawals received prior to age 59½ may be subject to a 10% federal tax penalty.

STEP 1 MAKE SURE YOU'RE INVESTING ENOUGH FOR RETIREMENT

Check to see if you're saving enough now to meet your anticipated future retirement income needs. Complete the worksheet below to help assess if you could have a retirement income gap—a shortfall between the monthly income you estimate you'll need in retirement and the amount you can expect to receive given your current investment plan. If you prefer, you can access a similar Retirement Savings Calculator at franklintempleton.com.

The calculations assume you'll retire at age 65, and you'll require 75% of your pre-retirement income and are based on pre-tax amounts. Please keep in mind that the results are only an estimate of your retirement needs.[6]

Retirement Savings Planner Worksheet

Estimate the monthly income you'll need at retirement.

$	x	.75	x		=	$
Current Monthly Income		Multiplied by 75%		Inflation Factor (from Table 1)		Estimated Monthly Income Needed in Retirement

Estimate the sources of your retirement income.

	x	$	=	$
Inflation Factor (from Table 1)		Monthly Social Security Benefit (from Table 2)		Inflation-Adjusted Social Security Benefit

$	+	$	+	$	=	$
Inflation-Adjusted Social Security Benefit		Anticipated Monthly Company Retirement Benefit (if applicable)		Anticipated Monthly Income from Your IRA & Other Investments		Anticipated Monthly Retirement Income

Calculate your estimated retirement income gap.

$	–	$	=	$
Estimated Monthly Income Needed in Retirement		Anticipated Monthly Retirement Income		Monthly Retirement Income Gap at Age 65

Worksheets, informational tables, and interactive calculators are made available to you as educational tools and should not be construed as investment, legal or tax advice. The results of these calculations are estimates based solely on user input and the assumptions of the tools. We cannot and do not guarantee the accuracy of the results or their applicability to your individual circumstances. All examples are hypothetical and intended for illustrative purposes only. They do not represent the returns on any particular investment or any Franklin Templeton fund. All investments involve risks, including possible loss of principal.

Refer to the chart below to see how much you may need to invest each month to close the estimated retirement income gap before you reach age 65.[7]

	IF YOUR ESTIMATED MONTHLY RETIREMENT INCOME GAP IS APPROXIMATELY:						
	$500	$1,000	$2,000	$3,000	$3,500	$5,000	$10,000
AGE NOW	CONSIDER SETTING ASIDE THESE MONTHLY PAYMENTS NOW:[8]						
25	$26.53	$53.07	$106.13	$159.20	$185.73	$265.33	$530.67
30	38.32	76.64	153.27	229.91	268.23	383.18	766.37
35	56.08	112.15	224.31	336.46	392.53	560.76	1,121.53
40	83.75	167.50	334.99	502.49	586.24	837.48	1,674.97
45	129.21	258.42	516.84	775.26	904.47	1,292.10	2,584.19
50	210.79	421.58	843.17	1,264.75	1,475.55	2,107.92	4,215.85
55	383.38	766.77	1,533.54	2,300.30	2,683.69	3,833.84	7,667.68
60	921.10	1,842.20	3,684.40	5,526.60	6,447.70	9,211.00	18,422.00

6. The worksheet is provided for educational purposes only and is not meant as legal, tax, estate planning or investment advice. You may want to review your overall tax plan with a tax professional. The results of these calculations are estimates based solely on user input and the assumptions of the calculator program. All examples are hypothetical and intended for illustrative purposes only. Investment results do not represent the future performance of any Franklin Templeton funds.

7. The results assume a fixed 7% average annual rate of return, compounded monthly, a fixed rate of contribution and no fluctuation of principal. No adjustment has been made for income taxes. Higher monthly investments would be necessary if you plan to retire before age 65.

8. A maximum of $6,000 ($7,000 for individuals age 50 and older) for 2019 may be contributed annually to an IRA. If eligible, you may be able to make additional tax-advantaged contributions to employer-sponsored retirement plans. However, all retirement plans are subject to contribution limits. As a result, some retirement gaps cannot be met by relying solely on these plans. For illustration purpose only and does not take tax into consideration.

Table 1: Inflation Factor Table[9]

Assuming an annual inflation rate of 2.48% and a retirement age of 65.

Age Now	25	30	35	40	45	55	60	61	62	63	64
Inflation Factor	2.66	2.36	2.08	1.84	1.63	1.28	1.13	1.10	1.08	1.05	1.02

Table 2: Estimated Social Security Benefits[10]

To use this table, find your age and the figure closest to your earnings in 2019. These figures will give you a general estimate of your retirement benefits at various ages.

			YOUR ESTIMATED EARNINGS IN 2019					
Your Age in 2019	Full or Normal Retirement Age	Family Composition	$10,000	$20,000	$30,000	$40,000	$50,000	$132,900 or more[11]
25	67	Retired worker only	$754	$1,077	$1,345	$1,614	$1,882	$3,168
		Worker and spouse[12]	$1,131	$1,616	$2,018	$2,421	$2,823	$4,752
35	67	Retired worker only	$748	$1,072	$1,338	$1,604	$1,871	$3,153
		Worker and spouse[12]	$1,122	$1,608	$2,007	$2,406	$2,807	$4,730
45	67	Retired worker only	$701	$1,039	$1,288	$1,538	$1,787	$3,050
		Worker and spouse[12]	$1,052	$1,559	$1,932	$2,307	$2,681	$4,575
55	67	Retired worker only	$624	$984	$1,206	$1,428	$1,650	$2,879
		Worker and spouse[12]	$936	$1,476	$1,809	$2,142	$2,475	$4,319
62	66 and 6 months	Retired worker only	$577	$972	$1,178	$1,383	$1,588	$2,834
		Worker and spouse[12]	$866	$1,458	$1,767	$2,075	$2,382	$4,251

The illustration and information are hypothetical estimates, based on certain simplified assumptions, to provide a general understanding of the impact of different Social Security benefit claiming strategies. Your actual benefits may vary significantly from those assumed.

9. Inflation factor based on the 30-year average annual inflation rate of 2.48% for the period ending 12/31/18. Source: © 2019 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

10. Source: Social Security Administration, Quick Calculator as of January 2019. Monthly retirement benefits assume retirement at normal or full retirement age with no increase in earnings. Note that the normal retirement age is the earliest age at which unreduced retirement benefits are payable. The accuracy of the illustrated amounts is dependent upon your actual earnings, which may vary significantly from those assumed. For more information on earnings and estimated benefits not listed, please contact the Social Security Administration or visit www.ssa.gov.

11. Earnings in each year are assumed to be equal to or greater than the OASDI wage base, which is $132,900 for 2019.

12. Spouse is assumed to be the same age as the worker, and receives a benefit equal to one-half that of the worker. Spouse may qualify for a higher retirement benefit based on personal earnings history.

STEP 2 TAKE ADVANTAGE OF TAX OPTIONS

Take full advantage of every opportunity to build your retirement savings, including maximizing your company's retirement savings plan—if that option is available to you—and contributing to plans you can establish on your own, such as IRAs. No matter which you choose, tax-qualified retirement savings plans let you put the power of tax-deferred compounding to work for your retirement assets.

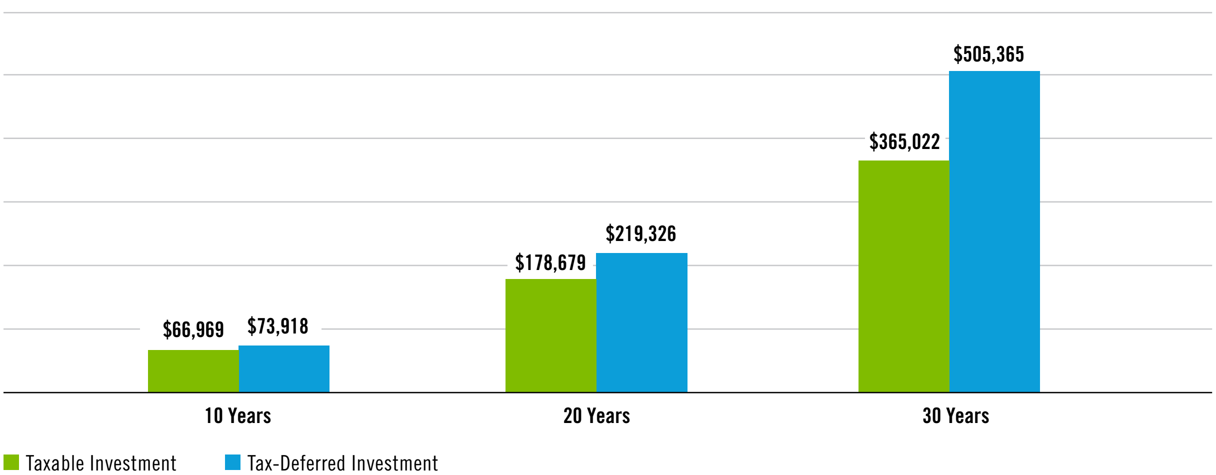
Put Time and Tax Deferral on Your Side

By any measure, delaying the payment of taxes on your investments gives your portfolio a powerful boost. When you invest in an IRA or employer-sponsored retirement plan, investment earnings that remain in your account can earn still more returns. Tax-deferred compounding is an opportunity for you to make more money on your money.

The Momentum to Help You Reach Your Goal

Suppose you make a $5,000 contribution each year for 30 years to a hypothetical tax-deferred retirement plan earning a 7% average annual return, compounded monthly. At the end of 30 years, you could have $140,343 more in a tax-deferred investment than a similar, currently taxable investment. Savings accumulated in your tax-deferred investments are taxable as ordinary income at the time of withdrawal. This example does not reflect taxes that may be due at the time of withdrawal. The chart below shows the potential power of tax-deferred investing.

Tax-Deferred Investment vs. Taxable Investment[13]



The hypothetical investment is for illustrative purposes only and does not reflect the return on any particular investment or Franklin Templeton fund. Tax-deferred investments do not assure better performance or provide less risk than taxable investments, nor do they protect from investment losses. Investors should consider their current and anticipated investment horizon, risk tolerance, and income tax bracket when making an investment decision, as the hypothetical example may not reflect these factors.

13. Example assumes contributions were made at the beginning of each year, principal and income do not vary, the investor is subject to 25% federal income tax rate on ordinary income and investor's investment earnings are taxable as ordinary income at the end of each year. Because a maximum 20% federal capital gains tax rate may apply to income on certain investments, the actual federal tax applicable to a portion of the investments in an investor's taxable portfolio may be different than the federal tax rate that would be applicable to that investor's ordinary income. Distributions of deductible contributions and all earnings are taxed as ordinary income for the year in which money is withdrawn. The chart assumes a fixed 7% average annual rate of return compounded monthly, and no fluctuations of principal. Withdrawals received prior to age 59½ may be subject to a 10% federal tax penalty.

Retirement Plans You Can Establish on Your Own

Even if you contribute to an employer-sponsored plan, you should consider supplementing those contributions with one or more of the plans listed below.

Traditional IRA

A Traditional IRA allows investment earnings to accumulate tax deferred, and depending on your income level and your participation in an employer-sponsored retirement plan, contributions may also be tax deductible. The maximum annual contribution limit for 2019 is $6,000 ($7,000 for individuals age 50 and older). In addition, you can open a Spousal IRA and make contributions on behalf of a non-wage earning spouse. Distributions from Traditional IRAs must begin by April 1, following the year you reach age 70½. When you take a distribution from your Traditional IRA, you'll pay ordinary income taxes on the investment earnings and on any deductible contribution amounts.[14]

Roth IRA

A Roth IRA allows investment earnings to accumulate and be withdrawn *tax free* if the account has been established for at least five years, and you're at least 59½ years old.[15] In addition, you can withdraw an amount equal to your total contributions, penalty and tax free, at any time. However, Roth IRA contributions are not tax deductible and you must meet certain income requirements to contribute to a Roth IRA. The maximum annual contribution limit for 2019 is $6,000 ($7,000 for individuals age 50 and older). Just as with the Traditional IRA, you may establish a Spousal Roth IRA and make contributions on behalf of a non-wage earning spouse. You may continue to contribute to your Roth IRA after age 70½ if you are still employed, and there are no required minimum distributions during your lifetime.

In addition, those with sizeable pre-tax retirement plans, who project they'll be in a high tax bracket during retirement, may wish to consider a Roth conversion. A Roth conversion of a traditional IRA, for example, entails paying taxes on the amount of the IRA you convert over to a Roth IRA, and then being able to take tax-free withdrawals during your retirement years (provided you are over 59½ and at least 5 years have elapsed since the conversion). Because Roth IRA participants are not required to take minimum distributions at age 70½, you may also opt to allow your Roth IRA to grow tax free.

Rollover IRAs

Individuals receiving an eligible rollover distribution, such as from a 401(k) plan, may roll over those assets into a Traditional IRA, which allows the retirement savings to grow tax deferred, or a Roth IRA, which will require the payment of taxes today but will allow for tax-free growth and income in the future.

14. If taken prior to age 59½, a distribution will generally be subject to a 10% federal penalty unless it is (1) rolled over to an eligible employer-sponsored retirement plan or other IRA within 60 days of receipt, (2) a timely removal of an excess contribution, (3) due to death or permanent disability, (4) in the form of substantially equal periodic payments over a single or joint life expectancy, (5) used for a qualifying first-home purchase ($10,000 lifetime cap), (6) used for qualified higher education expenses for the participant or a dependent, (7) not in excess of the amount allowable as a medical expense deduction, whether or not the distributee itemizes, (8) not in excess of amounts paid for medical insurance by IRA owners who have received unemployment compensation for at least 12 consecutive weeks (or could have except for being self-employed), or (9) made on account of an IRS levy.

15. Other qualifying events for tax-free distribution treatment include permanent disability and first-home purchases ($10,000 lifetime cap).

Annuities[16]

An annuity is an insurance company contract that may offer a choice of underlying investments. Investment earnings compound *tax deferred* until you withdraw them, usually after you retire. And, unlike most tax-deferred retirement plans, annuities typically do not have a legal limit on how much you may invest each year, and you may invest as often as you wish.

Tax-Deferred Plans Your Employer May Offer

Employers are able to offer their employees a wide variety of tax-advantaged plans. Some of the benefits from these plans include employer contributions and the opportunity to invest with pre-tax dollars.

401(k) Plan

A 401(k) plan is usually offered by corporations. Employees can defer up to $19,000 for 2019 ($25,000, including catch-up contributions, for individuals age 50 and older), or 100% of their annual salary (if allowed under the plan), whichever is less. Employers may decide to match a percentage of an employee's contribution at their discretion up to $56,000 for 2019 (minus the employee's non-catch-up deferrals). Employee deferrals are pre-tax to the extent allowed, and may reduce current tax liability.

Simplified Employee Pension Plan IRA (SEP IRA)

A SEP IRA is funded by a company for the benefit of its employees. This plan allows employers to contribute up to 25% of the employee's annual salary or $56,000 for 2019, whichever is less.[17] Employers may change their contribution amount annually or even skip some years.

Savings Incentive Match Plan for Employees IRA (SIMPLE IRA)

A SIMPLE IRA is primarily employee funded and allows employees, to contribute up to $13,000 of their pre-tax salary ($16,000, including catch-up contributions, for individuals age 50 and older) for 2019. Employers also must make certain contributions to the plan on behalf of employees.

403(b) Plan

A 403(b) plan is available to employees of public schools and certain tax-exempt organizations, universities, colleges, hospitals and churches. Employees may generally defer up to $19,000 for 2019 ($25,000, including catch-up contributions, for individuals age 50 and older), or 100% of their annual salary, whichever is less. Employers have the option of matching an employee's contribution. Employee deferrals are made on a pre-tax basis and may reduce current tax liability.

16. Annuity guarantees are subject to the claims-paying ability of the issuing insurance company.

17. Employer contributions discriminate in favor of highly compensated employees unless they bear a uniform relationship to the first $280,000 of 2019 including self-employed income of each employee maintaining the SEP IRA. The dollar limitation is indexed for inflation.

STEP 3 CHOOSE THE RIGHT INVESTMENTS—THE MUTUAL FUND ADVANTAGE

Mutual funds offer one of the simplest ways to invest your retirement assets. Most mutual funds invest in stocks, bonds or money market instruments, or a combination of the three. Broadly speaking, stock funds pursue capital growth, bond funds seek to provide income, and money market funds seek income and stability of principal.

Mutual funds offer the following benefits:

Diversification
A mutual fund holds securities of many different issuers, dramatically reducing the impact that problems or losses in any one security could have on the overall portfolio. Diversification can help improve your chances to earn more consistent returns over the long term, while maintaining a level of risk that's comfortable for you. Many investors would never be able to match this level of diversification on their own.

Professional Management
Money managers invest mutual fund assets based on extensive research into sectors, industries and individual companies, combined with an analysis of current and projected economic and market trends.

Convenience
Mutual funds may offer shareholders services that make investing easier. You can pay yourself first each month by having your bank automatically debit your checking account to send regular monthly investments to your retirement account.

"While retirement is a long way off, contributing to a Roth IRA is a way to invest extra dollars for the long term. And, it helps to know that we can use the dollars we've contributed in case of an emergency."

Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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At Franklin Templeton, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. Across the firm, our portfolio teams share a commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management.

Global Perspective Shaped by Local Expertise

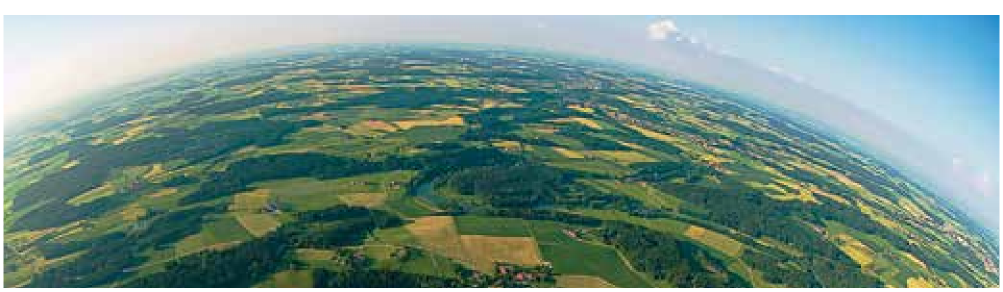
In today's complex and interconnected world, smart investing demands a global perspective. Having pioneered global investing more than 70 years ago, our perspective is built on decades of experience and shaped by the local expertise of our investment professionals who are on the ground across the globe, working to spot smart investment ideas and potential risks firsthand.

Strength and Experience

Since our founding in 1947, we've stayed focused on putting clients first and delivering relevant investment solutions, strong long-term results and reliable, personal service that have helped us to become a trusted partner to investors around the globe.

Invest with a Retirement Leader®

Franklin Templeton is a leader in retirement investing, managing over $200 billion on behalf of individuals, businesses and institutions.*



*As of 6/30/19.

A Financial Advisor Can Help

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