Silver Thatch Pensions
BUILDING WEALTH ON YOUR TERMS

An educational bulletin for members of the Silver Thatch Pension Plan

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Know your goal

Generating enough retirement income to live comfortably requires a large pot of money. But how much do you actually need to save? To set the right goal, you need to know how much income your savings will produce at retirement.

For many years, retirement experts suggested you'd need as much as 70% of your working income to retire comfortably. But current thinking has shifted. Many experts now say you can retire comfortably on 50% to 60% of your working income. This assumes you are done with mortgage payments, saving for retirement and supporting your children. If you currently earn $40,000 per year, that means retiring on $20,000 to $24,000 per year.

So, how much savings does it take to generate a retirement income of $20,000 for 25 years? Using the **Retirement Calculator** on the Silver Thatch website (link to **www.silverthatch.org.ky**), the answer is about $250,000. This assumes your savings will earn a 7% return on investment throughout your retirement. If your return is lower, you'll need a bigger nest egg. For example, assuming a 6% return, you'll need about $275,000 to generate an annual income of $20,000 for 25 years. If you think you'll live longer than 25 years, again, you'll need even more.

Two keys to a successful retirement

While financial experts may have many strategies to boost your retirement savings, there are two important rules to keep in mind:

1. **Have a savings goal – know how much you'll need to save.**
2. **Save enough to meet your goal.**

Saving more

To be a successful saver, set a goal to save the amount you'll need when you retire. To make retirement savings a priority, you need to set a budget that will get you to that goal and stick to it.

If your goal is to save $275,000, what percentage of your pay do you need to save? That depends on how much you earn. Here's a quick example for someone who:

- earns $40,000 a year,
- has 20 years until retirement,
- expects to get a 2% salary increase each year until retirement, and
- earns a 6% return on their savings each year between now and retirement.

If they contribute 5% of their income and their employer contributes 5% (the required contributions), their savings will grow to $186,000 by age 65. That's $89,000 short of their savings target.

If the same member contributes 10% (or about $4,000 per year) and their employer contributes the required 5%, however, their savings will grow to about $279,000.

Of course, if the member is at an earlier point in their career, they may be able to contribute less and still achieve their savings goal. However, if they are closer to retirement, they'll need to contribute more to reach their savings goal.

Consider making AVCs

If saving more to reach your retirement goal is important to you, consider increasing the amount that is deducted from your pay for savings. These ***additional voluntary contributions*** (AVCs) are a convenient way to save more. Even better, these savings can be invested in your choice of Silver Thatch's five professionally managed investment portfolios.

To start making AVCs – or to increase your AVCs – download the Additional Voluntary Contribution (AVC) form at **www.silverthatch.org.ky/?d=750**. Submit your completed form to your employer.

Remember, you can stop, start or adjust your AVCs at any time – making AVCs is a flexible way to reach your retirement savings goal.

Investment Review For the quarter ended March 31, 2014

The combined value of savings held in the Silver Thatch Pension Plan's four investment portfolios stood at US$414.6 million as of March 31, 2014.

The table below shows the rates of return as of March 31, 2014, for each of the investment portfolio options offered under the Plan. Also shown (in blue) are the corresponding *benchmarks*. (A *benchmark* is the standard against which a fund's performance is judged).

For the period ended March 31, 2014 [1, 2, 3]	Quarter (three months)	Fiscal Year to date (nine months)	Long term strategic asset allocation	
Conservative Portfolio Conservative Portfolio Benchmark	0.92% 1.50%	7.33% 5.26%	• Cash: 3% • Bonds: 65%	• Equities: 19% • Alternative Investments: 13%
Balanced Portfolio Balanced Portfolio Benchmark	0.81% 1.41%	10.83% 9.25%	• Cash: 3% • Bonds: 41%	• Equities: 45% • Alternative Investments: 11%
Growth Portfolio Growth Portfolio Benchmark	0.78% 1.27%	13.98% 13.02%	• Cash: 3% • Bonds: 18%	• Equities: 70% • Alternative Investments: 9%
Aggressive Portfolio Aggressive Portfolio Benchmark	0.66% 1.12%	16.13% 16.02%	• Cash: 3% • Equities: 90%	• Alternative Investments: 7%

1. Returns are expressed net of all investment management fees.
2. While the income portfolio is made available to members through additional voluntary contributions, sufficient contributions have not accumulated to date in order to implement the portfolio.
3. Each of the portfolios is managed against its own composite benchmark. Within these benchmarks, bonds, U.S. equities and international equities are represented by the following indices, respectively: US$ 1-month LIBOR, Barclays Capital Eurodollar Index, Barclays Capital US Treasury Bond Index, MSCI All Country World Index and HFRI Fund of Funds Composite Index.

Investment market highlights

In review

- In the U.S. equities market, the S&P 500 climbed to a new record high (1,878), but posted its slowest quarterly gain (+1.8%) in five quarters due to soft economic data. Nine of the 10 S&P 500 sectors rallied during the first quarter, led by utilities (+10.1%), healthcare (+5.8%) and materials (+2.9%).
- Global equity markets grew for the third consecutive quarter and were up 1.2% (in US$) over the previous quarter. Europe was the best performing developed region during the quarter. Economic data for the region improved and the European Central Bank kept interest rates unchanged. Japan was the worst performing developed market (-5.5% in US$) after posting its worst quarterly decline in seven quarters. Fears have grown that an April 1st sales tax hike in Japan will undermine growth and that recent strength in the yen will weaken corporate earnings.
- Emerging market equities fell for the first time in three quarters. Growth fears and political tensions in the Ukraine weakened investor interest in risk.
- In fixed income markets, the Barclays US Aggregate Index posted its best start to a new year (+1.8%) since 2008. Bond mutual funds saw their first quarter of net inflow of investments (+$20.4 billion) since the first quarter of 2013. International government bonds also posted their best start to a new year (+3.0%) since 2008.

Outlook

- We continue to forecast global economic growth at 3.7% for 2014. The momentum of recovery across major economies remains positive, and global monetary policy should continue to support the global equity rally.
- We remain positive about the U.S. economy. Inflation appears to have reached its low point and is expected to rise slightly to average levels going forward. The Federal Reserve is likely to stay on course with its gradual tapering of bond purchases and end the program by the fall of 2014 – at which point bond rates are expected to increase. For U.S. equities, we expect earnings to gradually improve and be the primary driver of market growth.
- European economic data should continue to show improvement. However, weak credit growth and fears of deflation will keep pressure on the European Central Bank. In equities, we expect corporate earnings growth in the low teens and similar returns overall for European equities, supported by stronger global economic growth.
- In Asia, China's economy hit a soft patch at the beginning of 2014. While there may be some volatility from quarter to quarter, we are forecasting growth of 7.5% for 2014. Reforms should provide more stable growth going forward. In Japan, the Bank of Japan is expected to use aggressive monetary stimulus in the face of an upcoming tax hike and slack Japanese wage growth.
- In emerging markets, improved economic fundamentals of many emerging market countries should lessen the impact of expected increases in bond yields. Countries with the flexibility of monetary and fiscal policy should provide good returns relative to other fixed income markets. Emerging market equities are expected to see near-term earnings decline and investor interest weaken.

A more detailed investment market commentary prepared by Deutsche Bank is available on the Silver Thatch website at **www.silverthatch.org.ky**.