

PLAN AHEAD GET AHEAD®

Your Future
Starts Here

Winter 2011

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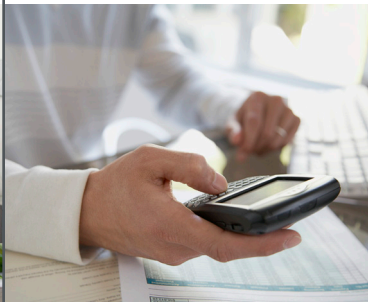
How Much Is Your Lifestyle Costing You?

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Create a Budget (and Stick to It!)

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Save on Your Taxes Before Year's End

There's still time to shrink your 2011 tax bill. Here's how.



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Financial editor Jean Chatzky shares her top three predictions for what's to come in the new year.



How Much Is Your Lifestyle Costing You?

Is your lifestyle costing you big savings? If you think you need a large income to have a large retirement savings account, think again: Simple changes in how you spend may help you pocket more savings than you might expect—and you probably won't even miss the money.



Having a six-figure (or more) retirement fund might be more within reach than you would imagine. So says Douglas Peete, founder of Douglas R. Peete & Associates, a Kansas City-based independent financial services firm.

Identify what's holding you back

Many individuals believe they need bigger incomes in order to save more. But regardless of income level or age, there are plenty of excuses that individuals use for not saving.

Young adults might think: "There's no way I could save now. I'm just starting out. I'd rather dress well and make a good

impression on my bosses. Besides, I have plenty of time to save."

30- to 40-something adults might rationalize this way: "We just bought a house and are raising a family—there's just no way we can save now. When I get that management position, I'll be able to save more."

Middle age adults may think: "I wish we could save now, but we've got kids heading off to college soon. That's got to be our savings priority, right?"

Pre-retirees might be getting anxious: "We need to save more—we'll be retired in just ten years! But where

would we cut back on our lifestyle so we could afford to save?"

The bottom line is that no matter what your age, you should never think it's too early (or too late) to save for retirement. Here are some ideas to help trim your spending so you can save more:

Save first; spend what's left

"If you spend first, there might be nothing left to save," Peete says. Take Peete himself: In his 20s, he made a commitment to save 10 percent of his salary and built his budget around the money that was left over. Make funding your retirement a priority and maximize

contributions if possible. The good news? Individuals who take this approach and pay themselves first often don't see a big impact in their take-home pay.

Eat in

Each time you make dinner rather than dine out you're likely to save \$20 to \$50—especially if you have a big family. Brown-bagging your lunch can free up another \$25 or more a week.

Cut your phone bill

Danny Kofke of Hoschton, Georgia, saves \$30 a month by getting only basic service for his landline phone, skipping add-ons like caller ID and voicemail. He saved another \$30 a month by switching his \$50-a-month cell phone in favor of an inexpensive prepaid plan. If he contributes an additional \$60 each month into his retirement account and his organization contributes a 50 percent match, there is the potential to have an additional \$135,000 in 30 years¹.

Buy in bulk

Diane Pederson of Minneapolis buys in-season vegetables in bulk from her farmer's market, then freezes or cans them. This move could save you \$150 a year, and you could contribute that amount to your organization's retirement plan. If you get a 50 percent match from your organization and your contribution grows at 8 percent annually for 25 years, you may have an extra \$18,000 in your retirement account².

Watch the little things

Saving even \$5 a week may impact your retirement account over time. So check out some books and DVDs at your library. Alternate renting movies with going to the theater. Use coupons. And when you eat out, skip dessert.

Take the next step toward a better retirement. **Increase your retirement plan contributions today.**



FAST FACT:

In 2010, the U.S. once again led the world with the highest number of millionaires at 3.1 million, up from 2.86 million in 2009, according to the annual World Wealth Report. In North America, 63 percent are men and 37 percent are women.

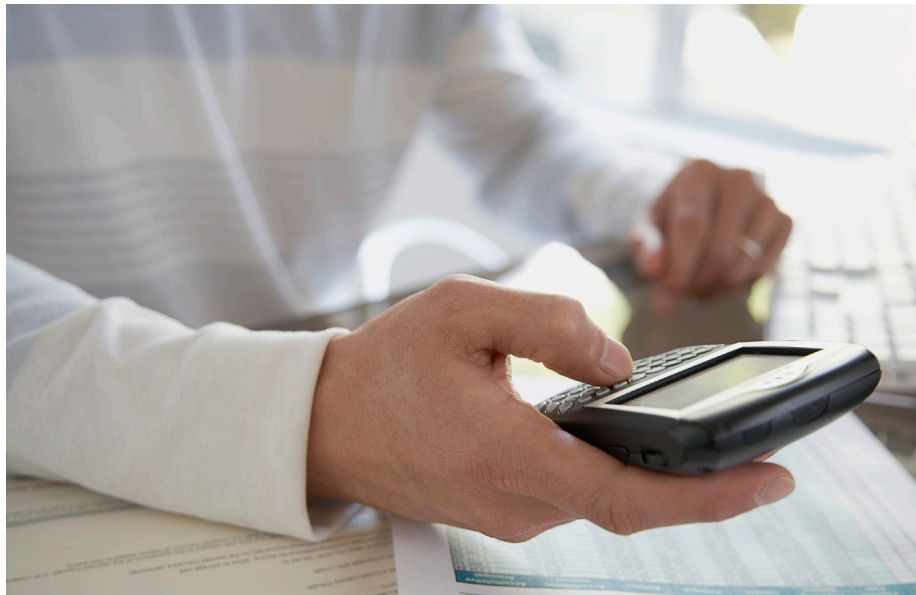
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¹\$135,000 assumes \$90 per month (Danny's contribution of \$60 plus 50 percent employer match of \$30) contributed at an 8 percent annual rate of return over 30 years. The assumed rates of return is hypothetical and does not guarantee any future returns nor represent the returns of any particular investment. Amounts shown do not reflect the impact of taxes on pre-tax distributions.

²\$18,000 assumes \$225 per year (Diane's contribution of \$150 plus 50 percent employer match of \$75) contributed at an 8 percent annual rate of return over 25 years. The assumed rates of return is hypothetical and does not guarantee any future returns nor represent the returns of any particular investment. Amounts shown do not reflect the impact of taxes on pre-tax distributions.

Create a Budget (and Stick to It!)

A budget may help you stay focused on both short- and long-term financial goals.



Leah Vendl, a 23-year-old barista and café worker, recently moved from Tacoma, Wash., to Seattle, where living expenses are higher. “To make the move work, I had to figure out where my money was,” she says. She uses a Microsoft Excel spreadsheet to track expenditures and maintains separate savings accounts for repaying student loans and saving for a trip to Europe.

A budget can help you work toward eliminating debt and cutting unnecessary expenses, as well as keep you on track to meet your long-term financial goals. Here’s how to get started:

Find out where your money is going

It’s impossible to know where you’re going

if you don’t know where you are now. To get a realistic picture, review your income as well as your expenses. Pay stubs and other income records show how much you’re bringing in; recent credit card and bank statements show how much you’re spending.

Sort out your accounts

One barrier to keeping a budget is figuring out how to organize all the information. Budgeting software and websites can help you with the task. Here are ways to start:

- Divide your expenses into categories such as essential expenses (including mortgage or rent, food, utilities and childcare) and discretionary expenses (such as entertainment). If you need to cut back, focus on the three or four

biggest expense areas in this category. Remember to factor in irregularly occurring expenses such as holiday gifts or vehicle excise taxes.

- Track how much you’re saving each month, including retirement plan contributions and other savings and investments, as well as an emergency fund. Be sure to include a heading for other long-term goals, such as college funds for your kids.
- List recent purchases in each category, then estimate your spending over the next six to 12 months. Decide on a monthly maximum for each category.

Stick with it

- Keep on top of your expenses. “I enter my purchases every day, or at least at

the end of each week,” says Vendl. “It keeps me honest.”

- Focus on your end goal. “My biggest reward is seeing how much I didn’t spend, because that extra money goes toward paying off my loans sooner and getting myself to Europe,” Vendl says.
- Set smaller, incremental goals, too. That way, you always have something you can be working toward to help keep you motivated. When you reach a benchmark, such as eliminating credit card debt, find a way to reward yourself.

Get started today. Sit down and review your finances tonight—savings, spending and income. **Use our budgeting calculators.** A financial professional also can help you develop your long-term plan. What’s important is that you take action and keep the plan moving forward.



FAST FACT:

Fifty-six percent of Americans don’t have a budget, according to the March 2011 Consumer Financial Literacy Survey from the National Foundation for Credit Counseling.

Save on Your Taxes Before Year's End

There's still time to shrink your 2011 tax bill. Here's how.



Most people think about taxes as April approaches. But to really make a dent in your 2011 tax bill, take action before the end of the year.

Consider these tips from Michelle Fuller, an independent broker and benefits advisor and vice president of BancorpSouth Insurance Services in Hattiesburg, Miss.:

Bring in a professional

Start by calling a certified public accountant (CPA) or other tax professional, says Fuller, even if you plan to prepare your return yourself. Otherwise, she says, "You might be missing some huge opportunities to reduce your taxes." For example, a tax professional can help you

decide if it's more advantageous for you to itemize or take the standard deduction.

Maximize retirement contributions

This is generally the biggest way for people to cut their tax bills. Contributions to a pre-tax retirement account reduce your taxable income, so Fuller suggests maxing out your retirement contributions if you possibly can.

You can contribute to a 2011 individual retirement account (IRA) through April 17, 2012, but contributions to your organization's retirement plan generally have to happen by the end of the year. You may qualify for a separate tax credit for contributions if your income is up

to \$27,750 (individuals) or \$55,500 (married couples).

Donate to charity

Donations to qualifying charities are tax deductible. Cash, securities and certain tangible goods donated by Dec. 31, 2011, are deductible on that year's tax bill, as long as the organization meets IRS criteria. (To check whether your charity qualifies, see Publication 78 at IRS.gov.)

Fuller suggests donating online because you can print out a receipt immediately. Keep receipts for seven years for filing purposes.

Become more energy-efficient

Buying energy-efficient items does more than reduce utility costs. Some qualified

EnergyStar products—including doors, windows, air conditioners and water heaters—also qualify for tax credits of up to \$500. Not all EnergyStar products qualify, so visit **EnergyStar.gov** before you buy.

Learn more. **Get more tips on making taxes work in your favor.**

Buy a new car

Considering a new car purchase before the end of the year? Buying a qualifying plug-in electric vehicle can get you a tax credit of up to \$7,500¹. Only new cars qualify for the credit, which will be phased out as more cars are sold.

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¹Source: <http://www.fueleconomy.gov/feg/taxevb.shtml>

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2012 Financial Outlook: Three Predictions from Jean Chatzky

Financial editor Jean Chatzky shares her top three predictions for what's to come in the new year, plus tips that may help make the most of each.



Prediction 1: Volatility is here to stay.

What you can do about it: Keep your emotions in check. There's no question in my mind that escaping these tough economic times is going to take longer than many people suspect. And with that will come considerable ups and downs—in the markets, consumer confidence and how you're feeling on a day-to-day basis. Try not to let short-term impulses drive you. Instead, take control of your fiscal life by creating a financial plan. Run every financial decision you make through these filters: Has my plan changed? Have

the fundamentals? If the answer to both questions is no, you have a good reason to stand firm.

Prediction 2: Longevity planning will be the next big financial frontier.

What you can do about it: Revise your retirement strategy so that your money will last as long as you will—and assume you're in it for the long haul. Most people should plan on living to 95, if not 100. That may mean saving more or working a few more years. And it also means making sure you have not only an accumulation strategy, but also a withdrawal strategy. You don't

want to pull too much out of your hard-earned retirement savings too soon.

Prediction 3: You may need to contribute more to your health insurance and retirement plan.

What you can do about it: During the past few years we've seen some employers, who offer health insurance, ask workers to kick in more for their health benefits in the forms of premiums and co-pays. We've also seen some employers scale back on matching retirement plan contributions (if they offered one), or eliminating them all together. It's your job to make up those

gaps as much as you can. Health insurance is a must, and if you can't afford your workplace coverage, look at your spouse's or shop on your own. As for the retirement plan, try to boost your own contributions by 1 to 2 percent a year until you hit the maximum contribution amount.

Be prepared. No matter what the future holds, one way to be prepared for it is to have a strong financial plan in place. **Find more video tips from Jean Chatzky.**



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