it's time to think about retirement

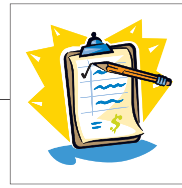
T. Rowe Price Pre-Retirement Checklist

T. Rowe Price
INVEST WITH CONFIDENCE

What's inside

We're here to help you get started

For a complete listing of retirement resources from T. Rowe Price, please turn to page 10. Or speak with a retirement specialist by calling toll-free at 1-800-922-9945. A dedicated group of phone representatives is available to answer your preretirement questions.



Preparing For Retirement? Timing Is Everything.

If you’re like most people, your 50s and 60s are a time to celebrate the fullness of your life and achievements to date. It is also a time to review your set of goals that come with this period in your life—goals that focus on your well-being in retirement. Along with issues such as your health and where you intend to live, your long-term financial security is one topic that deserves your attention now.

Up to this point, your investment concerns have been focused primarily on growth and accumulation of your nest egg. But as you get closer to your retirement date, that focus begins to shift to new priorities of stable and sustainable income—in short, being able to “pay yourself” a reliable salary.

To develop an effective strategy to achieve your goals in retirement, you really need to consider a combination of two key factors:

- First, decide what your target retirement income should be; and
- Second, take the timely steps to help you reach this target by your retirement date.

This guide will help you better understand what those steps should be—and when you should consider taking them. By using our time-sensitive checklist that leads up to and past your retirement date, you can assess your needs well in advance, rather than waiting until the last minute. We’ve also included a glossary in the back of the guide for your reference.

While the future is unpredictable, the sooner you develop a realistic plan, the greater the likelihood that your savings will last for as long as you need them. Let’s get started.

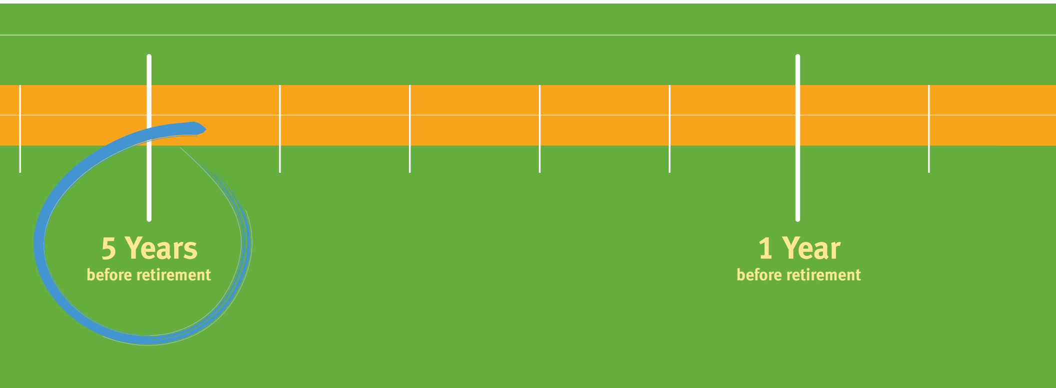
Five Years Before Retirement: Setting Goals

At this phase of your retirement planning process, doing your homework is a good idea. To start, you will need to determine if your current investment strategy is sufficient to reach your retirement goals. If there is a shortfall, now is the time to make adjustments.

☐ *Compare your current assets to your savings goals*
See if your current retirement nest egg is on track to fulfill your retirement goals. T. Rowe Price's Retirement Planning Worksheet can help. You can find it on the ***my***RetirementPlan Web site (rps.troweprice.com), or request a copy by calling 1-800-922-9945.

☐ *Calculate your income needs at retirement*
Financial experts recommend that your benchmark for retirement income should equal 60% to 80% of your preretirement income. With this number in mind, the next step is to make a rough estimate of the various sources of retirement income that will be available to you—for example: Social Security, pension payments, part-time employment income, and income from your taxable investments. Getting this total will give you a better idea of just how much you will need from your tax-deferred retirement savings to make up the difference.

☐ *Review your investment allocations*
Would a sudden downshift in the market lower your savings significantly? Is most of your investment in one company's stock? In either case, a course of action may be to diversify your portfolio in order to lower risk. But that doesn't necessarily mean moving your entire portfolio into income (bonds) and stability (cash) investments.



Positioning a significant percentage of your portfolio in growth (stocks) investments is important, even as you near retirement.

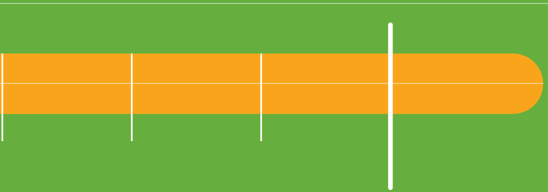
You can also use Morningstar* tools available at rps.troweprice.com to help you track your investments (see pages 10 and 11 for details).

You may want to consult a financial adviser for a strategy that suits your needs.

☐ *Eliminate your debts and payments*
Obviously, the fewer debts or payments you have in retirement, the more income you can enjoy. Review and consider any large debts, such as a mortgage, credit cards, or a car payment that can be reduced or paid off at this time. Design a strategy for reducing or paying off as much debt as possible during this five-year time frame.

☐ *Meet with a tax adviser*
With so much at stake, it's a good idea to meet with an experienced tax adviser as soon as possible. With proper guidance, your retirement savings could provide a comfortable lifestyle throughout retirement. For a list of tax and estate planning specialists, call the American Institute of Certified Public Accountants at 1-888-777-7077.

**Morningstar, an independent provider of research and analysis for investors, is based in Chicago and supplies investment information on mutual funds, stocks, and variable annuities.*



In Retirement

Remember to plan ahead. According to the U.S. Department of Health and Human Services, adults age 65 and over face a two-in-five chance of needing long-term nursing home care. For that reason, long-term care insurance may be an option to investigate. This may seem like an extra expense, but it actually frees up money you would otherwise have to set aside for long-term care emergencies.

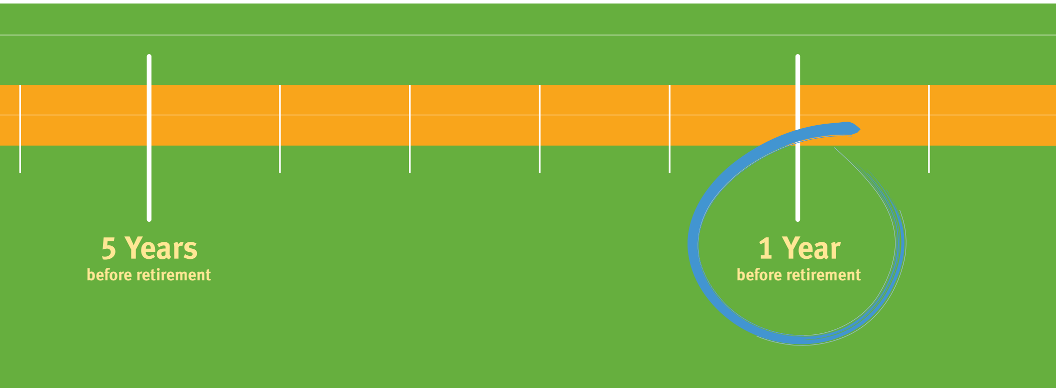
One Year Before Retirement: Getting Ready

At one year before you plan to retire, it's time to get down to business and develop a detailed plan of action based upon the framework you already have in place. In addition to finalizing your retirement income needs, other issues involving your estate and beneficiaries need to be addressed, along with short- and long-term tax implications. All in all, this is the stage where you put the finishing touches on your retirement strategy.

T. Rowe Price has investment services available for IRA shareowners. The services provide helpful investment planning. Call an investment specialist at 1-800-541-4986 for more information.

☐ *Finalize your retirement income needs and strategy*

It's a good idea to reassess your upcoming income needs. Have there been any significant changes to your lifestyle that would affect the level of income you need? Have you taken into consideration the effects of future inflation?



If you wish to work online, T. Rowe Price offers interactive planning tools that help you monitor your current investments and plan for the future. Log in to rps.troweprice.com, and check out the Planning Tools tab.

☐ *Decide on the distribution of your retirement plan assets*
Upon retirement, you'll be faced with choices regarding your employer-sponsored retirement plan. Most options include receiving a lump-sum payment, rolling over your investments to an individual retirement account (IRA), or leaving your assets in the plan.* If you are retiring soon, T. Rowe Price's distribution kit can help you decide which option is right for you. To request a distribution kit, call 1-800-922-9945.

**If you own company stock in your retirement plan, you may have other options as well. Before making a decision, we suggest you seek professional advice, especially if your company stock is a significant sum or has highly appreciated. Basic information about this potential tax benefit is on the T. Rowe Price Web site at troweprice.com.*

In Retirement

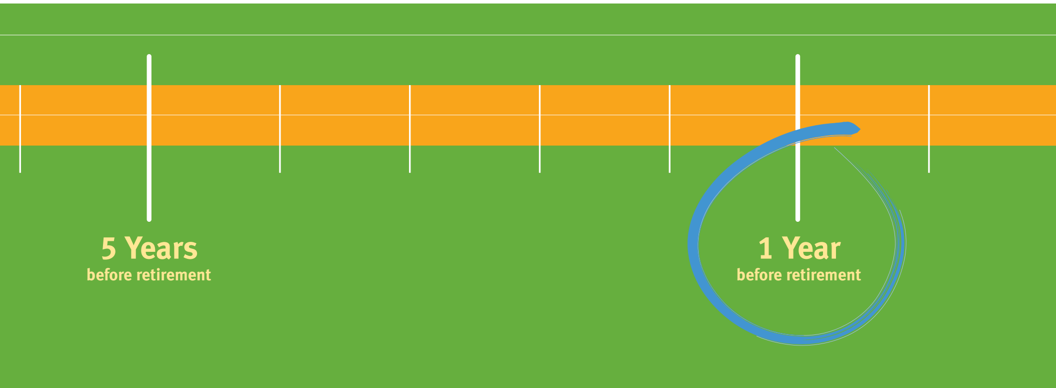
You may be able to withdraw less than you thought. Many preretirees are surprised to learn that they have been planning to withdraw more in their first years of retirement than most financial planners believe is prudent. For example, some retirees think they can comfortably withdraw 8% of their nest eggs each year in retirement. Instead, T. Rowe Price suggests they consider initial withdrawals of 4% (i.e., $400 for every $10,000 saved), increasing that dollar amount for inflation annually thereafter.

If you are considering early retirement, you should take into account that, if you are under age 59½, you will be assessed a 10% tax penalty on any distributions taken from a Traditional IRA, unless you meet certain requirements. However, if you leave the assets in your employer’s retirement plan and you separate from service at age 55 or older, you may not be assessed the same penalty when you take withdrawals.

All of these options can be complex and should be considered carefully. Each has advantages and disadvantages, depending on your individual retirement needs. You can call T. Rowe Price, as well as a financial or tax adviser, to help you determine which distribution option is best for your situation.

☐ *Revisit your investment allocation*
As retirement approaches, you should revisit your plan for asset allocation. However, do not make the mistake of shifting your entire portfolio into income (bonds) and stability (cash) investments. Even though you may soon need to make withdrawals from your savings, growth (stock) investments can play an important part in your portfolio. Significant exposure to growth investments can give your savings the opportunity to grow throughout retirement.

☐ *Review your beneficiaries*
An important step in setting up your retirement plan accounts involves deciding who will be the heirs or beneficiaries of your assets. Most common beneficiaries are spouses, but others could be children, grandchildren, nonfamily members, favorite charities, or a combination



of these. Oftentimes, employer-sponsored retirement plans and IRA accounts provide different distribution alternatives for your beneficiaries. Be sure you understand how these choices may affect your beneficiaries' future investment strategies. Don't forget to select secondary beneficiaries as well.

☐ *Reassess your insurance needs*

An important element of any retirement strategy is insurance. The right insurance can protect you against the financial risks of events like poor health or long-term care needs. Identify the particular risks in your life that you are willing to accept, as opposed to those risks for which you want insurance coverage. Be sure to examine insurance options—such as health (including insurance to supplement Medicare), long-term care, personal liability, and property and casualty—with licensed insurance agents.

☐ *Apply for Social Security three months prior to when you want it to begin*

Your Social Security benefits are an important supplement to your retirement income. To ensure a smooth transition, it's a good idea to file for your retirement benefits at least three months before you want them to begin. Keep in mind that you cannot receive Social Security retirement benefits until you are age 62 or older; and, the older you are, the larger the benefits will be (up to age 70). To start the filing process, call the Social Security Administration at 1-800-772-1213 or visit www.ssa.gov.

In Retirement

Think you'll be bored in retirement? While you may welcome the thought of retirement, you will probably need to find new uses for your time. For some, volunteer work can be particularly fulfilling. For others, the challenge of starting a new career or home-based business may be attractive. Many retirees are even heading back to college. "Institutes for Learning in Retirement" are cropping up on campuses everywhere. Whatever you decide, keep in mind retirement is simply another phase of life, full of choices and possibilities.

In Retirement: Securing Your Future

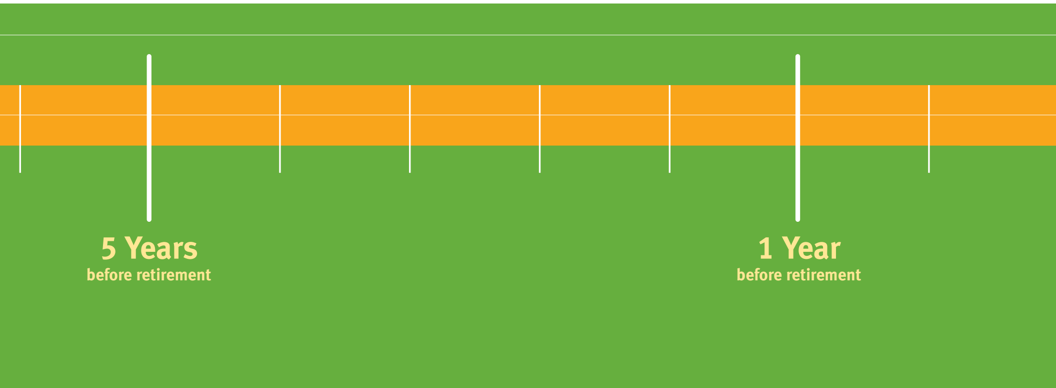
Though you've reached your retirement date and are ready to enjoy your new lifestyle, several issues still require your attention. A major consideration at this time is your nest egg and how it can be invested to last throughout your lifetime and to possibly provide a benefit to your heirs.

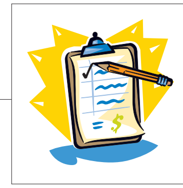
- ☐ *Determine a withdrawal plan*
  At this time, your assets may be in a variety of accounts. Decide from which accounts you'll be taking distributions. Of course, you'll also have to decide how much you will be taking and how often. Generally speaking, the longer your tax-deferred accounts have an opportunity to grow, the longer your assets may last. In any case, consider keeping one to two years' worth of your income needs in a stability (cash) investment.

  T. Rowe Price can help you determine the tax implications of taking withdrawals. You may also want to seek the help of a tax adviser.

- ☐ *Begin your RMD withdrawals*
  Whether you need to take money from your tax-deferred assets or not when you reach age 70½, you must begin taking a required minimum distribution (RMD) annually from your Traditional and Rollover IRAs. RMD withdrawals from qualified retirement plans begin at age 70½ or retirement, whichever is later.* For more information on your distribution requirements, call T. Rowe Price at 1-800-922-9945 any business day between 7 a.m. and 10 p.m. eastern time.

If you are still employed, check with your plan administrator in Human Resources for details.





☐ *Plan the distribution of your estate*

If you haven't done so already, you should turn your attention to putting all aspects of your estate plan in order. Make sure that your will is up to date, that you have chosen an executor carefully, that titles for your assets are in order, and that beneficiary designations are appropriate. You may also want to consider having a durable power of attorney and a living will.

You may have a situation where the creation of a revocable living trust would also make sense. The estate planning process can be complex. To learn more about the issues involved, we recommend you order the T. Rowe Price Estate Planning Guide and visit the tools and additional information provided on our Web site. To ensure that your property is distributed according to your wishes, you may want to enlist the services of a qualified estate planning attorney.

☐ *Consider gift giving*

If you are fortunate enough to have accumulated a wealth of assets that you feel sure you will never outlive, you should consider a gift-giving program now. Besides cash, gifts can be property, securities, or even a grandchild's tuition. Another option might be a series of donations to your favorite charities. Such acts of gift giving may reduce the size of your current estate, so that estate taxes on your remaining assets will be reduced or eliminated. In any case, it is a wise idea to review any plans you have for making significant gifts in advance with a financial adviser, since in most instances your gifts will be irrevocable.

In Retirement

Is a will necessary? Everyone should have a will. If you don't, the state will decide what to do with your assets. Estate planning is not just for the wealthy. Plan in advance for your survivors, whether they're loved ones, institutions, or both.

With T. Rowe Price, Time Is On Your Side

At T. Rowe Price, we know that retirement planning can seem challenging. In response, we’ve created a wide variety of resources to help answer your questions. From personal assistance, to comprehensive kits, to online tools, you have access to a broad set of services and information to help you make confident decisions.

Investment Services

- **Advisory Services.*** Provide helpful investment planning, including a complimentary portfolio analysis and investment guidance for IRA shareholders.
- **Roll over to a Retirement Fund in an IRA.**** With an IRA invested in one of the T. Rowe Price Retirement Funds, you don’t have the complex task of choosing individual funds. A Retirement Fund will provide you with a preassembled, well-diversified portfolio.

  And we’ll adjust the fund over time to reflect the need for reduced investment risk—gradually making the fund’s portfolio more conservative as the target retirement date approaches.

Technology

- **T. Rowe Price Web site (troweprice.com).** This site is for those who are looking for more specific financial planning information over the Internet. The Investment Planning & Tools tab includes helpful information and calculators regarding retirement, tax, and estate planning.
- **T. Rowe Price *my*RetirementPlan Web site (rps.troweprice.com).** This site is for those who are looking for retirement plan information over the Internet, including tips, calculators, worksheets, and analyzers.

  The Morningstar tools on the ***my***RetirementPlan site can help you choose and track your investments.

Call 1-800-922-9945 to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

**Services of T. Rowe Price Associates, Inc., a federally registered investment adviser. There may be costs associated with these services.*

***There are many considerations when planning for retirement. Your retirement needs, expenses, sources of income, and available assets are some important factors for you to consider in addition to the Retirement Funds. Before investing in one of these funds, also be sure to weigh your objectives, time horizon, and risk tolerance. The funds’ investment in many underlying funds means that they will be exposed to the risks of different areas of the market.*

Morningstar® Retirement Manager℠† helps you develop an investment strategy with free, objective guidance.

Morningstar® Portfolio X-Ray℠ shows you an in-depth view of your portfolio's investments.

Morningstar® Portfolio Tracker℠ lets you keep track of your investments' daily performance.

Morningstar® Portfolio Watchlist℠ provides experienced investors with dollar target highs, lows, and volumes.

Kits and Guides

- **Retirement Planning Kit.** If you have more than five years until retirement, this kit can help you determine how much you should be saving and provides tips on how to increase savings.
- **Distribution Kit.** If you are retiring soon and will be eligible to receive a distribution from your employer's retirement plan, this kit provides information on various distribution options available to you.
- **Estate Planning Guide.** If you need help creating an estate plan, this guide introduces you to important estate planning concepts in a way that will enable you to evaluate and apply them to your situation.

Articles

- **Insights Reports.** These reports offer valuable information about retirement planning, financial planning in retirement, and investment strategies.

For More Information

To receive or discuss any of our products or services, please call T. Rowe Price at **1-800-922-9945**. Our retirement specialists are available business days between 7 a.m. and 10 p.m. eastern time.

T. Rowe Price Advisory Services and T. Rowe Price Investment Services are affiliated companies.

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Glossary

Beneficiary (primary) – A person(s) or entity that receives the assets held in an employee's retirement account upon the employee's death.

Beneficiary (secondary) – A person(s) or entity that receives the assets held in an employee's retirement account upon the employee's death if no primary beneficiary is living.

Distribution – 1. Taking money out of a qualified retirement plan. 2. Payment to mutual fund shareholders of dividends and realized capital gains earned on securities in a fund's investment portfolio.

Durable Power of Attorney (POA) – An instrument you use to grant another person power to manage your financial affairs, even in the event of your incapacity or incompetency. (Ask us about adding POAs to specific accounts you have at T. Rowe Price.)

Estate – Total property owned by an individual; usually includes both assets that will avoid probate and those that will not.

Executor – The person appointed to carry out the directions and requests in a will. This person shall also dispose of all probate property of the deceased.

Living Will – A document that states that if the situation should arise in which it is not reasonable to expect recovery from severe or extreme physical or mental disability, the person shall not be kept alive by extraordinary means. A living will is not considered a legal document in all states.

Required Minimum Distribution (RMD) – As of an employee's required beginning date (RBD), the employee must start to take annual distributions from his or her retirement plan(s), including IRAs. This minimum amount, which must be distributed, is based upon a uniform lifetime table or, in certain circumstances, a joint life table for the participant and his or her spouse. Generally, the RBD for qualified plans (including governmental 457 plans) is April 1 following the later of the year the employee turns age 70½, or the employee's retirement.

Revocable Living Trust – A trust that you create that enables you to maintain full control over your trust assets during your lifetime and, when you die, have them disposed of according to your predetermined designations (some exceptions apply). However, you (i.e., the grantor) reserve the right to revoke or recall all or part of the trust at any time.

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