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Form AD-3027-A, Revised/Presented/Revised, July 2019

Alcance complementario al Formulario AD-3027-A, Revisado, Julio 2019

Retirement

Myths and Facts

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Purpose of this webinar

- Dispel Retirement Myths
- Share national retirement trends
- Provide informational resources
- Compliment your ongoing research



Poll Question # 1

Have you calculated how much
you will need for Retirement?

Yes or No?

Retiring from MSU?

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Setting the Stage in MI

- 36% of Michigander's reported "breaking even"
- 15% of Michigander's reported spending more than they earn
- **45%** of Michigander's did not have an emergency fund (money set aside to cover three months of expenses)

Source: 2018 FINRA Investor Education Foundation Michigan Survey



Myth or Fact?

The average American spends roughly
20 years in retirement.



Image: Bing Creative

Fact

The average American **does** spend roughly 20 years in retirement.

(Tip: The NEFE curriculum says to plan for 25-30 years!)

Myth or Fact?

Social Security benefits will provide enough income for my retirement.



Myth

Social Security will only pay benefits that are approximately **40%** of what you earned before retirement.

Image: Bing Creative



Myth or Fact

You cannot work while receiving
Social Security Benefits.

Myth

“You can work while you receive Social Security retirement (or survivors) benefits. When you do, it could mean a higher benefit for you in the future.”

How Much Can I Earn And Still Get Benefits?

How We Deduct Earnings From Benefits?

To learn more, visit the Social Security website.

Myth or Fact

The full Social Security
Retirement age is 66.

It depends

The full Social Security
Retirement age is dictated by
your birth year.

(Tip: Visit the Social Security Administration website regularly, to see updated payment projections based upon funding)



Social Security Benefits

“Full retirement age is the age at which a person may first become entitled to full or unreduced retirement benefits.

No matter what your full retirement age (also called "normal retirement age") is, you may start receiving benefits as early as age 62 or as late as age 70.

Pros And Cons

There are advantages and disadvantages to taking your benefit before your full retirement age. The advantage is that you collect benefits for a longer period of time. The disadvantage is your benefit is reduced. Each person's situation is different.”



Myth or Fact?

Per the United States Department of Labor, in 2014, 30 percent of private industry workers with access to a defined contribution plan (such as a 401(k) plan) did not participate.

Fact

Per the United States Department of Labor, in 2014, 30 percent of private industry workers with access to a defined contribution plan (such as a 401(k) plan) did not participate.



Myth or Fact

There's no need to worry about healthcare costs in retirement, because of Medicare.





It depends

Pros:

- Medicare kicks in at age 65 for most Americans, and provides valuable access to healthcare services.
- Medicare lets you use a wide variety of providers without the geographical restrictions imposed by most private plans.

Cons:

- Medicare comes with costs: i.e. monthly premiums, deductibles, and copayments.
- Medicare does not put a cap on out-of-pocket expenses, so there is the need for either a Medicare supplemental insurance or Medicare Advantage plan.

(Tip: Understanding your Medicare options is important to make the most of the program, and that requires some up-front advance research as well as ongoing monitoring).

Source: The Motely Fool

Myth or Fact

Most American's know how much they need to save for retirement.



Image: Bing Creative

Myth

Per the U.S. Department of Labor, **less than half** of Americans have calculated how much they need to save for retirement.

(FYI: Social Security is meant to supplement pensions or investment funds — U.S. News)

Estimating for Retirement

1. How long do you think you will live? (age)
2. Age you want to retire?
3. Years in retirement? (Question 1-2)
4. What is your *net* monthly income now?
5. What is your *net* annual income? (Question 4 x 12 months)
6. Estimated retirement income needed (Question 3 x 5)

(Source: Delivering Effective Financial Education for Today's Consumer, NeighborWorks America, 2011)

Image: Bing Creative





Estimating for Retirement

(Example calculations: #1 and #2)

1. How long do you think you will live? (80 years old)
2. Age you want to retire? (70 years old) (60 years old)
3. Years in retirement? (10 years) (20 years)
4. What is your *net* monthly income now? (\$2300.00)
5. What is your *net* annual income? (\$27,600.00)
6. Estimated retirement income needed. (\$276,000.00) or (\$552,000)

(Source: Delivering Effective Financial Education for Today's Consumer, NeighborWorks America, 2011)

Myth or Fact

I can roll-over my retirement benefits from one employer to the next.



Image: Bing Creative

It Depends

This depends upon the employer and the plan. Some plans require that you are vested before you leave your job and if you leave beforehand, you may lose your retirement benefits. Other plans may require that you take your retirement benefits in a lump sum when you leave, or prohibit you from taking them until you retire. The rules for your employer sponsored retirement plan are detailed in the **Summary Plan Description (SPD)**.

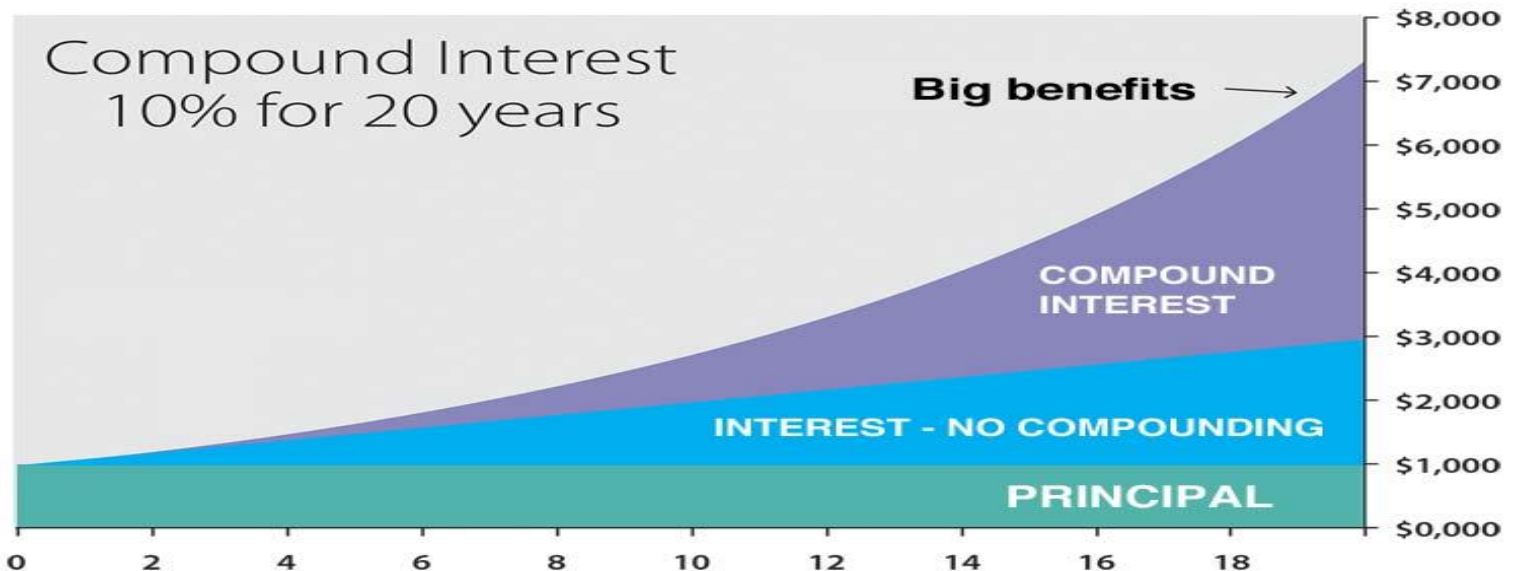
Myth or Fact

I don't need to save for my retirement until I'm older.



Myth

The bottom line is that the sooner you can start saving for retirement the better, due to compounding interest. You will earn interest on the money you save plus the interest you have accumulated!



Myth or Fact

Long-term care (LTC) could be the next major retirement crisis in America.





Fact

Did you know...

- The Department of Health and Human Services expects that some 70 percent of Americans over the age of 65 will need LTC at some point
- LTC has been getting more attention over the last few years as rates have been skyrocketing (i.e. an average of 40% for policy holders)
- You need to health qualify for LTC
- When is the best age to start putting your dollars in these policies? *"The sweet spot is mid-50s to mid-60s,"* says Jesse Slome, the Executive Director of the American Association for Long-Term Care Insurance

Myth or Fact

I am *too* old to start saving for retirement.





Myth

It is never too late to start saving for retirement. Download the *Top 10 Ways to Prepare for Retirement* publication from the U.S. Department of Labor.

<https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement.pdf>

(Tip: The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans and the federal government's Thrift Savings Plan remains unchanged at \$6,500.

Source: <https://www.irs.gov/newsroom/401k-contribution-limit-increases-to-19000-for-2019-ira-limit-increases-to-6000>

Myth or Fact

Your tax bill will disappear in retirement.





Myth

Just because your paycheck goes away,
it doesn't mean your tax bill will
disappear in retirement.

Example: retirees with taxable distributions from IRAs, 401(k)s, or other retirement accounts often find that they have to make quarterly estimated payments, to avoid IRS penalties.



Poll Question #2

We can retire when we want to?

True or False?

Myth or Fact

We can retire when we want to.





Myth

According to the 2015 Retirement Confidence Survey from the Employee Benefit Research Institute:

- Half of U.S. workers retire before they expect to
- Of the above, 60 % leave the workforce early because of health or disability issues
- Others left the workforce due to company downsizing, or the need to care for a family member

Myth or Fact

In the CARES Act, there are revisions to rules governing early withdrawals of retirement assets.

FACT

CARES Act

Retirement related

- Can take up to \$100K penalty free in 2020—IRA, 401K, 403B
- Mandatory withholding requirements waived
- Required Minimum Distributions waived for 2020 if 72 years or older
- Check employer sponsored retirement loan plans



Why aren't Americans saving for Retirement?

Five reasons Americans are not saving for Retirement

1. *I don't make enough money...*
2. *I won't need retirement savings...*
3. *I'm prioritizing paying down debt*
4. *My job doesn't offer a retirement plan...*
5. *I'm already struggling to pay my bills...*

Source: The Motley Fool

<https://www.fool.com/retirement/2018/03/15/5-reasons-americans-arent-saving-for-retirement-to.aspx>

Want to start saving for retirement and not sure how to get started?

- ✓ Participate in your employer sponsored plan
- ✓ Start utilizing a spending plan
- ✓ Establish debt repayment plans
- ✓ Set SMART financial goals (short, medium and long-term)
- ✓ Take a money management class
- ✓ Do your homework!
- ✓ Review your progress annually: Net Worth Statement

Budget Allocation

Charitable gifts	10-15%
Saving	5-10%
Housing	25-35% - Many spend 40-50%!
Utilities	5-10%
Food	5-15-%
Transportation	10-15%
Clothing	2-7%
Medical/Health	5-10%
Personal	5-10%
Recreation	5-10%
Debts	<i>(all discretionary income left after needs are paid for)</i>



Keeping Track of Spending

Tracking spending is the first step to developing a spending plan.

- Record ALL money spent in one month
- And then add the total
- Categorize spending
 - Is it a need (n) or a want (w)?

Keeping Track of Spending

- Little notebook
- Save receipts
- Check book
- On-line alternatives
 - <https://www.mint.com>
 - “Personal Monthly Budget” (Google Docs)
 - Smart Phone Apps
 - www.mimoneyhealth.org



Track your spending for one month and add it up, to see where your money is really going!



Additional Resources

- MSU Extension FHE Retirement webinar series at www.mimoneyhealth.org (Look under Events)
- MSU Extension FHE Money Management series, visit www.mimoneyhealth.org for resources
- www.investor.gov
- Know Your Financial Advisor Fact Sheet: https://files.consumerfinance.gov/f/201311_cfpb_flyer_senior-financial-advisors.pdf
- FINRA®: <https://www.finra.org/investors/tools-and-calculators>
- Retirement Income: How Much Do you Need? <https://store.extension.iastate.edu/Product/Retirement-Income-How-Much-Do-You-Need-Retirement-Secure-Your-Future>
- Investing for Your Future: <https://articles.extension.org/pages/10984/investing-for-your-future>
- Small Steps to Health and Wealth™: <https://njaes.rutgers.edu/sshw/>



Sources

- U.S Department of Labor – Employee Benefits Security Administration: <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/publications/top10waystoprepareforretirement>
- The Motely Fool: <https://www.fool.com/retirement/2017/01/20/5-retirement-myths-debunked.aspx>
- CNBC: <https://www.cnbc.com/2013/12/17/6-retirement-myths-you-need-to-ignore.html>
- The Motely Fool: <https://www.fool.com/retirement/2018/03/15/5-reasons-americans-arent-saving-for-retirement-to.aspx>
- MSU Extension “Cash Crunch due to COVID-19?” webinar, registration details at www.mimoneyhealth.org



Sources

- U.S. News & World Report:
<https://money.usnews.com/money/retirement/slideshows/10-retirement-myths-debunked>
- United States Department of Labor:
<https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement.pdf>; <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/women-and-retirement-savings.pdf>
- Social Security Administration:
<https://www.ssa.gov/planners/retire/agereduction.html>
- <https://www.ssa.gov/planners/retire/whileworking.html#h3>

Any Questions?
Thank you!



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Form AD-3027-A, Revisado Febrero/Revised July 2019

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