**Retirement Planning at Any Age**

January 26, 2012

**Question A:** What best describes your reaction about retirement?

1. Looking forward to it
2. Dreading it
3. Ambivalent
4. Don’t want to think about it

**Question B:** Have you talked to a retired person about what retirement is like?

1. Yes
2. No

**Question C:** Your Age

1. 20 - 29
2. 30 - 39
3. 40 - 49
4. 50 - 59
5. 60 - 69
6. Over 70

**Thinking About Retirement**

- Future Decisions
- Future Concerns
Future Decisions
• Where to live?

Future Decisions
• Type of activities?

Future Concern
• 24/7 with spouse?

Future Concern
• Family issues?
  - Sandwich Generation
    • Care giving
      - Parents
      - Grandchildren
      - Children (boomerang kids)

Future concern: Money

Question D: What is your major concern about retirement?
1. Where to live?
2. Activities?
3. 24/7 spouse?
4. Family issues?
5. Money?
Future concern: Money

7 Key Factor$:
1. Age at retirement
2. Years in retirement
3. Current retirement savings
4. Income needed
5. Income sources/amounts
6. Investment rate of return
7. Inflation rate

Factor # 1
• Age at retirement?
  – How many more years to work?

Trend...people are retiring later
• Age 62 in 1995
• Age 65 during 2006 - 2010

Working longer
• Increased savings
• Increased benefits
• Fewer years to provide retirement income

Workers’ Planned Retirement Ages 2011
• Before age 60 7%
• Age 60-64 16%
• Age 65 26%
Total planned to retire before age 65 49%
Gap: Expectations (49%) vs. Reality (38%) (2010)

- 38% of today’s retirees retired by age 65

Question E: What age do you plan to retire?
1. 66 - 70
2. 61 - 65
3. 56 - 60
4. 51 – 55
5. Never 😊

Factor #2

- Number years in retirement?

How long are you ‘gonna’ live?

Life Expectancy

<table>
<thead>
<tr>
<th>Age</th>
<th>Male Years</th>
<th>Female Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>29</td>
<td>33</td>
</tr>
<tr>
<td>55</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>60</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>62</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>65</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>70</td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>

Social Security

Life Expectancy Calculator
Live to???
• 45% chance that one spouse in a 65-year old couple will live to 95

What about you?
• Your anticipated years in retirement?

Question F: How long do you expect to be retired?
1. 40+ years
2. 26 - 30 yrs
3. 21 - 25 yrs
4. 16 - 20 yrs
5. 11 - 15 yrs
6. 5 - 10 yrs

Factor #3
• Amount of “designated” retirement savings?

Question G: What is the current value of your retirement funds?
1. Less than $10,000
2. $10,000 - $24,999
3. $25,000 - $49,999
4. $50,000 - $99,999
5. $100,000 - $249,000
6. $250,000 or more

Total Savings
March 2010

<table>
<thead>
<tr>
<th>HR attendees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>40%</td>
</tr>
<tr>
<td>$10,000 - $24,999</td>
<td>13%</td>
</tr>
<tr>
<td>$25,000 - $49,999</td>
<td>11%</td>
</tr>
<tr>
<td>$50,000 - $99,999</td>
<td>12%</td>
</tr>
<tr>
<td>$100,000 - $249,999</td>
<td>12%</td>
</tr>
<tr>
<td>$250,000 or more</td>
<td>12%</td>
</tr>
</tbody>
</table>
General Guideline from a CFP
- For every $1,000 in monthly income you need $300,000 in savings
- Marsha’s reaction
- GET REAL!!!
Question H: Have you calculated how much to save for retirement?

1. Yes
2. No

Calculate
March 2011
• 42% workers report they have tried to calculate how much money they need to save by retirement

Benefit of Calculating
March 2011
• Benefit of Calculation
  – 59% of workers who calculated retirement
  • saved and invested more

Changed other aspects of their retirement planning
• Changed investment mix 19%
• Reduced debt/spending 16%
• Researched ways save for retirement 7%
• Decided to work longer 5%
• Enrolled retire/savings plan 3%

Resources to Help You Find Answers
• “Do it yourselfers”
  – Financial calculators via the Web

Information Needed for Calculating Retirement Needs
• Typical questions asked at Web sites:
  – www.msuextension.org/solidfinances
  – Click Recorded Sessions & Resources
  • See January 24 Resources
ChoosetoSave.org

- Retirement calculators
- Social Security calculators
- Roth IRA calculators

Web Resources

- Ballpark Estimate
  - www.choosetosave.org/ballpark

AARP Interactive Tools

www.aarp.org/tools

Work & Retirement Tools

1. AARP Retirement Calculator
2. 401(k) Savings Calculator
3. 403(b) Savings Calculator
4. Pension Plan Retirement Options

Web Calculators

- Investment firms
  - TIAA - CREF
  - T. Rowe Price
  - Fidelity
  - and Others???

Results of Web Financial Calculators

- Reveals how much you need to save by your targeted retirement date

Factor #4

- Income needed during retirement?
Marsha Goetting

• “It depends!”
  - Lifestyle
  - Health
  - Care giving for parents

TIAA-CREF

• 55% of retirees expected expenses to decline
  - But, only 30% of found that to be true

TIAA-CREF

• 20% of retirees said their spending ROSE during retirement

Prosperous Retirement: Guide to the New Reality
- Michael Stein

  • Go-go years
  • Slow-go years
  • No-go years

Consumer Expenditures--2009
Bureau of Labor Statistics

Income After Taxes

<table>
<thead>
<tr>
<th>Age</th>
<th>Monthly</th>
<th>Yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 – 64</td>
<td>$5,632</td>
<td>$67,586</td>
</tr>
<tr>
<td>65 – 74</td>
<td>$3,255</td>
<td>$39,054</td>
</tr>
<tr>
<td>75 +</td>
<td>$2,606</td>
<td>$31,272</td>
</tr>
</tbody>
</table>

Financial Planners

• Income sources should provide 60% to 80% of pre-retirement income
Some financial planners recommend

• 100% + of pre-retirement income

Can You?

• Live on 50%, 60%, 70%, or 80% of current income?

Test Drive

• Take income cut now
  – Put difference in retirement savings

Question H: What % of present income do you think you will need during retirement?

1. More than 100%
2. 100%
3. 90%
4. 80%
5. 70%
6. 50%

Factor #5

• Income sources & amounts during retirement?

Traditional Income Sources “Stool”

- Pension
- Savings
- Social Security
Now stool has more legs

Income from Social Security

Average Social Security Benefits 2011

Income

Worker $1,170
Spouse $746

Income from Pension/Retirement Plan?

Income from Savings

Question I: Will you have retirement income from your job?

1. Yes
2. No
### Income from Personal Savings 2011 (Gap again)
- Workers Expect 65%
- Retirees Reported 50%

### Why Save for Retirement
Check how big your account can grow
- Growth Calculator
  - Find your age
  - See how large your weekly/biweekly investment can grow by age 65

### Growth & Savings

<table>
<thead>
<tr>
<th>Savings (Weekly)</th>
<th>Age 25</th>
<th>Age 35</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>$151,277</td>
<td>$64,582</td>
</tr>
<tr>
<td>$25</td>
<td>$378,193</td>
<td>$161,456</td>
</tr>
<tr>
<td>$50</td>
<td>$756,385</td>
<td>$322,911</td>
</tr>
<tr>
<td>$75</td>
<td>$1,134,578</td>
<td>$484,367</td>
</tr>
<tr>
<td>$100</td>
<td>$1,512,770</td>
<td>$645,822</td>
</tr>
<tr>
<td>$200</td>
<td>$3,025,540</td>
<td>$1,291,645</td>
</tr>
</tbody>
</table>

Assuming 8% rate of return

### Growth & Savings

<table>
<thead>
<tr>
<th>Savings (Weekly)</th>
<th>Age 40</th>
<th>Age 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>$41,211</td>
<td>$14,995</td>
</tr>
<tr>
<td>$25</td>
<td>$103,028</td>
<td>$37,487</td>
</tr>
<tr>
<td>$50</td>
<td>$206,056</td>
<td>$74,975</td>
</tr>
<tr>
<td>$75</td>
<td>$309,084</td>
<td>$112,462</td>
</tr>
<tr>
<td>$100</td>
<td>$412,111</td>
<td>$149,950</td>
</tr>
<tr>
<td>$200</td>
<td>$824,223</td>
<td>$299,900</td>
</tr>
</tbody>
</table>

Assuming 8% rate of return

### Check the cost of ONE YEAR delay
- Find your age
- Look under weekly/biweekly amount to invest
- See how much less

### Cost of One Year Delay

<table>
<thead>
<tr>
<th>Savings (Weekly)</th>
<th>Age 25</th>
<th>Age 35</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>$12,092</td>
<td>$5,448</td>
</tr>
<tr>
<td>$25</td>
<td>$30,230</td>
<td>$13,619</td>
</tr>
<tr>
<td>$50</td>
<td>$60,459</td>
<td>$27,238</td>
</tr>
<tr>
<td>$75</td>
<td>$90,689</td>
<td>$40,857</td>
</tr>
<tr>
<td>$100</td>
<td>$120,918</td>
<td>$54,476</td>
</tr>
<tr>
<td>$200</td>
<td>$241,836</td>
<td>$108,953</td>
</tr>
</tbody>
</table>

Assuming 8% rate of return; Pay Increases 3%
**Cost of One Year Delay**

<table>
<thead>
<tr>
<th>Savings (Weekly)</th>
<th>Age 40</th>
<th>Age 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>$3,657</td>
<td>$1,647</td>
</tr>
<tr>
<td>$25</td>
<td>$9,141</td>
<td>$4,118</td>
</tr>
<tr>
<td>$50</td>
<td>$18,283</td>
<td>$8,237</td>
</tr>
<tr>
<td>$75</td>
<td>$27,424</td>
<td>$12,355</td>
</tr>
<tr>
<td>$100</td>
<td>$36,565</td>
<td>$16,473</td>
</tr>
<tr>
<td>$200</td>
<td>$73,100</td>
<td>$32,947</td>
</tr>
</tbody>
</table>

Assuming 8% rate of return; Pay increases 3%

**Income from job**

- Pension
-Job(s)
- Social Security
- Savings
- Job(s)

**Retirees work**

- **Why**
  - Stay active: 92%
  - Enjoy working: 86%
  - Financial:
    - Money for extras: 72%
    - Make ends meet: 59%
    - Keep health insurance: 40%

**Disconnect**

- **Pre-retirees**
  - 72-80% say they plan to work
- **Retirees**
  - Only 12% have jobs

**Question J: Do you plan to work after retirement?**

1. Yes
2. No

**Factor #6**

- Investment Rate of Return?
  - Before retirement?
  - During retirement?
Question K: What was the average rate of return for large common stocks from 1926 – 2010?

1. 9.8%
2. 8.1%
3. 6.6%
4. 3.7%

Average rate of return for large common stocks 1926 - 2010

9.8%

Diversification

- Stocks & Bonds
- Mutual Funds
- U. S. Savings Bonds
- Real Estate
- Certificates of Deposit
- Money Market Certificates

Investment Alternatives

- $1,000 in cash several years ago

Touch America-$1,000

- Worth $0.000016

Enron-$1,000

- Worthless
World Com
$1,000
• Worth Zip

Budweiser - $1,000
• Actual Beer not stock
• Drank all beer & turned in cans for 10 cent deposit

Budweiser-$1,000
• You would have $168

Moral of Story
• “You should always keep a portion of your portfolio liquid!”

Question L: What do you “guesstimate” will be your investment rate of return during retirement?
1. 10.7%
2. 8.5%
3. 6.1%
4. 4.2%
5. 3.1%

Factor #7
• Inflation rate??
  – Before retirement
  – During retirement
Question M: What was the average rate of inflation during 2011?

1. 10.4%
2. 7.5%
3. 5.1%
4. 3.6%

Recent Inflation Rates %

- 2005: 3.4%
- 2006: 2.5%
- 2007: 4.1%
- 2008: 0.1%
- 2009: 2.7%
- 2010: 1.5%
- 2011: 3.6%

If needed monthly income of $5,971 today then....

- 5 yrs: $7,126
- 10 yrs: $8,504
- 15 yrs: $10,149
- 20 yrs: $12,112
- 25 yrs: $14,455
- 30 yrs: $17,252

Money for retirement--7 Key Factors

1. Age at retirement
2. Years in retirement
3. Current retirement savings
4. Income needed
5. Income sources/amounts
6. Investment rate of return
7. Inflation rate

Factor

• Health???
• Invest in healthy choices now so you don’t have to spend as much money during retirement on health related issues

Additional Participant concerns

• Death of spouse?
• Divorce?
• Mortgage paid off?
Philosophy?
• Plan for uncertainty

6 $olution$
1. Spend less, now & later
2. Work longer
3. Withdraw retirement savings
4. Work during retirement
5. Moonlight now
6. Convert assets to cash

GAP example

<table>
<thead>
<tr>
<th>Needed Income</th>
<th>$5,971</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security H</td>
<td>$1,162</td>
</tr>
<tr>
<td>Social Security W</td>
<td>$ 573</td>
</tr>
<tr>
<td>PERS/TIAACREF</td>
<td>$1,486</td>
</tr>
<tr>
<td>IRA Withdrawal</td>
<td>$ 478</td>
</tr>
<tr>
<td>Other Retirement Fund</td>
<td>$ 956</td>
</tr>
<tr>
<td>Job (Part Time) ($7.25)</td>
<td>$1,160</td>
</tr>
<tr>
<td>Total</td>
<td>$5,815</td>
</tr>
</tbody>
</table>

GAP -$156

Best wishes as you make consider the impact of these 8 key factors on your Retirement Planning

Marsha