

Retirement Planning at Any Age



January 26, 2012

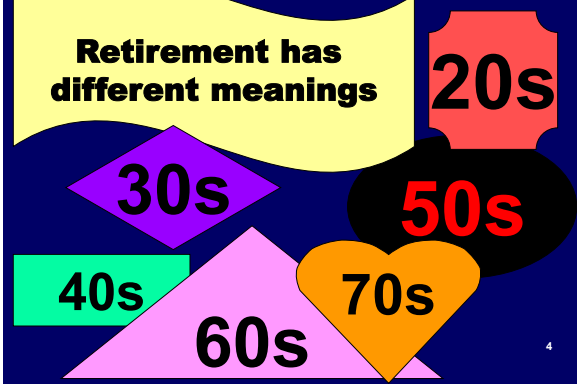
Question A: What best describes your reaction about retirement?

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

Retirement has different meanings



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)



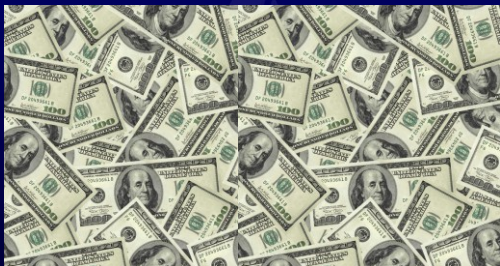
Future concern: Money



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% |
| <hr/> | |
| 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

Age	Male Years	Female Years
50	29	33
55	25	28
60	21	24
62	19	22
65	17	20
70	14	16



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



	HR attendees
Less than \$10,000	40%
\$10,000 - \$24,999	13%
\$25,000 - \$49,999	11%
\$50,000 - \$99,999	12%
\$100,000 - \$249,999	12%
\$250,000 or more	12%

General Guideline from a CFP

- For every \$1,000 in monthly income you need \$300,000 in savings
- Marsha's reaction
- GET REAL!!!



\$100,000 Fund



Monthly Withdrawal	Fund Lasts
\$500	23 yrs
\$700	15 yrs
\$1,000	9.5 yrs

IRA Contributions

- 2012
- \$5,000 under age 50
- \$6,000 age 50 & older



Tax-Deferred Plans

2012 [401(k), 403(b), 457]

- Under age 50 \$17,000
- Age 50 & older \$22,500



Retirement Confidence Survey



- March 2011
 - Only 24% of workers said they are **very confident** they'll have enough for retirement
 - 2010 average was 19%

How much to save?

- Have you calculated how much money you need to save by retirement?



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 Choose to Save.®
- 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

Age	Monthly	Yearly
55 - 64	\$5,632	\$67,586
65 - 74	\$3,255	\$39,054
75 +	\$2,606	\$31,272



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

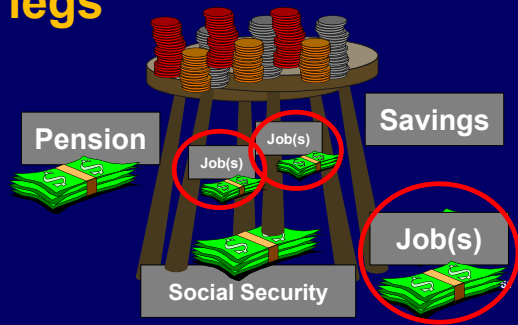
- Income sources & amounts during retirement?



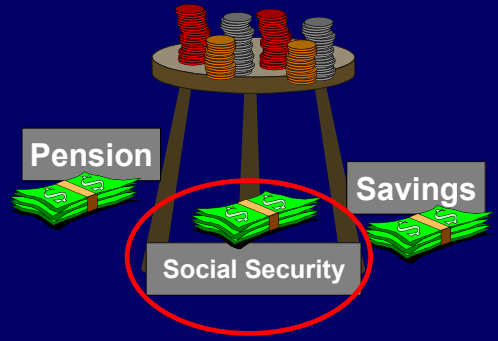
Traditional Income Sources "Stool"



Now..stool has more legs



Income from Social Security



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Average Social Security Benefits 2011

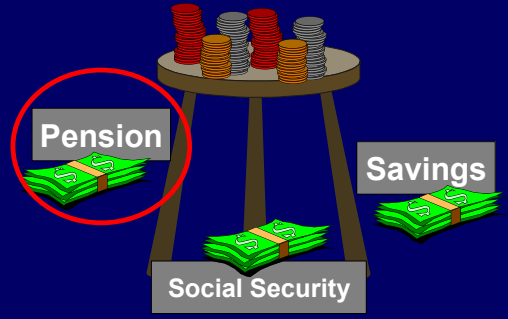
Income

Worker \$1,170
Spouse \$746



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Income from Pension/Retirement Plan?



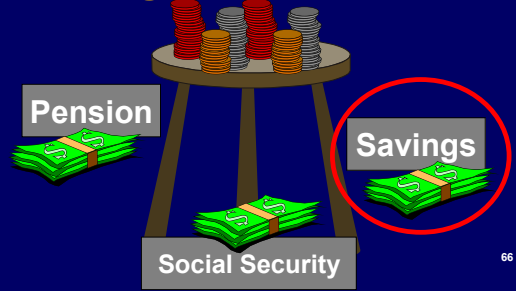
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Question I: Will you have retirement income from your job?

1. Yes
2. No

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Income from Savings



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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

Savings (Weekly)	Age 25	Age 35
\$10	\$151,277	\$64,582
\$25	\$378,193	\$161,456
\$50	\$756,385	\$322,911
\$75	\$1,134,578	\$484,367
\$100	\$1,512,770	\$645,822
\$200	\$3,025,540	\$1,291,645

Assuming 8% rate of return

Growth & Savings

Savings (Weekly)	Age 40	Age 50
\$10	\$41,211	\$14,995
\$25	\$103,028	\$37,487
\$50	\$206,056	\$74,975
\$75	\$309,084	\$112,462
\$100	\$412,111	\$149,950
\$200	\$824,223	\$299,900

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

Savings (Weekly)	Age 25	Age 35
\$10	\$12,092	\$5,448
\$25	\$30,230	\$13,619
\$50	\$60,459	\$27,238
\$75	\$90,689	\$40,857
\$100	\$120,918	\$54,476
\$200	\$241,836	\$108,953

Assuming 8% rate of return; Pay Increases 3%

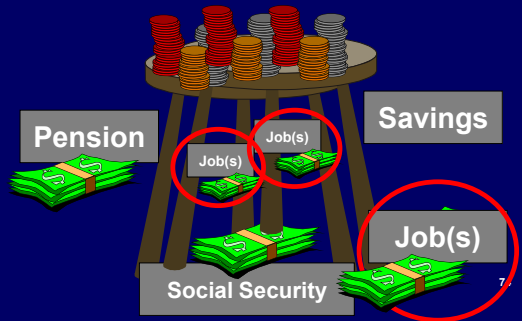
Cost of One Year Delay

Savings (Weekly)	Age 40	Age 50
\$10	\$3,657	\$1,647
\$25	\$9,141	\$4,118
\$50	\$18,283	\$8,237
\$75	\$27,424	\$12,355
\$100	\$36,565	\$16,473
\$200	\$73,100	\$32,947

Assuming 8% rate of return; Pay Increases 3%

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Income from job



Retirees work

Why

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



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Disconnect

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



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Question J: Do you plan to work after retirement?

- Yes
- No

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Factor #6

- Investment Rate of Return?
 - Before retirement?
 - During retirement?



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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

3.6%
inflation



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

Needed Income	\$5,971
• Social Security H	\$1,162
• Social Security W	\$ 573
• PERS/TIAACREF	\$1,486
• IRA Withdrawal	\$ 478
• Other Retirement Fund	\$ 956
• Job (Part Time) (\$7.25)	<u>\$1,160</u>
• Total	<u>\$5,815</u>

GAP -\$156

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

Marsha