

Strategies: Saving for Retirement



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Thrifty persons prepare today for the wants of tomorrow



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Results of Web Financial Calculators

- Reveals how much you need to save, *(if any)* by your targeted retirement date



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General Tradeoffs

- Save More (spend less) BEFORE retirement
- Spend Less AFTER retirement
- Combination???



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Revisit Decisions

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



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Strategy #1

- Start/Increase
 - Contributions to tax deferred & tax free retirement plans



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Tax Deferred Plan Limits (401K, 403b, 457)

- 16,500 – 2009
- Catch up 50 & older \$5,500



Vanguard's Center for Retirement Research

- 2007
 - Contribution unchanged for tax deferred plans
 - 7.3% of annual salary



T. Rowe Price Recommendation

- Save 15% of annual gross
 - Replaces 50% or more of current salary
 - Lasts until age 95



Boost Your Retirement Account Increase by 1% (Yellow Slide Card)

- Side 1 (# closet to salary)
 - \$10,000 - \$40,000
- Side 2
 - \$45,000 to \$75,000

Boost by 1% More

Salary	Age 25	Age 35
\$25,000	\$102,827	\$41,639
\$30,000	\$123,393	\$49,967
\$35,000	\$143,958	\$58,295
\$40,000	\$164,523	\$66,623
\$45,000	\$185,089	\$74,951
\$50,000	\$205,654	\$83,279

Assuming 8% rate of return; Pay Increases 3%

Boost by 1% More

Salary	Age 40	Age 50
\$25,000	\$25,675	\$8,559
\$30,000	\$30,810	\$10,271
\$35,000	\$35,945	\$11,983
\$40,000	\$41,080	\$13,695
\$45,000	\$46,215	\$15,047
\$50,000	\$51,351	\$17,118

Assuming 8% rate of return; Pay Increases 3%

"Jim, you & Cheryl are magicians."



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"Every month you make two paychecks disappear."



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Strategy #2

- Accelerate Debt Repayment



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"But Jane, everyone spends more than they earn. That's what America is for."



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Debt \$25,000

10% APR	Years	Interest
\$330.38	10	\$14,645
\$531.18	5	\$6,871
\$631.18	4	\$5,467
\$731.18	3.3	\$4,548

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Strategy #3

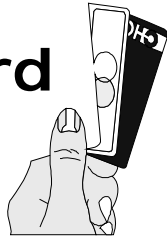
- Kick the minimum payment habit on credit cards!!!!



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Matt & Julie

- **Credit Card Debt**
-\$10,000



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Wealth Question

- If Matt & Julie make minimum payment on their \$10,000 credit card debt....
- How long will it take for them to pay it off?

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Using Credit Smarts™ Slide Calculator

- Complimentary
 - First Interstate BancSystem Foundation
 - Montana Credit Unions for Community Development



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Side 1-Orange

- **\$10,000 Debt**
- Pay back: **\$19,421**
- Interest charges: **\$9,421**
- Years to pay off: **20**



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Side 2: Increase payments



PMT	\$400	\$600
Years/Debt	13 years	8 years
Interest	\$5,738	\$3,226
Savings	\$3,226	\$6,195


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Strategy #4

- **Moonlight for additional income**



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Until Ron got me this job, I didn't realize I was an important factor in his retirement plan


Moonlight Savings For Retirement

Yearly Amount	Age 25 - 65	Age 45-65
\$1,000	\$159,700	\$33,066
\$2,000	\$319,400	\$66,132
\$3,000	\$479,100	\$99,198
\$4,000	\$638,800	\$132,264

Assuming 5% rate of return

Strategy #5


- Trade down to a smaller home

Retire? Sure, Cheryl you can retire....if we live in a tent!

Ha, Ha, Ha, Ha, Ha, Ha, ,

Savings from Smaller Home



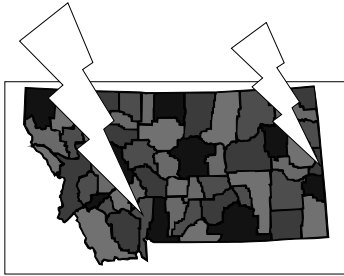
- Lower/ no mortgage payment
- Reduced maintenance costs
- Lower utility bills
- Lower property taxes
- Lower insurance premiums

Strategy #6

- Move to a less expensive location



Montana



Montana Average Home Price



City	Median Cost
Bozeman	\$441,700
Billings	\$206,300
Chinook	\$160,900
Anaconda	\$145,000
Ekalaka	\$102,200

Source: www.bestplaces.net

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Strategy #7

- Delay retirement date



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Delayed Retirement

- Provides additional income
- Postpones asset withdrawals so \$\$\$ can grow



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Strategy #8

- Work for pay after retirement



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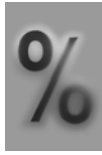
Retirement Job

- Full-time
- Part-time



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Pay after retirement



- 63% of workers say they plan to

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Strategy #9

Adopt creative ways to save



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Costly Habits



- Kick habits that cost \$\$\$\$\$\$

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Coin savers

- Piggy bank extra coins



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Found Money

- Put IRS refund in retirement fund



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Loan Payoffs

- Pay off loan
 - Then place former payment in a designated retirement fund



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Automatic payments

- From paycheck/ checking & saving accounts to designated retirement accounts



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Strategy #10

Make a commitment to spend time learning about retirement planning, then take action



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MSU Extension

- Financial Security in Later Life Web site



- www.montana.edu/extensionecon/financialsecurityinlaterlife

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NEFE

www.smartaboutmoney.org/nefe

- Guidebook to Help Late Saver's Prepare for Retirement



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T. Rowe Price

- Retirement Readiness Guide (40 pages)
www.troweprice.com/retirement
- Retirement Savings Guide (26 pages)



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U.S. Department of Labor

- Taking the Mystery Out of Retirement Planning
- 62 page booklet



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Web based pubs

1. Financial Planning for Retirement-*Purdue*
2. Retirement: Secure Your Dreams—Begin by Planning Today-*Iowa*
3. Thinking Over an Early Retirement Offer—*Iowa*

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***Best wishes as you
decide on strategies
that you will adopt to
save for retirement.***

Marsha

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