

# RETIREMENT READINESS FOR PLAN PARTICIPANTS

---

Karlo Rodriguez, Relationship Manager, Retirement Plan Team

Sam Shelley CFP®, Financial Planner





# Agenda

1. To better understand the importance of proactive retirement planning.
2. Steps to take throughout your career to prepare for retirement.
3. How a retirement plan provider can assist participants in preparing for retirement.



# A Growing Retirement Problem

- **57 million Americans** work for an employer that does not provide a retirement plan – AARP
- 50% of women and 47% of men between the ages of 55 and 66 have **no retirement savings.** - U.S. Census Bureau data
- **“Only 16 percent of American workers feel that they are ahead of where they should be in contributing to their retirement plan,** including 6 percent who feel “significantly ahead.” Another 21 percent of workers feel that they are right on track to save for retirement.” – Bank Rate Survey

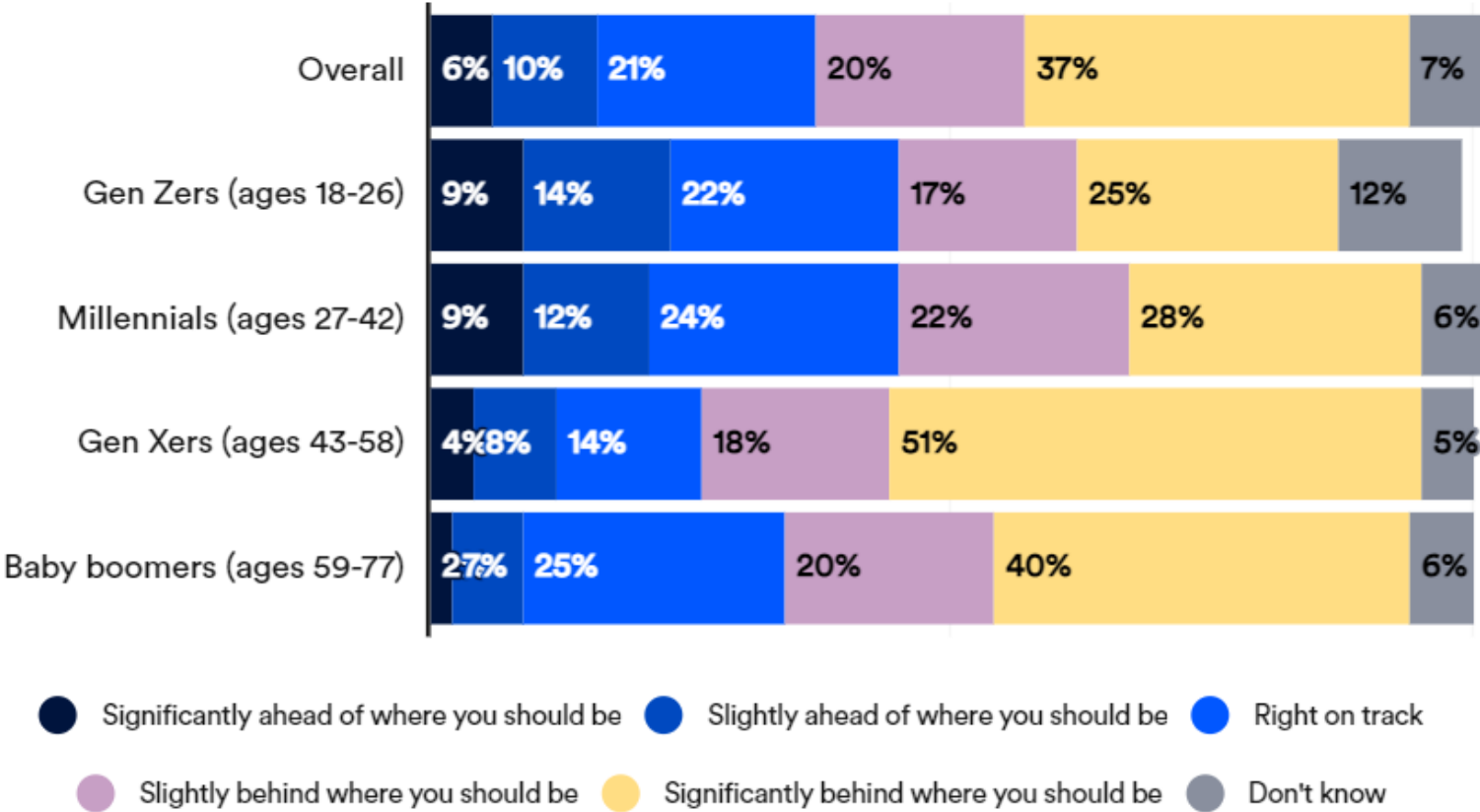
# Social Security is Likely Not Enough

*The average monthly benefit is \$1,632 (\$19,584 annually).*

Annual Income Before Retirement	Estimated Social Security Benefit Monthly (Annually) at Full Retirement Age
\$20,000	\$1,027 (\$12,324)
\$30,000	\$1,218 (\$14,616)
\$40,000	\$1,409 (\$16,908)
\$50,000	\$1,600 (\$19,200)
\$60,000	\$1,792 (\$21,504)
\$70,000	\$1,982 (\$23,784)
\$80,000	\$2,174 (\$26,088)
\$90,000	\$2,364 (\$28,368)
\$100,000	\$2,555 (\$30,660)
\$110,000	\$2,747 (\$32,964)
\$120,000	\$2,860 (\$34,320)

The maximum benefit in 2024 for someone at full retirement age is \$3,822.

# We asked: With regard to your retirement savings, do you think you're ahead of where you should be, behind where you should be, or right on track?



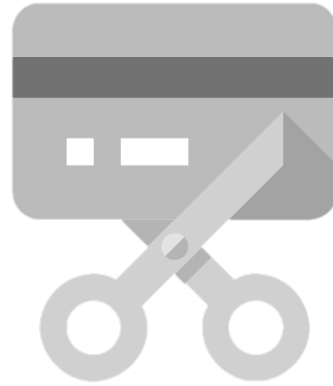
Source: Bankrate survey, August 23-25, 2023

Notes: Of U.S. adults who are working full-time, part-time or temporarily unemployed; Not all percentages in the chart add to 100 due to rounding, and percentages in the text may differ from the chart due to rounding for generational categories.

# Early Career Financial Steps



**KNOW  
YOUR  
INCOME &  
EXPENSES**



**PAY  
DOWN  
DEBT**



**INVEST FOR  
YOUR  
FUTURE**

# 50/30/20 General Budget Rule



## 50% NEEDS

- Food
- Housing
- Healthcare
- Transportation



## 30% WANTS

- Travel
- Gym Membership
- Designer Clothing
- Coffee Shops

## 20% SAVINGS

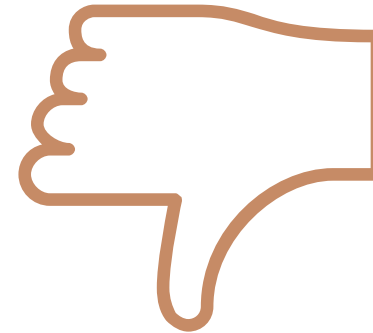
- Emergency Savings
  - 3-6 months of expenses
  - Fund account regularly
- Retirement
  - Target 15% of income
- College Savings
  - 529 Plan

# GOOD DEBT VS. BAD DEBT



## GOOD DEBT

- Buys you something that grows in value or increases your earning power
- Low interest rate
- Examples: Student loans or a home mortgage

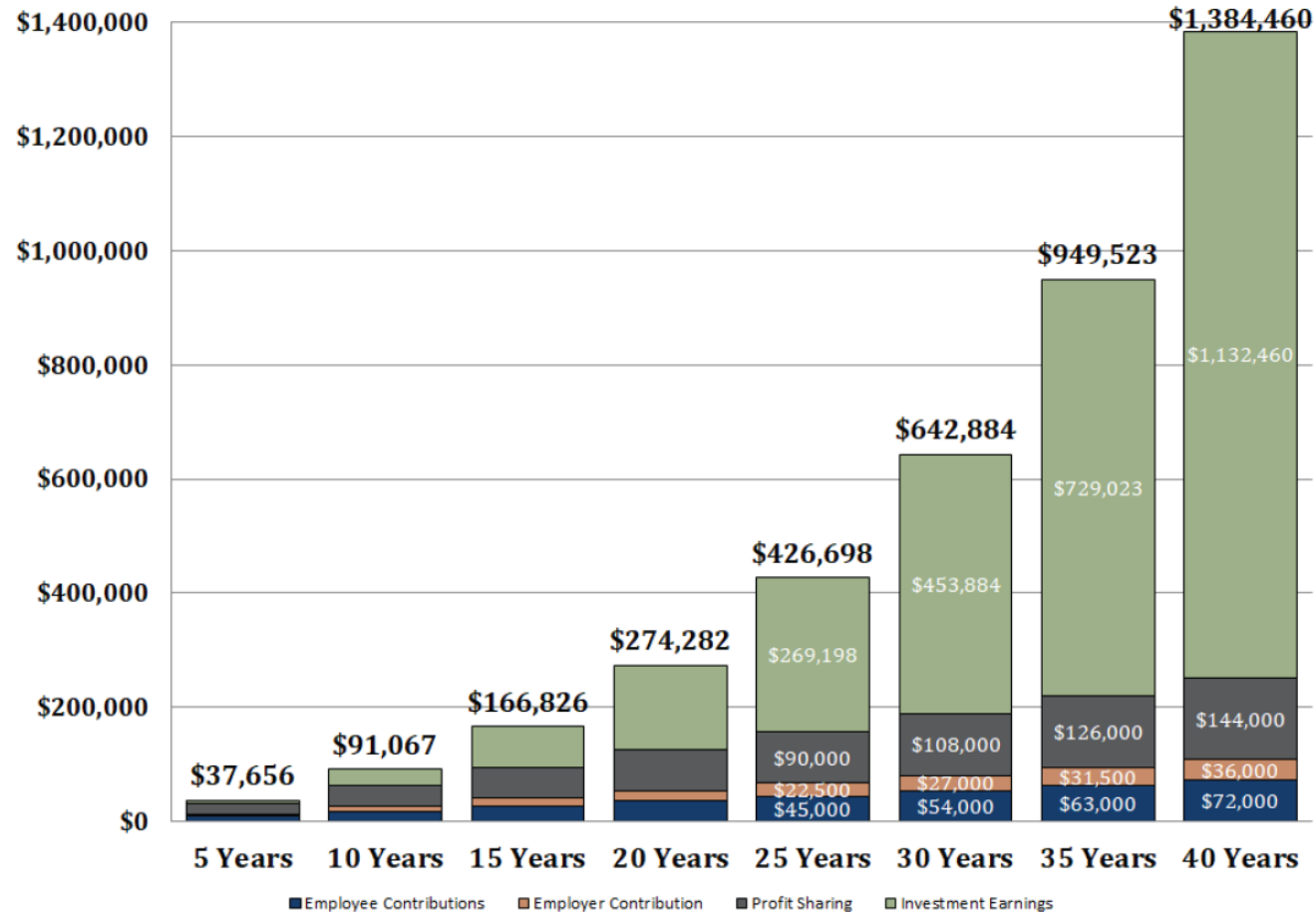


## BAD DEBT

- Pays for something that decreases in value
- High interest rate
- Examples:
  - Auto Loans:
    - Keep under 10-15% of income
  - Credit Cards
    - Pay off Higher interest rate
    - Consolidate to 0% rate if possible



# THE POWER OF STARTING EARLY



The hypothetical example is based on monthly contributions to a tax-deferred retirement plan and a 7% annual rate of return compounded bi-weekly. Your own Plan account may earn more or less than this example, and income taxes will be due when you withdraw from your account. Investing in this manner does not ensure a profit or guarantee against loss in declining markets.

# Mid-Career Financial Steps



## Estate Planning Documents



**ESTABLISH  
A WILL**



**IDENTIFY  
POWER OF  
ATTORNEY**



**REVIEW  
BENEFICIARIES**  
*Especially for your  
retirement plan!*

# INSURANCE COVERAGE



## LIFE INSURANCE

- 6-10x Salary
- Term vs. Whole Life
- Review coverage as life changes



## HOME/RENTER INSURANCE

- Enough to replace home and/or possessions
- Review coverage as life changes or inflation



## OTHER INSURANCE

- Auto Insurance
- Disability Insurance
- Pet insurance
- Jewelry/valuables

# SAVING FOR RETIREMENT



**SAVE AT LEAST  
ENOUGH TO GET  
FULL EMPLOYER  
MATCH (IF OFFERED)**



**INCREASE YOUR  
CONTRIBUTIONS  
SLOWLY  
(1% annually at  
least)**



**RECOMMENDED GOAL:  
15% OF INCOME  
(EMPLOYEE & EMPLOYER)**



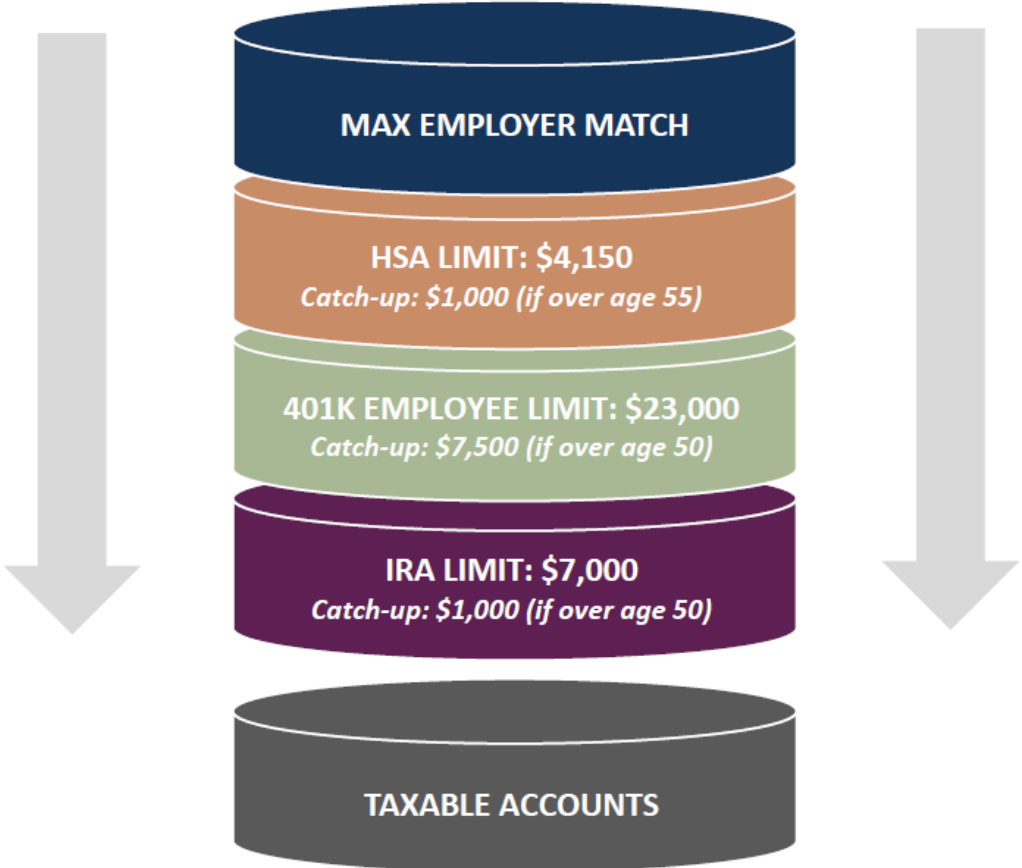
**KEEP GOING!**



# MAXIMIZE YOUR SAVINGS



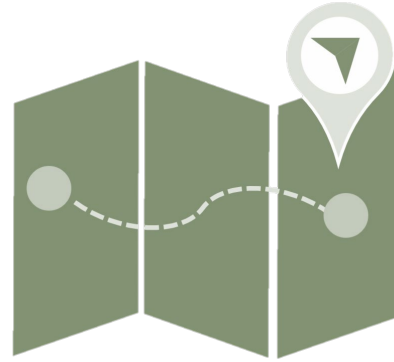
## 2024 IRS LIMITS



# Nearing Retirement Financial Steps



**UNDERSTAND  
SOCIAL  
SECURITY**

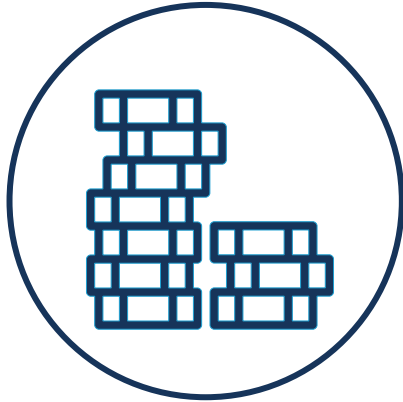


**DEVELOP A  
FINANCIAL  
PLAN**



**MAXIMIZE  
SAVINGS**

# DETERMINING YOUR SOCIAL SECURITY BENEFIT



## EARN 40 “CREDITS”

- Credit = earned for a certain dollar amount of wages.
- 1 credit = 3 months
- 10 years = 40 credits



## HIGHEST 35 INCOME YEARS

- Amount will be based upon highest 35 years of income.



## REACH AGE 62-70

- You can claim between age 62-70.
- Full retirement age is 67 (if born after 1960)

# ESTIMATES BY INCOME



Annual Income Before Retirement	Estimated Social Security Benefit Monthly (Annually) at Full Retirement Age
\$20,000	\$1,027 (\$12,324)
\$30,000	\$1,218 (\$14,616)
\$40,000	\$1,409 (\$16,908)
\$50,000	\$1,600 (\$19,200)
\$60,000	\$1,792 (\$21,504)
\$70,000	\$1,982 (\$23,784)
\$80,000	\$2,174 (\$26,088)
\$90,000	\$2,364 (\$28,368)
\$100,000	\$2,555 (\$30,660)
\$110,000	\$2,747 (\$32,964)
\$120,000	\$2,860 (\$34,320)



# WHEN SHOULD YOU CLAIM?



**AGE 62**  
REDUCED BENEFIT



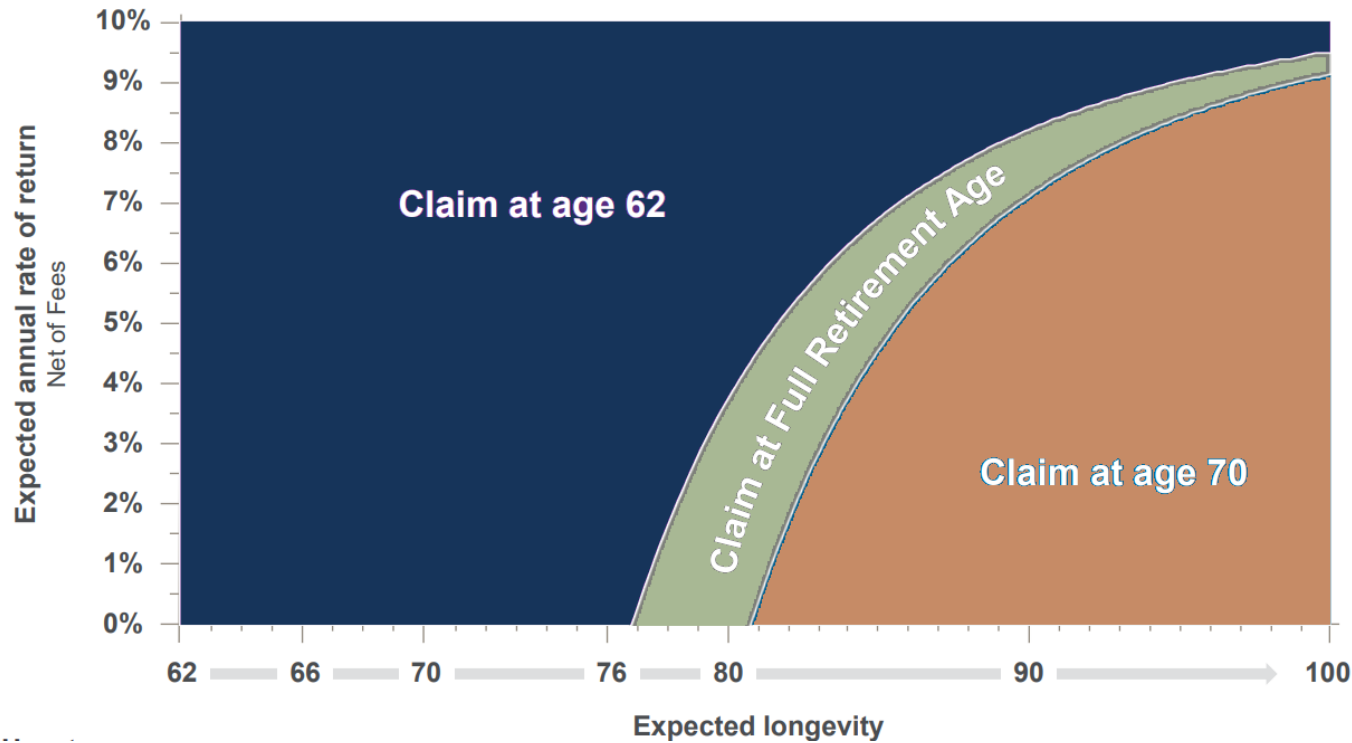
**AGE 67**  
FULL BENEFIT  
*(If born after 1960)*



**AGE 70**  
ENHANCED BENEFIT

## Comparison of claim age based on an individual's expected rate of return and longevity

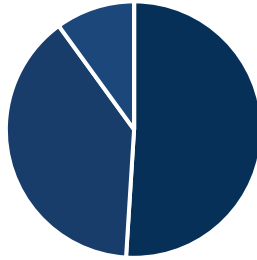
Color represents the claim age with the highest expected lifetime benefits



# ALIGN YOUR INVESTMENTS



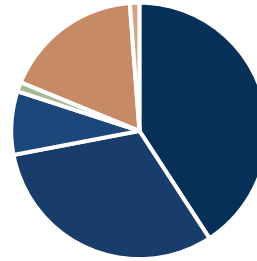
## EARLY CAREER



Growth  
(100/0)



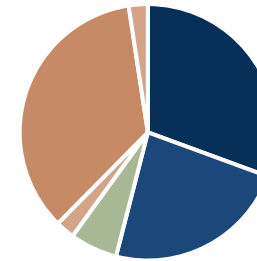
## MID CAREER



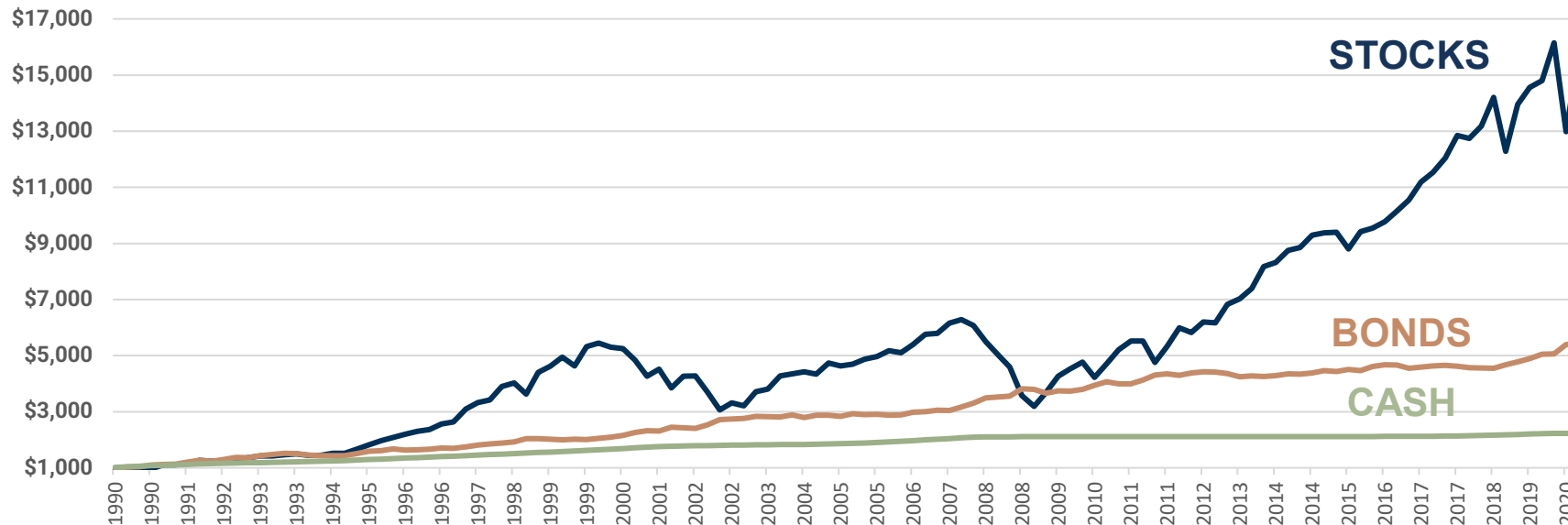
Moderate Growth  
(80/20)



## RETIREMENT



Balanced Growth  
(60/40)





# CREATING A FINANCIAL PLAN

***“By failing to prepare, you are preparing to fail.”***  
- Benjamin Franklin

# PLAN TO REPLACE YOUR PAYCHECK



## Know where you are



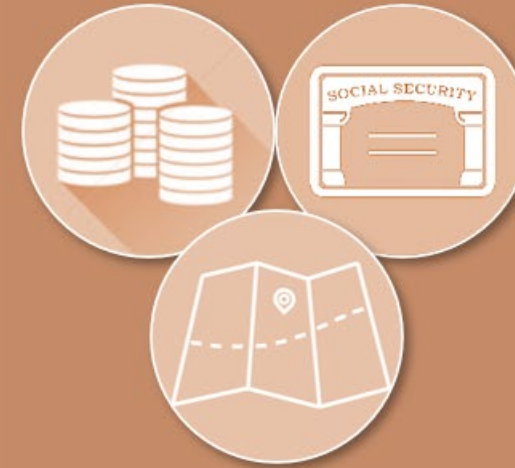
*Get a full understanding of your assets, liabilities, and cash flow*

## Uncover your goals



*Identify your financial needs, wants, and wishes*

## Develop a plan



*Create and implement a customized action plan to achieve your goals*

# KNOW WHERE YOU ARE



## ASSETS & INCOME



RETIREMENT PLAN



SOCIAL SECURITY



PENSION



INVESTMENTS

## LIABILITIES



MORTGAGE



AUTO LOANS



CREDIT CARDS



OTHER DEBTS

# WHERE DO YOU WANT TO GO?



## MONTHLY INCOME

A blank check form with a light blue background and a repeating watermark pattern. The fields include: a top right corner with the number '5719'; a 'DATE:' field; a 'PAY TO THE ORDER OF:' field; a dollar sign followed by a blank box for the amount; a 'DOLLARS' field with a small security icon; a 'MEMO:' field; and a MICR line at the bottom with the numbers '000045678000 0000 110000'.

## PRIORITIES



HEALTHCARE



TRAVEL



CAR PURCHASES



GIVING / INHERITANCE

# DEVELOP A PLAN



**Create a Recommended Scenario**

### Strategies

- Social Security
- Buckets
- Secure Income
- Total Income
- Risk/Reward
- Tax Planning

### Insurance

### Options

Make changes to get in the Confidence Zone.

- Choices
- Play Zone®
- What If Worksheet
- SuperSolve®

## Recommended Scenario

**96%**  
Probability of Success  
Above Confidence Zone

Explore ▾

### Peyton & Dolly's Goals

[Timeline](#) [Show Detail](#)

Needs	Wants	Wishes
Retirement - Basic Living Expense	Daughter's Wedding	Leave Bequest
Health Care	Car / Truck	
	Travel	

# ADJUST YOUR PLAN AS NEEDED



Retirement Age	
Peyton's Retirement Age	<input type="range" value="65"/> <input type="text" value="65"/> <input type="text" value="2030"/>
Dolly's Retirement Age	<input type="range" value="64"/> <input type="text" value="64"/> <input type="text" value="2030"/>
Goals	
Retirement - Basic Living Expense Needs · Recurring	<input type="range" value="93750"/> <input type="text" value="\$ 93,750"/>
Health Care Needs · Recurring	<input type="range" value="100"/> <input type="text" value="100 % or \$10,270"/>
Car / Truck Wants · One-Time Expense	<input type="range" value="50000"/> <input type="text" value="\$ 50,000"/>
Travel Wants · Recurring	<input type="range" value="5000"/> <input type="text" value="\$ 5,000"/>
Daughter's Wedding Wants · One-Time Expense	<input type="range" value="20000"/> <input type="text" value="\$ 20,000"/>
Leave Bequest Wishes · One-Time Expense	<input type="range" value="50000"/> <input type="text" value="\$ 50,000"/>
Savings	
Dolly's Employer 401(k) Assigned Asset	<input type="range" value="Max"/> <input checked="" type="checkbox"/> Max <input type="text" value="Maximized"/>
Taxable Extra Savings	<input type="range" value="0"/> <input type="text" value="\$ 0"/>



# TAX CREDITS



## SECURE Act 2.0 changed tax credits for new plans

Employee Count	Admin Tax Credit*	Match Tax Credit Year 1*
Year 1	\$250 per NHCE (Up to \$5,000)	Up to \$1,000 per NHCE
Year 2	\$250 per NHCE (Up to \$5,000)	Up to \$1,000 per NHCE
Year 3	\$250 per NHCE (Up to \$5,000)	Up to \$750 per NHCE
Year 4		Up to \$500 per NHCE
Year 5		Up to \$250 per NHCE

*\*Available to employers with 50 & under employees. These tax credits phase out for employers with 51-100 employees, and aren't available to employers with >100 employees.*

*Under the Secure Act passed in December 2019, there is a tax credit of \$250 per employee with compensation less than \$150,000, subject to a maximum of \$5,000 annually for 3 years, plus \$500 per year with auto-enrollment.*

*Please consult with your tax professional if you have any questions.*

# ***What options are available for small businesses?***

- **401(k) Plan / Profit Sharing**
- **SEP IRA**
- **Solo 401(k)**
- **SIMPLE IRA**
  
- **Roth IRA** (available to all with earned income)
- **Traditional IRA** (available to all with earned income)

# ***What can your 401(k) provider do to help?***

- **In-person enrollment meetings.**
- **Age-based presentations.**
- **Virtual account reviews.**
- **1 on 1 financial planning.**