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# **PLANNING FOR RETIREMENT, PART I: WHAT WOMEN NEED TO KNOW AS THEY START THEIR CAREERS**

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# **TELL US A LITTLE MORE ABOUT YOURSELF**

**Please answer the poll slides on your screen:**

- **What year were you born?**
- **What best describes your current savings habits?**
- **If you are not saving, what's keeping you from saving?**

# POTENTIAL SOURCES OF RETIREMENT INCOME

- Social Security
- Pensions
- Savings/investments
- And, increasingly,  
earnings from work!

# WOMEN NEED *MORE* RETIREMENT INCOME

## Women:

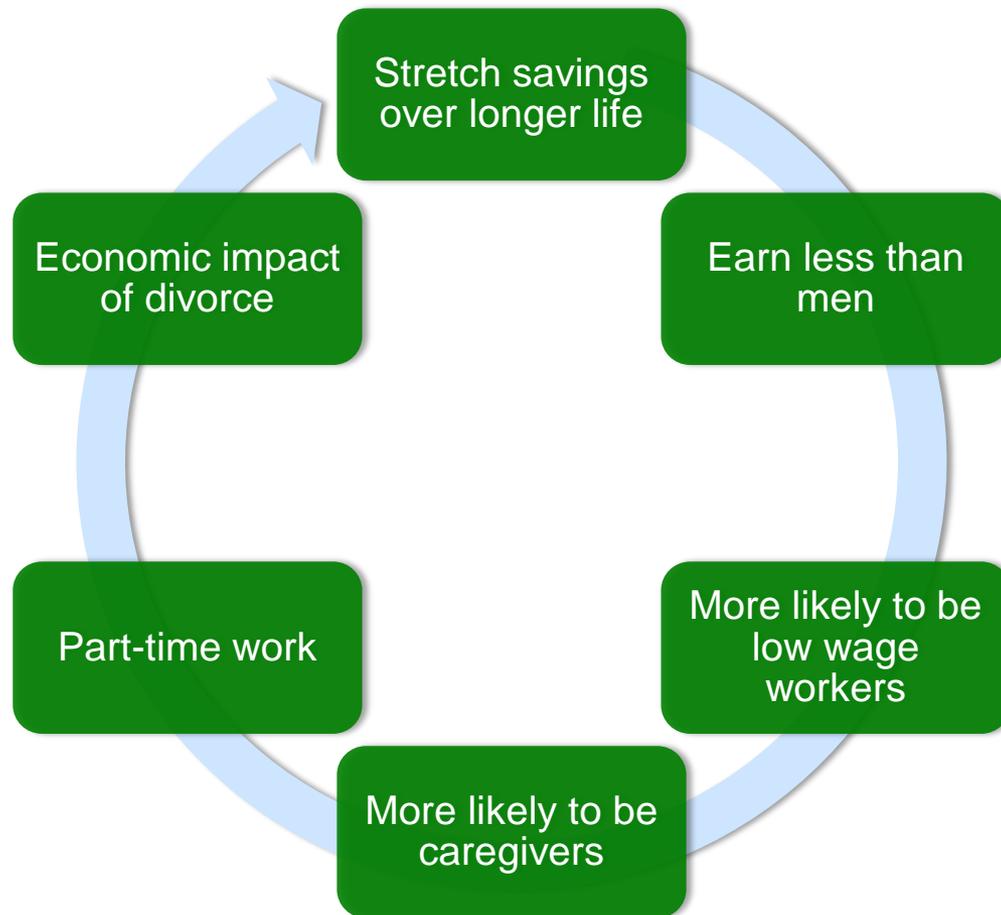
- Live longer
- More likely to have chronic illness and need long-term institutional care
- More likely to be single and not remarry



***DID YOU KNOW ?***

***Nearly 1 out of 5 women 65+ living alone are poor.***

# BUT WOMEN HAVE *LESS* RETIREMENT INCOME



# SO FOR WOMEN, IT'S ALWAYS THE RIGHT TIME...

If you invest \$2,000 per year (about \$40/week) for 40 years, assuming 4% growth, you'll end up with a \$155,000 nest egg.

<http://www.learnvest.com/knowledge-center/how-will-my-money-grow-over-time/>



**...TO START PLANNING FOR RETIREMENT.**

# TODAY'S WEBINAR

Today, we're going to give you the information you need to prepare for retirement.

We'll cover:

1. Basics of retirement savings and Social Security
2. Helpful tips about what you can be doing throughout your career to get ready for retirement

***Stay tuned:*** on Oct. 29, we will host another webinar with more detailed information for those approaching retirement age about when to claim Social Security.

# RETIREMENT SAVINGS VEHICLES

- Traditional pensions (defined benefit plans)
- Employment-based retirement savings plans (defined contribution plans, which include 401(k)s)
- Individual Retirement Accounts (IRAs)



# TRADITIONAL (DB) PENSIONS

- Pays a specific monthly benefit for life.
- Benefit based on a formula.
- No investment risk to workers and workers don't have to make investment decisions

***Unfortunately, there are fewer and fewer DB pensions – and they are mostly in public sector and unionized jobs.***

**Most workers don't have a DB plan at work!**

# EMPLOYMENT-BASED RETIREMENT SAVINGS PLANS

- These include 401(k)s, Employee Stock Ownership Plans (ESOPs), 403(b)s and Simplified Employee Pensions (SEP)
- Employees contribute part of their salary & there is often an employer match
- **Maximum contribution limits for 2015:**
  - \$17,500
  - Additional \$5,500 if over age 50
- **Benefits = the accumulation of employee and employer contributions plus or minus gains, losses, earnings and expenses.**

# INDIVIDUAL RETIREMENT ACCOUNT (IRA)

- Account set up by an individual with a financial service provider.
- Maximum contribution limit for 2015 is the lesser of:
  - \$5,500 plus a \$1,000 catch-up if over age 50
  - 100 percent of income.
- Roth or Traditional



# THE “MyRA”

- Savers who earn less than \$129,000 per year (\$191,000 for a married couple) and don’t have retirement accounts at work can make automatic payroll deposits into “MyRA” accounts run through the U.S. Treasury Department.
- The funds are invested in U.S. Treasury bonds.
- No fees!
- Contributions can be withdrawn tax-free at any time.
- When the account grows to \$15,000, the MyRA can be rolled over into an IRA run by a private investment company.

# SAVER'S TAX CREDIT

- **Non-refundable tax credit up to \$1,000 (\$2,000 for married couples filing jointly) for contributing to 401(k)s, IRAs, MyRAs, or other retirement savings accounts.**
- **Available to low- and moderate-income workers (up to \$27,750 for singles, \$55,500 for married couples).**
- **Depending on how much you make, the credit is 10 to 50 percent of each \$1 contributed.**

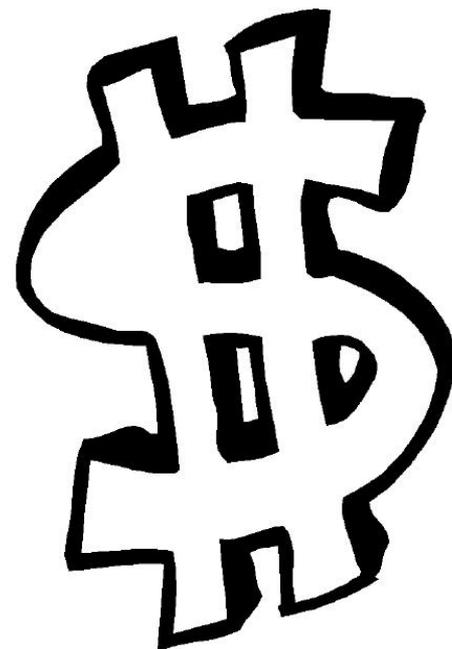


# HOW DO YOU GET STARTED?

1. Find out if your job is covered by a pension or retirement savings plan.
2. Find out if you are eligible to participate in the plan.
  - It may have age and years of service requirements
3. Find out how to enroll in the plan.
  - Open Enrollment
  - Automatic Enrollment: Employees are enrolled in 401(k) and notified that they may opt out

# GETTING STARTED, CONTINUED

- For 401(k)-type savings plans or payroll deduction (IRA or MyRA):
  - Start at a percentage of salary or total amount (up to max)
  - You can start small, and increase over time
  - Auto-escalation
  - Find out what contribution level is required to get your employer match



# IMPORTANT DOCUMENTS

- **Summary Plan Description (SPD)**
  - Booklet provided to employees when they enroll in the plan.
  - The SPD explains eligibility requirements, how the benefit is earned and paid, and how to file a claim for benefits.
- **Benefit Statements**
  - Total benefits earned
  - The earliest date the benefits will be vested (non-forfeitable)
  - An explanation if Social Security or other payments will be subtracted when the benefits are calculated.
  - Remember, this is only an estimate.



# WHILE YOU'RE WORKING

## What if I need the money in my retirement account?

- **Generally, you cannot take money out of a traditional pension plan while working.**
- **You *may* be able to take a loan or hardship distribution from a 401(k)-type retirement savings account.**
  - Check with your plan to determine available options
  - Pre-retirement withdrawals trigger tax penalties, and withdrawn amounts will be taxed.
  - You may have to pay back loans immediately if you change jobs.
  - If you withdraw funds, you may be shortchanging yourself in the long run (remember the chart!).
- **IRAs and MyRAs have different rules.**

# WHAT IF I WORK PART-TIME?

## Check with your plan:

- Some pension and retirement savings plans do not cover part-time workers.
- If you are covered, try to stay above the minimum contribution required if a match is offered!

## Think about IRAs and MyRAs:

- You can contribute to an IRA (individual or spousal) whether or not you are not participating in a pension or retirement savings plan at work, but your contributions will not be tax-deductible if you are already saving at work.
- MyRA: only for workers with no savings plan at work.



# IF YOU LEAVE YOUR JOB

## Traditional pensions:

- **Find out if your benefits have vested**
  - A vested benefit is a benefit that cannot be forfeited even if you permanently stop working.
  - Breaks in service can lead to forfeiture of benefits

## Retirement savings plans:

- **Employee contributions are always vested! But check vesting schedule for employer matches.**
- **Avoid tax penalty and keep saving:**
  - If you have more than \$1,000 in benefits, you *can* stay in the plan – you just can't contribute anything.
  - Rollover into an IRA or another employer plan

***Helpful Tip:***  
*Keep track of your former employer and let them know how to contact you!*

# WHAT IF I DECIDE TO STAY HOME FOR AWHILE – OR CAN'T FIND WORK?

- **Try not to spend your retirement savings:**
  - Keep your savings growing in your old 401(k) plan or an IRA.
  - If you spend the money, remember that there is a tax penalty.
- **Even if you're not working, keep saving in an IRA if you can.**
- **If you have a DB pension and your “break” in service is too long, you may lose your traditional pension benefits.**



# ISSUES FOR MARRIED COUPLES

## Pensions and retirement savings are marital assets!

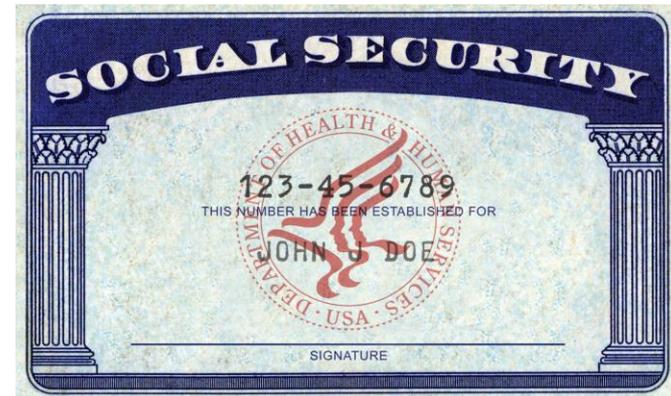
- Your spouse is the automatic beneficiary of a 401(k)-type account (but not IRAs!).
- Spousal consent is required for loans from 401(k)s.
- DB plans have benefits for spouses: Pre-retirement survivor & survivor benefits

## Divorce

- Pensions and retirement savings accounts are often one of the biggest assets in a marriage.
- Legal representation will ensure the pension or retirement savings account is properly valued and divided and that DB spousal benefits aren't waived.

# SOCIAL SECURITY: FOR RETIREMENT AND MORE

- Secure, basic retirement income for life for over 46 million workers and family members
- Disability and life insurance for workers and their families
- 1 in 4 families receives income from Social Security



# **SOCIAL SECURITY--THE FOUNDATION OF WOMEN'S RETIREMENT SECURITY**

- **Virtually universal and portable**
- **Benefits that can't be outlived and keep up with inflation**
- **Automatic benefits for spouses, surviving spouses, divorced spouses (after 10-year marriage)**
- **Provides over 60% of the income of women 65+, on average**
- **Without Social Security, about 1/2 of older women would fall into poverty**

# WILL SOCIAL SECURITY BE THERE FOR YOU? YES!

- Social Security has paid benefits in full and on time for 75 years, through wars and recessions
- Social Security is still going strong
  - \$2.8 trillion surplus invested in U.S. Treasury Bonds
  - Can pay 100% of promised benefits until 2034, 79% of benefits post-2034, even with no changes, from payroll taxes
  - Can close the long-term gap by modest changes, such as requiring high earners to pay payroll tax on all their earnings



# HOW DO YOU QUALIFY FOR SOCIAL SECURITY?

- **Work in a job covered by Social Security (some state and local government jobs not covered)**
- **For retirement benefits, need 40 credits (10 years); young workers need fewer credits for disability, life insurance protection**
  - In 2015, \$1,220 = 1 credit, \$4,880 = 4 credits
  - Can only earn 4 credits/year (but higher earnings will raise your benefits)
  - Benefits based on 35 highest years of earnings

# WHAT DO YOU HAVE TO DO ABOUT SOCIAL SECURITY WHILE WORKING?

- It's easy--If your job is covered by Social Security, your employer will deduct contributions from your paycheck and match them. You don't have to do anything!
- If you're self-employed, report and pay Social Security taxes--and earn credits—when you file your federal income tax.
- Keep track of your contributions and estimated benefits with a My Social Security Account at [www.ssa.gov](http://www.ssa.gov).

# WHAT IF I WORK PART-TIME?

As long as you earn enough in a year (\$1,220 per credit, \$4,880/4), you can work part-time or part-year and earn credits toward Social Security



# WHAT IF I TAKE TIME OUT OF THE WORKFORCE?



If you have at least 40 credits by the end of your career, your “zero” earnings years won’t count against you for eligibility—but could affect your benefit amount.

# **SOCIAL SECURITY BENEFITS ARE VITAL BUT MODEST**

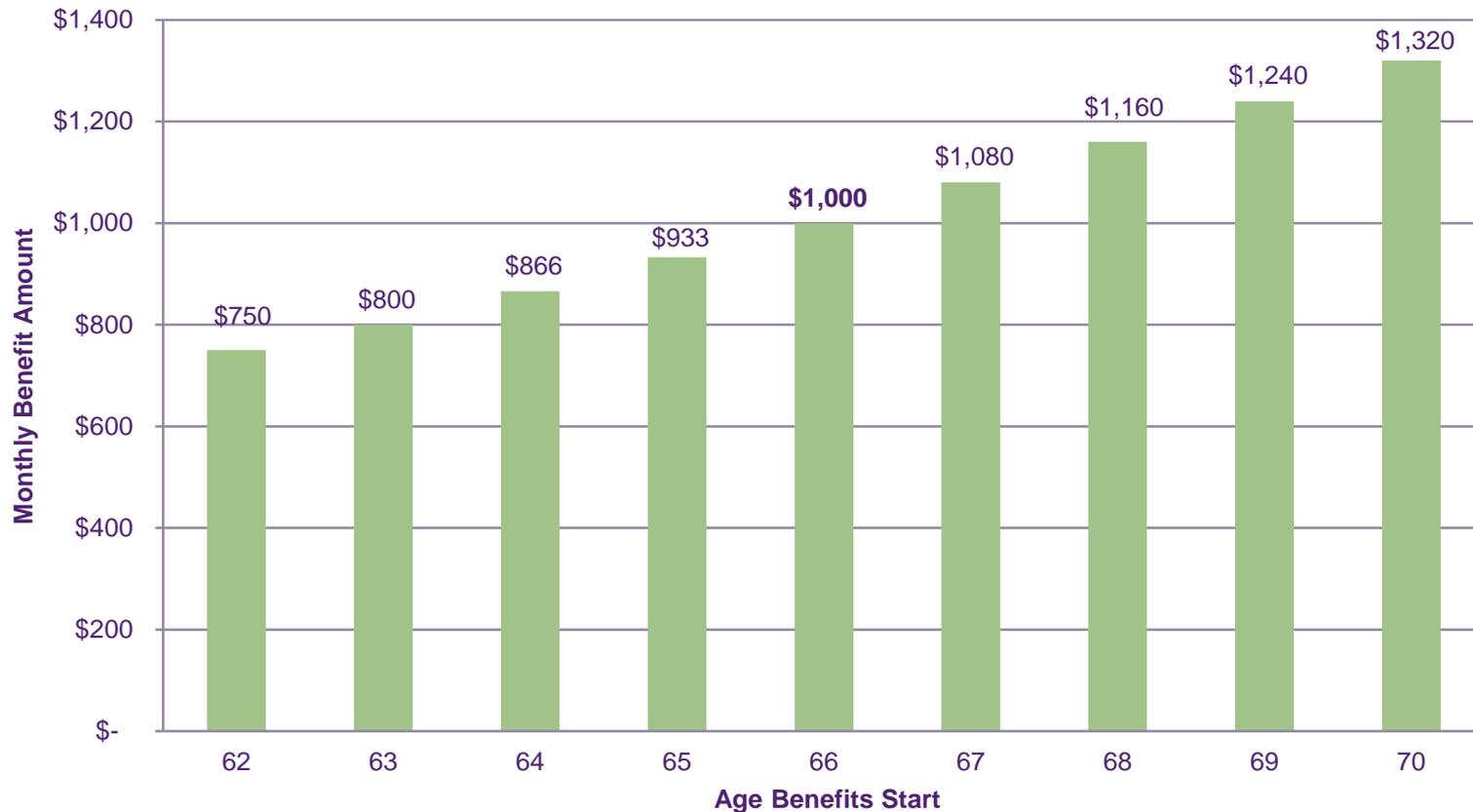
- **Average Social Security benefits in 2014:**
  - \$13,500/year for women 65+, \$17,600 for men 65+.
- **How you can increase your benefits:**
  - Additional earnings can replace low- or zero-earning years, even if you're already receiving benefits
  - By waiting to claim your benefits

# WHEN SHOULD YOU CLAIM SOCIAL SECURITY BENEFITS?

- You can claim retirement benefits as early as 62 (60 if widowed).
- If you need it, take it! You've earned it.
- But if you can afford to wait, your monthly benefit will be higher for the rest of your life.
- Savings can run out--Social Security benefits last for life and keep up with inflation. This is especially valuable for women because they tend to live longer.

# HOW WAITING INCREASES YOUR MONTHLY BENEFITS

Martina's monthly worker benefit is \$1,000 at her full retirement age of 66, 25% less if claimed at 62, 32% more if claimed at 70.



# IF YOU'RE ELIGIBLE FOR WORKER & SPOUSE BENEFITS

## Retirement benefits for eligible spouses:

- Up to 50% of your spouse's benefit or your own worker benefit, whichever is higher
- As a surviving spouse, up to 100% of your deceased spouse's benefit or your own worker benefit, whichever is higher
  - Benefits for a surviving spouse depend on when the higher-earning spouse claims benefits. Couples should make plans about claiming Social Security together!

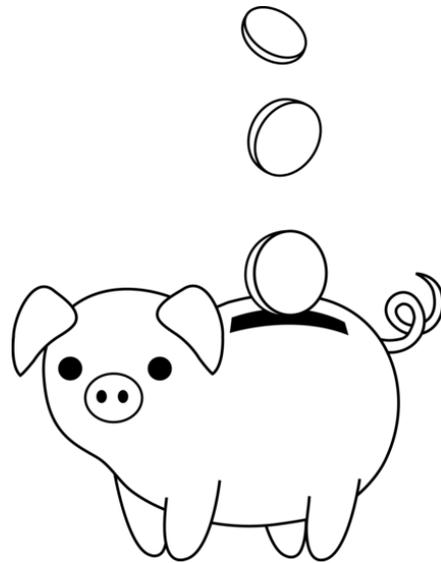
**Find out more about when to claim spousal benefits on October 29**

# HOW CAN I SAVE FOR RETIREMENT WHEN I'M PAYING OFF STUDENT DEBT? OR SAVING FOR A HOUSE?

- **No question: saving is tough on a tight budget.**
- **But saving early pays off:**
  - If you begin saving for retirement at 25, putting away \$2,000 a year for 40 years, you'll have around \$155,300 (assuming earnings grow at 4 percent annually).
  - If you wait until you're 35, putting away \$2,000 a year for 30 years, you'll wind up with around \$98,000 – or one-third less (assuming same 4 percent annual growth). Source: <http://www.learnvest.com/knowledge-center/how-will-my-money-grow-over-time/>

# NOW THAT YOU HAVE THE BASICS.....

You can start taking steps to save for retirement.



# SAVING ON A TIGHT BUDGET: BEST PRACTICES

- **50/20/30 rule: fixed costs/financial goals/flexible spending**
- **Having student loan payments doesn't mean you can't save for retirement:**  
<http://www.learnvest.com/2015/07/pay-off-student-loans-or-save-for-retirement/>
- **Pay down higher interest debt first (credit cards or higher interest loans).**
- **Create a small emergency fund (so you don't have to raid your retirement savings).**

# PLANNING FOR RETIREMENT CHECKLISTS—IN YOUR 20s

- ✓ Find out if you have a retirement plan at work.
  - If you do, sign up! Save as much as you can, but at least save enough to qualify if your employer offers a match.
  - If you don't, start an IRA or MyRA, even though you can't save as much tax-free.
  - Check to see if you are eligible for the Saver's Credit when you file your taxes.
- ✓ Find out if your job is covered by Social Security
- ✓ Sign up with SSA.gov to keep track of your Social Security benefits.
- ✓ Manage consumer and student loan debt.

# PLANNING FOR RETIREMENT CHECKLISTS, IN YOUR 30s

- ✓ Participate in your retirement plan at work!
  - Contribute enough for the match, and bump up when you get a raise.
  - If you can't save at work, start an IRA or MyRA.
- ✓ Claim the Saver's Credit!
- ✓ Try to reduce your debt.
- ✓ Keep track of your estimated Social Security benefits on [ssa.gov](http://ssa.gov).
- ✓ Consider consulting a financial adviser.



# PLANNING FOR RETIREMENT CHECKLISTS, IN YOUR 40s

- ✓ Continue saving at work or in an IRA or MyRA
  - Bump up as pay increases
  - Try not to take money out!
  - Saver's Credit!
- ✓ Get professional help from a retirement advisor
  - Set a specific retirement savings goal
  - Look at your investment strategy
  - Adjust for life changes (marriage, divorce, kids)
- ✓ Pay down debt!
- ✓ Keep track of retirement benefits from other jobs and estimated SS benefits



# PLANNING FOR RETIREMENT CHECKLISTS, IN YOUR 50s

- ✓ Keep saving
  - Take advantage of higher contribution limits
  - Don't touch the money!
  - Saver's Credit
- ✓ Keep track of all retirement accounts and estimated SS benefits
- ✓ Revisit your plan with a professional
- ✓ Pay down debt
- ✓ If married, talk to your spouse about when you each will claim Social Security



# RESOURCES FOR YOU

- Sign up for alerts on Social Security and retirement at [www.nwlc.org](http://www.nwlc.org)
- Become a fan of NWLC on Facebook or follow us on Twitter (@nwlc) for graphics and links.
- Check out resources on our Social Security and retirement webpage: [www.nwlc.org/retirement](http://www.nwlc.org/retirement)
- Stay tuned for our second webinar on October 29. It will provide more detailed information for those approaching retirement age about when to claim Social Security.

# MORE RESOURCES

- Pension Rights Center Fact sheets:  
<http://www.pensionrights.org/get-facts>
- WISER: <http://www.wiserwomen.org/>
- U.S. Department of Labor, Employee Benefits Security Administration:  
<http://www.dol.gov/ebsa/publications/wyskapr.html>
- Social Security Administration for women:  
[www.ssa.gov/women](http://www.ssa.gov/women)
- MyRA: <https://myra.gov/individuals/>
- National Academy of Social Insurance (NASI):  
<https://www.nasi.org/research/social-security>
- National Committee to Preserve Social Security and Medicare: [www.ncpssm.org](http://www.ncpssm.org)
  - Ask Mary Jane

# RESOURCES ON STUDENT LOANS

National Consumer Law Center's Student Loan Borrower Assistance portal, a resource for borrowers, their families, and advocates representing student loan borrowers:  
<http://www.studentloanborrowerassistance.org>

CFPB's Complaints System for Student Loan Related Complaints:  
<http://www.consumerfinance.gov/complaint/#student-loan>

Young Invincibles Student Impact Project, a state project to raise awareness about state higher education funding: <http://www.studentimpactproject.org>

# QUESTIONS?

Please enter your questions into the chat function.