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PLANNING FOR RETIREMENT: WHAT MILLENNIAL WOMEN NEED TO KNOW

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TODAY'S WEBINAR

- Millennials & Retirement
- Savings accounts: what are your options?
- What Millennials should know about Social Security
- Q & A

MILLENNIALS & RETIREMENT

ELIZABETH SISSON

TELL US A LITTLE MORE ABOUT YOURSELF

**Please answer the question on your
screen:**

What year were you born?

THE FACTS

- **Differing opinions on millennial savings**
 - “Saving too little”
 - “Saving the right amount”
 - “Aren’t taking enough risk”
- **Things you can’t dispute:**
 - We have a lot of debt
 - We graduated during the recession or during the recession’s recovery
 - We will live longer and work longer

LESS TRADITIONAL CAREERS

- **Frequently move to different organizations or sectors**
- **More contract, gig or freelance work**
- **Work at start ups or SMEs**
- **Start their own business**
- **Longer periods of unemployment or under employment early on in career**

MILLENNIAL WOMEN

- **There is still an opportunity and pay gap for women**
 - Based on today's gap, women lose over \$400k over the course of a 40 year career
 - This is even more true for women of color.
- **Women tend to have interrupted careers or work part time**
- **Over average, US women spend 4 hours a day on unpaid work (whereas men spend 2.5 hours)**
- **Unmarried women generally save less in their retirement accounts**

Workforce is getting better for women entering, but improvements need to be made for women leaving the workforce (temporarily or for retirement)

QUICK STATS

- **A recent study by Bloomberg shows just 30 percent of young workers get around to signing themselves up for their employer based 401(k) plans**
- **Fidelity reports that the typical 20-something is now stashing away 7.5% of income (up from 5.8% in 2013)**
- **Millennials spend most of their money on debt, housing and transportation**
- **In 2016, 61 million Americans will receive Social Security benefits**
 - Keeps 1.1 million Millennials out of poverty every year

THE TIPS

- **Savings and retirement can be daunting!**
 - Break down your financial planning into categories and create a plan
- **Don't let debt or high expenses stop you from saving for retirement**
- **You can't just put money into your retirement and ignore other financial responsibilities.**
 - Understand your loans (and repayment schedules), pay down your high interest debt (loans and credit cards), create an emergency fund, save!

THE TIPS (CONT.)

- **You can always (or try to!) find money in your budget to put away.**
 - Not just little expenses but also lifestyle changes. Are you buying coffee and lunch regularly? Are you taking advantage of pretax commuter benefits? Are you in the most expensive part of the city? Do you have roommates?
- **Know all of your options!**
 - What does your employer provide? Don't leave free money on the table! Do you understand social security options?
- **Don't touch your retirement. If you change jobs, roll balances over.**
- **Find a financial mentor. There are great financial planners, but also find someone you can openly ask questions to that you know personally.**

THE TOOLS

- **Mint.com** for budgeting
- **Society of Grown Ups** for financial planning classes
- **Ellevest Financial** for women and investing information
- **Acorn** for spare change investing
- **Digit** to help build up an emergency fund or savings account
- **Fidelity** for retirement score

(<https://communications.fidelity.com/pi/2015/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)**

SAVINGS ACCOUNTS: WHAT ARE YOUR OPTIONS?

AMY MATSUI

SAVING EVEN SMALL AMOUNTS...

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/>



...CAN MAKE A DIFFERENCE IN RETIREMENT.

RETIREMENT SAVINGS VEHICLES

- Traditional pensions
- Employment-based retirement savings plans (like 401(k)s)
- Individual Retirement Accounts (IRAs)
- MyRAs



TRADITIONAL (DB) PENSIONS

- **Employer makes contributions to fund**
- **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 jobs that offer DB pensions – and they are mostly public sector and unionized jobs.

EMPLOYMENT-BASED RETIREMENT SAVINGS PLANS

- **Most common types:**
 - 401(k)s and 403(b)s
 - Employee Stock Ownership Plans (ESOPs)
 - Simplified Employee Pensions (SEPs)
- **How are they funded?**
 - Employees contribute portion of salary (pre-tax)
 - Contribution limit is \$18,000 for 2016
 - Additional \$6,000 “catch up” if over age 50
 - Employer match
- **Benefits = accumulation of employee and employer contributions plus or minus gains, losses, and expenses**

INDIVIDUAL RETIREMENT ACCOUNT (IRA)

- **Account you set up with a financial service provider**
- **Two types: Roth or Traditional**
- **In 2016, you can contribute up to the lesser of:**
 - \$5,500 (plus a \$1,000 catch-up if over age 50)
 - 100 percent of income
- **Tax benefits -- if no employer plan**



THE “MyRA”

- If you earn less than \$129,000 per year (\$191,000 for a married couple) and don’t have retirement accounts at work, you can open a “MyRA” through the U.S. Treasury Department.
- Automatic payroll deduction available
- Benefits:
 - U.S. Treasury bonds
 - No fees!
- Rollover when the account grows to \$15,000

GETTING STARTED

1. Find out if your job is covered by a pension or retirement savings plan

- If so: find out if you are eligible to participate (there may be age/service requirements) and how to enroll (open enrollment or auto-enrollment)
- You can start small with your contributions and increase over time – but find out when you qualify if your employer offers a match!

GETTING STARTED, CONT'D

2. Make sure you have these important documents:

- Summary Plan Description (SPD) -- explains eligibility requirements, how the benefit is earned and paid, and how to file a claim for benefits
- Benefit Statements – shows benefits earned, when the benefits will “vest,” and explain if Social Security or other payments will be subtracted when the benefits are calculated
- Remember, this is only an estimate!



PART-TIME WORKERS

- **Check with your plan to see if you are covered**
- **If not, think about opening an IRA or MyRA**



SAVER'S TAX CREDIT

- **Tax credit worth up to \$1,000 (\$2,000 for married couples filing jointly) for filers who made contributions to 401(k)s, IRAs, MyRAs, etc.**
- **Available to workers earning up to \$30,750 (\$61,500 for married couples)**
- **Lowers your tax bill (nonrefundable)**



IF YOU LEAVE YOUR JOB

- **Traditional pensions:**
 - Find out if your benefits have vested
- **Retirement savings plans:**
 - Your own contributions are always vested!
But check vesting schedule for employer match
 - If you have more than \$5,000 in benefits, you can stay in the plan (you just can't contribute any more)
 - Rollover into an IRA or another employer plan

MOST IMPORTANTLY: Make sure your former employer knows how to contact you!

WHAT IF I NEED THE MONEY IN MY ACCOUNT?

- **You cannot take money out of a traditional pension plan**
- **You *may* be able to take a loan or hardship distribution from a 401(k)-type account**
 - Check with your plan
 - Pre-retirement withdrawals will be taxed as income and trigger tax penalties before 59 1/2
 - You may have to pay back loans immediately if you change jobs
- **IRAs and MyRAs have different rules**
 - MyRA and Roth IRA contributions can be withdrawn tax-free
 - IRA withdrawals will be taxed but can be withdrawn without penalty in some cases
- **If you can, don't take out the money (remember the chart!)**

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 survivor benefits for spouses
- **Divorce**
 - Pensions and retirement savings are major assets
 - Consult a lawyer to ensure pensions or retirement savings are properly valued and divided and that DB spousal benefits aren't waived

WHAT MILLENNIALS SHOULD KNOW ABOUT SOCIAL SECURITY

JASMINE TUCKER

SOCIAL SECURITY: FOR RETIREMENT – AND MORE!

- **Social Security Offers 3 Protections:**
 1. Retirement
 2. Disability
 3. Death
- Nearly 66 million people receive income from Social Security
- 1 in 4 families gets some income from Social Security

WILL SOCIAL SECURITY BE THERE FOR YOU? YES!

Social Security has been around for more than 80 years

- Through wars, recessions, high unemployment, and more, it has never missed a payment

- 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



SOCIAL SECURITY IS THE FOUNDATION OF WOMEN'S RETIREMENT SECURITY



- It's virtually universal and portable from job to job
- Provides benefits that can't be outlived and keep up with inflation
- It's especially important for women who have lower lifetime earnings and savings than men

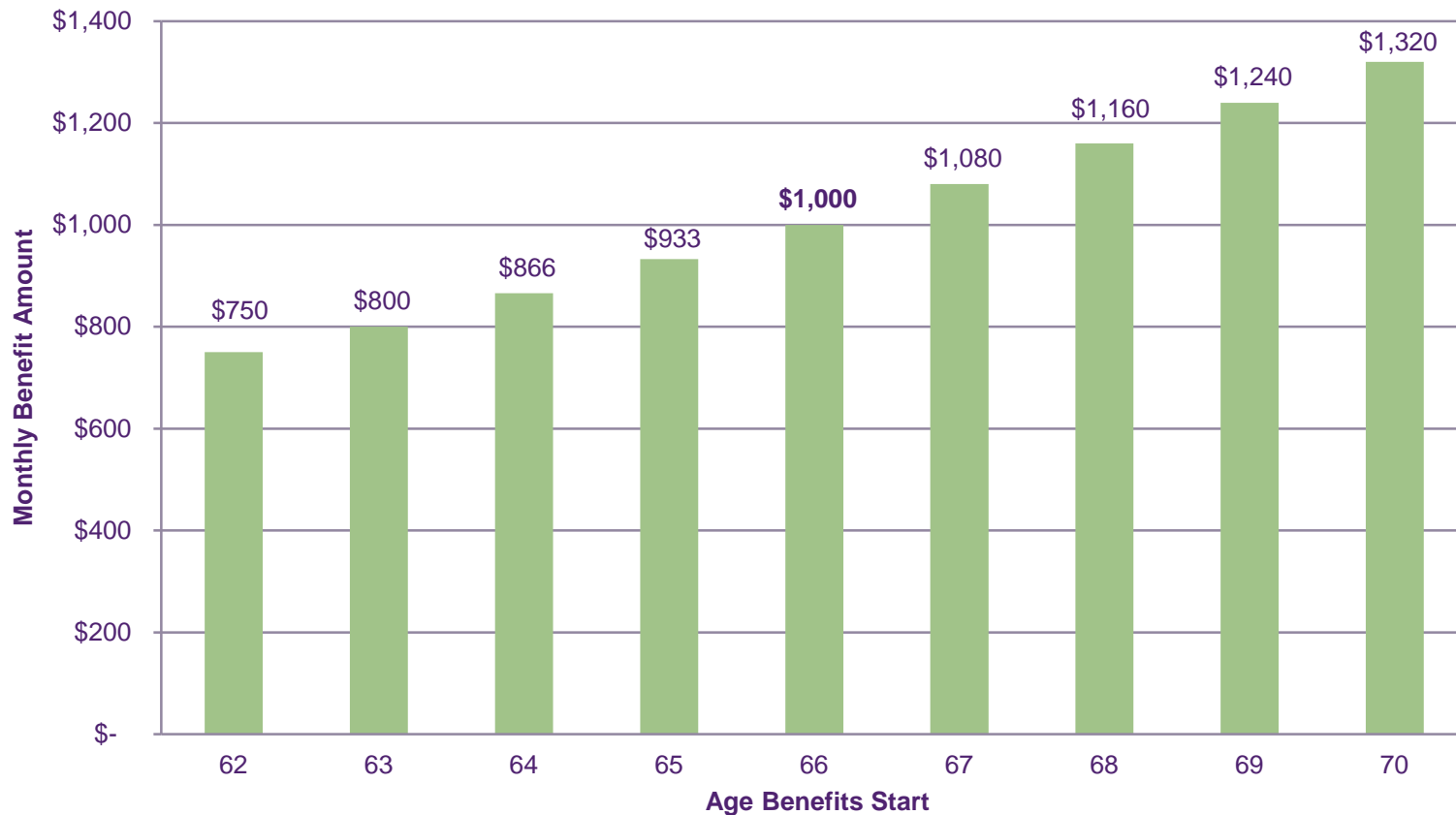
HOW DO YOU QUALIFY FOR SOCIAL SECURITY?



- **Work in a job covered by Social Security**
 - (96% of workers covered)
- **For retirement benefits, need 10 years of work; young workers need fewer credits for disability, life insurance protection**
 - In 2016, \$1,260 = 1 credit, \$5,040 = 4 credits
 - Can only earn 4 credits/year (but higher earnings will raise your benefits)
 - Benefits based on 35 highest years of earnings

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.



RESOURCES FOR YOU

- Like NWLC on Facebook (facebook.com/nwlc) or follow us on Twitter (@nwlc)
- Like Roosevelt Institute (facebook.com/Roosevelt.Institute) on Facebook or follow them on Twitter (@vivaroosevelt)
- Check out other resources on our Social Security and retirement webpage:
<https://nwlc.org/issue/social-security-retirement/>
- December 13, 4 to 5 PM Eastern: Webinar for those approaching retirement age

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
- **Young Person's Guide to Social Security:**
<https://www.nasi.org/research/2016/young-persons-guide-social-security-third-edition>
- **National Committee to Preserve Social Security and Medicare:** www.ncpssm.org