

GETTING READY FOR RETIREMENT: Basics about Saving for Retirement and Social Security

Sept. 4, 2024



Agenda

- **Context:** Why planning for retirement is important for women
- **The Basics:**
 - Employer-sponsored retirement plans
 - Tax-favored savings accounts
 - Social Security
- **Example:** How the pieces fit together
- **Resources**
- **Q&A**



Question

What is your biggest concern about retirement?

Why Retirement Planning Is So Important for Women

- Women have fewer earnings to put towards retirement
 - Women are paid less
 - Women spend more time caregiving
 - Women are more likely to work part-time
- But women need more \$\$ in retirement
 - Women live longer
 - Women have higher health costs

We need to know the basics so we can prepare as best we can and make the best possible decisions to set ourselves up for retirement.

The Basics

EMPLOYER SPONSORED RETIREMENT PLANS

Pensions, 401(k)s, 403(b)s

TAX-FAVORED RETIREMENT SAVINGS

IRAs

SOCIAL SECURITY

Federal program that provides retirement, disability, and death benefits to eligible individuals and families

Employer Plans: Pensions

- Pays a monthly retirement benefit for life
- Amount of benefit is based on a formula
- Employee doesn't have to make payments or investment decisions



Employer Plans: Retirement Savings Plans

- Employees contribute their own money to an individual account (before taxes are taken out)
 - Annual contribution limit
 - Employer match
- Benefit = contributions +/- investment gains or losses - expenses
- Employee spends \$\$ down in retirement
- Types of plans:
 - 401(k)
 - 403(b)
 - “Traditional” or Roth



Question

Do you have a retirement plan at work?

Tax-favored retirement savings

- Individual retirement account (IRA) with a financial service provider
- Individuals contribute their own \$\$ to the account
 - Annual limit
 - “Rollovers” from other retirement accounts
- Benefit = contributions +/- investment gains or losses – expenses
- Individual spends \$\$ down in retirement
- “Traditional,” “rollover,” or “Roth” IRA

FAQs

- What's the difference between retirement savings and regular savings?
- What if I need the money before I retire?
- What happens if I change jobs?
- What happens if I get divorced?
- Who gets my retirement benefits if I die?

Saver's Tax Credit



- Nonrefundable tax credit for people who contribute to a retirement savings account
- Income limits
- Maximum credit = \$1,000 (\$2,000 for married couples)
- *Refundable starting in 2027*

Social Security



- Social Security is a federal program intended to replace earnings in case of retirement, disability, or death.
- How it works: Social Security benefits are *annuities* (monthly payments) that you receive for your whole life. They are adjusted for inflation every year.
- To qualify: you must have 40 “credits,” by earning a minimum amount for at least 10 years.

Social Security

- Your benefit is based on:
 - The number of years you worked at a “covered” job
 - The amount you earned
 - Your age when you start receiving benefits
- You can start receiving retirement benefits at 62
- How much are Social Security benefits?
 - In February 2024, the average Social Security retirement benefit was **\$1,862** per month (\$22,344 per year)

Question

Isn't Social Security running out of money?

Social Security

- **Social Security is not going bankrupt!**
- Here's what you need to know:
 - In 2024, the Social Security Trustees reported that Social Security could pay full benefits until 2033
 - Common-sense changes can make sure Social Security can pay benefits for years to come
 - Even if policymakers do not act, Social Security would be able to pay 79% of benefits

Example

Stephanie is 40 years old and lives in South Carolina. She has 2 kids and rents an apartment. She works in a child care center, and makes about \$22,000 per year. She has a checking account and about \$3,500 in credit card debt.

- Stephanie's **goal** is to save \$1,000 per year (\$50 per month and \$400 from her tax refund).
- Her **plan** is to start paying off her credit card debt, and then put the rest in an IRA.
- If she saves \$1,000 per year for the next 20 years, after she pays off her debt, she will have saved **\$17,500**. At a 4% interest rate, that amount could grow to about **\$23,000**.
- If she retires in 2049 at age 65, her Social Security retirement benefits will be about **\$2,500** per month (in 2049 dollars).

Tips as you prepare for retirement

- Wherever you are in your journey – congratulations. It's never too late to start
- Here are some things to keep in mind:
 - You should have an overall financial plan, including emergency savings and insurance
 - If your employer offers retirement benefits, sign up as soon as you can
 - Check on your retirement accounts at least once a year, and make sure you have current contact information
 - Have a goal in mind. An online calculator can help
 - The Social Security Administration will send you information about your expected Social Security benefits

Resources for you

- <https://nwlc.org/issue/social-security-retirement/>
- www.ssa.gov/women
- <https://www.ssa.gov/prepare/plan-retirement>
- <https://www.ssa.gov/benefits/calculators/>
- <https://wiserwomen.org/resources/retirement-planning-resources/the-working-womans-retirement-plan-checklist/>
- <https://wiserwomen.org/resources/social-security-resources/social-security-what-every-woman-needs-to-know/>

Questions

What questions do you have for us?