Retirement Saving
Worksite Seminar

Financial Wellness 360™
Advisor Connection

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See back cover for more information
Saving for retirement

- **In your 20s and 30s**
  Accumulation phase

- **In your 40s and 50s**
  Accumulation > Preservation phases

- **In your 60s and beyond**
  Distribution phase
Compound interest

The effects of compounding
The early starter vs. the late starter

- **Deferral**
- **Investment gain**

**Early starter**
Saved for 10 years, then stopped

- Deferral: $12,480
- Investment gain: $79,400
- Total: $91,880

**Late starter**
Waited 10 years to start, then saved for 20 years

- Deferral: $24,960
- Investment gain: $35,497
- Total: $60,457

Assumes weekly contribution of $24 and 8% annual return compounded quarterly. This chart is hypothetical and for illustrative purposes only. It is not indicative of any particular investment. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be considered tax advice. You should consult your tax advisor regarding your own tax situation.
What if you’re starting late?

- It’s never too late to start.
- Avoid taking on additional risk to make up for lost time.
- Consider investing the maximum in your 401(K).
- Make sure you have adequate insurance protection to avoid setbacks.
Be prepared for the unexpected

Save enough to cover 3 - 6 months of living expenses in an emergency fund.
Stay on course with basic finance principles

- What’s in your control?
- Benchmark by your age
- Step up your savings over time
- Invest pre-tax or after tax
- Adjust your investment mix as you age
- Diversify your savings
- Know your risk tolerance
What’s in your control?

<table>
<thead>
<tr>
<th>Total Control</th>
<th>Some Control</th>
<th>Out of Your Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving vs. spending</td>
<td>Employment earnings and duration</td>
<td>Market returns</td>
</tr>
<tr>
<td>Asset allocation and location</td>
<td>Longevity</td>
<td>Legislative policies for taxation, savings and employer benefits</td>
</tr>
</tbody>
</table>


Benchmark your saving

Use your age and salary to see if you’re on track.

<table>
<thead>
<tr>
<th>Age</th>
<th>Times Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>2X</td>
</tr>
<tr>
<td>40</td>
<td>3X</td>
</tr>
<tr>
<td>45</td>
<td>4X</td>
</tr>
<tr>
<td>50</td>
<td>6X $55,000 = $330,000</td>
</tr>
<tr>
<td>55</td>
<td>7X</td>
</tr>
<tr>
<td>60</td>
<td>8X</td>
</tr>
</tbody>
</table>


What’s your benchmark?
Step up your savings over time

Step-up Saver
starts at age 30

Level Saver
starts at age 30

Notes
Invest pre-tax or after tax?

<table>
<thead>
<tr>
<th>401(K) pre-tax</th>
<th>Roth(K) after-tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions taxed when money is withdrawn</td>
<td>Contributions taxed in year of contribution</td>
</tr>
<tr>
<td>Earnings taxed when money is withdrawn</td>
<td>Earnings not taxed if in plan for at least 5 years – and you’re at least 59½</td>
</tr>
<tr>
<td>Taxable withdrawals</td>
<td>Tax-advantaged withdrawals</td>
</tr>
</tbody>
</table>

- **Low tax rate at retirement?**
  Pre-tax investments

- **High tax rate at retirement?**
  After tax investments

- **Tax diversified?**
  Invest in accounts with different tax treatments
Contribute to your employer’s retirement plan

- Your employer’s retirement plan
- A little can add up
A little can add up

Account value in 20 years when you contribute to your plan

<table>
<thead>
<tr>
<th>Income</th>
<th>Contribution rate</th>
<th>8%</th>
<th>10%</th>
<th>12%</th>
<th>14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30,000</td>
<td>8%</td>
<td>$142,948</td>
<td>$178,660</td>
<td>$214,392</td>
<td>$250,124</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>$178,660</td>
<td>$214,392</td>
<td>$250,124</td>
<td>$285,856</td>
</tr>
<tr>
<td></td>
<td>12%</td>
<td>$214,392</td>
<td>$250,124</td>
<td>$285,856</td>
<td>$333,499</td>
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<tr>
<td></td>
<td>14%</td>
<td>$250,124</td>
<td>$285,856</td>
<td>$333,499</td>
<td>$416,874</td>
</tr>
</tbody>
</table>

These are hypothetical examples for illustrative purposes only. They assume a 3% rate of inflation at the beginning of each year to accommodate a cost of living increase. Investments are earning an stated 8% rate of return which is not indicative of any particular investment. Keep in mind these figures do not factor in fees and taxes associated with investing. Investment returns will fluctuate and when redeemed, may be worth more or less than originally invested.
Manage potential roadblocks

- Inflation
- Your emotions and investing behavior
- Rising health care costs
- Longevity

How long will you live?

A 65-year-old couple has a 50% chance of one or both living to age 94. Longer life spans mean your retirement income needs to last longer.

Assumes a person is in good health. 2012 Individual Annuity Mortality Basic Table projected for mortality improvement from 2012 - 2017.
Section 3

Effect of inflation on savings

With a modest 1.8% rate of inflation, this example shows how inflation can erode the value of $10,000.

Initial savings

$10,000

After 10 years

$8,366

After 20 years

$6,999

After 30 years

$5,856

This is a hypothetical example for illustrative purposes only. *Consumer Price Index for All Consumers: All Items, Monthly, Seasonally Adjusted, Source for CPI is U.S. Dept. of Labor., http://www.bls.gov/cpi/cpid1512.pdf, 2016.
Top takeaways

• Start early or start now

• Save consistently and step up your savings over time

• Let compounding work for you

List 2 - 3 actions you want to take after today’s session.
Contacts
benefits@umn.edu
4-UOHR (612-624-8647 or 800-756-2363)

Resources

www.IRS.gov
See these topics:
• Retirement estimator
• Retirement age calculator
• Retirement saving resources
• Catch-up contributions

www.securian.com
See these topics:
• Benefits for spouses calculator

www.ssa.gov
See these topics:

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