Retirement Workshop

Presented by Financial Planning

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MEET YOUR PRESENTERS

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Agenda

1. What is Retirement Planning?
2. 401(k) Basics
3. eMoney 401(k) Plan
4. Investment Selection?
5. Motivation for Tomorrow

49%
of workers

Agree debt is interfering with their ability to save for retirement

- Transamerica Center for Retirement Studies, 2021

$93,000
median amount saved for all ages

“Most American workers aren’t saving at levels that will allow them to retire fully at age 65…”

- Stanford Center on Longevity Report, 2018

66%
of retirement participants

Receive the full match offered by their employer

- Vanguard, How America Saves, 2021

What is Retirement Planning?

Retirement

- Time when one chooses to leave the full-time workforce behind
- Live off sources of income that do not require active work

Retirement Planning

- Preparing today for your future
- The process of figuring out the amount of money you'll need to save for your retirement years and creating a realistic plan to sustain the desired lifestyle
- Putting in place financial strategies of savings, and investments

Benefits of Retirement Planning

Helps maintain desired lifestyle during retirement

Prepare for unforeseen medical expenses

Help continue to support loved ones

Tax benefits and obtain better returns on your savings

Achieve financial independence

Provides peace of mind

Retirement Plans

Employer Sponsored Retirement Plan

A defined-contribution plan: an employer sponsored retirement plan that specifies guidelines under which [you and/or your employer can contribute] to your retirement account and that allows you to invest in the funds you wish.

- **Employee** bears the risk
  - **Start saving at an early age! Every paycheck!**
  - 10 – 15% for most young people
  - Increase your contribution as salary increases
  - Watch out for bonuses
- **Types of employer sponsored retirement plan**
  - 401(k)
  - 403(b)
  - TSP for government employee

What is a 401(k)?

- A tax advantaged retirement account available through an employer
- A good way for employees to contribute a portion of their paycheck
- Provides the option for employers to match employee contributions AKA **“Free Money”**
- **Tax Advantages:**
  - Pre-tax contribution
    - Lower participants taxable income
  - Tax-deferred growth
    - No taxes are applied during contribution/accumulation. Gains are considered ordinary income at time of withdrawal (if retirement age) vs. capital gains.
  - Depending on the employer, post-tax (Roth) contributions may be allowed
    - Taxes are applied to the contribution amount but will therefore be tax-free upon distribution (if in retirement age)
- **Contribution limit:**
  - For year 2022 employees can contribute $20,500 (across both Pre-tax and Roth contributions)
  - $6,500 catch-up contribution for anyone 50 or over.
  - Employer match doesn’t count towards contribution limit

eMoney's 401(k)

eMoney 401(k)

Assuming you have met the requirements, on the 1st of the month following 90 days of service and 21 years of age, you are **automatically enrolled** in the eMoney 401(k)

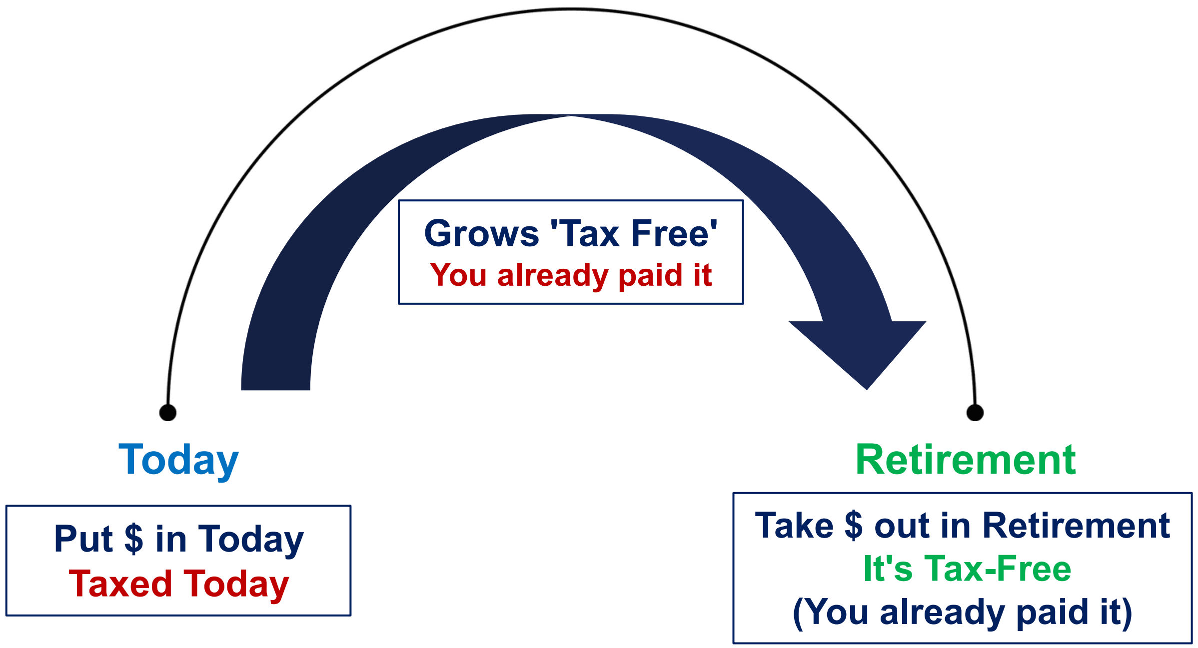
- Due to the automatic enrollment feature, this means that if you take no action on your eligibility date, you will be automatically enrolled, contributing 6% of your salary on a pre-tax basis and this will automatically increase by 1% on January 1st of each year until you reach 15%

- As of July 2020, eMoney employees are immediately **100% vested** on all contributions (employer and employee) upon initial eligibility

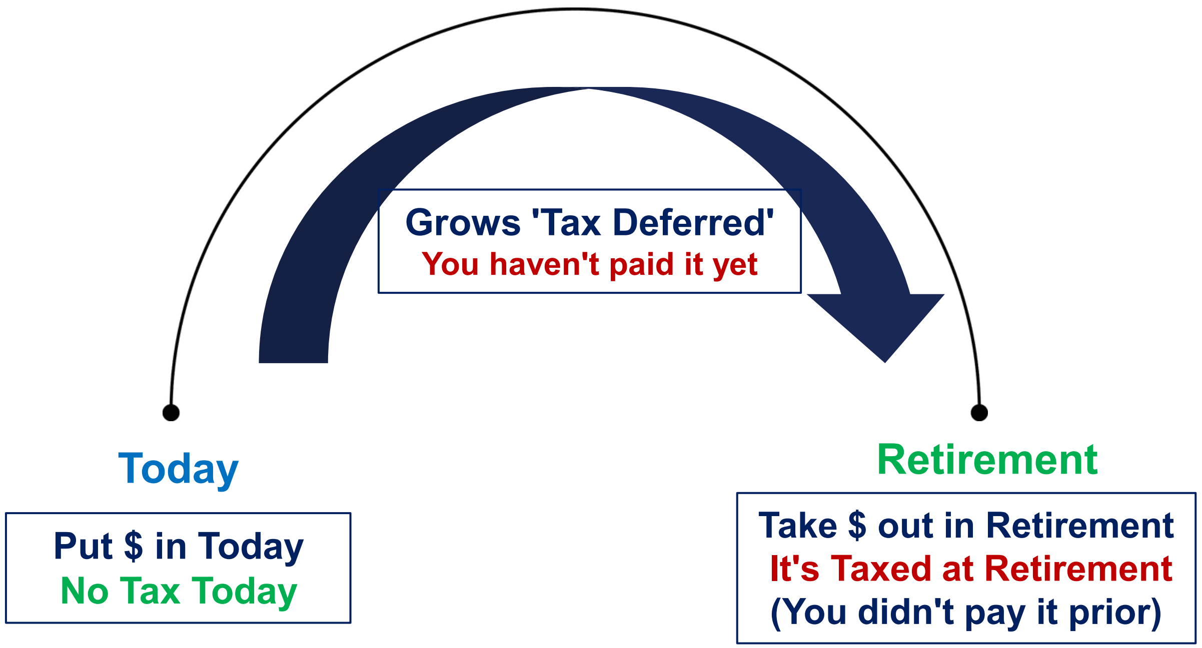
eMoney 401(k)

The eMoney 401(k) plan offers both pre-tax as well as post-tax contributions (i.e., a Traditional and Roth).

Roth Contribution



Trad. Contribution



eMoney 401(k)

eMoney will make matching employer contributions for all active participants.

- eMoney will match 100% of the first 1% of salary that is deferred (contributed).
- eMoney will then match 50% of each additional 1% of salary deferred (contributed), up to 6% maximum.

Your Contribution	eMoney's Match
100% of first 1%	= 1%
50% of second 1%	= .5%
50% of third 1%	= .5%
50% of fourth 1%	= .5%
50% of fifth 1%	= .5%
50% of sixth 1%	= .5%
Total	**= 3.5%**

Where else can you get a guaranteed return on money you save?!

- This is an automatic return of 58% on your contributions!
- In other words, your 6% contribution is really 9.5% of salary. Take the free money!!

TAKE-AWAY: Contribute 6% of your salary to receive the full match of 3.5%

If <u>YOU</u> Contribute…	eMoney Contributes (Free $$$)	Total Contribution Per Pay	Total Contribution Per Month
1% or $20 per paycheck	100% of first 1% = $20 **Total = $20**	$40	$80
2% or $40 per paycheck	100% of first 1% = $20 50% of second 1% = $10 **Total $30**	$70	$140
3% or $60 per paycheck	100% of first 1% = $20 50% of second/third 1% = $20 **Total $40**	$100	$200
4% or $80 per paycheck	100% of first 1% = $20 50% of $2^{nd}/3^{rd}/4^{th}$ 1% = $30 **Total $50**	$130	$260
5% or $100 per paycheck	100% of first 1% = $20 50% of $2^{nd}/3^{rd}/4^{th}/5^{th}$ 1% = $40 **Total $60**	$160	$320
6% or $120 per paycheck	100% of first 1% = $20 50% of $2^{nd}/3^{rd}/4^{th}/5^{th}/6^{th}$ 1% = $50 **Total $70**	$190	$380
7% or $140 per paycheck	100% of first 1% = $20 50% of $2^{nd}/3^{rd}/4^{th}/5^{th}/6^{th}$ 1% = $50 **Total $70**	$210	$420
8% or $160 per paycheck	100% of first 1% = $20 50% of $2^{nd}/3^{rd}/4^{th}/5^{th}/6^{th}$ 1% = $50 **Total $70**	$230	$460

Benefits of Contributing to Your Employer Sponsored Retirement Plan

eMoney

What If…

I only work for a company for a year… It doesn't matter does it?
It's only $6,000…

Lindsey Jones is 27 years old, and she recently took a new job. Lindsey had accumulated $6,000 in her previous employers 401k retirement plan, and she withdrew it to help pay for her wedding. How much **less money** will Lindsey have at retirement age 67 if she **could have earned 8 percent** on the $6,000?

A) $6,000

B) $24,000

C) $96,000

D) $130,000

Inputs		
Current Principal:	$	6,000.00
Annual Addition:	$	0
Years to grow:		40
Interest Rate:		8 %
Compound interest 1 time(s) annually		
Make additions at ◉ start ○ end of each compounding period		
Calculate		
Results		
Future Value:	$	130,347.13

It Pays to Contribute to Your 401(k)

Advantages

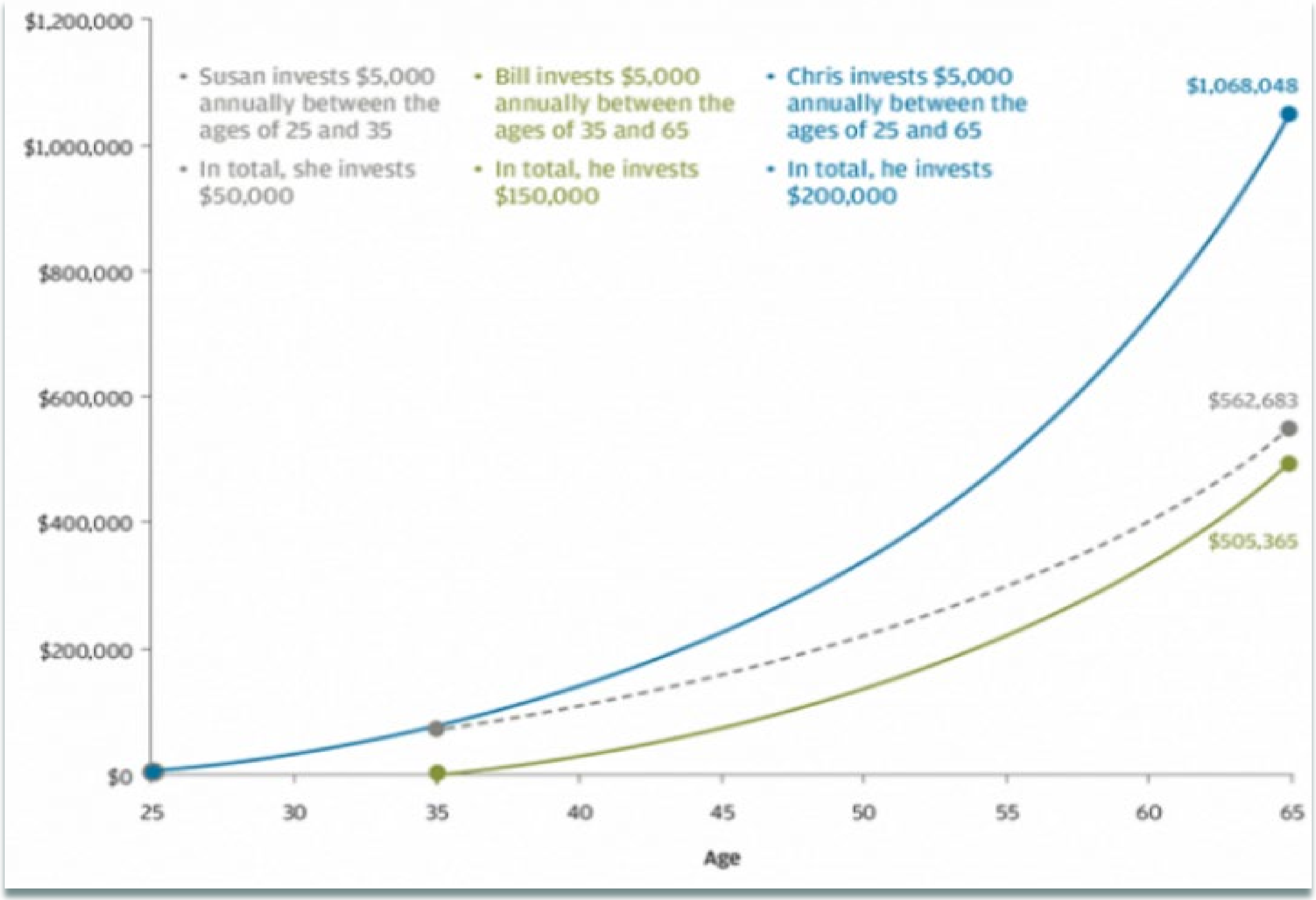
- You Decide
- You benefit from tax free growth
- Pre-tax money
- You keep money if you change jobs

Disadvantages

- You need to make wise decisions
- You lose from loss
- You see growth and want to use it

	Not Participating in 401(k) Plan	Participating in 401(k) Plan
Income	$60,000	$60,000
Contribution to Plan	$0	$3,600
Taxable Income	$60,000	$56,400
Federal Income Tax	$9,600	$8,700
State Income Tax	$3,100	$2,900
Take-home Pay	**$47,300**	**$44,800**

Benefits of Starting to Save Early
(assumes a 7% compounding return)



eMoney

Beyond Employer Sponsored Plans

eMoney

Remember..

While Employer Sponsored Retirement Plans are great savings vehicles, here are other potential sources of income to use in retirement!

- Individual Retirement Account (IRA)
- Social Security
- Keep in mind other investments such real estate, brokerage accounts, savings, cash, etc.

Individual Retirement Accounts

Traditional IRA: a retirement plan that allows individuals to invest $6,000 annually (Additional $1,000 catch up age 50 or older)

- Interest/gains earned is tax-deferred
- Tax and penalty on withdrawals before age 59½

Individual Retirement Account (IRA)

Roth IRA: a retirement plan that allows individuals who are under specific income limits to invest $6,000 per year ($7,000, age 50 and older)

- Income taxed at the time of the contribution, but not when the money is withdrawn
  - Completely tax-free, never pays taxes again on this money

	Traditional IRA	Roth IRA
Contributions	Contribution is tax deductible in year made	Contribution made with after-tax dollars
Accumulation	Tax deferral on all earnings (no tax while money is inside the account)	Tax deferral on all earnings (no tax while money is inside the account)
Distribution	Distributions are full taxed as ordinary income in retirement	Distributions are tax free in retirement
Tax Deductions	Above the line	No deduction but tax-free growth

Social Security

A federal program that taxes you during your working years and uses the funds to make payments to current retirees, http://www.ssa.gov

Work Credits Qualification

40 Credits

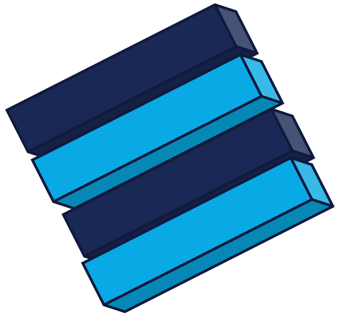
needed to qualify for Retirement and Medicare benefits

$1,510

In covered earnings (2022)

=

1 Credit



4 Credits

maximum a year
(In 2022 $6,040)

Benefits are based on your average earnings during a lifetime of work under the SS system

- For those born in 1960 or later, eligible full retirement benefits at age 67 (FRA – Full Retirement Age)
  - **You can take early (reduced benefits at 62 (30% reduction)**
  - **Get full benefits by waiting until FRA**
  - **Increase payment by 8% per year by waiting to 70**

Investment Selection Education

Quick Overview of General Investment Options

Stock

- Stocks represent ownership in a company called shares.
- Foundation of many individual investor portfolios.
- Stocks are considered risky when it comes to investing

Bonds

- Bonds represent a loan to corporations and/or governments.
- More conservative than stocks, but higher risk and returns than your savings account.

Mutual Fund

- Hybrid securities where investors pool their money together and utilize investment experience by Mutual Fund Managers.
- Mutual funds offer diversification (each fund holds hundreds of securities)

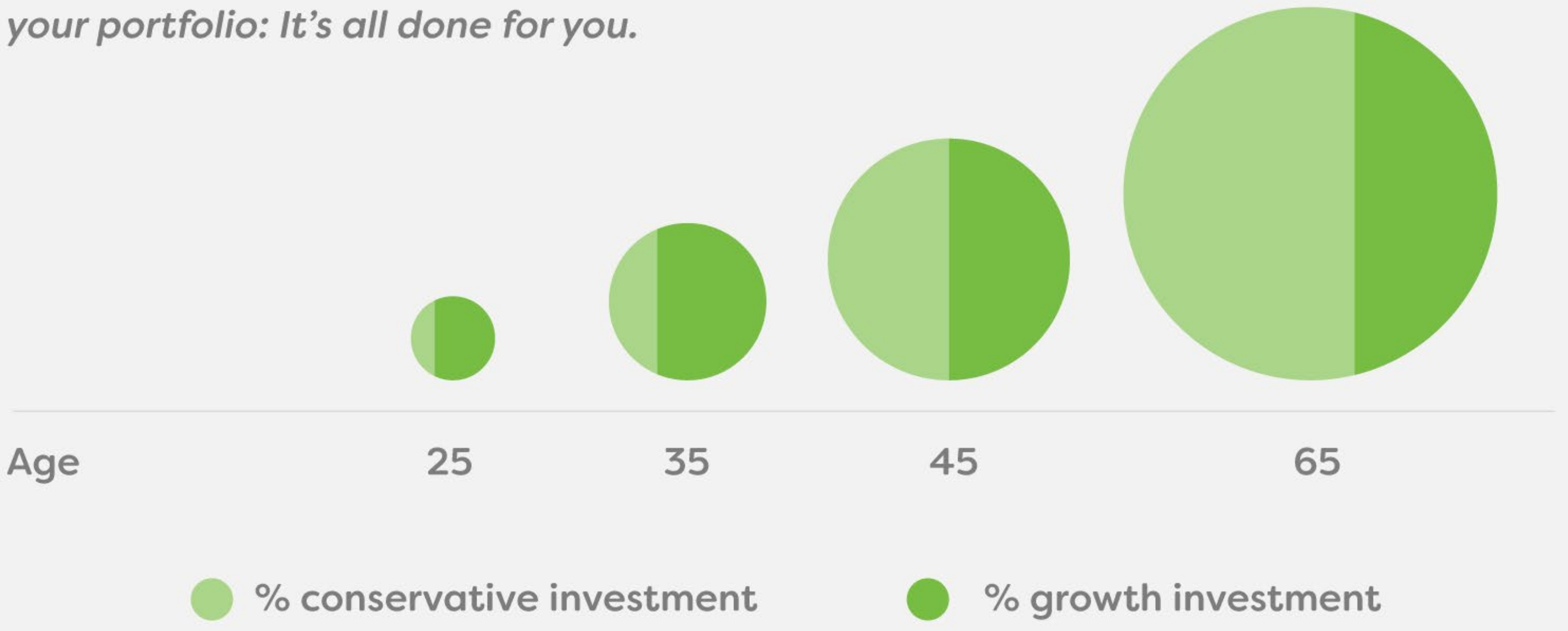
Exchange Traded Fund

- Type of pooled investment security that operates much like mutual funds.
- ETFs track a particular index, sector, commodity or other asset.
- ETFs can be bought and sold like stocks.

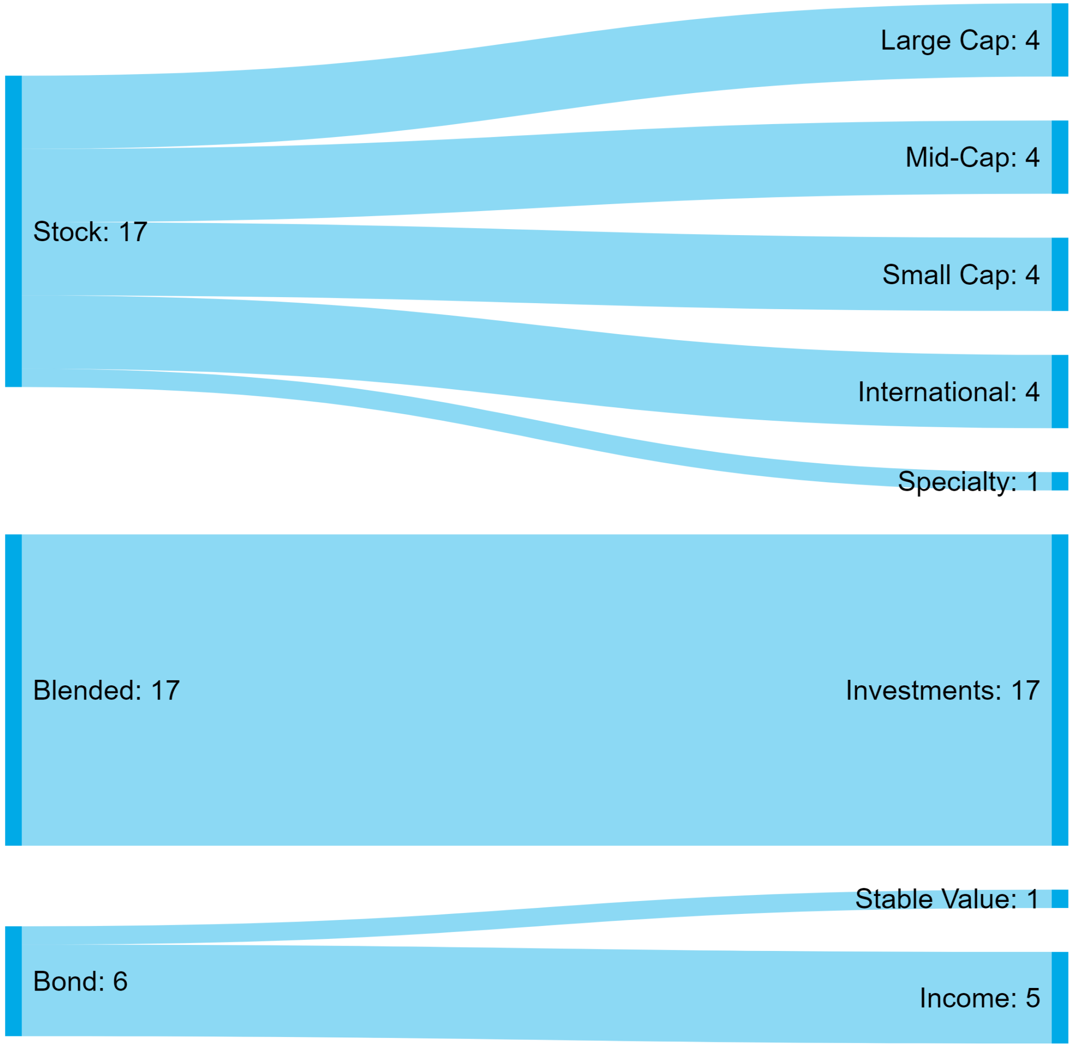
What are Target Date Funds?

Life Cycle of a Target Date Fund

Using a target date fund means you don't have to worry about diversifying and rebalancing your portfolio: It's all done for you.



Investment Options in our 401k plan



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Investment Summary			
Investment Option	[redacted]	Ticker	Category[2]
VANG 500 INDEX ADM	[redacted]	VFIAX	Large Blend
FID PURITAN	[redacted]	FPURX	Allocation--50% to 70% Equity
TRP GROWTH STOCK	[redacted]	PRGFX	Large Growth
FID FDM IDX 2045 IPR	[redacted]	FFOLX	Target-Date 2045
VANG MIDCAP IDX ADM	[redacted]	VIMAX	Mid-Cap Blend
FID FDM IDX 2055 IPR	[redacted]	FFLDX	Target-Date 2055
VANG TOT INTL STK AD	[redacted]	VTIAX	Foreign Large Blend
FID FDM IDX 2050 IPR	[redacted]	FFOPX	Target-Date 2050
FID 500 INDEX	[redacted]	FXAIX	Large Blend
FID FDM IDX 2035 IPR	[redacted]	FFEZX	Target-Date 2035
VANG SM CAP IDX ADM	[redacted]	VSMAX	Small Blend
JPM EQUITY INCOME R5	[redacted]	OIERX	Large Value
TRP SPTM MOD GR INV	[redacted]	TRSGX	Allocation--70% to 85% Equity
CRLN E MID CAP GR R6	[redacted]	HRAUX	Mid-Cap Growth
FID FDM IDX 2060 IPR	[redacted]	FFLEX	Target-Date 2060
FID FDM IDX 2040 IPR	[redacted]	FFIZX	Target-Date 2040
JHANCOCK BOND R6	[redacted]	JHBSX	Intermediate Core-Plus Bond
BARON EMRG MKTS INST	[redacted]	BEXIX	Diversified Emerging Mkts
VANG TOT BD MKT ADM	[redacted]	VBTLX	Intermediate Core Bond
RT NY LIFE AA CL 0	[redacted]	N/A	Stable Value
FID FDM IDX 2030 IPR	[redacted]	FFEGX	Target-Date 2030
MFS INST INTL EQUITY	[redacted]	MIEIX	Foreign Large Blend
AB SM CAP GRTH I	[redacted]	QUAIX	Small Growth
FID FDM IDX 2025 IPR	[redacted]	FFEDX	Target-Date 2025
AF EUROPAC GROWTH R6	[redacted]	RERGX	Foreign Large Growth
BROKERAGELINK	[redacted]	N/A	Brokerage
VRTS C MDCP VAL EQ I	[redacted]	SMVTX	Mid-Cap Value
VAN REAL EST IDX ADM	[redacted]	VGSLX	Real Estate
FH IS HIGH YLD BD IS	[redacted]	FIHBX	High Yield Bond
FID FDM IDX 2065 IPR	[redacted]	FFIKX	Target-Date 2065+
BLKRK INFL PROTEC IS	[redacted]	BPRIX	Inflation-Protected Bond
FID MID CAP IDX	[redacted]	FSMDX	Mid-Cap Blend
JPM SM CAP VALUE R6	[redacted]	JSVUX	Small Value
VANG WELLESLEY ADM	[redacted]	VWIAX	Allocation--30% to 50% Equity
FID GOVT MMKT	[redacted]	SPAXX	Money Market-Taxable
MS GLB FX INC OPP I	[redacted]	DINDX	Multisector Bond
FID FDM IDX 2020 IPR	[redacted]	FIWTX	Target-Date 2020
FID SM CAP IDX	[redacted]	FSSNX	Small Blend
FID FDM IDX 2015 IPR	[redacted]	FIWFX	Target-Date 2015
FID FDM IDX INC IPR	[redacted]	FFGZX	Target-Date Retirement
FID FDM IDX 2005 IPR	[redacted]	FFGFX	Target-Date 2000-2010
FID FDM IDX 2010 IPR	[redacted]	FFWTX	Target-Date 2000-2010
Totals	[redacted]		

Motivation for Tomorrow

We Know What To Do, But…

Intention-behavior gap - "the disconnect between knowing what you need to do and actually doing it."

How to change your intentions:

1) Become aware of the intention-behavior gap and that you want change
2) Find a commitment device to keep you on track or accountability buddy
3) Be ready to commit, and reevaluate if you're not ready

https://www.moneymentalist.com/the-intention-behaviour-gap/

SMarT – Save More Tomorrow Plan

- 315 eligible employees
- 286 employees met with the investment consultant
  - 79 employees took the consultant's advice on their saving contributions
- 207 employees were offered a version of the SMarT plan
  - Smart Plan participants were to increase their savings contributions by 3%
- 162 employees accepted the SMarT Plan

So... What Happened?

Of the 162 employees who enrolled into the SMarT plan 136 employees stayed in the program through 4 pay raises.

Average Savings Rates (%) for the SMarT Plan					
	Participants who didn't contact the financial consultant	Participants who accepted the consultant's saving rate	Participants who joined the SMarT plan	Participants who declined the SMarT plan	All
Before options	29	79	162	45	315
Pre-advice	6.6	4.4	3.5	6.1	4.4
1st Pay raise	6.5	9.1	6.5	6.1	7.1
2nd Pay raise	6.8	8.9	9.4	6.2	8.6
3rd Pay raise	6.6	8.7	11.6	6.1	9.8
4th Pay raise	6.2	8.8%	13.6%	5.9	10.6

What does that research study have to do with me?

By utilizing the concept of the SMarT plan

You can gradually increase your own savings contribution

Even just by increasing your contribution by an additional 1% each year can make a difference over time

Present Self vs Future Self

Most of us think of our future selves as other people almost like we would a stranger.

Connecting to our future selves increases our emotional connection and promotes saving behaviors.

Hershfield, H. E., John, E. M., & Reiff, J. S. (2018). Using Vividness Interventions to Improve Financial Decision Making. *Policy Insights from the Behavioral and Brain Sciences*, *5*(2), 209–215. https://doi.org/10.1177/2372732218787536

Ways to Connect with Future Self

- Use an aging app and age up a photo of yourself to see what you would like as your older self!
- Write a letter or email to your older/future self
- Get detailed about specific future plans
  - Create a list of action steps you can take today to positively impact your future self
- Put yourself in the shoes of a loved one who is currently nearing retirement

Resources from eMoney

FIDELITY FINFIT WORKSHOPS

NETBENEFITS

INCENTIVE APP

FPG OFFICE HOURS

FPG Office Hours

Do you have additional questions? Or want to work with a financial professional one on one?

Find out more about Office Hours:

https://life.emoneyadvisor.com/business-unit/financial-planning/fpg-office-hours/

Or send us an email at: FPGEducation@emoneyadvisor.com

Thanks for Joining from our Future Selves!

Arleny - *"...Wondering if it's too late to start doing face yoga?"*

Sasha - *"I hope my cat eyeliner is that perfect when I'm 65!"*

Michelle - *"How did the App know my mom cuts her bangs that way and that I'll likely do that too!?"*

THANK YOU!