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# RETIREMENT BENEFIT TIPS

*download and share with your employees*

# Retirement Tips

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# Introduction:

Retirement benefits are a critical aspect of preparing for one's future. These benefits may include pensions, 401(k) plans, and Social Security. When strategizing for retirement benefits, it's essential to reflect on various factors, such as your anticipated length of employment, your financial objectives, and your lifestyle.

Outlined below are eight tips to keep in mind when saving and planning for retirement. Each segment is available in both English and Spanish. Please use the "**click to download**" button to access and retain the version that best suits your needs.

# #1 Retirement Savings Worksheet

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## 1-2-3 Retirement Savings Worksheet

Figuring out how much you need to save to enjoy a steady, comfortable income in retirement is important. It's also helpful to check in on your progress along the way. Remember, your goal is to accumulate enough savings to guarantee yourself a post-retirement "paycheck" that ensures the lifestyle you envision for your retirement years. Use the worksheet below to help you figure out if you are on track. **Use a pencil!** You may want to complete the worksheet more than once, using different factors to help you come up with the estimate that feels right for you.

### STEP 1 How Much Will You Have? (include savings outside of plan)

Years to Retirement ▶ ☐

■ **Future value of current balance**

$__________ X __________ = A

Current balance — Factor from below

| Years to Retirement | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 | 45 |
|---|---|---|---|---|---|---|---|---|---|
| Factor | 1.40 | 1.97 | 2.76 | 3.87 | 5.43 | 7.61 | 10.68 | 14.97 | 21.00 |

■ **Future value of deferrals**

$__________ X __________ = B

Current annual deferrals — Factor from below

| Years to Retirement | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 | 45 |
|---|---|---|---|---|---|---|---|---|---|
| Factor | 5.95 | 14.30 | 26.01 | 42.43 | 65.46 | 97.77 | 143.08 | 206.62 | 295.75 |

A+B = C

### STEP 2 How Much You'll Need

$__________ X __________ X 15 =

Your current annual pay — Your "pay multiplier" from the chart below — How much you need*

| Years to Retirement | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 | 45 |
|---|---|---|---|---|---|---|---|---|---|
| Pay Multiplier | 1.13 | 1.30 | 1.51 | 1.75 | 2.03 | 2.36 | 2.73 | 3.17 | 3.67 |

*Total amount needed, Social Security may cover some of this need, see note to the right.

### STEP 3 Are You on Track?

What you will have – How much you need = Over/Under

The figures above are estimates and assume normal Social Security retirement age. Your personal situation may vary.

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### More to Explore

at www.tri-ad.com

You can get a closer estimate of your progress by logging into your account. After a one-time registration process, look for the retirement calculator that takes your existing plan balance into account, as well as other factors you can adjust.

**If your result is positive, good for you! You're right on track to a sufficient and reliable retirement income.**

**If your result is negative, what are your options?**

- **Include all of your sources.** Remember that you may have other savings you can include in your calculation in Step 1 such as company contributions, profit sharing, pensions, IRAs and savings bonds.
- **Save more.** Can you find ways to squeeze more money out of your budget for your retirement savings? Make your morning coffee at home, bring your lunch to work, skip the movie theater for in-home rentals... it all adds up!
- **Retire later.** The Social Security retirement age is currently 67 for anyone born in 1960 or later. We're living longer, so you may need to consider staying in the workforce a few extra years.
- **Live on less.** If you'll fall short of the retirement income you hoped for, you'll need to scale back your lifestyle.

Try the worksheet again, adjusting your current deferrals or your years to retirement until you come closer to a positive result.

**A note about Social Security:** It's only intended to replace about 30% of your pre-retirement income. For higher wage-earners, it replaces even less than this.

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# #2 Retirement Savings Quiz

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### What's Your Retirement Savings IQ?

**Do you know your fact from fiction when it comes to saving for retirement? Take our quiz to test your knowledge.**

**1. How much do I need to save?**

**A)** \$500,000 **B)** \$1,000,000 or more

**C)** Enough for a comfortable "paycheck" in retirement

*Answer:* C. This number is different for everyone and is influenced by many factors. Your goal is to save enough to guarantee yourself a comfortable income when you're no longer working. To calculate your retirement savings needs, use the worksheet available at https://www.tri-ad.com/pdfs/Newsletter-Retirement-Savings-Worksheet.pdf or log into your account at www.tri-ad.com and go to "Advice/Education," then "Retirement Calculator."

**2. I should be saving 10% of my pay towards retirement.**

**A)** True **B)** False

*Answer:* B. Retirement experts are now recommending you save 15% (including any match contributions) for your entire working career. If you're getting started late, you may need to save even more than that to make up for lost time.

**3. If I've been automatically enrolled in my company's 401(k) or 403(b) Plan, I'm on track.**

**A)** True **B)** False

*Answer:* B. The typical 3% or 4% auto-enrollment rate is a good start, but just a start. You'll need to steadily increase your contribution until you're saving 15% of your pay (including matching contributions). Again, if you're behind where you need to be now, 15% may not be enough to secure your future standard of living.

**4. The \$4 I spend daily on my coffee drink saved into my retirement plan instead adds up to \$________ in 30 years.**

**A)** \$25,000 **B)** \$35,000 **C)** \$105,000

*Answer:* C. At an 8% rate of return, putting \$20 per week into your 401(k) or 403(b) plan can add up to over \$100,000 in 30 years, thanks to the power of compound earnings.

**5. The Social Security Retirement Age for those born after 1960 is ______ and Social Security will provide about ______% of my retirement income.**

**A)** 65, 100% **B)** 67, 30% **C)** 70, 70%

*Answer:* B. Those born after 1960 are not eligible for full Social Security benefits until age 67. Only those born before 1937 are eligible for full benefits at age 65. If you plan on living solely on your Social Security payments, be prepared for a very meager existence.

**6. If I wait ten years to start saving but save twice as much for ten years to make up for lost time, I'll have the same amount as someone starting out now.**

**A)** True **B)** False

*Answer:* B. Assuming you both have the same rate of return, compound earnings will give the person who starts saving now potentially more than twice what you would have.

**7. I have a 401(k)/403(b) account with my former employer. If I cash it out, I could lose almost half of my balance to taxes and penalties.**

**A)** True **B)** False

*Answer:* A. Federal taxes of 20%, state taxes of about 10%, and (if you're under age 59 ½) a 10% penalty for early withdrawal take a huge bite out of your cash-out. More importantly, you set your retirement savings back to square one. You're much better off rolling it tax-free into your current plan or an IRA.

**8. I should always pay off high-interest debt before saving in the 401(k)/403(b) plan.**

**A)** True **B)** False

*Answer:* B. In general, paying off debt should be your priority. However, you could be missing out on free money if your employer has a matching contribution. It makes sense to save at least enough to maximize a matching contribution while attacking your debt.

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# #3 Healthcare Costs in Retirement

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## Health Care Costs in Retirement: TAKE STEPS NOW TO BE READY!

When thinking about your retirement savings goals, are you factoring in the cost of health care? Just as some people assume that Social Security will be enough to take care of them when they retire — it won't; it is only meant to replace about 30% of your income — some people also assume that Medicare is a "free" way to provide for health care after age 65. Medicare is not free. There are premiums for Parts B and D, covering doctor visits, tests, and prescriptions; long-term care insurance premiums, copays, and out-of-pocket medical expenses are also not covered.

*Health care costs grow at a rate of up to 7% per year, while Social Security benefits only grow at an average of 2% per year.*

What can you do now to shore up your retirement savings to allow for your medical costs in retirement?

1. **Start saving more right now.** No matter how far you are from retirement, finding more room in your budget for even 1 or 2% more retirement savings can have an impact on your future stability.
2. **Invest in your health.** Many insurers offer lower premiums to healthier individuals such as non-smokers or those with blood pressure or body mass index numbers within normal ranges. Adopting a healthier lifestyle can save you money in premiums now, as well as lower your medical expenses later!
3. **Consider a Health Savings Account (HSA).** An HSA offers a way to accumulate funds that are tax-preferred if they are specifically earmarked for health care expenses. If your employer offers this benefit, enroll during your next enrollment period. If not, look into opening an individual HSA, offered by many financial institutions. Like your 401(k) or 403(b) plan, an HSA can lower your taxable income while helping you bolster your future security.

**The bottom line?** A complete retirement savings strategy will include a portion of your savings allocated for healthcare costs. Wealth care includes health care. Take steps today to help you achieve a future that includes both health and financial well-being.

**The average couple now spends about $300,000 on medical expenses in retirement.**

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# #4 Social Security IQ

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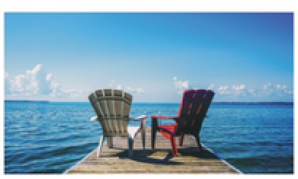
## What's Your Social Security IQ?


### Did you know?

- **Social Security replaces less than half of your pre-retirement income.** According to the Social Security Administration, benefits are designed to replace about 25 - 40% of a worker's income during retirement (depending on your wages). Use your 401(k) or 403(b) plan to save the rest!
- **To qualify for retirement benefits, you must have earned at least 40 "credits" over the course of your working life.** You can earn up to four credits a year, so it takes ten years of work to qualify for Social Security. In 2021, the value of one work credit is $1,470, so workers need to earn $5,880 for the maximum four annual work credits.



- **Your benefit is based on the 35 years in which you earned the most money – and they don't have to be consecutive.** If you have fewer than 35 years of earnings, each year with no earnings will be factored in at zero. You can increase your benefit by replacing those zero years by working longer, even if only part-time.
- **Your age when you collect Social Security has a big impact on the amount of your monthly benefit.** The key age to know is your "full retirement age." For people born between 1943 and 1954, full retirement age is 66. It increases toward 67 if your birthday falls between 1955 and 1959. For those born in 1960 or later, full retirement age is 67.
- **You can collect Social Security as soon as you turn 62, but taking benefits before full retirement age results in a reduction of as much as 26% of your benefit.** There are a couple of ways you can "undo" or offset this reduction if you change your mind, but they require paying back your benefits or delaying taking them for a few years past your full retirement age, so it's probably best to avoid taking your benefits early, if you can.
- **Once you hit your full retirement age, there's an advantage if you delay taking your benefit.** Your monthly amount will grow by 8% a year up until age 70. There's no further increase to the benefit amount if you wait past the age of 70 to start taking benefits. The maximum benefit amount someone retiring in 2021 can receive is $3,895 per month.

### Social Security Fast Facts

- Most workers contribute 6.2% of their paychecks to the Social Security system. Employers match that amount.
- The Social Security Administration typically adjusts benefits annually to keep them in step with inflation – this is known as a cost-of-living adjustment, or COLA.
- The money held by the Social Security Trust Fund is invested, but only in securities with guaranteed principal and interest.
- The Department of Treasury did away with paper checks in 2013. Benefits are paid via direct deposit and debit cards.


Want to figure out your estimated Social Security benefit? Use Social Security's online retirement estimator at: **https://www.ssa.gov/retire/estimator.html**

For a more personalized look, create an account and see your earnings record and more detailed estimates for how much Social Security income you'll have at retirement at **https://www.ssa.gov/myaccount/**.

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# #5 Maximize Your Retirement Savings


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RETIREMENT for the Not-So-Rich

Let's say you've done the math and found that, with the number of years you have until your planned retirement, you're not going to have enough for an extravagant lifestyle. What can you do? Even if you have several years left to try to catch up, you may need to start thinking creatively in order to maximize your savings both now and after you retire.

**Course Correction**

Resetting your expectations now can prevent some disappointment down the road. Here are some preparation strategies to think about:

- Many people who retire and find that their retirement savings income is not enough will take on a part-time job. Even if you don't work enough hours to qualify for benefits, your job can provide a social and creative outlet as well as the extra income you need. It's also a chance to try something you always wanted to do during your career years, but thought you couldn't make a living doing.
- Working a few years longer than you originally planned can mean a larger check when you do retire. Waiting will also give your retirement investments a few more years to benefit from compound earnings.
- If you anticipate not having enough savings at retirement, it's probably not too late to find ways to squeeze more savings dollars out of your budget and into your 401(k) or 403(b) plan. Slimming down your streaming services or cable, internet and cell phone plans, dining out less often, and canceling subscriptions you're not getting the most out of are a few ways to open up a little more room in your budget. Even $20 more per week can make a noticeable difference in your retirement income over the last few years of your savings time.
- As you get close to retirement, another source of extra income can be your home. That may mean moving into a smaller living space when your nest becomes empty and stashing those extra rent or mortgage dollars into retirement savings.

**DID YOU KNOW...**

On average, most people can expect to live at least

20 YEARS

in retirement. Think about how much income you'd like to have each month, if you retired today. Multiply that number by 240 (the number of months in 20 years). The sum may surprise you!

**Not sure where you stand on retirement readiness? Log into your account to use the retirement savings calculator as well as access AdvicePlus. AdvicePlus can help you determine if changes to your savings rate, investments and other factors will help you reach your retirement savings goals.**

**Staying on the Path**

Even if you have many years until you plan to retire, it's important to regularly examine your retirement strategy, as well as your expectations, to make sure you're doing everything you can to create a comfortable retirement lifestyle. Remember, too, that it's important to plan for health care costs in retirement, as Medicare is not "free," and Social Security was only intended to provide about 30% of your post-retirement income. Consider opening an HSA as a separate savings strategy that can be used in conjunction with your retirement plan savings to cover medical, dental and vision expenses in your later years.

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# #6 Working After Retirement and it's Effect on Social Security

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## Working After Retirement and its Effects on Your Social Security

According to the Transamerica Center for Retirement Studies, around 49% of baby boomers say they expect to keep working into their 70's or never retire at all. To avoid financial surprises, it's important to know how your next career plans will affect your monthly Social Security checks if you're approaching retirement or already retired.

### The Social Security Administration

You can receive Social Security (SS) retirement benefits AND work at the same time. In the years before you reach your Full Retirement Age, your benefits may be reduced if your income exceeds an earnings limit. For 2023, the earning limit is $21,240. However, in the year you reach your Full Retirement Age*, the earnings limit increases ($56,520 in 2023). If you make more than the yearly earnings limit, the Social Security Administration (SSA) will reduce your benefit until the month you reach full retirement age, at which time they will stop reducing your benefits, no matter how much you earn.

Your final benefits accrual may increase if you continue to work: If you continue to work, you will continue to pay SS taxes on your earnings even if you are receiving benefits.

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### What's the best age to start receiving Social Security retirement benefits?

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The answer is that there's not a single "best age" for everyone. The most important thing is to make an informed decision on what is right for you and your family.

You might consider whether you plan to work in retirement and examine other sources of retirement income. Study your future financial needs and obligations and calculate your future SS benefit. Weigh all the facts carefully before making the crucial decision about when to begin to receive Social Security benefits.

The actual amount of SS income you are entitled to each month depends on when you start to receive benefits. You can start your SS benefits at any point starting at age 62. For each year you delay past your Full Retirement Age, your benefits will increase up to age 70. Benefits will not increase after you reach age 70, so there is no incentive to delay filing for your benefits after age 70.

**Here is how this works:** When you reach full retirement age, the SSA recalculates your benefit to give you credit for months you didn't receive a benefit because of your earnings.

Deciding not to start your SS retirement benefits can make sense if you have other sources of income. If you stop working, your benefits will not increase.

The SSA calculates your benefits based on your highest 35 years of earnings. If you stop working before you have 35 years of earnings, or you have low earnings for some years, this will affect your benefit calculation.

**Bottom line:** There are a lot of factors to consider when deciding when to start taking Social Security; including whether you will continue to work, your health, your cash needs, marital status, tax situation, etc. A financial professional or your tax advisor can help you with an analysis of your personal situation.

**Catch-up Contributions as Roth effective in 2026:**

In the last newsletter, we told you if you make more than $145,000 in 2023, catch-up contributions must be Roth contributions in 2024. The IRS has now changed the effective date of this change to 2026. In 2024 and 2025, catch-up contributions can be pre-tax or Roth for all participants.

* Full Retirement Age - https://www.ssa.gov/benefits/retirement/planner/agereduction.html

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# #7 Retirement Investment Volatility

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## How to Manage Your Retirement Investments During Big Swings in the Stock and Bond Markets

With the recent fluctuations in the stock and bond markets, you may be faced with uncertainty about what to do, if anything, with your retirement plan investments. It's important to take a long-term perspective with your retirement plan investment strategy. Here are some important things to consider as you make investment decisions:

- **Stay the Course in a down market.** When stock markets are down it's easy to get caught up in the news and difficult to process all of it. Try not to let panic lead to bad decisions. Transferring your plan investments to other investments you perceive to be less risky might simply lock in your losses. During the financial crisis of 2008, many participants did just this, and when they failed to move back into a more balanced investment mix, many missed out on much of the market gains of the ensuing ten years. Also, be wary of friends and coworkers who are not professional advisors providing you with investment advice.
- **Invest Consistently.** Continue to contribute to the retirement plan through down markets and up markets. This is called dollar-cost-averaging. You buy more shares when the markets are down. Like anything else, it makes sense to "buy low."
- **Don't touch your retirement plan money.** Remember, it's a *retirement plan*. Taking money out of the plan in a down and volatile market locks in your losses and increases the probability that you won't have enough savings in your retirement years.
- **Don't try to time the market.** Some participants try to time the market by transferring money into stocks when the markets are down and out of stocks when they are up. Even seasoned investment professionals cannot predict the ideal times to get into or out of stock investments.
- **Take advantage of the tools available to you.** TRI-AD's online tools are available to help educate you about your retirement plan. Once you log into to your account, you have access to an array of participant tools, including: Investment Advice and Guidance through the AdvicePlus tool we make available to you free of charge; Retirement Income Calculator, Quicken Download Capabilities, among others.

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RETIREMENT BENEFIT TIPS

# #8 The Importance of Designating a Beneficiary

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## The Importance of **Designating a Beneficiary**

Do you know who would receive the balance in your Retirement Accounts if you die? If you have not accessed your account at www.tri-ad.com to name one or more beneficiaries, do it today! Even if you have already named beneficiaries, it's important to review them regularly. Here are some important considerations:

If you pass away and have not named a beneficiary ***specifically for your retirement account***, your benefit is distributed according to the plan's provisions. In most cases, it will be paid in the following order to:

(1) your surviving spouse;
(2) your children, including adopted children, in equal shares, or their estate(s);
(3) your surviving parents, in equal shares; or
(4) your estate.

**Please note:**

- If the beneficiary you named passes away before you do, your account will be paid to your secondary beneficiary.
- If the beneficiary you named passes away after your death, your account will be paid to the estate of your beneficiary.
- If your employer has more than one retirement plan (e.g., a 401(k) and a Profit Sharing Plan), you need to designate a beneficiary in ***each*** plan.
- If you are married and are designating someone other than your spouse as your sole primary beneficiary, you must obtain notarized spousal consent. Your spouse's consent can also be witnessed by the Plan Administrator. The consent must acknowledge the specific non-spouse beneficiary.
- You may revoke a designation of a beneficiary or change a beneficiary at any time.

### Here are some important times to check the status of your beneficiaries:

**If you get separated** – Since your retirement plan assets are distributed to your spouse in the event of your death, it's important to name a new beneficiary upon a legal separation. Spousal consent or waiver is required if you do not have a court order indicating a legal separation or abandonment. A prenuptial agreement isn't sufficient in this case; you must obtain a legal divorce.

**If you get divorced** – Some plan documents automatically revoke the ex-spouse as the named beneficiary; others don't. Qualified Domestic Relations Orders have their own beneficiary. You should also speak to an attorney.

**If you remarry** – You should complete a new beneficiary designation as soon as possible after you get married. Your spouse immediately has rights to your retirement benefits on the date of your marriage, making your previous beneficiary designation invalid.

**If you have children or adopt** – Review your secondary beneficiaries. You can also designate your child(ren) as your primary beneficiaries, but remember that if you are married, your spouse must consent to this.

**If you set up an estate** – if you establish an estate in your will or trust, you can designate your estate as your beneficiary. Again, your spouse must consent to this before a notary or authorized plan witness if you are married, even if your spouse is the sole beneficiary of your estate.

### How to Designate Your Beneficiary

Log into your account at www.tri-ad.com and access your personal profile by clicking on the gear icon.

Click on the "Beneficiaries" link. It's important to provide your beneficiary's full Social Security number so that we can locate them in case they do not contact your employer upon your death. You can also find additional information and a helpful FAQ when you log into your account.

### Need Help?

If you need assistance adding or changing beneficiaries, please call TRI-AD Participant Services, Monday through Friday from 5:00 a.m. to 6:00 p.m. (Pacific Time) at 877-690-4015, or email us at 401kmail@tri-ad.com.

**Always seek the advice of a tax advisor and legal counsel as it relates to your estate planning.**

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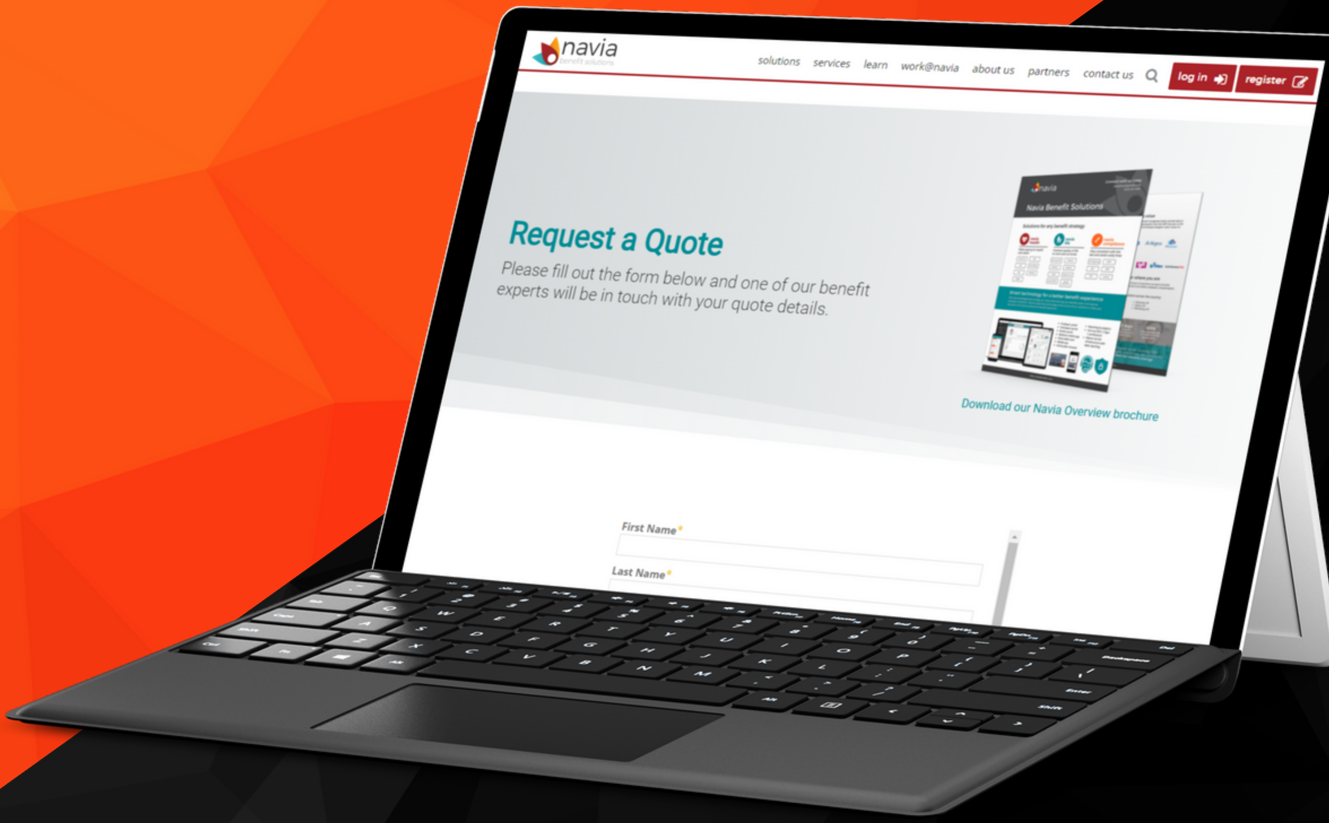
# Ready to boost your benefits experience?

Request a quote from Navia anytime and we will respond promptly with the help you need! **Request a Quote here.**

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