



READY FOR RETIREMENT? WHAT YOU SHOULD KNOW NOW

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PREPARE

RETIREMENT PLANNING
PLANNING FOR FINANCIAL SECURITY

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RETIREMENT PLANNING

Did you know?

The average American spends more time planning for a two-week vacation than planning for retirement.

Treat your retirement like a 28-year vacation by preparing for your future lifestyle and financial needs before you retire.



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Retirement planning

When will you need the most income in retirement?

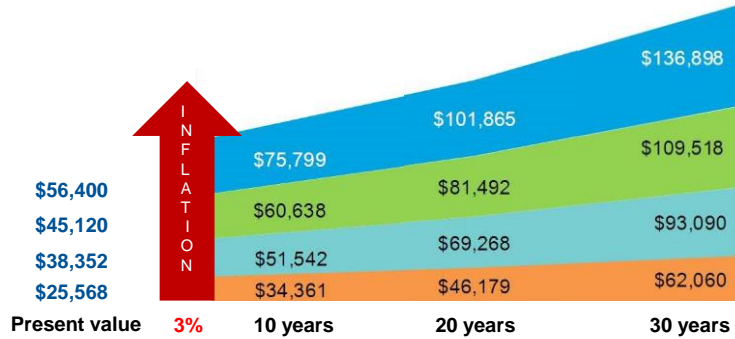
Annual spending	Age 55 – 64	Age 65 – 74	Age 75+	% change 55 – 75+
Apparel & services	\$1,622	\$1,287	\$691	-57%
Entertainment	2,911	2,413	1,532	-47%
Food & alcohol	7,293	6,200	4,342	-40%
Healthcare	4,377	5,259	4,944	13%
Housing	17,247	15,076	12,298	-29%
Transportation	9,519	8,214	4,468	-53%
Personal insurance & pensions	7,088	2,904	906	-87%
Miscellaneous	5,579	4,615	4,349	-22%
Total expenditures	55,636	45,968	33,530	-40%

Total expenditures for those age 75+ are 38% less than those aged 55 – 64.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, March 2014.

THE COST OF INFLATION

How it could affect annual income needed in retirement



This chart shows how annual income needs increase over time, assuming a 3% annual inflation rate.

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WHAT YOU NEED TO KNOW ABOUT: SOCIAL SECURITY

PRESENTED BY: GREG SANKEY



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2 KEY QUESTIONS:

- How Is A Retirement Benefit Calculated?
- When Is It Available For Claim?



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HOW A RETIREMENT BENEFIT IS CALCULATED

Average of your 35 highest years of earnings

Wages are adjusted for inflation

Three-step formula:

- 90% of first (lowest) tier of earnings, plus
- 32% of second tier, plus
- 15% of third tier

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THREE-STEP FORMULA

Calculating the worker's Primary Insurance Amount (PIA)

- ❖ Sum of three separate percentages of the AIME:
 - 90% of the first \$856 (2016)
 - 32% of the AIME over \$856 and less than \$5,157 (2016)
 - 15% of the AIME that exceeds \$5,157 (2016)
- ❖ Maximum PIA = \$2,639

PIA example for a person with \$3,876 AIME

$$.9(856) + .32(3876 - 856) = \$1,736.80$$



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WHEN IS IT AVAILABLE TO CLAIM?

Year of birth	Full retirement age (FRA)
1943 -1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

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What You Need to Know About: Social Security

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All information retrieved from <https://www.ssa.gov>

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“ARE YOU READY FOR RETIREMENT? HOW TO PREPARE NOW” VEHICLES TO SUPPLEMENT YOUR PSERS RETIREMENT BENEFITS



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CURRENT EVENTS SEMINAR – Room 328 Thursday, 3/23/2017 -- 8:15 - 9:15 a.m.

I've Got PSERS, Why Do I Need To Invest?

PSERS fixed for life – No COLAs



Longevity



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403(B) - TAX SHELTERED ACCOUNTS (TSA)

A 403(b) TSA is a **retirement** program

Usually a voluntary payroll salary reduction program, i.e., *an elective deferral*

Employee elective deferrals are federal income tax sheltered

FICA, state & local taxes are paid when contribution is made

Federal income taxes on contributions and earnings are deferred until withdrawn

➤ Early withdraws from a 403(b) are subject to 10% penalty unless **age 55 and separated from service**



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403(B) – EMPLOYEE ELECTIVE DEFERRAL

Summary of Employee 403(b) Elective Deferral Limits

Employees can contribute the lesser of 100% of salary or:

For Calendar Year 2017	
Normal Limit	\$18,000
Aged 50+ catch up	\$ 6,000
Maximum Employee Contribution	\$24,000

WHY SHOULD I INVEST IN TAX SHELTERED ACCOUNTS?

To reduce your current federal tax burden



- Reduce current federal income taxes

To take advantage of tax-deferred earnings growth



457(B) PLANS – EMPLOYEE ELECTIVE DEFERRAL

A 457(b) Plan is a **Deferred Compensation** Program



- Very Similar to a 403(b) TSA (*in operation*):
 - Usually a voluntary payroll salary reduction program, i.e., *an elective deferral*
 - All contributions are federal income tax sheltered
 - FICA, state & local taxes are paid when contribution is made
 - Income taxes on contributions and earnings are deferred until withdrawn
- However, no 10% penalty on withdraws if separated from service

457(B) PLANS – EMPLOYEE ELECTIVE DEFERRAL

- Since 2002, school employees are permitted to participate in **both** 403(b) and 457(b) plans; there's no longer any offset.
- **457(b) contribution limits**
 - Same contribution limits as 403(b) (Up to 100% of salary or \$18,000 in 2017)
 - Same catch-up contributions for aged 50+ (\$6,000 in 2017)
 - Final 3 years of service catch-up of 200% of normal limit (missed opportunity catch-up)

Note: A 457(b) Plan may be implemented for just one Administrator or a group of Administrators!

COMBINED 403(B) AND 457(B) ELECTIVE DEFERRAL LIMITS

For Calendar Year 2017		
403(b) Limit – 100% of Salary or		\$18,000
➤ Aged 50+ Catch-up		<u>+6,000</u>
	TOTAL 403(b)	\$24,000
457(b) Limit – 100% of Salary or		\$18,000
➤ Aged 50+ Catch-up*		<u>+6,000</u>
	TOTAL 457(b)	\$24,000

403(B) AND 457(B) PLANS

- **You can tax shelter more income!**
 - **Late in career - maximize both 403(b) & 457(b) TSAs**
 - **Supplement or replace spouse's retirement plan**

or

 - **You have other income**
 - Sale of property
 - Inheritance

ROTH 403(B)

- **Contributions are made from AFTER-Tax compensation**
 - 403(b) Maximum Contribution (\$18,000 in 2017 *plus* the \$6,000 age 50 catch-up) applies to **combined** Roth 403(b) and traditional 403(b) TSA
 - Similar to the Roth IRA except:
 - Maximum Contributions are higher
 - There are **no Adjusted Gross Income (AGI) limits**

You should check with your Financial Advisor to learn more about the Roth 403(b) and whether it is right for you.

SCHOOL DISTRICT CONTRIBUTIONS TO ADMINISTRATORS' 403(B) PLANS

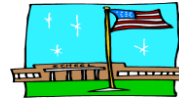


School district contributions to **403(b) Tax Sheltered Account Retirement Plan:**

- For employees and school district **combined**, the limit is the lesser of **\$54,000 in 2017, or 100% of pay**, plus the age 50+ catch-up
 - The school district may contribute during employment years and **up to five years after separation from service** (6 years total)
 - A **school district contribution** to the 403(b) **defers** federal income taxes and **avoids** FICA, (and in most states including PA) state & local taxes
 - **Avoids payroll system** – contribution made as Accounts Payable check directly to the employee's TSA vendor
- **Your 403(b) could be used for “ongoing” contributions but your 403(b) should always be used to tax shelter “termination pay” (unused sick, vacation and personal days, early retirement incentives or any other severance pay programs)**

SCHOOL DISTRICT CONTRIBUTIONS TO ADMINISTRATORS' 457(B) DEFERRED COMPENSATION PLAN

- School district contributions to a **457(b) Deferred Compensation Plan**:
 - Combined employee/employer contribution cannot exceed lesser of 100% of salary or elective deferral limit **\$18,000 in 2017**, plus age 50+ catch-up of **\$6,000 in 2017**
 - **Must** go through payroll system by *grossing-up* paycheck
 - **All** taxes must be paid when contribution is made, **except** employee defers federal income tax until funds are withdrawn
 - **No** post employment contribution are permitted
 - Use for **“ongoing” contributions**; never use for severance pay
- **Subject to PSERS** if part of “formal” salary (and not severance pay).



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QUESTIONS????

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