Engage Build
Realize Retirement®

Account Login/Enroll

RETIREMENT EDUCATION

Videos
Calculators
Chart
Updates

CONNECTIONS
Retirement
NEXT EXIT
1 WHAT DOES RETIREMENT MEAN TO YOU?
WHAT WILL YOU DO?

- Time with Family
- Hobbies, Leisure
- Travel
- Volunteer
- Work part-time

- Take time to reflect – there’s no single definition!
BENEFITS OF SOCIAL CONNECTIONS

Money matters but...

< $250,000 SAVINGS
and highly engaged socially

$1 MILLION+ SAVINGS
and not highly engaged socially

Source: “The Formula for a Satisfying Retirement” (Consumer Reports, Aug. 2014)
BENEFITS OF HEALTH

Most important ingredient for a happy retirement?

81% Said “GOOD HEALTH”

Steps you take now can really benefit you later

Source: “Health and Retirement Security” (Merrill Lynch & Age Wave, 2014)
RESOURCES

Volunteering
www.volunteermatch.org

Health
www.health.gov

Goals/Priorities
www.lifereimagined.org (AARP)
2 WHEN WILL YOU RETIRE?
Warren Buffett’s Five Reasons to Never Retire

#2 Insight
BENEFITS OF WORK, EVEN PART-TIME

FINANCIAL

HEALTH

MENTAL SHARPNESS

SOCIAL BONDS WITH COLLEAGUES

Source: Journal of Occupational Health Psychology (2009)
SOCIAL BENEFITS OF WORK

What PRE-RETIREES *thought* they’d miss most – RELIABLE INCOME

What RETIREES *actually* missed most – SOCIAL CONNECTIONS

Source: “Health and Retirement Security” (Merrill Lynch & Age Wave, 2014)
BUT DON’T ASSUME

1 in 2 stopped working earlier than anticipated

- 60% health problems or disability
- 27% changes at the employer
- 22% caregiving

Source: Employee Benefits Research Institute (2014 survey)
PLAN IN ADVANCE

- Reflect – retire gradually or cold turkey?
- Customize to your wishes and finances
- Decide with your spouse or partner
- Plan for different possibilities
WHERE WILL YOU LIVE?
EMOTIONAL + ECONOMIC FACTORS

- CLIMATE
- NEAR TO FAMILY
- HEALTH CARE QUALITY, PROXIMITY
- COST OF LIVING
SOMEBWHERE NEW? TEST IT OUT FIRST

✓ Don’t “vacation” – simulate “living there”
✓ Rent a home short-term before you buy
✓ Ask – will it meet your needs as you age?
RESOURCES

State & Local Taxes
www.taxfoundation.org
www.retirementliving.com/taxes-by-state

Locations
www.successfulaging.org

ICMA-RC is not responsible for external websites.
4 HOW MUCH WILL YOU SPEND?
RULE OF THUMB – YOU’LL NEED...

80% PRE-RETIREMENT INCOME

- Maintain your standard of living
- Savings and certain taxes...

Some will need more, some less
KNOW YOUR SPENDING NEEDS

COMPARE

Now

In Retirement

WHAT WILL CHANGE?

More you know now, more prepared you are later
IDENTIFY NEEDS VS. WANTS

- **Essential**
- **Nice to have**

- Pay extra attention to the essentials

[ICMA RC logo]
DEBT

- Aim to be debt-free – flexibility is key
- Be open to exceptions – a low-rate fixed mortgage
- Watch out for pitfalls – co-signing loans
THE REALLY UNCERTAIN WILDCARDS

YOUR LIFESPAN – living in your 90s?

INFLATION – even a low rate still adds up

TAXES – can’t predict life or Congress

HEALTH and long-term care

Plan for different possibilities
HEALTH CARE

Retire before Medicare eligibility? Ensure coverage

Medicare doesn’t cover everything...

Regardless, lots of out-of-pocket costs

...including most long-term care

- Likely to be a big expense – plan for it
EVALUATE...

- Employer retiree health benefits – pre + post age 65
- Medicare enrollment periods, coverage, plans
- Long-term care insurance

Avoid coverage gaps and penalties
SPENDING MAY CHANGE...

Exception – health, long-term care

For many, it declines

Confidence to spend in early retirement…if prepared for a potential uptick in costs later?
RESOURCES

Health Care
www.healthcare.gov
www.medicare.gov
www.icmarc.org/health
www.icmarc.org/medicare

Long-Term Care
www.longtermcare.gov
www.icmarc.org/longtermcare

Cash Flow
www.icmarc.org/spend
www.icmarc.org/debt

ICMA-RC is not responsible for external websites.
WHERE WILL THE MONEY COME FROM?
PENSION

- Beginning at what age?
- If you wait?
- How much?
- Inflation adjustments along the way?
- Surviving spouse?

- Get the facts – contact your benefits office
WHEN YOU CLAIM SOCIAL SECURITY MATTERS

- Access your account online
- Know if you’ll get less due to non-covered employment

For illustrative purposes only
SOCIAL SECURITY DECISIONS

Compare all your options before you decide

Married? Explore how to maximize potential benefits over *both* lifetimes
WILL YOUR SAVINGS BE ENOUGH?

GET A PROJECTION...

- Calculator
- Advice service
- Financial plan

- Then review with a professional
DON’T ASSUME...

- Plan for different, realistic scenarios
IF YOU HAVEN’T SAVED ENOUGH

- SAVE more
- SPEND less
- DELAY retirement
- EARN income during retirement
- HOUSING – downsize, rent out, reverse mortgage

Control what you can, while you can
SAVE MORE

YOU MAY BE ABLE TO CONTRIBUTE
ACCRUED SICK & VACATION LEAVE

*“Normal retirement age,” as defined in the plan and based on extent to which maximum contributions not made in previous years. The two catch-up provisions cannot be combined in the same year.
RESOURCES

Saving
www.icmarc.org/contributionlimits

Social Security
www.ssa.gov
www.icmarc.org/socialsecurity

Housing
www.icmarc.org/reversemortgage

ICMA-RC is not responsible for external websites.
HOW WILL YOU TURN YOUR SAVINGS INTO INCOME?
MEET YOUR ESSENTIAL EXPENSES

Fill the gap with ANNUITY INCOME

Income no matter how long you live or how the markets perform
BUCKETS

Divide your investments based on when you’ll need the money

- **LOWER-RISK** investments
  - MONEY NEEDED NEXT 3-5 YEARS
- **HIGHER-RISK** investments
  - MONEY NEEDED LONGER-TERM

ICMA-RC
BUILDING PUBLIC SECTOR RETIREMENT SECURITY
RESOURCES

www.icmarc.org/retireeplanner

www.icmarc.org/incomegap

www.icmarc.org/incomesolutions
HOW WILL YOU INVEST YOUR SAVINGS?
THE BIG RISK

What if you retire here?
Taking withdrawals would lock in those losses
BUT THE BALANCING ACT CONTINUES

TAKE LOWER RISK
Less time to recover

BUT NEED SOME RISK
Inflation
Long retirement

- A no-stock portfolio *increases* chance you’ll run out of money
RESOURCES

www.icmarc.org/rebalance
www.icmarc.org/invest
HOW WILL YOU MANAGE YOUR TAXES?
INCOME IS TAXED AT DIFFERENT RATES

### 2016 Tax Rates

<table>
<thead>
<tr>
<th>Tax Rate of...</th>
<th>Individual Taxpayers</th>
<th>Married Taxpayers Filing Jointly</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$0 to $9,275</td>
<td>$0 to $18,550</td>
</tr>
<tr>
<td>15%</td>
<td>$9,275 to $37,650</td>
<td>$18,550 to $75,300</td>
</tr>
<tr>
<td>25%</td>
<td>$37,650 to $91,150</td>
<td>$75,300 to $151,900</td>
</tr>
<tr>
<td>28%</td>
<td>$91,150 to $190,150</td>
<td>$151,900 to $231,450</td>
</tr>
<tr>
<td>33%</td>
<td>$190,150 to $413,350</td>
<td>$231,450 to $413,350</td>
</tr>
<tr>
<td>35%</td>
<td>$413,350 to $415,050</td>
<td>$413,350 to $466,950</td>
</tr>
<tr>
<td>39.6%</td>
<td>$415,050+</td>
<td>$466,950+</td>
</tr>
</tbody>
</table>

*Applies to each $ of taxable income that is between/over...

- Aim to maintain as low bracket as possible based on your lifestyle.*
DIVERSIFY YOUR TAXES

Owning *differently taxed* assets can help you optimize your tax bill

- **Pre-Tax**
  - Ordinary Income
- **Roth**
  - Tax-Free
- **Non-Retirement**
  - Capital Gains

- Ability to withdraw a mix *from* each based on your specific situation
RETIREMENT ACCOUNT RMDs

Take steps before RMD to lessen tax hit after?

Must take yearly taxable RMDs*

Age 70½

Take extra distributions (remaining in low bracket)?

* General exceptions include Roth IRAs, which are not subject to RMDs until they are “inherited”, and RMDs associated with retirement plans sponsored by a current employer, which may be delayed until retirement.
TAX BENEFITS FOR PUBLIC SAFETY EMPLOYEES

Up to $3,000 a year tax-free

From 401 or 457 plan for health or long-term care insurance premiums*

* Eligibility rules apply. You must have separated from service as a public safety employee due to attaining normal retirement age or disability. Provision must be allowed under your plan’s rules.
RESOURCES

www.irs.gov

www.icmarc.org/taxplanning

www.icmarc.org/rothconversion

www.icmarc.org/rmdcalc

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HOW WILL YOU PLAN YOUR ESTATE?
ESTATE PLANNING IS FOR EVERYONE

- Ensure your assets go to whom you want and when
- Protect, control assets in case you become incapacitated
- Clearly communicate your wishes to minimize stress
KEY ESTATE PLANNING DOCS

- Beneficiary designations
- Will
- Financial power of attorney
- Medical power of attorney and living will
- Trusts
RESOURCES

www.icmarc.org/estate

www.icmarc.org/beneficiary

Consult an estate planning professional
WHO WILL GUIDE YOU?
GET THE HELP YOU NEED

- INSURANCE
- RETIREMENT PLANS, INVESTMENTS
- ESTATE PLANNING
- HOUSING
- TAXES
- CASH FLOW

YOU
RESOURCES

Get a financial plan – www.icmarc.org/financialplans

ICMA-RC CERTIFIED FINANCIAL PLANNERS™ point our participants in the right direction
YOU’RE ONLY OLD ONCE!
QUESTIONS

More online resources – www.icmarc.org/retiree