This program is made possible by a grant from the FINRA Investor Education Foundation through Smart Investing@your library®, a partnership with the American Library Association.

PLAN YOUR FINANCIAL FUTURE
PREPARING FOR RETIREMENT
Financial Industry Regulatory Authority (FINRA)

- Independent, non-governmental regulator for all securities firms doing business with the public in the U.S.
- Protects investors and maintains market integrity in a public-private partnership with the Securities and Exchange Commission
- Regulation, enforcement, education

FINRA Investor Education Foundation

- Awards grants and manages targeted projects focused on investor education and protection
- Smart investing@your library is a partnership with the American Library Association
Investments and Financial Planning

“You’re confused. That means I explained it properly.”
Alice: Would you tell me, please, which way I ought to go from here?

The Cheshire Cat: That depends a good deal on where you want to get to.

Alice: I don't much care where.

The Cheshire Cat: Then it doesn't much matter which way you go.

Alice: ...So long as I get somewhere.

The Cheshire Cat: Oh, you're sure to do that, if only you walk long enough.
Getting started...

How much time do you have?

How much money do you want/need?

What support do you want/need?
Risk Tolerance or Risk Preference

Emotional ability to handle changes in the market.

- Have cash available for emergencies
- Conservative, Moderately Conservative, Aggressive
What choice appeals to you more?

Sample Risk/Reward Options

<table>
<thead>
<tr>
<th>Aggressive</th>
<th>Moderate</th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>-10</td>
<td>-4</td>
<td>-1</td>
</tr>
</tbody>
</table>

- Growth
- Loss

FAMILY
Prosperity Initiative
Financial Literacy for All
Housing vs. Stock Market

![Graph comparing S&P 500 and National Housing Market trends from 1997 to 2013.]

- **S&P 500**
- **Housing Market**
Deciding How Much You Need

• Most experts recommend having between 70-80% of your annual pre-retirement income.

• FINRA Tools: http://apps.finra.org/calcs/1/retirement


• Choose to Save Ballpark Estimate: http://www.choosetosave.org/ballpark/
Social Security Retirement Calculator

- [https://www.ssa.gov/](https://www.ssa.gov/)

### Your Retirement Benefit Estimate

The age that you start your benefits determines how much you receive each month.

We created estimates for you at three common retirement ages using your earnings information. You can also add your own custom estimates by changing your stop work age and future earnings.

<table>
<thead>
<tr>
<th>If you start your benefits:</th>
<th>And you earn an average of:</th>
<th>Your benefit will be about:</th>
<th>Actions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At age 68</td>
<td>$40,000 a year (from now until age 68)</td>
<td>$1,615 a month</td>
<td>Edit</td>
</tr>
<tr>
<td>At age 65</td>
<td>$40,000 a year (from now until age 65)</td>
<td>$1,354 a month</td>
<td>Edit</td>
</tr>
<tr>
<td>At age 62</td>
<td>$40,000 a year (from now until age 62)</td>
<td>$1,080 a month</td>
<td>Edit</td>
</tr>
<tr>
<td>At full retirement (age 67)</td>
<td>$35,000 a year (from now until full retirement)</td>
<td>$1,429 a month</td>
<td>--</td>
</tr>
<tr>
<td>At age 70</td>
<td>$35,000 a year (from now until age 70)</td>
<td>$1,772 a month</td>
<td>--</td>
</tr>
<tr>
<td>At age 62</td>
<td>$35,000 a year (from now until age 62)</td>
<td>$994 a month</td>
<td>--</td>
</tr>
</tbody>
</table>
Investor.gov Calculator:
http://1.usa.gov/1SdVprO

Your estimated total is $85,951 after 30 years.

Savings inputs:
Press spacebar to hide inputs

- Starting amount: $1,000
- Years to save: 30
- Rate of return: 8%
- Additional contributions: $50
- Frequency: per month
- Interest: compound monthly

Balance by Year
press spacebar to hide graph
Consider All Of Your Options

• Reverse Mortgage
• Refinance Your Home
• Sell Your Home
• Purchase Properties
• Working Part-Time
• Camp Host
“Diversification is important. The more investments you have, the longer it takes to figure out how much you’ve lost.”
Diversification

• Spread your money over various investments.

• Minimizes your risk.
Asset Allocation

• The process for dividing up your assets in your investments to balance risk and reward.

• You can choose investments that will adjust or reallocate automatically based on your time frame.

• You or your investment advisor can adjust the investments a few times a year.
### Common Investments

<table>
<thead>
<tr>
<th><strong>Stock</strong></th>
<th>• Piece of ownership in a company.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bond</strong></td>
<td>• You loan money to a company or government agency</td>
</tr>
<tr>
<td><strong>Mutual Funds</strong></td>
<td>• Professionally managed fund that puts money together from many investors to buy stocks, bonds, and other securities.</td>
</tr>
</tbody>
</table>
Investments and Financial Planning

“If you had taken tomorrow’s advice yesterday, you’d be rich today!”
Get Going

• Make your investments automatic.

• Find out if your employer offers any retirement plans.

• Prepare for your future!
Words to Know

• **Contribution:** Amount you or your employer invests

• **Withdrawal/Distribution:** The amount you take out at retirement

• **Vesting Period:** The amount of time you must work at a company to keep the money your employer contributes for you.
Roth vs. Traditional

Roth
- After-Tax contributions
- What tax bracket will you be in?
- Withdrawals are tax free

Traditional
- Pre-Tax Contributions
- Reduces Federal Taxable Income Now
- Withdrawals are taxed in retirement.

What tax bracket will you be in?
401k

Primarily funded by the employee
- Automatically invest from your paycheck
- If you change jobs you can take your 401k with you

Contribute at least up to your employer match
- Employee can invest up to $18,000 a year
- Contribute an additional $6,000 if you are over 50

Taxes depend if you chose Roth or Traditional
- Can start taking withdrawals at age 59.5.
- Early withdrawals are costly!
403 (b) Plans

Primarily funded by employee.
• Automatically invest from your paycheck
• Employees of schools, hospitals, religious groups, charities.

May not have as many investment options.
• Employee can invest up to $18,000 a year
• Contribute an additional $6,000 if you are over 50

Distributions in retirement are taxed at ordinary income tax rate if you choose a traditional plan.
• Can take contributions at age 59.5
• Must start taking a distribution at age 70.5
457-Deferred Compensation

State and local government employees
- Some non-profits will also offer the plan.
- If you have a 403(b) or 457 you can max your contribution.

Extra catch-up contribution allowed
- Invest up to $18,000 a year, additional $6,000 if over 50
- If within 3 years of retirement you can invest up to $36,000

Can take distributions out prior to 59.5
- Distributions are taxed at your ordinary tax rate.
- Assets in plan are owned by employer, subject to creditors.
Thrift Plan

Federal Employee
- Contributions are automatically invested from paycheck
- Some agencies will match your contribution

Contributions
- Invest up to $18,000 a year.
- Invest an additional $6,000 if over 50

Tax-Deferred
- Money will not be taxed until you retire and withdraw it.
- No matching contribution for uniformed services*

*Uniformed Services: Includes members of the military, the Coast Guard, the Public Health Service, and the National Oceanic and Atmospheric Administration
Pensions- Defined Benefit

- Depends on # of years worked and your income.
- Set amount of income.
- Controlled by employer.
- Employee can not choose investment options.
- If company fails, declares bankruptcy or the chosen investments do poorly then the pension could be lost.
ADDITIONAL INVESTMENTS
Individual Retirement Accounts

- Individual Retirement Account set up at a bank, brokerage firm or mutual fund company.
- You choose the investments.
- Contribute up to $5,500 a year or $6,500 if you are over 50.
- Must have earned income to contribute.
  - Alimony counts as earned income.
  - Spouses can contribute to their own account if they do not work outside of the home.
# Individual Retirement Accounts - Withdrawals

<table>
<thead>
<tr>
<th>Roth IRA</th>
<th>Traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You never have to take required minimum distributions from your Roth IRA. Contributions can be withdrawn any time without taxes or penalty. Early withdrawal penalties on earnings before age of 59.5</td>
<td>• Turning 70½ years old triggers required minimum distributions from your traditional IRA. A 10% tax penalty will apply to any withdrawal—of contributions, earnings or both—before you reach age 59.5, unless you meet an exception set by the IRS.</td>
</tr>
</tbody>
</table>
# Individual Retirement Accounts - Taxes

<table>
<thead>
<tr>
<th>Roth IRA</th>
<th>Traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Contributions are not tax deductible.</td>
<td>• Contributions may be tax deductible, depending on your income and whether you are covered by a retirement plan through your employer.</td>
</tr>
<tr>
<td>• Earnings may be withdrawn tax free as long as the account has been open at least five years and you are 59½ or older.</td>
<td>• Earnings are tax deferred if withdrawn when you are 59½ or older.</td>
</tr>
<tr>
<td>• Contributions can be withdrawn any time without taxes or penalty.</td>
<td></td>
</tr>
</tbody>
</table>
My Retirement Account

What is it?

• Simple, safe, affordable way to save for retirement.
• Offered through the United States Treasury Department

What does myRA invest in and does it lose money?

• A new United States Treasury retirements savings bond.
• The account will not lose money.

Is this a good option for me?

• You do not have a retirement savings plan through work.
• You find the cost of opening and maintaining a retirement account is too high.
• You are concerned about complicated investment options and losing money.
My Retirement Account

Opening the Account: [https://myra.gov/](https://myra.gov/)
- No fees.
- No minimum contribution amount. You could open the account with $1.00.

Contributions: Paycheck, Bank Account, Tax Refund
- You or your spouse must have earned income.
- Same investing limits as a Roth IRA- Invest $5,500 a year or $6,500 if over 50.

Transfers and Rollovers
- At $15,000 or when your account is 30 years old- you will have to transfer your money into the private sector Roth IRA.
My Retirement Account

- You can withdraw the money you invest at any time with no penalties.
- You can only open one myRA during your life.
- Not intended to be your only retirement option, but it is a great place to start.
# Who Can Help Me?

<table>
<thead>
<tr>
<th>Title or Name:</th>
<th>What do they do?</th>
<th>Potential Cost:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Planners</td>
<td>Usually offers a comprehensive financial plan to help you accomplish your goals</td>
<td>Fee only is best because they don’t make money from sales. Hourly, annual fee, monthly fee, commission.</td>
</tr>
<tr>
<td>Broker</td>
<td>Make specific recommendations on stocks, bonds, mutual funds.</td>
<td>Commissions when they buy and sell securities.</td>
</tr>
<tr>
<td>Investment Advisor</td>
<td>Gives advice on securities. Not all investment advisors are financial planners</td>
<td>Commissions, fees</td>
</tr>
<tr>
<td>Fund Manager</td>
<td>Usually works for a specific investing company or firm.</td>
<td>Maintenance fees, or commissions</td>
</tr>
</tbody>
</table>
Who Can Help Me?

<table>
<thead>
<tr>
<th>Title or Name</th>
<th>What they do?</th>
<th>Cost?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Brokerage</td>
<td>Assists you in buying investments. May have limited staff to help. Can be great if you feel confident about buying and selling on your own.</td>
<td>Lower fees and commissions than a full-service brokerage.</td>
</tr>
<tr>
<td>Full-Service Brokerage</td>
<td>Assist you in buying investments. May have more staff available.</td>
<td>Higher fees and commissions.</td>
</tr>
</tbody>
</table>

**It pays to ask how they make their $.**

Banks, Credit Unions, Insurance Companies, Accountants also offer financial advising services.
## What Questions Should You Ask Your Investment Advisor?

<table>
<thead>
<tr>
<th>Ask! Ask!! Ask!!!</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What experience do you have, especially with people in my circumstances?</strong></td>
</tr>
<tr>
<td><strong>Where did you go to school? What is your recent employment history?</strong></td>
</tr>
<tr>
<td><strong>What licenses do you hold? Are you registered with the SEC, a state, or the Financial Industry Regulatory Authority (FINRA)?</strong></td>
</tr>
<tr>
<td><strong>What products and services do you offer?</strong></td>
</tr>
<tr>
<td><strong>Can you only recommend a limited number of products or services to me? If so, why?</strong></td>
</tr>
<tr>
<td><strong>How are you paid for your services? What is your usual hourly rate, flat fee, or commission?</strong></td>
</tr>
<tr>
<td><strong>Have you ever been disciplined by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work you did?</strong></td>
</tr>
<tr>
<td><strong>For registered investment advisers, will you send me a copy of both parts of your Form ADV?</strong></td>
</tr>
</tbody>
</table>
More Questions to Ask Your Investment Advisor?

<table>
<thead>
<tr>
<th>Ask! Ask!! Ask!!!</th>
</tr>
</thead>
<tbody>
<tr>
<td>How will the investment make money?</td>
</tr>
<tr>
<td>How is this investment consistent with my investment goals?</td>
</tr>
<tr>
<td>What must happen for the investment to increase in value?</td>
</tr>
<tr>
<td>What are the risks?</td>
</tr>
<tr>
<td>Where can I get more information?</td>
</tr>
<tr>
<td>How will you contact me if you want to sell a security?</td>
</tr>
<tr>
<td>Will I have an online account where I can monitor my investments?</td>
</tr>
</tbody>
</table>
Remember

1. Shop around
2. Check out at least three financial advisors
3. It is your money and your future, you should trust who you work with.
4. Make sure your planner, advisor or broker is licensed.
Thank you!

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