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Retirement Planning 101

A Guide to Achieving Your
Financial Goals

Where to Start?

- Where will I live?
- What will I do?
- How much money will I need?
- How much money do I have?
- What are likely health-related issues?



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A Budget: What Does It Do?

- Is a spending plan
- Identifies where money goes
- Can limit amounts spent on certain categories of expenses
- Helps reach financial goals



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Why Budget?

- Control
- Organization
- Opportunities
- Extra time
- More money



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Categories of Expenses

- Fixed
- Variable



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Fixed Expenses

- Taxes
- Mortgage or rent
- Utilities
- Insurance
- Automobiles



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Variable Expenses

- Food
- Clothing
- Furniture, appliances
- Gas, oil
- Entertainment
- Medical care
- Gifts
- Vacation
- Personal Items



Categories of Income

- Wages/salary
- Income from self-employment
- Pension, IRA distributions
- Interest and dividends
- Social Security



Moment of
Truth

Income
- Expenses

?



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Assets

- Cash
- Stocks, bonds, mutual funds
- Home
- Car, truck, boat
- Furnishings, antiques, jewelry, coins, etc.



Liabilities

- Mortgage
- Car and other loans
- Credit card debt
- Taxes dues
- Major unpaid bills
- Other



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Net Worth

=

**Total
Assets**

-

**Total
Liabilities**

Why Calculate Net Worth?

- Applying for a loan
- Preparing a will
- Determine insurance needs
- Progress toward financial goals



FULL RETIREMENT AGE (FRA)



1943 to 1954

66

1955

66 & 2 months

1956

66 & 4 months

1957

66 & 6 months

1958

66 & 8 months

1959

66 & 10 months

1960 and later

67

Data source: Social Security
Administration

Reduction Factors

Year of Birth	Total Percent Reduction
1937 or earlier	20.00
1938–1942	20.83 – 24.17
1943–1954	25.00
1955–1959	25.83 – 29.17
1960 and later	30.00

Increase Factors

Year of Birth	Yearly Rate of Increase
1937–1938	6.5%
1939–1940	7.0%
1941–1942	7.5%
1943 or later	8.0%

Source: Social Security Administration

Income Tax on Benefits

Total Income	Portion Taxable
<u>Individual</u>	
< \$25,000	None
\$25,000 – \$34,000	50%
> \$34,000	85%
<u>Joint</u>	
< \$32,000	None
\$32,000 – \$44,000	50%
> \$44,000	85%

Social Security



**Annual Earnings Limit:
\$22,320 for 2024**



Social Security Benefits

What to Bring to Apply for Social Security Benefits:

1. Your Social Security card or proof of your Social Security number
2. Information about the home where you live, such as the mortgage, lease, and landlord's name
3. Tax return or W-2 forms, payroll slips, insurance policies and other information about your income and the things you own
4. Proof of U.S. Citizenship or eligible non-citizen status
5. Your checkbook or other papers that show your bank, credit union or financial institution account number so you can have your payments deposited directly into your account.

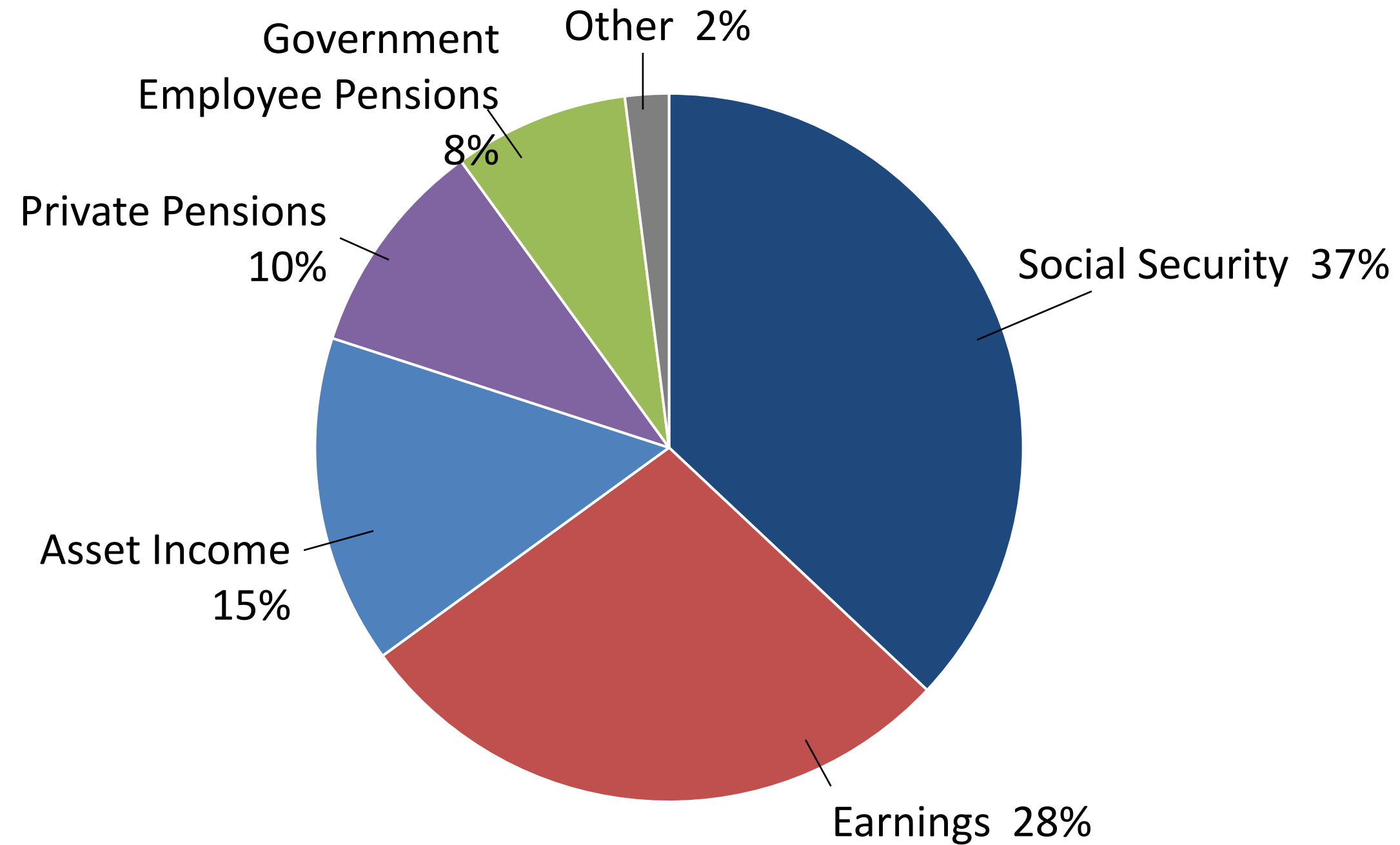


Just How Much Will You Need in Retirement?

Your Current Income: \$ _____ x .75
= Amount needed each year in retirement



Income During Retirement



Life Expectancy

- The average 65-year-old male can expect to live to 84.2
- The average 65-year-old female can expect to live to 86.8



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Source: <http://socialsecurity.gov/planners/lifeexpectancy.html>



Medical Expenses

Plan for Rising Medical Expenses

A 65-year-old American couple will need \$315,000 to pay for medical expenses throughout retirement, not including nursing home care.



Health Care Coverage

Medicare

Eligibility: Age 65

Four Parts



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Source: Social Security Administration



Health Care Coverage

Medicare

Part A – Hospital Insurance

Part B – Medical Insurance

Part C – Medicare Advantage Plan

Part D – Prescription Drug Coverage



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Health Care Coverage

Medicare Premiums for 2024

Part A – Usually \$0

Part B – \$174.70*

Part C – varies by plan

Part D – varies by plan



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* Based on your yearly income



Health Care Coverage

MediGap (Supplemental Insurance) Policies

MediGap Resources:

- www.medicare.gov/medigap
- www.aarp.org/health/medicare/insurance

These sources provide background information on MediGap insurance plans that supplement Medicare and the benefits those plans cover.



Long Term Care Insurance

Q: Who needs long term care insurance?

A: Anyone concerned about providing for potential future needs and looking to protect life savings and assets for themselves, their family and heirs



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Long Term Care Insurance

Long Term Care Resources:

- www.longtermcare.gov

National clearinghouse for long-term care information



Are You Ready?

GETTING PREPARED Retirement Readiness Worksheets

As you think about this new adventure called retirement, make certain that you are as prepared as possible. Reviewing, completing and adding to this checklist may go a long way toward ensuring a pleasant and secure retirement.

Timeline for Retirement



- Estimate expenses in retirement
- Estimate income from all sources
 - Social Security
 - Pension plan
 - Retirement plan
 - IRAs
 - Savings
 - Other investments
- Consider distribution options
 - Rollover to IRA
 - Full or partial withdrawals
 - Leave account balance in plan
 - Consider annuities
- Prepare a realistic retirement budget
- Watch for income tax implications
- Estimate how long savings will last
- Review options for Social Security
 - Work longer?
 - Start benefits before full retirement age?
 - Delay benefits?
- Verify healthcare coverage
- Learn about Medicare choices
- Consider long-term care insurance
- Monitor retirement account asset allocation
- Do an annual portfolio checkup
- Consider estate planning
 - _____
 - _____
 - _____
 - _____

Now fill in the worksheets in this booklet. It will help you put this information to use as you get ready to retire.

A: Today's Money

Fill in the amount for yourself and for your spouse in columns 1 and 2. Add up the money across each row for a total in column 3. Then add all the numbers down column 3 and write the total in the bottom row.

	1 You	2 Spouse	3 Total
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

B: Money from Now

	1 Current \$ value (from Worksheet A, Column 3)	2 *Asset growth factor (rate of return)	3 Value of savings in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

C: New Savings Between Now and Retirement

Savings Growth Factors for Three Selected Rates of Return*
139.741 for 3% 155.282 for 5% 173.085 for 7%

	1 Estimated monthly savings amount	2 *Savings growth factor	3 Value of savings in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

D: Monthly Income Over a 30-Year Retirement

Income Conversion Factors for Assumed Rates of Interest*
0.004216 for 3% 0.005368 for 5% 0.006653 for 7%

	1 Accumulated assets (Column 3 from Worksheet B plus Column 3 from Worksheet C)	2 *Income conversion factor	3 Monthly income beginning at retirement (Column 1 x Column 2)
Social Security (estimate based on your retirement year)			
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Retirement Timeline

- Age 50** Begin making catch-up contributions, an extra amount that those over 50 can add to 401(k) and other accounts
- Age 59½** No more tax penalties on early withdrawals from retirement accounts, but leaving it in means more time for your money to potentially grow
- Age 62** The minimum age to receive Social Security benefits, but delaying means a bigger monthly benefit
- Age 65** Eligible for Medicare
- Age 66** Eligible for Full Social Security benefits if born between 1943 and 1954
- Age 73** Start taking minimum withdrawals from most retirement accounts by this age; otherwise, you may be charged heavy tax penalties in the future



Worksheet A

A: Today's Money

Instructions: Record amounts for yourself and for your spouse in columns 1 and 2. Add up the money across each row for you and your spouse, and write the total in column 3. Then add all the numbers down column 3 and write the total in column 3 at the bottom.

	1 You	2 Spouse	3 Total
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet B

B: Your Money – 10 Years from Now

Asset Growth Factors for Three Selected Rates of Return*

1.344 for 3%

1.629 for 5%

1.967 for 7%

	1 Current \$ value (from Worksheet A, Column 3)	2 *Asset growth factor (rate of return)	3 Asset value in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet C

C: New Savings Between Now and Retirement

Savings Growth Factors for Three Selected Rates of Return*

139.741 for 3% 155.282 for 5% 173.085 for 7%

	1 Estimated monthly savings amount	2 *Savings growth factor	3 Value of savings in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet D

D: Monthly Income Over a 30-Year Retirement

Income Conversion Factors for Assumed Rates of Interest*

0.004216 for 3% 0.005368 for 5% 0.006653 for 7%

	1 Accumulated assets (Column 3 from Worksheet B plus Column 3 from Worksheet C)	2 *Income conversion factor	3 Monthly income beginning at retirement (Column 1 x Column 2)
Social Security (estimate based on your retirement year)			
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet E

E: Monthly Expenses Today

Instructions: Now that you know what your savings and investments are, the next step is to move on to today's expenses. Worksheet E calculates what you spend today.

Some monthly expenses are easy to figure. Others, like a heating bill, may not remain the same from month to month and will require a calculation of your average monthly bill over a year's time. Still other bills may arrive only quarterly. While you may want to estimate some of these bills the first time you fill in the worksheets, you will want to add more accurate figures later.

If you are married, include your spouse's expenses and anyone who is financially dependent on you.



	Monthly amount
Housing	
Mortgage (including HOA fees)	
Rent	
Maintenance	
Food (at home)	
Utilities	
Electricity	
Heat	
Internet/cable	
Phones	
Water/sewer	
Gas	
Clothing	
Taxes	
Real estate	
Income (state and federal)	
Other property taxes	
Insurance	
House	
Life	
Car	
Disability	
Long-term care	

Worksheet E

Worksheet E - continued

	Monthly amount
Loans	
Car	
Credit card	
Other	
Retirement savings	
Personal care	
Hair cut	
Dry cleaning	
Gym	
Other	
Transportation	
Car repairs and maintenance	
Gas	
Parking	
Public transportation	
Travel/vacations	
Entertainment	
Eating out	
Hobbies	
Movies/theatre	
Charitable contributions	
Other	
Gifts	
Membership dues	
Pet-related costs	
TOTAL ESTIMATED MONTHLY EXPENSES (other than health)	
Healthcare	
Health insurance	
Doctor visits	
Hospital	
Medicine	
Over-the-counter medicine	
Dental	
Vision	
Noncovered items	
TOTAL ESTIMATED MONTHLY EXPENSES (health)	

Worksheet F

F: Monthly Expenses in 10 Years

(First year of retirement)

	1 Total monthly expenses now (from monthly expenses column in Worksheet E)	2 10-year inflation factor of 1.4106 (3.5%)* (except for healthcare – see below)	3 Total expenses in 10 years adjusted for inflation (Column 1 x Column 2)
Housing			
Mortgage (including HOA fees)			
Rent			
Maintenance			
Food (at home)			
Utilities			
Electricity			
Heat			
Internet/cable			
Phones			
Water/sewer			
Gas			
Clothing			
Taxes			
Real estate			
Income (state and federal)			
Other property taxes			
Insurance			
House			
Life			
Car			
Disability			
Long-term care			
Loans			
Car			
Credit card			
Other			
Retirement savings			

* This inflation rate factor is simply the factor equal to a 3.5% inflation rate for 10 years.

Worksheet F

Worksheet F - continued

	1 Total monthly expenses now (from monthly expenses column in Worksheet E)	2 10-year inflation factor of 1.4106 (3.5%) (except for healthcare)	3 Total expenses in 10 years adjusted for inflation (Column 1 x Column 2)
Personal care			
Hair cut			
Dry cleaning			
Gym			
Other			
Transportation			
Car repairs and maintenance			
Gas			
Parking			
Public transportation			
Travel/vacations			
Entertainment			
Eating out			
Hobbies			
Movies/theatre			
Charitable contributions			
Other			
Gifts			
Membership dues			
Pet-related expenses			
TOTAL MONTHLY EXPENSES ADJUSTED FOR 10 YEARS INFLATION (other than health)			
Healthcare (for a 7% inflation factor use 1.9672)			
Health insurance			
Medicare Part B			
Medigap			
Doctor visits			
Hospital			
Medicine			
Over-the-counter medicine			
Dental			
Vision			
Noncovered items			
TOTAL MONTHLY EXPENSES ADJUSTED FOR 10 YEARS INFLATION (health)			

Worksheet G

G: Comparing Projected Income and Expenses

Instructions: This worksheet compares your anticipated income and expenses over 30 years in retirement and is designed to reflect any shortfall between the two.

Use the total monthly income calculated in Worksheet D and multiply it by a value adjustment factor for 0% (0.5174) at right. Then multiply this result by 360 months and enter that amount in Column 4 of Worksheet G. This is your total projected income.

Next, record the total monthly expenses calculated in Worksheet F. For expenses other than health, choose an inflation adjustment value factor of 4%. For health, use a 7% inflation rate. Multiply this result by 360 months and enter it in Column 4. Now subtract the total value of

projected expenses ("other than health" and "health") over 30 years of retirement in Column 4 from the corresponding total value of your projected income (also in Column 4). The result is the projected value of income less expenses.

Value Adjustment Factors	
Inflation rate	5% assumed rate of return
0%	0.5174
3%	0.7520
4%	0.8640
7%	1.3691

	1 At retirement	2 Inflation adjusted value factor (See chart above)	3 Value in \$ at retirement for one month (Column 1 x Column 2)	4 Total value in \$ at retirement (Column 3 x 360 months)
Total projected income Worksheet D, Column 3 total				
Total projected expenses Worksheet F, Column 3 total Health Other than health				
Projected value of income less expenses Subtract Line 2 from Line 1				

Worksheet H

H: Additional Savings Needed Before Retirement (in 10 Years)

Additional Savings Factors*

0.00716 for 3% 0.00644 for 5% 0.00578 for 7%

Gap between projected total value of expenses and projected total value of income (from Worksheet G)	
Additional savings factor*	
Additional monthly savings needed (Multiply Line 1 x Line 2)	



Useful Resources

www.aarp.org – American Association of Retired Persons

- (informational articles and interactive tools)

www.dinkytown.net – variety of financial calculators and tools

www.ssa.gov – official Social Security website

www.medicare.gov – official Medicare website

www.irs.gov – Internal Revenue Service official site

ussfcu.org/fas – USSFCU Financial Advisory Services

ussfcu.org/ira – Retirement Central

- (planning tools and online account management)



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Thank You!

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