

Retirement Planning

What You Need to Know

Ritta McLaughlin, Director, Investor Education
FINRA Investor Education Foundation

Alabama Council on Economic Education - April 18, 2024



By the End of Our Session Today

You will know:

- Who We Are
- Why Plan
- Ways to Save for Retirement
- Other Considerations
- Key Investing Concepts
- Where to Find Free Resources to Learn More



1 | Who We Are

Who We Are



FINRA Financial Industry
Regulatory Authority

Mission:

- Investor protection
- Market integrity

What we do:

- Write rules
- Surveil the markets
- Discipline rule breakers
- Educate investors

FINRA Investor Education
FOUNDATION®

Mission:

- Empowers underserved Americans with knowledge, skills and tools to make sound financial decisions throughout life

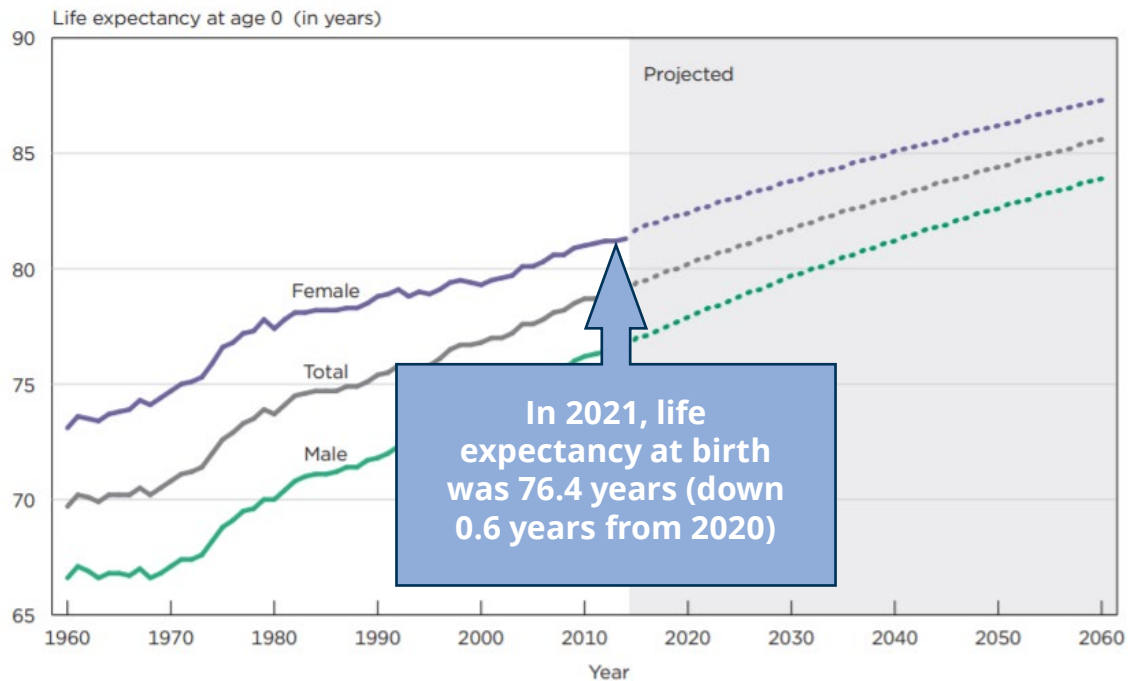
What we do:

- Protect consumers from financial fraud
- Conduct and support research
- Foster financial capability in communities

2 | Why Plan?

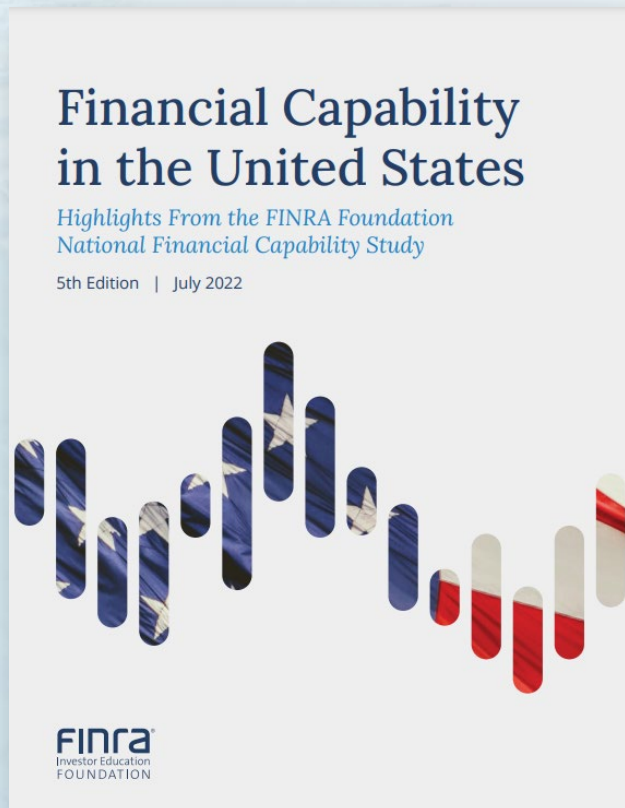
US Adults Are Living Longer

Figure 1.
Historical and Projected Life Expectancy for the Total U.S. Population at Birth: 1960-2060



Sources: U.S. Census Bureau, 2017 National Population Projections, 2015-2060, and National Center for Health Statistics Life Tables, 1960-2014, <www.cdc.gov/nchs/data/nvsr/nvsr68/nvsr68_07-508.pdf>.

Many Americans Are Not Prepared



52%

HIGH FIN LIT

Have tried to figure out retirement savings needs
(versus 29% with low levels)

Have an IRA or 401(k)
(versus 29% with low levels)

70%

HIGH FIN LIT

56%

Feel stress thinking about personal finances



Financial Stress Impacts Retirement Planning

53%

Thinking about finances makes them anxious



44%

Discussing their finances is stressful

Having a Roadmap Helps



Starting Early Can Help, Too



Sue the Saver

- Starts at 30
- Saves \$150 per month
- Retires at 65



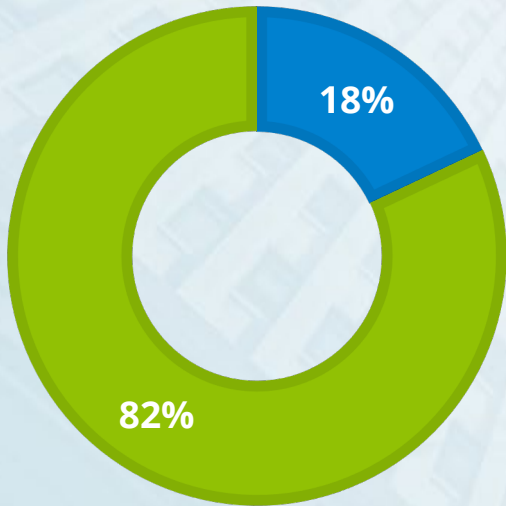
Don the Delayer

- Starts at 40
- Saves \$200 per month
- Retires at 65

Starting Early Can Help, Too

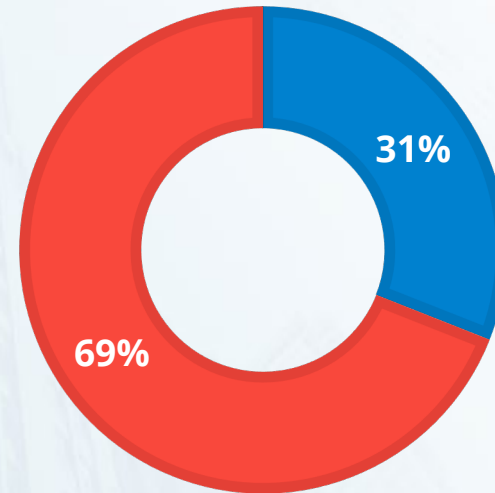
SUE HAS \$346,377

■ Sue Contributed ■ Returns



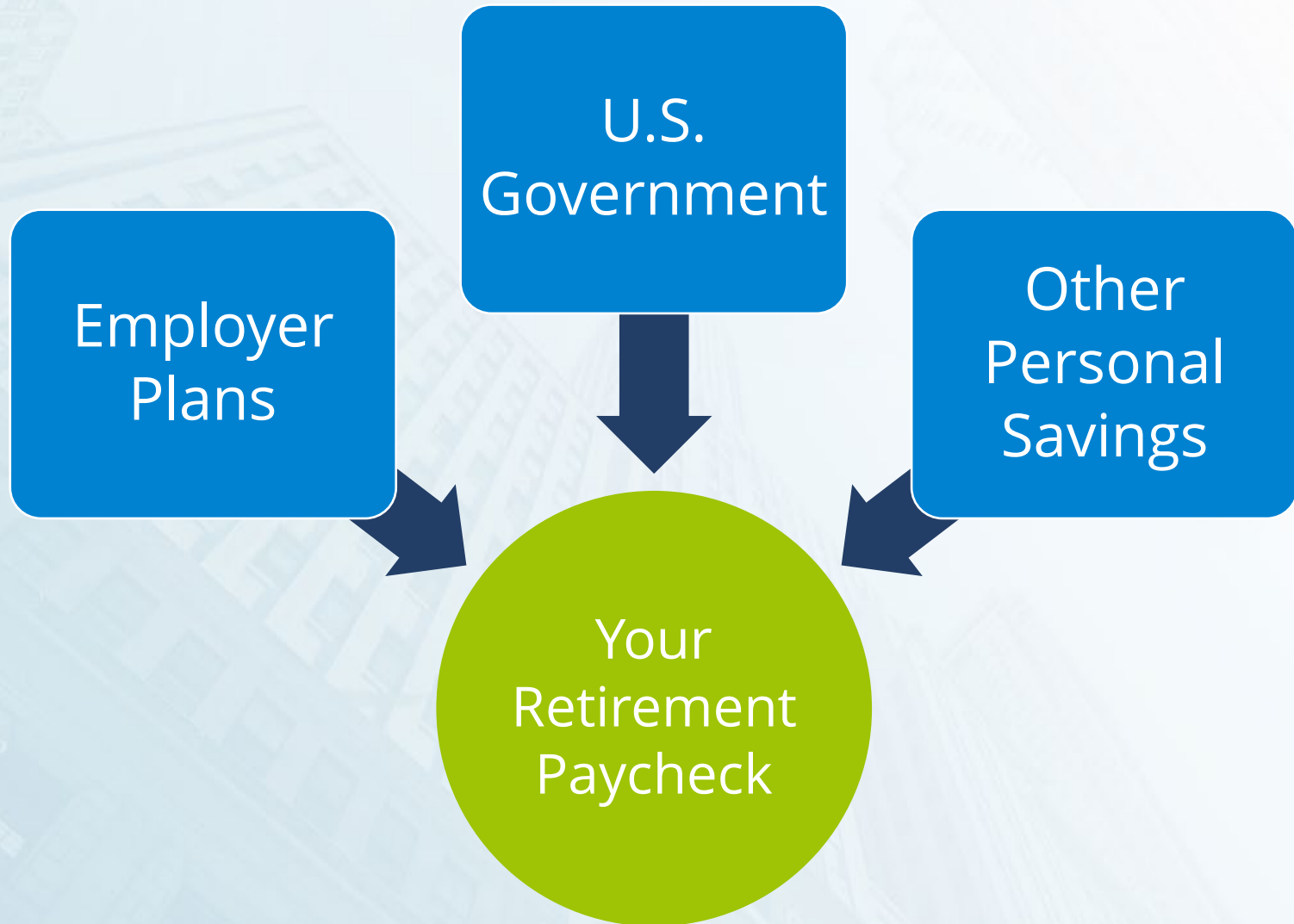
DON HAS \$191,473

■ Don Contributes ■ Returns



3 | Ways to Save for Retirement

Who Pays You When You Stop Working?



Social Security (SSA.gov)



Social Security

SEARCH MENU LANGUAGES SIGN IN/UP

Create your personal *my* Social Security account today

A free and secure *my* Social Security account provides personalized tools for everyone, whether you receive benefits or not. You can use your account to request a replacement Social Security card, check the status of an application, estimate future benefits, or manage the benefits you already receive. All from anywhere!

Create an Account

Sign In

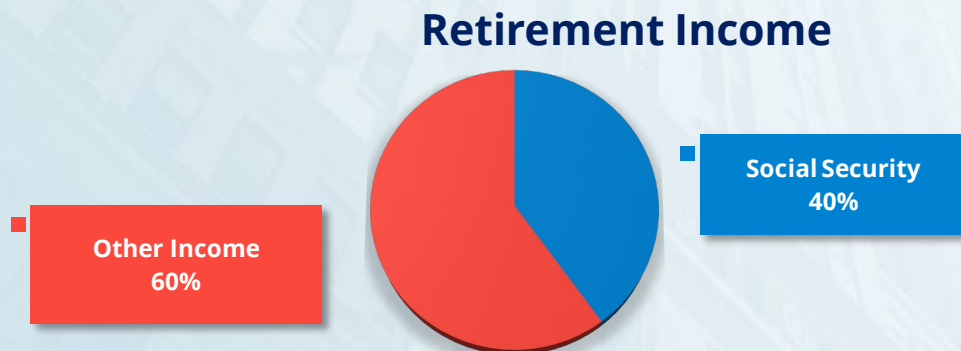
[Finish Setting Up Your Account](#)



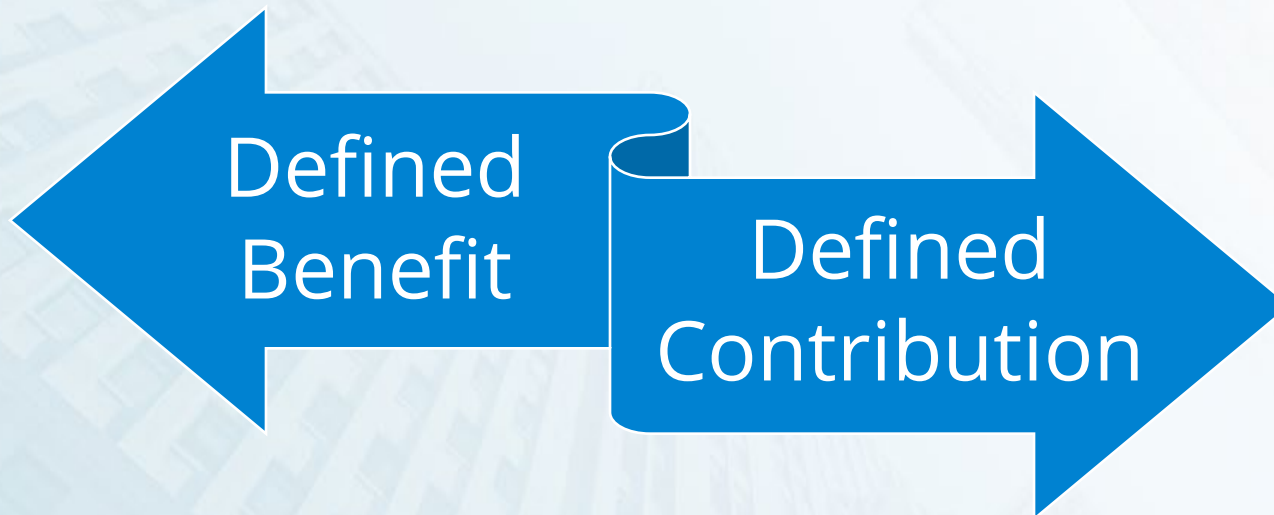


SSA Reminder: Social Security Is One Source of Retirement Income

“On average, retirement beneficiaries receive **40% of their pre-retirement income** from Social Security.”



2. Employer Sponsored Plans



What Are Some of the Differences?

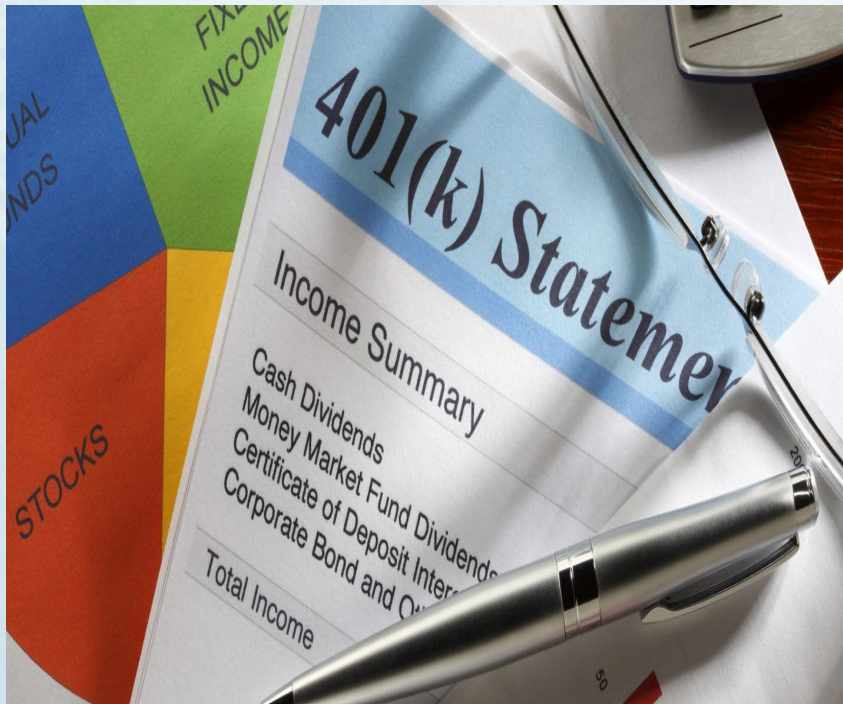
Defined Benefit Plans

- Specifies what you receive (e.g., pension, cash balance)
- Plan decides how to invest
- Vesting & eligibility requirements
- Rarer, but not gone

Defined Contribution Plans

- Allows employees and employer to contribute
- Self-directed
- Offers tax advantages (lower taxable income, tax-deferred earnings)
- More common

Focusing on 401(k)s and Similar Plans



3 Factors Influencing Savings:

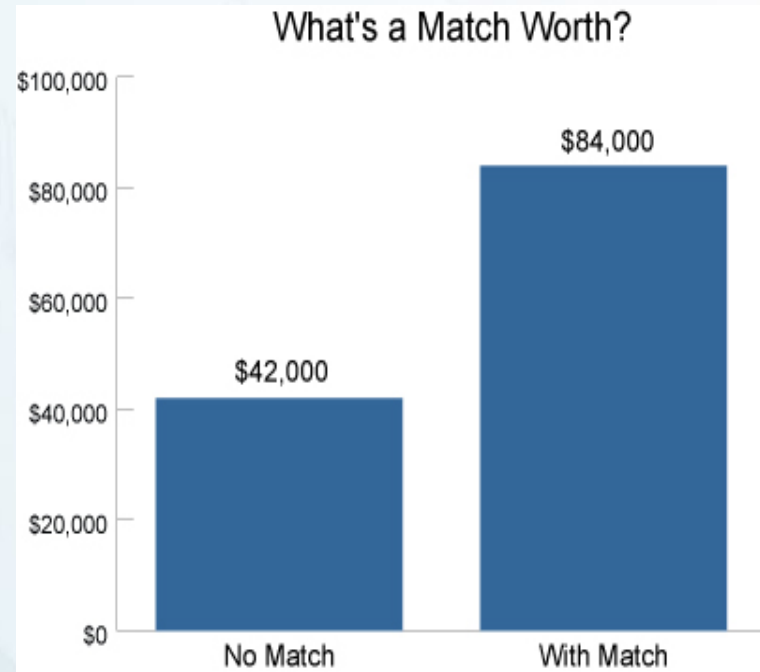
- Contributions
- Investment Returns
- Withdrawals

Contributions

Yours:

- **Percentage or dollar amount**
- **2024 limits:**
 - Regular \$23,000
 - Catchup \$7,500 (if age 50+)
 - Total deferrals \$69,000
- **Choose among funds offered in plan**

Does Your Employer Match?





Contribution Tip: Automate if Available

A

Auto **enrollment**

✓ Know the defaults

✓ Increase beyond default

U

Auto **escalate**

T

Auto **allocate**—Lifecycle funds can help

O

Choices: Usually Mutual Funds

An SEC-registered *open-end investment company* that pools money from many investors and invests the money in various investments, known as the fund's portfolio

Basic Types of Mutual Funds

Stock

Bond

Balanced

Money
Market

What Are Lifecycle Funds?

Lifecycle or “Target Date” Funds

- Set up to reflect your targeted retirement year (XYZ 2050)
- Provides a way to hold a diversified portfolio
- Rebalances over time
- Follows a “glide path”
 - To retirement or
 - Through retirement

Returns

✓ Earnings

- Grow tax-deferred
- Without having to pay capital gains
- Will vary with the funds you select

✓ Compounding



All 401(k) and 403 (b) plans carry asset-based **fees and expenses** that have a direct impact on your investment return and your long-term financial security.



Withdrawals

Loans

1. The money you withdraw will not grow
2. Repayments are made with after-tax dollars
3. Fees may be higher
4. Interest is never deductible

Hardship Withdrawals

1. Usually a last resort
2. Permanently reduces your account balance
3. Taxes owed on the amount you withdraw
4. 10% penalty if you are under age 59 ½ (now waived if terminally ill)

Personal Savings: IRAs

Traditional

Anyone with income

Tax-deferred earnings

RMDs at 73*

May be deductible

If you turned 72 in 2023 (or later)—will rise to 75 in 2033

Roth

Income limitations

Tax-free if follow rules

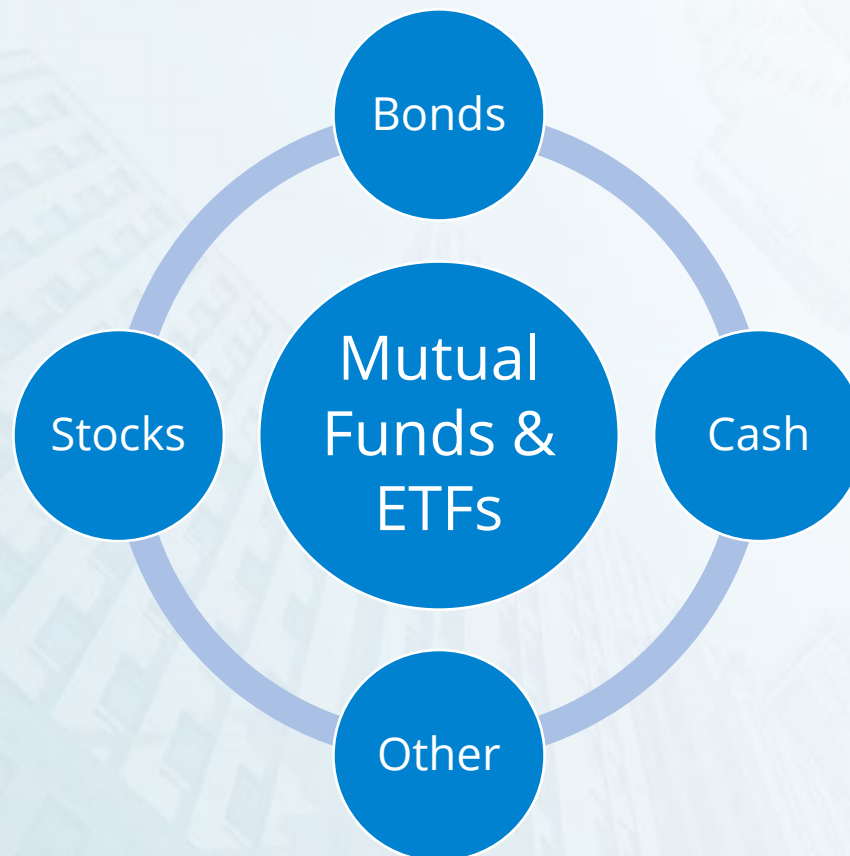
No RMDs

Not deductible

2024 Income Limits:
\$230,000 married (joint)
\$146,000 all others

2024 Contribution Limits = \$7,000 (\$1,000 catch-up for 50+)

Other Investments



4 | Other Considerations

SECURE Act 2.0 Considerations

- ✓ Matches in a Roth 401(k) can be either treated as either pre-tax or post-tax contributions
- ✓ Match in a 401(k) of qualified student loan payments
- ✓ Unused funds in a 529 college savings plan can be rolled, with limits, into a Roth IRA (without penalty)
 - 529 must be at least 15 years old
 - \$35,000 total, subject to annual contribution limits
- ✓ Potential to link 401(k)/ 403(b) with emergency savings for people earning \$150,000 or lower

What if I Change Jobs?

1. Leave the money in your former employer's plan
2. Roll over the money to your new employer's plan, if the plan accepts transfers
3. Roll over the money into an individual retirement account (IRA)
4. Cash out and pay tax penalty if under age 59 ½

How Do I Turn Savings into Income?



Annuitize some or
all of savings

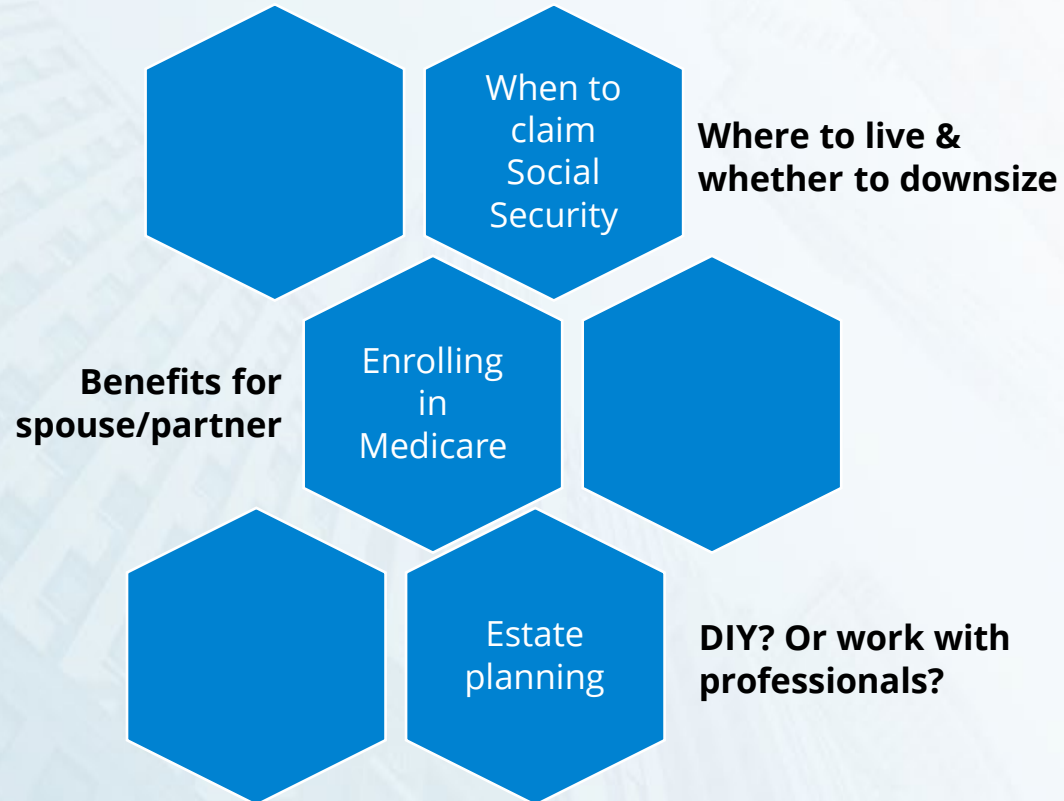


Take periodic
withdrawals



Withdraw as needed
while still investing

What Other Decisions Will I Face?



5 | Key Concepts

Managing Risk



Hedge






Insure



Diversify

More on Diversification

When you diversify, you spread out your risk by spreading your holdings:

| <i>Across Asset Classes</i> | <i>Within Asset Classes</i> |
|--|--|
| Stocks  | <ul style="list-style-type: none">- Different sectors- Company size |
| Bonds  | <ul style="list-style-type: none">- Types of issuer- Different maturities |
| Cash  | <ul style="list-style-type: none">- Money market funds- Deposit accounts |

6 | Where you Can Learn More

Tips for Retirement Investing

1. Focus on your goals
 - Objectives
 - Risk tolerance
2. Know how your employer plan works
3. Leverage tax-advantaged savings vehicles
4. Take advantage of unbiased resources
5. Work with licensed firms and professionals

How does it work?

What does it cost?

What could go wrong?



Resources: FINRA.org/Investors

The image shows a screenshot of the FINRA.org website with a navigation menu open. The menu items are: Investor Insights, Tools & Calculators, Personal Finance, Investing, Protect Your Money, For the Military, Need Help?, and Search For Investors. The main content area features a 'BrokerCheck by FINRA' search box with a dropdown menu set to 'Individual' and a search input field for 'Name or CRD#'. A red circle highlights the search interface.

FINRA

Investor Insights
Tools & Calculators
➤ Personal Finance
➤ Investing
➤ Protect Your Money
For the Military
Need Help?
Search For Investors

Investor Insights
Tools & Calculators
➤ Personal Finance
➤ Investing
➤ Protect Your Money
For the Military
Need Help?
Search For Investors

Compliance Tools
For Investors

you can feel markets.

BrokerCheck
by FINRA

Check the background of an investment professional or firm.

Individual

Name or CRD#

By clicking on a match or otherwise using BrokerCheck® I agree to BrokerCheck® Terms of Use.

FINRA.org/BrokerCheck

BrokerCheck Help Line (800) 289-9999 | FINRA Home

By clicking the SEARCH button or otherwise using BrokerCheck, I agree to BrokerCheck Terms of Use

INDIVIDUAL FIRM

John Q Broker at Firm Name or CRD# (optional) in City, State or Zip (optional) SEARCH

Show Filters

We found 119 results 1 of 10 pages List View Sort By Relevance

| | | | |
|--|--|---|--|
| <p>John Q. Broker CRD# 123456789</p> <p>Firm Name, Address & CRD</p> <p>Broker Regulated by FINRA Investment Adviser</p> <p>Disclosures</p> <p>Years of Experience 49</p> <p>SEARCH</p> | <p>Jane Q. Broker CRD#: QQQQQQ</p> <p>Currently Not Registered</p> <p>Previously Registered Broker Previously Registered Investment Adviser</p> <p>No Disclosures</p> <p>Years of Experience 34</p> <p>MORE DETAILS ></p> | <p>Joseph Q. Broker CRD#: JQ1234</p> <p>BARRED</p> <p>Previously Registered Broker</p> <p>Disclosures</p> <p>Years of Experience 14</p> <p>MORE DETAILS ></p> | <p>John F. X. Broker CRD# XXXXXXXX</p> <p>Firm Name, Address & CRD</p> <p>Broker Regulated by FINRA</p> <p>No Disclosures</p> <p>Years of Experience 41</p> <p>MORE DETAILS ></p> |
|--|--|---|--|

FINRA.org/FundAnalyzer

Fund Analyzer
by FINRA

Analyze and compare the cost of owning funds

Search by Fund Name, Family, Ticker or Keywords **SEARCH**

By clicking SEARCH or otherwise using the Fund Analyzer, I agree to the Fund Analyzer Terms of Use.

Understand Fund Costs

- FRONT-END LOADS
UPON PURCHASE
- REDEMPTION FEES
EARLY CHECKOUT
- ANNUAL OPERATING EXPENSES
COST FOR FUND OPERATION
- BACK-END LOADS
UPON REDEMPTION
- WRAP ACCOUNT & FLAT FEES
ACCOUNT COST

Additional Tools on FINRA.org/Investors

For Investors

Investor Insights

Tools & Calculators

› Personal Finance

› Investing

› Protect Your Money

For the Military

Need Help?

Calculators

Retirement Calculator

Make sure you have enough to see you through your retirement years.

Retirement Estimator

Estimate your actual Social Security earnings record.

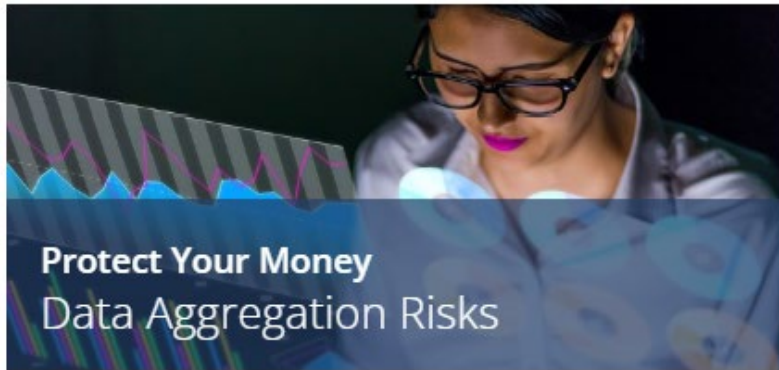
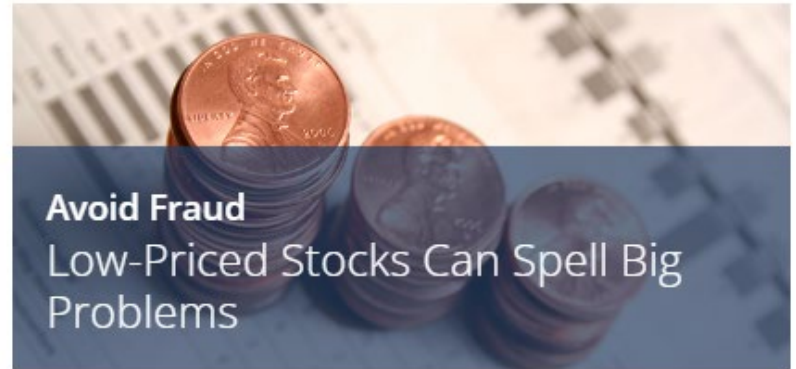
401(k) and IRA Required Minimum Distribution Calculator

Determine your Required Minimum Distribution (RMD) from a traditional 401(k) or IRA.

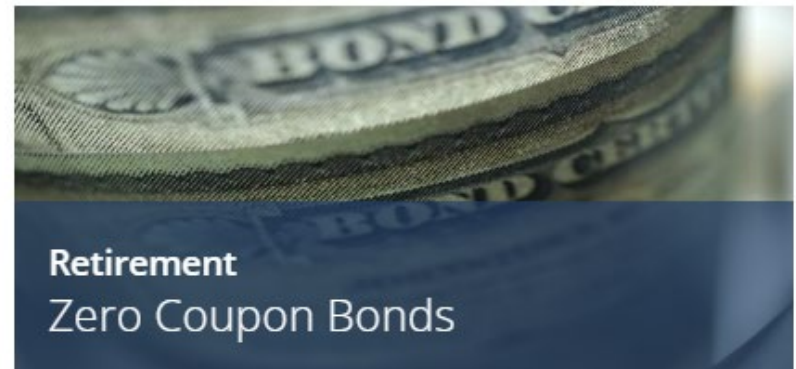
401(k) 'Save the Max' Calculator

Determine if you are on track to 'save the max' in your 401(k) by maximizing your contributions each pay period so you can reach the allowed IRS limits.


Investor Insights: Latest updates



Investor Insights: Retirement Articles



Link to Federal Resources



Tips to Help You Navigate Six Important

Retirement Decisions


About the Senate Special Committee on Aging

Established in 1961, the Special Committee on Aging is the focal point in the Senate for discussion and debate on matters relating to older Americans. The Committee promotes resources to increase financial literacy and security in retirement.

| | |
|--|--|
| <p>ROBERT P. CASEY, JR., Pennsylvania Chairman</p> <p>KIRSTEN GILIBRAND, New York</p> <p>RICHARD BLUMENTHAL, Connecticut</p> <p>ELIZABETH WARREN, Massachusetts</p> <p>JACKY ROSEN, Nevada</p> <p>MARK KELLY, Arizona</p> <p>RAPHAEL WARNOCK, Georgia</p> | <p>TIM SCOTT, South Carolina Ranking Member</p> <p>SUSAN COLLINS, Maine</p> <p>RICHARD BURR, North Carolina</p> <p>MARCO RUBIO, Florida</p> <p>MIKE BRAUN, Indiana</p> <p>RICK SCOTT, Florida</p> <p>MIKE LEE, Utah</p> |
|--|--|

The Committee members help constituents in their states connect with federal agencies and other sources of help. The Committee also has a **Fraud Hotline (1-855-303-9470)**. The Fraud Hotline is staffed Monday through Friday, 9 a.m. to 5 p.m. ET.

Learn more about our members and work at aging.senate.gov



Claiming Social Security

Most people have the choice to start collecting Social Security anytime between ages 62 and 70. The specific age at which you claim can have a significant impact on your monthly benefit and the total amount you receive over your lifetime.

Tips and considerations

- Life Expectancy:** Social Security provides guaranteed inflation-adjusted income for life, and this is an important protection particularly if you live past age 80.
- Surviving Spouses:** Surviving spouses receive either their own benefit or their spouse's benefit, whichever is higher. It is beneficial for married couples to coordinate their decision of when to claim benefits.
- Working:** Individuals can work and claim, work and delay benefits, or stop working and delay benefits. Each path requires different considerations and has different impacts on your Social Security benefit.
- Other Income Sources:** Individuals need to consider other sources of income (e.g. retirement accounts and pensions) when deciding to claim Social Security.

More information

Get an estimate of your and your dependents' Social Security benefits at: <https://www.ssa.gov/benefits/retirement/estimator.html>

A claims representative with the Social Security Administration can provide you with information needed to make this decision. To get assistance, call: **1-800-772-1213**

Enrolling in Medicare

Medicare enrollment can be confusing and complicated. Failing to enroll in a timely manner can result in costly coverage gaps, but also late enrollment penalties, which can significantly add up over time.

Tips and considerations

- Enrollment Periods:** You can enroll and make changes to your Medicare coverage during specific periods. Every part of Medicare has its own enrollment process. Don't assume that you will be automatically enrolled in each part of Medicare, or that you don't need to take any action because you are covered by your employer or other health insurance.
- Family Coverage:** If other family members depend on your employer for health insurance and you switch your coverage entirely to Medicare, they can face a coverage gap. Plan ahead and discuss the options.
- Frauds and Scams:** Watch out for red flags, such as gifts in exchange for Medicare ID or enrollment assistance, calls that require quick action or immediate payment, or requests for credit card or bank information.

More information

To learn more about the Medicare enrollment process and what you need to do before your 65th birthday, visit: <https://www.medicare.gov/Pubs/pdf/10050-medicare-and-you.pdf>

For personalized counseling to assist with your Medicare enrollment decisions, **State Health Insurance Assistance Programs (SHIPs)** can help. Call **1-877-839-2675** or visit www.shiphelp.org to connect with a Medicare counselor.

United States Senate
Special Committee on Aging
Senator Robert P. Casey, Jr. (D-PA),
Chairman
Senator Tim Scott (R-SC),
Ranking Member

<https://www.aging.senate.gov/imo/media/doc/Financial%20Literacy%20Brochure.pdf>

Complaints or Questions?

FINRA
is here
to help

File a tip or complaint:

- [FINRA.org/complaint](https://www.finra.org/complaint)
- (240) 386-HELP (4357)

Securities Helpline for Seniors:

- Toll-free: (844) 57-HELPS
(844-574-3577)

