



# 2018

## RETIREMENT CONFERENCE

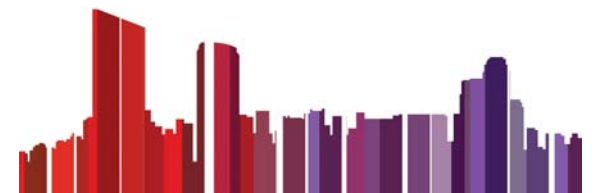
# Full Picture Retirement Planning

*Presented by: Leah Flores*  
*MERS Benefit Education Specialist*

# Agenda

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- Accessing Your Full Retirement Picture
- Types of Retirement Accounts
- 457 Supplemental Savings Plan Overview
- Individual Retirement Account (IRA) Overview
- Health Savings Account (HSA) Overview
- Enrollment Information





## Accessing Your Full Retirement Picture

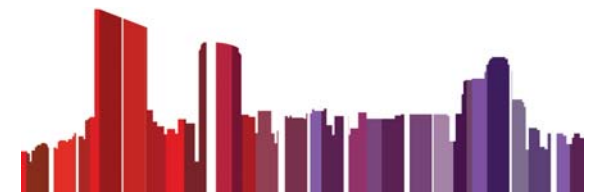
# What is an Adequate Savings Rate?

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- **80% income replacement rate** is the industry standard
- The average couple should plan to spend about **\$15,000** per year on out-of-pocket health care expense in retirement.

***How confident are you that your basic and health care expenses will be covered in retirement based on your current savings strategy?***

*\*Source: Employee Benefit Research Group*



# Meet Paula

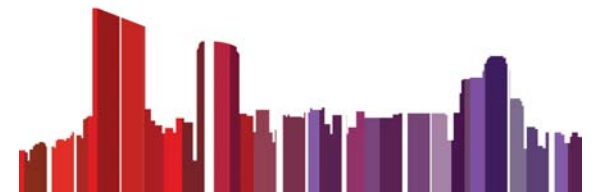
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## Meet Paula

### Paula's Profile

Current Age	37
Retirement Age	62
Current Income	\$45,000
Retirement Plan	Defined Benefit Plan



# Meet Tim

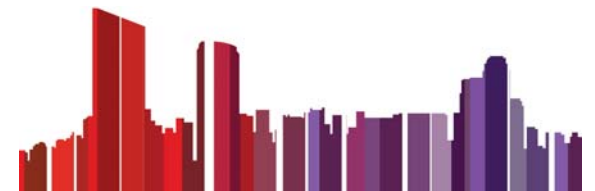
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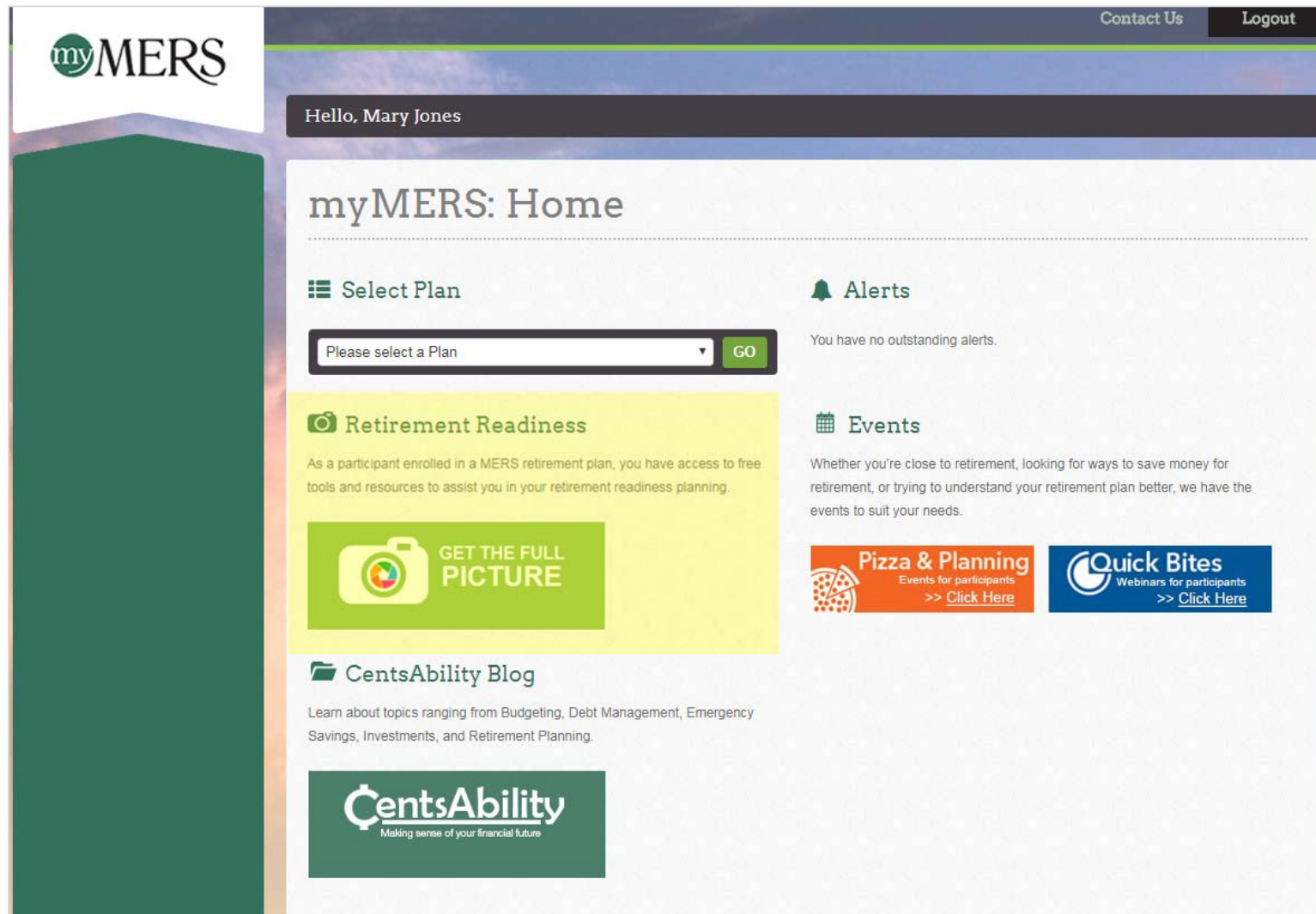
## Meet Paula's spouse, Tim

### Tim's Profile

Current Age	39
Retirement Age	65
Current Income	\$50,000
Retirement Plan:	401(k)



# Full Picture Report Builder



The screenshot shows the myMERS Home page for a user named Mary Jones. The page features a dark green sidebar on the left with the myMERS logo. The main content area has a header with 'Hello, Mary Jones' and navigation links for 'Contact Us' and 'Logout'. Below the header, the page is divided into several sections: 'Select Plan' with a dropdown menu and a 'GO' button; 'Retirement Readiness' with a camera icon and a 'GET THE FULL PICTURE' button; 'CentsAbility Blog' with a brief description and the CentsAbility logo; 'Alerts' with a notification that there are no outstanding alerts; and 'Events' with a brief description. At the bottom right, there are two promotional banners: 'Pizza & Planning' and 'Quick Bites', both with 'Click Here' links.

myMERS

Contact Us Logout

Hello, Mary Jones


## myMERS: Home

### Select Plan

Please select a Plan [GO](#)


### Retirement Readiness

As a participant enrolled in a MERS retirement plan, you have access to free tools and resources to assist you in your retirement readiness planning.

 GET THE FULL PICTURE

### CentsAbility Blog

Learn about topics ranging from Budgeting, Debt Management, Emergency Savings, Investments, and Retirement Planning.


 Making sense of your financial future


### Alerts

You have no outstanding alerts.

### Events

Whether you're close to retirement, looking for ways to save money for retirement, or trying to understand your retirement plan better, we have the events to suit your needs.

 **Pizza & Planning**  
Events for participants  
[Click Here](#)

 **Quick Bites**  
Webinars for participants  
[Click Here](#)

# Enter Your Information

**PARTICIPANT**

**CURRENT**

Name: Paula Smith  
Gender: Female  
Birth: [blank]

**SPOUSE**

**CURRENT**

Name: Tim  
Gender: Male  
Birth: [blank]

**PENSIONS**

Description	Person	Age	Annual Amount	
Paula's Pension	Participant	62	\$ 47000	DELETE

**CURRENT ACCOUNTS**

Account Name	Balance	Contribution Amount	
Tim's 401(k)	\$30,000.00	\$2,500	DETAIL DELETE

**RETIREMENT INCOME GOAL**

Enter the percentage of your current income that you expect to need in retirement. Most experts consider 70-90% of current income to be a reasonable goal.

Retirement Income Goal (%)

**STARTING ASSUMPTIONS**

	Participant	Spouse
Annual Salary Growth	<input type="text" value="1"/> %	<input type="text" value="1"/> %
Life Expectancy	<input type="text" value="90"/>	<input type="text" value="90"/>
Social Security	<input type="text"/>	<input type="text"/>

## *Full Picture Report Builder*

Information already entered:

- Age
- Income
- MERS Benefits

Information you may add:

- Spouse's Information
- Outside Accounts
- Other Contributions
- Customized Retirement Goals



# Get Your Full Picture Report

## Current Retirement Plan Account Assessment

### How much income will you need in retirement?

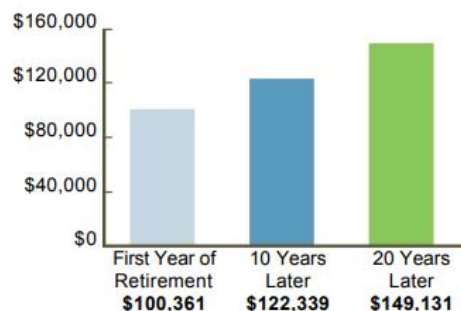
This analysis assumes 80% as your retirement income goal.

Based on your current salary of \$45,000, and a growth rate of 1%, it is estimated that your salary in your final year before retirement will be \$57,709. Based on your salary information alone, this means you should plan on needing an income of \$46,168 in your first year of retirement.

Based on the salary information and retirement objectives of BOTH you and your spouse, your combined income need is \$100,361 during the first year in which both you and your spouse are retired. The graph to the right shows how your income needs might grow during retirement assuming a 2% inflation rate.

**Note:** Throughout this personal projector, first year in retirement (year 2045) means the first year in which BOTH you and your spouse are retired.

Combined Income Needs During Retirement



### Where will your retirement income come from?

This analysis assumes the following sources of retirement income:

Social Security	\$19,326
Retirement Plans and Other Savings	\$30,249
Pension	\$47,000
Total Projected Income	\$96,575



Based on an income goal of \$100,361, you have a projected shortfall of \$3,786 for your first year of retirement.

This illustration, and our suggestions about how much you need to save for retirement, are based on several assumptions, including that you remain employed, your wages increase as assumed, your employment continues to qualify for credit toward Social Security, and there are no changes in the law concerning Social Security.

# \$3,786

ANNUAL SHORTFALL

Projected annual shortfall during first year of retirement

# \$94,650

LONG-TERM SHORTFALL

Projected shortfall over 25-year period in retirement



# Types of Retirement Accounts



# Types of Accounts

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**Retirement  
Plans**



**Supplemental  
Savings  
Programs**

**Health Care Programs**



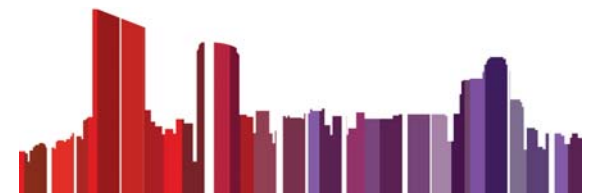
# Retirement Plans

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## Steady Income Stream

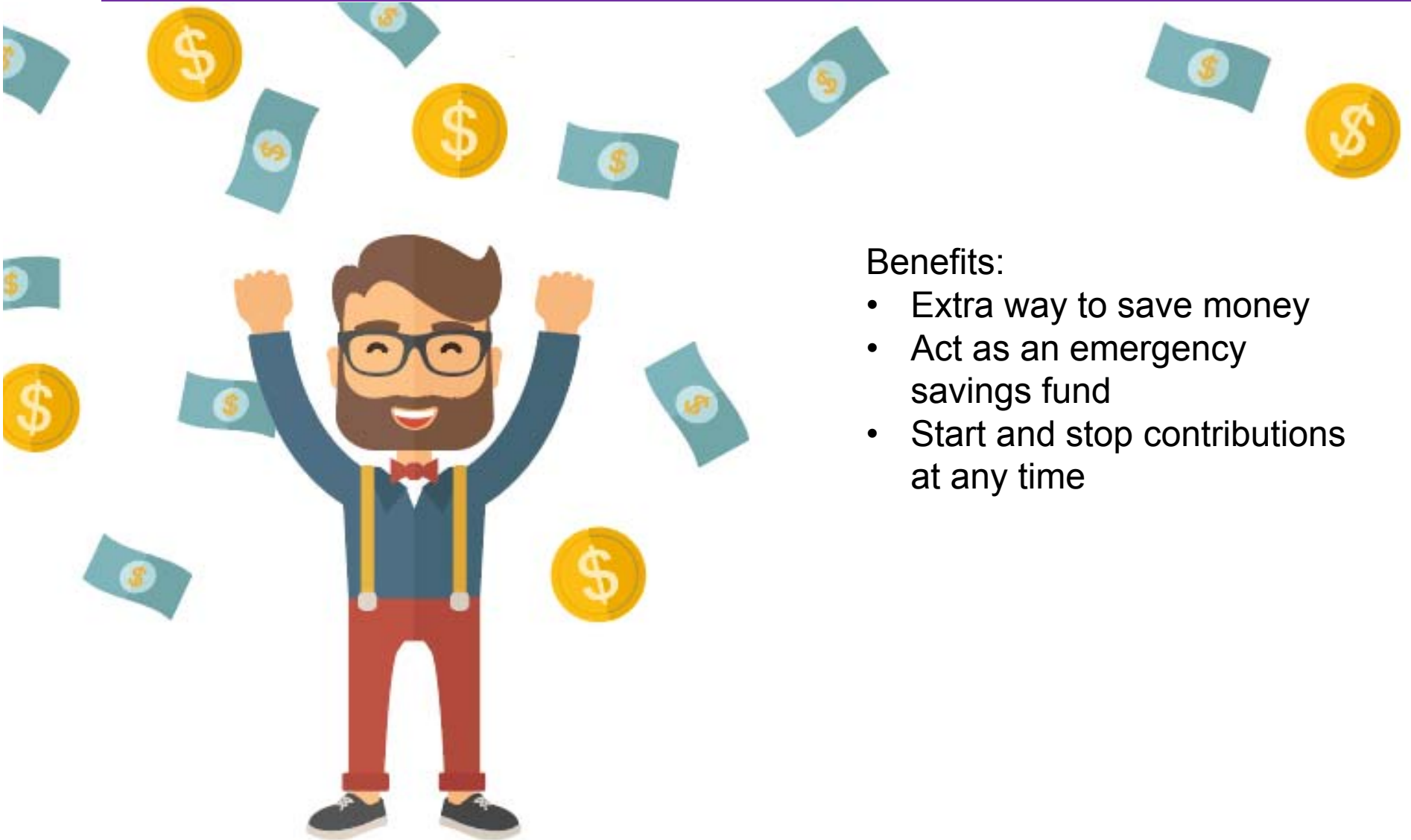


## Account Balance



# Supplemental Savings Programs

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## Benefits:

- Extra way to save money
- Act as an emergency savings fund
- Start and stop contributions at any time



# Health Care Programs

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# Tax-Advantaged Retirement Accounts

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## 401(k) ROTH 401(k)

For Profit Wage  
Earner

Retirement  
Investment Account  
Tax-Advantaged  
Earn Wages

## 457(b) ROTH 457(b)

Municipal employee  
wage earner  
(MERS Employer)

## IRA ROTH IRA

All Wage Earners



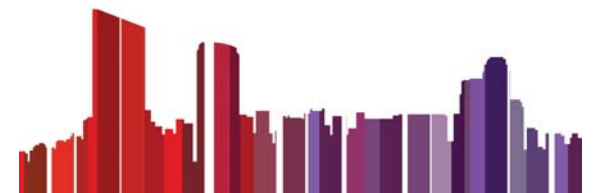


# Understanding 457 Supplemental Savings Programs

# What is a 457 Supplemental Savings Program?

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- Voluntary program in which a portion of your salary is deposited into an invested account that you manage
- Benefit is based on the total amount of money in your account
- Available for you to use, penalty-free, once you leave employment, **regardless of your age**
- Employer adoption is necessary to enroll



# Contributions

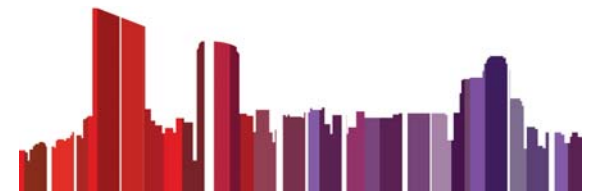
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You choose how much



Start, stop or change your contributions at any time



# Pre-Tax Contributions

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*Contributions are made before taxes are calculated, therefore reducing your taxable income*



FLAT DOLLAR AMOUNT

OR



PERCENTAGE

Income taxes are due when money is withdrawn from the account.



# Roth Contributions

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*Contributions are made on an after-tax basis*



FLAT DOLLAR AMOUNT

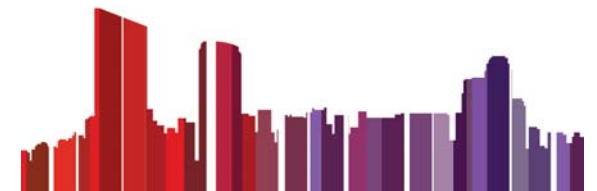
OR



PERCENTAGE

Contributions and earnings can be withdrawn tax-free, if requirements for qualified distribution are met:

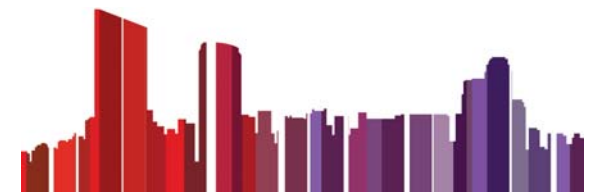
- At least age 59½
- 5-year waiting period



# Tax Benefit Comparison

Sample Paycheck	No Program Deductions	MERS 457 Pre-Tax	MERS 457 Roth Contributions
<b>Gross Wages:</b>	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
MERS 457 Plan - Pre-Tax Contributions	0.00	100.00	0.00
MERS 457 Plan - Roth Contributions	0.00	0.00	100.00
<b>Payroll Deductions:</b>			
Federal Income Tax	282.93	257.93	282.93
Social Security Tax	124.00	124.00	124.00
Medicare Tax	29.00	29.00	29.00
MI State Income Tax	81.82	77.42	81.82
<b>Net Pay (Take-home pay):</b>	<b>\$ 1,482.25</b>	<b>\$ 1,411.65</b>	<b>\$ 1,382.25</b>


*Taxes factored as bi-weekly, single and one dependent wage earner.*



# Calculators on mersofmich.com

Calculate

View Report



Roth 401(k) vs. Traditional 401(k)

Age and retirement plan information:

Current age: 45

Age of retirement: 62

Annual contribution: \$5,000

Total contributions: \$85,000

Invest traditional tax-savings: ☒

Invest any tax-savings: ☐

Maximize contributions: ☐

Increase future contributions: ☐

Investment return and taxes:

7% return, 25% current tax rate, 15% tax rate at retirement

After-Tax Total At Retirement

Thousands of Dollars

\$159,987

\$169,934

After-Tax Comparison

Calculate

View Report



Your total is \$164,076 after 20 years.

457 Employee Savings Plan:

Percent to contribute: 10%

Annual salary: \$40,000

Annual salary increase: 1%

Current age: 40

Age of retirement: 60

Current 457 balance: \$0

Annual rate of return: 6%

Total employee contributions: \$88,957

457 Employer Match:

Employer match: 0%

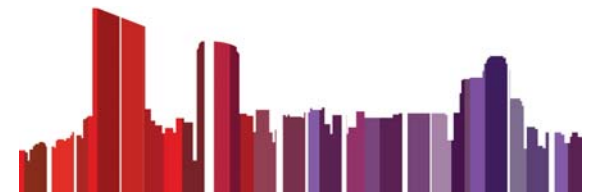
Employer match ends: 0%

Total employer contributions: \$0

# Annual Contribution Limit

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*Contributions cannot exceed 100% of gross compensation, per IRS*



# Catch-Up Contributions

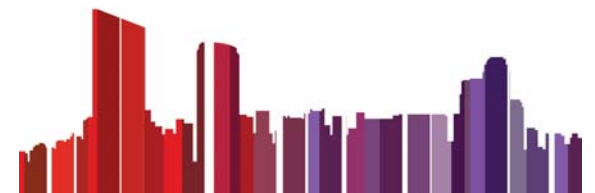
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1

Age 50 Catch-up  
Contributions

2

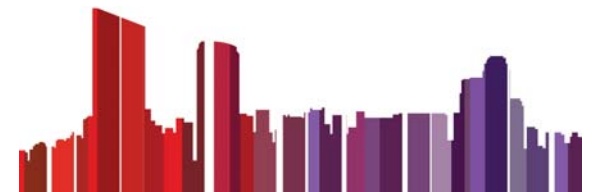
Normal Catch-up  
Contributions



# Rollover/Transfer Contributions

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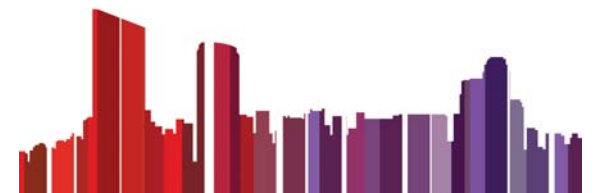
- 457 programs provide an option to consolidate retirement savings under one plan
- Eligible rollovers include:
  - Qualified Plans (ex: profit sharing, 401(k), money purchase and defined benefit plans)
  - 403(b)
  - 457(b)
  - IRAs (including traditional, SIMPLE and SEP)



# Hardship Withdrawal Feature

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- Some 457 programs offer an emergency withdrawal option in the event of a severe financial hardship
- Unlike a loan, you do not have to pay back an emergency withdrawal



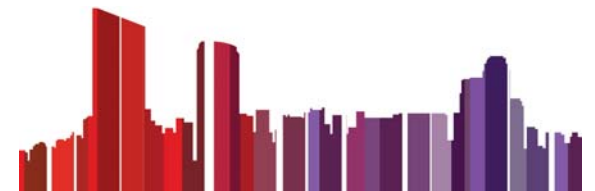
# Individual Retirement Account (IRA)



# Individual Retirement Account (IRA)

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- An IRA is a tax-advantaged individual retirement account
- MERS IRA is available to **ALL** current and former employees (and their spouses) of municipalities with a MERS retirement product
  - 401(a) Plan (Defined Benefit, Defined Contribution & Hybrid)
  - 457 Program
- ***No employer adoption required***



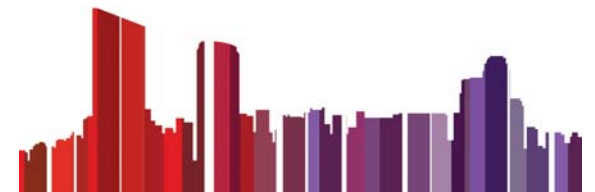
# IRA Options

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Two types of IRAs

**ROTH**

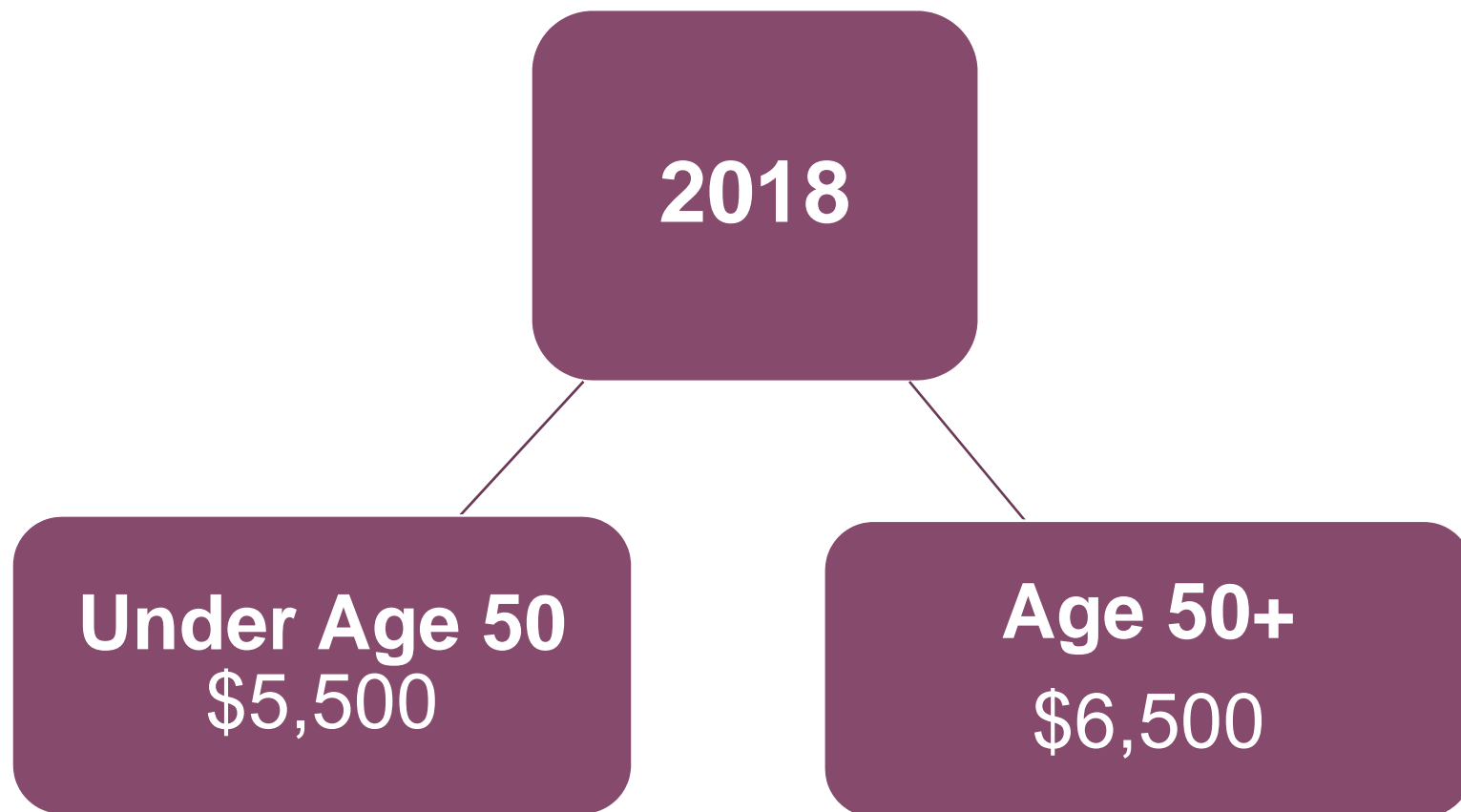
**TRADITIONAL**



# Annual Contribution Limit

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*You must be earning taxable income to contribute to an IRA*



# Flexible Saving Option

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- Both Roth and Traditional IRAs allow you to withdraw money for qualified expenses:



Education expenses for you, your spouse, your child or grandchild

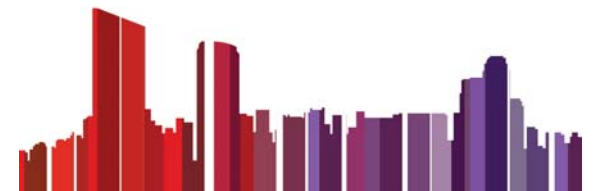


Buying or building your first home (up to \$10,000)



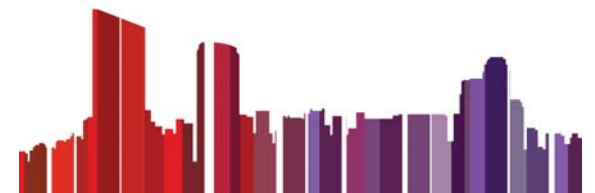
Unreimbursed medical expenses

- There is no penalty for withdrawing money for qualified expenses, although you may be required to pay income tax



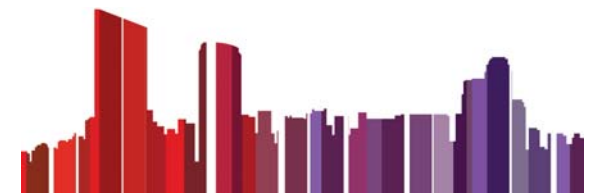
# Key Differences – Roth vs. Traditional

	Roth	Traditional
Tax Advantages	Contributions are made post-tax; qualified withdrawals provide tax-free income	All or a portion of contributions may be tax deductible; all withdrawals are subject to income tax
Income Restrictions	Yes, but income limits apply	Yes, no income limit
Age Restrictions on Contributions	None	Must be under age 70½
Early Withdrawal (Before Age 59½)	Withdrawal of <b>contributions</b> – no penalty any time Withdrawal of <b>earnings</b> – 10% penalty and income tax	10% penalty and income tax on <b>any amount</b> withdrawn



# Key Differences – Roth vs. Traditional, cont'd

	Roth	Traditional
Taxes on Withdrawals (After Age 59½)	No	Yes
Required Minimum Distributions (RMDs)	No	Yes
Beneficiary Taxes (After IRA Owner's Death)	No	Yes
Rollovers	Accepts rollovers from Roth 457 programs, Roth 401(k) plans, and Roth IRAs	Accepts rollovers from pre-tax 457 programs, 401(k) plans, and traditional IRAs



# Why Choose a Roth IRA?

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**Tax-free Earnings**



**Emergency savings**



**Estate planning**



# Why Choose a Traditional IRA?

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**No income limit**



**Rollovers**



**Tax deduction**



# Frequently Asked Questions

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Can I enroll in both a Roth IRA and Traditional IRA?

- Yes

Can I enroll in both a 457 and an IRA?

- Yes

Why would I want to have both plans?

- More retirement savings!
- Additional flexibility on withdrawals

What are some factors to consider when opening a 457 or IRA?

- Employer adoption
- Spouse access
- Annual Contributions
- Legacy planning



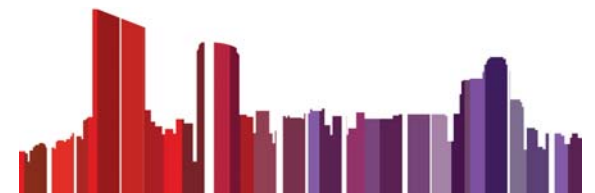
# Health Savings Account (HSA)



# What is a Health Savings Account (HSA)?

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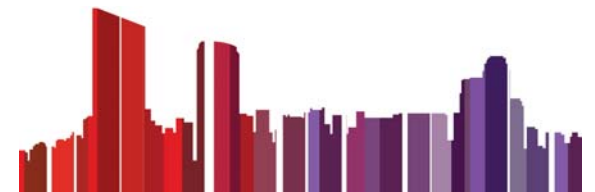
- A savings account for the purpose of funding qualified medical expenses
- Used to supplement current insurance coverage
- You may have access to an HSA through your current employer
  - If not, banks, credit unions, insurance companies or other IRS-approved vendors offer them



# Eligibility

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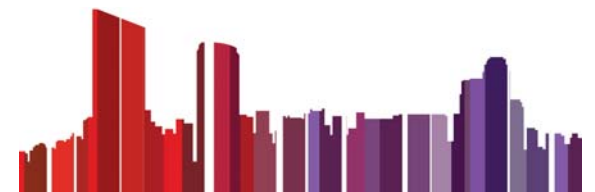
- Must be enrolled in a high-deductible health plan, either through your employer or the marketplace
- High deductible-health plan is classified as having a minimum deductible of **\$1,350** per year for an individual or **\$2,700** for a family



# Advantages

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- 1 Money can be deposited into an HSA on a pre-tax basis
- 2 You are not taxed on any account withdrawals for qualified medical expenses
- 3 Interest earned on your HSA funds is not taxed
- 4 You can carry over your account balance annually
- 5 Any account balance not used at age 65 may be used tax-free in retirement for qualified medical expenses

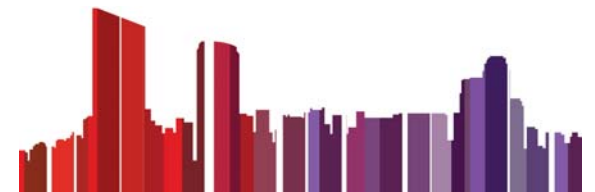


# Qualified Expenses

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Typically you, your spouse and any dependents claimed on your tax return can use your HSA funds for:

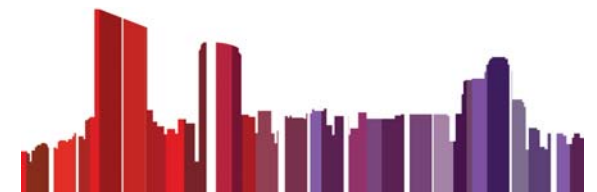
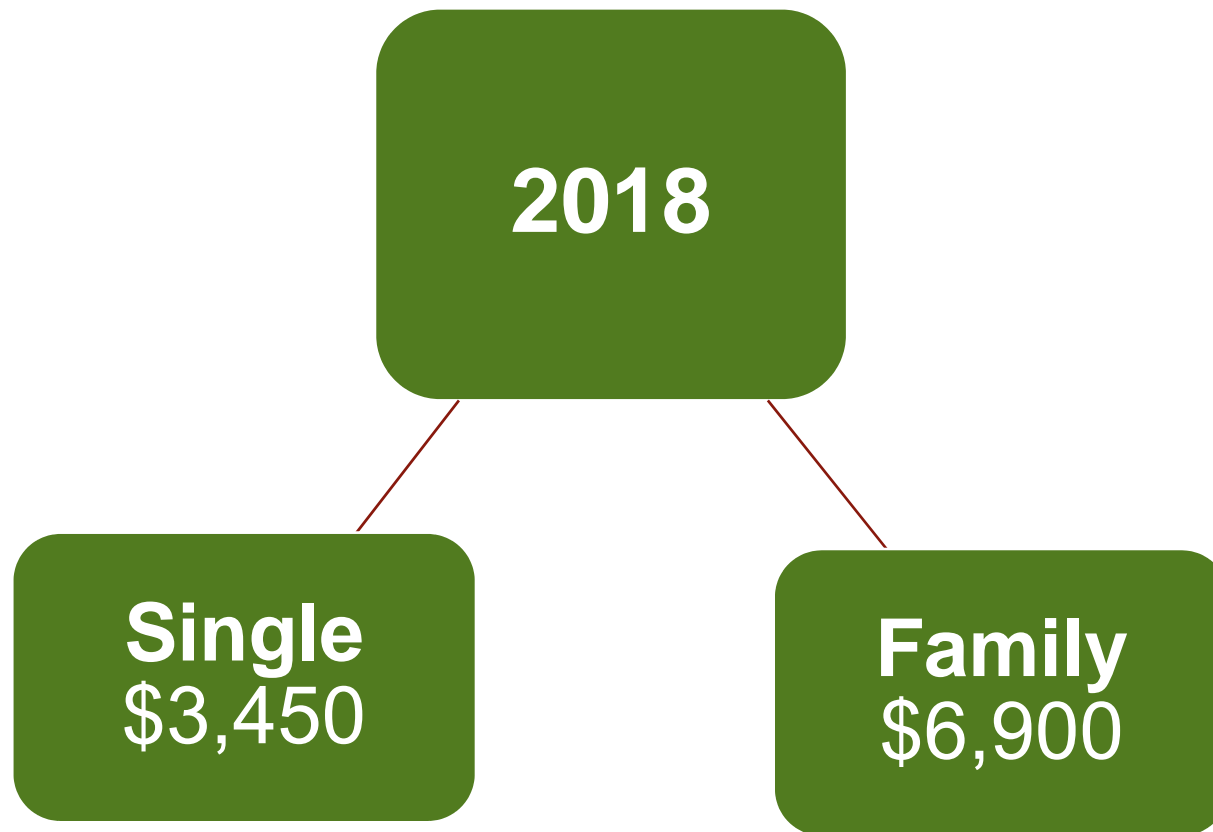
- Doctor's visits
- Medications
- Medical equipment
- Dental care
- Vision care



# Annual Contribution Limit

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*You must meet eligibility requirements to contribute*

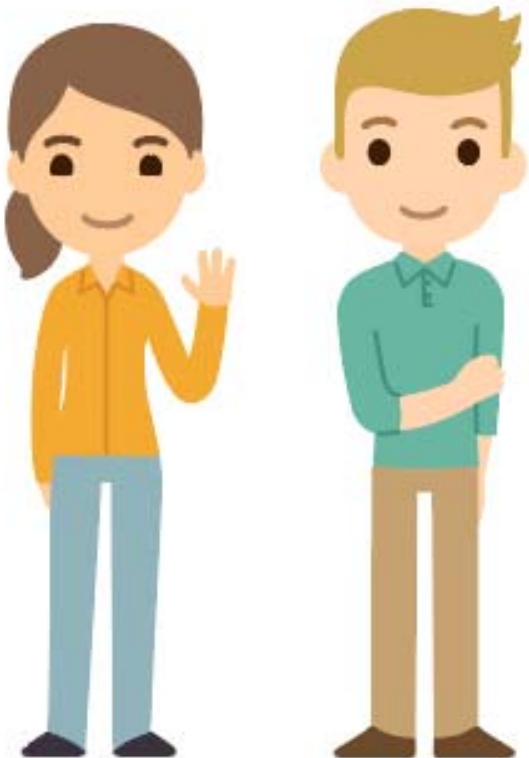


# Putting a Plan into Action

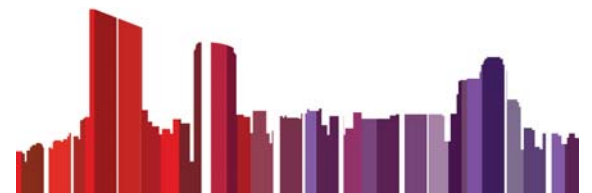


# Paula & Tim

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Projected Annual Gap in  
Retirement Savings:  
**\$3,786**



# New Savings Strategy – Health Care



## Future balance calculator

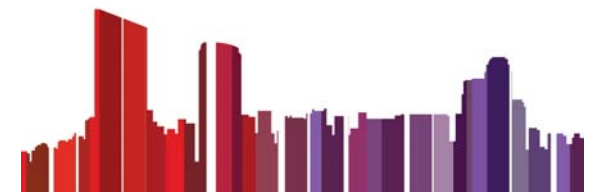
1. Existing balance	\$0.00
2. Annual contributions	\$2,600.00
3. 55+ Catch-up contribution ⓘ	\$1,000.00
4. Annual spending	\$0.00
5. Rate of return	6%
6. Years to calculate	26
7. Estimated tax rate	25% ▼

### HSA Estimated Balance

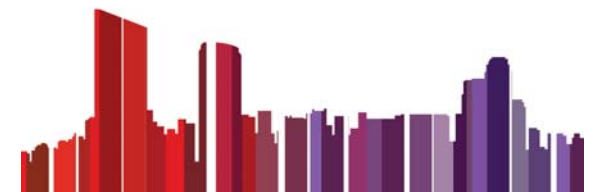
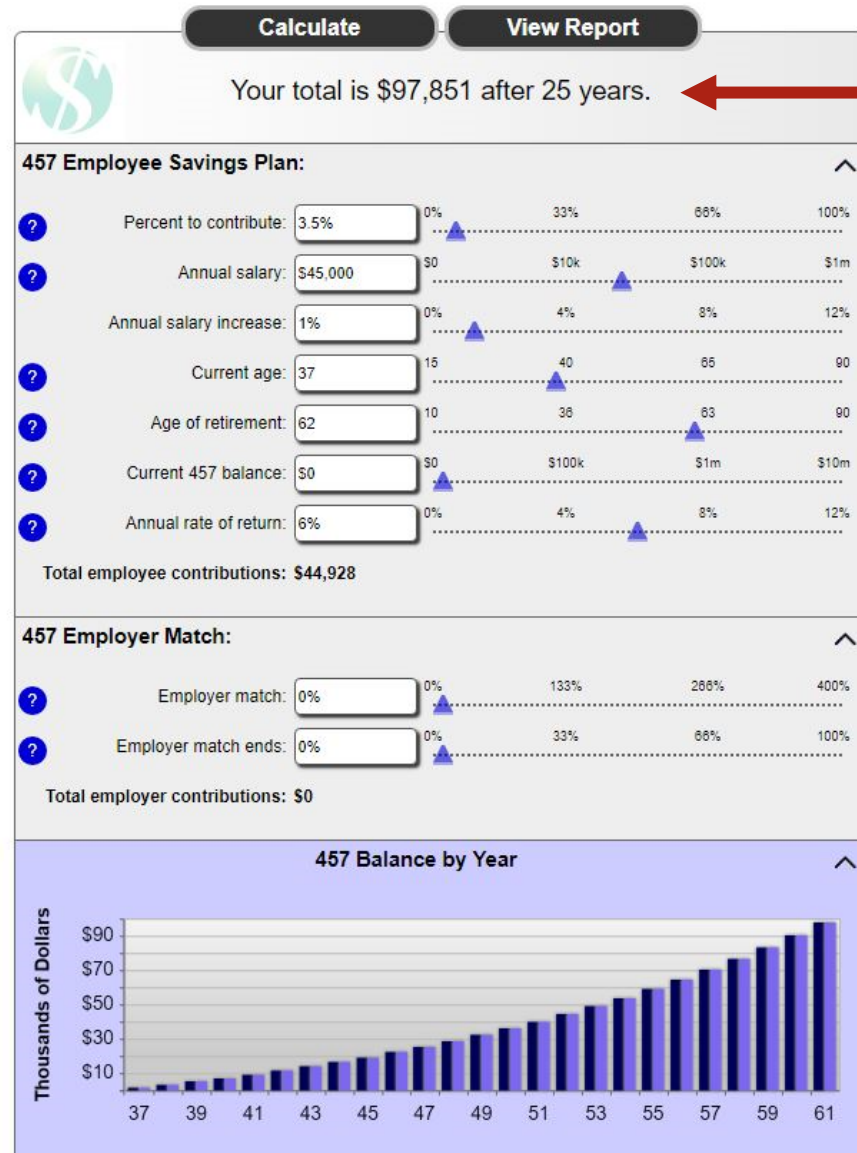
 **\$212,962.98**

### Total Tax Savings

 **\$38,451.65**



# New Savings Strategy – Retirement



# Enrollment Information




# 457 Program

- Enrollment is easy with MERS 457 Quick Enrollment Form
- Complete form and return to your employer
- Form is available online at [www.mersofmich.com](http://www.mersofmich.com)

ENROLL TODAY

MERS 457 Supplemental Retirement Program


  
Municipal Employees Retirement System

### About the Program

The MERS 457 Supplemental Retirement Program offers you a flexible retirement account you manage. You decide how much to contribute, how to invest the assets, and how to plan for the future. One of the benefits of the program is that you have access to your account when you leave employment, even if that's before age 60.

### Contributions

The MERS 457 Program is flexible because you determine how much you want to contribute, either a flat dollar amount or a percentage of pay, and you can start, stop, increase or decrease your contributions, without fees or penalties. Your contributions can be made pre-tax or Roth (if your employer has adopted this option). So how do you decide? Let's start with the basics.

With a pre-tax election you make contributions with pre-tax dollars, so you get a tax break up front, helping to lower your current income tax bill. Your money—both contributions and earnings—grow tax-deferred until you withdraw them. At that time, withdrawals are considered to be ordinary income and taxed at your current tax rate.

With a Roth contribution, it's basically the reverse. You make your contributions with after-tax dollars, meaning there's no upfront tax deduction. However, withdrawals of both contributions and earnings are tax-free at age 59½, as long as you've held the account for five years.

So it all comes down to deciding when it's better for you to pay the taxes—now or later. You can access online calculators on the MERS website to help you determine the best option for your goals.

### Why Should You Enroll?

**Help meet your retirement goals** – Experts suggest that you should plan on needing at least 80% of your current income in retirement, so chances are you're going to need to rely on personal savings, over and above your Social Security and other retirement benefits.

**Low cost** – as a nonprofit organization the MERS program is the most cost-effective way of saving – putting more of your money to work for you.

**It's easy!** You contribute through the convenience of automatic payroll deduction.

**One-stop planning** – experienced retirement educators are available to help with any questions you may have.

800+

municipalities enrolled in MERS programs

9

elected board members oversee the system

100,000+

participants

\$9 Billion+

in combined total assets


### Who is MERS?


MERS is an independent, professional retirement services company that serves municipal members across the state of Michigan. MERS listens and works in partnership with our members to deliver a superior value that meets our members' needs.

My signature acknowledges that I have received, read, understand, and agree to this 457 Quick Enrollment Form and affirms that all information I have provided is true and correct. I have also received all informational material detailing the general program features, the investment options offered, and any and all administrative charges and fees which may be deducted from the account(s) maintained on my behalf. I understand that my rights under the program shall be governed by the terms and conditions of the MERS Plan Document pursuant to all applicable state and federal laws, rules and regulations.

I understand that my contributions will be placed in an age-appropriate Retirement Strategies fund. Once enrolled, I can make changes online or by phone.

Data collected on this form will be used by MERS staff for identification and documentation only.


**Please submit your completed form to your Human Resources representative.**


**To review other investment options, designate beneficiaries, or roll qualified funds into your MERS 457 account, please visit [www.mersofmich.com](http://www.mersofmich.com).**

Form MD-400 (version 2017-03-24) \* Required field

and return it to your employer.

you a welcome email with more

provides you access to your logging in, you should follow the your social security number your beneficiary information and

### Step to Start Saving

digital\* Date of hire/participation (mm/dd/yyyy)\* ☐ New?

Full SSN\*

State\* Zip code\*

First name (mm/dd/yyyy)\* Gender\* ☐ M ☐ F

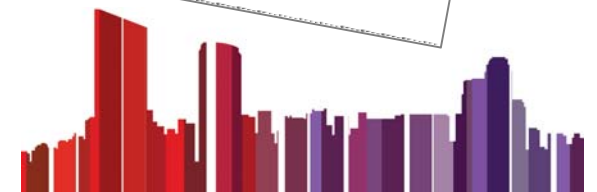
Submit this form to your employer, or as

In each pay period (if this program has this option)

mm/dd/yyyy\*

# IRA

- Stop by the IRA booth today to receive additional information



# Q&A



# Contacting MERS of Michigan

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## MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

1134 Municipal Way  
Lansing, MI 48917

800.767.MERS (6377)

[www.mersofmich.com](http://www.mersofmich.com)



*This presentation contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. Where the publication conflicts with the relevant Plan Document, the Plan Document controls.*

