

Understanding Your Defined Contribution Plan and Preparing for Retirement

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Agenda

- A Complete Financial Picture
- Understanding Your Defined Contribution Plan
- Defining Your Retirement Goals
 - Pre-Retirement Planning
 - Tips in Retirement

Accessing Your myMERS Account

www.mersofmich.com

The screenshot displays the MERS website interface. At the top left is the MERS logo with the text "Municipal Employees' Retirement System". To the right are social media icons for Facebook, LinkedIn, and YouTube. Below these are navigation links: Home, Forms, Contact Us, and Log In. A green navigation bar contains links for PARTICIPANT, RETIREE, EMPLOYER, NEWSROOM, and MERS, along with a search bar labeled "Search ..." and a "SEARCH" button. The main content area features a large banner titled "Helping you through MARKET VOLATILITY" with a laptop icon and the text "Some things you should know about investing when times get tough. Click here". To the right is a yellow "Account Access" box for "Employers & Participants" with a "LOG IN" button and links for "Create myMERS account", "Forgot Username?", "Forgot Password?", and "Need help?". Below the banner are five small thumbnail images. At the bottom are three circular icons: a coin for "CentsAbility Blog", a play button for "Video Library", and a checklist for "Financial Wellness". Each icon has a descriptive paragraph below it.

MERS
Municipal Employees' Retirement System

Home Forms Contact Us Log In

PARTICIPANT RETIREE EMPLOYER NEWSROOM MERS

Search ... SEARCH

Helping you through
MARKET VOLATILITY

Some things you should know about investing when times get tough.
[Click here](#)

Account Access
Employers & Participants

LOG IN

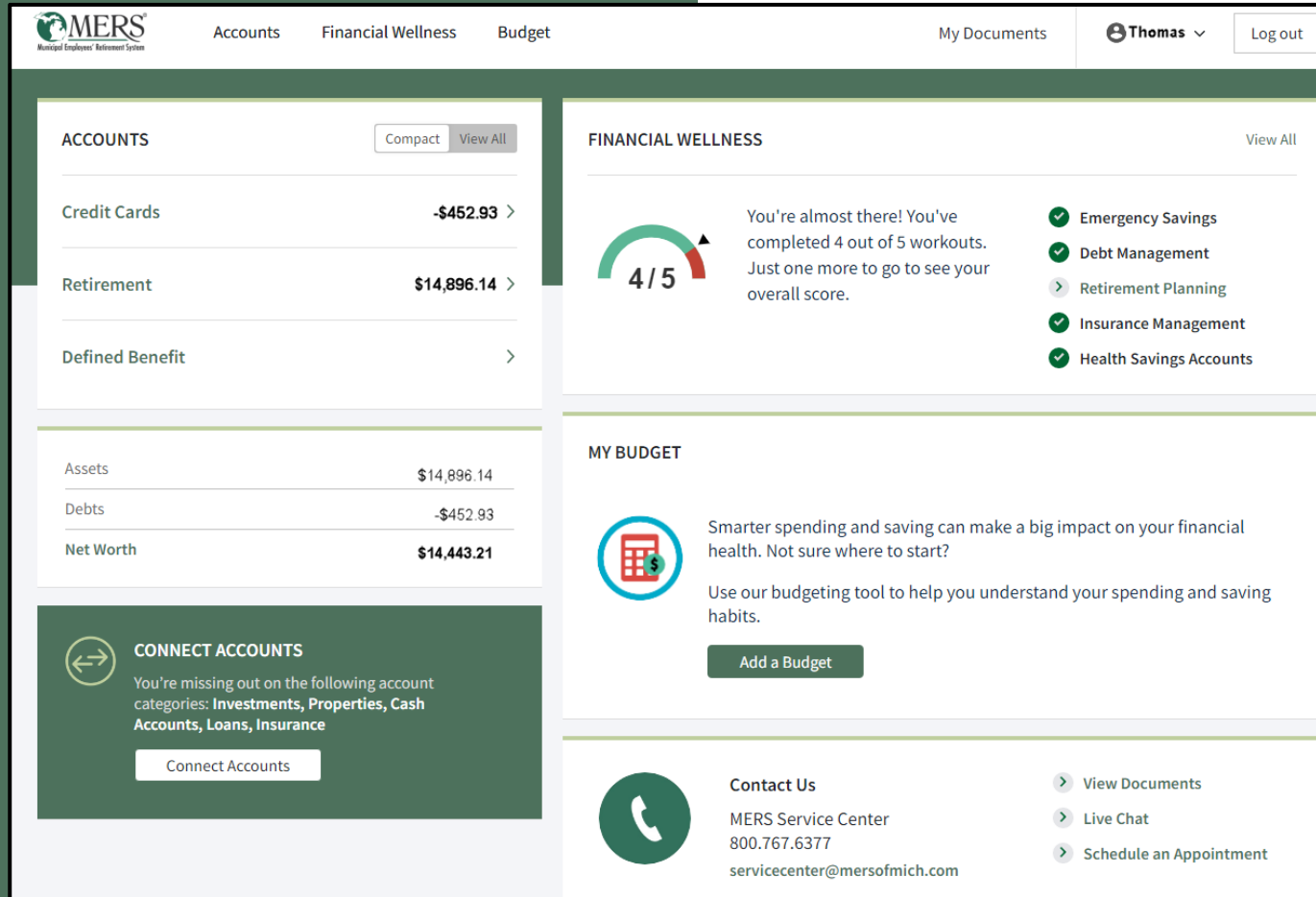
- [Create myMERS account](#)
- [Forgot Username?](#)
- [Forgot Password?](#)
- [Need help?](#)

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

Video Library
Get to know your MERS products and learn about important retirement topics with quick video tutorials.

Financial Wellness
The MERS Financial Fitness tool will help managing your day-to-day spending, controlling debt, having money set aside for an emergency, and having a financial plan for the future.

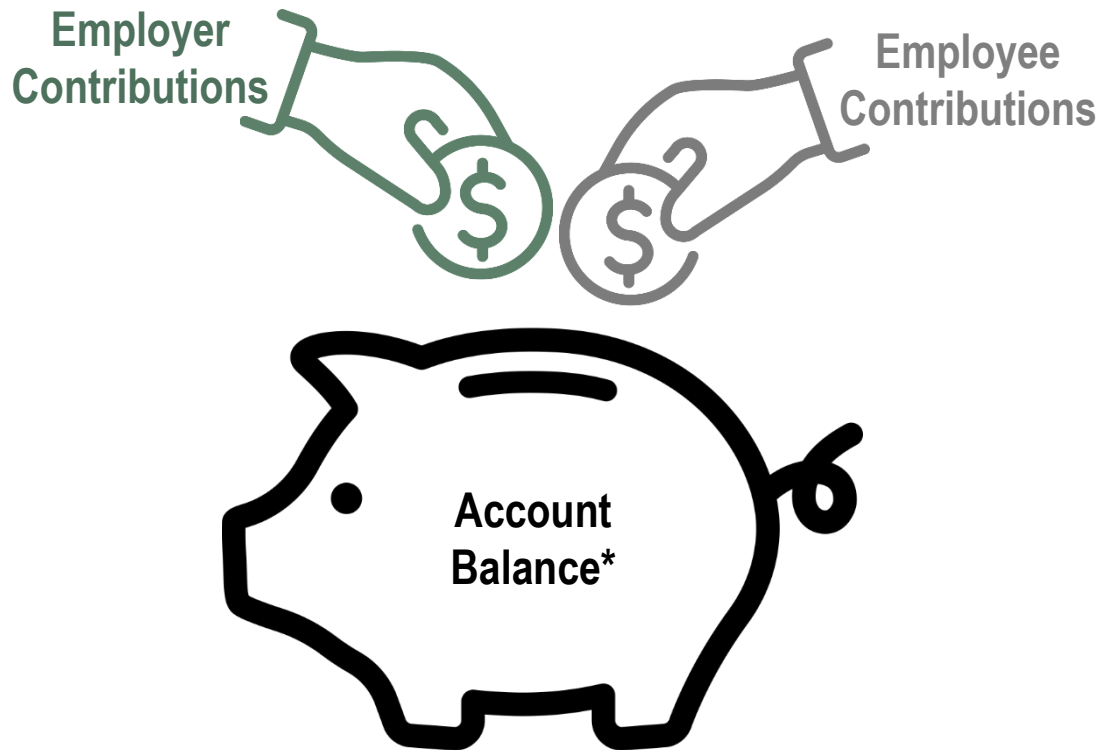
A Complete Financial Picture



Understanding Your Defined Contribution Plan

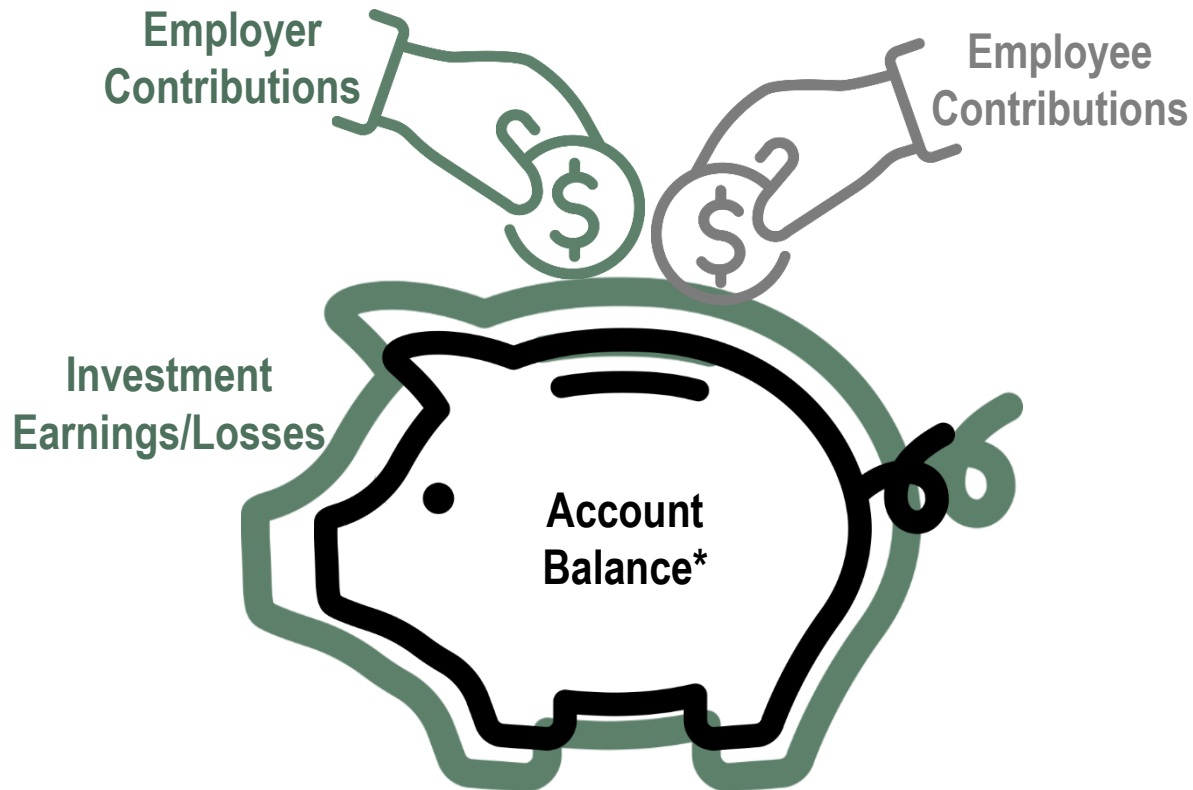


MERS Defined Contribution Plan



**Investment and administrative-related expenses will be deducted from your account.*

MERS Defined Contribution Plan



**Investment and administrative-related expenses will be deducted from your account.*

Vesting

Ways to become vested with employer contributions:

1

Meet service requirements

2

Work until you reach automatic vesting age

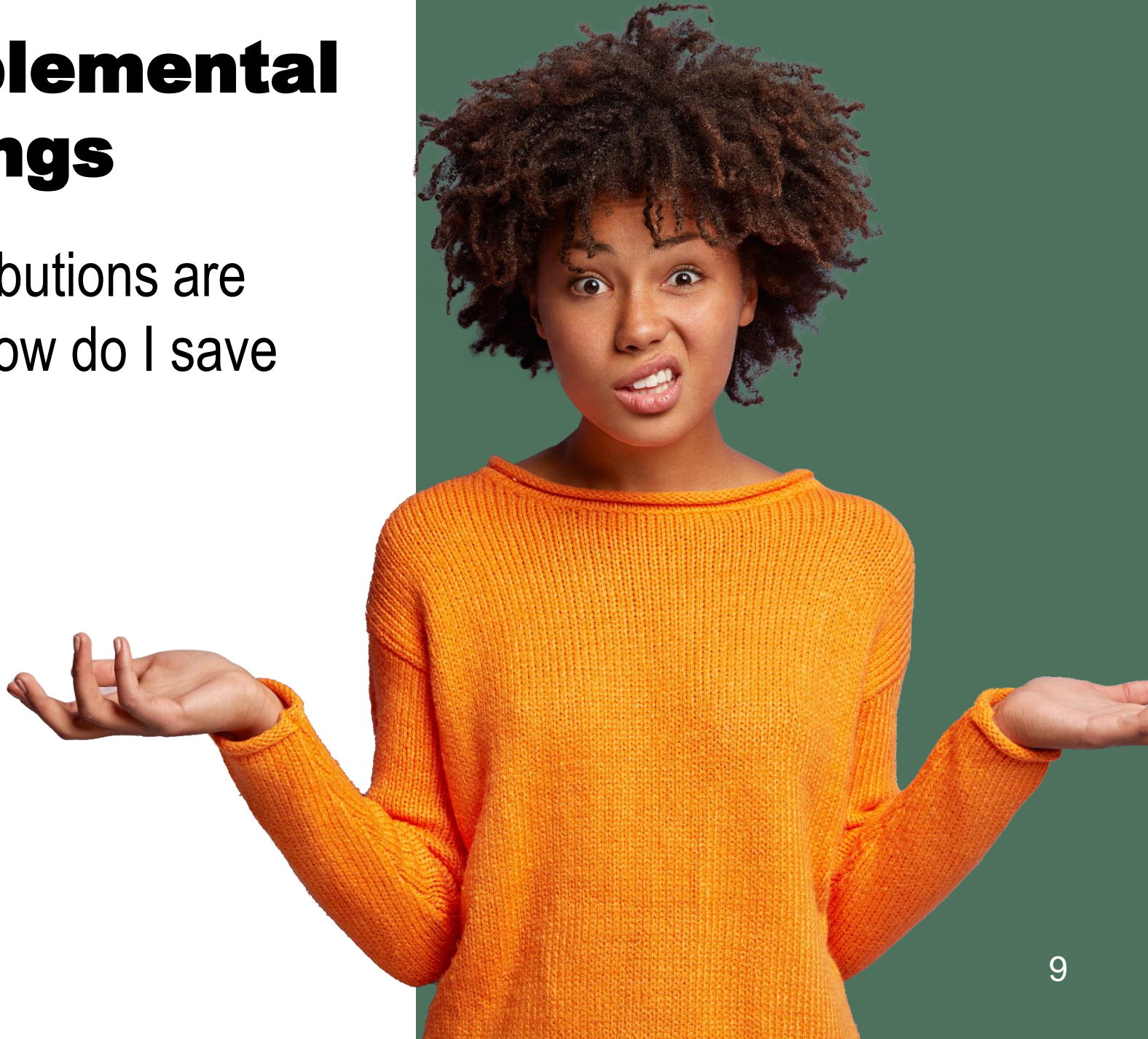
3

Pass away while actively employed

Account Balance by Source				
Source ▼	Ending Balance	Vested % ▼	Balance ▼	Ratio ▼
+ Employer	\$11,351.07	100.00%	\$11,351.07	70.00%
+ Employee Pre-Tax	\$4,864.68		\$4,864.68	30.00%
Total	\$16,215.75	100.00%	\$16,215.75	100%

Supplemental Savings

If contributions are fixed, how do I save more?



457

&

IRA

Definition

A supplemental savings program sponsored by employers

A special retirement account available to any municipal employee and their spouse

Contributions

Pre-tax & Roth options available

2023 Limit: \$22,500 or
\$30,000 if 50+

Pre-tax & Roth options available

2023 Limit: \$6,500 or
\$7,500 if 50+

Using Your Account

Pre-tax assets are available to use as soon as you leave employment, or you can keep assets invested

Account available without penalty once you reach the age of 59½ or if you have a qualified reason

Defining Your Retirement Goals



How Much Is Enough?



A general rule of thumb is to save

80%

of your pre-retirement income

For example, your salary was **\$75,000** you should have
\$60,000 for each year of retirement saved up

If you plan to retire at age **65** and expect to live
to 90 years of age, you'd need
\$1.2 million

Adequate Savings Rate

To reach retirement savings goals, save between 10-15% of your paycheck



**Retirement
Savings**

Mary's Retirement Income Sources



**55 and retiring at
age 65**

**Currently makes
\$62,750/year**

Social Security

- Projected benefit at 65: **\$1,531/month**

DC Plan

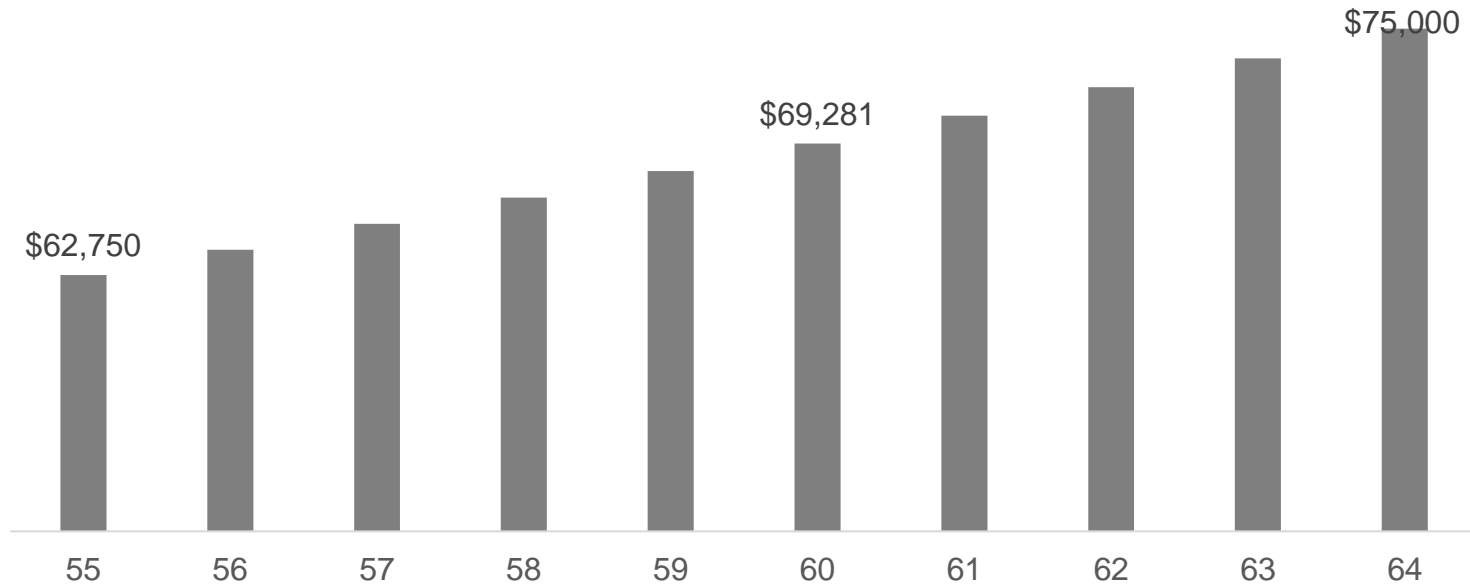
- Employer Contribution: 7%
- Mary's Contribution: 3%
- Current Balance: **\$295,000**

Supplemental Savings

- Mary's Contribution: 4%
- Current Balance: **\$110,000**

Mary's Income Needs at Retirement

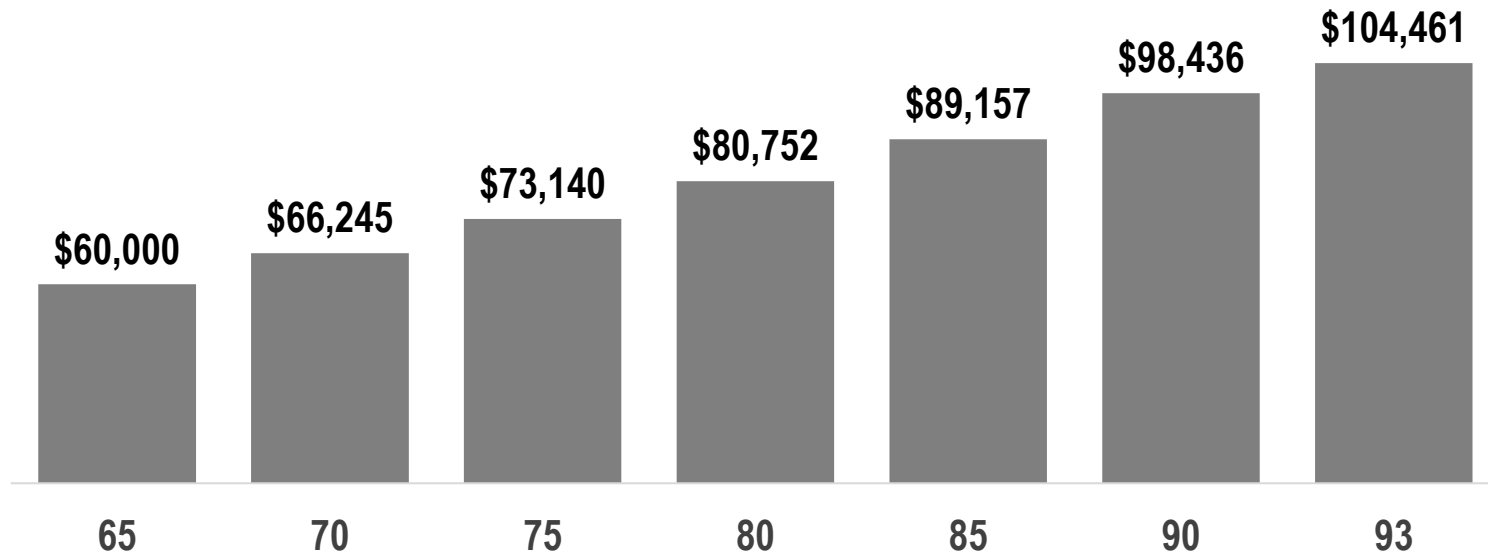
Mary's Earnings until Retirement



Mary's earnings at retirement:	\$75,000
Income Replacement Goal:	x 80%
<i>Target Annual Income:</i>	<i>\$60,000</i>
<i>Monthly Income:</i>	<i>\$5,000</i>

Mary's Income Needs in Retirement

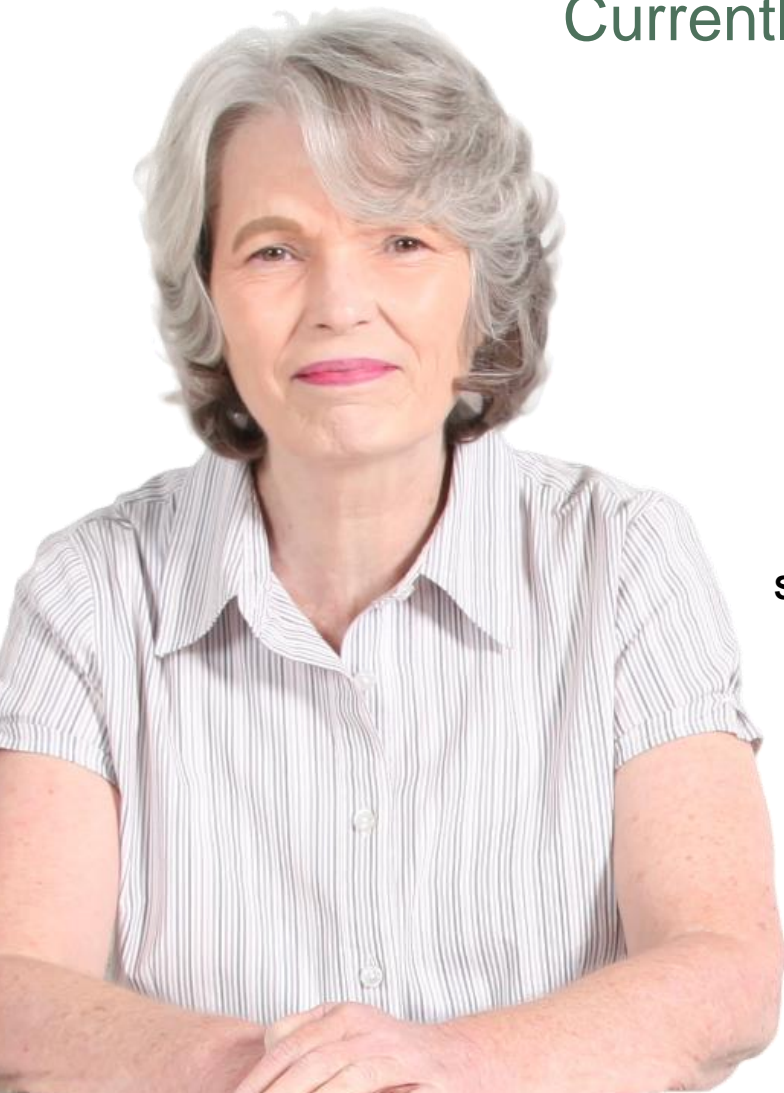
Projected Income Needs through Retirement



Mary's Total Income Needs (ages 65 - 93):
\$2,325,000

Mary's Projected Account Balances at age 65

Currently makes \$62,750/year



**Social
Security**

- Projected benefit at 65:
\$1,531/month

DC Plan

- Current Balance: \$295,000
- Account Balance at 65:
\$630,243*

**Supplemental
Savings**

- Current Balance: \$110,000
- Account Balance at 65:
\$237,530*

**Assumes 6% rate of return*

Projecting Mary's Retirement

Mary's 80% Income Goal

Upon retirement at age 65, she wants to have at least *\$60,000/year or \$5,000/month*

Mary's Current Projection

Upon retirement at age 65, we estimate she'll have
\$58,248/year or \$4,854/month

Estimated monthly income
in future dollars:

457 Account:	\$884
DC Account:	\$2,439
Social Security:	\$1,531

Strategies To Address

Option 1

Increase 457 or IRA contributions from 4% to 8%

Mary's Goal

\$60,000/year or \$5,000/month

Mary's Projection

\$60,396/year (\$5,033/month)

Estimated monthly income
in future dollars:

457 Account:	\$1,063
DC Account:	\$2,439
Social Security:	\$1,531

Strategies To Address

Option 2

Lower your income replacement goal

Mary's New 75% Goal

\$56,250/year or \$4,688/month

Mary's New Projection

\$58,248/year (\$4,854/month)

Estimated monthly income
in future dollars:

457 Account:	\$884
DC Account:	\$2,439
Social Security:	\$1,531

Strategies To Address

Option 3

Delay retirement by 1 year to age 66

Mary's Adjusted Goal

\$61,200/year or \$5,100/month

Mary's Projection

\$64,932/year or (\$5,411/month)

Estimated monthly income
in future dollars:

457 Account:	\$1,016
DC Account:	\$2,693
Social Security:	\$1,702

Personalized Tools

FINANCIAL WELLNESS

[View All](#)



You're almost there! You've completed 4 out of 5 workouts. Just one more to go to see your overall score.

- ✓ Emergency Savings
- ✓ Debt Management
- > Retirement Planning
- ✓ Insurance Management
- ✓ Health Savings Accounts

Putting Your Plan Together

My annual salary is:

\$50,000

My desired retirement age is:

62

However, I am willing to work up to age:

67

INCOME

Ideally, the percent of my current income I would like to have during retirement is:

80% (\$3,333.33 per month)

However, I am willing to accept:

70% (\$2,916.67 per month)

SAVINGS RATE


The minimum amount I want to contribute is:

3% (\$125.00 per month)

The maximum amount I can contribute is:

5% (\$208.33 per month)

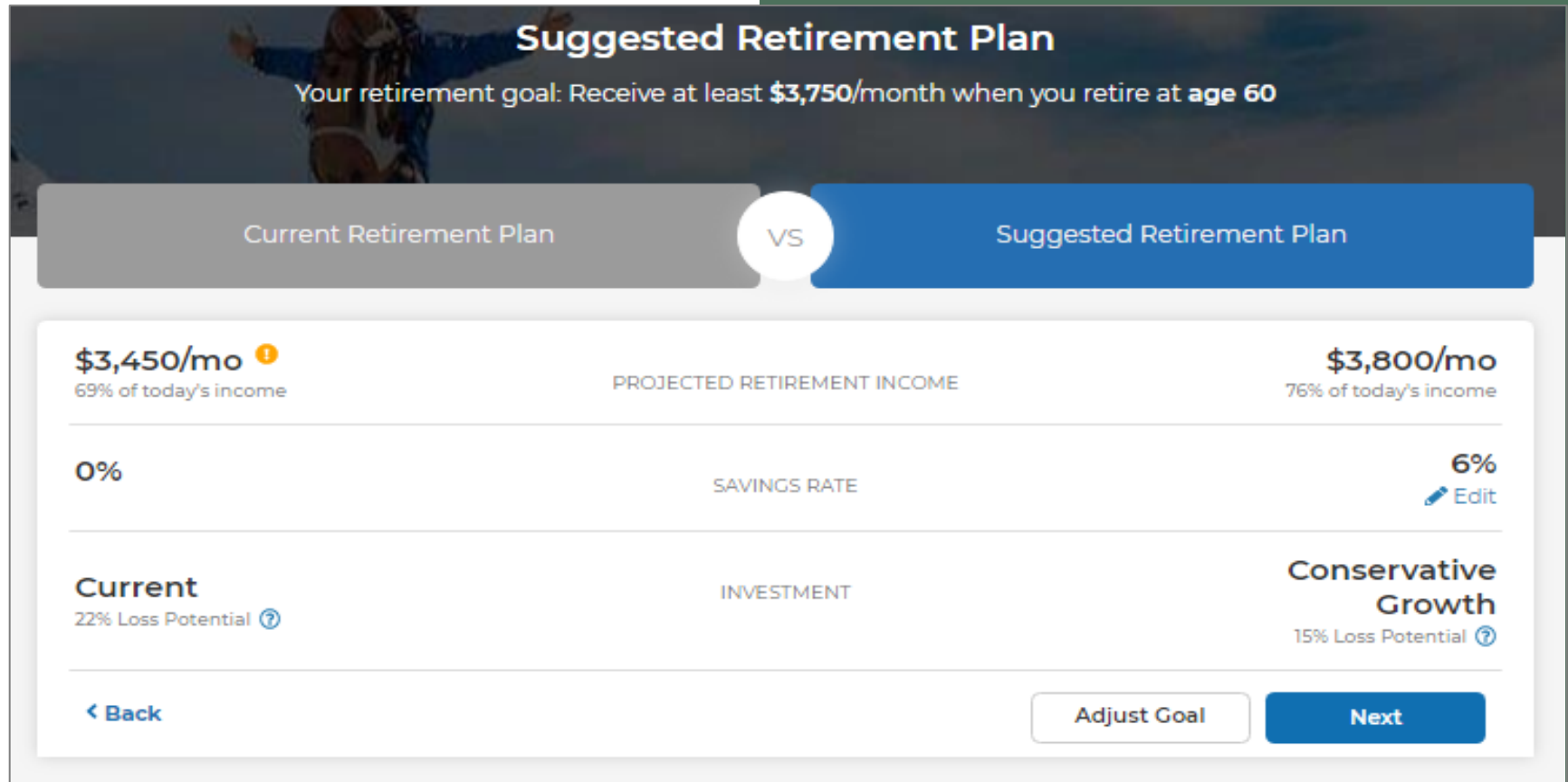
INVESTMENT RISK

In a poor year, I can stand a loss of: 

18% Based on your age, you may enter a value between 18-21%

This equals a loss of **\$5,413.05** of my \$30,072.49 retirement balance.

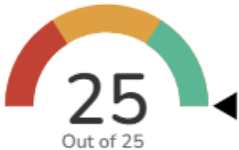
Putting Your Plan Together



Putting Your Plan Together

RETIREMENT MANAGEMENT

Modify



Your Retirement Planning score is 25 out of 25

YOUR RETIREMENT GOAL

Receive at least **\$2916.67 per month** when you retire at **age 62**. To adjust your desired retirement age, income, savings or loss potential, [personalize your priorities](#).

IF YOU TAKE NO ACTION

\$3,333.33 per month


80.00% of current income

Projected income breakdown

0%

Savings rate


21%

Loss potential 

SUGGESTED PLAN


\$3,333.33 per month

80.00% of current income

3% 

Savings rate

18%

Loss potential 

Choose Suggested Plan

Pre-Retirement Planning



Develop Your Investment Strategy

KEY FACTORS

LONGEVITY

The risk your money runs out before your death



INFLATION

The risk your purchasing power decreases



RATE OF RETURN

The risk of having low returns from both short and long-term investments



Longevity

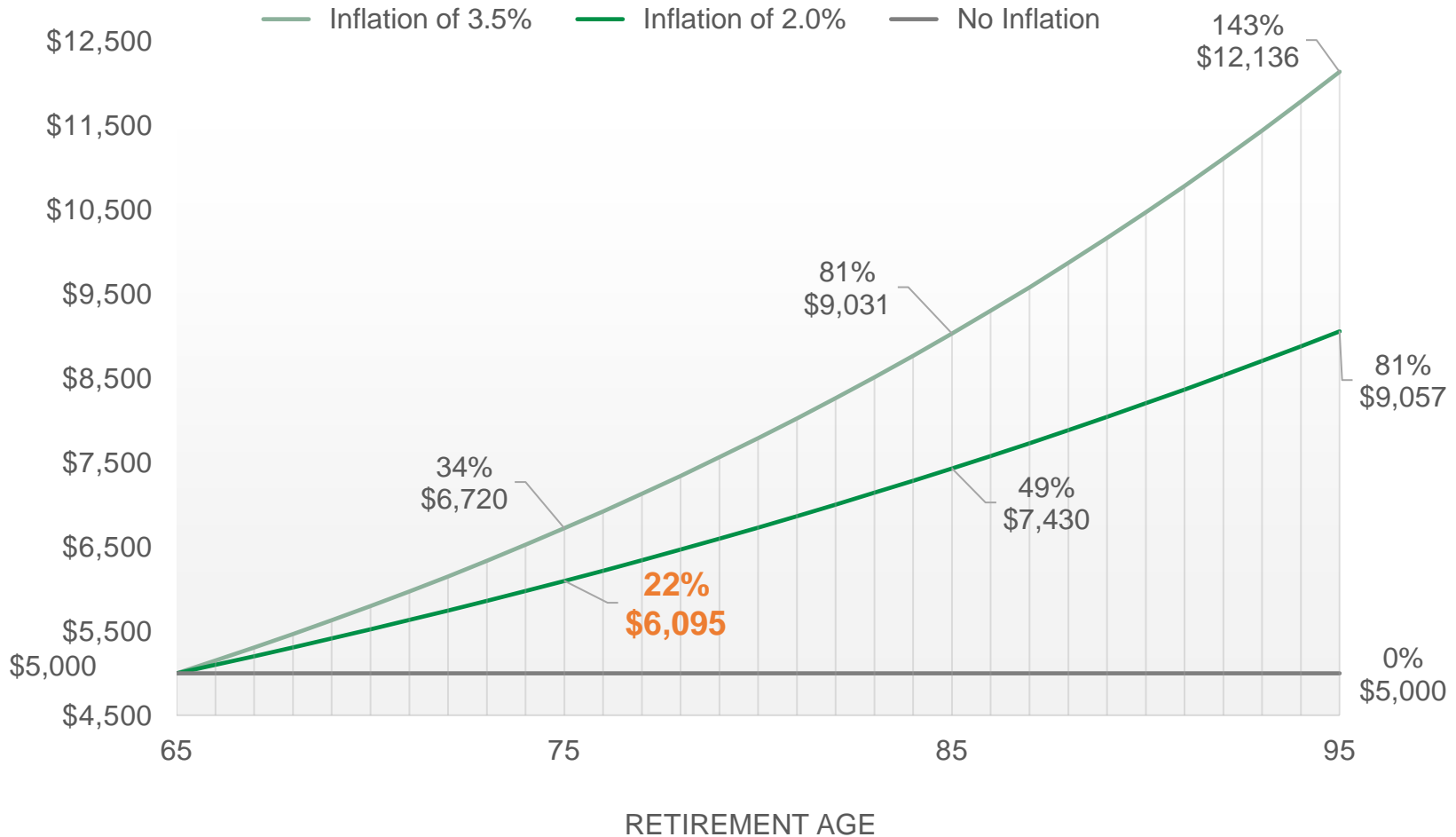
	65-year-old Male	65-year-old Female	65-year-old Couple*
Life Expectancy	86 years	88 years	92 years
Target Age to Save For	91 years	93 years	97 years

“Target Age to Save For” is the Life Expectancy age plus five years in order reduce the chance of running out of assets to draw down.

Source: <https://www.longevityillustrator.org/calculator>, using the 2017 Social Security Administration mortality table, with future mortality improvement using the Society of Actuaries RP-2019 scale, for an individual of “average health” and a “non-smoker.”

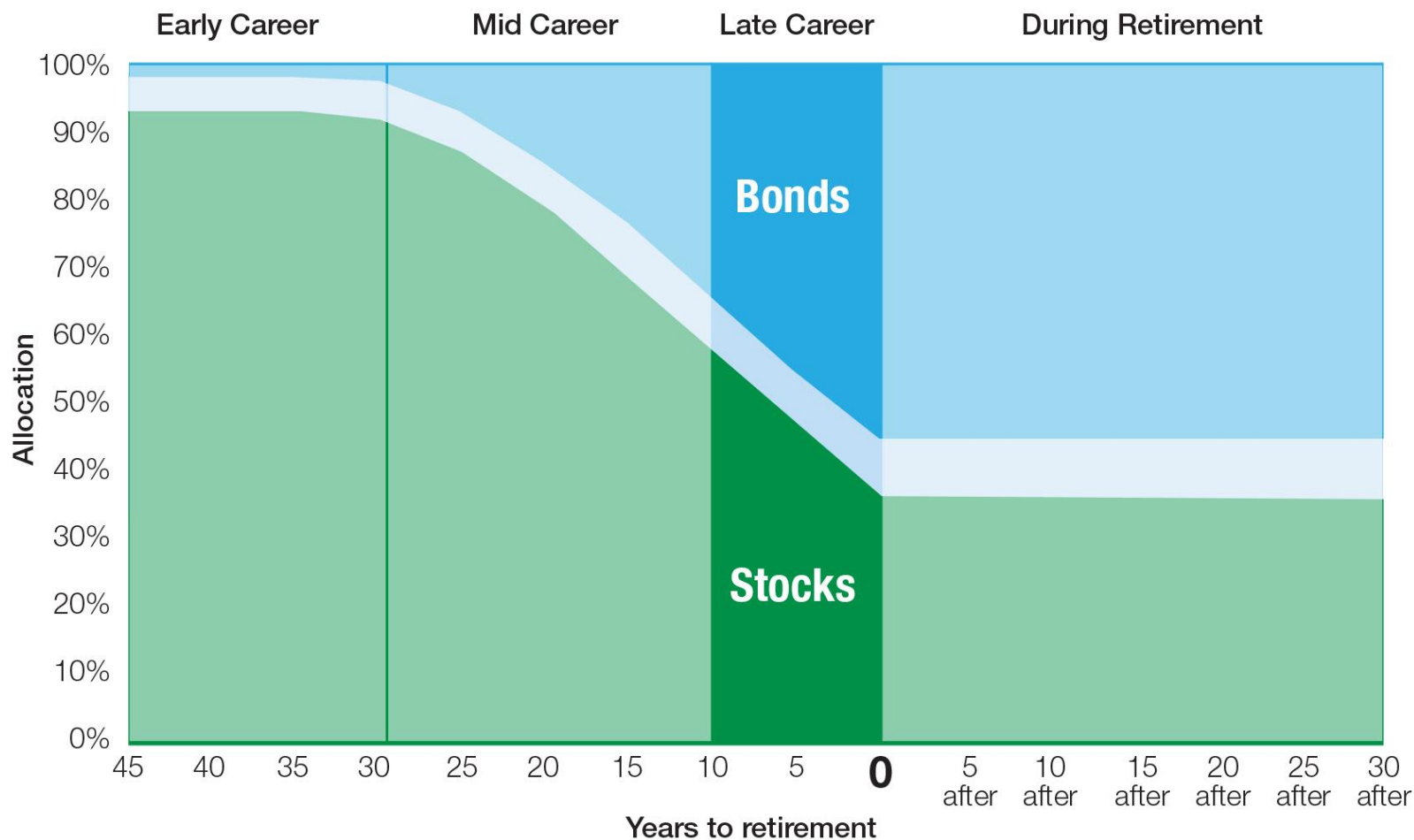
Inflation

Example shows the impact of inflation on retirement income needs in retirement.



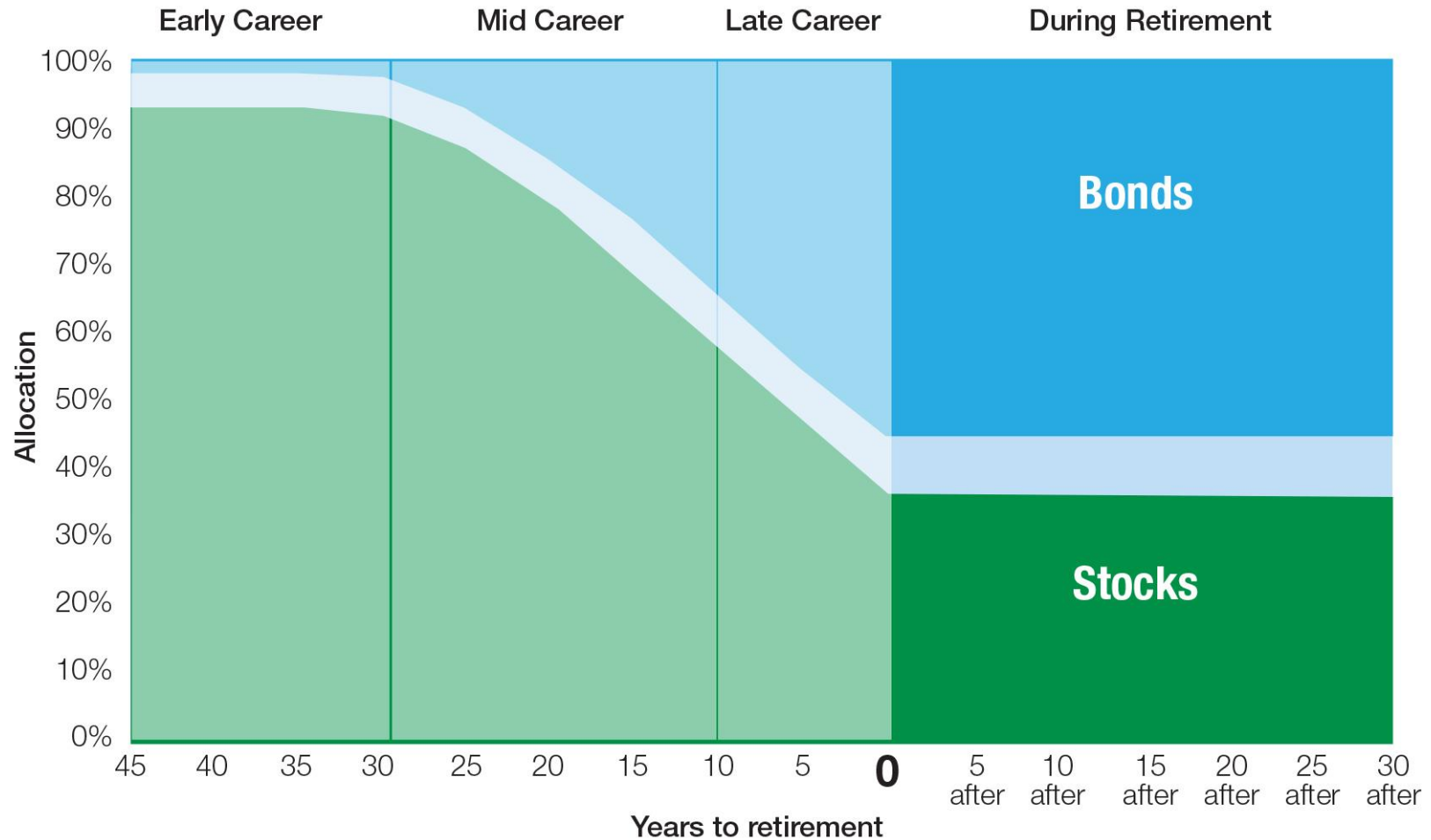
Investments

Late Career



Investments

In Retirement



Investments

Should I move my retirement to low-risk investments?

How Long Would Monthly Payments Last?

86 Years Old

3.0% Return

95 Years Old

5.5% Return

Example: Participant retires at age 60, and draws down a \$500,000 account balance by taking a \$2,000 monthly payment, adjusting it upward with inflation at 3.0% each year.

Preparing to Retire



Contribute Termination Pay



INCOME

\$2,880



PAYOUT

\$7,200



CONTRIBUTION

\$0



TAXES*

\$3,000



PAYCHECK

\$7,080

\$2,880

\$7,200

\$7,200

\$864

\$2,016

By contributing 100% of your final payout to retirement savings,
you would save **\$2,136** in taxes.

**FICA and Medicare taxes not factored into this example*

Assumes a \$75,000 annual salary and a final paycheck of \$2880 (80 hours x \$36/hr.) Assumes 200 hours were cashed in for a total payout of \$7200. Assumes a 30% tax withholding. This example is only for illustrative purposes only and does not constitute tax advice. Your situation will depend on your specific circumstances and you should consult with a tax advisor before making taking action."

Consolidate Your Retirement Accounts



Create Your Distribution Plan

**Before
Age 55**



**Between
59½ -72**



**After
Age 72**



Distribution Options



Lump Sum Payments

Receive a full or partial amount of your account balance



Periodic Payment Options (Installments)

Receive a set amount monthly, quarterly, semi-annually or annually until your balance is exhausted

Tips in Retirement & Key Takeaways



Retirement Tips



Stay in Touch



Spend Wisely



Keep
Beneficiaries
Up-to-Date



Maintain an
Emergency Fund



Enjoy!



Key Takeaways



Set up your myMERS account. Make sure your beneficiaries are up-to-date! Calculate your benefit estimates!



Contribute to a MERS 457 or IRA to supplement your pension and Social Security



Attend **MERS webinars** and other educational events to learn more about planning for retirement.



Learn about your **Social Security and Medicare options** at **www.ssa.gov**. MERS also hosts several webinars focusing on Social Security and Medicare throughout the year. Event details and registration can be found on our website.

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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.

