




25 Retirement Preparation Do's & Don'ts

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1) Do Have a Retirement Strategy


AccountsFinancial WellnessBudgetMy DocumentsThomasLog out

ACCOUNTS

CompactView All

Credit Cards	-\$452.93	>
Retirement	\$14,896.14	>
Defined Benefit		>

Assets	\$14,896.14
Debts	-\$452.93
Net Worth	\$14,443.21




CONNECT ACCOUNTS

You're missing out on the following account categories: **Investments, Properties, Cash Accounts, Loans, Insurance**

Connect Accounts

FINANCIAL WELLNESS

View All




4 / 5

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


MY BUDGET



Smarter spending and saving can make a big impact on your financial health. Not sure where to start?

Use our budgeting tool to help you understand your spending and saving habits.


Add a Budget



Contact Us

MERS Service Center
800.767.6377
servicecenter@mersofofch.com

- View Documents
- Live Chat
- Schedule an Appointment


Municipal Employees' Retirement System

2



2) Don't Pass Up Education Opportunities

The screenshot displays the MERS (Municipal Employees' Retirement System) website. At the top, the MERS logo is on the left, and navigation links for Home, Forms, Contact Us, and Log In are on the right. Below this is a green navigation bar with links for PARTICIPANT, RETIREE, EMPLOYER, NEWSROOM, and MERS, along with a search bar. The main content area features a large banner for the myMERS app, showing an older man using a smartphone. To the right of the banner is an 'Account Access' section with a 'LOG IN' button and links for creating an account, forgot username/password, and need help. Below the banner 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 corresponding text box below it. The 'Video Library' box is highlighted with a black border and contains the text: 'Get to know your MERS products and learn about important retirement topics with quick video tutorials.'

MERS
Municipal Employees' Retirement System

Home Forms Contact Us Log In

PARTICIPANT RETIREE EMPLOYER NEWSROOM MERS

Search ... **SEARCH**

Meet Charles,
His phone gives him access to everything he needs – Now, he's got his retirement account too, with the *myMERS app* at his fingertips.

Available in your app store

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
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.



3) Do Know How Much You Need in Retirement?



A general rule of thumb is to save

80%

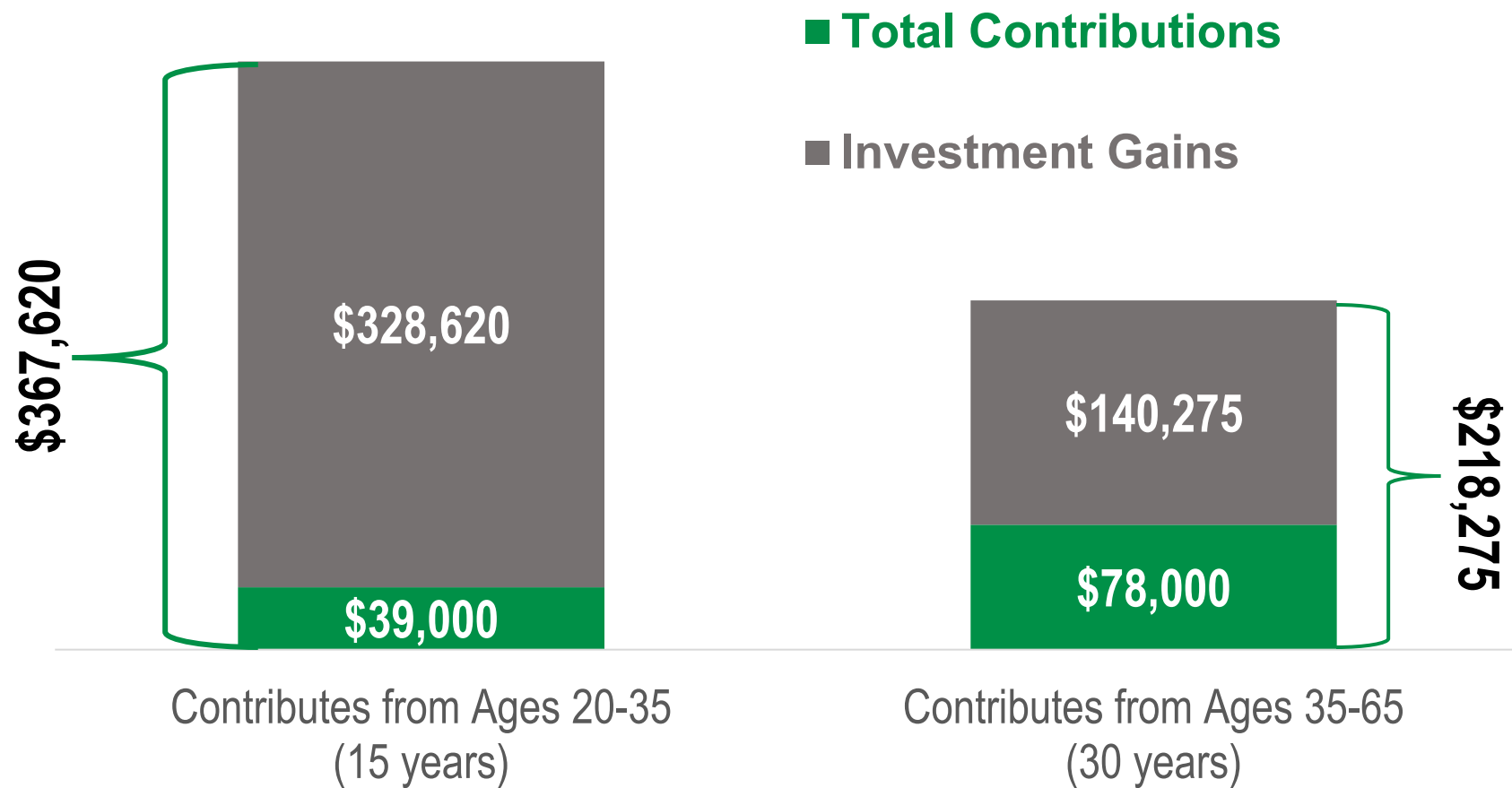
of your pre-retirement income

For example, if your salary the year before retirement is **\$75,000** you need **\$60,000** for each year of retirement saved up

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

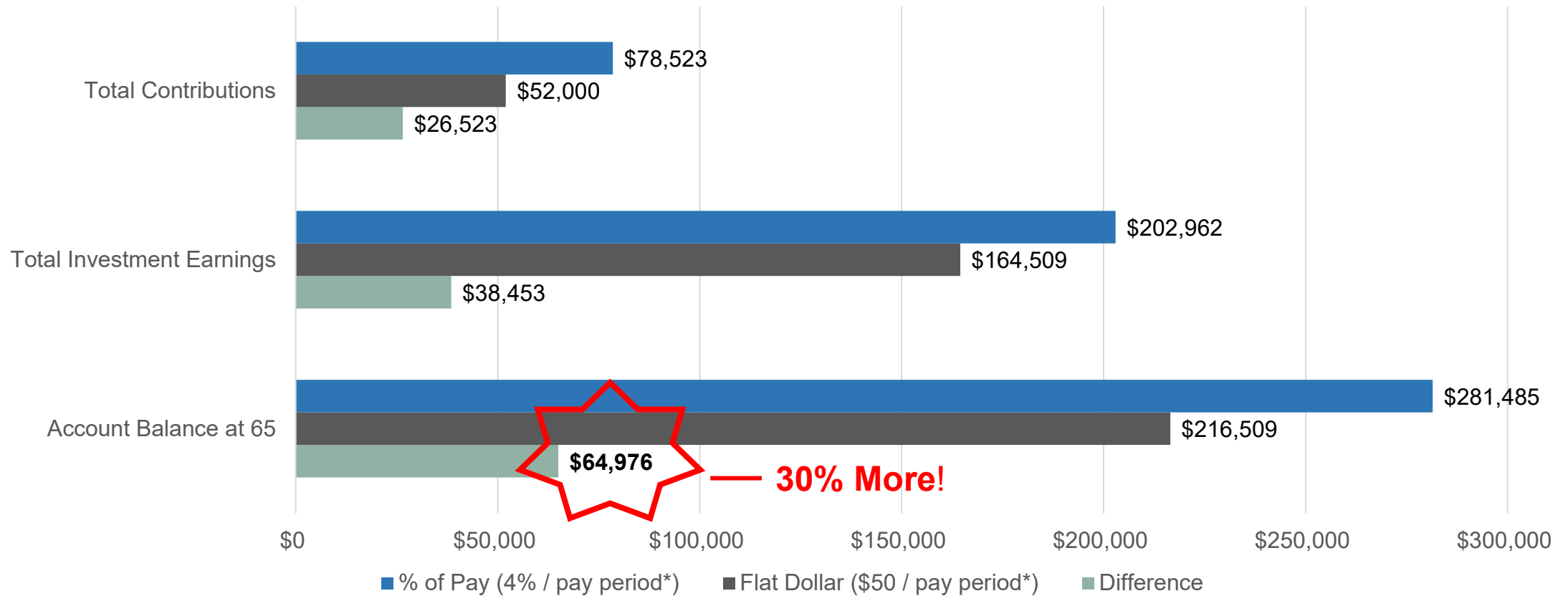


4) Don't Wait to Get Started



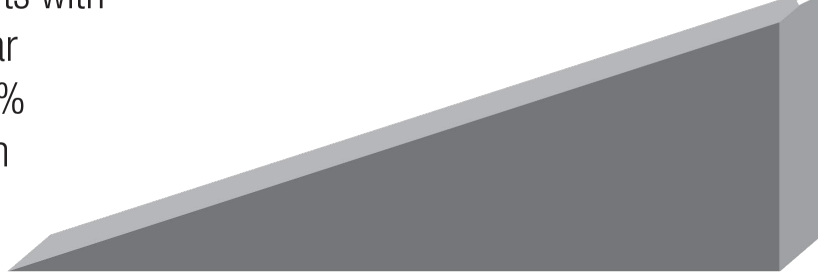
5) Do Contribute a Percentage

Contributing a percentage of pay versus a flat dollar amount can result in a higher account balance at retirement.



6) Do Increase Contributions

Example starts with \$52,000/year salary and 6% annual return for 35 years.



\$222,220

Fixed Amount

Employee B started at 5% and stayed there.

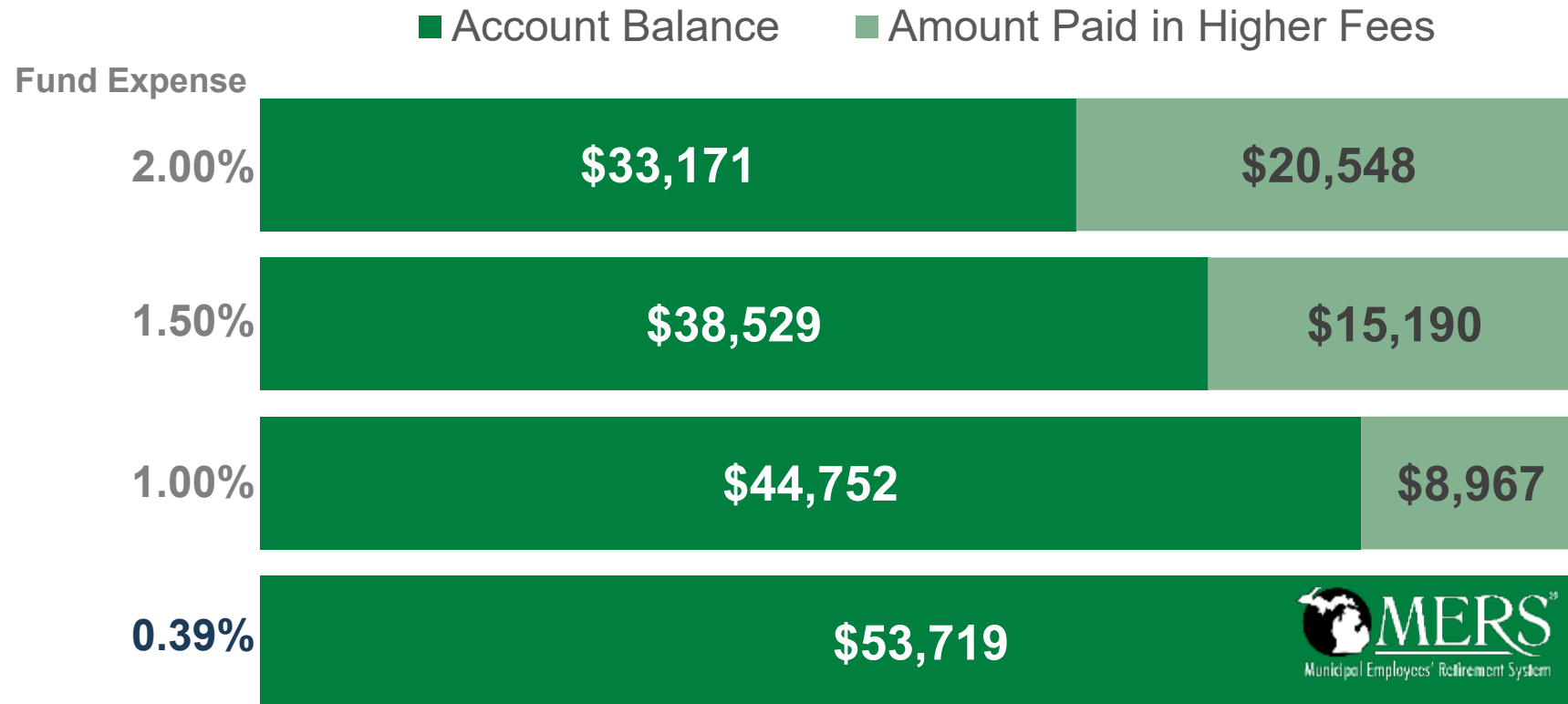


Do Increase Contributions, cont'd



7) Don't Pay Too Much in Fees

Growth of \$10,000 over 30 years (after fund expenses)





8) Do Choose the Right Investments



MERS Investment Menu

1

Do it for me

Fully diversified target date funds that automatically adjust over time

2

Help me do it

Prebuilt portfolios that are monitored and rebalanced quarterly

3

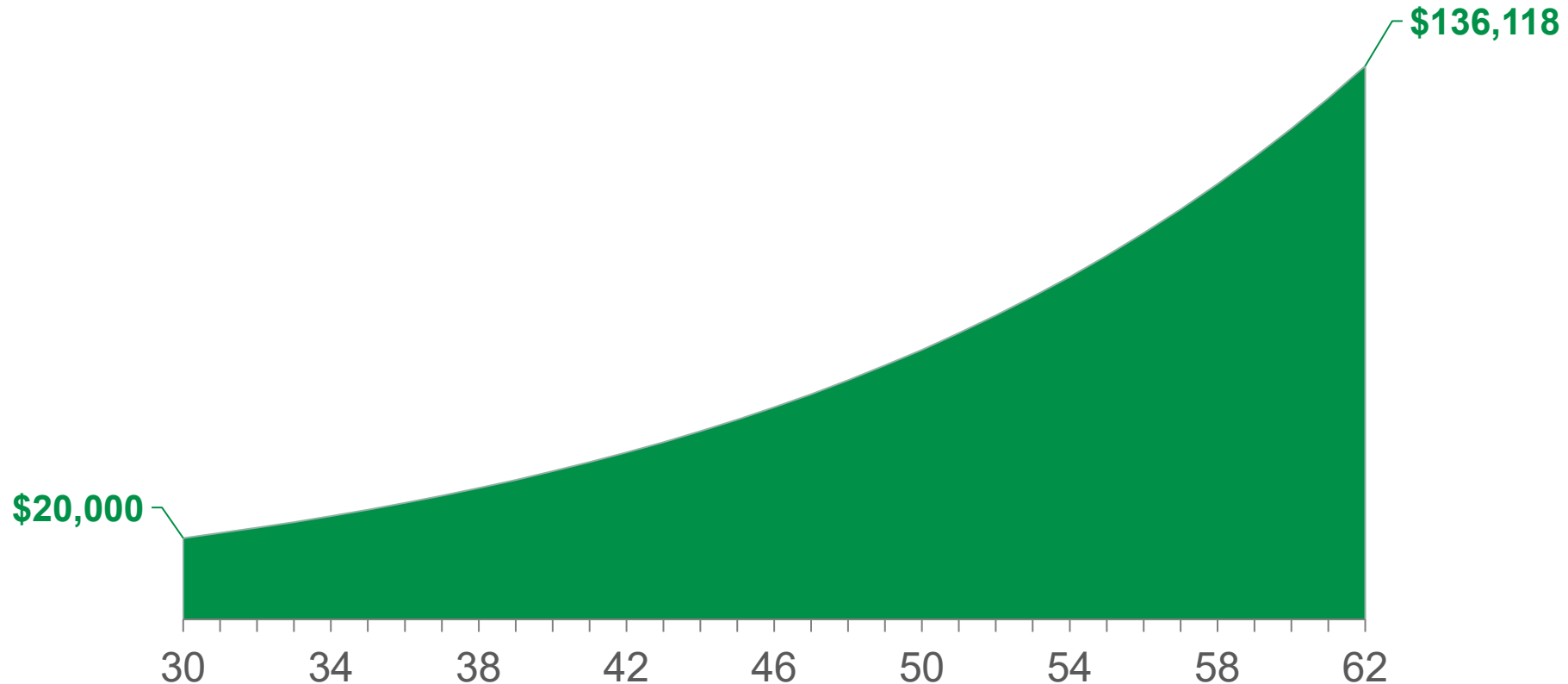
I'll do it myself

Personal choice retirement account to access funds outside of MERS



9) Don't Take a Loan from Your Retirement

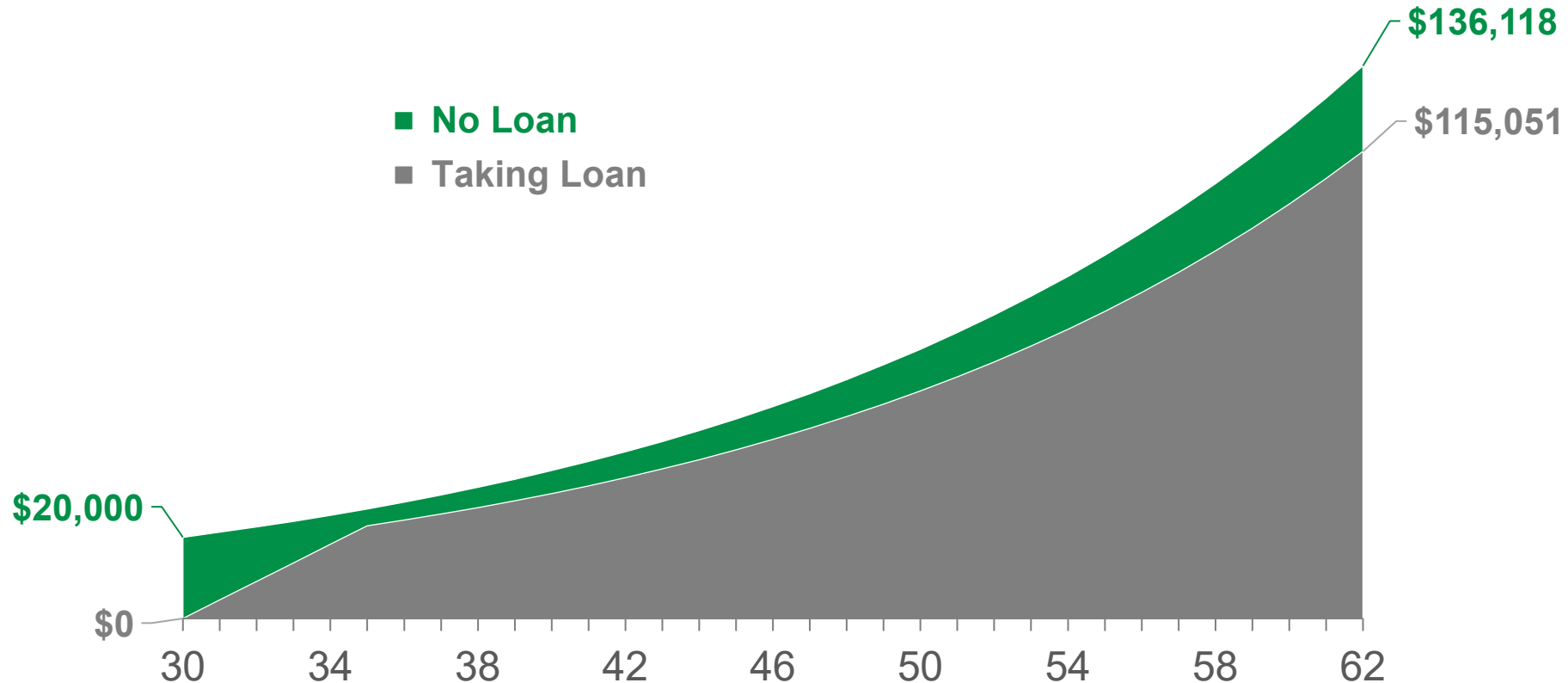
- Effect on your account balance when taking a \$20,000 loan





Don't Take a Loan from Your Retirement, cont'd

Effect on your account balance when taking a \$20,000 loan



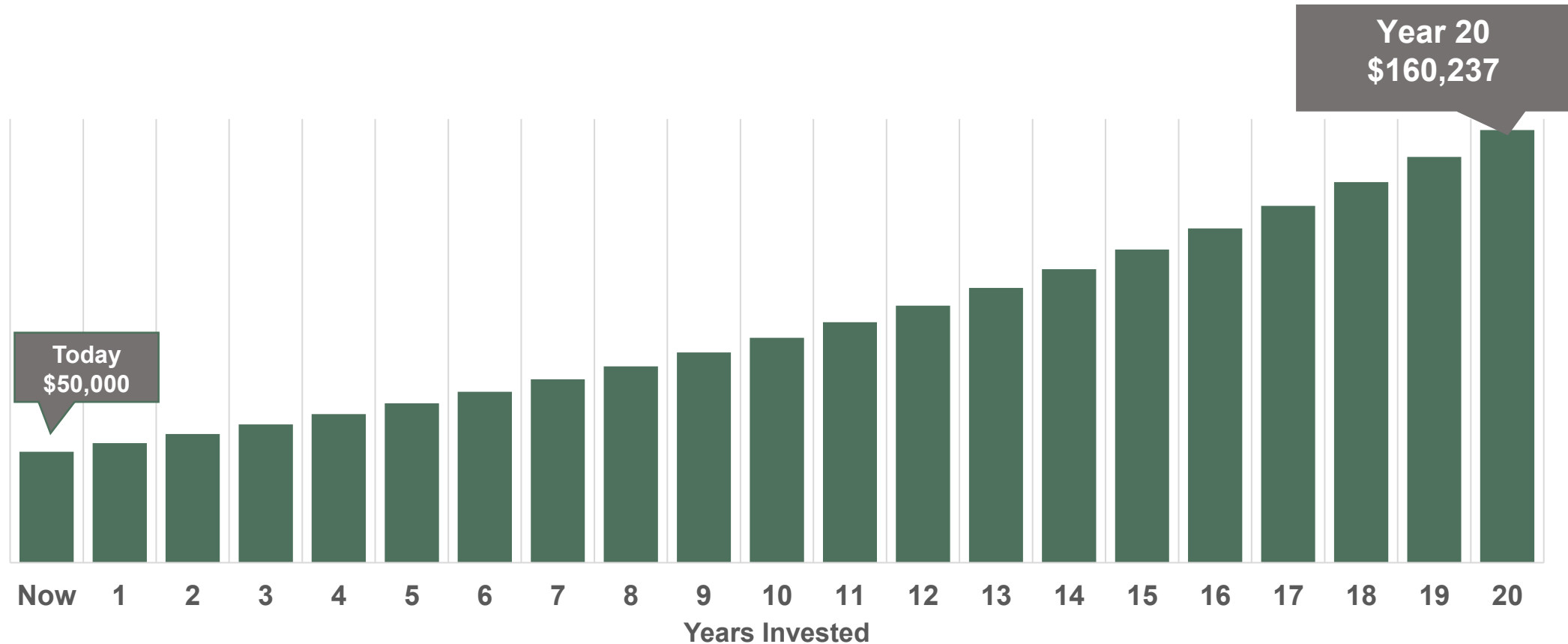
10) Don't Cash Out Accounts Between Jobs

Effect of early withdrawal of a defined contribution plan balance of **\$50,000**

Taxes/Penalties Owed	Assumed Rate	Amount
Federal Income Tax	22%	\$11,000
State Income Tax	4%	\$2,000
Early Withdrawal Penalty	10%	\$5,000
Total Taxes/Penalties You Pay:		\$18,000
Amount You Receive:		\$32,000

Impact of Keeping Your Money Invested

Potential Future Value of Retirement Savings





11) Don't Prioritize Education Savings Over Retirement

- There are more options to pay for college than there are for retirement (i.e., scholarships, grants, student loans).
- It's easier to pay off student loans than it is to work in retirement.
- Student loan interest rates are often less than investment returns.
- Adult children will be less likely to have to support parents as they age.





12) Do Plan for Medical Expenses

The average 65-year-old couple retiring in 2024 should plan to spend
\$395,000
for out-of-pocket health care expenses in retirement

Source: Milliman
This example assumes couple is enrolled in Medicare Parts A, B, D and Medigap.





13) Do Calculate How Long Retirement Will Be

	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 5 years to 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.”



14) Don't Retire Too Early

Disadvantages:

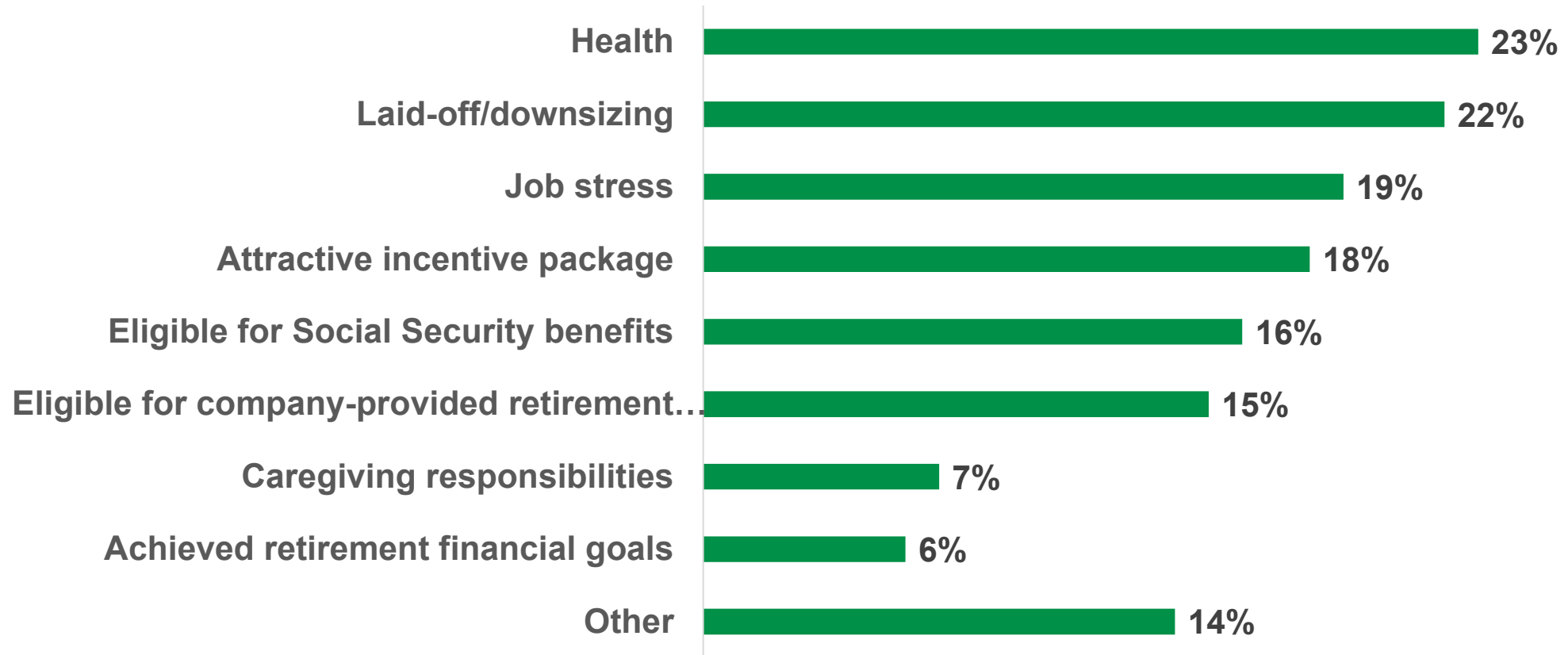
- Less time to save
- More years to fund
- Social Security benefits could be greatly reduced depending on when you decide to or need to draw
- Insurance gap





15) Don't Believe You'll Continue Working

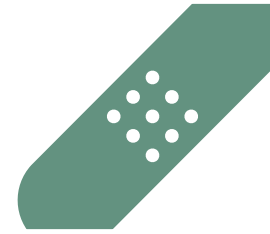
A recent survey asked people why they retired earlier than expected.*





16) Don't Assume You'll Work in Retirement

Approximately **57%** of Americans indicated they expect to work in retirement*. However, much like expectations to continue working before retirement, this is not always possible.



Health Issues



Age discrimination



Lack of job opportunities



Experiencing burnout or feeling overwhelmed

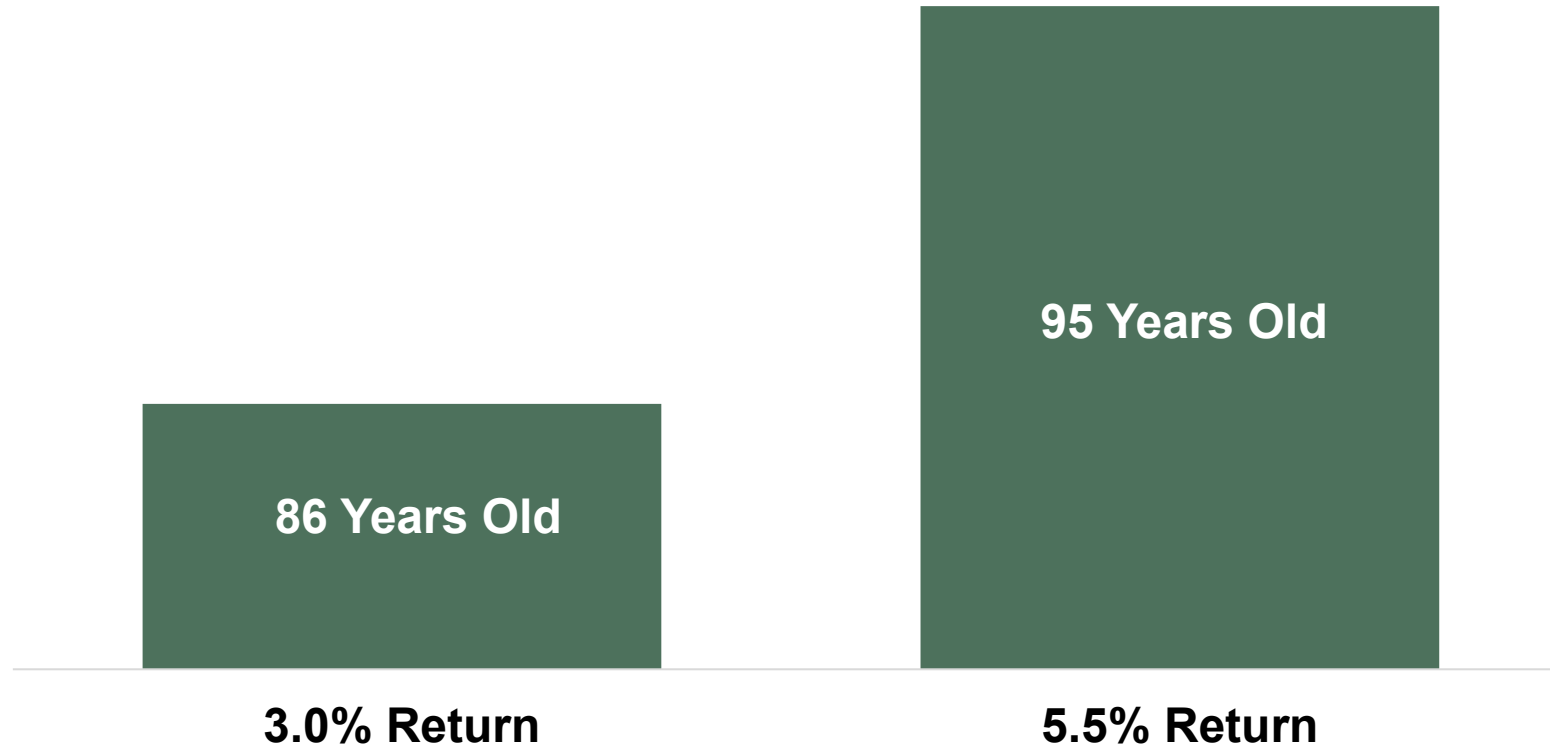


Balancing work and leisure time



17) Don't Invest Too Conservatively

How long would monthly payments last?



This example assumes a 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.

History of Market Volatility



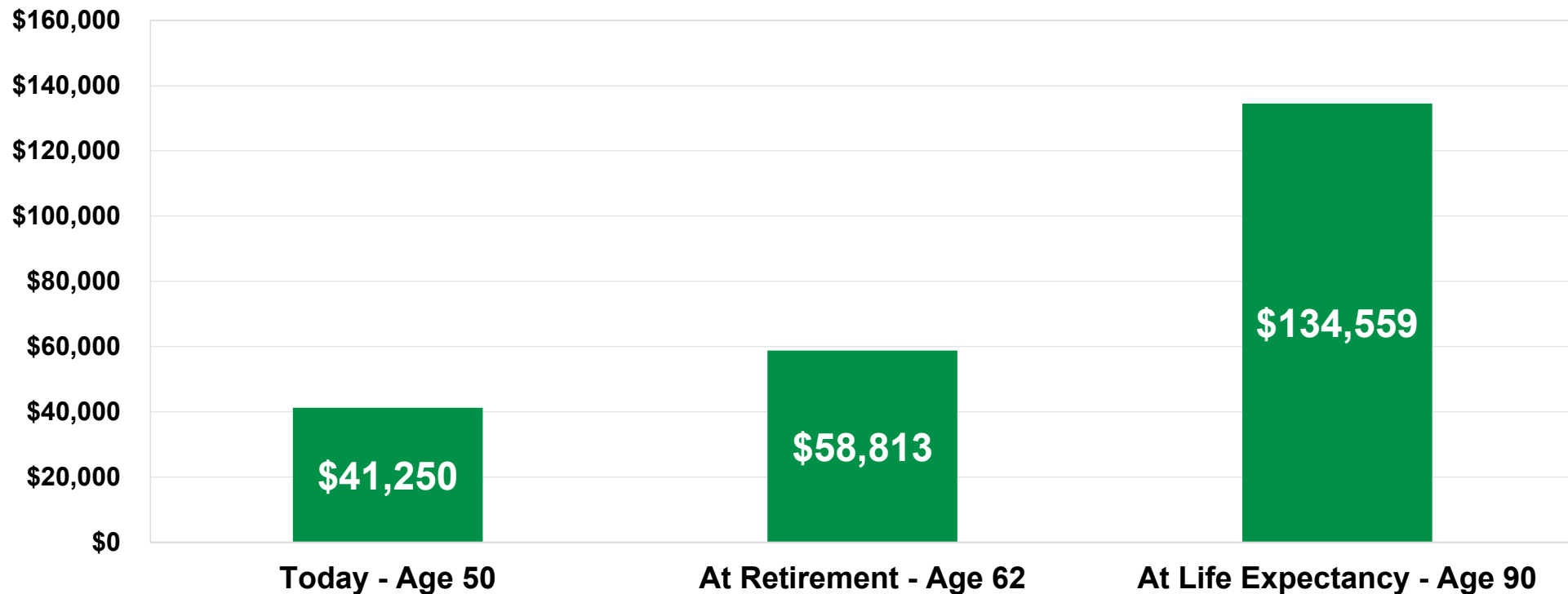
S&P 500 Index Value (Jan. 1, 1987 – Dec. 31, 2023)

Source: Wall Street Journal and the Research Center

18) Do Consider Inflation

Inflation has a big impact on the amount you will need to meet your income needs in retirement.

Example - Effect of Inflation on Annual Retirement Savings Needs





19) Don't Have Unrealistic Expectations for Retirement



20) Do Pay Off Debt Before Retiring



myMERS

Accounts

Financial Wellness


Budget

My Documents

Log out

DEBT MANAGEMENT



13

Out of 25

Your Debt Management score is 13 out of 25.

You're on the right track! If you haven't already, make a plan to begin paying off your debts. We've categorized your debts into high, medium, and low payoff priority. Focus on paying off the high priority debts first.

Debt Amount

\$ 179,865.27


High

Low

View All Workouts

Modify

LINKED ACCOUNTS

Payoff Priority 

Mortgage


\$179,444.20

Low

Premium Rewards Vi...

\$421.07

High




Contact Us

MERS Service Center

800.767.6377

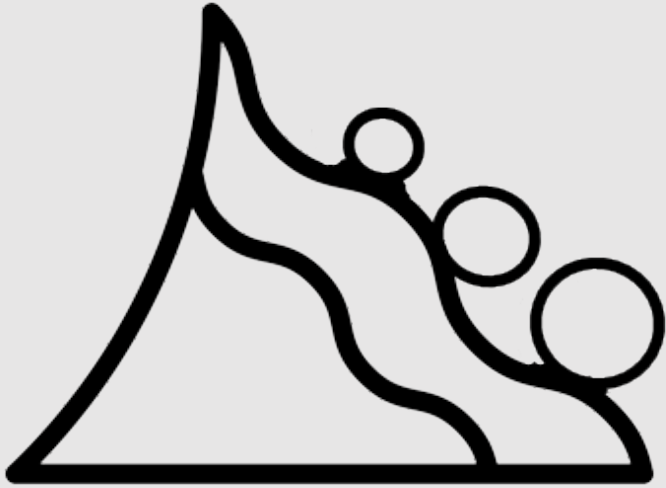
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Municipal Employees' Retirement System

27

Choose a Plan that Works for You



Snowball Method

Pay off smallest debts first, then work your way through the biggest debts



Avalanche Method

Start by paying off debts with the highest interest rate, then work your way down to debts with low-to-no interest



21) Don't Burn Through Your Retirement Account

How long will your savings last?



Example assumes an annual withdrawal rate of \$50,000/year, a 6% rate of return and a 5% inflation rate

MERS resources can help!

Calculators

How long will my retirement savings last?

Use this calculator to see how long your retirement savings will last. This is based on your retirement savings and your inflation adjusted withdrawals.

Calculate

View Report

You will be able to fund 20 years in retirement. *indicates required.

Retirement savings inputs:

Cumulative savings at retirement:*

\$0

\$10k

\$100k

\$1m

Amount you want to spend annually in retirement:*

\$0

\$10k

\$100k

\$500k

After tax rate of return in retirement:*

0%

4%

8%

12%

Expected inflation rate:*

0%

7%

13%

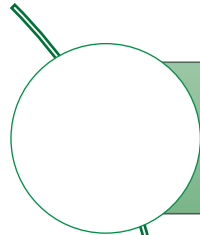
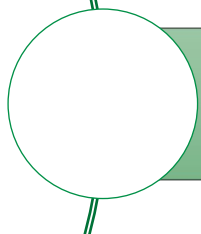
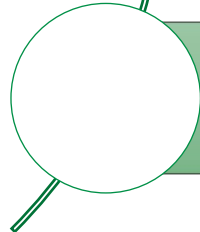
20%

Withdrawals and deposits:

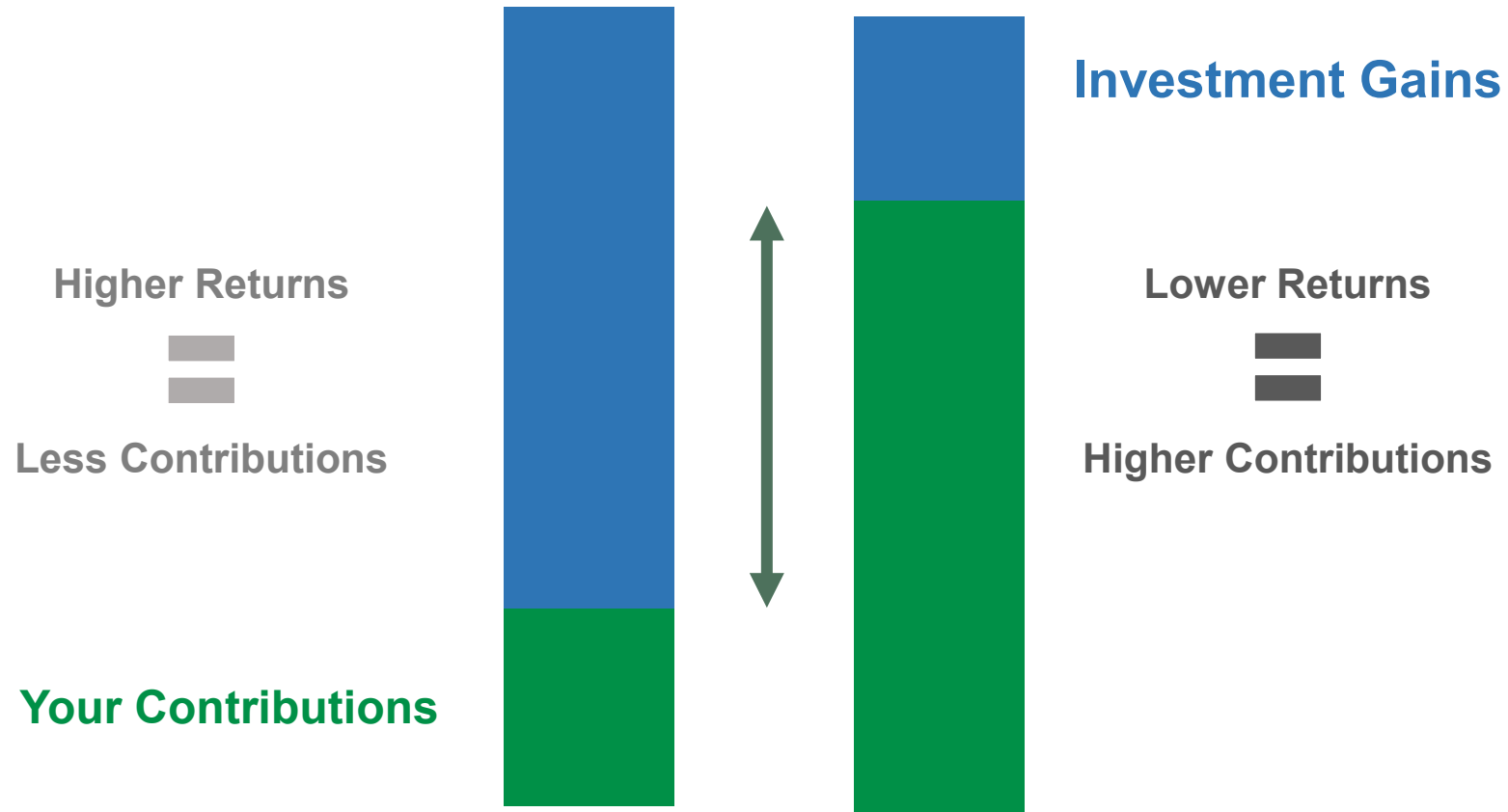
Additional withdrawals and deposits:

22) Don't Stress About Starting Late

Strategies to help you get on track

-  Consider your investment risk
-  Make “catch-up” contributions
-  Reduce expenses in retirement

Strategy 1: Consider Your Investment Risk



Strategy 2: Make Catch-Up Contributions

Example starts with \$100,000 at age 50, and 6% annual return until age 62.

\$629.068

Ordinary

Yearly contribution of \$23,000

Make Catch-Up Contributions, cont'd



Make Catch-Up Contributions, cont'd



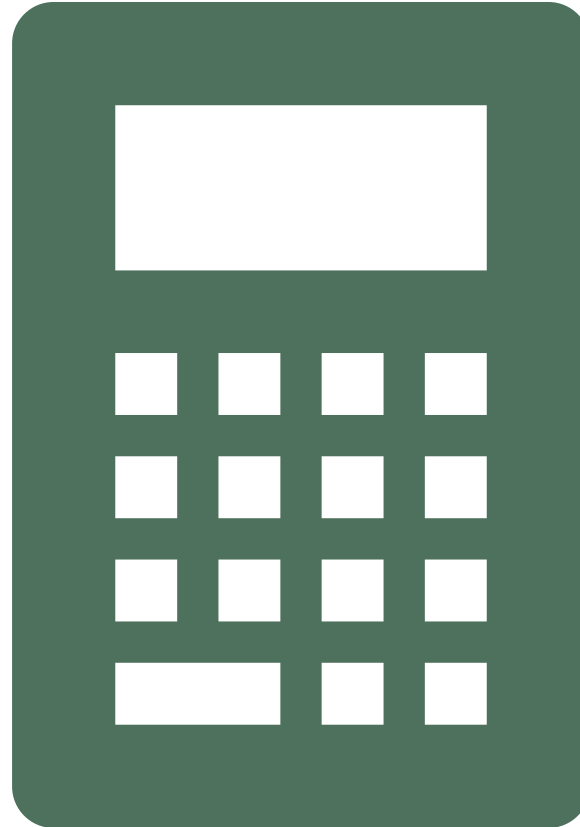
TAKE ACTION

Work with your employer to add Catch-Up contributions to your 457 account.

Strategy 3: Reduce Expenses in Retirement

$$\begin{array}{r} \$75,000 \\ \times 80\% \\ \hline \$60,000 \end{array}$$

Savings Goal:
\$425,000



$$\begin{array}{r} \$75,000 \\ \times 75\% \\ \hline \$56,250 \end{array}$$

New Savings Goal:
\$275,000

Do Learn About Social Security

www.ssa.gov



Calculators



Benefits Planner



FAQs

Get answers to frequently asked questions about Social Security.



Retirement Estimator

Calculate your benefits based on your actual Social Security earnings record.



my Social Security

Check out your *Social Security Statement*, change your address & manage your benefits online today.



24) Do Keep Beneficiaries Updated

List your LOVED ONES

Naming a BENEFICIARY is important. Make sure yours are up to date.



Review online today



25) Do Review Retirement Plan with Your Spouse

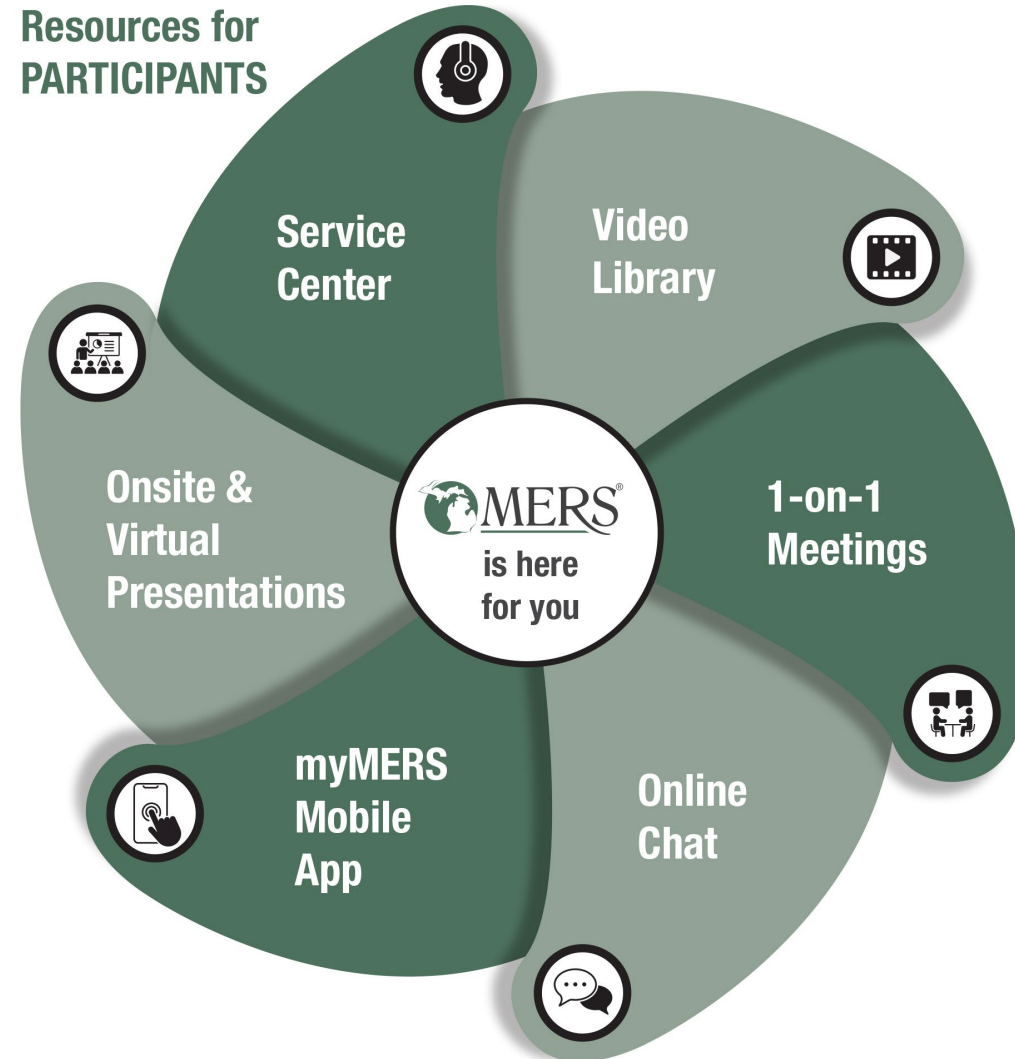
- Discuss details of your retirement plan(s)
- Make sure you are both taking advantage of an employer match, if available
- Compare investment options and fees
- Discuss pension payment options, if applicable



Key Resources and Takeaways



Resources



Key Takeaways

Create your
myMERS
account

Create a
budget and
stick to it

**Save, save,
save!**

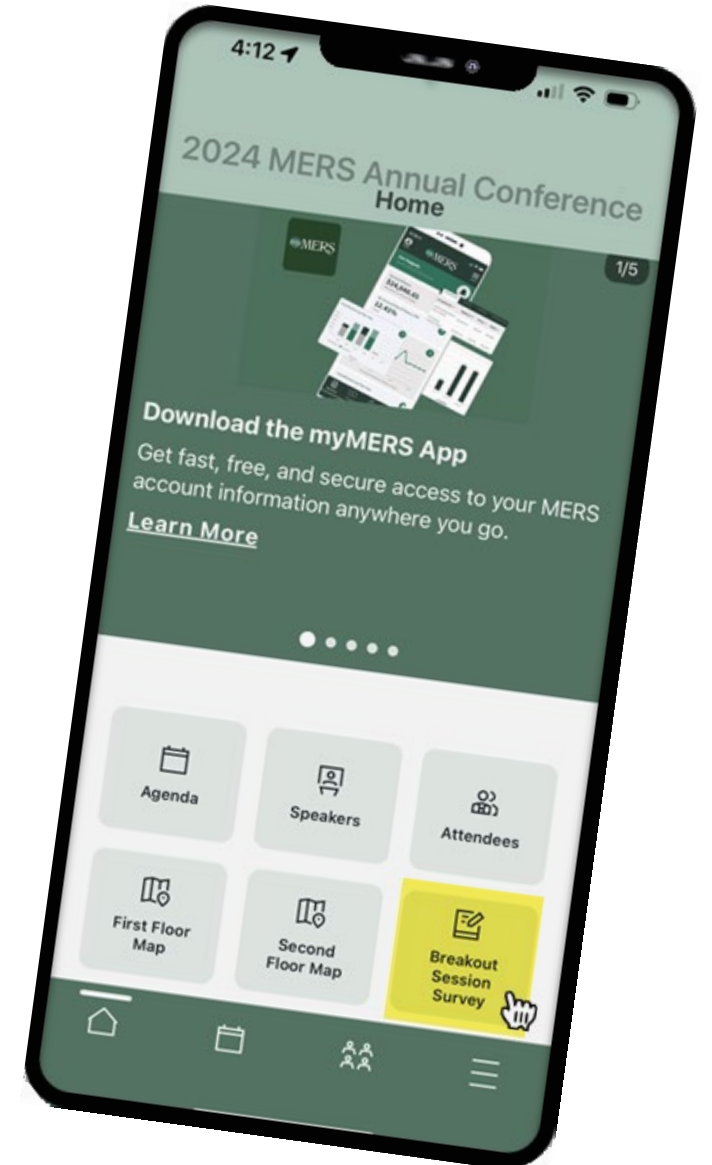
Attend
**educational
events**

Work on
**paying
down debt**

Share Your Feedback on this Session



Scan this **QR code** or open the **conference app** to share your feedback on this session.



MERS of Michigan

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