



Investment Basics & Savings Options

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Agenda

- Goals and Dreams
- How to Invest
- Cost of Investing
- Types of Retirement Accounts
- Enrollment Information & MERS Resources

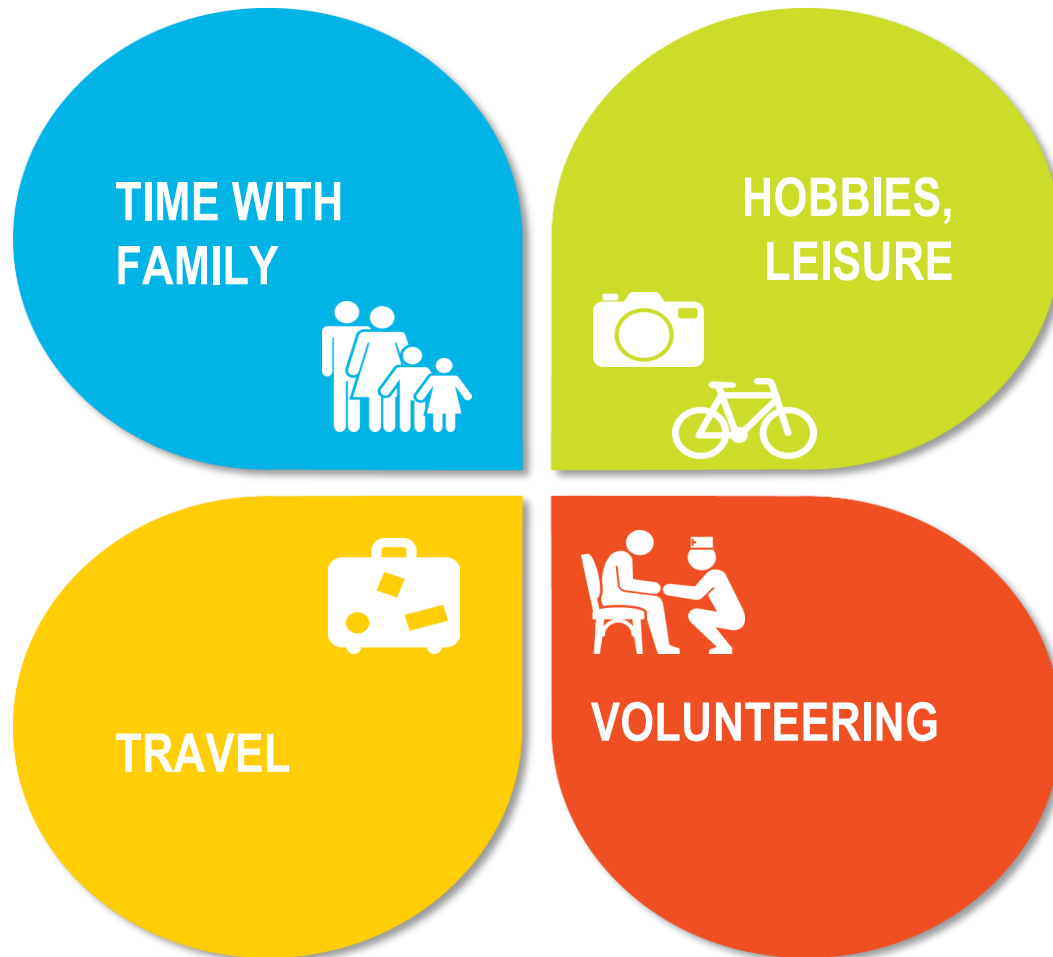


Goals and Dreams

Why We Save



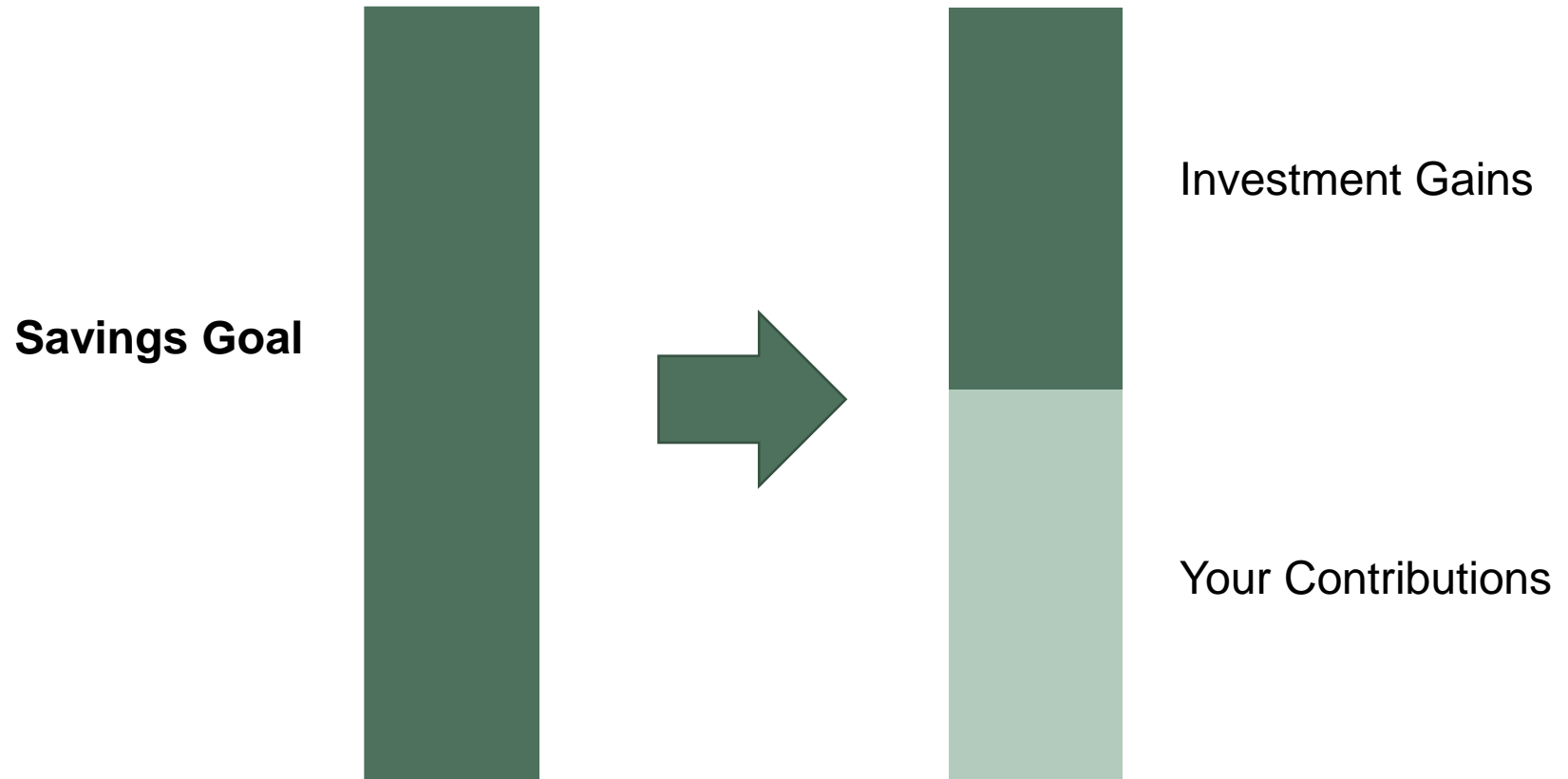
Retirement Goal





How to Invest

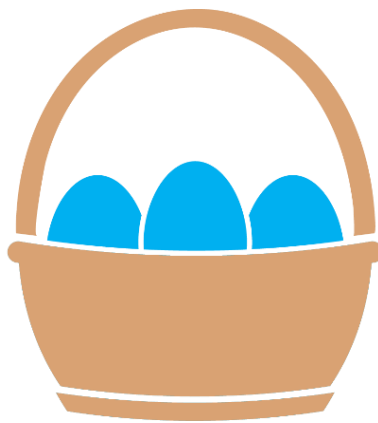
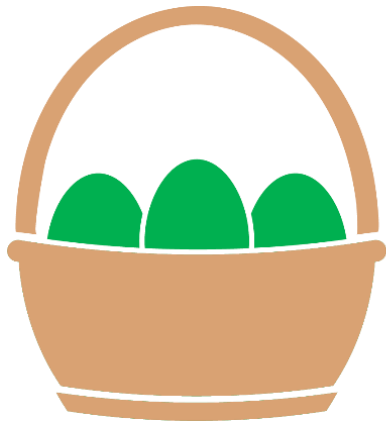
Why We Invest



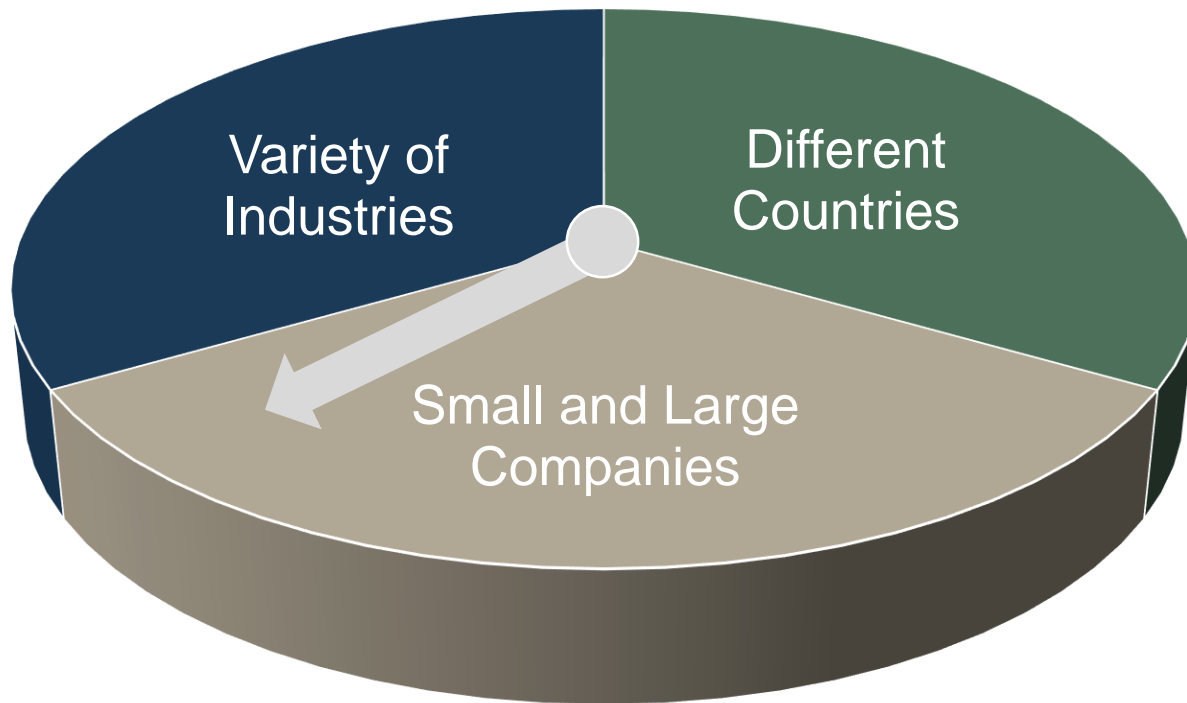
What Determines Your Investment Returns?



Types of Asset Classes



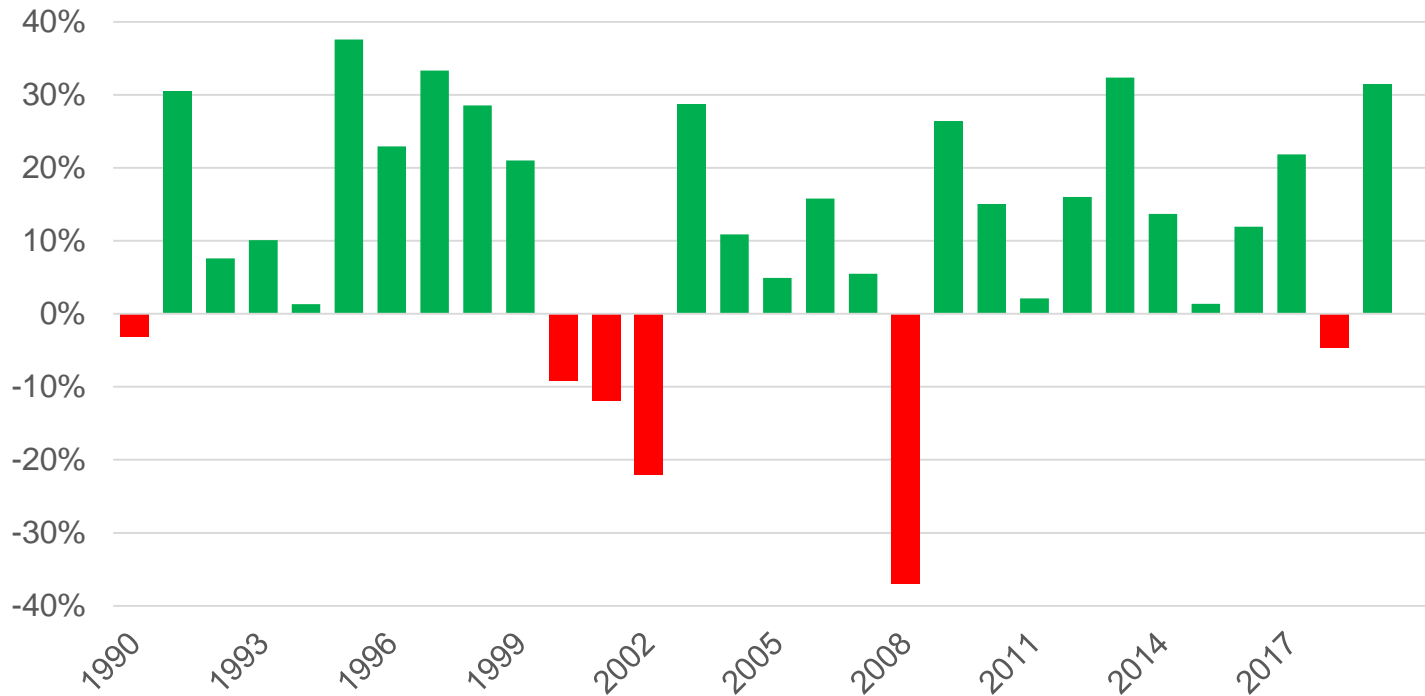
What are Stocks?



Return History of Stocks



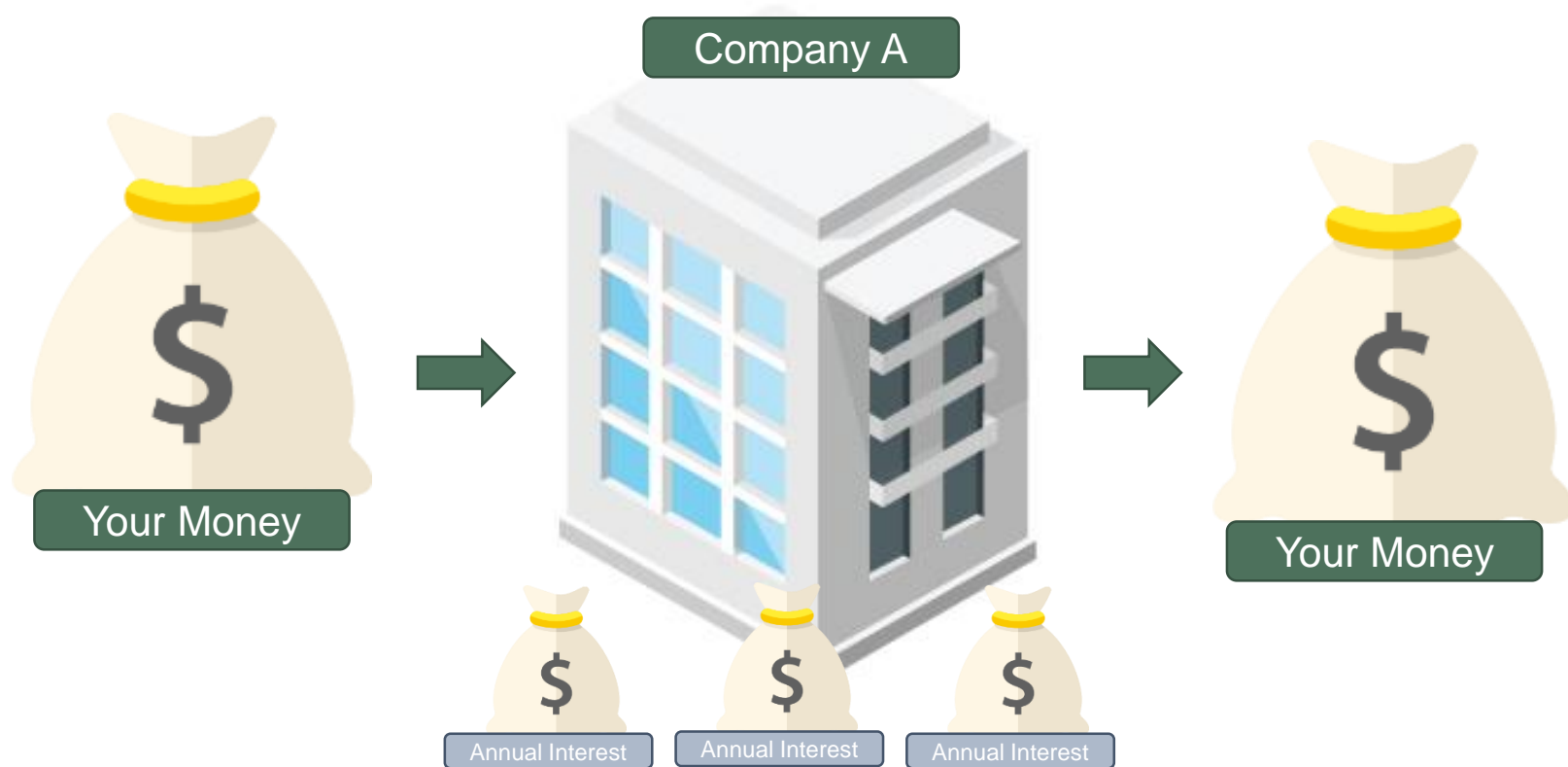
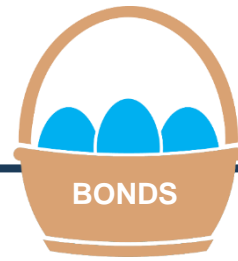
Investment Gains (Reward)



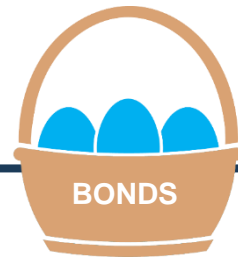
Investment Losses (Risk)

Returns shown are for the S&P 500 Index (1990 - 2019)

What are Bonds?



Interest Rate Varies



Short Term



Medium Term



Long Term



Government

Stable Company

Startup Company



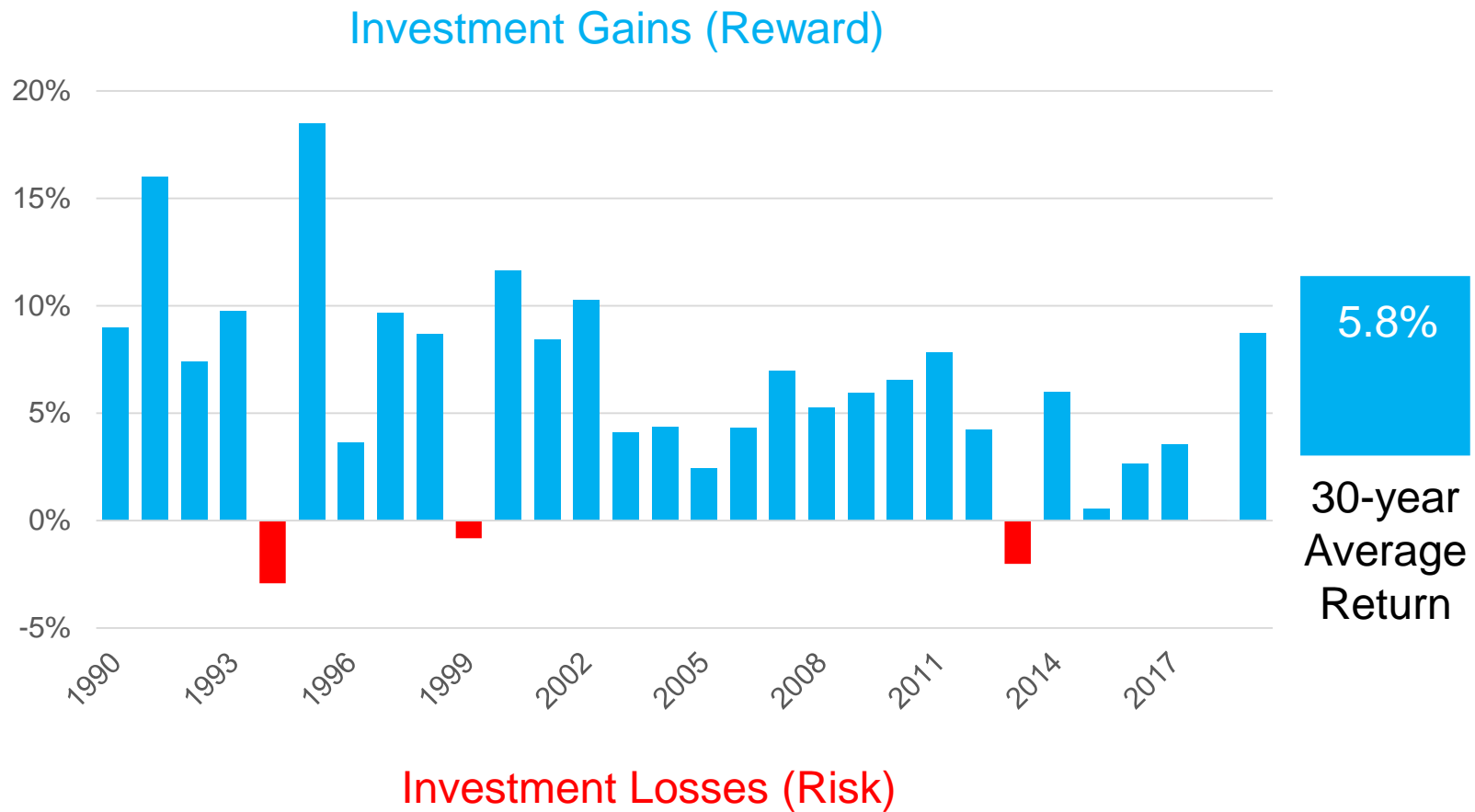
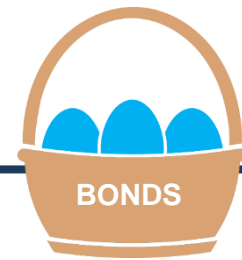
United States

Developed Country

Emerging Country



Return History of Bonds

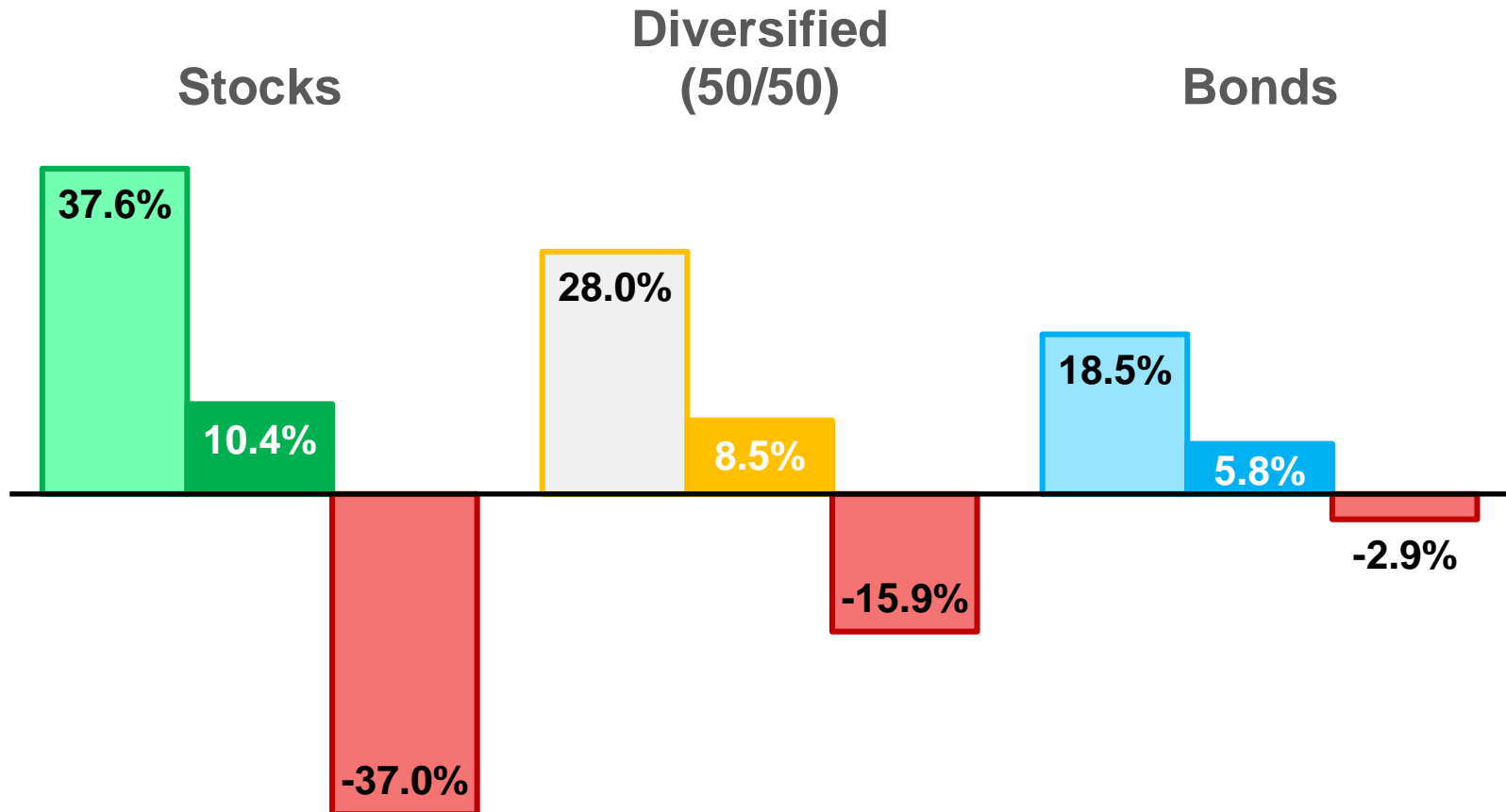


Returns shown are for the Bloomberg Barclays US Aggregate Bond Index (1990 – 2019)

Diversification



Return Comparison



Returns over last 30 Years (1990 - 2019)



Cost of Investing

Types of Investment Costs



Administration



Investment Management



Recordkeeping



Transaction

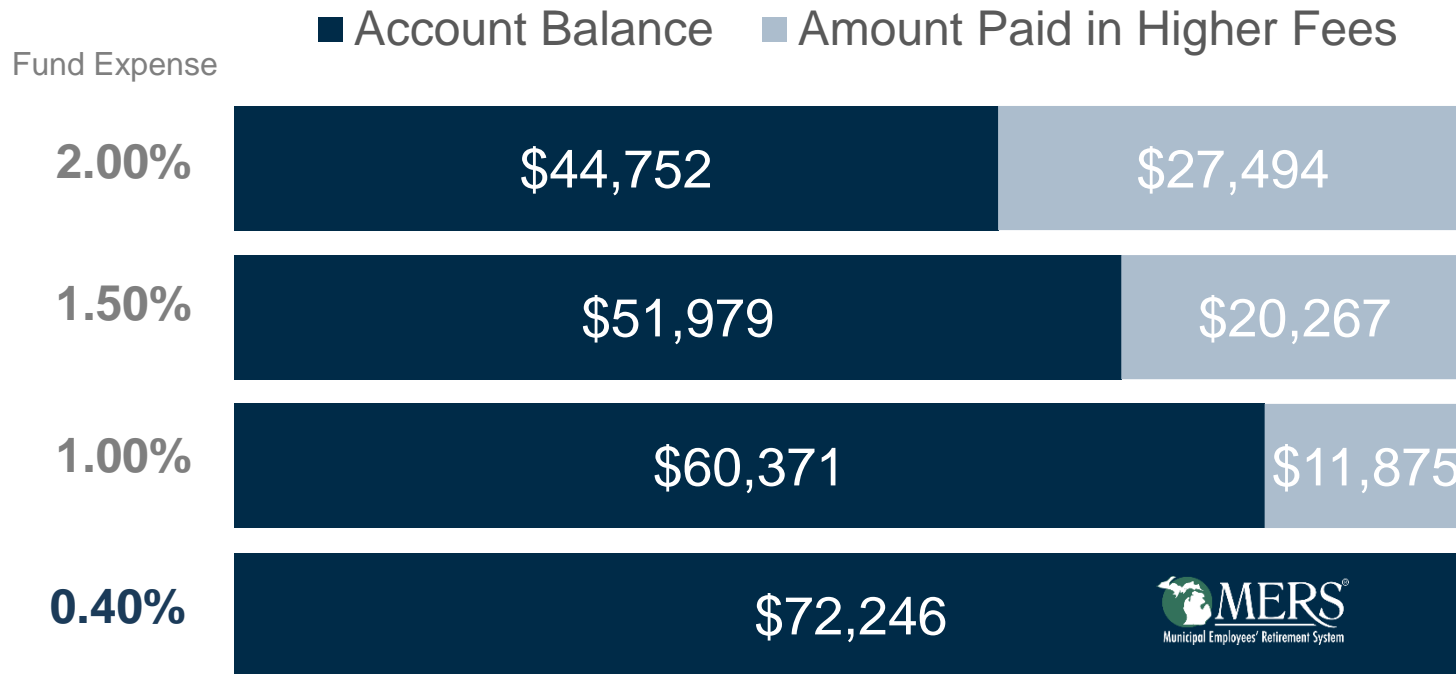
How Could Fees Be Charged



Account Balance	\$1,000	\$10,000	\$100,000
% of Assets <i>(this example uses 1% of assets)</i>	\$10	\$100	\$1,000
Account Fee	\$50	\$50	\$50
Per-Service Fee	N/A	Divorce \$150	Loan \$100

Impact of Fees on Account Balance

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



*This hypothetical example illustrates the effect fees can have on \$10,000 growing for 30 years, at an **annual return of 7%**, before the different investment costs are considered.*



Types of Retirement Accounts

Types of Accounts

**Retirement
Plans**



**Supplemental
Savings
Programs**



Health Care Programs

Retirement Plans

Steady Income Stream



Account Balance



457 Supplemental Savings Program



Tax Benefit Comparison

Sample Paycheck	No Program Deductions	MERS 457 Pre-Tax	MERS 457 Roth Contributions
Gross Wages:	\$ 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
Payroll Deductions:			
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
Net Pay (Take-home pay):	\$ 1,482.25	\$ 1,411.65	\$ 1,382.25

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

Rollover/Transfer Contributions

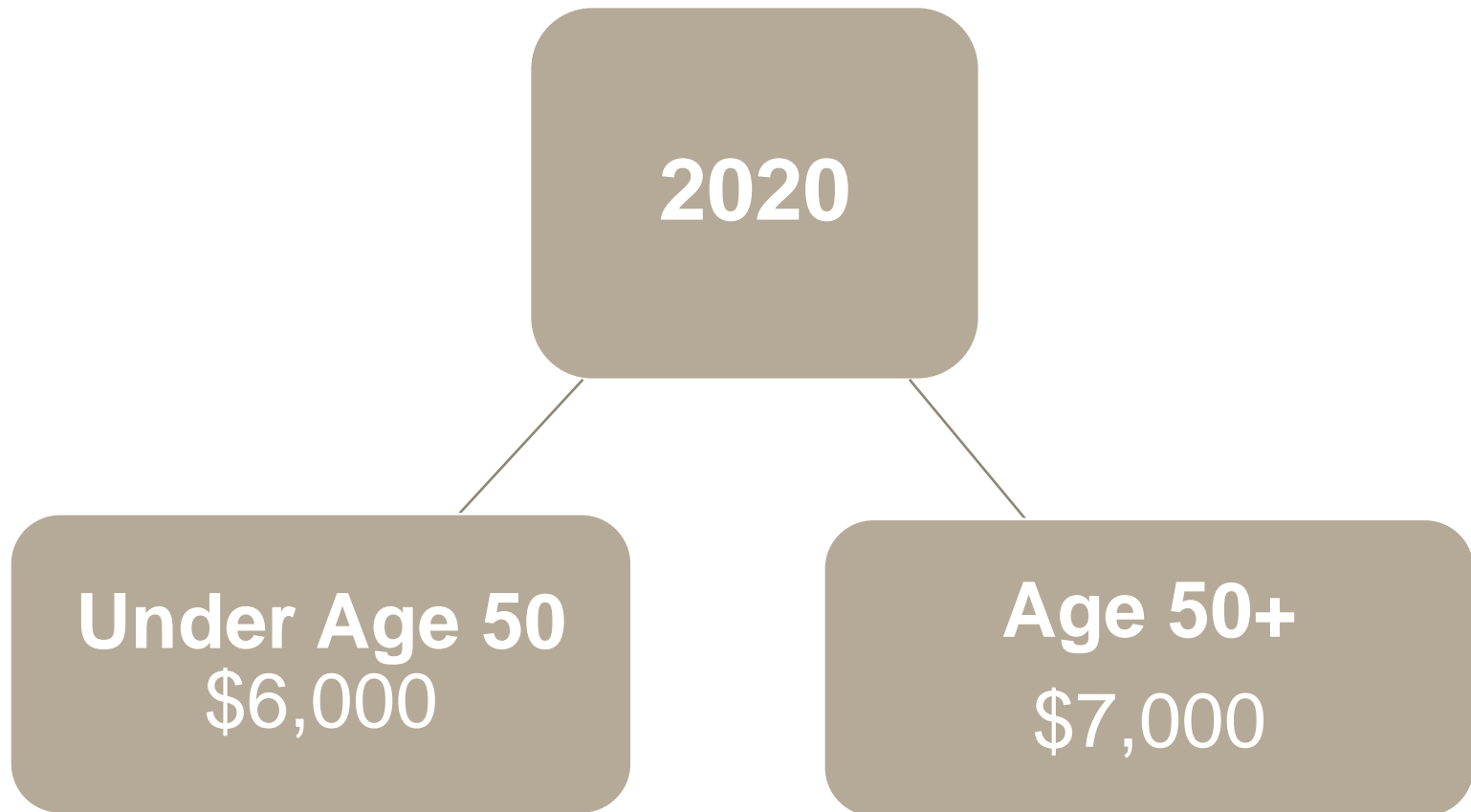
- Eligible rollovers include:
 - Qualified Plans (ex: profit sharing, 401(k), money purchase and defined benefit plans)
 - 403(b)
 - 457(b)
 - IRAs (including traditional, SIMPLE and SEP)

Individual Retirement Account (IRA)

- A tax-advantaged individual retirement account
- MERS IRA is available to ***ALL*** current and former employees (and their spouses) of municipalities that are eligible to enroll in a MERS plan

Annual Contribution Limit

You must be earning taxable income to contribute to an IRA



Key Differences – Roth vs. Traditional

	Roth	Traditional
Tax Advantages	Contributions are post-tax; qualified withdrawals provide tax-free income	Contributions may be tax deductible; withdrawals are subject to income tax
Income Restrictions	Income limits apply	No income limit
Early Withdrawal (Before Age 59½)	Withdrawal of contributions – no penalty any time Withdrawal of earnings – 10% penalty and income tax	10% penalty and income tax on amount 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?



Tax-free Earnings



Emergency savings



Estate planning

Why Choose a Traditional IRA?



No income limit



Rollovers



Tax deduction

Health Care Programs

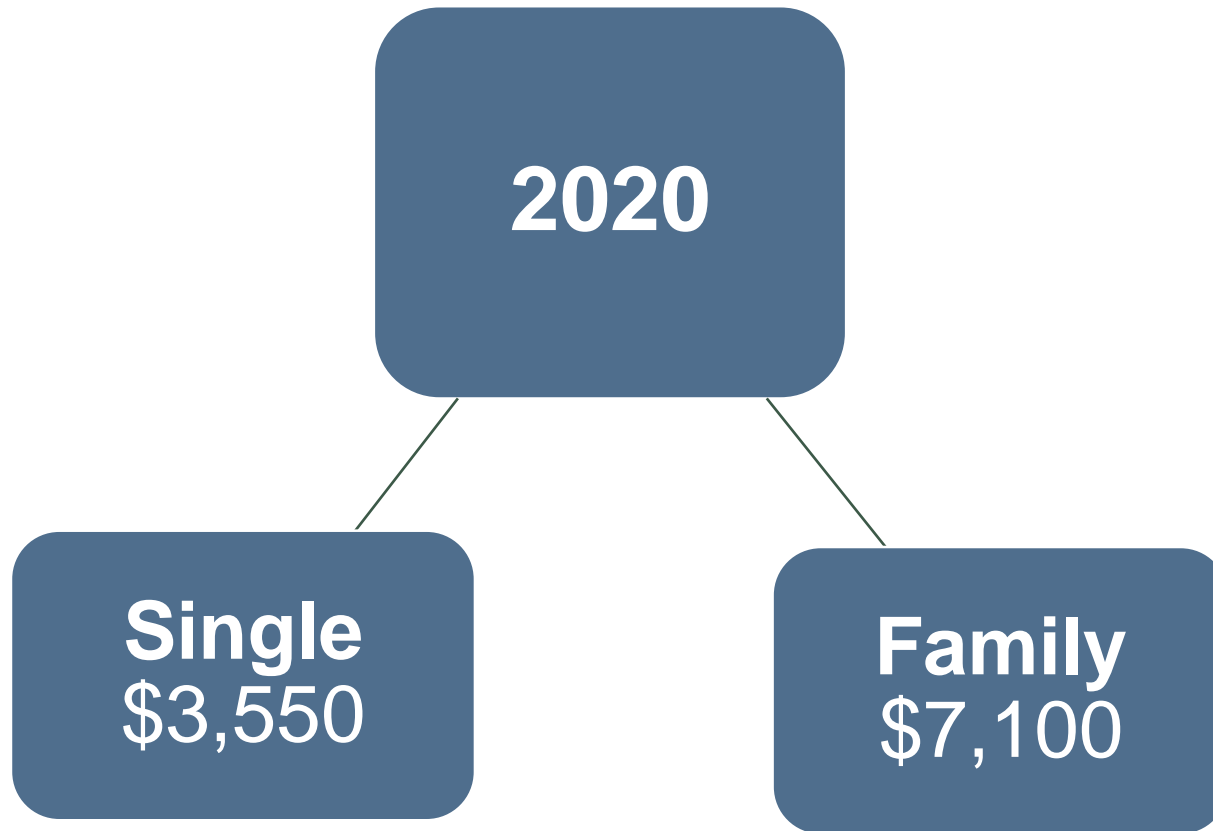


What is a Health Savings Account (HSA)?

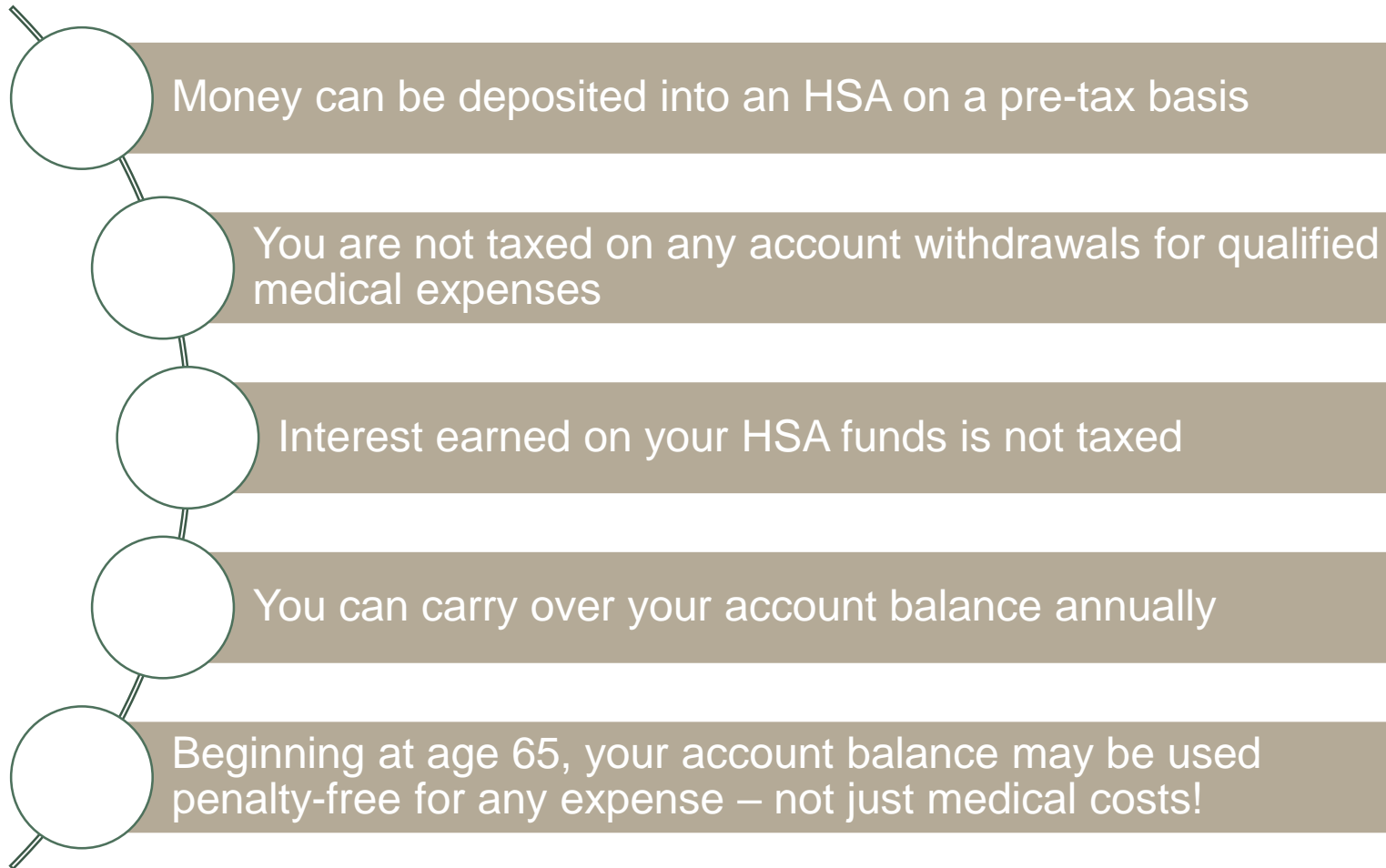
- A savings account for the purpose of funding qualified medical expenses
- May be available through your current employer, a bank, credit union, or insurance companies
- Used to supplement a high deductible health plan (*HDHP is classified as having a minimum deductible of **\$1,400** per year for an individual or **\$2,800** for a family in 2020*)

Annual Contribution Limit

You must meet eligibility requirements to contribute



Advantages



Qualified Expenses





Enrollment Information & MERS Resources

457 Program

ENROLL
TODAY

MERS 457 Supplemental Retirement Program



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 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.

What's Next?

- 1 Complete the Quick Enrollment Form**
After completing the form, tear it off and return it to your employer.
- 2 Receive Welcome Email**
Once you're enrolled, MERS will send you a welcome email with more information about your plan.
- 3 Access myMERS (Your Online Account)**
Our website, www.mersofmich.com, provides you access to your individual account. For your first time logging in, you should follow the prompts for self-registration and enter your social security number as your User ID. Here you may review your beneficiary information and access your account details.



457 Enrollment Form

1 First Step to Start Saving

Employer Information

Name of Employer _____ Division number (if digits) _____ Date of hire/participation (mm/dd/yyyy)* _____
☐ Retiree?

Personal Information

Last name* _____ First name* _____ MI _____ Full SSN* _____
Mailing address* _____ City* _____ State* _____ Zip code* _____
Email address _____ Phone number (with area code) _____ Date of birth (mm/dd/yyyy)* _____ Gender* ☐ M ☐ F

Contribution Information

All contribution changes will be effective as of the first pay period of the month following the date you submit this form to your employer, or as soon as administratively possible thereafter.

Pre-tax: Amount to be deducted from each pay period _____% OR \$ _____.
Roth/after-tax: Amount to be deducted from each pay period (only available if your employer's program has this option) _____% OR \$ _____.

Signature

Signature* _____ Date (mm/dd/yyyy)* _____

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.

Form MD-400 (version 2017-03-24)

* Required field

IRA Enrollment



Flexible saving options for you and your spouse

Saving with a MERS IRA can help you reach a variety of financial goals:

- Benefit from tax-free growth or tax-deductible contributions
- Generate income in retirement
- Pay for your children's (or grandchildren's) college education
- Make a down payment on your first home
- Leave an inheritance for your loved ones

A Smart Financial Decision



Opening a MERS IRA is a great way to build retirement security through tax-advantaged saving, with flexible withdrawals that can help you reach your other financial goals at the same time. It is also a smart choice for bringing diversity to your investment portfolio with MERS' professionally-managed, low-cost investment choices.

You can contribute any time through check, automated payment, or rollover.

www.mersofmich.com/ira

MERS IRA

Flexible saving options for you and your spouse.

A MERS IRA is a great way to build retirement security through tax-advantaged saving, with flexible withdrawals that can help you reach your other financial goals at the same time.

With a MERS IRA you can:

- Benefit from tax-free growth or tax-deductible contributions
- Generate income in retirement
- Pay for education expenses for you, your spouse, your child or grandchild
- Make a down payment on your first home
- Leave an inheritance for your loved ones

WHO IS ELIGIBLE?

To be eligible to open a MERS IRA, you must be a current or former employee of a Michigan municipality. You do not have to have participated in a MERS retirement plan or MERS 457 program directly.

The spouse of an eligible IRA owner is also eligible to open and contribute to a MERS IRA if they file a joint tax return. The eligible employee must have established a MERS IRA for themselves in order for their spouse to open one, but the employee's account does not have to be funded.

ROTH VS. TRADITIONAL IRAS

MERS offers two types of IRAs:

- A Roth IRA provides tax-free income in retirement
- A Traditional IRA allows tax-deductible contributions now

Send Me An Application

First Name:*

Last Name:*

Phone Number:*

Email Address:*

Last 4 of SSN:*

How did you hear about the MERS IRA?

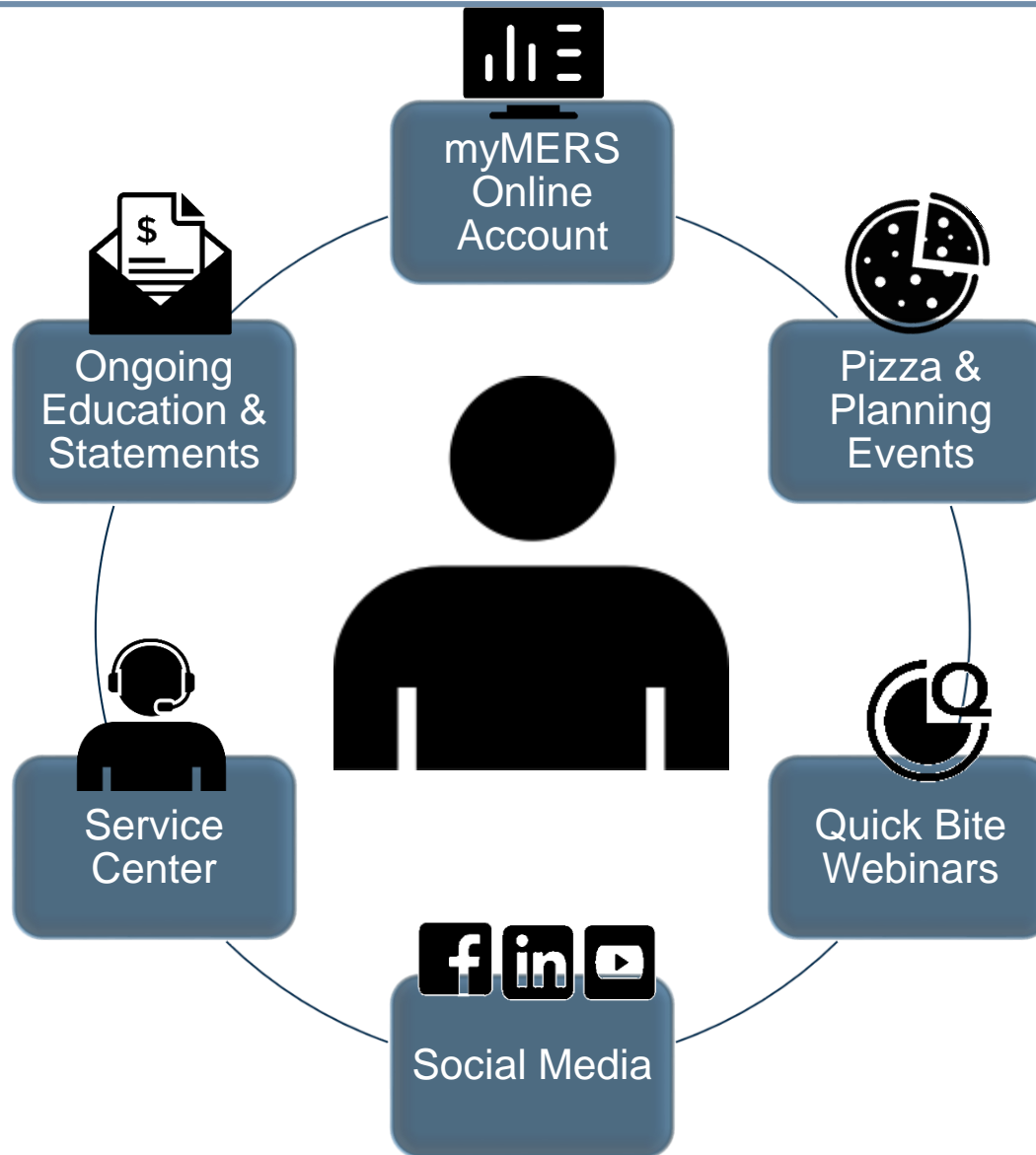
Please click the submit button one time only. After a few seconds you will see a confirmation page.

[Submit](#)

* Required

MERS will email you a link to the application, typically within an hour. Don't see it, please check your email spam filter. This data is used for MERS business purposes only. We will not sell or share your information.

Your Resources



MERS Website

www.mersofmich.com



The MERS Video Library



Calculators



Publications and forms



Upcoming events live and online

Contacting MERS of Michigan

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

1134 Municipal Way
Lansing, MI 48917

800.767.MERS (6377)

www.mersofmich.com



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