



# Saving for an Emergency

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# Agenda

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- Importance of Having an Emergency Fund
- How Much to Save
- Other Important Considerations
- Tips and Best Practices for Saving
- Other Sources to Fund Your Account
- Tips for Teaching Children and Young Adults About Finances



# Establishing an Emergency Fund

# Importance of Having an Emergency Fund

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*\*Source: Employee Benefit Research Group*

# Emergency Savings

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- An emergency fund is essentially money that's been set aside to cover any of life's unexpected events
- Should be able to access quickly and easily if an unfortunate event occurs
- Ideally should be a fund separate from other things you are saving for such as retirement, a down payment on a house or paying off debt

# How Much Should You Save?

3<sub>mo</sub>



- Single
- No dependents
- Renter
- Back up support available (ex: parents)

6<sub>mo</sub>



- Applies to the majority of people
- Single or Married
- Dependent(s)
- Mortgage
- Steady income

9<sub>mo</sub>



- Single or Married
- Dependent(s)
- Mortgage
- Self employed

# Other Important Considerations

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HEALTH  
INSURANCE



AUTO  
INSURANCE



HOME  
INSURANCE



LIFE  
INSURANCE



# Emergency Fund Best Practices

# Don't Touch!

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- Should be accessible on short notice
- But not so convenient you're tempted to spend it elsewhere
- Consider keeping it in an account at a completely separate bank, or in a money market fund so it accrues interest

# Consider Your Spending Habits

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**When considering a purchase with emergency funds, ask yourself:**

# Ask Yourself

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1. Is this **unexpected**?



2. Is it **necessary**?



3. Can it **wait**?

# Unplanned Income

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**Pay raise**

**Tax refund**

**Inheritance**



## Other Sources of Emergency Savings

# 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

# 457 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)

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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**

# Flexible Savings 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

# Why Choose a Roth IRA?

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**Tax-free Earnings**



**Emergency savings**



**Estate planning**

# 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

### 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.

#### 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.

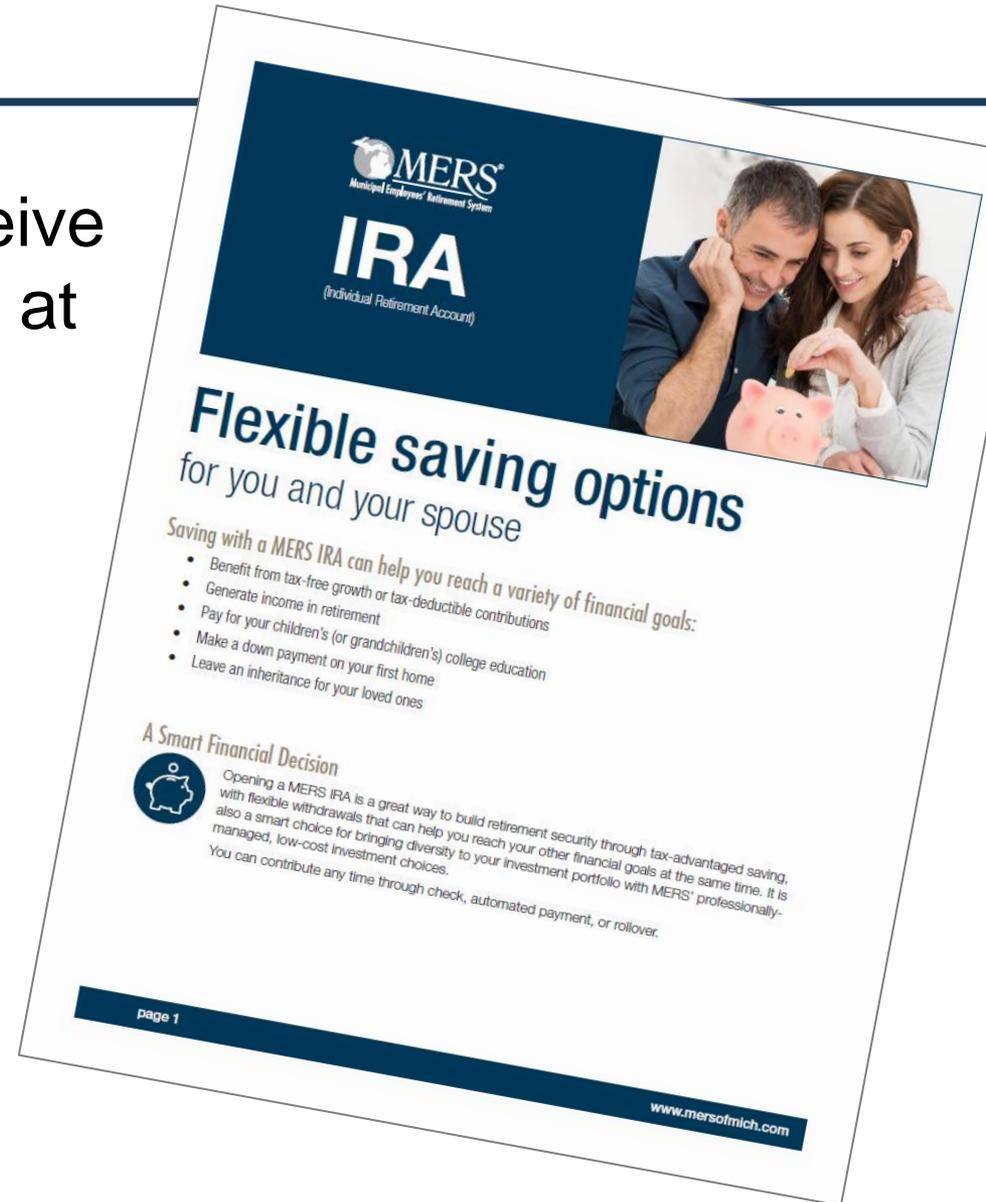
**Please submit your completed form to your Human Resources representative.**

**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

# IRA

- Submit a request to receive a MERS IRA application at [www.mersofmich.com](http://www.mersofmich.com)



The image shows a brochure for MERS IRA. At the top left is the MERS logo (Michigan Employees' Retirement System) and the text 'IRA (Individual Retirement Account)'. To the right is a photograph of a man and a woman smiling and looking at a piggy bank. Below the photo is the headline 'Flexible saving options for you and your spouse'. Underneath is a sub-headline 'Saving with a MERS IRA can help you reach a variety of financial goals:' followed by a bulleted list of benefits. Further down is a section titled 'A Smart Financial Decision' with a piggy bank icon and a paragraph of text. At the bottom left is 'page 1' and at the bottom right is the website 'www.mersofmich.com'.

**MERS**  
Michigan Employees' Retirement System

**IRA**  
(Individual Retirement Account)

**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.

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

# 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.*