DELIBERATE FINANCES

5 THINGS **EVERY EDUCATOR MUST KNOW ABOUT RETIREMENT**

5 THINGS
EVERY EDUCATOR MUST KNOW ABOUT RETIREMENT

DELIBERATE FINANCES

1 Your pension, if you qualify, may not be enough to retire on. Defined Benefit Pension plans pay a specified amount of money based on a formula that includes your years worked and final average salary. Pensions can be a wonderful benefit for some, but many teachers who don't teach in one state for a full career end up paying more into the pension than they get out in benefits. In Louisiana, for example, only 28% of teachers teach for the 20 years needed to get out more in benefits than they paid in. In addition, many state pension plans currently don't have enough money to pay out what they are promising, so either tax hikes or pension cuts will need happen at some future point.

2 Are you paying into social security? In 15 states, teachers paying into the state pension plan do not pay into social security and thus aren't accumulating later social security benefits. In addition, even if you are paying into social security, your social security benefit may be reduced if you are also getting a retirement benefit from a state pension fund. This is called the *Windfall Elimination Provision.*

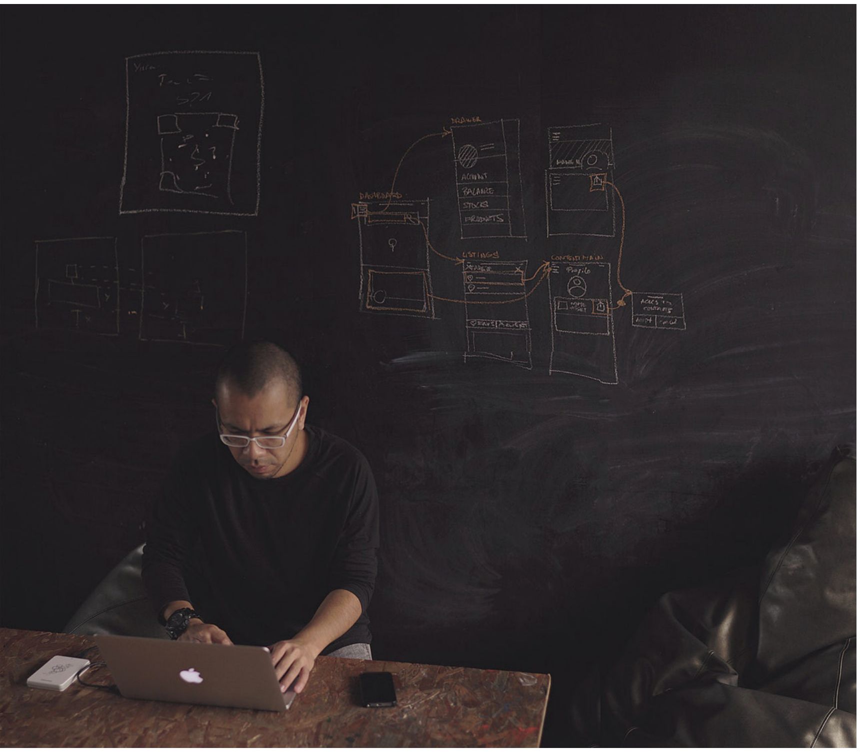
3 If your school does not use a state pension system, are they matching your contributions to a 403(b)? Many charter schools around the country do not pay into state pension systems, but instead make matching contributions to a 403(b) account. Matching contributions are the only way to instantly turn $1 into $2, and you should always save at least the amount that your school or district will match. But, don't think of just getting the match as enough. It's estimated that most people need to save at least 15% of their income to retire in their 60's, so go beyond the match!

4 A ROTH IRA is a great savings vehicle for many teachers. Most teachers make under the IRS limits for saving in a ROTH IRA, and it is often the lowest cost way to save. Teachers can start their own ROTH IRA at a low cost broker such as Vanguard, Schwab, or Betterment, and contribute up to $5,500 per year, or $6,500 if you're over age 50. You pay taxes now on what you contribute, but after that, the growth and what you take out in retirement are tax free. This is a great compliment to a pension or 403(b) savings because it gives you some money in a pre-tax bucket and some post-tax, providing greater flexibility in retirement.

5 If you’re not satisfied with the options your employer provides, ask them to offer other options! Often times 403(b) plans offer high-cost and complex annuity products, or mutual funds that charge substantially higher fees than can be found in other places. A high-quality 403b should have:

- **Low-cost fund options.**
  Look for fund expenses around .5% or lower.
- **A simple enrollment process and online portal for managing your investments.**
- **No aggressive sales pitch from a financial company representative.**
  These representatives are often times conflicted and incentivized to sell certain products that may not be in your best interests.

If your plan doesn’t meet those 3 criteria, ask for change!



Many employees around the country have had success going to their Human Resources or Finance teams and getting them to improve 403(b) options.

WANT GUIDANCE?

Book a FREE call at
www.tinyurl.com/bookDF