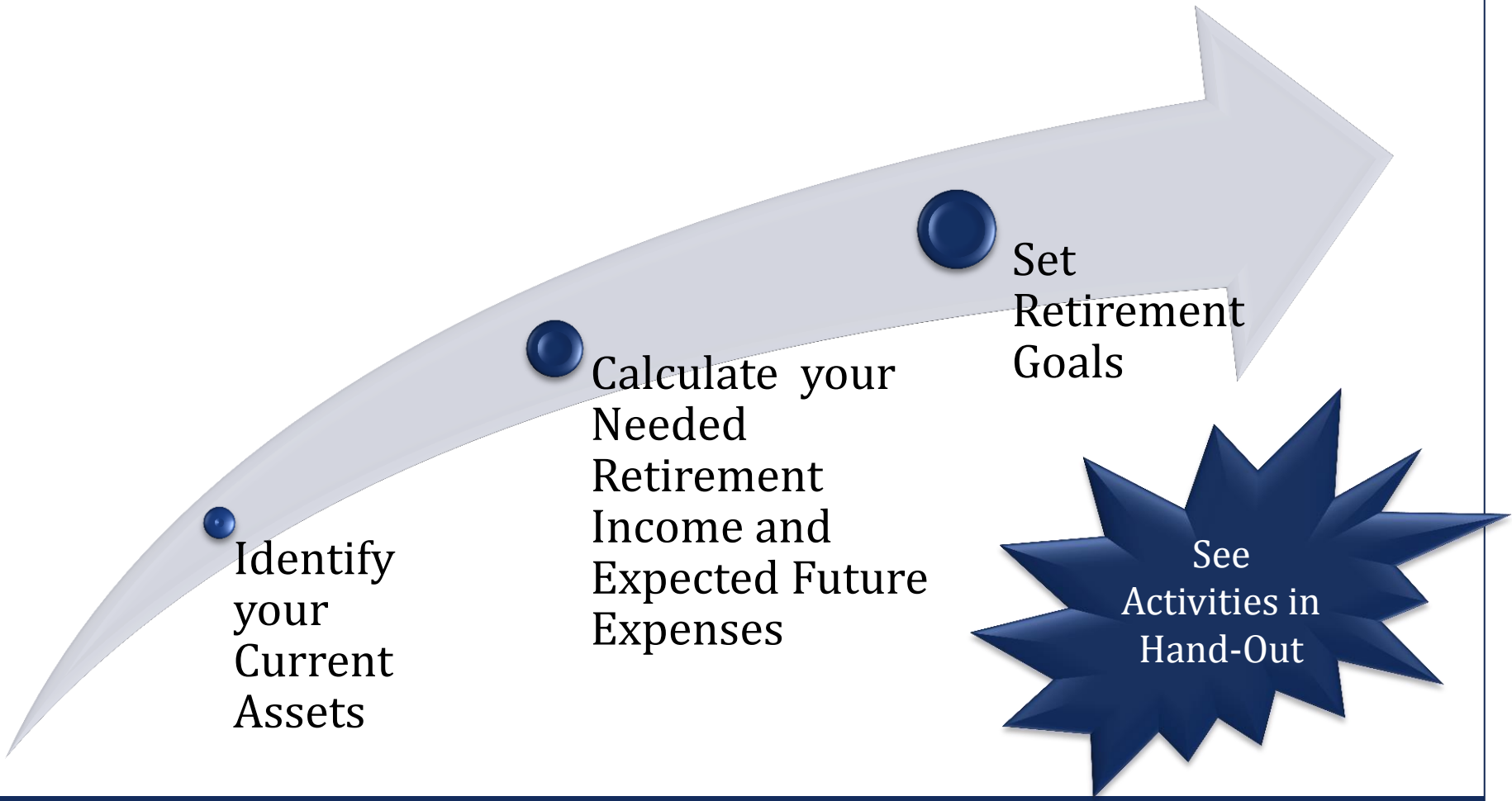
SMART MONEY CHOICES

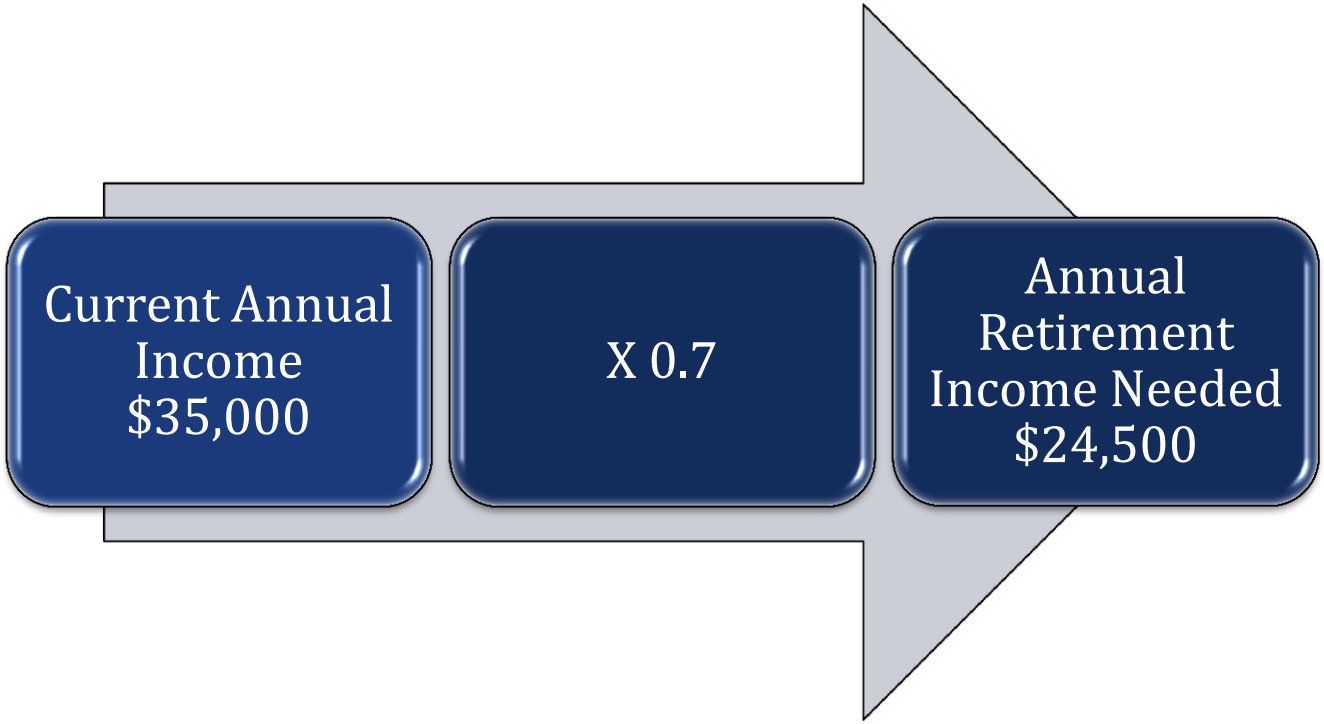
RETIREMENT PLANNING

Brought to you by:
State Treasurer
Josh Mandel

SECTION I: ASSESSING YOUR CURRENT FINANCIAL SITUATION



Calculate your Needed Retirement Income and Expected Future Expenses



Calculate your Needed Retirement Income and Expected Future Expenses

Annual Retirement Income Needed to Maintain Current Lifestyle: $24,500

+

Housing/Living Costs

Healthcare Costs

Lifestyle Changes

Set Retirement Goals

- What kind of lifestyle do you want in retirement?
- Do you have any current income that can be deferred until retirement?
- How much risk are you willing to take with retirement savings?
- How long do you plan to work?

SECTION II: DEVELOPING YOUR FINANCIAL PLAN

Start Early

Power of Compounding Interest

	Age Started	Years Saved	Total Deposited Amount	Interest	Balance at Age 50
Investor A	25	10	30,000	5%	$85,979.07
Investor B	35	15	45,000	5%	$74,209.25

Rule of 72: If you divide the number 72 by your rate of return, you will determine approximately how many years it will take to double the value of your investment.

Keep in Mind…

- If you intend to preserve your nest egg for your heirs, you should be able to withdraw between 3% and 4% of the total balance each year.
- If you intend to spend down your investments, you can draw about 6% each year.
- Be sure to make regular contributions, review your plan periodically and adjust as necessary.

SECTION III: RETIREMENT PLANNING INVESTMENT VEHICLES

401(k)

- ✓ **Not taxed until you start making withdrawals**
- ✓ **Many companies match contributions**
- ✓ **Usually carry fees (ask your plan administrator)**

401(k) Mistakes

- Choosing to not participate
- Not taking full advantage of the employer match
- Withdrawing funds too soon
- Borrowing from your 401(k)
- Mishandling a 401(k) loan
- Botching a rollover
- Knowing when not to rollover
- Waiting too long to withdraw money

401(k) Contribution Limits

Year	Employee Contribution Limit	Maximum Employer Contribution	Annual Maximum for all Contributions	Catch-up Contribution Limit (age>50)
2015	**$18,000**	**$35,000**	**$53,000**	**$6,000**
2014	$17,500	$34,500	$52,000	$5,500
2013	$17,500	$33,500	$51,000	$5,500

Additional Employer Sponsored Plans

403(b) : Similar to a 401(k) but is for public employees or employees of nonprofit firms.

457 Plan: A retirement plan for state, city, town and government subdivision employees.

Employee Thrift and Savings Plans: Usually require **after-tax** contributions, which are either wholly or partially matched by the employer's contributions.

Keogh Plan: A formal arrangement in which the **owner** or owners of an unincorporated business (a sole proprietorship or a partnership) provide tax-deferred retirement benefits.

Simplified Employee Pension Plan (SEP-IRA): A retirement savings plan frequently used by **self-employed** people and small businesses.

IRA: Individual Retirement Plans

An IRA is a personal retirement plan with tax benefits that allows your savings to grow, or compound, more quickly than in a taxable investment account.

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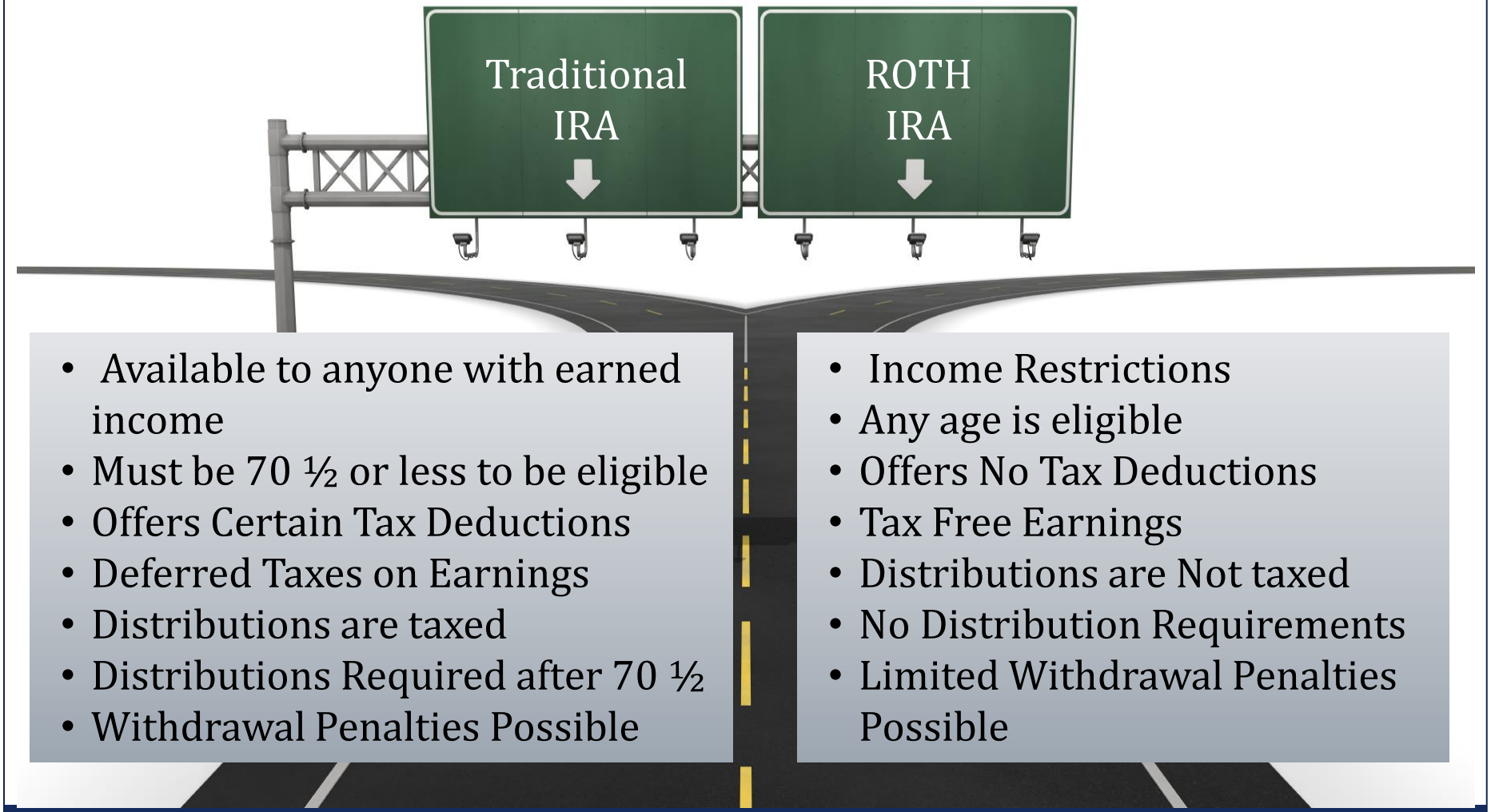

- Available to anyone with earned income
- Must be 70 ½ or less to be eligible
- Offers Certain Tax Deductions
- Deferred Taxes on Earnings
- Distributions are taxed
- Distributions Required after 70 ½
- Withdrawal Penalties Possible

- Income Restrictions
- Any age is eligible
- Offers No Tax Deductions
- Tax Free Earnings
- Distributions are Not taxed
- No Distribution Requirements
- Limited Withdrawal Penalties Possible

Benefits of IRA's:

- ✓Save for retirement if you do not have access to an employer-sponsored retirement plan.
- ✓Supplement your current savings in your employer-sponsored retirement plan.
- ✓Take advantage of the power of compounding by allowing your money to accumulate without paying taxes on earnings.

Options for Retirement Planning When Changing Employers:

- ❑Leave the money where it is. You are allowed to leave the funds as long as you have more than $5,000.
- ❑Roll it over to an IRA. Make sure you understand any fees or commissions associated with the IRA.
- ❑Roll the money into your new employer's retirement plan.
- ❑Cash it out. **Caution:** This option is the least attractive because you will pay ordinary income taxes on the amount withdrawn. If you are under 59-1/2 years old, you will pay a 10% penalty. When you add up the regular taxes and penalty, you can lose 40% or more of your retirement plan if you cash it out early.

UNDERSTAND THE RULES FOR ROLLOVERS,TO AVOID TAXES OR PENALTIES

SECTION IV: SOCIAL SECURITY

Social Security

If you have paid into Social Security for the minimum length of time, full benefits will begin upon retirement between ages 65 and 67

There are various ways to become eligible for Social Security benefits:

- ✓your own employment record
- ✓your spouse's record
- ✓your former spouse's record (if you were married at least 10 years)
- ✓your deceased spouse's record

Keep In Mind…

- If you receive a pension for work not covered by Social Security, your benefits may be reduced.
- If you decide to start your benefits early, the maximum benefit allowance will be reduced, while starting late may entitle you to a retirement credit.
- Social Security benefits were not designed to be the only source of income in retirement and will not be enough to ensure a continuation of most people's lifestyles.

SECTION IV: HEALTH CARE AND FINANCES

Having a plan for long-term care can ensure a senior's health expenses are covered.

Health Care and Physical Considerations

- **Assisted Living**
- **Living Dependent Care**
- **Assisted Living in Independent Apartments**
- **Skilled Nursing Facilities**
- **Special Assisted Living Needs**

Ohio	Avg. Daily Nursing Home Rate Private	Avg. Daily Nursing Home Rate Semi-Private	Avg. Monthly Cost in Assisted Living Facility	Home Health Aide Average Hourly Rate	Homemaker Services Average Hourly Rate
Cincinnati	$222.00	$191.00	$3,133.00	$19.00	$18.00
Cleveland	$240.00	$206.00	$3,211.00	$21.00	$18.00
Columbus	$218.00	$196.00	$3,819.00	$22.00	$20.00
Rest of State	$206.00	$189.00	$2,845.00	$19.00	$18.00
State Average	$218.00	$194.00	$3,199.00	$20.00	$19.00

** The above calculations reflect Net Income*

Top Retirement Planning Tips:

- Start early
- Develop realistic goals
- Expect to live beyond 100
- Plan for 70% replacement of income
- Diversify
- Pay attention to fees
- Do your homework
- Know IRA & SEP contribution limits
- Rollover retirement funds when changing employers
- Adjust your portfolio
- Contact SSA to determine benefit eligibility