

Anyone Can Save for Retirement!

There is no better time than right now to evaluate your current retirement savings situation and take advantage of the new investment options available under the AACPS Supplemental Retirement Program. Saving for retirement is a goal that anyone can strive to achieve, regardless of age, income, or knowledge of retirement planning. This article includes the following information to help you reach your retirement savings goals, no matter your starting point:

- Some factors to consider when making your investment decisions;
- An explanation of the federal income “Saver’s Credit” (a tax incentive for qualified low-income individuals to save for retirement); and
- Reminders about upcoming opportunities to learn about investment basics and retirement planning.

Things to Consider

Time Horizon

There are so many things to think about as you make your investment decisions under the Supplemental Retirement Program. One of the first things to consider is your *time horizon* — in other words, how much time do you have before you plan to retire? Is it only 10 years away? 20? 30? No matter how early you are in your career, you should begin saving for retirement now. Even if retirement seems many years away, you will benefit later on from even the smallest of contributions you make today to the Supplemental Retirement Program. Just ask someone older than you who is closer to retirement. If money is tight, you may qualify for the federal Saver’s Credit, described later in this article.

If you haven’t saved as much as you will need, you can make up for lost time by contributing the maximum amount allowed under IRS rules. If you are age 50 or over, you may contribute even more (in 2011, up to an additional \$5,500 in catch-up contributions, adjusted annually). See the sidebar for more details. Keep in mind that how much time you have to plan and how soon you will begin drawing from your retirement savings impacts the types of funds in which you should invest.

How Much Can You Save?

You can begin saving in the AACPS Supplemental Retirement Program with as little as \$1 per pay! The maximum annual limits are determined by the Internal Revenue Service (IRS) and are adjusted annually. The 2011 annual IRS contribution limit for someone under age 50 is \$16,500 in a 403(b) and \$16,500 in a 457(b), for a total annual allowed maximum contribution of \$33,000. If you are age 50 or older, you may contribute up to \$22,000 annually to each of the plans, for a combined total of \$44,000. .

Risk Tolerance

Related to your time horizon is the second factor you need to consider: *your level of risk tolerance*. In the previous article, we discussed the various types of asset classes available under the Program. The funds in these asset classes offer varying degrees of risk. Most investment experts agree that the farther away you are from retirement, the more you should invest in higher-risk funds, such as stocks. But if you are not comfortable riding out the highs (and more importantly, the lows) of the stock market, then investing in stocks may not be for you, no matter how young you are.

Other Sources of Retirement Income

Still another factor to consider is *other retirement income* that may be available to you. Ultimately, your total retirement savings may include not only your 403(b)/457(b) savings through the AACPS Supplemental Retirement Program, but also money you may receive from the Maryland State Retirement System, savings under previous employers' retirement plans, and any other personal savings you may have. Consider how much each of these sources will contribute to your overall retirement savings goals. In addition, think about how you want to spend your retirement years. Does your retirement picture include a part-time job, as it does for many? If so, this is another income source to factor into your overall retirement savings goals.

These are just some of the things to keep in mind as you decide which investment funds are right for you. And don't forget to talk to the investment provider representatives – they hold Series 63 and 65 licenses and are trained to educate you on overall retirement planning concepts. See the heading *Learning Opportunities* later in this article for more information.

Can You Afford to Save for Retirement?

The conventional response to this question is, “You can't afford not to.” However, we have all suffered through tough economic times these past few years, and no one seems certain when the economy will turn around. Even so, consider that even a small contribution each week can help you to achieve your retirement saving goals. And, if your income is under a certain threshold and you contribute to the Supplemental Retirement Program, you may be eligible to receive a Saver's Credit of up to \$1,000 (\$2,000 if filing jointly) on your federal income taxes. The Saver's Credit applies to:

- Married individuals filing separately and singles with income up to \$28,250 for 2011
- Married couples, filing jointly, with incomes up to \$56,500 for 2011
- Head of Household with incomes up to \$42,375 for 2011

These amounts are adjusted annually.

Contact your tax advisor for more information.

Learning Opportunities

There are many opportunities to learn about the Supplemental Retirement Program investment choices and retirement planning. Go online to the AACPS intranet or Internet for answers to frequently asked questions (FAQs). At our sites, you will also find contact information for the investment provider representatives and the schedule of their Office Hours – times when they will be available to meet with employees and discuss investment options. Tap into their knowledge and training to learn more about how to choose the right investment mix to meet your needs.

Closing

If you have questions about any of the information here, please contact the Human Resources Benefits Department at (410) 222-5221/5219 or via email at benefits@aacps.org.