

RETIREMENT CHECK-UP



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Where Are You in Your Planning for Retirement?

Your planning for retirement often depends on the stage of your working career. There are different goals and strategies for retirement savings at different stages of work and of life. While saving early and often is the general rule of thumb, there are different ways to help you achieve your savings goals at different points on your timeline.

Early Career

When you're early in your career, you may think you cannot afford to set anything aside for retirement – especially when retirement may seem so far away. However, early in your career is the absolute best time to begin savings for the future.

The first step in your planning process should be to set a budget for yourself that includes retirement savings. Once you get accustomed to living within the budget that includes the retirement savings – especially pre-tax savings – you're likely not to even miss the funds you've set aside.

When it comes to your investment options, this is the time to be more aggressive with your elections. Stocks are considered riskier than bonds, but also generally generate superior returns. If you experience losses during this time of your career, you have a longer period of time to recover.

The AACPS Supplemental Retirement Program (SRP) features a 403(b) and a 457(b) tax-deferred compensation plan. As an employee, you have the option of participating in one or both plans. You should learn as much as you can about both options to choose what is best for you. You want to maximize your savings and take advantage of the nuances of each plan for your circumstances.

Mid-career

As you advance in your work career, your pay is likely to increase – but your personal expenses and responsibilities may have increased, too. Continue to make saving for retirement part of your overall budget, and consider increasing your contributions as your pay increases.

Depending on your risk tolerance, you may want to readjust your investment strategy to meet this stage of life. Your plan vendor has online tools and advisors available to discuss your options at every stage of your working career.

Not Sure How to Invest? Consider Target Date Funds



Whether you are early in your career or nearing retirement, knowing the best way to invest your retirement dollars can be tricky. You can take some of the guess-work out of the process by selecting target date retirement funds. With these funds, you select the fund that is closest to your planned retirement date, and it will automatically select an asset allocation for you. Your asset allocation will adjust over time as you near retirement, generally reducing investment risks as you get older.

Preparing for Retirement

As retirement age approaches, maximize your savings as best you can. You may also consider taking advantage of age-based contributions. Currently, if you are over age 50, you may contribute up to \$24,000 per calendar year to both the 403(b) and 457(b) plans, which includes \$6,000 in age-based catch up contributions. In addition to the age-based catch up contributions, you can significantly increase your savings by taking advantage of special catch up provisions offered in both plans. Be sure to talk to a provider representative about your options.

This may also be the time to further evaluate your investment strategy with your provider representative to invest more conservatively (for example moving into slower growing bonds and decreasing stock risk).

In preparing for retirement, it is important to review your Supplemental Retirement Plan with your provider representative prior to retirement. He or she can assist you with reviewing your continued investment plan strategy and options regarding your account for the future. Your provider representative can also assist you with retirement income planning.

SAVE EARLY, EARN MORE

The general rule of thumb is to start saving as early in your career as possible. In fact, it's generally better to start saving early – and stop altogether – than to begin saving later in your career. Consider this example:

Say you start at age 25, and put aside \$3,000 a year in a tax-deferred retirement account for 10 years –and then you stop saving – completely. By the time you reach 65, your \$30,000 investment will have grown to more than \$472,000, (assuming an 8% annual return), even though you didn't contribute a dime beyond age 35.

Now let's say you put off saving until you turn 35, and then save \$3,000 a year for 30 years. By the time you reach 65, you will have set aside \$90,000 of your own money, which will have grown to about \$367,000, assuming the same 8% annual return. (Source: CNN Money)

While saving later may produce lower returns than saving early, it's still better than not saving at all. No matter where you are in your working career, budget and plan to put something aside for the future.

