



ADVANCED FINANCIAL ESSENTIALS

SECURITY BENEFIT

# Life Stage Investing

TO MOVE YOU TO AND THROUGH RETIREMENT<sup>®</sup>



# Agenda

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- ✓ Saving for the Long Term
- ✓ Retirement Income Sources Security and Gaps
- ✓ Social Security and Health Care Decisions and Timeline





# Saving for the Long Term



## Saving for the Long Term

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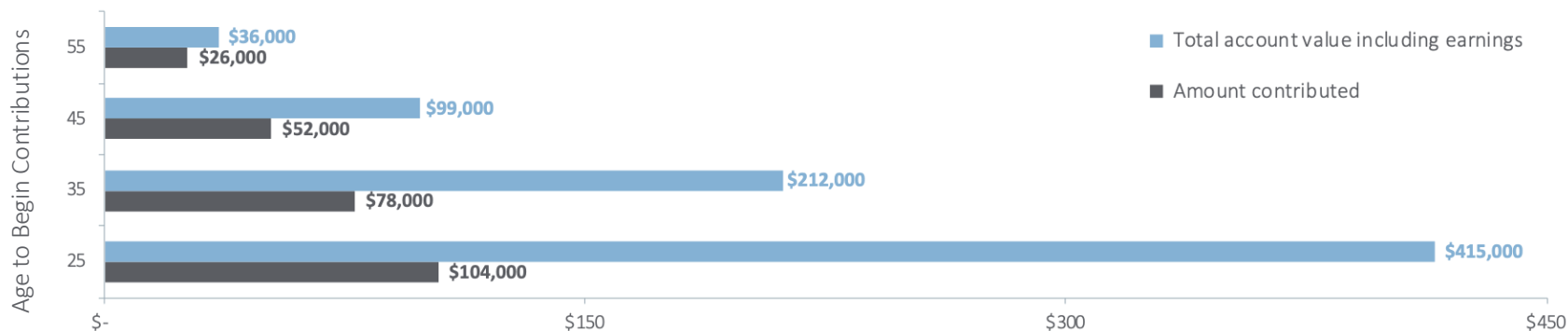
- Determine how much you can save each month.
- Enroll in your employer's retirement savings plan up to the corporate match (free money!)
- Choose investment allocations based on your risk profile.



# How Much Can I Save?

Time is your most valuable asset. If you saved just **\$100 per paycheck**, how much might you eventually accumulate? *It's never too early – or too late – to start saving for retirement.*

## How much will I have to retire at age 65?



This example does not take into account the effect of any state or federal taxes. The performance of the investment, 6%, in the example is hypothetical and in no way relates to the actual or expected performance of any investment. The results of an investment may differ substantially. Investing involves risk and there is no guarantee of investment results. This example assumes \$100 invested 26 times per year.



# How Does Saving for Retirement Affect My Taxes?

EXAMPLE: PRETAX CONTRIBUTIONS TO A 403(B) PLAN

	\$100 Contribution	No Contribution
Bi-weekly Income	\$2,000	\$2,000
Plan Contribution	(\$100)	\$0
Taxable Pay	\$1,900	\$2,000
24% Tax on Income	$\$1,900 \times 24\% = \$456$	$\$2,000 \times 24\% = \$480$
Take Home Pay	\$1,444	\$1,520

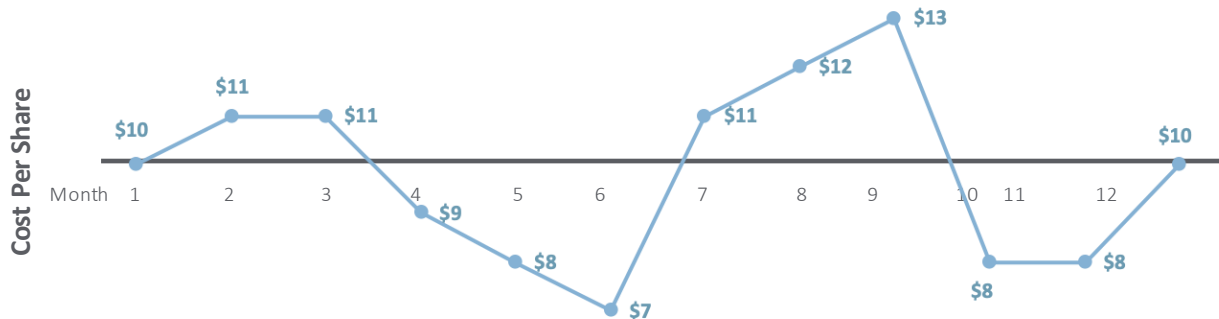
Your \$100 only feels like a \$76 contribution because it is pretaxed, which means your contribution is made before taxes are calculated and deducted.

For simplicity, an income federal tax rate of 24% is used in this example. Tax rates are subject to change based on your tax bracket and state and local taxes.



# Early Career: Aggressive Accumulators

SAVE FOR THE LONG TERM WITH DOLLAR COST AVERAGING (DCA).



Dollar Cost Averaging does not assure a profit and does not protect against loss in a declining market. An investor should consider the ability to continue purchasing through periods of low-price levels.



**Investment Amount Over 12 Months**  
\$1,200 | Total Shares Purchased: 126.2

**Average Cost Per Share:**  
\$9.83

**1 Year Later**  
Total Shares Purchased: 126.2  
Total Value: \$1,262

- ✓ Can help remove emotion
- ✓ Allows for purchase of shares at various prices at regular intervals
- ✓ Occurs automatically when you contribute to your retirement plan every pay period

## Every Dollar Counts

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If you invested **\$100** in the S&P 500<sup>®</sup> at the beginning of 1980, you would have about **\$17,663.27** at the end of 2025, assuming you reinvested all dividends.

<https://www.officialdata.org/us/stocks/s-p-500/1980?amount=100&endYear=2025>



# Time Is Your Most Valuable Asset

Contribute Now, Even  
With Debt

Get Company  
Match

Benefit From  
Compound Interest



**Average Student Loan  
Payment (All Graduates) —  
\$337/Month<sup>2</sup>**

<sup>2</sup> <https://www.fool.com/student-loans/2023/09/24/58-of-surveyed-borrowers-didnt-know-what-their-mon/>

**Age 27,  
Average Annual  
Salary: \$54,891<sup>1</sup>**

<sup>1</sup> <https://dqydj.com/income-percentile-by-age-calculator/>



**Average Company Match: 5%  
Monthly Retirement Plan  
Contribution: \$183.33/Month  
Potential \$702,873.83 at Age 67**

**Take advantage of your company retirement plan match now and still pay down your debt so you can invest for the long term.**



## Saving for the Long Term (Early and Mid-career)

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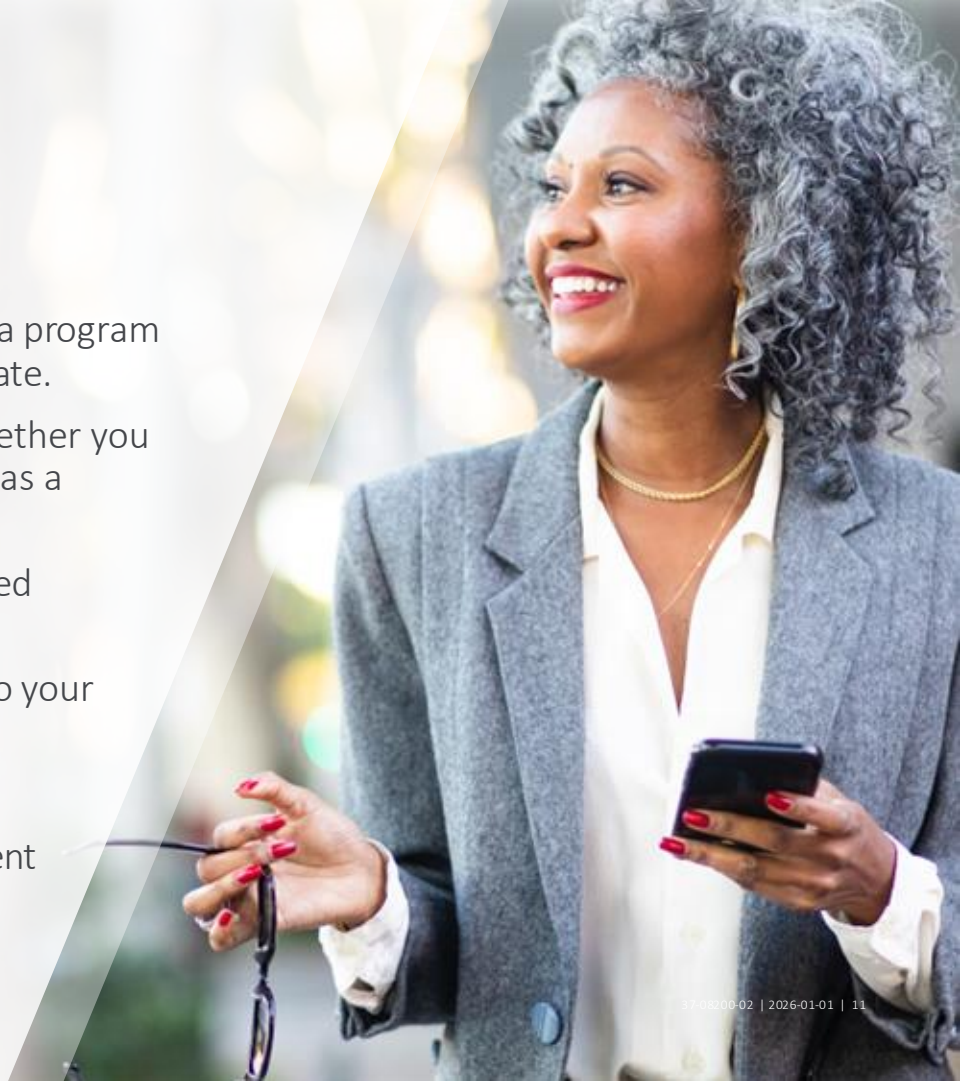
- Increase your retirement plan contributions by a percentage or two each year.
- Review your portfolio annually and assess allocations based on your own personal level of risk.
- Consider financial impact of leaving the workforce.



## Saving for the Long Term (Late Career)

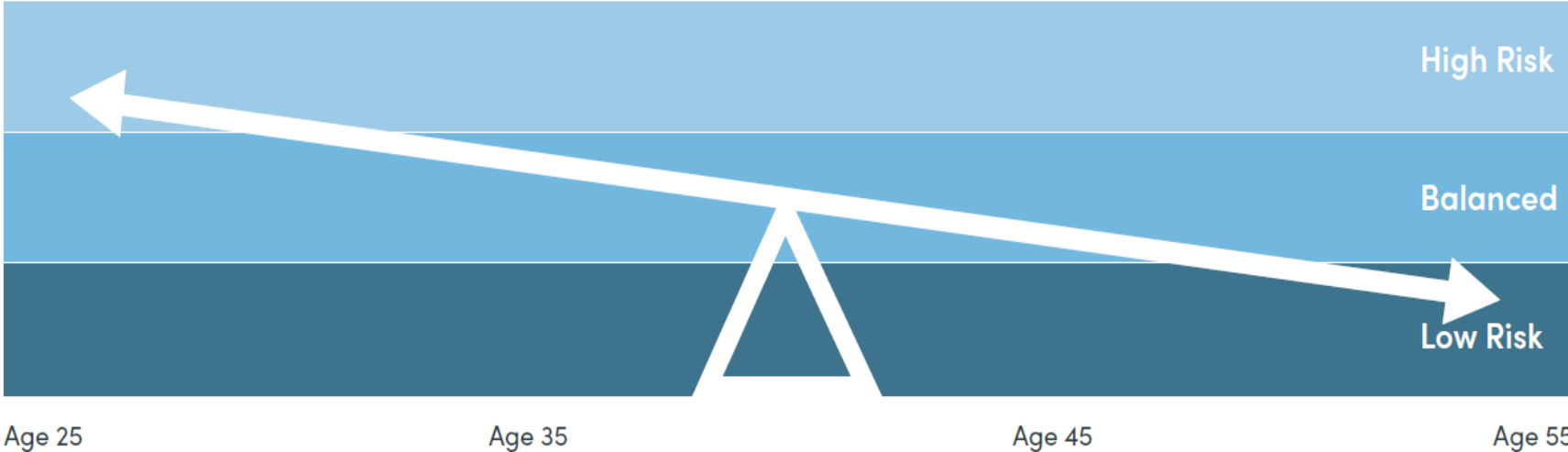
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- Learn how you can convert retirement savings into a program that will protect your assets as you near your exit date.
- Determine not only when you plan to retire but whether you want to retire at all (e.g., stay on with the company as a consultant or pursue a part-time position).
- Research tax rates and living expenses in your desired retirement location.
- Beginning at age 50, make catch-up contributions to your retirement plan.
- Understand Social Security options and impact.
- Understand health care needs and costs in retirement and coverage options for health insurance.



# Balance Investment Risk

HAS YOUR RISK/REWARD SCALE TIPPED AWAY FROM INCOME TOWARD GROWTH?





# Identifying Retirement Income Sources and Gaps



# So How Long Will Retirement Last?

IF YOU RETIRE AT AGE 65, YOUR RETIREMENT COULD LAST 20 YEARS OR MORE.



1 in 2 spouses will live to be **96**.



1 in 4 spouses will live to be **100**.



A 65-year-old woman today can expect to live to **85**.



A 65-year-old man today can expect to live to **82**.

[https://www.ssa.gov/oact/TR/2020/lr\\_5a5.html](https://www.ssa.gov/oact/TR/2020/lr_5a5.html)



# Identifying the “Gap”

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# Where Will Your Retirement Income Come From?

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1

Possible Employer  
Pension

2

Social Security

3

Individual Savings  
& Investments

Source: <https://www.pensionrights.org/publications/statistic/how-many-american-workers-participate-workplace-retirement-plans>



## Pensions

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You and/or you and your spouse may have a pension to provide additional income in retirement.



# Employer Pension Basics

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- Understand payout options
  - Single life
  - Qualified joint and survivor (QJSA)
- QJSA: Reduced benefit to participant, 50-100% continuing to surviving spouse
- Option to roll over lump sum payout into traditional retirement savings account, such as your 401(k) or 403(b) account
- May be one of your most important retirement decisions

Source: Broadridge



## Employer Pension Basics continued

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Example		
Form of Benefit	To Participant	To Surviving Spouse
Normal retirement benefit (single life)	\$4,000	\$0
50% Qualified and joint survivor	\$3,800	\$1,900
100% Qualified and joint survivor	\$3,600	\$3,600

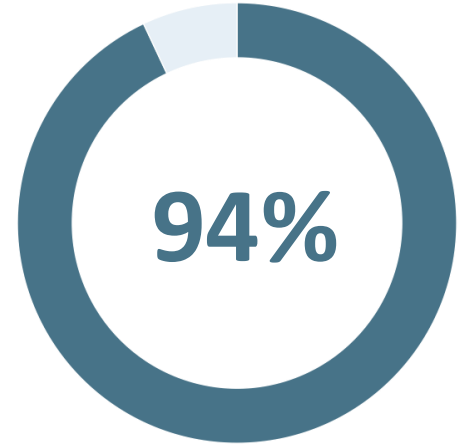


## Social Security Basics

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- Social Security is the major source of guaranteed lifetime income for most Americans.
- To qualify for retirement benefits, you generally need 40 credits (10 years of work), or you can qualify for spousal benefits based on your spouse's work record (maximum spousal benefit = 50%).
- The benefit continues until you die.

Source: <https://crsreports.congress.gov/product/pdf/IF/IF10426>



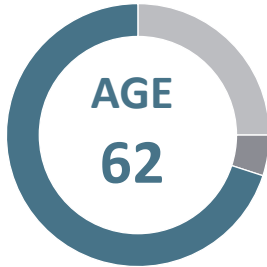
**94%** of U.S. workers are covered by Social Security

# Social Security Basics

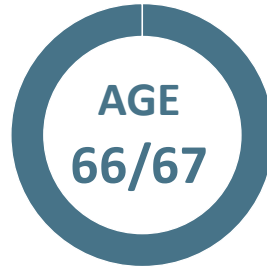
- Your benefit is based on the number of years you've worked and the amount you've earned.
- The formula takes into account your 35 highest-earning years.

**The age at which you start claiming benefits matters:**

25% to 30% Less  
at Earliest Eligibility Age  
\$2,910

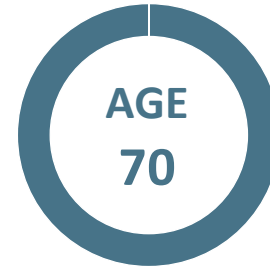


100% Full Benefit  
\$4,152



(Full Retirement Age)

32% More  
\$5,251 Maximum Benefit



# Plan for Retirement

## BENEFITS FOR SPOUSES AND EX-SPOUSES MARRIED 10 YEARS OR MORE



Current spouses must be 62 and wait until their spouse begins taking Social Security to file for a spousal benefit.



Ex-spouses can file for spousal benefits at 62 even if their ex-spouse has not yet claimed benefits. You can receive up to half of what your ex-spouse would get.



If your spouse dies and you are age 60 or older, you can collect a survivor's benefit.

**Visit the Social Security Administration website for additional information.**

<https://www.thebalance.com/how-the-the-social-security-spouse-benefit-works-2388924>



# Social Security: How It Works

## HOW MUCH CAN I EXPECT TO RECEIVE?

Payment depends on your average earnings over your 35 highest-earning years, called the Average Indexed Monthly Earnings (AIME), which is used to calculate your Primary Insurance Amount (PIA) to determine your Social Security benefits.

<b>Example</b>	<b>AIME of \$5,321</b>
<b>Social Security Benefit</b>	\$2,384
<b>Income Coverage</b>	45%

[ssa.gov/oact/progdata/retirebenefit2.html](https://ssa.gov/oact/progdata/retirebenefit2.html)



# How Much Annual Income Will You Need in Retirement?

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## TIMING CONSIDERATIONS ON WHEN TO TAKE SOCIAL SECURITY

### Reasons to Delay

- Significantly increases benefits.
- Guaranteed income for life unlike other savings.
- Spouses protect income for two lives.

### Reasons to Start Early

- Keep savings invested.
- Could make an earlier retirement date possible.
- Enjoy the money when you're healthy.

### People Typically Wait if

- They are in excellent health.
- They are the higher-earning spouse.
- They have nothing saved for retirement.

### People Typically Claim Early if

- They are in poor health.
- They have supplemental income besides Social Security.
- They are a lower-earning spouse.



# How Much Annual Income Will You Need in Retirement?

## CAN I WORK AND COLLECT SOCIAL SECURITY BENEFITS?

**Full Retirement Age = No Penalty**

**Before Full Retirement Age = Maximum  
Annual Earnings of \$24,500**

If you earn more than that, the Social Security Administration will withhold \$1 for every \$2 earned in income.

Example: At 62, Susie decides to take Social Security payments but then accepts a new position that pays her \$30,000 annually. In 2026, the earnings limit for early claimants is \$24,500. If Susie takes Social Security for the whole year, she will lose \$1 in benefits for every \$2 in earnings she makes above the maximum amount, about \$2,750.



# How Much Annual Income Will You Need in Retirement?

**55**

May take penalty-free withdrawals from 403(b) and other retirement plans when separated from service

**59½**

Standard age for penalty-free withdrawals from traditional IRA accounts

**65**

Typical qualification age for Medicare

**72**

Must begin taking withdrawals from tax-deferred accounts (RMD)

**50**

**55**

**60**

**65**

**70**

**75**

**80**

**62**

May qualify for early Social Security benefits (may be reduced by as much as 30%)

**67**

Full Retirement Age Social Security; multiple options:  
1. Take benefits  
2. Delay benefits until age 70

**70**

Benefit may be up to 30% higher



## How Much Annual Income Will You Need in Retirement?

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As you near or enter retirement, you have to make several financial decisions that will affect how far your retirement savings will stretch.



# What Will Your Expenses Be in Retirement?

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- What expenses will change?
  - Mortgage may decrease (e.g., pay it off or downsize).
  - Health care costs may increase.
- List your expenses and project future spending (e.g., travel, hobbies).
- Will you work part-time in some capacity?



# Impact of Taxes

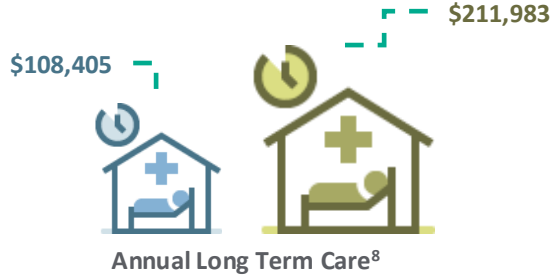
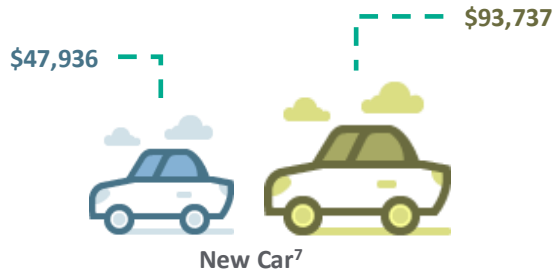
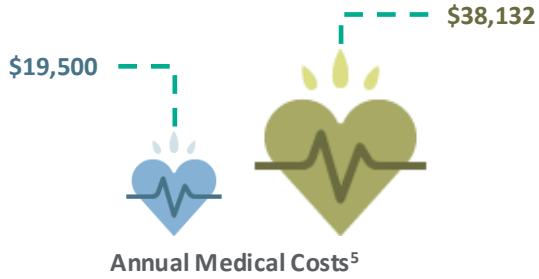
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- Ordinary income tax (e.g., interest)
- Special tax rates for long-term capital gains and qualifying dividends
- Tax-free income (e.g., certain municipal bonds)\*
- Special rules for tax-advantaged accounts

\*Interest earned on tax-free municipal bonds is generally exempt from state tax if the bond was issued in the state in which you reside; it is also exempt from federal income tax (though earnings on certain private activity bonds may be subject to regular federal income tax or to the alternative minimum tax). But if purchased as part of a tax-exempt municipal money market or bond mutual fund, any capital gains earned by the fund are subject to tax, as are any capital gains from selling an individual bond. Source: Broadridge



# Impact of Inflation



● Today's Cost

● In 20 Years

<sup>5</sup> <https://creativeplanning.com/insights/financial-planning/budget-healthcare-retirement/>

<sup>6</sup> USDA Food Plans: <https://www.sofi.com/learn/content/average-grocery-budget-family-of-5/>. An inflation rate of 3.41% was used to calculate future grocery costs, and is derived from historic consumer indexes.

<sup>7</sup> <https://www.kbb.com/car-news/new-car-prices-rose-0-3-last-month/>. An inflation rate of 3.41% was used to calculate future new car costs, and is derived from historic consumer indexes.

<sup>8</sup> <https://www.retireguide.com/long-term-care-insurance/costs/average-by-state/>. Annual median nursing home cost (private room). An inflation rate of 3.41% was used to calculate future costs and is derived from historic consumer indexes.



# Dealing With a Shortfall

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Spend less during retirement

Delay retirement

Work during retirement

Find other sources of retirement income





## Shortfall: Working During Retirement

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- Earnings can
  - Reduce demands on personal savings
  - Provide potential access to health care
  - Offer social and emotional benefits
- Part-time options
  - Consultant in your field
  - Position with a nonprofit you support
  - Phased retirement with your current employer



# Health Care Decisions



# Health Care, Medicaid, and Medicare

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In addition to knowing your Social Security options, you need to plan for how you'll meet your health care costs in retirement.



# How Will You Pay for Health Care?

## MEDICARE BASICS

**As soon as you turn 65, you'll be eligible for Medicare.**

**Medicare is available to**

- U.S. citizens or permanent residents 65 or older
- U.S. citizens under 65 who have a disability
- U.S. citizens under 65 who have permanent kidney failure

**Part A (Hospital Insurance) helps cover**

- Inpatient care in a hospital or skilled nursing facility
- Hospice care
- Home health care

**Part B (Medical Insurance) helps cover**

- Medically necessary doctors' services
- Outpatient care
- Home health services
- Durable medical equipment
- Mental health services
- Other medical services including many preventive services



# How Will You Pay for Health Care?

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SO WHAT DOES THIS MEAN IN TERMS OF ACTUAL COSTS?

## Part A (Hospital)

- \$1,736 deductible
- Pays for 60 days of hospitalization in full (after deductible)
- Pays all for 61-90 days (except \$434 per day)
- Pays all for 91 days and later but \$868 per day while using 60 lifetime reserve days
- Pays nothing afterward

## Part B (Skilled Nursing)

- Pays all approved amounts for the first 20 days
- Pays all for 21-100 days (except \$217 per day)
- Pays nothing afterward

**Medicare Part A is mostly free but it doesn't cover everything.**

<https://www.medicare.gov/>



# How Will You Pay for Health Care?

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SO WHAT DOES THIS MEAN IN TERMS OF ACTUAL COSTS?

- Part B costs \$202.90 per month for most, but some people will pay more from income-related adjustment amounts. Cost is based on most recent tax return.
- Part B (Hospital)
  - Deductible of \$283 applies.
  - You must pay all costs up to the Medicare-approved amount until you meet the yearly Part B deductible.
  - Once deductible is met, Medicare begins to pay its share and you typically pay 20% of the Medicare-approved amount of the service.



# How Will You Pay for Health Care?

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## OTHER OPTIONS FOR PROTECTION

- Part D — prescription drug coverage plus one of the following:
  - A Medicare Supplement Policy (Medigap)
  - A Medicare Advantage Plan
    - Maximum deductible is \$590.
    - Maximum out-of-pocket expense is \$2,000.
    - As of 2025, after reaching the \$2,000 out-of-pocket cap, members will no longer have to pay added costs for their medications for the remainder of the year.
    - Dental, vision, and hearing coverage can be added.

<https://www.medicare.gov/>



# How Will You Pay for Health Care?

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## SOME EXPENSES MEDICARE DOESN'T COVER

- Most dental care
- Eye exams related to prescribing glasses
- Dentures
- Routine foot care
- Acupuncture
- Cosmetic surgery
- Routine physical exams
- Hearing aids
- Long-term care



# How Will You Pay for Health Care?

## PART D PRESCRIPTION DRUG COVERAGE

### **Annual Deductible**

You pay first \$590 of drug costs.

### **Copayment or Coinsurance**

Medicare Part D enrollees will pay 25% coinsurance for covered drugs during the initial coverage phase. This phase begins after the deductible is met.

### **Catastrophic Coverage**

Once the enrollee reaches \$2,100 in out-of-pocket spending, they will enter the catastrophic coverage phase and will not pay any additional out-of-pocket costs for the rest of the plan year.



## Key Takeaways

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- Save for the long term.
- Identify income sources and be aware of potential gaps.
- Understand Social Security and Medicare decisions you'll need to make and when.
- Have an income shortfall strategy.





Questions?





# Thank You

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