Saving for Retirement

Retirement Planning for Public Sector Employees

MissionSquare
RETIREMENT

Why Save Now?

Starting to save early, saving a regular amount consistently, and wisely investing those savings will contribute significantly to your retirement security and independence.

At Age 25

You would need to save $52 a month to accumulate $100,000 by age 65.*
Let's say you're 25 years old and just beginning your career. Earnings are modest, there just doesn't seem to be any extra money, and retirement is so far off. It doesn't take much to get started.

At Age 45

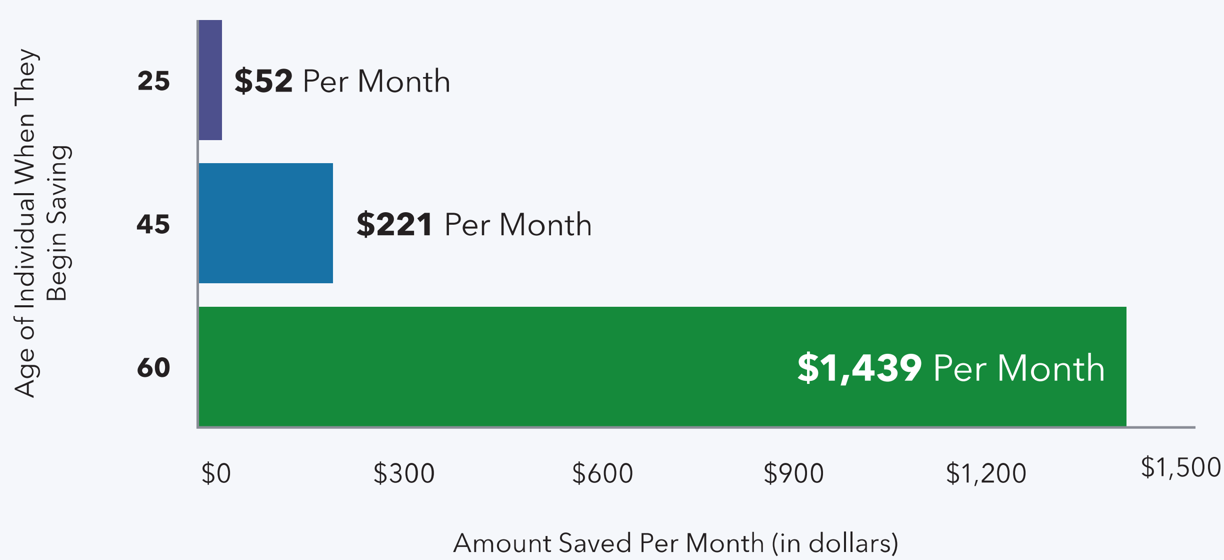
You would need to save $221 a month to accumulate $100,000 by age 65.*
Now you're 45 years old and your pay is better, but your budget is stretched to meet family needs. You tell yourself that when the children are grown, you'll surely have the money to save. It's better to save a manageable amount now.

At Age 60

You would need to save $1,439 a month to accumulate $100,000 by age 65.*
Suddenly, you're 60 years old and retirement is nearing. If you've put off serious retirement savings, you'll need to save a much larger amount monthly to reach your goal.

Don't wait until you think saving will get easier. The sooner you begin, the less money you'll likely need to save on a regular basis.

Monthly Savings Required to Accumulate $100,000 by Age 65*



*For illustrative purposes only. Assumes an effective annual rate of 6%, compounded monthly.

How Much Will I Have in Retirement?

1. Your Pension

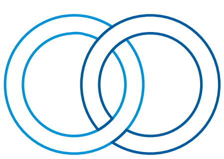
For many government retirees, the largest single source of retirement income is their employer-sponsored pension plan. Your pension plan may be either a defined benefit or a defined contribution plan.

A **defined benefit pension plan** pays a specific retirement benefit, calculated using a predetermined formula, based on:

- Number of years of service credit earned in the pension system.
- Salary, defined typically as the highest single year, the final year, or the average of the highest one, three or five years' salary.
- A percentage multiplier. For example, if your final average salary is $50,000 after 20 years of service, and if your plan uses a 2% multiplier, your first year's unadjusted pension would be $20,000 ($50,000 × 20 years × 2% = $20,000).

Contact your employer's benefits office to determine how much you're projected to receive based on different retirement dates.

A **defined contribution pension plan,** such as a 401 Money Purchase Plan, provides an individual account for each employee. Retirement benefits depend on the balance in this account, which results from contributions by the employee and/or the employer, plus investment return. To learn more, visit **www.icmarc.org/401**.



If you're married, your pension will probably be adjusted to provide payments for two lifetimes.

Many plans adjust payments for inflation but often limit the cost-of-living adjustment (COLA), so payments may not keep up with inflation over time.

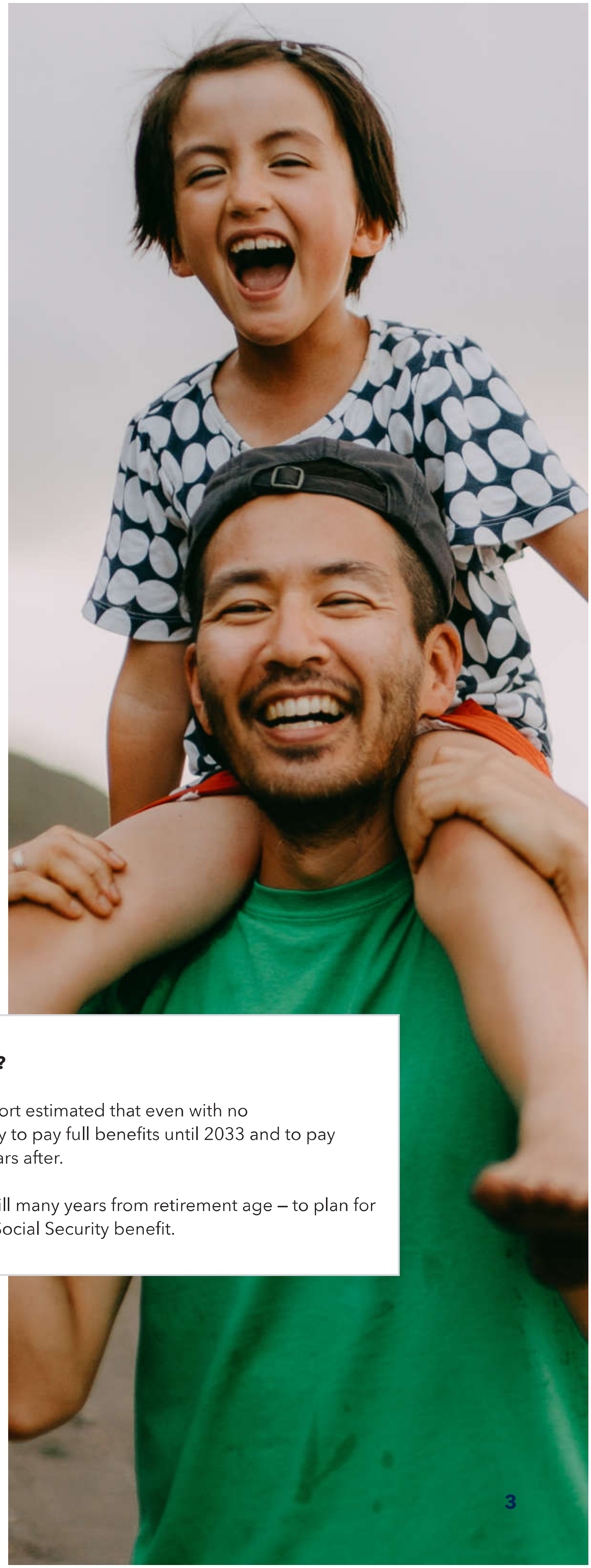
2. Social Security

Your Social Security benefits are determined by a complex formula based on the 35 years of highest earnings over your lifetime, when the earnings occurred, your birth date, and your age at the time payments begin.

Starting benefits before your full retirement age (65 to 67, depending on your year of birth) will reduce the amount of each Social Security payment, although you will get more of them. Waiting until after your full retirement age (up to age 70) will increase your benefit amount. If married, you should also coordinate benefits with your spouse.

To estimate your retirement benefits, visit the Social Security Administration's website at **www.ssa.gov/myaccount**. Not all public employees qualify for Social Security retirement benefits. If you received earnings not covered by Social Security, your estimated benefit may be lower.

Learn more at **www.ssa.gov/gpo-wep**.



Will Social Security be there for you?

The 2021 Social Security Trustees' Report estimated that even with no changes in the law, there will be money to pay full benefits until 2033 and to pay about 76% of full benefits for many years after.

It may be wise – especially for those still many years from retirement age – to plan for the possibility of receiving a reduced Social Security benefit.

3. Investments You Fully Control

457 Deferred Compensation Plans and IRAs are tax-advantaged retirement accounts over which you have significant control. Your 457 plan and IRA are designed to supplement your retirement income. While a pension and/or Social Security will go a long way, they're unlikely to be enough. It's these retirement investments that can make the difference between an adequate retirement and the retirement of your dreams.

With your 457 plan, you have control over:

- How much you contribute. You can make changes at any time.
- How you invest what you save.
  - Consider a diversified portfolio that's spread among different types of investments.
  - Determine how much overall risk to take. Be cautious about depending too much on conservative investments that tend not to keep pace with inflation. But also avoid portfolios that are too aggressive for your time horizon or comfort level.
- MissionSquare has several ways to help you invest – visit **www.icmarc.org/invest**.
- When, how, and how much you withdraw upon separation from service.
  - Unlike other retirement accounts, you don't have to qualify for an exception to avoid the 10% IRS penalty tax on 457 plan withdrawals prior to age 59½. (The penalty may apply to assets you roll in from non-457 plans.) While this provides extra flexibility, avoid withdrawing too much too soon. Not only will you lose the opportunity for future tax-advantaged growth, you'll pay taxes sooner and increase the risk of outliving your assets.
- Who receives your assets upon your death.

To learn more, visit **www.icmarc.org/457**.

Save for Retirement with Tax Advantages

If you take advantage of your employer's 457 plan, tax rules help you save. With pre-tax contributions, money that would otherwise be taxed immediately is invested and all taxes, including on earnings, are deferred until the money is withdrawn.

You may also be able to make after-tax Roth contributions that allow you to benefit from tax-free withdrawals in retirement. If available in your plan, explore whether Roth contributions make sense for you. Visit **www.icmarc.org/rothanalyzer**.

Non-Retirement Investment Account

Total to Invest	Taxes Taken Out	Total Invested
$2,400	- $600	= $1,800

Taxes taken out are based on the 25% tax bracket.

457 Plan Account – Pre-Tax Contributions

Total to Invest	Taxes Taken Out	Total Invested
$2,400	- $0	= $2,400

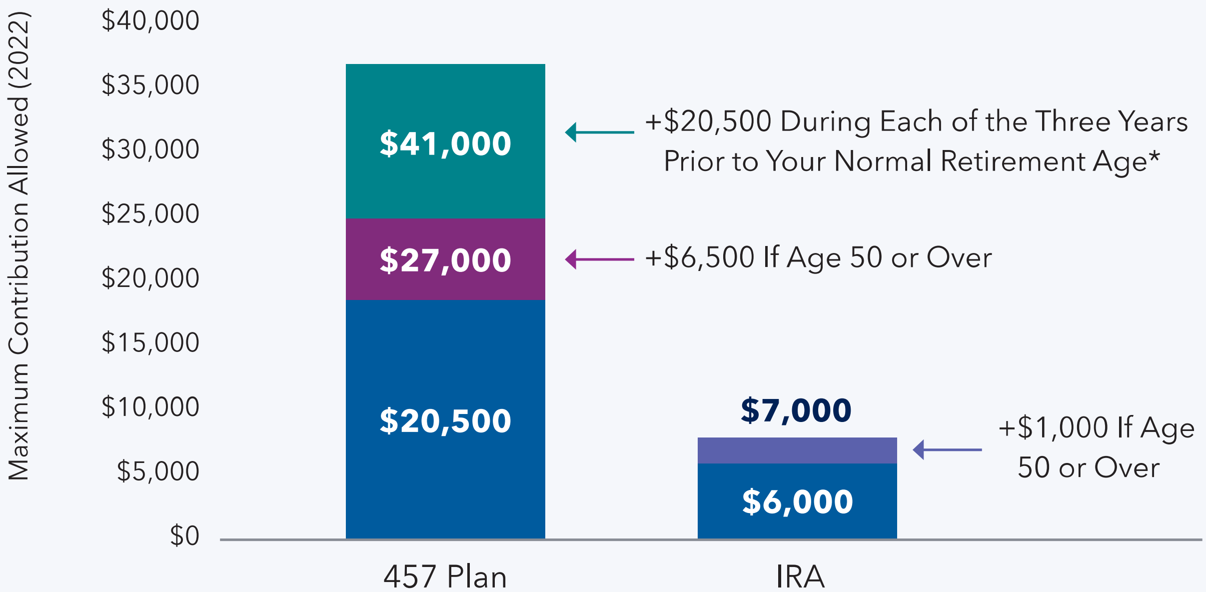
For illustrative purposes only.

An IRA Complements Your 457 Plan

An IRA can help you meet a variety of savings goals through its additional investment options, tax benefits, and flexible withdrawal rules.

Traditional IRA contributions may or may not be tax-deductible, but the earnings are tax-deferred. While Roth IRA contributions are never tax-deductible, earnings may be entirely tax-free. For more information, visit **www.icmarc.org/ira**.

Contribution Limits



* Normal retirement age, as defined in the plan. Based on the extent to which maximum contributions were not made in previous years. The two catch-up provisions cannot be combined in the same plan year.

To learn more, visit **www.icmarc.org/contributionlimits**. **Remember** – even small savings add up over time.

Note: Some of the products, services, or funds detailed in this publication may not be available in your plan.

How Much Will I Need in Retirement?

Estimating Your Retirement Expenses

80%

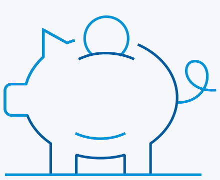
Many financial planners recommend you'll need to replace about 80% of your pre-retirement income. Your needs may be higher or lower.

Some factors to consider:

- Will both you and your spouse be eligible for Medicare immediately upon retirement, or will you need to provide other coverage in case of a delay in eligibility?
- How would you pay for long-term care (such as a nursing home)?
- Will you have paid off your mortgage?
- How much might taxes, property insurance, utilities, and maintenance total?
- Will you have new expenses for activities such as travel, sports, or hobbies?
- Will you be financially responsible for dependents or elderly parents?
- Do you plan to make significant charitable or family gifts?
- Do you have funds to meet emergencies or to maintain the purchasing power of your income over time?

If you have debt, ask yourself:

- Am I comfortable with the amount of debt I'm carrying?
- What can I do to reduce my total debt?
- What can I do to pay off my debt (or reduce them substantially) by the time I retire?



Save for Inflation

One of the most serious financial issues for retirees is the impact, over time, of inflation. Inflation is a measure of how much purchasing power your dollar loses over time. At a modest 3% inflation rate, the purchasing power of a fixed $30,000 annual retirement income will gradually erode to the equivalent of just $14,000 in 25 years. Even at that low inflation rate, an item that costs $10 today will cost more than $20 after 25 years.

Do I Need to Save More? MissionSquare Can Help.

After reviewing future pension and/or Social Security income, your current retirement assets, and potential expenses in retirement, how much should you be saving to build a secure retirement?

MissionSquare has several resources to help you.

Personalized Services and Online Education

MissionSquare Retirement Plans Specialists can help you establish your goals, enroll you in your employer's retirement plan, discuss your investment options, and set up a savings strategy.

Our Certified Financial Planner™ professionals focus on your overall financial wellness through in-depth seminars and consultations.

MissionSquare financial plans can help project your overall financial future, in addition to retirement planning. For more information, visit **www.icmarc.org/financialplans**.

MissionSquare's Guided Pathways® Advisory Services can help you determine how much to save and how to invest in your MissionSquare-administered retirement plans. Visit **www.icmarc.org/guidedpathways**.

For tips and tools to help you save, invest, and retire, visit MissionSquare's Financial Wellness Center right from your account for 100+ interactive, fun, short videos, charts, calculators, articles, and tutorials.

Download MissionSquare's mobile app (listed as ICMA-RC) from the **App Store**® or **Google Play™** to keep track of your MissionSquare retirement account whenever and wherever it's convenient for you.

Download on the App Store

ANDROID APP ON Google play

ICMA-RC is now

MissionSquare RETIREMENT

Meet your Retirement Plans Specialist

Erik Gabrich,
Retirement Plans Specialist, Northeast Region
202-759-7018 | egabrich@missionsq.org

Your salaried (non-commission-based) MissionSquare Retirement Plans Specialist is motivated every day to help you build a path to financial security. Your Retirement Plans Specialist is responsible for providing on-site services, including enrollment, investment education, retirement readiness education, and individual informational meetings.

To help serve you better, below is a contact guide:

Contact your Retirement Plans Specialist, if you need assistance with:

- Enrollment questions
- Roll-ins into your MissionSquare account
- Investment strategy, account management, and how much to save
- A pre-retirement checkup

Visit the Retirement Education Center at www.icmarc.org/education for tips and tools to help you save, invest, and realize retirement.

Download the MissionSquare mobile app today!

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Log into your account:

Access your account at **www.icmarc.org** or contact MissionSquare Participant Services at (800) 669-7400, if you need assistance with:

- Account login or website resources
- Changing or verifing your 457 plan or Roth IRA contribution amount *(Roth IRA contributions can only be changed online.)*
- Investment changes *(allocations and transfers between funds)*
- Withdrawals or distributions
- Forms and brochure requests
- Balance and quarterly statement inquiries
- Account maintenance and transactions
- Personal information updates
- All other questions