

*How much money will you NEED –  
How much should you SAVE?*



*Are you in the Ballpark  
for your retirement income needs?*



**Maryland Supplemental Retirement Plans**  
6 Saint Paul Street - Suite 200  
Baltimore, Maryland 21202-1608  
Tel: 410-767-8740 or 1-800-543-5605  
Board's Web Site: [www.msrp.state.md.us](http://www.msrp.state.md.us)

# *Keys to Help Build Financial Security for Retirement*

---



- ❖ Control spending in retirement
- ❖ Aim for 70-90% of your current income at retirement
- ❖ Recommended long term sustainable withdrawal rate is 4-5%
- ❖ Consider all payment options from retirement income sources
- ❖ Employ a long time horizon:  
According to actuaries if a married couple are healthy at age 65, there's an even chance that one spouse will live to age 92!



## BALLPARK ESTIMATE



## Calculators

### CALCULATORS

Auto  
Bonds  
Budget  
College  
Credit Card  
Home  
Insurance - Disability  
Insurance - Health  
Insurance - Life  
Life Expectancy  
Mutual Fund  
Paycheck Planning  
Retiree Health  
Retirement  
Roth IRA  
Savings  
Stock  
Tax

### Life Expectancy Calculators

An individual's life expectancy varies with a number of factors, such as gender, age, weight, height, education, family medical history, personal medical history, health status, diet, exercise, and general lifestyle. Some life expectancy calculators use more detailed information than others in determining age at death.

See the following Web sites for various personal life expectancy calculators:

- [http://moneycentral.msn.com/investor/calcs/n\\_expect/main.asp](http://moneycentral.msn.com/investor/calcs/n_expect/main.asp)
- [www.livingto100.com](http://www.livingto100.com)
- [qosset.wharton.upenn.edu/~foster/mortality/](http://qosset.wharton.upenn.edu/~foster/mortality/)

*The sites on this page are listed for information only. EBRI offers no endorsement of, and assumes no liability for, the currency, accuracy, or availability of any information on these sites.*

Contact Us | Privacy Policy | Terms of Use



Choose to Save is a program of the Employee Benefit Research Institute's Education and Research Fund.

1100 13th St. NW, Suite 878, Washington, DC 20005

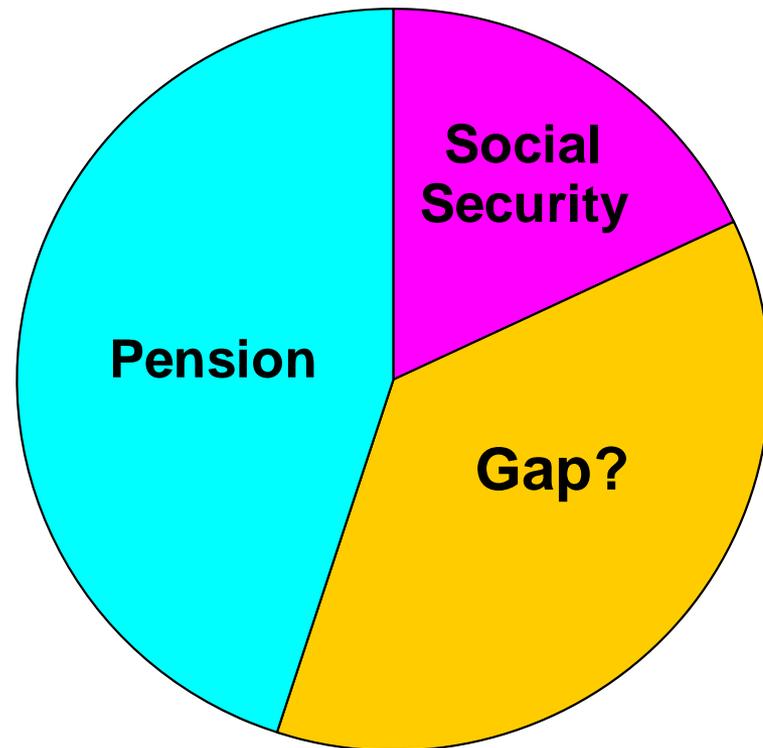
Copyright 1996–2010 Employee Benefit Research Institute. All rights reserved.

Choose to Save, Save for Your Future, Ballpark E\$imate, EBRI, and Employee Benefit Research Institute are registered trademarks of the Employee Benefit Research Institute.

# *Are You Saving Enough?*

## *Sources of Post-Retirement Income*

- ✓ Pension \$ \_\_\_\_\_
  - ✓ Social Security \$ \_\_\_\_\_  
(decide when to begin benefits)
  - ✓ 401(k)/457(b), 403(b) \$ \_\_\_\_\_
  - ✓ Traditional/Roth IRA \$ \_\_\_\_\_
  - ✓ Other Investments \$ \_\_\_\_\_
  - ✓ Part-time job \$ \_\_\_\_\_
- TOTAL \$ \_\_\_\_\_



*Running the bases.....will you hit a “home run”?*

# *State Retirement Agency*

## *Personal Statement of Benefits*

### **Your Estimated Monthly Retirement Benefits**

---

#### **RETIREMENT BENEFITS**

	<u>Early Service</u>	<u>Service Retirement</u>
Retirement Date	<b>February 2013</b>	<b>February 2020</b>
Retirement Age	<b>55</b>	<b>62</b>
Lifetime Monthly Estimated Allowance	<b>\$ 584</b>	<b>\$ 1,370</b>

RETIREMENT BENEFITS: The estimated monthly projected lifetime benefits are based on the assumptions that (1) your earnings will remain constant until you retire; (2) the provisions of your plan remain unchanged; (3) you have made all required contributions prior to retirement (i.e., no deficiency); and (4) all projected future credit is assumed to be full time. Any part time employment may result in service credit adjustments and a reduction in your monthly retirement benefits.

Calculations for correctional officers assume a minimum of five years in an eligible correctional officer classification immediately preceding retirement. Calculations for maximum security attendants assume that past and projected service is in an eligible maximum security attendant classification. Certain elected and appointed officials may be eligible for full benefits after 16 years of service.

The estimated monthly amounts shown are the basic allowances which are the largest benefit amounts that would be paid. At retirement, you may choose another benefit option which will provide a lower monthly benefit to you than shown here while providing some form of protection to your beneficiary(ies). The estimates also do not reflect payment to an alternate payee under an eligible Domestic Relations Order.

# Employees' and Teachers' Alternate Contributory Pension Selection

## **BENEFIT WORKSHEET**

**Key term:**

Average Final Compensation (AFC) = Three highest consecutive years of earnings ÷ 3

**Note:** If enrolled 7/1/98 or after, use (B) only for formula.

Service earned as of 6/30/98 will be applied to (A) as shown below unless the Non-Contributory Employees' and Teachers' Pension System formula is greater.



### **SERVICE RETIREMENT FORMULA**

**(A) AFC × .012 × Years of Service to 6/30/98**

\_\_\_\_\_ × .012 × \_\_\_\_\_

***PLUS***

**(B) AFC × .018 × Years of Service after 6/30/98**

\_\_\_\_\_ × .018 × \_\_\_\_\_

***DIVIDED BY 12 EQUALS***

Monthly Basic Allowance \$ \_\_\_\_\_



# What you need to know about Social Security Benefits

## Your Estimated Benefits

<b>*Retirement</b>	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...	
	your <u>full retirement age (67 years)</u> , your payment would be about.....	\$ 1,578 a month
	age 70, your payment would be about .....	\$ 1,967 a month
	If you stop working and start receiving benefits at...	
	age 62, your payment would be about .....	\$ 1,088 a month
<b>*Disability</b>	You have earned enough credits to qualify for benefits. If you became disabled right now,	
	your payment would be about.....	\$ 1,442 a month
<b>*Family</b>	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.	
<b>*Survivors</b>	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:	
	Your child.....	\$ 1,125 a month
	Your spouse who is caring for your child.....	\$ 1,125 a month
	Your spouse, if benefits start at full retirement age.....	\$ 1,501 a month
	Total family benefits cannot be more than .....	\$ 2,762 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of \$255.	
<b>Medicare</b>	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.	

**\* Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2037, the payroll taxes collected will be enough to pay only about 76 percent of scheduled benefits.**

**We based your benefit estimates on these facts:**

Your date of birth (please verify your name on page 1 and this date of birth).....	April 5, 1969
Your estimated taxable earnings per year after 2009 .....	\$43,117
Your Social Security number (only the last four digits are shown to help prevent identity theft) .....	XXX-XX-1234

# Full retirement age.

Updated 07/19/2010 11:41 AM | ID #14

What age can I begin receiving full retirement benefits?

Full-retirement age has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. The following chart shows the steps in which the age will increase.

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943--1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Note: Persons born on January 1 of any year should refer to the full retirement age for the previous year.

## How much can you earn and still get benefits?

**If you were born January 2, 1943, through January 1, 1955**, then your full retirement age for retirement insurance benefits is 66. *If you work and are full retirement age or older, you may keep all of your benefits, no matter how much you earn.* If you are younger than full retirement age, there is a limit to how much you can earn and still receive full Social Security benefits. If you are younger than full retirement age during all of 2010, we must deduct \$1 from your benefits for each \$2 you earned above \$14,160.

**If you reach full retirement age during 2010**, we must deduct \$1 from your benefits for each \$3 you earn above \$37,680 until the month you reach full retirement age.

### **These examples show how the rules would affect you:**

Let us say that you begin receiving Social Security benefits at age 62 in January 2010 and your payment is \$600 per month (\$7,200 for the year). During the year, you work and earn \$20,480 (\$6,320 above the \$14,160 limit). We would withhold \$3,160 of your Social Security benefits (\$1 for every \$2 you earn over the limit). To do this, we would withhold all benefit payments from January 2010 to June 2010. Beginning in July 2010, you would receive your \$600 benefit and this amount would be paid to you each month for the remainder of the year. In January 2011, we will pay you the additional \$440 we withheld in June 2010.

Or, let us say you were not yet full retirement age at the beginning of the year, but reach it in November 2010. You earned \$39,000 in the 10 months from January through October. During this period, we would withhold \$440 (\$1 for every \$3 you earn above the \$37,680 limit). To do this, we would withhold your first check of the year. Beginning in February 2010, you will receive your \$600 benefit, and this amount will be paid to you each month for the remainder of the year. We would pay you the remaining \$160 dollars in January 2011.

**! Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need to make today for when you plan to retire.**

If you are married, you and your spouse should each fill out your own Ballpark E\$timate® worksheet taking your marital status into account when entering your Social Security benefit in number 2 below.

**1. How much annual income will you want in retirement?** (Figure at least 70% of your current annual gross income just to maintain your current standard of living; however, you may want to enter a larger number. See the tips below.)

\$ 21,000

Tips to help you select a goal:

→ 70% to 80% — You will need to pay for the basics in retirement, but you won't have to pay many medical expenses as your employer pays the Medicare Part B and D premium and provides employer-paid retiree health insurance. You're planning for a comfortable retirement without much travel. You are older and/or in your prime earning years.

→ 80% to 90% — You will need to pay your Medicare Part B and D premiums and pay for insurance to cover medical costs above Medicare, which on average covers about 55%. You plan to take some small trips, and you know that you will need to continue saving some money.

→ 100% to 120% — You will need to cover all Medicare and other health care costs. You are very young and/or your prime earning years are ahead of you. You would like a retirement lifestyle that is more than comfortable. You need to save for the possibility of long-term care.

**2. Subtract the income you expect to receive annually from:**

• Social Security — If you make under \$25,000, enter \$8,000; between \$25,000 - \$40,000, enter \$12,000; over \$40,000, enter \$14,500 (For married couples - the lower earning spouse should enter either their own benefit based on their income or 50% of the higher earning spouse's benefit, whichever is higher.)

-\$ 12,000

• Traditional Employer Pension — a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars)

-\$ SRA pension

• Part-time income

-\$ ?

• Other (reverse annuity mortgage payments, earnings on assets, etc.)

-\$ ?

**(Example: rental income)**

This is how much you need to make up for each retirement year:

=\$ 9,000

Now you want a Ballpark Estimate of how much money you'll need in the bank the day you retire. For the record, we assume you'll realize a constant real rate of return of 3% after inflation and you'll begin to receive income from Social Security at age 65.

3. To determine the amount you'll need to save, multiply the amount you need to make up by the factor below.

Age you expect to retire:	Choose your factor based on life expectancy (at age 65):					
	Male, 50th percentile (age 82)	Female, 50th percentile (age 86)	Male, 75th percentile (age 89)	Female, 75th percentile (age 92)	Male, 90th percentile (age 94)	Female, 90th percentile (age 97)
55	18.79	20.53	21.71	22.79	23.46	24.40
60	16.31	18.32	19.68	20.93	21.71	22.79
65	13.45	15.77	17.35	18.79	19.68	20.93
70	10.15	12.83	14.65	16.31	17.35	18.79

$\$9,000 \times 15.77 = \$141,930$

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below.

Age you expect to retire:	55	Your factor is:	8.8
	60		4.7
		+\$	?

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan). If you plan to retire in:

10 years	Your factor is:	1.3
15 years		1.6
20 years		1.8
25 years		2.1
30 years		2.4
35 years		2.8
40 years		3.3

Jane currently has \$2,000 saved in her 401(k) and plans to retire in 30 years

$-\$4,800$

$=\$137,130$

$\$141,930$   
 $- 4,800$   


---

TOTAL ADDITIONAL SAVINGS NEEDED AT RETIREMENT:



*Don't Panic...*  
*You're not OUT yet!*

Don't panic. We devised another formula to show you how much to save each year in order to reach your goal amount. This factors in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.

6. To determine the **ANNUAL** amount you'll need to save, multiply the TOTAL amount by the factor below.

If you want to retire in:	10 years	Your factor is:	.085	
	15 years		.052	
	20 years		.036	
	25 years		.027	
	30 years	—————→	.020	<b>x \$137,130</b>
	35 years		.016	
	40 years		.013	
			<b>= \$</b>	<b>2,742 / 26 = \$105.46</b>

This worksheet simplifies several retirement planning issues such as projected Social Security benefits and earnings assumptions on savings. It reflects today's dollars; therefore, you will need to re-calculate your retirement needs annually and as your salary and circumstances change.

It also assumes that your wages will increase in the future at the same rate as inflation. This compares with the 2005 intermediate assumptions by the Social Security trustees that wages will increase 1.1 percentage points faster than inflation. Situations in which the wage growth is larger than the inflation rate will often require a higher rate of savings than this worksheet suggests. Unfortunately, a paper worksheet using an example where wage growth is not equal to inflation would be much more complicated.

Should you want a ballpark estimate that allows you to assume a wage growth that is different from the rate of inflation, you will need to go to <http://www.choosetosave.org/ballpark> and use the interactive ballpark estimate worksheet.

The American Savings Education Council (ASEC) mission is to make savings and retirement planning a priority for all Americans. ASEC is a program of the Employee Benefit Research Institute Education and Research Fund. For information on becoming an ASEC Partner, visit [www.asec.org](http://www.asec.org)

© Copyright, EBRI Education and Research Fund. All rights reserved.



1100 13<sup>th</sup> Street NW  
 Suite 878  
 Washington, DC 20005  
[www.ebri.org](http://www.ebri.org)  
[www.choosetosave.org](http://www.choosetosave.org)

*Hitting it out of the Ballpark...  
Things to Consider When  
Saving for Retirement*



# ***Time is Money!***

## Your Monthly Investment of \$100

<u>Starting Age</u>	<u>Total amount contributed through age 65</u>	<u>4% rate of return</u>	<u>7% rate of return</u>	<u>9% rate of return</u>
25	\$48,000	\$118,590	\$264,012	\$471,643
30	\$42,000	\$91,678	\$181,156	\$296,385
35	\$36,000	\$69,636	\$122,709	\$184,447
40	\$30,000	\$51,584	\$81,480	\$112,953
45	\$24,000	\$36,800	\$52,397	\$67,290
50	\$18,000	\$24,691	\$31,881	\$38,124
55	\$12,000	\$14,774	\$17,409	\$19,497
60	\$6,000	\$6,652	\$7,201	\$7,599

Investing involves risk including possible loss of principal. Please consult your tax advisor for more information.

# ***Power of Pre-Tax Contributions***

---

Goal: save \$2,000 per year

**Without 401k/457**

\$30,000 income

- \$ 4,500 (15% taxes)

= \$25,500

- \$ 2,000 (savings)

Total **\$23,500**

**With 401k/457**

\$30,000 income

- \$ 2,000 (savings)

= \$28,000

- \$4,200 (15% taxes)

Total **\$23,800**

**\$300** difference in  
"take-home" pay!

# The Importance of Asset Allocation

*Asset allocation is the process of investing your account among cash, stocks and bonds. The objective is to establish a long-term investment strategy that seeks an appropriate level of risk and then to maximize returns at your risk level. You get further diversification by dividing your stock investments between the various categories.*

	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
International	5%	10%	15%	25%	30%
Small-Cap Stocks	0%	0%	5%	5%	10%
Mid-Cap Stocks	5%	10%	10%	15%	15%
Large-Cap Stocks	10%	20%	30%	35%	40%
Bonds	35%	35%	25%	15%	5%
Cash	45%	25%	15%	5%	0%
<b>Column Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Click on asset class for more information

Click on pie-charts for more information



*The use of asset allocation does not guarantee returns or insulate you from potential losses. Asset allocation is a rational strategy for investment selection. Simply put, it is the process of diversifying your investment dollars across different asset classes. It helps you maximize your return potential while helping to reduce your risk. \*Asset allocation pie charts provided by Ibbotson Associates.*

# Probability of Meeting Income Needs



IMPORTANT: Projections generated by Morningstar regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2009 Morningstar, Inc. 3/1/2009

*Hit a Home Run....  
Plan for your retirement NOW!*

