Retirement Planning: Getting Started

Welcome, everyone to Retirement Planning: Getting Started . My name is Melanie . I am one of the moderators for today and I will turn this over to our guest speaker William .

I understood we had technical difficulties, but hopefully most of you are with us and my name is William Wesley and I am with My Secure Advantage that we contract to provide information about any consumer -related financial topic and today the topic is Retirement Planning: Getting Started. It is designed for the person who says I've been contributing to my 401(k) or my IRA but I do not have my arms around what is happening or I am just about to start contributing and wants to know what is the lay of the land . If you have done a questionnaire, this might not be for you. It is designed for the person who wants to get started and then we will also pull out an offer in the end and terms of answering questions options for some of you. Let's get on. I am William Wesley and I have been a bank branch manager for firms such as Charles Schwab, Merrill Lynch, and Citibank and with My Secure Advantage I am a retirement specialist and my primary job is I deliver presentations and I sit on a team that helps to craft the content. Before we began come if you have any questions, please submit them to the Q&A box. My name is William Wesley and I will be your host, but we will rally around to make sure we get as many questions answered. Also if you missed something, a recording is being done and you can go back to see and hear things again. We are talking about retirement planning. I would suggest viewing it again. Your opinion matters. We do this a lot . We always want your input. What was good and what was bad. We read every single reveal . Your opinion matters . We will talk to what you say and hopefully use it to craft presentations that will get better and better .

How do you start a plan? That we look at achieving goals through sapiens. We will spend some time unfriending accounts and the most important step is to take action . Okay. By the way, this is a reduced version . This is the 30 minute presentation . We cut some things to basically do a 30 minute presentation. If you are like me, you have competing planning priorities. There is an answer that says we literally have to do it all. I have to work . Many of us have school loans or other education expenses and their kids developing a savings plan. This is not the webinar where we will talk about what these things are, but those are expenses I want to set aside and we have to live somewhere so there is rent or a mortgage. We have to allocate some vacation and travel, and it is financially prudent to have an emergency savings . Can we do all of the above? We can. My grandmother used to say it is not how much you make . It is actually what you spend. It is getting inside of whatever it is we do make handcrafting the right plan for us . We want to run through some things. We will talk about money in terms of opportunity cost and housing expenses and how we have to really consider that in terms of percentage of income. My late grandma said this goes to a budget or a spending plan. I have had over 3000 coaching conversations just in the last three years . The core issue whether a person said I want to buy a house or pay off student loans are get out of credit card debt was set up a vacation fund the core thing is getting arms around a spending plan or a budget where if I make 48 I spend 48 or less. We have folks making 225 and spending 250. It is getting arms around budgeting. Other decisions are family expenses . You might be a person in the sandwich generation . It is a parent or grandparent is dependent upon you for support in addition to having kids in the household. That might affect your retirement income and of course entertainment expenses. It is not all about work . What to do? We want to look at things that happened that are draining money from us and we are really not counting that. A lot of folks are ordering in from DoorDash or Uber Eats. Let's say you are doing that . If you are doing that we have to really look at in terms of planning forward or investing what does it cost? And three years this is 29,000 . We are not talking huge returns. It is a ranch with no returns and it is growing . Do not get us wrong . We are not saying you cannot order in the we're just saying if you look at this every day let's look at the cost and it is the opportunity cost. If you spent $1000 on it what you cannot spend the same $1000 and anything else ever because it was already spent on the watch . A look at that expenditure and then I said okay if I craft a budget and I make $40,000 a year and I bring into the house $3000 but I spent 3400 every month but put some things on a credit card, maybe you have to look at how I can adjust things and opportunity cost sons if I do not spend seven days a week using DoorDash and a drop it down to four days a week I will save $75 a week, which translates into $300 a month, which is $3600 a year and what could I do with that money ? 20 save some of it for vacation or use it to offset credit card debt or whatever. The concept of opportunity cost doesn't say you cannot have DoorDash but it says look at what you are giving away when you do that and can you modify that you take the money and use it for something else? And then we look at guidelines . When you begin to craft a budget, in general you go anywhere online but in general we look for housing expenses to be the ideal case would be 20% or 35% of your budget. I know folks live in the San Francisco Bay Area or the Chicago and a lot of us pay more but that is a target percentage and understand the return of anything we are trying to do around the house and I want to do a lot of improvements that do not generate any increase return? If I plan to live there, maybe I do them for my comfort and pleasure . In addition to the fact we will set aside 1% or 2% a year for annual maintenance . We are saying as we look at everything we have these categories like our house and family expenses that we want to get our arms around. Case in point , I was doing a coaching call with a gentleman in San Francisco who was making $187,000 a year and single. He is spending about $5,800 just to live but he was saving 12% of his income and putting it in his 401(k) . As I walk through the list of things working with him I asked how much was in his emergency savings account and he said $700 . So we reduced the 401(k) contribution down to 5%. And took the other 7% and began to create an emergency event because he technically had one but it was his 401(k) . If something happened, he did not have extra money. You would either have to put on a credit card or borrow it or cash some of his 401(k). Those are the type of things we looked at, putting the correct amount in so that I can start maybe at 3% annually to go to 4% practical to be minimum of 10% that I'm putting into my retirement account but I want to do it at a level where I can consistently contribute and be incremental . As we look at family expenses, we have a 24 hour rule for large purchases. If you make a large purchase, see if it works and if you have agreed that you can afford $450 a month and of course they try to get you into a better model and you have done your research and everything, but they will try to get you into one that is $575 and tell you it is only $100 more and this is where the 24 hour rule kicks in. If you are starting to make the purchase at $575, take 24 hours. Go home and think about it. Reviewed the budget. When you go back into the dealership , they are going to be more than willing to do the deal because they know you are a person who will walk away from the table . Budget for your regular expenses. This is expenses that pop up every year. They are not monthly like your house or variable like your food. Christmas comes once a year and so does Thanksgiving and sodas birthdays . If I am not allocating for it and that means setting aside $10 a month because it comes in October or spending 600 at Christmas so I save 50 a month. Is set a found combined for all of these things and when that thing comes, there is the amount already ready for the expenditure . We walk through that and look at entertainment expenses and try to not sweat a bad week or a bad month and get inside some key guidelines and strategies and then we say let's look at it in terms of our personal needs. Food, housing, medical. We have webinars that talk about budget so we will not spend a lot of time here . I just wanted to give you an overview of a sample budget . The question is what is your budget and are you able to tweak it in key areas? For most of us you are working and you have a budget in your mind. If you can put it on paper, you increase the odds of living within your means because you are crafting your expenditures around your income . It starts with crafting what we call a SMART goal. What are we trying to do? Here comes the new year and I want to lose weight or here comes the new year and I want to pay off credit card debt by June and that means have to pay $2,500 a month so it is not realistic. A SMART goal is specific. Maybe if you get the number down to something else and make a specific and measurable and achievable. It is relevant and it is time bound. We are trying to craft a realistic goal so I have $1000 in my emergency fund and I ordered DoorDash seven days a week at $25 per penny to make my emergency fund $2500 by the end of the year so I will reduce my DoorDash expense by two times each week. That is $2400 a year by the end of the year , I am throwing that $200 a month into the emergency fund so by the end of the year I will have that amount or more. That is a specific goal . Make adjustments if necessary and celebrate progress . We actually work with Mariah and this is one of our clients. Her savings were good but not consistent. She tended to overemphasize one goal over another . We have to make sure we have emergency savings and reduce credit card debt. Other things as we can then contribute to retirement. We worked with her and crafted a plan where we checked the boxes. Increase the emergency fund contributions, set priorities in terms of what was important, and sometimes I can set up for emergency fund and 72 the credit card debt. Your biggest competition should be you , the prior you and the goal is to be the better you. It is not to have the Tesla the person down the street has . Not the jealousy were chasing their dream . It is about your dream because we never know what a person actually has in terms of their accounts. That lays the groundwork in terms of setting up an opportunity bond, establishing priorities and make sure we have an emergency fund to continue to contribute if we get his with the financial , all. When people lost their jobs in hospitality and retail, many of those folks had money set aside. The majority of them didn't. We're still taking calls from folks trying to get into the 401(k) and take it out. Let's talk about establishing retirement account . This goes without saying but it needs to be said. Basically is you set money aside and do not touch the money and invest the money so I will get some type of return and leave the money there and the return. In the next period , I get to return against the principal content but also on the interest received. That is called compound. You are making $75,000 here and contributing 3% to retirement . If you do that 20 years , it is $81,000, assuming a rate of return of 6% , which is consistent with a long-term item .

We are getting some background noise .

So the idea here is this discussion is around retirement accounts. Ideally , I put it in my company-sponsored retirement account like a 401(k) and I make a regular contribution like 3%. What this doesn't look at other than to say it is an estimated 6% return, which is below the long return of the market which is the S&P 500 which is an index of the 500 largest U.S. companies. It is the weighted stock price of those companies with the average of 10% since 1926. That would be how much you and how, $176,000. If you are making 70 now, at some point you will probably make more than 70. If you're contributing 3% now, we would suggest you be incremental. If you can afford 3% this year, could you afford 4% next year or 5% the year after until you get to 10 person? Here is what we know. The majority of us will make it up to 70. Things will cost more when we are 70 then they cost no . It is important for us to set money aside but also to be consistent and incremental because we know, based on all of the facts that we how, that things tend to go up. It is called inflation . Company-sponsored retirement accounts. We will quote some of the types. If ice 401(k), and is the same as a 403B. If I'm in the nonprofit space, it is a 403B but the conditions are the same. If I work for the federal government it is a thrift savings plan and if I work for local government it could be called a 457, but the conditions are the same with all of them . Some of the organizations might not have matching contribution, but the seat with a deferred pension . They all have the same contribution limits we will talk about risk tolerance in terms of how much you put in this category and then we will do some quick comparisons between traditional persons Roth in terms of tax benefits.

I want to go back here. Okay. If I have a 401(k) , the IRS said in 2022 you could contribute $20,500 into your 401(k) or 403(b) for TSP if you are under age 50. If you're over age 50 come you can do $6500. That is a maximum amount. What do you invest in? You have this menu at your company of mutual funds. Some stocks, bonds, blended, and mutual funds is a collection of investments. They could be stock or bonds . Stock is ownership in a company. The good news about a stock is it could go up but the bad news is it can go down. There is no guarantee. That is where the potential is and the next potential return is. The other key thing about stock is it is aggressive, optimistic action. I'm buy stock because I think tomorrow will be better for Amazon than it is today. I am buying on the hope that the business will be better and therefore post better results and cause more people to want to buy the stock, which will then drive the price up but there is not a guarantee. It could go to zero. A bond is an IOU. You give someone the money they will pay you for using it. That is called interest. They will pay you interest every year for using your money and then you presented back to them five years from now and get your money back. That is a bond . It is not going to super go up with the market because you do not own part of the airline that issued the bond for your local government. You have just loaned them some money and then they have to pay about . The return will be less than the potential return with the stock. In your mutual funds or 401(k) you have stock funds that might have large companies like Amazon and GM. You also have midsize companies like Staples and then small companies. Places you and I haven't heard of but they are trying to become the next Google. You also have international companies and bond funds. Another part would be target date funds. Let's say you are 40 years old and plan to retire in 15 years. You can click on the button and say 15 years from now I want out and they will say a 35 target date fund.

Reporter: Is an algorithm that will do the adjustment for you starting with 80% stock and 10% bonds and 10% cash and then a few years from now it will reduce. As it gets closer, it will become more and more conservative because it is trying to say if you are going to retire in 2035, we do not want to be totally in stocks so it is ratcheting down and increasing the bond percentage to make your 401(k) more conservative serve the market goes sideways on you will not lose as much as you would lose if you are 90% stock. The way you get your arms around that is during a risk tolerance that said here is some sample portfolios and it is going to create this a. You should be 70% and the stock funds and 30% and 401(k) bond funds. The next bullet is tax benefits. Let's say you make $100,000 and you put $10,000 in your traditional 401(k) . Traditional 401(k) or 403(b) or TSP . It is the same thing . The only difference becomes if they will match your funds or what the menu is and in the government you have the guaranteed bond fund and the international were stocks . It doesn't matter what matters is you have to understand what your menu is and then you decide what your risk tolerance is. All of them are essentially the same. There is a cafeteria with a menu . From there, you make your decisions in terms of how much. The minimums are the same , regardless of where you are and it is 20,500 if you're under 50 and 27,000 if you are over 50 . So back to the text. I put $10,000 in my traditional 401(k) or 403(b) or TSP or 457. The same thing . That $10,000 will be subtracted from my income . I get a deduction. At the end of the , my W-2 will see I made a 90 and the taxes are less than 9010 is on 100 . As the money grows in the stock market, do not pay tax on the growth until I take it out. Once I go to take it out the IRS will say we have given you a break for the last 20 years and now you have to pay the piper if you are going to take the

money. It was based on the idea that what I'm retired I might have a lower tax so I will pay tax at the lower rate ideally the possible fallacy is some of us make more money in retirement and we cannot guarantee the text. That is traditional . Roth says you make $100,000 and you put $10,000 into your Roth 401(k). It is not subtracted from your income . At the end of the year you get a W-2 this is you meet 100 . Why would you do that? Imagine pretty $10,000 a year and imagine the the stock market does what it does and that is go up. Imagine 200,000 SMART goal to 400,020 years from now I do go to retire and you are going off into the sunset . The $200,000 you have already been taxed on, that was the principal but the other you have not been taxed on and in the Roth you never well . The tax on the profit in the Roth is zero . We do not know the future tax rate , but we know nothing beats zero. Folks will put some in the traditional and some in Roth but I cannot go to more than the limit which is 20,500 if I am under 15 50 . As long as I do not go over 20,500 . If I am over 50, I can add another 6500 .
We are going to go here . I want to remember these tips. Remember your goals and time frames. Right now the market is going crazy. Every 13 years or so something happens. The only question is when and what will cause it. In 2008 the stock market imploded . The real estate market , the job market, and the stock market crashed. 8 million people lost their homes and then the market was going up through the initial parts Trump years and no one knew a pandemic would hit and cause the market to crash. of the We are going up and Russia invades Ukraine in the market flops again . Remember this is the point. If you plan to retire 25 years from now and people are running around with their hair on fire, some people are taking money out of retirement because they have fear about what is happening. Here is how you make money in the stock market. You buy low and sell high . Mutual funds and 401(k) are probably cheaper than they were last year. Continue to contribute , less you plan to retire tomorrow. If it is a sale at Safeway and you like it and you have a freezer, want to get a few extra? The same story. I see a note about the Roth captain 7000 over age 50 . That is a Roth IRA. Roth is a tax treatment of account and then there is things called IRA and also a 401(k) . The limit on the 401(k) is what I've given you the limit on Roth IRAs for different. They are 6000 and 7000 . I want to have that clearing your mind . It is a tax treatment there's also accounts called IRAs. Hopeful we were able to share some things that make sense for you and your family and we will now turn it back to Melanie and see if we can address some questions.
Thank you so much. I just want to remind everyone if your question doesn't get answered, please call into your program on the toll-free number or go on to the website. Otherwise, please reach out to your HR department to get the information . We do not have your specific detailed information. This recording will be on the website in two or three business days. It looks like we might have time for one question. Is you guys fill out the questionnaire , we appreciate it.
Okay . What is the maximum amount that can be put into TSP per year? Right now it is $25,500. If I am over age 50, it is $27,000. How much can I put in a IRA? The maximum I can put in IRA is $6,000 if I'm under age 50 and if I'm over age 50, $7,000. The differences contribution amount, investment options. With IRA I can get any stock or bond but with a company account there is a limited menu mutual funds . Another differences there might be some income restrictions within IRAs. Company-sponsored retirement accounts have the ability normally pre-to take out a loan and with IRA that is you and you cannot take a loan out of your own IRA . Those are the differences . Possible limitations and loan feature.
Thank you so much. We are out of time. Thank you so much for joining . Please call into your program. You might have benefits available to you. I do encourage you to call in and see what is available to you. Just click on the radio button next to your response to broadcast the results to us and then there is a short answer poll if you could type your answer in the bond. It will

broadcast your message to us so we can get this information over to William. There is a certificate of completion to download . Thank you for joining . This does and our presentation. Thank you .

Thank you. See you later.

[Event Concluded]