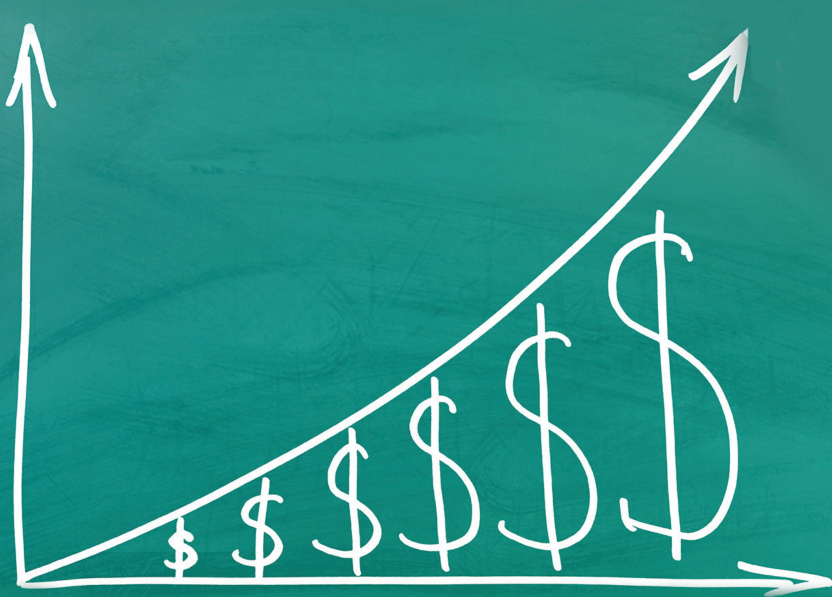
Retirement Planning Handbook

Steps to Keep Your Retirement Plans on Schedule



CHRISTIAN BROTHERS SERVICES

We have been a trusted provider of retirement plans to Catholic entities across the U.S. for nearly 70 years. We understand the unique needs of Catholic employers and their employees.

Preparing for retirement is not something you do when you turn a specific age. Making sure your transition to retirement is successful takes years of planning. Ideally, you should be thinking about retirement throughout your working years, saving money through your employer-sponsored 403(b) or 401(k) plan and additional savings (e.g., IRAs) where possible.

While it's never too early to start saving for retirement, delaying your retirement planning can put unnecessary obstacles in your way. Here are some of the key ages and times for you to know about during your career and as you near the date of your retirement.

Age 25

When you are younger, planning for retirement may be at the back of your mind. As a 25-year-old, the 40-some years between where you are now and retirement might as well seem like a lifetime. However, it is never too early to have a plan in place to have the retirement you want.

Rule number one in retirement planning, no matter your age, is to save. You must save regularly throughout your career to fund your retirement. At 25, many experts believe you should be saving at least 10 percent of your salary in a 403(b) or 401(k) plan. Having the funds deducted from your paycheck is an easy way to budget your savings. Even if you can't save 10 percent now, it is important that you save something. At a minimum, try to save the amount needed to receive any matching employer contribution for which you may be eligible. Not earning the full match is like leaving money on the table.

Keep it simple. Investing can be confusing. Check to see if your plan sponsor offers ways to make choosing investments and rebalancing your account easier, such as with a Target Date Retirement Fund. Just don't forget about your money—it is still important to check your progress periodically to ensure your investments are appropriate for your current situation and to see when additional savings may be necessary.

If you do not have access to a retirement plan, open a traditional or Roth IRA on your own and contribute the maximum each year.

It is never too early to have a plan in place to have the retirement you want.

Age 35

Your 30s can be an expensive decade. At age 35, you may be more established in your career, but you also may have taken on responsibilities, such as purchasing a home and starting a family. Don't allow these financial obligations to prevent you from sticking with your financial plans.

Now is the time to increase retirement savings to take advantage of the years of compounding interest ahead. You should try to increase the amount you save for retirement to 15 percent or more of your gross income. If your company match is 4 percent, you only need to save 11 percent on your own to reach that level.

Every time you get a raise, increase the percentage of your salary you put away for retirement. That way, you are living on the same amount of money, but increasing your saving level at the same time.

This is also a good time to set up an emergency fund if you haven't already. This "rainy day" fund can keep you from having to dip into retirement savings for unexpected large expenses, such as car repairs or hospitalizations. You should aim to have at least three to six months of living expenses set aside.

Age 45

People in their 40s are hitting their peak earning years. However, the costs of a bigger home and college for the children can put a damper on savings. Many people in their 40s have worked for more than one employer. If you have saved in 401(k)s, 403(b)s or other retirement plans at previous jobs, consider a rollover into your current retirement plan.

Getting financial planning help to organize your finances going forward is also a good idea. During your 40s is typically a good time to get financial advice because by then you probably have enough assets accumulated and it is still early enough to put them to work on your behalf.

Remember to keep your spending in check as your salary grows. Pay off your high-interest consumer debt, and do your best not to accumulate more. Use and pay off your credit cards every month. Consider remaining in your current house instead of moving into a bigger, more expensive one. By living within your means, you will be able to save more for the necessary big-ticket items, like your children's college education. Remember, you can always get a loan to purchase a home or to pay for college education. No one will lend you money to retire.

Don't allow financial obligations to prevent you from sticking with your financial plans.

Age 55

It's "catch-up" time! At age 50, you can add extra "catch-up" contributions annually to your retirement funds. Visit www.irs.gov to find out how much extra you can contribute to your 403(b), 401(k) and IRA accounts in a given tax year.

Do everything you can to take advantage of these opportunities to save extra. A decade of "super saving" for retirement can make a world of difference.

Now is also the time to eliminate non-mortgage debt, from credit card balances, auto loans and other debts. Eliminating this debt will give you one less thing to worry about and you can funnel the money you save into your retirement accounts.

Think about what you will be doing in retirement. Will you be traveling? Will you be downsizing and living more frugally? Ask yourself if your goals are realistic based on what you have saved and your anticipated Social Security benefits. There is still time to adjust your plans or your savings, but time is getting short.

Age 65

As you approach the end of your working years, you will need to create a retirement budget—income and expenses—both for now and for the rest of your life. With retirement on the near horizon, here are some steps you should be taking at various intervals during your last working years.

More than a Year Out

Pay down debt. Approximately five years before your anticipated retirement, start paying down debt. Make a plan and stay on target. Pay off as many lines of credit as possible.

One Year from Retirement

Review your investments. Preserving your savings is the name of the game here. You don't want to lose a big part of your retirement fund by making risky choices at this late date. If you aren't using a managed account option that will automatically adjust your investments, switching to a more conservative investment approach may be appropriate. At this point, your Target Date Retirement Account would become a Target Retirement Income Account — which means it has reached its final investment allocation. Your funds continue to be invested but the fund allocation is no longer changing once you reach the target age.

Be sure to review everything, including savings and all sources of retirement income (bank accounts, stocks, etc.).

Know your income sources. Think in terms of when you want to start drawing from Social Security, your defined benefit plan, (403(b), 401(k)), etc.

If you have a gap between how much you have and how much you will need, does it make sense to delay retirement?

If longevity runs in the family, should you delay receiving your Social Security benefit? Must you rely on income from other retirement savings accounts, or can you afford to delay the commencement of all benefits?

Inventory your expenses. There are two types of expenses that you will need to account for:

- *Fixed expenses*—Expenses that occur every month, such as mortgage, real estate taxes, food, medication, car payment, insurance, etc.
- *Discretionary expenses*—These can be controlled and vary from month to month, such as vacations, dining out, gifts for holidays and birthdays, hobbies, etc.

Determine your retirement needs. Develop a list and track expenses from month to month to determine your needs at retirement.

Six Months from Retirement

Let your employer know. While there is nothing set in stone about this, six months out is a good time to let the human resources department and management at your place of employment know about your retirement plans. Giving your company this much notice ensures that they won't be caught off guard at the last moment and gives them ample time to arrange for a smooth transition.

Your company's human resources department also can start to get the ball rolling to account for any unused vacation time or personal days you have earned, and the payment options for your benefits.

Get organized. Track down all your records for retirement accounts and savings you have accumulated over the years and review your service record so that you can correct any mistakes before reviewing benefits.

Three Months from Retirement

Contact Social Security. You can start to receive your Social Security benefits at any point from age 62 until age 70. Delaying benefits will increase the amount you receive each month, but if your plan is to start receiving retirement benefits at the time you retire, now is the time to begin the process at www.socialsecurity.gov.

Sign up for Medicare.

It is important to remember that there are three enrollment periods when you are eligible to sign up for Medicare:

- The Initial Enrollment Period (IEP) is the first window when you can enroll in Medicare. The IEP is seven months long, starting three months before the month you turn 65, continuing through the month you turn 65 and then for another three months after that.
- The Special Enrollment Period (SEP) is when you can sign up if you skipped enrollment when you were first eligible because you were covered by an employment-based group health plan. If this applies to you, you can enroll in Parts A & B during the following periods:
  - Any time when you are still covered by the group health plan
  - During the eight months after either employment or group coverage ends (The eight-month period starts after whichever of those ends first.)
- The General Enrollment Period (GEP) is when you can sign up for part A or Part B if you did not during the IEP and are not eligible for a SEP. The GEP lasts from January 1 to March 31 of each year.

If you don't enroll in Medicare medical insurance or prescription drug coverage when you're first eligible, coverage can be delayed, and you may have to pay a late enrollment penalty for as long as you have coverage. If you are retiring after age 65 and have not signed up for Medicare, you have eight months to join after leaving work before the premium increases kick in.

You will get Medicare Parts A (hospital coverage) and Part B (doctor visits and outpatient care) automatically. You can reject Part B if you do not want to pay the premium for it. Part D (drug coverage) is optional. Sign up for Medicare at www.socialsecurity.gov/medicare.

One Month from Retirement

Make a list of questions. Be sure to ask your employer if you have filled out all the paperwork that will be needed in order to retire. Ask them about when you can expect to receive your first check.

Make a timeline. Be mindful that you do not have to start drawing from all your retirement funds at once. Make yourself a timeline to help you forecast when you will draw money from different accounts. Be sure you have enough money set aside from the time you leave your company until you begin receiving your checks.
If you can, consider using your 401(k), 403(b) or IRA for unexpected and reoccurring expenses like car insurance, real estate taxes and medications.

You have worked a lifetime to get to this point, so be sure to enjoy it! Whether that means traveling the world, meeting new friends or finding new interests around your home, we hope you have a happy retirement!

Sources:

- Internal Revenue Service—irs.gov
- Social Security Administration—ssa.gov
- Medicare—medicare.gov

Important Ages for Retirement Planning

Age 49 and under

Take advantage of defined contribution plans like 403(b), 401(k) and IRAs for savings. If your employer offers one with a match, try to max it out.

Age 50

Catch-up contributions can be made to qualified retirement plans. At this age, you can sock away additional money to further increase retirement income.

Age 55

When fully vested in a defined benefit plan like the Christian Brothers Employee Retirement Plan, this is the earliest age at which someone can begin receiving benefits.

Age $59\frac{1}{2}$

Withdrawals can be made from your defined contribution plans penalty-free, provided certain conditions are met. The withdrawals will be taxed as income.

Age 62

Social Security eligibility begins; however, the benefit will be reduced 25-35 percent if you claim it now. If you continue to work after claiming benefits, the amount of income you can earn without offsetting benefits is limited until you reach full retirement age. ($1 will be deducted from your benefits for every $2 you earn over your annual limit.)

Age 65

Medicare eligibility kicks in. You may sign up for Medicare Part B during a seven-month window around your 65th birthday. The window begins three months before your 65th birthday and ends three months after.

CHRISTIAN BROTHERS SERVICES

For more information on retirement planning, contact Christian Brothers Retirement Solutions at **800.807.0700**, then option 1.

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