



Ahhhhhhhhh . . .

Retirement

July 11, 2011



. . . is one of the most important life events many of us will ever experience.

The changing face of retirement . . .

Baby boomers (ages 42 to 59) are living longer, retiring earlier and enjoying more active golden years than any previous generation.

Generation X and Y (ages 26 to 41) . . . 41.37% do not participate in an employer-sponsored retirement savings plan. Without any planned savings, these workers can expect their retirement incomes to replace just 44% of the income they earned during their working years.

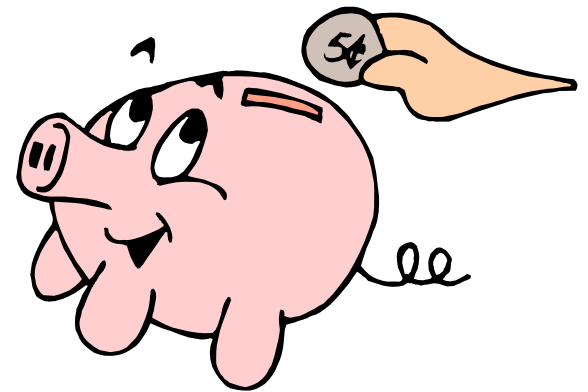
Save NOW for Retirement . . .

The personal savings rate in US dropped to a **negative .5%** in 2005, the lowest since the Great Depression more than 50 years ago. This indicates that a large number of Americans spent all of their after-tax earnings AND they dipped into savings or took out loans to finance their expenses. With millions of Americans set to retire in the next few years, and the savings rate in negative numbers, how will people be able to afford their living expenses during retirement?

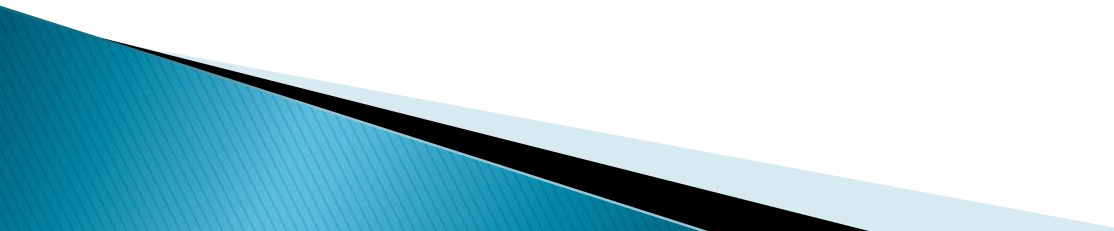


Why save?

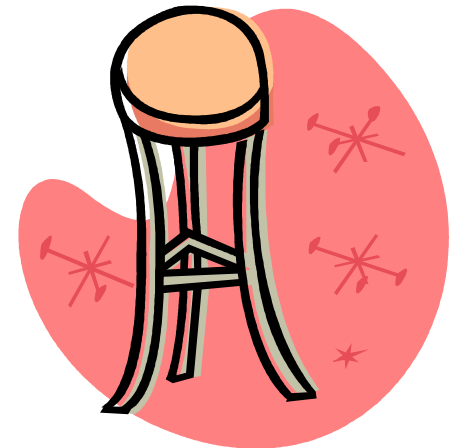
- ▶ Saving is critical for all of us, but it is especially so for those of us getting ready to retire.
- ▶ Americans are living longer than ever, and retirement is getting more and more expensive as the cost of living—especially medical care and prescription drugs—and inflation continue to grow. The 78 million baby boomers getting ready to leave the work force will require savings of their own to ensure a comfortable future.



The “three-legged stool of retirement”

- ▶ **Concept introduced by President Roosevelt and is still in place today**
 - ▶ **Relies on three sources for an individual’s retirement income . . .**
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- 1. The government through Social Security. Unfortunately, Social Security only offers a minimum layer of protection for retirement needs (assuming Congress doesn't let it go belly up)!***
- 2. Employer provided retirement plans—far too many employer retirement plans do not offer any type of guaranteed benefit. We are certainly luckier than most on this arena.***
- 3. Individual savings—individuals need to have a sturdy personal savings leg of the stool in order to have a comfortable retirement.***



How do you make sure you have enough to retire?

A general rule of thumb says that you will need approximately 80% of your income just prior to retirement to maintain your standard of living after retirement.

Adjust by current inflation risk—3.6% +

Review your financial health! Reassess your assets, liabilities and net worth. Your goal would be to create a positive net worth that grows each year. Ensure your income does not exceed expenses and try to cut expenses where possible. Limit those credit card purchases!!



Build your personal savings!

- ▶ **Start saving now—it's never too early. Check with a financial planner or just do it yourself. Available options—annuities, stocks, US Savings Bonds, real estate, CDs, regular savings accounts, State Employees Credit Union**



North Carolina Supplemental Retirement Plans . . .



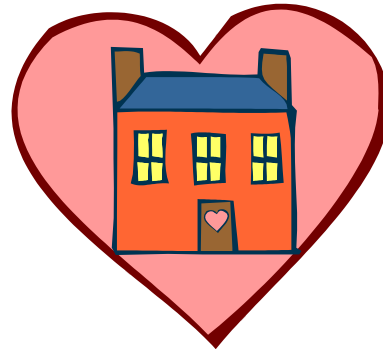
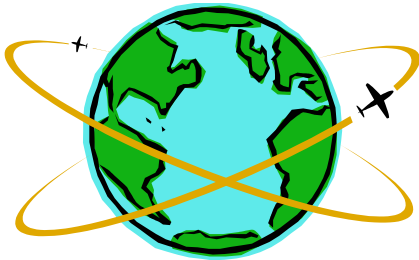
Think like a saver.

- ▶ **Establish accounts in which a set dollar amount is automatically deducted each month and dedicated to your retirement account. When you receive additional income, direct a significant portion of this extra income into your savings account.**
- ▶ **Do not try to keep up with the “Joneses”. Being financially independent and debt free has a positive psychological, social and civic effort that enhances your well-being.**



Think what it means to retire.

- ▶ ***Retirement does not mean the same thing to everyone. Visualize your future—travel, your dream home, new career, hobby—make your plans!***



RETIREMENT SYSTEM BENEFITS

- ✓ *helps with financial planning and security*
- ✓ *a recruitment and retention tool*
- ✓ *provides a source of income to supplement Social Security*
- ✓ *a source of tax-deferred income after retirement*
- ✓ *provides health insurance/benefits (a rarity)*
- ✓ *income protection for disability*
- ✓ *death benefit*
- ✓ *long-range planning for employees*

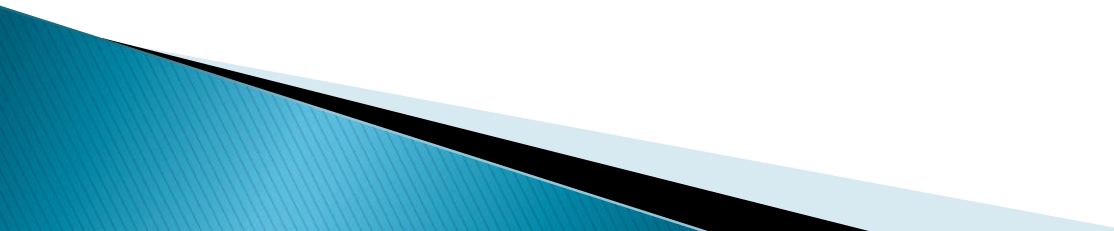


Payment Plans . . .

What is best for me and mine?

- ▶ **Maximum** allowance--*basic, straight life benefit—no monthly survivorship*
- ▶ **Option Two**—*100% joint and survivorship—one monthly survivorship beneficiary*
- ▶ **Option Three**--*50% joint and survivorship—one monthly survivorship beneficiary*
- ▶ **Option Four**--*adjustment of retirement allowance and Social Security Benefits—no monthly survivorship*
- ▶ **Option Six-Two or Six-Three**--*modified joint known as the pop-up plan*

If you leave the system before retirement . . .

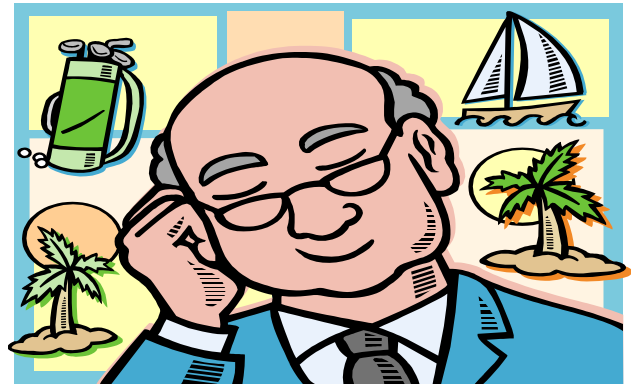
- ▶ **Even if you leave before service or early retirement, you may still receive a benefit. You are entitled to a benefit at a later date if you leave for any reason—at any age—after you have completed 5 years of membership service, provided you DO NOT withdraw your contributions.**
 - ▶ **If you leave the System before you have 5 years of membership service, the only payment you can receive is a refund of your contributions.**
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Tidbits . . .

- ▶ **Savings can be pre-tax—taxes due when \$\$ withdrawn.**
- ▶ **Savings can be post-tax—pay now rather than later.
Remember, taxes are not going down!**
- ▶ **Can't borrow against your NC retirement!**
- ▶ **The longer you live, the less lucrative your benefit if you live 20 years into retirement, which is another reason personal savings is important.**
- ▶ **Raleigh News & Observer—in 2016, more people will be receiving SS benefits than there will be people paying in**
- ▶ **TSERS not designed for full replacement—48-54% of final pay**

Closing thought . . .

- ▶ How much will I need for retirement?
- ▶ Let's assume you need \$30,000 a year to live on in today's dollars. Assuming a modest 3% rate of inflation, you will need \$30,900 just to stay even.
- ▶ A 6% inflation rate, you will need \$31,800 just to stay even.



Disclaimer . . . The information in this presentation is based upon current laws and regulations and is subject to change anytime the North Carolina General Assembly is in session.

STAY informed.

Change for 2011/12 . . . Non-medicare retirees now have a monthly contribution of \$21.62 if they choose the 80/20 standard plan. Medicare primary retirees will pay \$10 for 80/20 coverage. The 70/30 basic plan is \$0 for both categories.



Contact the Retirement System

- ▶ Online Retirement Benefits through Integrated Technology or **ORBIT**
 - ▶ web-enabled
 - ▶ access 24/7
 - ▶ self-service options
 - ▶ www.myncretirement.com
 - ▶ 1.877.627.3287 (toll free)
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