



The Starting Line:

Beginning to save
for retirement

Mark DiGiovanni

Senior Financial Consultant

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- Wisdom of starting now
- Tackling your debt
- Activity: Budgeting worksheet
- Establishing and managing a budget
- Retirement planning
- Tools you can use
- Action steps

The Starting Line: Why and how retirement saving begins now



Overview

- Retirement confidence remains relatively steady at 67%.¹
- Average retirement age is 64²
- Average time spent in retirement is 20 years²
- Average Social Security income is \$1,503 per month (\$2,531 for couples)³
- **The good news—time is on your side.**

- Reasons to plan for retirement now
- Let compounding work its magic
- Delaying can be costly



Maximizing an investor's potential

Employee's current age	35
Income this year	\$65,000
Employee tax bracket	15%
Employee contribution	12.0%
Employer contribution	6.0%
Hypothetical annual rate of return	6.0%

Please note: Example used for illustrative purposes only.

Lower taxes




Current age	35
Income this year	\$65,000
Employee monthly contribution 12.0%	\$650.00
Employer monthly contribution 6.0%	+\$325.00
Total monthly contribution	\$975.00
Employee out-of-pocket	\$552.50
Federal tax savings	\$97.50

Assumptions: Employee is in the 15% tax bracket.

Maximizing the power of your retirement plan



The earlier you start, the less you'll have to sacrifice to pursue the retirement you want. For example, to reach approximately \$500,000 by age 67:

Starting at age	What you'll have to "give up"
25	 Daily cup of barista coffee (\$187/month)
35	 Monthly car payment (\$365/month)
45	 Annual family vacation (\$782/month)

This hypothetical illustration assumes a 6% annual return on investment, and a 3% increase every year to account for inflation. It does not represent the actual performance of any TIAA account nor does it reflect expenses or taxes, which would reduce performance. Total returns and the principal value of the accounts will fluctuate, and yields may vary. This table cannot predict or project investment performance.

Credit Card **Mortgage**
School Groceries Store
A New Bed **Loan** Credit Card
Vacation Real Estate Loan **Auto**
to Hawaii Business Loan **Loan**

- Reducing interest rates, if possible
- Ranking debt from the highest to the lowest interest rate, and paying off high interest debt first
- Making more frequent payments—or bigger payments towards them
- Be wary of cashing out a retirement account to pay off loans!

You can:

- Downsize to a less expensive vehicle
- Use only what is needed
- Get a roommate
- Eliminate non-essential expenses such as magazine subscriptions, cable, etc.



Activity: Budgeting worksheet



- Review TIAA's budgeting worksheet in the workshop guide
- Questions?

Instructions for using this worksheet: **Crafting your personal budget**

This worksheet will help you find out where your money really goes. It starts with your net income—the money you get after taxes—and works forward from there.

The sheet includes entries for your short-term saving goals—like vacations—and long-term goals like retirement.

A TIAA Financial Consultant can talk with you about the specifics of how it works.

Compare your expenses to the suggested percentages and decide whether you need to make changes.

National average budget percentages of net income

Source: Kiplinger.com, "10 Recommended Category Percentages for Your Family Budget," accessed online March 2018

Monthly take-home income = \$ _____

	Current Expense	Percentage	Budget Goal	Percentage
Housing	\$ _____	%	\$ _____	%
Utilities	\$ _____	%	\$ _____	%
Transportation	\$ _____	%	\$ _____	%
Food	\$ _____	%	\$ _____	%
Entertainment	\$ _____	%	\$ _____	%
Debt	\$ _____	%	\$ _____	%
Savings	\$ _____	%	\$ _____	%
Retirement	\$ _____	%	\$ _____	%
Child Care	\$ _____	%	\$ _____	%
Medical/Health	\$ _____	%	\$ _____	%
Student Loan	\$ _____	%	\$ _____	%
Emergency Fund	\$ _____	%	\$ _____	%
Gifts/Donations	\$ _____	%	\$ _____	%
Vacations	\$ _____	%	\$ _____	%
Household Products	\$ _____	%	\$ _____	%
Clothing	\$ _____	%	\$ _____	%
Miscellaneous	\$ _____	%	\$ _____	%
	\$ _____	%	\$ _____	%
	\$ _____	%	\$ _____	%
	\$ _____	%	\$ _____	%
Total	\$ _____	%	\$ _____	%

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- Choosing the right system
- Determining short- and long-term financial goals
- Calculating income and expenses
- Analyzing spending patterns
- Revisiting budget periodically
- Staying committed to a budget

Time is money: Planning for retirement



- Enroll in an employer-sponsored retirement plan
- Benefits of tax-deferred contributions
- Decide which plan is right



Intro to IRAs: Traditional (tax deferred) vs. Roth (tax free)



Traditional

A Traditional IRA may be a good option for you if:

- You think you might be in a lower tax bracket during retirement
- You may need money before age 59½ (withdrawal is subject to 10% early distribution penalty)

Roth

Consider a Roth IRA if you:

- Think you might be in a higher tax bracket during retirement
- Are looking for an investment for certain short-term goals such as college tuition or help with buying a home (qualifications, restrictions and/or penalties may apply)
- Would like to leave tax-free assets to your heirs
- May want to retrieve your original contributions before retirement

TIAA tools:

- Retirement Goal Evaluator
- Selecting the Right IRA
- Retirement Advisor

All of these tools can be accessed at [TIAA.org/tools](https://www.tiaa.org/tools).

Questions?



Thank you for joining us today!



- Log in to My Account at **TIAA.org**
- To set up an individual appointment:
Please visit **TIAA.org/schedulenow** or
call toll-free **800-732-8353**, weekdays,
8 a.m. to 10 p.m. (ET)

Retirement confidence remains relatively steady at 67%.¹

¹ Employee Benefit Research Institute, “2019 Retirement Confidence Survey,” April 2019

Average retirement age is 64²

Average time spent in retirement is 20 years²

² The Balance, “Average Retirement Age in the United States,” December 2019

Average Social Security income is \$1,503 per month (\$2,531 for couples)³

³ Social Security, “Understanding the Benefits 2019,” January 2020

Americans’ monthly personal savings rate is 7.6%.⁴

⁴ U.S. Department of Commerce, Bureau of Economic Analysis, “Personal Income and Outlays, December 2019,” December 2019

33% of American workers are not confident that they will have enough money to live comfortably through retirement.⁵

34% of workers say they are not currently saving for retirement—down from last year.⁵

40% of workers say their savings and investments amount to less than \$25,000.⁵

⁵ Employee Benefit Research Institute, “2019 RCS Fact Sheet 3: Preparing for Retirement in America,” April 2019

For 65-year-olds retiring in 2019, the median amount of savings needed to cover healthcare and prescription drug costs decreased about 9% from 2018. Even still, a married couple may need as much as \$363,000.⁶

⁶ Employee Benefit Research Institute, “Savings Medicare Beneficiaries Need for Health Expenses in 2019: Some Couples Could Need as Much as \$363,000,” May 2019

The average amount of credit card debt for a household carrying debt is nearly \$7,000.⁷

⁷ Nerdwallet, “2019 American Household Credit Card Debt Study,” December 2019

65% of the class of 2018 graduated with student debt.⁸

The total amount of outstanding student loan debt in the US is \$1.6 trillion.⁸

5.2 million federal loan borrowers have loans in default.⁸

⁸ Nerdwallet, “2018 Student Loan Debt Statistics,” December 2018

Americans 60 and over with student loan debt owe \$86 billion in loans—rising 161% from 2010 to 2017.⁹

⁹ Wall Street Journal, “Over 60, and Crushed by Student Loan Debt,” February 2019

*A financial advisor may help: 41% of consumers feel that financial advisors have become more important.*¹⁰

¹⁰ Certified Financial Planner Board of Standards, “Survey: Americans’ Use of Financial Advisors, CFP® Professionals Rises; Agree Advice Should Be in Their Best Interest,” accessed online February 2020

*Only 54% of workers agree that they are currently building a large enough retirement nest egg.*¹¹

*75% of workers are saving for retirement through employer-sponsored retirement plans.*¹¹

*Additionally, 59% of workers are saving for retirement outside of work, such as in an IRA.*¹¹

*Millennial workers believe that they will need to have saved \$400,000 (median) to feel financially secure when they retire, while Generation X and Baby Boomers feel they will need to have \$500,000.*¹¹

¹¹ Transamerica Center for Retirement Studies, “19th Annual Transamerica Retirement Survey of Workers: What is ‘Retirement’? Three Generations Prepare for Older Age,” April 2019

*Median income for a person age 65 was \$49,000 in 2019*¹²

¹² DQYDJ, “Income Percentile by Age Calculator for the United States in 2019,” February 2020



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