



FACILITATOR GUIDE

Informed Retirement Decisions: Managing Savings and Investments**WORKSHOP OVERVIEW**

Audience profile: This workshop primarily is intended for adults in their 50s and early 60s who are thinking ahead to retirement. Workshop participants are planning when to end full-time work, and they may be uncertain or unaware of how to manage savings and investments to utilize as a source of income during retirement. The decisions they make about managing their savings and investments can have a long-term impact on their retirement paycheck.

Retirees may enter their retirement years with a variety of savings and investment accounts they have created during their work life. Analyzing the lifestyle one wants in retirement, along with the types of savings and investment accounts owned, can help participants identify strategies to utilize the accounts in ways that minimize income tax exposure and help assets last longer. By sharing tools and resources during this workshop, you will guide participants to apply tactics that will give them more confidence to intentionally manage and utilize their financial assets throughout retirement in a manner that gives peace of mind for long-term financial security.

This workshop walks participants through the basics of determining how best to manage their savings and investment assets when they no longer have new income sources during retirement. The information presented focuses on guiding participants to predetermine how financial assets will be utilized during retirement through intentional drawdown and liquidation decisions. Also, this workshop directs participants to credible resources for questions they may have when seeking investment advice or assistance with financial services.

Length of workshop:

90 minutes

Description of content:

The following topics are addressed in the *Informed Retirement Decisions: Managing Savings and Investments* workshop.

- Ways that savings and investment assets become income streams during retirement
- Intentional drawdown of financial assets during retirement
- Where to go for credible help for investment advice or financial services

*Target Learning Outcomes:*

Participants will use what they learn in this workshop to utilize their savings and investments as a source of income during retirement. They will demonstrate achievement of the competency by outlining an intentional strategy for making the most of their financial assets to fill income gaps during retirement, including sequencing asset liquidation and planning contingencies for economic hardships or market fluctuations.

Participants will address the following learning objectives as they master the competency:

- a. Identify ways that savings and investment assets become income streams during retirement.
- b. Discuss strategies to intentionally draw down and liquidate financial assets throughout retirement.
- c. Explore sources of credible help when seeking investment advice and financial services.

Participants will know that they have achieved the learning outcomes when they have done the following:

- a. Estimated expenditures during retirement to predict income needs.
- b. Inventoried current financial assets to predict the value of funds that will be available during retirement.
- c. Outlined a long-range diversified investing and saving strategy to receive a steady, somewhat predictable income stream throughout retirement taking into consideration income tax liability, inflation predictions, and market fluctuations.
- d. Matched financial assets to cover specific types of expenditures during retirement.
- e. Determined viable options for how investment proceeds and savings funds are used and for what purpose.
- f. Outlined an intentional asset liquidation sequence aiming to retain sufficient funds throughout retirement.
- g. Established criteria for selecting financial services and sources of investing advice.

FACILITATOR PREPARATION

- View NEFE's video resources to maximize your workshop facilitation and integrate best practices for engaging adult learners. (www.financialworkshopkits.org/getting-started.aspx)
 - About Financial Workshop Kits (length: 4:20)
 - How to Use Financial Workshop Kits (length: 1:33)
 - Plan Prior to Teaching (length: 3:53)
 - Better Engage Your Audience (length: 3:32)
- Promote workshop.
- If possible, gather demographic information about your audience to make the workshop relevant to their financial circumstances, skills and knowledge.
- Preview this guide so you are prepared for questions that may arise.





- Preview the Savings and Investment content on www.myretirementpaycheck.org to become familiar with NEFE's online resources.
- Make note of the suggested length for each topic in this workshop. This workshop is designed to run approximately 90 minutes from Introduction and Preview to Wrap Up, depending on the amount of class discussion.
- Reflect on your own financial asset situation:
 - What types of savings and/or investment accounts do you have for retirement?
 - Have you considered the income tax implications of drawing down your retirement assets?
- Reflect on your own views about utilizing financial assets during retirement:
 - What strategies have you developed (or do you plan to develop) for using your retirement savings/investments?
 - What is your plan for aligning fixed and variable investment income with retirement fixed and variable expenses?
- Throughout the workshop, keep these two points in mind:
 - When it comes to talking about money, sharing your own successes and challenges will make the workshop much more engaging — and valuable — for participants. It makes the points you're discussing come alive, reassures participants that they are not alone in having questions and concerns, and encourages them to share their own experiences, which can be equally valuable to other participants.
 - Participants may feel self-conscious about their financial situation or some of the choices they've made, so include a statement in your opening that these workshops are a judgment-free zone and that there is no single right or wrong answer — it depends on the person's situation and values. The aim of this workshop is to empower individuals to make decisions that work for them and align with their values and needs, which might not look like everyone else's.

MATERIALS NEEDED

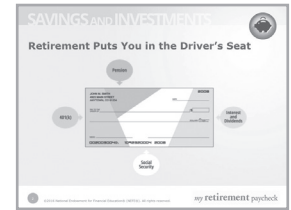
- PowerPoint presentation, LCD projector, screen, laptop computer
- Flip chart and easel or whiteboard, markers
- Pens/pencils for participants
- Copies of Workshop Packet, one per learner
- Name tags or name tents
- Optional: Internet access for live tour of the NEFE website and resources
- Optional: Pre-workshop and post-workshop evaluation forms, one per learner



Presenter Notes	Materials
<p>Introduction and Preview <i>10 minutes</i></p> <ul style="list-style-type: none"> ❑ Display this slide as you greet people when they arrive and help them get settled. ❑ Ensure that everyone displays a name tag or name tent. ❑ Welcome participants and introduce yourself. ❑ Facilitate an introductory activity to engage participants as they share names and get to know one another. Provide a prompt to gain insight into your audience by asking a nonthreatening question about savings and investments. <ul style="list-style-type: none"> — <i>What do you hope to gain by attending this workshop?</i> — <i>What is one question you have regarding utilizing retirement assets in retirement?</i> <p>List the questions on the flip chart or whiteboard. At the end of the workshop, review the list to evaluate whether or not issues have been addressed, or point out where to get more information.</p>	 <p>Slide 1 - Workshop Title</p> <p>Name tags or name tents</p> <p>Markers</p> <p>Flip chart or whiteboard</p>
<ul style="list-style-type: none"> ❑ Lead into the workshop introduction as the Preview slide is displayed to provide an overview of the workshop content and outcomes. ❑ Share that by the end of this workshop participants will be better equipped with the tools to plan how they will manage financial assets for long-term income sources during retirement. ❑ Explain that during this workshop they will do the following: <ul style="list-style-type: none"> — Preview eight key retirement decisions. — Explore ways to manage savings and investments to draw income throughout retirement. — Discover where to go for additional help. 	 <p>Slide 2 - Preview</p>



- ❑ Ask participants to give examples of ways people receive regular income. (Examples might include paycheck from a job, disability benefits, and alimony and palimony payments.)
- ❑ Note that individuals receiving these types of income probably had only partial control of these checks. Even if they negotiated the salary, their employer decided terms such as whether they'd be paid weekly or biweekly, when and how much their raises would be, or whether they were eligible for any bonuses — and how much and when those would be. For alimony and child support, the lawyers or court decided what they would receive and when. And for any kind of benefits check, the insurer or government determined how much they would receive and when.
- ❑ Point out that in these instances, the income earners simply focused on managing the money they received. But stress that this changes in retirement. Explain that once in retirement, they will be in the driver's seat because THEY will have to decide how much and how often they'll be paid.



Slide 3 - Retirement Puts You in the Driver's Seat

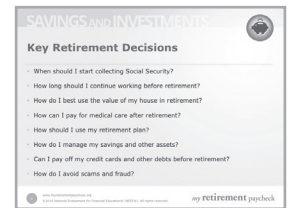
- ❑ Explain that a retirement paycheck is how people pay themselves throughout their retirement years. When a person takes an action within a decision area, it either produces or reduces retirement income. A “retirement paycheck” describes how each decision area and all income streams work together to create a paycheck.
- ❑ Point out that academic research and evidence suggests that retirement is a holistic process, with each decision area affecting other areas of consideration. For example, all of the questions shown in the illustration on the screen are connected to one larger question: *How much of a regular retirement paycheck can I expect to pay myself?* The answer to this question depends on decisions made about factors such as work, benefits and housing. By piecing together many different streams of income, taking responsibility for making informed decisions, and appropriately growing and protecting assets, individuals can make a small nest egg last longer during retirement.



Slide 4 - A Holistic Approach

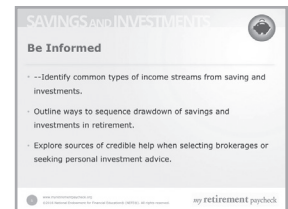


- ❑ Explain that just as retirement planning encompasses savings, work, pensions and Social Security, decisions about drawing down assets are interrelated as well.
- ❑ Note that there are eight decision areas: Savings and Investments, Debt, Fraud, Social Security, Work, Home and Mortgage, Insurance and Retirement Plans. While most of these decision areas are income producers — meaning they contribute income to one’s retirement years — areas such as Debt and Fraud are examples of income reducers.
- ❑ Explain that decisions that are made in each of these areas have a real impact on what a person can pay themselves as part of their retirement paycheck.



Slide 5 - Key Retirement Decisions

- ❑ Preview that this workshop specifically will help participants be informed about factors that impact their decisions about how to manage and use their savings and investments in retirement.
- ❑ Distribute the Workshop Packet and point out the Action Plan: Managing Savings and Investments. Explain that in this workshop they will address the following topics to help them devise a realistic strategy for utilizing their savings and investments.
 - Identify ways that savings and investment assets become income streams during retirement.
 - Discuss strategies to intentionally draw down and liquidate financial assets throughout retirement.
 - Explore sources of credible help when seeking investment advice and financial services.



Slide 6 - Be Informed

Workshop Packet

Action Plan:
Managing My Savings and Investments




Topic A: Identify ways that savings and investment assets become income streams during retirement.

30 minutes

Important

- ❑ Facilitate a discussion about how a person’s lifestyle preferences and health will impact financial needs during retirement. Ask participants to predict how their lives might be (or are) the same or different during retirement compared to preretirement. Ask participants to generally predict if fixed expenses will increase, stay the same or decrease. Be sure to include in the discussion reference to the following types of expenditures: housing, transportation, health care, utilities and communications, travel, entertainment and business venture(s).

 **ACTIVITY: Guide participants to complete the Estimate My Expenses activity to predict their anticipated monthly expenditures during retirement. Direct participants to add responses to their Action Plans (Task #1).**

- ❑ Next, discuss how funding resources will affect lifestyle and spending options. Point out that what individuals have available in savings and investment funds will impact their ability to cover living and health care expenses.
- ❑ Review how financial assets provide income:
 - Savings accounts earn interest and some investments may pay regular dividends. This is income that is earned on investments depending on the rate of return and the size of savings accounts and investment funds. By a show of hands, ask participants if they have savings that earn interest or investments that pay dividends. Note that data show that many Americans do not invest in the stock market, even though these investments provide the greatest opportunity to grow assets over time.
 - These same financial assets, in essence, also become a type of retirement income source when investments are sold or savings are withdrawn to cover expenditures.



Slide 7 - Your Lifestyle Matters

Activity: Estimate My Retirement Expenses

Action Plan: Managing My Savings and Investments (#1)



Slide 8 - Your Financial Funds Matter



- Point out that one’s lifestyle will impact the rate at which savings and investment funds are depleted. By strategically planning how funds will be used to cover expenses, a person can control how quickly or slowly the income source is depleted. Preview that during this workshop, participants will look at factors to consider as they strategically work out a plan to regulate the depletion (or decumulation) of their savings and investment funds.

- Ask participants to share, by general categories, what types of savings and investments they currently own, being careful to not collect personal information about fund amounts.
- Provide a quick overview about how common types of financial assets can be used for retirement income streams. Discuss factors to consider when tapping a particular type of asset as an income source. Point out the value of composing a diversified portfolio with various types of savings and investment assets to reduce the risk of being reliant on one type of investment. Also point out the importance of developing a strategy to access financial assets quickly, as well as a strategy for long-term growth opportunity. The level of detail provided will depend on what you know about the experience, expertise and interests of your workshop audience.

— **Cash-Equivalent Deposit Account Assets: Certificates of Deposit (CDs), Savings Accounts and Money Market Accounts:**

Money deposited into savings accounts, money market accounts or certificates of deposit (CD) are easy to access when needed. These types of interest-bearing accounts held at banks or credit unions are safe from loss because they are insured (up to \$250,000).

Funds in savings and CD accounts grow at a predictable rate of interest, while interest rates vary for money market accounts based on market conditions. Currently, interest earned on deposit accounts is lower than the average rate of inflation. The size of an individual’s CD and money market account balance and frequency that interest is compounded will impact the amount of new income earned via interest.



Slide 9 - Financial Assets: Supplement to Social Security Benefits



— **Bonds:**

A bond is a loan and the person buying the bond (investor) is the lender. The borrower, which issues the bond, is an entity such as the federal government, a state or city, or a company. Like CDs, bonds pay a fixed rate of interest for a designated period of time. Interest earned on municipal bonds issued by city or local governments is tax-free.

As an income stream option, bonds tend to earn lower returns than stocks but higher returns than savings accounts. There is a risk that when faced with financial difficulties, an issuer might be unable to cover interest payments or repayment of the principal amount. Although full interest is earned when bonds are held until the maturity date, redeeming bonds earlier usually is possible, although at a higher or lower interest rate, depending on the market. When interest rates go up, bond prices go down and an investor would receive less than the face value of a bond, if redeemed prior to maturity.

— **Stocks:**

There is risk that funds invested in stocks might not be recovered or grow in value, depending on the stock price when making a sale. The stock market historically has been the place where investments are expected to grow at or exceeding the rate of inflation over time. As some people tend to have a 25- to 30-year retirement horizon, having some money invested in various types of stock for the long term generally is considered prudent.

Depending on the type of stock held, the stock might yield dividends at regular intervals. When planning to sell shares for needed cash, the seller will need to consider the market conditions and tax implications on any earnings. In addition, individual stocks are riskier than mutual funds because mutual fund portfolios hold many different stocks. Losses in one stock can be cushioned by gains in another.



— **Mutual funds (held outside an employer plan or traditional IRA):**

Mutual funds can be a way to diversify investments because they combine various types of investments into one entity. They can include one type of investment (stocks, bonds or money market funds) or mix together several investments, including other mutual funds. Investors can choose from a variety of mutual funds to match personal investment strategies depending on level of risk comfort, ranging from conservative to aggressive, as well as length of holding period.

The value of mutual fund shares is determined once a day based on closing market prices of the fund holdings, so a buyer or seller won't know the exact trade price until the market closes. Some funds distribute dividends and capital gains at regular intervals, and investors may elect to reinvest dividends and capital gains at their discretion. When planning to sell mutual fund shares for needed cash, the seller will need to consider market conditions and the tax implications on any investment gains and losses.

— **Exchange-Traded Funds:**

Similar to mutual funds, exchange-traded funds (ETFs) can be a way to diversify investments because these are collections of several types of investments. Investors can choose from a variety of ETFs to match investment strategy depending on level of risk comfort. One difference is that ETF shares trade on a stock exchange; shares can be bought and sold throughout a trading day. When planning to sell fund shares for needed cash, the seller will need to consider the market conditions and tax implications on any earnings.



ACTIVITY: Guide participants to take a few minutes to create a pie chart that illustrates the approximate percentages of their current investment portfolio holdings. Draw a sample pie chart to prompt the activity. (Sample: savings and money market accounts, 40 percent; mutual funds, 40 percent; bonds, 10 percent; and stocks, 10 percent). Ask participants to reflect on the mix of the investment assets in their portfolios.

Activity: My Investment Portfolio



- Ask participants, by a show hands, if they think that their monthly Social Security benefit will sufficiently cover their retirement expenses. Most participants probably will disagree. Without going into detail, point out that Social Security is not intended to be the sole source of income during retirement. Provide a quick overview about common types of retirement savings vehicles that provide payouts to supplement Social Security benefits during retirement.

— **Individual Retirement Accounts (IRAs):**

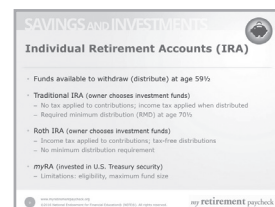
An individual retirement account (IRA) is established by the account holder and allows owners to choose how the funds will be invested in a mix of assets. There are two types of IRAs: Traditional IRA and Roth IRA.

Traditional IRA: After age 59½, money can be withdrawn from a Traditional IRA without penalty. At that time, ordinary income tax on the withdrawn amount is due. Required minimum distribution (RMD) withdrawals must begin at age 70½.

Roth IRA: Distributions from a Roth IRA are tax free after age 59½ if the fund has been owned at least five years. RMD withdrawals do not have to start at age 70½. Rather, money doesn't have to be taken out of a Roth IRA; it can be left for beneficiaries.

myRA: The myRA (<https://myra.gov>) is invested in a United States Treasury security, which is backed by the United States Treasury and carries no risk of losing money. myRA is a Roth IRA intended to be a starter retirement account for savings up to \$15,000.

Simplified Employee Pensions (SEPs or SEP-IRAs) allow small-business owners, including individuals who are self-employed as freelancers, to save for retirement. Annual contribution limits apply. Contributions are tax-deductible to the business owner or freelancer.



Slide 10 – Individual Retirement Accounts (IRAs)



— **Annuities:**

An annuity is a contract between an investor (annuitant) and a life insurance company. The annuitant pays a lump sum or makes regular deposits over time, and the insurance company promises immediate payment or a stream of regular payments at a future date. Earnings on annuities are tax-deferred until annuitants make a withdrawal, typically at retirement.

Immediate annuities begin payment within a year of purchase. They often are purchased with money from settlements and lump-sum distributions.

Deferred annuities make payments at a future date and allow annuitants time to make periodic deposits or a lump-sum payment.

Fixed annuities are comparable to CDs except that fixed annuities are tax-deferred and guarantee a certain interest rate for a specified time period.

Variable annuities are comparable to mutual funds, except that variable annuities are tax-deferred. Variable annuity owners select underlying mutual funds, called subaccounts, and their return is based on investment performance. These annuities typically have much higher fees and other expenses than fixed annuities and vary in value.



Slide 11 - Annuities

Annuity Pros and Cons	
<ul style="list-style-type: none"> - Lifetime income - Potential higher rate of return than other financial products - Protected against company financial problems 	<ul style="list-style-type: none"> - Less control of asset - Payments generally stop at death - Optional payout options decrease amount of income during lifetime - Inflation can erode buying power

Slide 12 - Annuity Pros and Cons

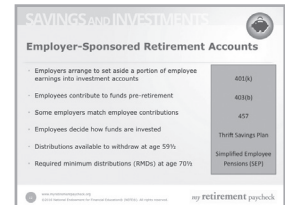
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— Employer-Sponsored Retirement Accounts:

Employer-sponsored retirement plans (e.g., 401(k), 403(b), 457, Thrift Savings Plans and Simplified Employee Pensions) allow employees to choose how the funds will be invested and to mix different types of assets. Withdrawals can be taken from retirement funds without penalty when the account holder reaches age 59½. Any withdrawals taken before age 59½ are subject to a 10 percent early withdrawal penalty. At any age, money taken out of a traditional retirement plan, such as a 401(k) or a 403(b), is subject to ordinary income tax, just like CD interest.

Because income used to fund an employer-sponsored retirement account is tax-deferred and not collected on the front end, the tax will be collected when withdrawals are taken. In the case of a Roth employer retirement account, no income taxes are due at time of distribution if the funds have been owned for five or more years. The account holder has control of how much or how little to withdraw every year up until age 70½ and therefore also can control the amount of income taxes owed by the amount withdrawn from a traditional account. At age 70½, required minimum distributions must be taken each year from most employer plans. The IRS sets the required amount based on age and fund balance at the end of the previous year. There is a 50 percent penalty if the amount actually taken out is less than the required minimum (e.g., \$1,000 penalty if you do not make a \$2,000 required withdrawal). The only exception to the RMD is for those who are still working for the company where they have a retirement savings account. This is called the “still working exception” and allows a person to delay beginning their RMD withdrawal date until April 1 of the year following their retirement date.



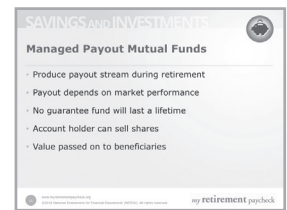
Slide 13 –
Employer-
Sponsored
Retirement
Accounts



— **Managed Payout Mutual Funds:**

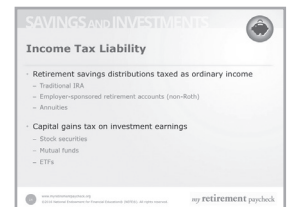
Managed payout mutual funds are somewhat similar to immediate annuities; both products are designed to produce income during retirement. Managed payout mutual funds can be established to draw down all fund assets by a set date or to pay out indefinitely (fund will continue to pay out to other investors beyond any one investor’s lifetime) by only paying out earnings without touching the principal.

A managed payout fund can be a better choice than an immediate annuity because the value upon the account holder’s death can be passed on to beneficiaries. The account holder has the flexibility to access the fund to sell shares, which may be helpful when faced with emergency expenditures. The downside is that the payout from a managed payout mutual fund can rise or fall over time depending on market performance, and the fund is not guaranteed to last for a person’s lifetime.



Slide 14 – Managed Payout Mutual Funds

- Broadly recap income tax situations. For example, financial assets withdrawn from traditional IRAs, employer-sponsored retirement accounts (non-Roth) and annuities are taxed at ordinary income tax rates.
- Also remind participants of the capital gains tax on financial assets held in taxable accounts. If a security such as a stock, ETF or mutual fund is held for more than one year, the earnings are taxed at the long-term capital gains tax rate. If held for less than a year before making a sale, earnings are taxed as a short-term capital gain. Long-term capital gains tax rates are lower than short-term capital gains tax rates.

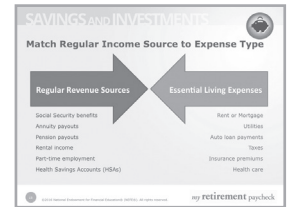


Slide 15 – Income Tax Liability

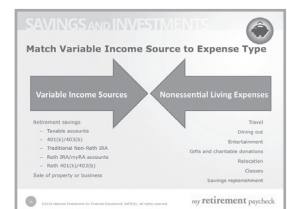
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- Reference the earlier discussion about the estimated amount and types of expenses that can be expected during retirement. Explain that a helpful strategy to manage money when no longer receiving a regular paycheck during retirement is to intentionally preplan how types of available income sources will be matched to anticipated types of retirement living expenses.
- Point out how regular sources of income should be matched with essential living expenses. Then give examples of variable income assets that can be matched to nonessential expenses.
 - Match regular sources of income with essential expenses. Essential expenses generally are fixed or regular living expenses. Essential expenses include housing, food, utilities, health care, insurance, transportation, taxes and any loans. These fixed expenses should be paid with regular sources of income such as Social Security, pensions, annuities, rental income from real estate, part-time employment, or health savings accounts (HSAs) for medical expenses. If regular sources of income are insufficient to cover essential expenses, some retirement savings might need to be withdrawn or converted into lifetime income, perhaps by purchasing an immediate annuity.
 - Match variable retirement savings income sources with nonessential expenses. Nonessential expenses are additional expenditures beyond necessary living expenses and financial obligations. These might include travel, dining out, entertainment, gifts and charitable donations, clothing (beyond a basic wardrobe), home remodeling projects and enrichment classes. Retirement savings funds are best matched to these flexible types of expenses using a strategic withdrawal sequence that will be addressed later in this workshop.
 - Use property and business income last. When utilizing assets to fund retirement, the last funding sources to turn to are selling a small-business interest or rental real estate (if being held for the long term), securing a reverse mortgage or selling a home. Ask participants what makes these assets different from other savings investments. For example, selling a small business or rental real estate not only has tax implications, but cuts off a potential future source of income.



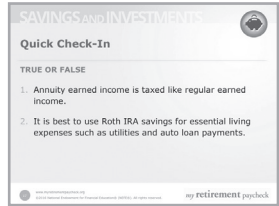
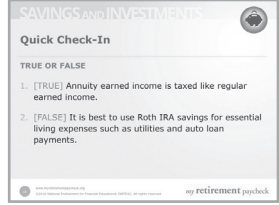


Slide 16 – Match Regular Income Source to Expense Type



Slide 17 – Match Variable Income Source to Expense Type



<p> ACTIVITY: Preview the Match Income to Expenditures activity. Arrange participants into pairs to match income sources to types of expenditures. As time allows, ask two or three teams to share their responses; provide feedback for any modifications.</p> <p> ACTIVITY: Guide participants to independently apply the matching activity to their own circumstances as they complete Task #2 of the Action Plan.</p>	<p>Activity: Match Income to Expenditures</p> <p>Action Plan: Managing My Savings and Investments (#2)</p>
<p><input type="checkbox"/> CHECK-IN QUIZ ACTIVITY: Display two or three questions. Ask individuals to silently reflect on whether the answers are “True” or “False.” Click to the next slide to show the answers.</p>	<div data-bbox="1214 638 1490 842">  </div> <p>Slide 18 - Check-in Quiz</p> <div data-bbox="1214 989 1490 1192">  </div> <p>Slide 19 - Check-in Quiz (answers)</p>

Continued on page 17



Topic B: Outline ways to sequence drawdown of savings and investments during retirement.

25 minutes

Critical

- ❑ By displaying a thumbs up, thumbs down, or so-so signal with their hands, ask the participants to display what their comfort level is about having enough money to last through their entire retirement years. Use the collective responses to gauge attitudes while gently nudging participants to strategically plan how they will utilize retirement income sources.
- ❑ Point out that the amount withdrawn monthly and annually during retirement is critical. An individual needs to be careful to not withdraw too much, aiming to have enough money for at least 25-30 years of retirement.
- ❑ Share two general guidelines that some financial experts have suggested to increase the likelihood of retirement money lasting a lifetime of retirement.
 - Avoid drawing down more than 4 percent of savings and invested money in the first year.
 - Add an inflation factor (e.g., 3 percent) to the first year’s withdrawal in the second year to adjust for inflation and continue to add an inflation factor to the amount of the previous year’s withdrawal throughout retirement. An example is provided.
 - Note that consensus on these guidelines changes among financial experts from time to time. Stress the need to be flexible with these withdrawal guidelines. Depending on current economic conditions and family circumstances, one may want to start an initial withdrawal rate at a different percentage, such as 3 percent, when times are tough or if they have a very conservative investment portfolio with little or no stock. If retirement assets fall in value in a particular year due to poor returns, it may be very wise to cut back on how much is withdrawn, or at least skip the inflation adjustment, for a year or two. When investments perform well again, one may be able to increase the withdrawal rate to a more “normal” level.

Wanted: Enough Money for 25-30 Years


- Strategically draw down savings and investments
- Year 1: Avoid using more than 4 percent of funds.
- Year 2+: Add inflation factor each year (e.g. 3 percent).
- Adjust rates for economic conditions and life circumstances.

Year	Rate	Calculation	Withdrawal
1	4%	\$100,000 x .04	\$4,000
2	4.12%	\$104,000 x 0.0412	\$4,284.80
3	4.26%	\$108,160 x 0.0426	\$4,587.62

my retirement paycheck

Slide 20 – Wanted: Enough Money for 25-30 Years



<p>— Example: Use an example to illustrate suggested guidelines for retirement savings withdrawals. Retirement account value: \$100,000 Guideline withdrawal rate for first year: \$4,000 ($\\$100,000 \times .04$) Guideline withdrawal rate for second year: \$4,120 ($\\$4,000 \times 1.03$) Guideline withdrawal rate for second year: \$4,244 ($\\$4,120 \times 1.03$)</p> <p>□ Stress the need to be realistic and have good discipline during the first years of retirement. Share that many individuals have unrealistic expectations about how much they are going to be able to withdraw during retirement. It is important to preserve the nest egg and not to deplete the account too quickly. Remind participants that new income earned on investments is impacted by the amount of the funds.</p>	
<p> ACTIVITY: Complete the Drawing Down My Retirement Assets worksheet. As time allows, have participants use the sorting cards as a planning aid for this activity.</p> <p>Note: Participants may not have all of the information they need at this point. Encourage them to estimate at this point and complete the sheet when they have their actual numbers. At this point, participants can add responses to the Action Plan (Task #3).</p>	<p>Activity: Drawing Down My Retirement Assets Action Plan: Managing My Savings and Investments (#3)</p>

Continued on page 19



- Before leaving this topic, lead a discussion about the reality of economic hardships and market conditions impacting retirement funds over the approximate three decades of retirement. This is a time to briefly reference recent historical events.
- Share rules of thumb for tactics to prepare to weather market fluctuations and economic hardship.
 - Pay attention to market conditions and cycles. When approaching retirement in a severe market downturn, it may be wise to postpone retirement until market conditions improve. When in retirement during a severe market downturn, it may be necessary to significantly decrease the drawdown rate until market conditions — and the personal financial portfolio — improve.
 - Set aside cash. As a precaution, set aside at least one year's worth of living expenses, minus all guaranteed income such as Social Security or pension benefits, to protect against having to sell investments at low values to raise cash. Consider setting aside three to five years of living expenses as a conservative measure.
 - Keep emergency reserve funds in safe, accessible cash accounts, such as savings accounts, money market accounts or CDs. Having cash in a retirement investment mix also may prevent the need to sell riskier investments in a down market, buying some time for the investments to recover.
 - Aim to average investment returns that exceed 3 percent (average rate of inflation). If average investment returns dip below this amount, the buying power of the retirement balance will be lowered.
 - Diversify investment assets. Continue to reallocate assets throughout retirement to manage risk tolerance and financial needs. Ideally, an individual would target a mix of investments, but in varying proportions. Compare the asset allocation process to cooking up a good batch of chili. Some of the ingredients are pretty standard, such as tomatoes, beans and onions. Some of the ingredients are pretty spicy, such as chili powder and cayenne peppers. Any one ingredient by itself might not be enjoyable. But when several ingredients are mixed together in the proper proportions, the outcome is a wonderful meal.



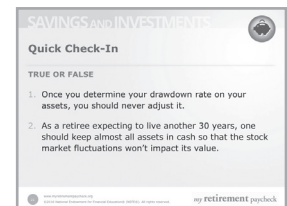
Slide 21 -
Weathering Tough
Times



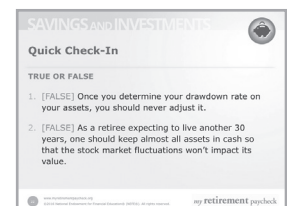
The investment mix works the same way. Start with some pretty standard investments, such as money market accounts, CDs and bond investments. These are lower-risk options that hold their value consistently. Then consider some spicier choices that carry more risk, such as stocks, mutual funds and foreign investments. The spicier investments will help grow retirement accounts to keep up with inflation but also are more volatile; they may lose value in the year you were planning to sell them. Remember that risk and reward go hand-in-hand; less risk usually means lower return, and more risk usually means potentially higher returns.

- Remind participants that their personal investment risk tolerance is a key factor in determining which investments to select and their level of risk. To assess risk tolerance level, encourage participants to take one or more online quizzes such as this one: <http://njaes.rutgers.edu:8080/money/riskquiz/>.

- **CHECK-IN QUIZ ACTIVITY: Display two or three questions. Ask individuals to silently reflect on whether the answers are “True” or “False.” Click to the next slide to show the answers.**



Slide 22 - Check-in Quiz



Slide 23 - Check-in Quiz (answers)



Topic C: Explore sources of credible help when seeking investment advice and financial services.

15 minutes

Important

- Inform participants of the importance of enlisting credible help when seeking investment advice and financial services. Keep this segment of the workshop succinct and relevant to specific safeguard practices to mitigate fraud and exploitation when seeking investment advice and services. Share with participants that a different workshop in the My Retirement Paycheck series and website content is dedicated to a more comprehensive plan to defend against fraud.
- Review rules of engagement and safeguard practices to mitigate and minimize financial fraud and exploitation issues.
 - Ask questions.
Fraudsters count on people not investigating before they invest. It's not enough to ask for more information or for references. Individuals must take the time to do their own independent research.
 - Know if it's a legitimate investment.
Unsolicited emails, message board postings, crowdsource requests and company news releases never should be used as the sole basis for any investment decisions. An investor should do his or her own research to learn about a company's business performance and its products or services before investing. The U.S. Securities and Exchange Commission provides an online tool — the EDGAR filing system — where individuals can look for company financial statements. (Optional: If Internet access is available, show research tools available on the EDGAR website, <https://www.sec.gov/edgar/searchedgar/companysearch.html>.)



Slide 24 -
Safeguard Practices



- Verify the integrity of financial services professionals.
When seeking investment advice or before engaging in financial services, individuals should spend some time checking out the professional record and credentials of the person pushing the investment — even if the assistance is being provided by someone known in a social context. Securities salespeople need to be licensed to sell securities within their respective states. Information about financial services professionals can be found in searchable databases accessed directly or through the SEC’s Advisor Search website, www.secadvisorsearch.com/:
 - SEC Investment Advisor Public Disclosure (IAPD) Database, www.adviserinfo.sec.gov
 - FINRA BrokerCheck Database, <http://brokercheck.finra.org>
 - State Securities Regulators, The North American Securities Administrators Association (NASAA), www.nasaa.org
- Be cautious about sharing data online.
Online and social marketing sites offer multiple opportunities for fraudsters to gather personal and financial data from unsuspecting individuals. The SEC provides tips to protect social media accounts and data, <https://www.investor.gov/investing-basics/avoiding-fraud/protect-your-social-media-accounts>.

Continued on page 23



- Briefly explain how each of the following regulatory agencies addresses consumer issues and consumer protections. Point out that the agency website information is listed on the Info Sheet: Resources in the Workshop Packet. As time allows and if Internet is available, display each site while describing the role of each agency.
 - FINRA: Financial Industry Regulatory Authority, www.finra.org
FINRA is an independent, not-for-profit organization authorized by Congress to protect America's investors by making sure the securities industry operates fairly and honestly. This nongovernmental agency provides assistance to investors seeking help with complaints, disputes, alerts and identity theft.
 - SEC: Securities and Exchange Commission, www.investor.gov
The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. What that means for consumers generally is lots of information. Consumers can check out brokers and advisors, submit complaints, and most importantly, obtain information and alerts on the SEC website.
 - State security regulators, www.nasaa.org
While the SEC regulates and enforces federal securities laws, each state has its own securities regulator which enforces state-related security laws. Their role is to help individuals with complaints at the local and state level as well as provide education for consumers.
 - State insurance commissions, http://naic.org/state_web_map.htm
These are the elected or appointed state government officials who, along with their departments and staff, regulate the conduct of insurance companies and agents in their respective states or territories. If there is an insurance-related problem (such as with an annuity), this is the commission to contact.



Slide 25 - Watching Out for You

Internet access





- Summarize the typical types of services provided by financial planners and advisors, investment advisors, brokers and insurance professionals. Include an explanation about self-directed, online options.
 - Financial Planners and Advisors
This includes a wide variety of individuals including brokers, investment advisors, accountants, attorneys, insurance representatives and estate planners. Many have met education requirements and passed exams, have a predetermined amount of experience and meet ethics requirements to qualify as a Certified Financial Planner™.
 - Investment Advisors
A firm or an individual that engages in the business, for compensation, of informing others as to the value of securities for purposes of advising the purchase or sale of these securities.
 - Brokers
Brokers execute trades of stocks, bonds and/or mutual funds for customers and may provide other financial services.
 - Insurance Professionals
In addition to selling insurance policies, these professionals generally sell annuities that provide a set number of payouts for an upfront payment.
 - Self-directed/online options
These are purchases made through online investment advisory companies. Individuals often determine their investment selections and sales themselves. Some online firms offer advice, and in some cases automated services are available online.
- Point out that all of these advisors are paid in some fashion. Most are paid on commission based on what is purchased through them. Some financial planners are fee-based and charge a set fee. There may be concerns that commission-based financial planners encourage investors to buy products that are not necessarily in their best interest.



Slide 26 - Financial Services



<p>❑ Regardless of which route a person takes in obtaining financial advice, the most important thing to do is research. An independent investor is responsible for his or her decisions. Confidence and expertise will vary. When working with a financial planner, the investor should do some research to verify credentials and find out how the planner will be paid. Keep in mind cost, fees and taxes, and make sure that investment holdings are held by a custodian and not in the individual planner’s name. Custodians cannot deplete an investor’s account as easily as an individual, and accounts held by custodian organizations are covered by insurance.</p>	
<p> ACTIVITY: In small groups or as a whole group, preview the Questions for the Financial Advisor activity to guide participants in preparing a list of questions to ask before meeting with an advisor, planner or other financial professional.</p> <p> ACTIVITY: As time allows, encourage the small groups or individuals to prepare a checklist to use when deciding on financial advice and brokerage services.</p>	<p>Flip chart and markers</p> <p>Activity: Questions for the Financial Advisor</p>
<p>❑ Begin to wrap up the workshop asking participants to reflect on what they learned about strategically planning how to utilize savings and investments during retirement. Ask if any have changed their mind compared to what they were planning prior to this workshop and why? Revisit the questions that participants wanted answered at beginning of workshop.</p>	



Wrap up: Take Action
10 minutes

- Transition into the Wrap Up for this workshop by reviewing what was covered in the workshop. Reinforce that making decisions about how savings and investments are used during retirement can have long-term impact for retirees, especially when there are no new sources of income. Remind participants of the following points:
 - With the exception of pension and Social Security benefits, having a somewhat predictable income stream throughout retirement doesn't happen by chance. Intentional decisions need to be made to strategically manage a diversified financial portfolio, aiming to beat inflation and endure market fluctuations throughout retirement.
 - Regular sources of income should be matched to essential expenses; variable income sources should be applied to nonessential expenditures.
 - Never make decisions about investments without double-checking the facts and vetting the people you might do business with.
- Point out that planning how to use financial assets is only one of eight important retirement decisions (as presented in the slide). Explain that this one decision impacts several other decisions, including how to build up and cash out retirement plan funds and how to protect against fraud and scams. And vice versa: Other retirement decisions impact how savings and investment funds are managed.
- Suggest that participants look at www.MyRetirementPaycheck.org or other workshops in this series for more information about the other retirement decision areas.



Slide 27 – Make Your Money Last Through Retirement



Slide 28 - My Retirement Paycheck



- ❑ Provide your contact information (if desired) so participants can follow up later with questions.
- ❑ Point out the list of resources provided in the Workshop Packet. Call attention to the following online resources:
 - NEFE’s Retirement Paycheck online resources, www.myretirementpaycheck.org
 - Savings Fitness: A Guide to Your Money and Your Financial Future, U.S. Department of Labor publication, www.dol.gov/ebsa/publications/savingsfitness
 - Employee Benefit Research Institute (EBRI) Choose to Save program, www.choosetosave.org
 - Financial Industry Regulatory Authority (FINRA) Foundation, www.saveandinvest.org
 - U.S. Securities and Exchange Commission (SEC) tools, news, publications, www.investor.gov/seniors
 - SEC for Seniors, www.sec.gov/investor/seniors.shtml
 - Commodity Futures Trading Commission (CFTC) financial professionals background SmartCheck tool, www.smartcheck.gov



Slide 29 - Resources

- ❑ Encourage the participants to use what they have learned to complete the Action Plan. If feasible, arrange for participants to continue to work on their own or with your guidance after the workshop concludes. Provide Internet access in a lab setting so participants can utilize the insurance resource websites.



Slide 30 - Are You Ready?

Action Plan:
Managing Savings and Investments

Internet access