GET-RICH-SLOWLY SCHEMES
INSERT $1

GET-RICH-QUICK SCHEMES
INSERT $250,000

Schwadron
AGENDA

1. Why Participate
2. Important Decisions
3. Getting Invested
4. Putting It All Together
Why Is Saving For Retirement Important?

» Only 50% of Americans are confident about having enough money to retire

» We are living longer

» Social Security may change in the future

» Healthcare costs aren’t going down
  • Married couple age 65 will spend $250,000 on healthcare in retirement
How Long Will I Live?

If you’re 65 today, you might live longer than you think

Married people have almost a 50% chance of living until 90!

Social Security By The Numbers

» Signed into law by FDR in 1935 following the Great Depression

» Currently the largest expenditure in the federal budget:
  
  o 33% Social Security

  o 27% Medicare

  o 16% Discretionary Defense

<table>
<thead>
<tr>
<th></th>
<th>1937</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Retirement Age</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>60</td>
<td>84</td>
</tr>
<tr>
<td>Women</td>
<td>64</td>
<td>87</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>53,236</td>
<td>61,000,000</td>
</tr>
<tr>
<td>Benefits Paid</td>
<td>$1,278,000</td>
<td>$918,000,000,000</td>
</tr>
</tbody>
</table>
Middlebury Community Schools 403(b) Plan

» You can contribute on a pre-tax & Roth after-tax basis

» You can contribute $18,500 this year ($24,500 if age 50 by year-end)

» Earnings on pre-tax contributions are not taxed until retirement

» Earnings on Roth contributions are tax free!

» You can roll previous employers’ retirement account into the plan

» Where else will your retirement income come from?
## Who Should Consider Roth Contributions?

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Strategy</th>
<th>Best Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax rate will be lower in the future</td>
<td>Pay taxes later</td>
<td>Pre-Tax</td>
</tr>
<tr>
<td><strong>Tax rate will be higher in the future</strong></td>
<td>Pay taxes now</td>
<td><strong>Roth</strong></td>
</tr>
<tr>
<td>Tax rate will be the same</td>
<td>Pay now or later</td>
<td>Same benefit</td>
</tr>
</tbody>
</table>
# Pre-Tax vs. After-Tax

## Paycheck for Sally Saver

<table>
<thead>
<tr>
<th></th>
<th>No Savings</th>
<th>Pre-Tax Savings</th>
<th>After-Tax Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross bi-weekly pay</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
<tr>
<td><strong>6% pre-tax savings</strong></td>
<td>$0</td>
<td><strong>-$90</strong></td>
<td>$0</td>
</tr>
<tr>
<td>Taxable pay</td>
<td>$1,500</td>
<td>$1,410</td>
<td>$1,500</td>
</tr>
<tr>
<td>Taxes (15%)</td>
<td>-$225</td>
<td>-$211.50</td>
<td>-$225</td>
</tr>
<tr>
<td><strong>6% Roth after-tax savings</strong></td>
<td>$0</td>
<td><strong>$0</strong></td>
<td><strong>-$90</strong></td>
</tr>
<tr>
<td>Take-home pay</td>
<td>$1,275</td>
<td>$1,198.50</td>
<td>$1,185</td>
</tr>
</tbody>
</table>

Cost of a **$90 pre-tax** contribution = **$76.50** ($13.50 savings due to lower taxes)

Cost of a **$90 Roth** contribution = **$90** (no tax savings today)
How To Reach Your Retirement Goals

What’s Your Most Important Decision?

Most Important

» **Start Early** – time machines don’t exist...yet

» **How Much to Save** – it is never too late

» **Age Appropriate Changes** – reduce risk as you get older

» **Performance of Individual Funds** – don’t waste your time!

Least Important
How Much Should I Contribute?

Savings Rate = \( \frac{\text{Age}}{5} \)

If you’re age **55**, you should save **11%**

...age **50**, you should save **10%**

...age **45**, you should save **9%**

...age **40**, you should save **8%**

...age **35**, you should save **7%**

...age **30**, you should save **6%**

...age **25**, you should save **5%**
Compounding: One Cup of Coffee at a Time


**Invested in a low-cost, diversified Roth IRA. The final account balance does not reflect any taxes or penalties that may be due upon distribution.
How To Get Invested

Step One: Determine your risk tolerance before completing an Enrollment Form.

Step Two: Decide how much you want to be involved:
1) Select your own investment allocations
2) Follow an Investment Strategy comprised of individual mutual funds
3) Use a risk-based American Century One Choice Fund

Step Three: Complete the Enrollment Form and a Salary Reduction Agreement.
Reviewing Your Options

<table>
<thead>
<tr>
<th>Core Funds</th>
<th>Strategies</th>
<th>One Choice Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Do it myself”</td>
<td>“Show me how”</td>
<td>“Do it for me”</td>
</tr>
</tbody>
</table>

- Proper Allocation
  - ✔️ Core Funds
  - ✔️ Strategies
  - ✔️ One Choice Funds

- Automatic Rebalancing
  - ✔️ One Choice Funds

- Contribution Amount

How much you save is the most important decision
Next Steps

To Begin Participating:

1) Complete a Salary Reduction Agreement
   » Save appropriately
   » Pre-Tax or Roth After-Tax?

2) Complete Enrollment & Beneficiary Forms

3) Select Your Investments
   » *Pick your own* funds
   » Follow an *Investment Strategy*
   » Choose a *One Choice* fund
Who To Contact

To view or make changes to your account:

» Contact **Aspire Financial Services** (the plan’s recordkeeper)
  - www.aspireonline.com
  - 866.634.5873

If you have questions regarding the investments:

» Contact **Axia Advisory** (the plan’s investment advisor)
  - info@AxiaAdvisory.com
  - www.AxiaAdvisory.com
  - 888.609.2942