

# Can I Afford to Retire?

*Pre-Retirement Webinar Series*

*Session 1*

Oct. 4, 2018



# Agenda

- Welcome
- What's my picture of retirement?
- How much does my retirement picture cost?
- Can I afford my retirement picture?
- How can I make the most of my remaining working years?
- Closing



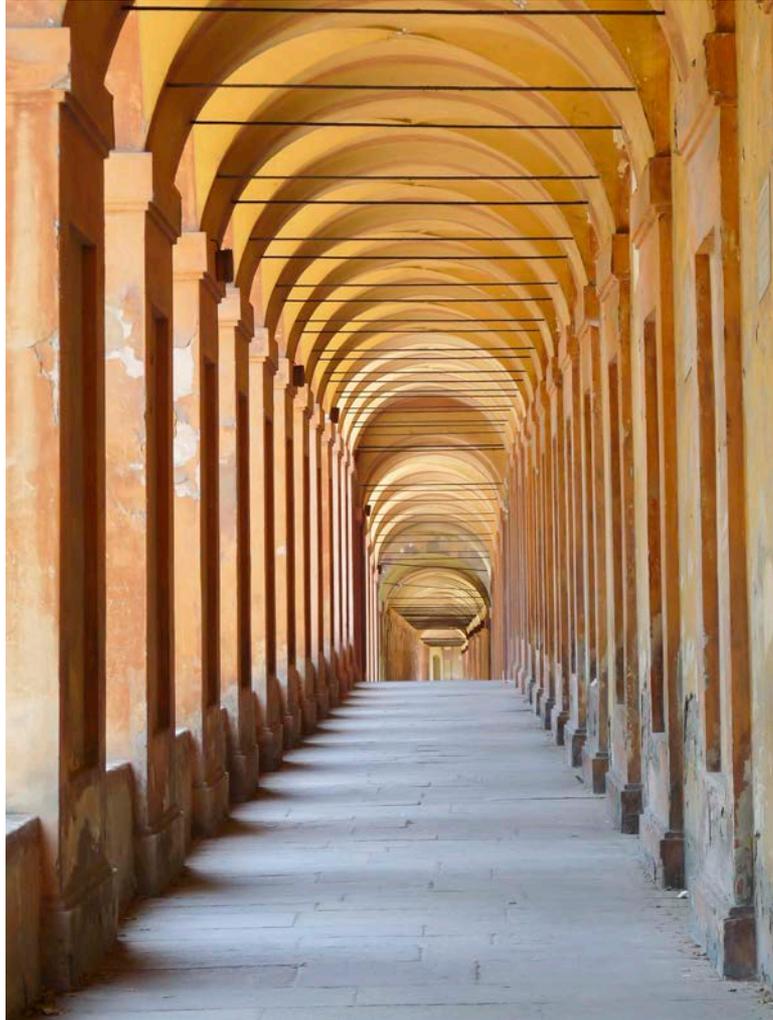
# Webinar Q&A

Click on the **handouts icon** to download the presentation.



Click on the **chat icon** to submit a question.

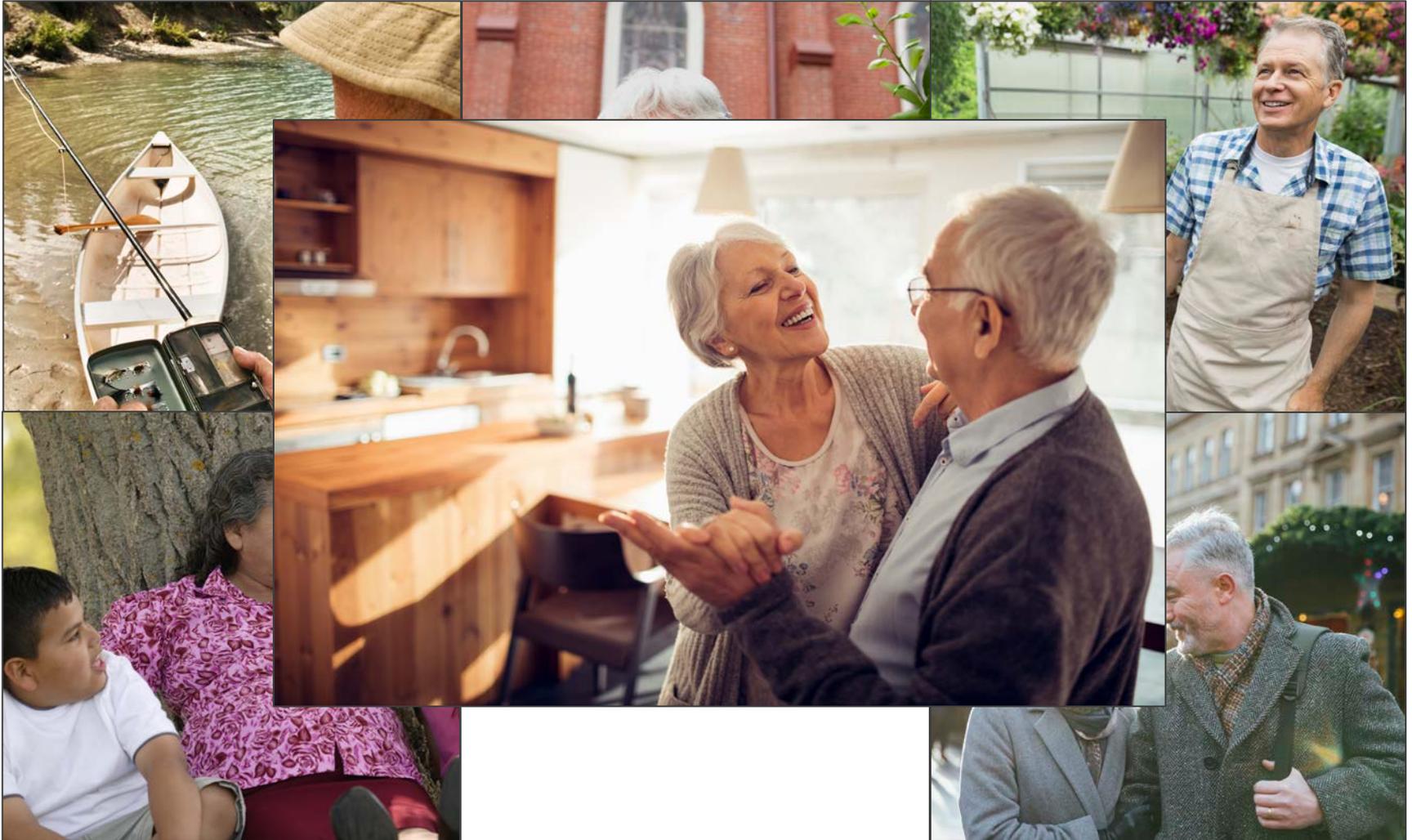
# Who is Portico Benefit Services?



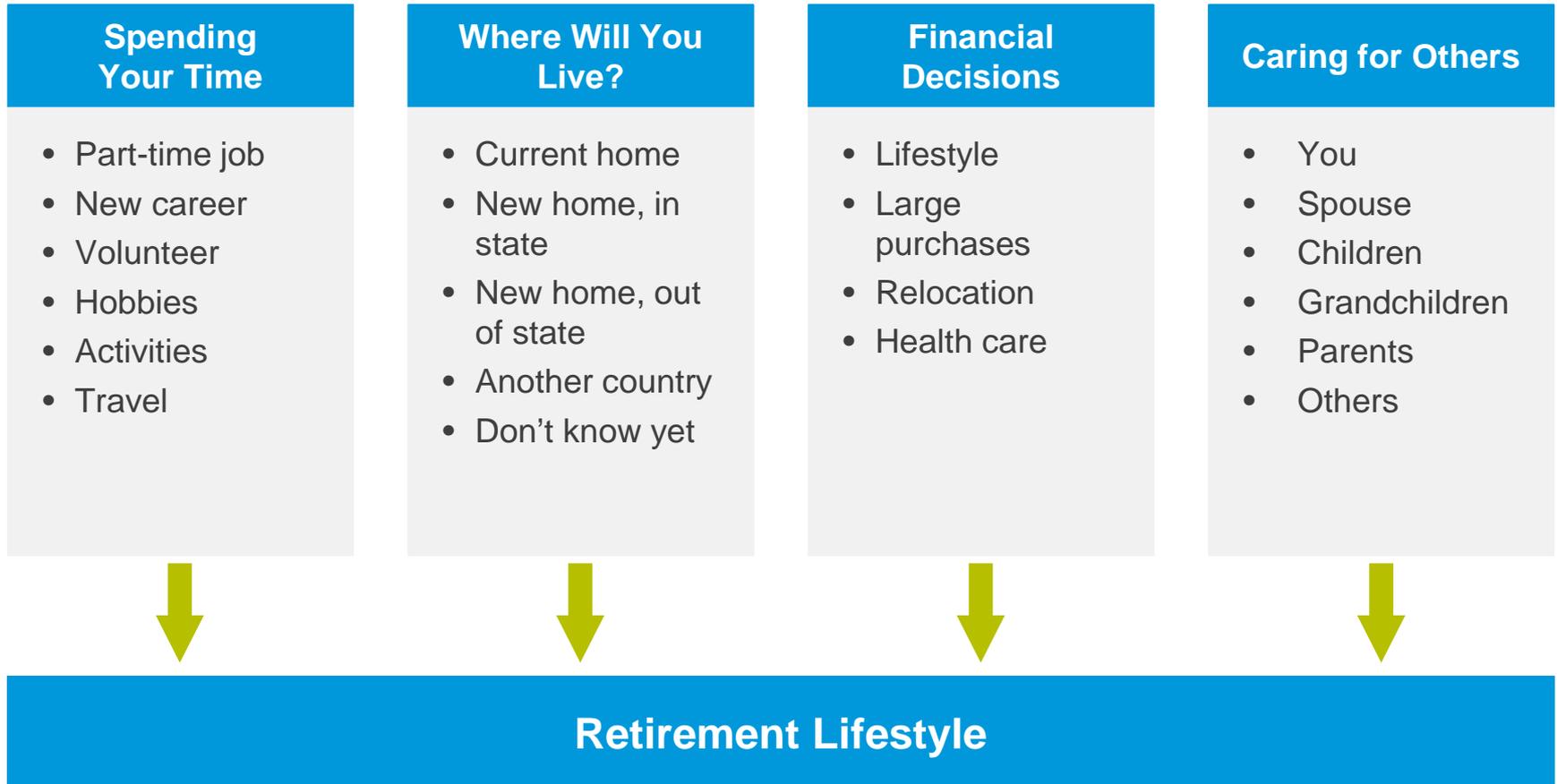


**What's my picture of retirement?**

# What does retirement mean to you?



# What is your picture of retirement?



**ACTION  
STEP**

Map out your ideal day

## Sally & Dan's Retirement Picture\*

- Planning to move and purchase their first home in a bigger city
- Focusing on volunteering, traveling, and grandkids
- Not planning to work in retirement



\*Hypothetical, for illustrative purposes only.

## Nancy's Retirement Picture\*

- Mortgage paid off, continue to live in her current home
- Work part-time as an interim pastor
- Enjoy quilting and volunteering



\*Hypothetical, for illustrative purposes only.



**How much does my retirement picture cost?**

# Know Your Annual Expenses in Retirement

- What are your expenses in retirement?
  - Is the expense recurring or one-time?
  - Does it vary from year to year?
  - How much is essential vs. discretionary?
  - How much is fixed vs. variable?
- How will inflation affect you?
- How will expenses change for your survivor?

## Sally & Dan's Retirement Spending\*

Category	Today	Retirement
FICA/SECA Tax	\$10,400	\$0
Retirement savings	\$10,400	\$0
Work-related expenses	\$3,300	\$0
Income taxes	\$20,000	\$20,000
Housing	\$12,000	\$18,080
Transportation	\$3,000	\$5,000
Clothing	\$4,000	\$4,000
Personal care	\$3,000	\$3,000
Food	\$10,000	\$15,000
Entertainment	\$5,200	\$9,000
Charitable giving	\$18,000	\$18,000
Medical	\$8,000	\$12,000
Other insurance	\$4,700	\$7,920
<b>Total</b>	<b>\$112,000</b>	<b>\$112,000</b>

### ACTION STEP

Track your spending and create or refine your budget. Consider how your budget might change in retirement.

\*Hypothetical, for illustrative purposes only.

## Nancy's Retirement Spending\*

Category	Today	Retirement
FICA/SECA Tax	\$5,200	\$2,500
Retirement savings	\$5,200	\$2,500
Work-related expenses	\$3,250	\$1,500
Income taxes	\$11,050	\$5,525
Housing	\$12,000	\$2,000
Transportation	\$3,550	\$3,550
Clothing	\$2,350	\$2,350
Personal care	\$1,950	\$1,950
Food	\$5,000	\$5,000
Entertainment	\$2,600	\$4,000
Charitable giving	\$6,500	\$4,600
Medical	\$4,000	\$6,900
Other insurance	\$2,350	\$4,000
<b>Total</b>	<b>\$65,000</b>	<b>\$46,375</b>

\*Hypothetical, for illustrative purposes only.

# What is your retirement timeline?

Age  
57

**8**  
**Years**

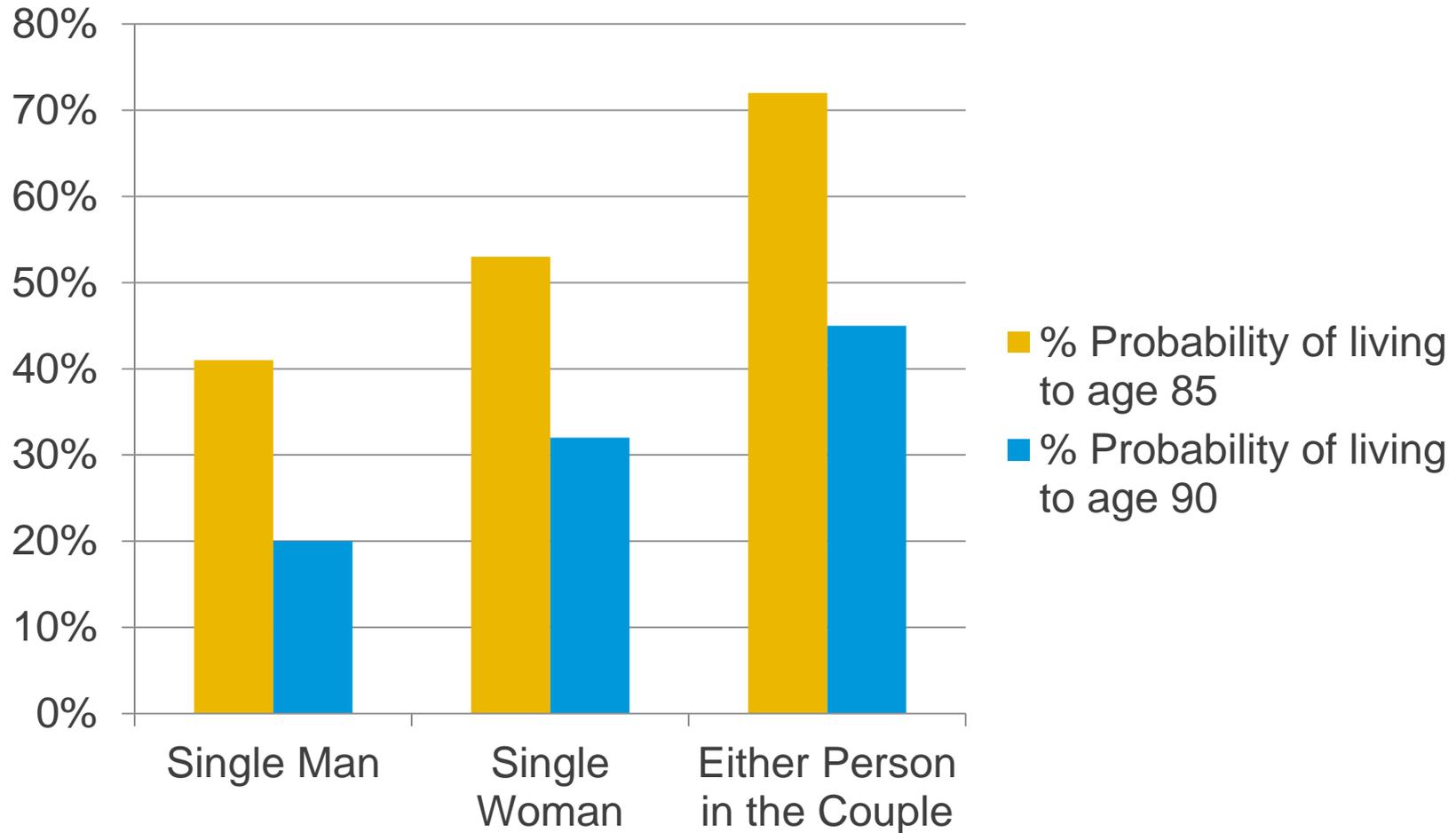
Age  
65

**?**  
**Years**

Age  
?

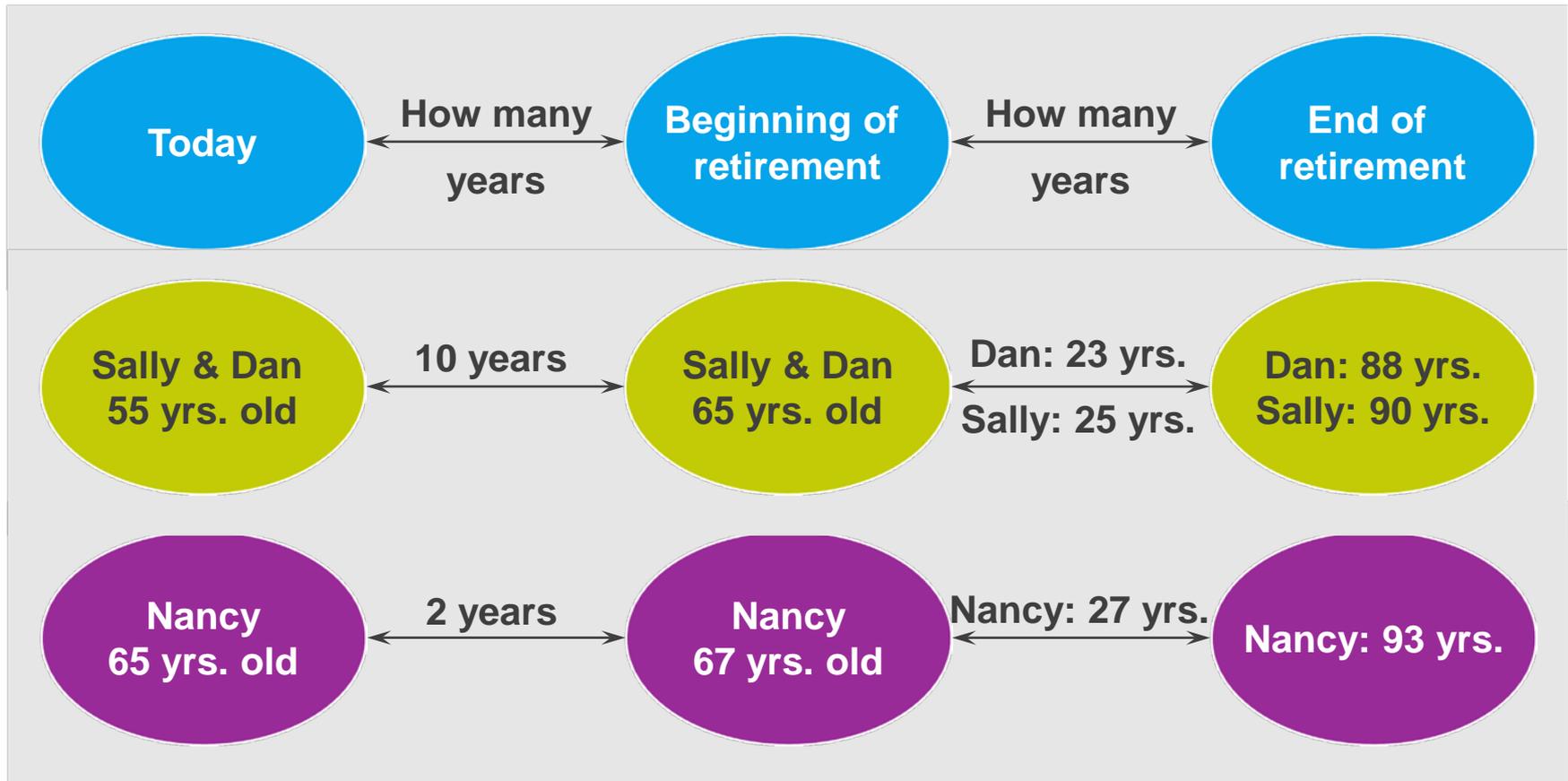


## How long might retirement last?

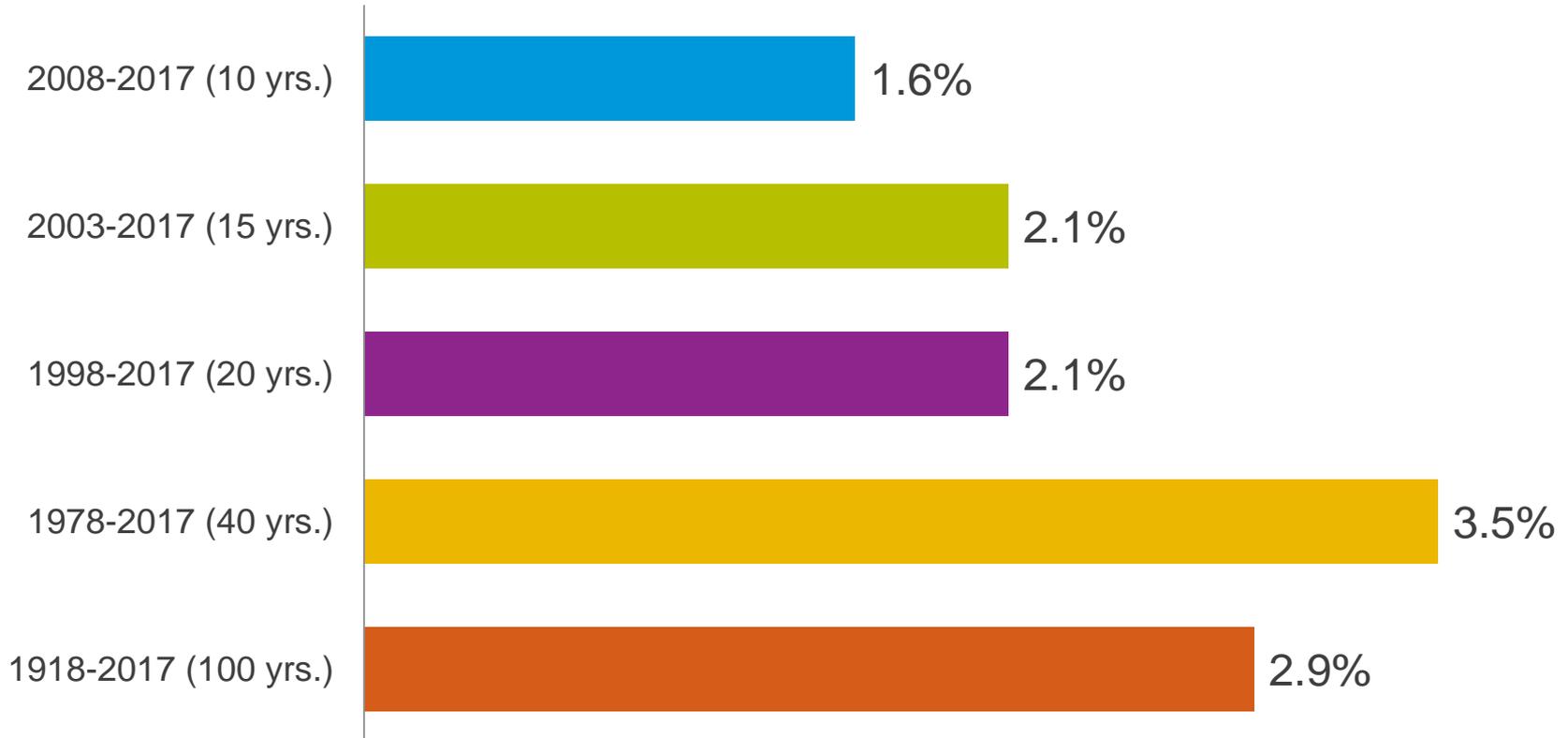


Calculations are for a 65-year-old heterosexual couple based on mortality data from the Society of Actuaries Retirement Participant 2000 Table. **Source:** Vanguard <https://personal.vanguard.com/us/insights/retirement/plan-for-a-long-retirement-tool>

# Retirement Timeline Examples



# Historical Inflation Rates



# Impact of Inflation on Your Retirement Income Needs

Years	3% Inflation	4% Inflation
0	\$60,000	\$60,000
5	\$70,000	\$73,000
10	\$80,600	\$88,800
15	\$93,500	\$108,100
20	\$108,400	\$131,500
25	\$125,600	\$160,000
30	\$145,600	\$194,600

Note: Figures rounded to the nearest \$100.



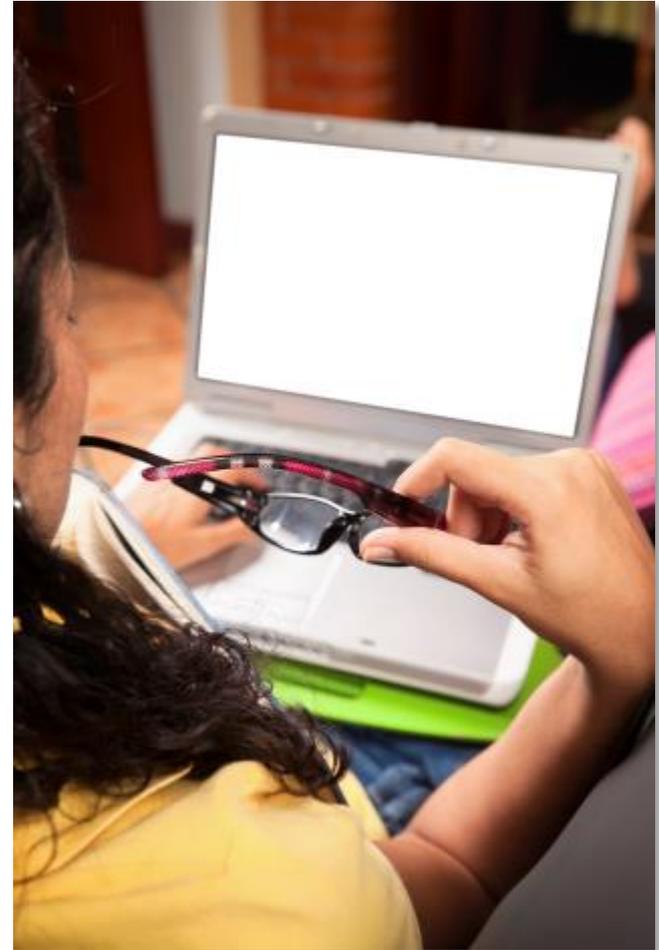
**Can I afford my retirement picture?**

## Retirement Planning Tool: Retirement Profile

- ELCA account information is already included
- Estimates Social Security income, retirement age, and how much income you may need
- You'll need to enter your spouse's income (if applicable)

### ACTION STEP

Use the **Retirement Planning Tool** to see if you are on track for your retirement goals. Find it in the *Retirement Center* tab under Tools & Information on MyPortico.



# Retirement Planning Tool: Risk Tolerance



**Targeted  
Lower Risk &  
Return**

**Targeted  
Moderate Risk &  
Return**

**Targeted  
Higher Risk &  
Return**

X

**Determine Your Risk Tolerance**

Use this questionnaire to help identify your risk tolerance.

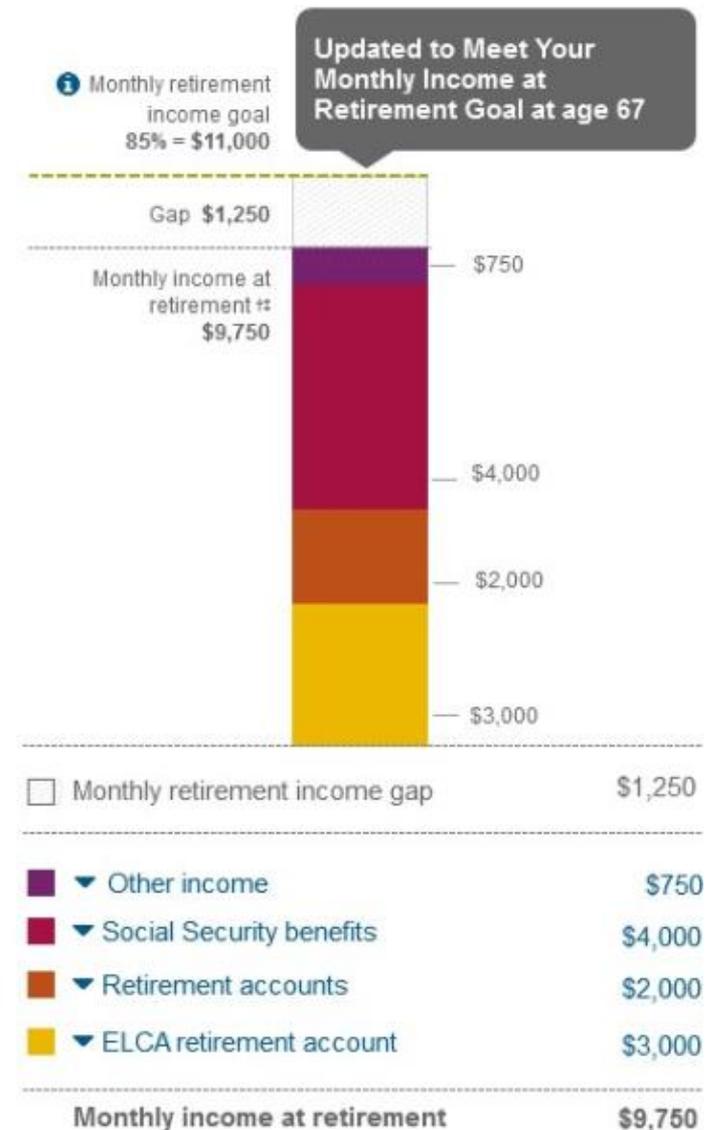
**To seek potentially higher long-term returns on my investments, I'm willing to accept annual returns that may vary greatly.**

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Cancel
Step 1 of 5 **Next** ▶

## Retirement Planning Tool: Retirement Income

- See if you have a surplus or gap
- Add other retirement account balances like:
  - IRAs
  - Spouse's 401(k)
- Add other retirement income sources like:
  - Pensions
  - Part-time work
  - Inheritance



# Retirement Planning Tool: Retirement Plan

## OPTION 1: CHOOSE RECOMMENDED PLAN

Monthly Income Gap	\$280
Monthly Pretax Contribution	Increased from 2% = \$94 to 7% = \$330
Risk Tolerance	3 - Targeted Moderate Risk & Return
ELCA Retirement Account	 <p>Recommended investment allocation See details <a href="#">↗</a></p>
Retirement Age & Life Expectancy	<p>You 67 - 92 Your Spouse 67 - 92</p> <p>Social Security start age and benefit amount will be determined by the option chosen in step three.</p>
Monthly Retirement Income Goal	85% = \$11,000

Continue with Recommended Plan



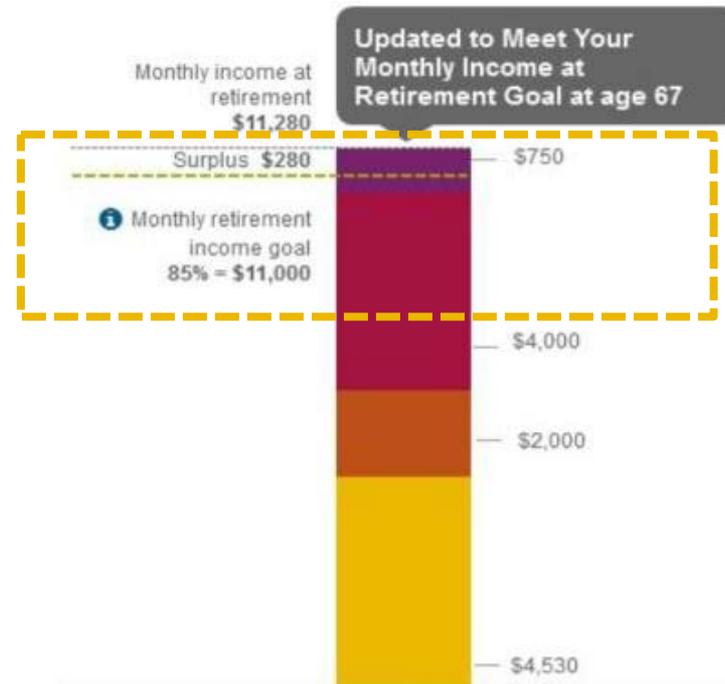
## Sally & Dan: **Gap**

- Increase pretax contribution
- Reallocate investments
- Retire later

## Nancy: **Met goal**

- Increase pretax contribution
- Reallocate investments

# Retirement Planning Tool: Retirement Plan (Cont.)



**Nancy: Exceeded + sustained goal**

**Sally & Dan: Even larger gap**

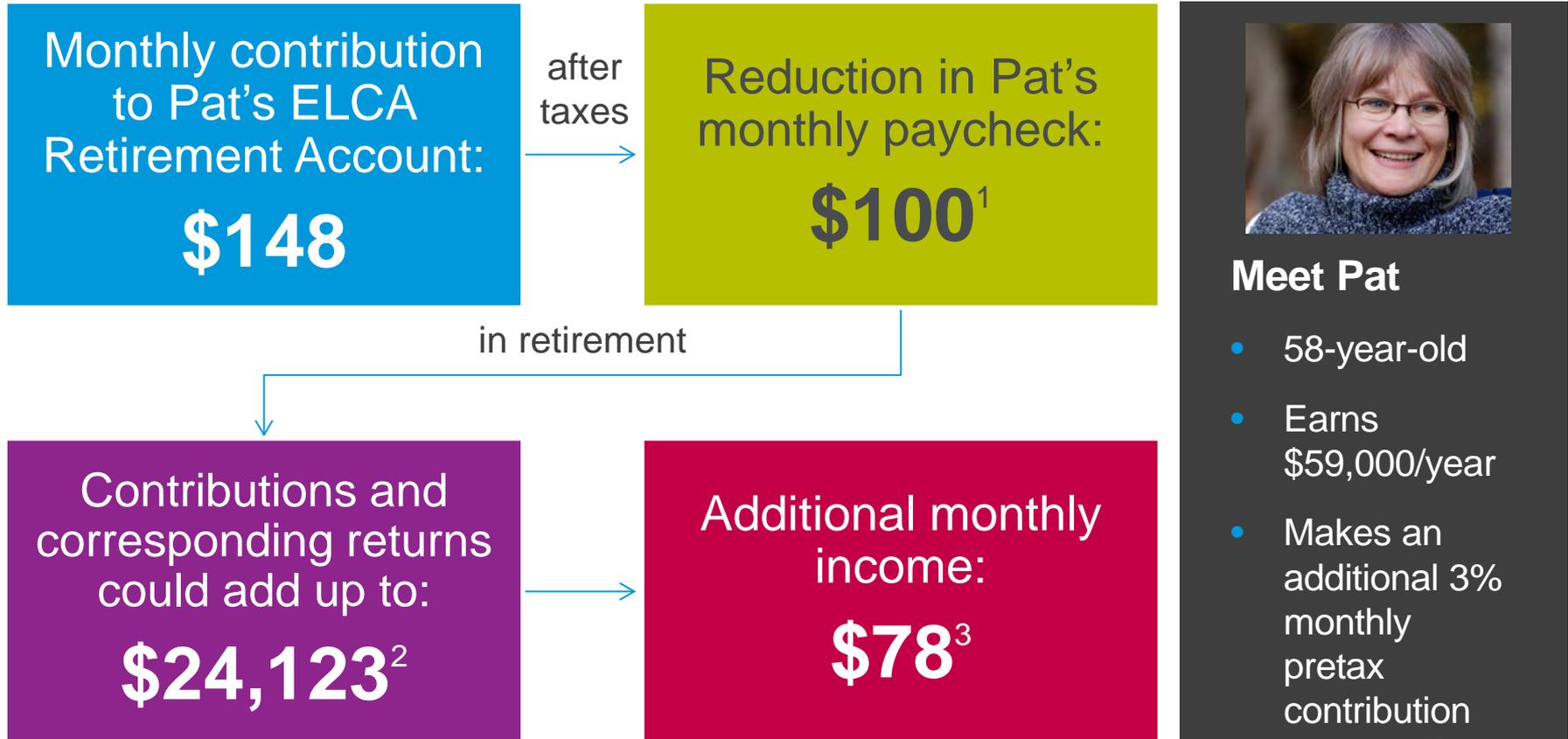
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## How can I make the most of my remaining working years?

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## Contribute 3% More per Month



### Meet Pat

- 58-year-old
- Earns \$59,000/year
- Makes an additional 3% monthly pretax contribution on top of her employer's contribution

Hypothetical, for illustrative purposes only. Actual performance will vary.

<sup>1</sup>Calculated on <https://nb.fidelity.com/public/nb/401k/tools/calculators/takehomepay> using a 25% federal income tax rate and 7% state/local tax rate. <sup>2</sup>Calculated using <https://communications.fidelity.com/wi/powerofsmallamounts/#/results>; assumes retirement age of 67, investment growth rate of 5.5%, and salary growth of 4% (2.5% inflation + 1.5% real salary growth rate). Accumulated retirement savings shown in future dollars. <sup>3</sup>Calculated on <http://www.bankrate.com/calculators/retirement/retirement-plan-income-calculator.aspx> using \$0 starting balance, \$1,776 annual contributions, current age 58, age at retirement 67, 30 years in retirement, 7% pre-retirement investment returns, 4% retirement investment returns, 25% current tax rate, 15% retirement tax rate, 3% inflation. Reported after taxes and inflation.

# Retirement Plan Contributions

<p><i>How much can I contribute?</i></p>	<ul style="list-style-type: none"> <li>• Up to the IRS limit of \$18,500 per year in 2018</li> <li>• An additional \$6,000 per year in 2018 if you are age 50 or over*</li> </ul>
<p><i>What does my employer contribute?</i></p>	<ul style="list-style-type: none"> <li>• At least 10% of defined compensation for pastors and rostered laypersons</li> <li>• At least 6% of defined compensation for lay employees sponsored by congregations</li> </ul>
<p><i>What is the maximum amount my employer and I can contribute?</i></p>	<p>Lesser of 100% of taxable compensation or \$55,000 in 2018</p>
<p><i>When are my and my employer contributions vested?</i></p>	<p>All ELCA Retirement Plan contributions 100% vested</p>

\*You may be eligible to make additional contributions if you have completed 15 years of service with an ELCA organization. Call the Customer Care Center for more information.

# Modifying Your Picture of Retirement



**Reduce income needs**



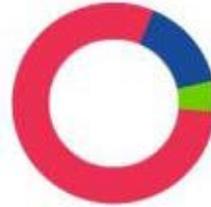
**Work in retirement**



**Retire later**

**Did you know?**  
Working 3 – 6 months longer can boost retirement income by as much as increasing retirement contributions by 1% over 30 years of employment.

## ELCA Retirement Account Investment Recommendation



Investment Allocation	Fund Category or Name	<b>i</b> Social Purpose Split
<span style="color: red;">■</span> 80.00%	<b>80e Bonded</b> ELCA 80e Bonded Fund ELCA Social Purpose 80e Bonded Fund	100.0% 0.00%
<span style="color: blue;">■</span> 15.00%	<b>U.S. Stock</b> ELCA U.S. Stock Fund ELCA Social Purpose U.S. Stock Fund	100.0% 0.00%
<span style="color: green;">■</span> 5.00%	<b>Bond</b> ELCA Bond Fund ELCA Social Purpose Bond Fund	100.0% 0.00%

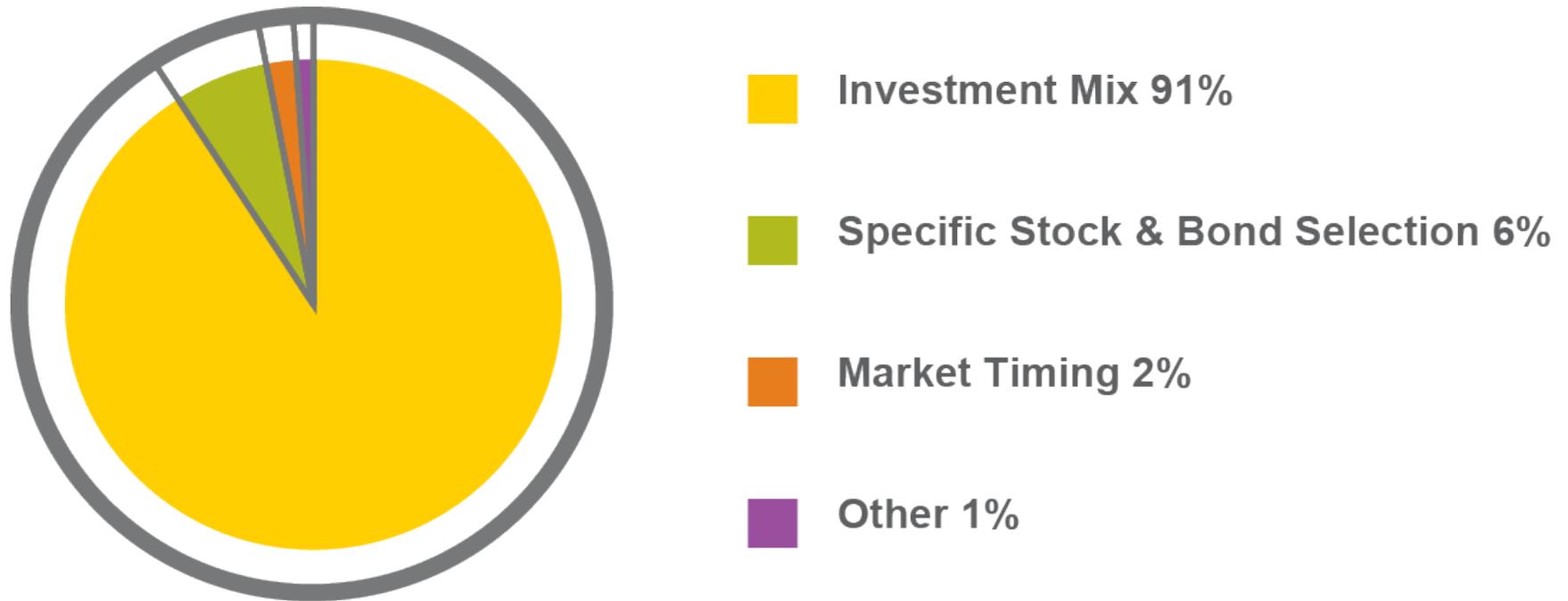
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# Choosing Your Funds

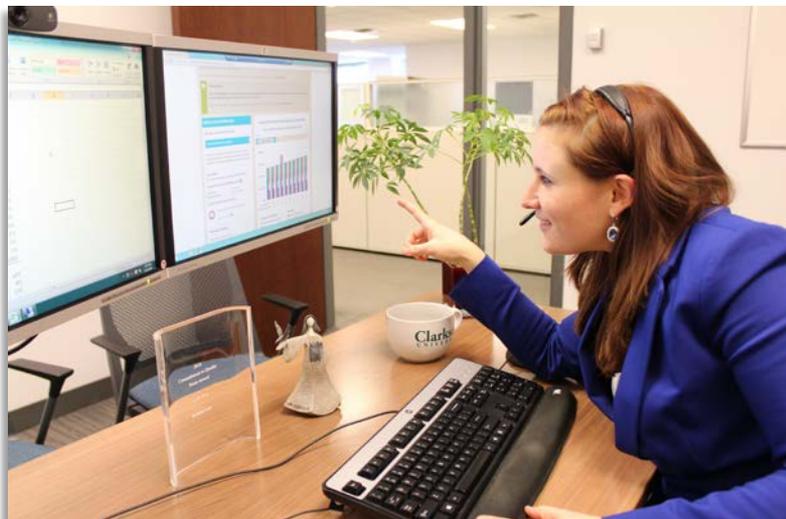
Select Series	Build-Your-Own
ELCA 40e Balanced Fund	ELCA Money Market Fund
ELCA 60e Balanced Fund	ELCA Bond Fund
ELCA 80e Balanced Fund	ELCA High-Yield Bond Fund
ELCA Social Purpose 40e Balanced Fund	ELCA Social Purpose Bond Fund
ELCA Social Purpose 60e Balanced Fund	ELCA U.S. Stock Fund
ELCA Social Purpose 80e Balanced Fund	ELCA Social Purpose Stock Index Fund
	ELCA Social Purpose U.S. Stock Fund
	ELCA S&P 500 Stock Index Fund
	ELCA Small/Mid Cap Index Fund
	ELCA Non-U.S. Stock Fund
	ELCA Social Purpose Non-U.S. Stock Fund
	ELCA Global Stock Fund
	ELCA Social Purpose Global Stock Fund
	ELCA Global Real Estate Securities Fund

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# What Determines Investment Return?



## Portico Walks With You – In-House Financial Planners



Call us at **800.922.4896**

**ACTION  
STEP**

Start a relationship with a Portico Financial Planner or check in with your own financial planner.

- Are plan members like you, appreciate the realities and blessings of ministry
- Don't work on commission, available at no additional cost to you
- Can walk you through the Retirement Planning Tool and help you adjust your plan
- Know ELCA investment options inside and out, including Social Purpose funds

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## Sally & Dan's Remaining Working Years

1. Reallocate their investments
2. Retire one year later
3. Contribute more pretax to their retirement accounts
4. Start a relationship with a Financial Planner
5. Modify their vision of retirement



## Nancy's Remaining Working Years

1. Reallocates her investments
2. Contributes more pretax to her retirement account
3. Checks in with her financial planner

**ACTION  
STEP**

Determine how you will make the most of your remaining working years.

# Closing

## 5 Things You Can Do Today

1. Create your picture of retirement, including your larger goals as well as your day-to-day activities.
2. Complete a budget that aligns with your picture of retirement.
3. Use Portico's Retirement Planning Tool to see if you're on track for your retirement goals and explore how you might make the most of your remaining working years.
4. Take a step toward making the most of your remaining working years.
5. Start a relationship with a Portico Financial Planner or check in with your financial planner.

## Next Steps

- Post-Webinar Survey
- Follow-Up Email
- Session 2: Can I Create a Sustainable Income in Retirement?  
Oct. 11 at 2 p.m. (Central)