

Financial Planning for Retirement

Plan Today, Enjoy Tomorrow!



Christian
Schools
International



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- Deputy Executive Director & CFO at Christian Reformed Church in North America for nearly 20 years.
- Expertise in management, finance, and strategic planning.
- Proficiency in treasury, operations, accounting, and more.

There are two basic steps in planning for retirement:

STEP 1

Establish your financial need at retirement.

STEP 2

Accumulate retirement income to meet your financial need.



STEP 1

Establishing Financial Need at Retirement

A. Average US Household: For people 65 and over, 53% are homeowners with no mortgage, 25% are homeowners with a remaining mortgage and 22% are renters. Homeowners with no mortgage or a fixed mortgage avoid inflationary pressure on housing costs.

B. Income Replacement Ratio: Aim for retirement income (after-tax) that equals 70%-80% of your earnings (after-tax) in your final year of employment. Adjust this ratio based on your income level.

C. Personalized Expenses: Determine your expected level of expenses after retirement using Schedule 1-1, considering current and future expenses, and subtracting those that will no longer exist. Pay special attention to non-housing debt.

STEP 1

Establishing Financial Need at Retirement

D. Income vs. Expenses: Compare your expected retirement income from all sources to your projected expenses to identify any shortfall that needs to be addressed through personal savings. Will your nest egg be enough?

E. Future Considerations: Note that pension amounts may be impacted by inflation. Employer pensions tend to remain fixed, government income (Social Security) tend to be inflation protected.

There are three building blocks to retirement income:

- A** Social Security Benefits
- B** Employer-Related Pensions, 403(b) and 401(k)
- C** Personal Savings



STEP 2

Building Blocks Providing Retirement Income



Social Security Benefits

- Early Retirement Benefits
- Late Retirement Benefits



STEP 2

Building Blocks Providing Retirement Income

Social Security Benefits

Qualification:

- Forty quarters of coverage
- A maximum of four quarters of coverage is credited in a year
- In 2023, one quarter of coverage is credited for each quarter in which at least \$1,640 is earned

Effect of Inflation:

Social Security is adjusted for increases in the Consumer Price Index.

STEP 2

Building Blocks Providing Retirement Income

Old Age Security (OAS)

Early Retirement Benefits

- You can claim benefits as early as age 62.
- Benefits are reduced 0.6% for each of the 36 months preceding Social Security Normal Retirement Age.
- Normal retirement may be adjusted in the future as the government deals with social security solvency.

STEP 2

Building Blocks Providing Retirement Income

Old Age Security (OAS)

Late Retirement Benefits

- You may delay the start of benefits until age 70.
- Benefits are increased 8% for each year that commencement is delayed past normal retirement.

STEP 2

Building Blocks Providing Retirement Income



Employer-Related Pensions, 403(b) and 401(k)



STEP 2

Building Blocks Providing Retirement Income

Christian School Pension Plan

Participation: The plan was frozen for further benefit accrual in 2019.

Benefits: Need to participate for 5 years in the plan before you are entitled to a **life time** benefit.

Your Benefits: For further plan details or to calculate your own benefit, visit:
us.csibenefits.org

STEP 2

Building Blocks Providing Retirement Income

403(b) or 401(k) Plans

Participation

Christian Schools International 403(b) and 401(k) Savings Plan is available

Elements

- 403(b) and 401(k) Plans are tax deferred annuity programs and supplement pension incomes provided by Social Security.
- Specific investment allocations are chosen by the employee.
- Funds withdrawn before age 59.5 incur a tax penalty.
- Employers may, but are not required to, contribute to a 403(b) or 401(k). This can be as a fixed dollar amount, % of pay, or match an employee's own contribution, up to a limit.

STEP 3

Building Blocks Providing Retirement Income

C Personal Savings



STEP 2

Building Blocks Providing Retirement Income

Personal Savings

Personal Savings

This is often the weakest link but can be the most critical.

Savings can take multiple forms. We recommend speaking with a financial advisor to determine the options that work best for you.

Personal savings can offer you the best defense against inflation and can open options for when you draw on other retirement streams (ex. Social Security).

STEP 2

Building Blocks Providing Retirement Income

Roth vs. Pre-tax

Can be in an IRA, 403(b) or 401(k)

THE EFFECT OF EARLY RETIREMENT

- Consider the financial impact before retiring early. For example, health care premiums before you are eligible for Medicare.
- Early retirement results in lower annual pension benefits compared to retiring at age 65, due to longer payout duration and potentially lower years of service and earnings.
- Beginning your Social Security benefits early reduces your monthly benefit for life.
- Lower Christian School Pension Plan benefits and reduced government benefits require more personal savings to afford early retirement.

IN SUMMARY

Your financial well-being in retirement is your responsibility.

How you manage the three components of retirement income during your working years significantly impacts your and your family's financial well-being for the remainder of your life.

Now is the time to start retirement planning, regardless of your age. It's never too late to begin.

Please visit our website at us.csibenefits.org for more information. Contact information for our Employee Benefits Specialists is on the site.

Questions?