



Investing in Your Future

A Sampling of Retirement Savings Options for the Early Care and Education & School Age Workforce

Saving for Your Future

Saving for retirement may seem like a goal that is far off in your future. Yet experts say that saving should start early and continue throughout your lifetime.

Did you know?

- We live longer after we retire — with many of us spending 15, 25, even 30 years in retirement — and we are more active.
- The cost of those “future years” is getting more expensive for most Americans.
- Even small amounts can earn interest and add up over time.

Women Must Plan Differently.

Here are four reasons why saving matters to women¹:

1. Savings can increase a woman's chances of having enough money to last during her retirement.
2. Women are more likely to work in part-time jobs that don't qualify for a retirement plan. And working women are more likely than men to interrupt their careers to take care of family members. Therefore, they work fewer years and contribute less toward their retirement, resulting in lower lifetime savings.
3. On average, a female retiring at age 65 can expect to live another 19 years, 3 years longer than a man retiring at the same age.
4. Of the 62 million wage and salaried women (age 21 to 64) working in the United States, just 45 percent participated in a retirement plan

Get Started Today

Do you save money to purchase big-ticket items like a new television or a new car? You can save for retirement too and “buy” future security for you and your family. It may seem like an impossible task as many of us live paycheck to paycheck, but whether you are 18 or 58², take your first step today and learn more about the basics of retirement planning by reviewing this short overview of options available to you!

¹ U.S. Department of Labor <http://www.bls.gov/home.htm>

² US Department of Labor Saving Fitness: A Guide to Your Money and Your Financial Future <http://www.dol.gov/ebsa/pdf/savingsfitness.pdf>.

Social Security

Bust a Myth!

MYTH: Social Security will pay for all or most of my retirement needs.

FACT: Since its inception, Social Security has provided a minimum foundation of protection. A comfortable retirement usually requires Social Security, pensions, personal savings and investments.

US Department to Labor & Wiser Women

What is Social Security?

Social Security is the way the U.S. government insures that all workers in the country have some income when they retire. Social Security is administered by the Social Security Administration (www.ssa.gov). If you are an employee of an early care and education or school age program, your employer withholds Social Security and Medicare taxes from your paycheck and sends those taxes to the Internal Revenue Service (IRS) on a regular basis. Your employer is also required to send the IRS a matching amount equal to what was withheld from your paycheck. Your employer reports all of your earnings to the Social Security Administration.

If you own your own business and pay yourself a salary you are self-employed. Many early care and education and school age programs are small businesses, including family child care homes. Business owners pay all (the employee and employer match) on a regular basis and report all their individual earnings when they file the annual tax return to the IRS. The IRS then reports total earnings for self-employed persons to Social Security Administration.

How much will I receive from my Social Security benefits?

You should receive a Social Security Statement once a year from the Social Security Administration. This statement can help you plan for retirement. Contact www.socialsecurity.gov or 1-800-772-1213 to learn more.

Calculating My Retirement Age

If you were born before 1938, your full retirement age is 65.

If you were born in 1960 or later your retirement age is 67.

If you delay your retirement beyond your full retirement age, you will get special credit for each month you do not take benefits until age 70.

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Each paycheck you earn contributes to the total amount you pay into the Social Security Administration. As you work and pay your taxes, you earn “credits” that count toward your Social Security benefits. Depending on the level of your earnings, you can earn up to four credits each year. Most people need 10 years of work (40 credits) to qualify to receive benefits.

A worker with average earnings can expect a retirement benefit that replaces about 40 percent of his or her average lifetime earnings. Generally, the amount of the Social Security benefit that you will receive when you retire is a percentage of your average lifetime earnings. If you are not earning a high level of wages (low-income) you will receive a higher percentage of their average lifetime earnings than those who earn wages that place them in the upper income range.

When will I received my Social Security benefits?

You are eligible for benefits at full retirement age (with reduced benefits available as early as age 62) if you have worked long enough.

Calculate the Value of a Savings Bond

<http://www.treasurydirect.gov/BC/SBCPrice>

Personal Savings Options

Savings Account

A savings account is usually defined as an account in which you can place money to earn a small amount of interest. Unlike a [401k](#) or an IRA (see section III), the savings account funds are usually easily accessible through a local bank. Some banks charge for withdrawing money early so read the fine print. In most cases, you can withdraw money from a savings account at any time, at least at any time the bank is open or from an ATM.

U.S. Savings Bonds

U.S. Savings Bonds are a safe way to save money over a long period of time. Bonds are slow to mature but the earnings are NOT taxable when they mature and are paid out to you. Visit <http://www.treasurydirect.gov/> for more information.

- **Series EE Bonds**

- Issued for a 30-year term
- Purchase options are by value or denomination: \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000

Bust a Myth!

MYTH: Savings bonds don't earn enough to be worthwhile.

FACT: The federal government has many options available for individuals, at a variety of return rates.

- **Series I Bonds**
 - Same denominations as Series EE Bonds

Certificates of Deposit (CDs)

Types of CDs

Traditional
Bump-Up
Liquid

CDs are good for investing larger sums of money. If you are given money from a life insurance policy, as a benefit from a death in the family, for example, you may want to invest in a CD. CD terms range from as little 3 months to more than 5 years. CDs may be purchased through a bank. The longer the term of the CD, the higher the yield (or what you will earn when the CD ends or matures. Note: Funds are not available during the term of investment (unless you chose the “Liquid” option). When the CD expires, you may roll it over for another term (3 months, 5 years, etc.) or take the money you have earned and use it as you like.

Treasury Security (Treasuries)

The U.S. Department of the Treasury issues through the Bureau of the Public Debt what they call Treasuries. There are four types of Treasuries:

- **Treasury bills (T-bills)**
 - Mature in 1 year or less
 - Sold in increments of \$100
 - Least risky investment available to U.S. investors
- **Treasury notes**
 - Longer to mature
 - Denominations from \$1,000 to \$1,000,000
- **Treasury bonds**
 - Longest to mature
- **Treasury Inflation Protected Securities (TIPS)**

Learn More about Treasuries
Visit <http://www.treasurydirect.gov/> for more information

Pre-Tax Means More Money to Invest!

If you make \$25,000 a year GROSS wage (before taxes) and contribute 10% of it into a retirement savings plan (i.e. [401k account](#)), your current taxable income will be \$2,500 less.

How did we come up with this figure?

\$25,000 – (10% x 25,000) = \$22,500.

So you pay taxes on less income and save for your future!

Employer-Sponsored Accounts

What is an employer-sponsored savings plan?

Employers may offer a retirement savings plan to its employees. Some employers match the amount contributed by the employee or a percentage of the amount the employee chooses to save. Some employers offer a plan to its employees but they do not contribute to the fund on behalf of the employee.

The main difference between regular savings account through a bank and a retirement savings plan is that retirement savings plan lets you contribute an amount to your retirement before taxes are taken out.

With regular savings or investing, you put your after-tax money into a savings/investment account and then pay taxes on the earnings (in most cases.) But with retirement savings, you save on some of the taxes.

How much can I contribute?

Some plans have a set minimum amount to be contributed, while other plans will allow the employee contribute as little as 1% of their monthly income. Depending on how the plan is set up by your employer and the retirement benefits company, you may need to select the amount you will pay into your account once a year or you may be able to change the amount throughout the year.

How is my money deposited into my retirement account?

Most employer-sponsored plans provide an automatic deduction from your paycheck into the account.

Retirement Plans

The types of retirement plans you can access depends on whether you are self-employer or are employed by another company. Read the fine print to learn if you are able to use pre-tax dollars and if your earnings will be taxed when paid out.

Bust a Myth!

MYTH: My employer doesn't offer retirement benefits, so I have no options.

FACT: There are many options available for you to open your own retirement account.

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401(k) - through employer (or can be self-employed)

- Employer creates and designs plan with investment broker
- Employer *may* match contributions
- Individual controls portfolio
- Most can be rolled over if you switch jobs

Roth 401(k)

Contributions are after-tax dollars and earnings may be tax-free.

403(b)

- Similar to a 401(k).
- Available for public education organizations and non-profits [501(c)(3)]

Individual Retirement Plan (IRA)

The only requirement to open an IRA is you must have earned income (a salary). The interest rate is higher than a regular savings or money market account. Banks, mutual fund companies or brokerage houses usually offer these plans. You contribute whatever and whenever you like, assuming you meet the company's minimums and the government's maximum amounts. There are three types of IRA accounts: Roth IRA, Traditional IRA and Simplified Employee Pension (SEP) IRA.

Learn More about IRAs
<http://beginnersinvest.about.com/cs/iras/f/tradvsrothira.htm>

State Employee Retirement and Pensions

State and local governments typically offer employees a defined benefit plan.

- Contributions are typically made by both the employee and employer. The amount of the pension paid out upon retirement is calculated using a formula with such variables as the employee's pay, years of employment, and age of retirement.
- Contributions are typically paid into the account using pre-tax dollars

Annuities

Annuities are an agreement between an individual and an insurance company. With an annuity, you can convert a lump sum into an income stream over a set period of years or for as long as you live.

Fixed Annuities

- The insurance company guarantees a minimum interest rate (or return) on your investment.
- The insurance company guarantees a periodic payment to you upon retirement, for a set period of time on until your death.

Variable Annuities

- You have a choice in the types of investment options
- The amount you invest monthly and the amount you receive upon retirement can vary

Additional Resources

Aging Forum Report

http://www.agingstats.gov/agingstatsdotnet/main_site/docs/DSOA_Aging_Brief.pdf

Brookings Retirement Security Project

<http://www.brookings.edu/projects/retirementsecurity.aspx>

How to Pick a Sound Financial Adviser

<http://articles.moneycentral.msn.com/RetirementandWills/CreateaPlan/CanYouTrustYourFinancialAdviser.aspx?page=2>

IRS Retirement Plans Navigator

<http://www.retirementplans.irs.gov/>

Kiplinger

www.kiplinger.com

401K Help Center Small Business Channel

http://www.401khelpcenter.com/small_business_index.html

TIAA

www.tiaa-cref.org

What Women Need to Know about Retirement

http://www.wiserwomen.org/pdf_files/ebook/completeebook.pdf

AARP

<http://www.aarp.org/>

SEC (U.S. Securities and Exchange Commission)

<http://www.sec.gov/investor.shtml>

United States Department of the Treasury

<http://www.treasurydirect.gov/>