Do I Really Need to Save for Retirement Now?

Retirement Savings Guide For PSERS Participants

Barrow Benefits

YES! Start Early.

As an employee of Barrow County School System, your retirement plan has three parts:

Part 1:
Social Security

Part 2:
Public School Employees Retirement System (PSERS)

Part 3:
Supplemental Retirement Savings Plan (SRSP)

You are automatically enrolled in Parts 1 and 2. To decide whether you should be saving, or how much, in Part 3, you first need to determine a target date on which you'd like to retire and have a reasonable estimate of the benefits you'll receive from the first two plans – Social Security and PSERS – beginning on your target retirement date.

> ***The benefits you receive from Social Security and PSERS are determined by three main factors – your earnings, your years of service and your age when benefits begin to be paid.***

We'll help you estimate your benefit amounts later in this guide, and you can get more specific information on the plan websites as well. **Always start with our BCSS Benefits website when you are looking for help with any of your benefits plans.** But for now, let's say that your numbers – your salary, your years of service and your benefit start date – indicate that you will have monthly income from Social Security and PSERS that is $200/month <u>less</u> than you'd like it to be on the day you retire. Here's an easy way to calculate a savings target:

$200 x 12 months = $2,400/Year

$2,400 x 20 years = $48,000 savings target if you want $200/month for 20 years

$2,400 x 30 years = $72,000 savings target if you want $200/month for 30 years

These totals don't assume that you'll earn <u>any interest or investment income</u> on your money after retirement. So if you have $48,000, you can pay yourself $200/month for 20 years. No ifs, ands or buts.

The Value of Saving

Forcing yourself to save – or "paying yourself first" – will always be beneficial to you. Saving as much as you can, at every stage of your life, will give you freedom and flexibility to do the things you want and need to do later in life.

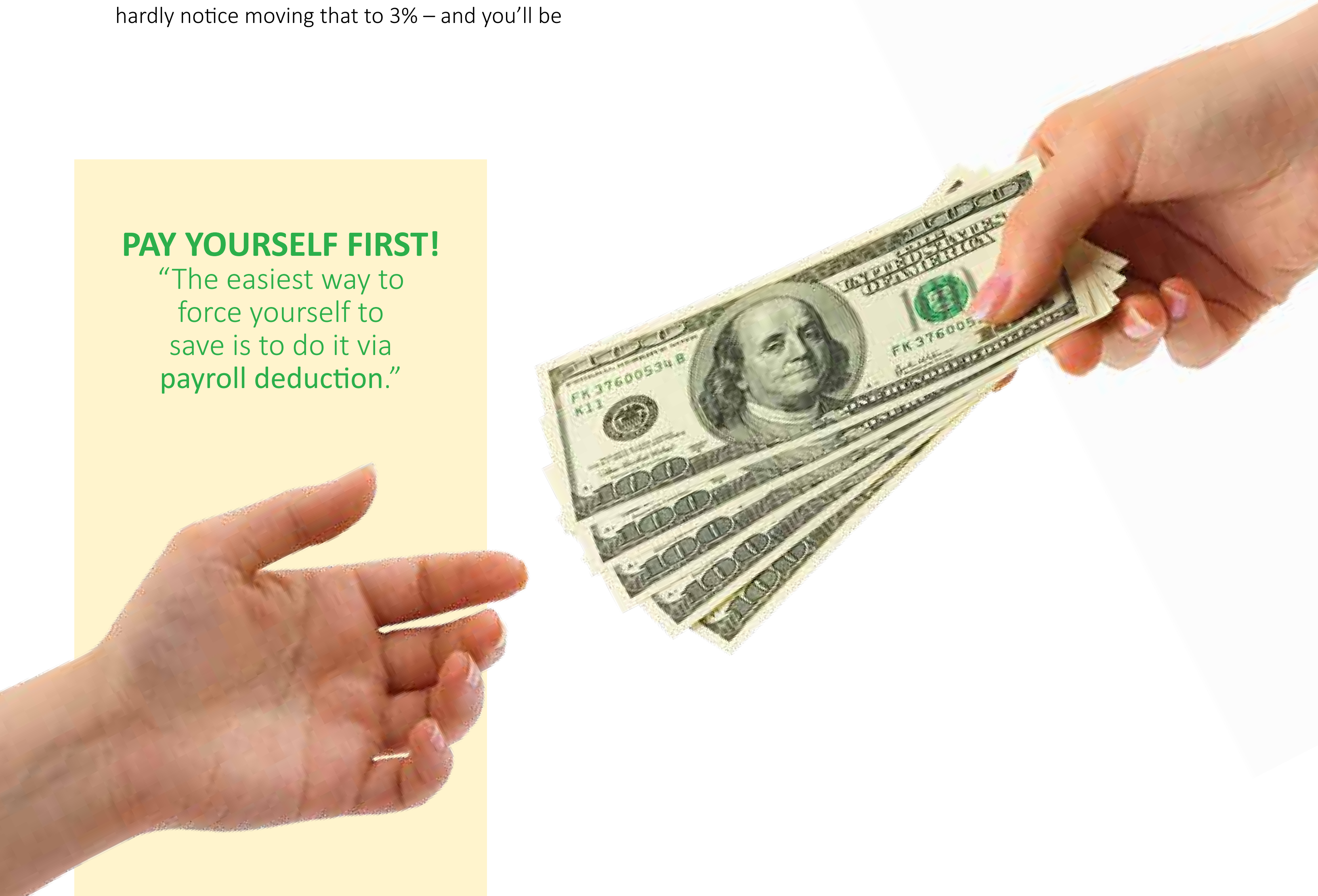
The easiest way to force yourself to save is to do it via payroll deduction. It's the easiest way not to miss a payment (to yourself!) and before long, you don't miss the money in your take-home pay.

Another idea to maximize your savings is to increase it slightly each January. Saving 2% of your pay? You'll hardly notice moving that to 3% – and you'll be increasing your savings substantially. An extra 1% each January will make a huge difference in what you'll have in 20-30 years.

The other great thing about saving is the impact of **compounding** on your account. As your savings grow, the interest or investment return you earn on your money really helps to boost the value of your nest egg – particularly in your later years when your account balance is at its highest.

The earlier you start saving, the better off you'll be!

PAY YOURSELF FIRST!
"The easiest way to force yourself to save is to do it via **payroll deduction.**"



Hitting Your Savings Target

So let's say the goal, from the example on page 2, is to have $48,000 by the time you're 60. How much do you have to start saving now to get there? That depends on the years you have to save and what you can earn on your money. Here's a little chart to give you an idea:

	If You Save:	For:	And Earn/Yr	You'll Have
1	$125/month	22 Years	4%	$52,779
2	$75/month	30 Years	4%	$52,057
3	$100/month	20 Years	7%	$52,096
4	$75/month	23 Years	7%	$51,170
5	$125/month	20 Years	4%	$45,849

As you can see on Line 2, if you have 30 years to save, you can exceed your $48,000 goal by investing just $75/month with a 4% return on your money. To get to your goal sooner, you would either need to save more each month (Line 1) or find a way to get more than 4% on your savings (Line 4).

> ***It's critical that you find out what your personal risk tolerance is to invest in a way that's right for you.***

Try visiting the simple savings calculator at the link below to calculate any options you wish.

http://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx

Where Do I Invest My Savings?

Becoming a saver puts you into an elite class of Americans! Let's face it — saving is not one of our strong points in this country. So how do you invest your hard-earned retirement savings? At BCSS, we've made it easy for you to decide. Start with finding out your willingess to take some risks in your investing.

To determine your personal tolerance for risk, think carefully about these 5 questions and circle your answer from 1-5. A score of "5" means you ***strongly agree***. A score of "1" means you ***strongly disagree***. On the last question, just circle the answer with which you agree with most.

A. Earning a high investment return over the long haul is one of my most important objectives.

1 2 3 4 5

B. What happens to my account over the long haul is more important to me than what happens over 1 or 2 years.

1 2 3 4 5

C. To get higher, long-term returns, I'm willing to give up steady guaranteed returns.

1 2 3 4 5

D. I won't fret about sharp up and down swings in the value of my account for the chance to get higher long term returns.

1 2 3 4 5

E. I would probably switch investments if, in any 30-day period, my account value dropped by more than:

1%	5%	10%	15%	20%
(1)	(2)	(3)	(4)	(5)

Now add the numbers you circled above to see where you fall on the scale below. Neither the five statements nor your total score is meant to tell you which investments to choose. Rather, they may help you better understand your objectives and feelings about investment risk, so that you can select investments that are right for you.

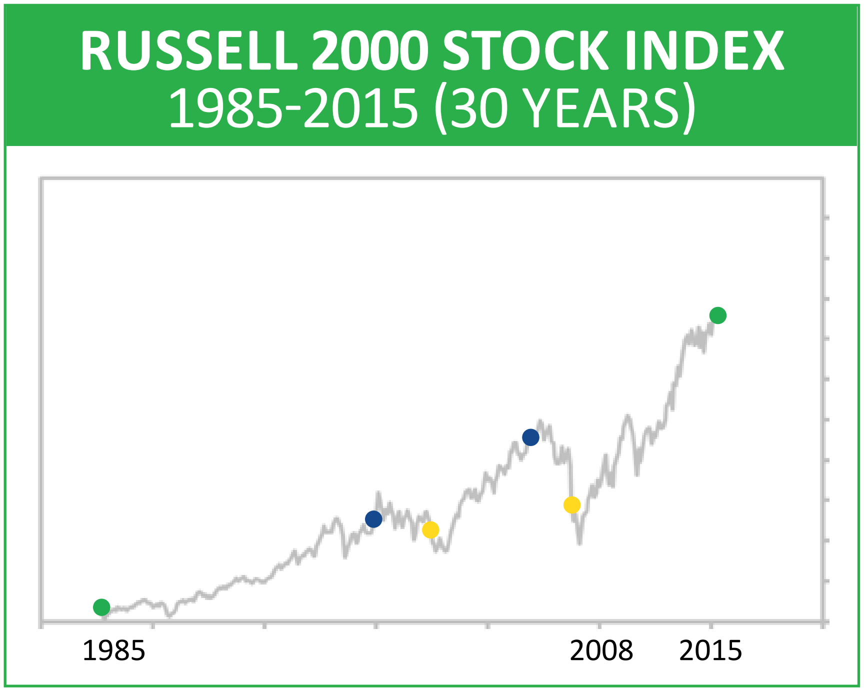
5	10	15	20	25
conservative		moderate		aggressive

You Know Your Risk Tolerance, Now What?

Your score from the previous page gives you a very good idea of your risk tolerance and what type of investor you are. A low total says you're more conservative. A high total says you're a more aggressive investor. Why is this so important? Because staying the course with your personal strategy, whatever it may be, is critical to reaching your savings target. The graphic to the right will help illustrate. It shows how the value of a group (index) of 2000 stocks fluctuated over 30 years. There are three things to note – indicated by **green**, **yellow** and **blue** dots on the chart.

Your risk tolerance can change over time as you become more confident as an investor, or as you get closer to your target date or retirement. For example, your account may have grown nicely over a long period of time, and now that you're only a few years from your target, you may want to be a more conservative investor to protect what you've earned.

Why "Staying Your Course" is Important



A. ● Green Dots.
If you invested your money in 1985 and didn't touch it until 2015, you would have a great deal of money in 2015. But you would have had to weather some scary lows to do that.

B. ● Yellow Dots.
If, when the market went down, you sold your investment (moved your money), you would have forfeited the opportunity to recover your losses. Note the steep decline in 2008.
If you sold there, you would have missed the steep gains that followed. That might be what a person would do who was a more moderate-conservative investor, where a more aggressive investor would stay the course. Knowing yourself is key to staying the course you chose when your investments decline. Note that over 30 years, the steepest declines are followed by steep increases.

C. ● Blue Dots.
If you listen to a friend who tells you their investments have been doing really well and invest like they do, you may find that you have bought at or near a peak which doesn't leave much room for growth. The highest peaks over the 30 years are often followed by the steepest declines.

(continued next page)

A conservative investor would never be able to sleep at night if all his money was invested in the stock market. But if he invested 2/3 of his retirement savings in a conservative investment (like one with a dependable guarantee) and the other 1/3 in a more risky investment, he'd improve his chances to earn a better return. The experts call this kind of diversification **asset allocation**. It just means deciding on where portions of your money should be invested based on a balance of your risk tolerance and your desire to earn the best return you can.

The Barrow County School System Retirement Plan

As we pointed out earlier, your retirement plan at BCSS really has three parts, and you can't figure out whether you need to save, how much, or how to invest your savings until you have an idea what the first two plans, Public School Employees Retirement System (PSERS) and Social Security will provide. You can get a broader overview of PSERS on our BCSS website – but since this is a discussion about your savings, the focus here is on estimated benefits from the two plans.

> ***Staying the course with your personal strategy, whatever it may be, is critical to reaching your savings target.***

Public School Employees Retirement System (PSERS)

PSERS provides a benefit at retirement that is guaranteed by the State of Georgia – and both the State and the Plan are very strong financially. Here's how the basic retirement benefit is calculated:

Years of Service (maximum 40 years) x $14.75

If you retired after 30 years, you'd receive a benefit of 30 x $14.75 or about $442/month for the rest of your life.

To learn more, you can visit the PSERS website:
www.ERS.GA.GOV/PLANS/PSERS/PSERSMAIN.html
or contact them by phone at: **404-350-6300**

Social Security

Social Security benefits are more difficult to estimate because there is no simple formula. If you're over 55, chances are you're getting a notice from Social Security each year that includes an estimate based on your actual age, years of service and pay. You can also go straight to the Social Security website to get an estimate — or, for a very general estimate, you can use the link below.

http://www.bankrate.com/calculators/retirement/social-security-benefits-calculator.aspx

Like PSERS, Social Security promises you a benefit at a certain age that is guaranteed by the Plan and backed by the U.S. Government. Unlike PSERS, Social Security is not well-funded, and it will take many billions of dollars to get it healthy again. In the short term, the benefit promise is safe. In the longer run, it may be wise to plan to receive nothing. Today there are fewer than 2 active workers for each retiree on the plan, and that ratio is not improving.

The other difference between PSERS and Social Security is the age at which you can start receiving the full benefit. With 10 years of service, you get the full benefit from PSERS at age 65. With Social Security, the age required to get the full benefit today is 66 – regardless of your service. If you were to retire today, and had reached age 66, here is a rough estimate of the monthly benefit you'd receive from Social Security at different income levels:

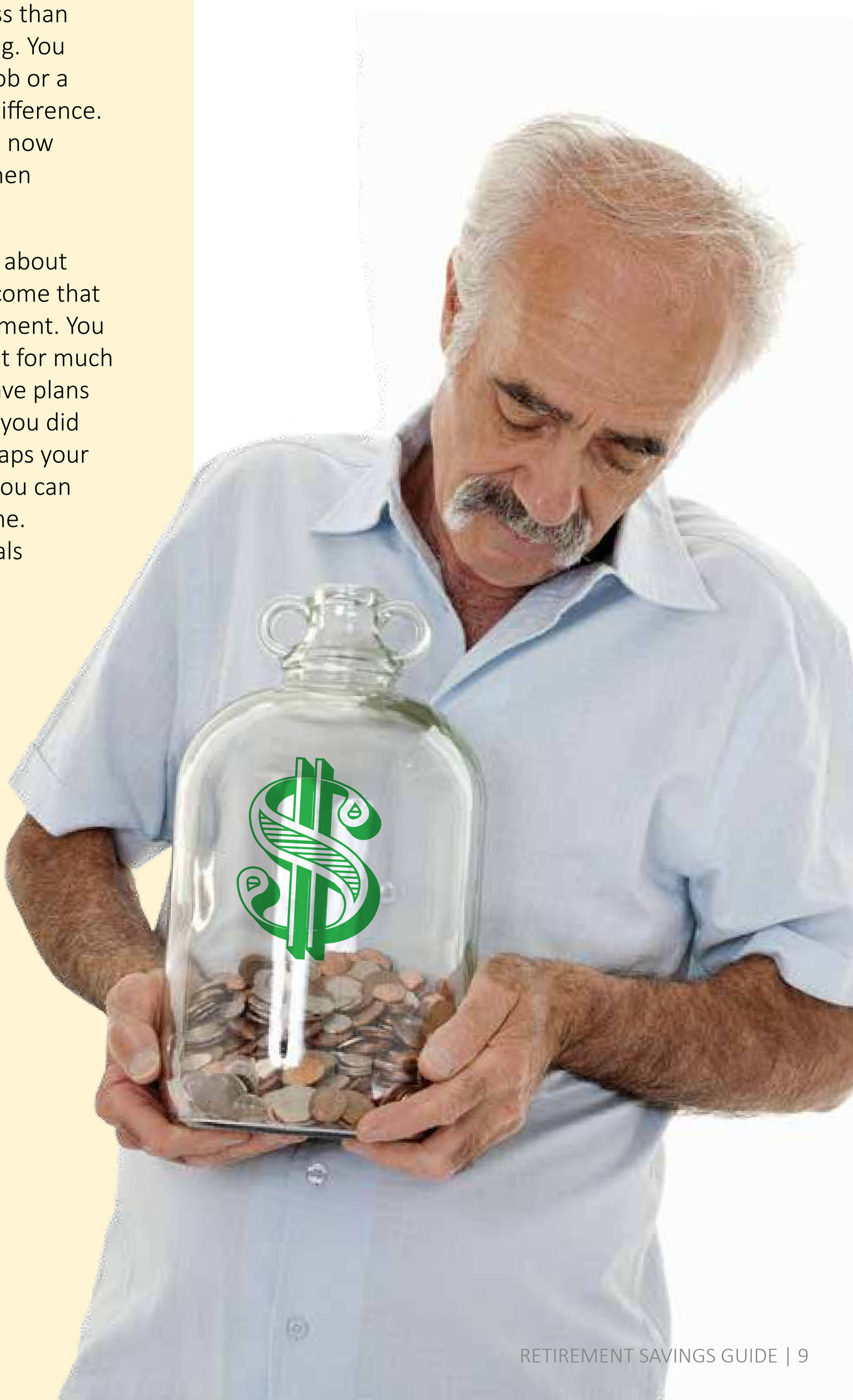
$12,000/year —— $440/month
$24,000/year —— $675/month
$36,000/year —— $830/month

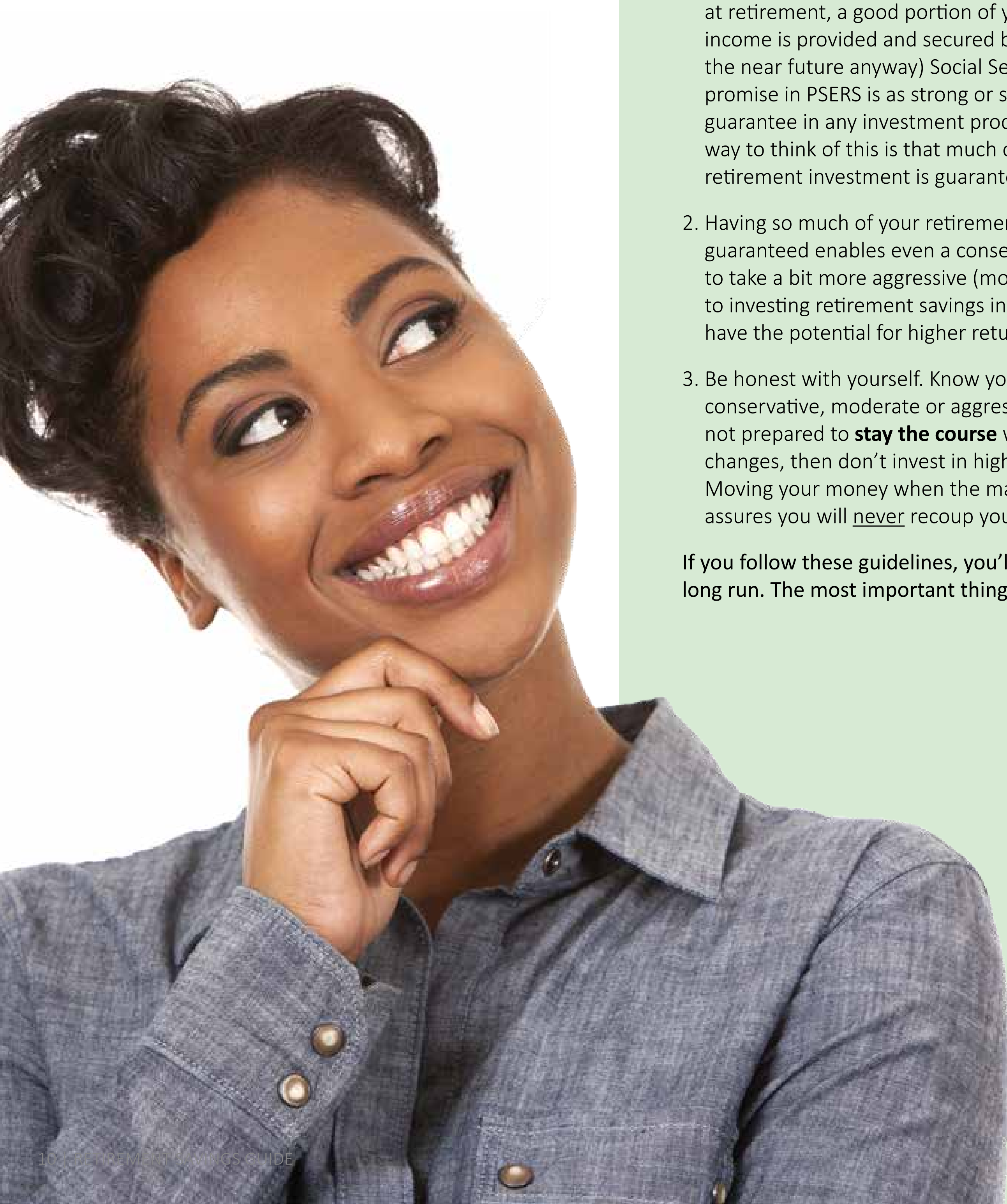
In the longer run, it may be wise to plan to receive nothing.

Total Expected Benefits

So from the two plans (PSERS and Social Security) our sample person, earning $24,000/year, could receive, at age 66, a benefit of $442 + $675 for a total of $1117 – about $880/month less than what they earned while working. You may want to work at another job or a part-time job to make up this difference. Or, you could start saving more now to supplement your income when you retire – or both!

Finally, there's nothing magical about targeting the exact monthly income that you were earning before retirement. You might decide you'd like to shoot for much greater savings because you have plans to travel and spend more than you did in your working years. Or, perhaps your mortgage will be paid off and you can be happy with much less income. Your personal situation and goals are what dictate whether and how much you decide to save.





Things to Keep in Mind

As you decide how much and where to invest your retirement savings, keep these points in mind:

1. Remember that depending on your income level at retirement, a good portion of your retirement income is provided and secured by PSERS and (in the near future anyway) Social Security. The benefit promise in PSERS is as strong or stronger than the guarantee in any investment product. Another way to think of this is that much of your retirement investment is guaranteed!

2. Having so much of your retirement income guaranteed enables even a conservative investor to take a bit more aggressive (more risk) approach to investing retirement savings in investments that have the potential for higher returns. **BUT...**

3. Be honest with yourself. Know your risk tolerance – conservative, moderate or aggressive. If you are not prepared to **stay the course** when the market changes, then don't invest in higher risk investments. Moving your money when the market goes down assures you will <u>never</u> recoup your losses.

If you follow these guidelines, you'll do well in the long run. The most important thing is to **START NOW**!

Notes:

To Do List:

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Barrow County School System

Boldly Committed to Student Success

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