

Plan for Your Retirement

What Does the Bible Say About Retirement?

- Numbers 8:23-26 – The LORD said to Moses, "This applies to the Levites: Men twenty-five years old or more shall come to take part in the work at the Tent of Meeting, but **at the age of fifty, they must retire** from their regular service and work no longer. They may assist their brothers in performing their duties at the Tent of Meeting, but they themselves must not do the work. This, then, is how you are to assign the responsibilities of the Levites."

What Does the Bible Say About Retirement?

- 2 Thessalonians 3:10 – For even when we were with you, we gave you this rule: "If a man will not work, he shall not eat."
- 1 Timothy 5:8 - If anyone does not provide for his relatives, and especially for his immediate family, he has denied the faith and is worse than an unbeliever.

What Do You Plan to Do When You Retire?

- Keep active - those who stay active live longer.
- Understand whether you will have enough income to live on.
- Have a plan before you retire.
- Use your “golden years” to serve the Lord Jesus Christ.

What Should You Know About Retirement Today?

- The life expectancies of Americans are increasing.
- Full retirement age for Social Security is going up gradually from 65 to 67.
- More people are borrowing against their home equity, so they will not have their homes fully paid for by the time they retire.
- Your expenses may start out lower, but will increase every year with inflation.
- With people living longer, more money must be saved for the retirement years.

What Expenses Change When You Retire?

These may go down:

- Commuting and business clothing
- Social security and Medicare taxes
- Mortgage – if paid off?
- Kids – if grown and gone?

These may go up:

- Health care
- Travel and recreation (new activities)

Three Sources of Retirement Income in America Today

- Your employer, if you have some kind of retirement plan at work
- The government, with Social Security and Medicare
- Your own savings and investments

Employer- Sponsored Retirement Plans

Two basic types:

- Defined Benefit
 - Traditional Pension
- Defined Contribution
 - 401(k) or 403(b) company portion

US Government Retirement Plans

Two basic types:

- Social Security
 - Pays monthly retirement income
- Medicare
 - Covers a portion of health care expenses for those 65 and older

Social Security and Medicare Taxes

- Workers pay a 6.2% tax on earned income for Social Security, called FICA or OASDI.
- Workers pay an additional 1.45% tax for Medicare.
- Employers match these amounts.
- Self-employed people pay both parts.
- There is an annual maximum for Social Security, based on the first \$94,200 of income in 2006.
- There is no maximum for Medicare.

Social Security Benefits

- You are eligible for benefits if you have paid the taxes for 40 quarters.
- You can receive “full” benefits at age 65 today, increasing to 67 by 2027.
- You receive reduced benefits if you start before that, as early as 62.
- You can receive a higher amount if you wait until age 70 to start.
- Don't count on Social Security to provide enough income to live on.

How “Secure” is Social Security?

Test your knowledge – True or False:

- Congress can change the rules for your Social Security at any time.
- There are trust funds being set aside every year from the taxes you pay.
- Social Security works just like a chain letter or pyramid scheme (both of which are illegal).
- By 2030, there will only be about 2 people working for every 1 retiree.

Government Programs – What Can You Count On?

- These systems will probably not go away all together, because huge numbers of senior citizens will vote.
- Benefits will almost surely be reduced.
- Taxes on those working will almost as surely go up.
- There will probably be more “means tests”, reducing benefits for those who have done a good job of saving ahead.

Other Government Plans – Medi-Cal

- Medicare does not cover long-term nursing home expenses.
- Medi-Cal is a California program that pays for nursing home care.
- You must have used up most of your other assets to receive benefits.
- The state can recover their expenses from your estate if you own a house.

Your Own Savings and Investments

- Tax-Deferred Accounts
 - Individual Retirement Account (IRA)
 - 401(k) or 403(b) - your portion
- Tax-Free Accounts
 - Roth IRA
 - Roth 401(k) – brand new!
- Taxable Investments

Tax-Deferred Individual Retirement Accounts (IRAs)

- Each person can contribute up to \$4000 per year from earned income.
- Can add a little more if age 50+.
- You have up to April 15 of the following year to make contributions.
- You get a tax deduction now on any amounts you contribute (based on income and eligibility requirements).

Tax-Deferred 401(k) or 403(b) Accounts

- These are offered by employers.
- Each employee can contribute up to \$15000 per year from earnings.
- Can add \$5000 more if age 50+.
- Contributions come right out of your paycheck.
- You get a tax deduction now on any amounts you contribute.
- Any employer match goes straight into your account with no taxes.

Tax-Deferred Accounts

- The idea is to invest the money and let it grow over many years.
- You pay income taxes on any money you withdraw from the account.
- You also pay a penalty on any you withdraw before age 59 ½.
- You must start withdrawing by 70 ½.
- Rules can be complex – be careful.

Tax-Free Roth IRAs

- Same contribution limits as IRAs.
- Not eligible if over \$150,000 income.
- You pay taxes now on any amounts you contribute.
- You invest the money and let it grow.
- No mandatory withdrawal age.
- When you take money out, no more taxes are due – even on the growth!

How to Decide – Which Account to Use?

- Start by taking advantage of any matching funds your employer offers.
- Use tax-deferred if you expect to be in a lower tax bracket when you retire.
- Use tax-free if you expect to be in a higher tax bracket when you retire.
- No one knows what future tax rates will be – but they are at historic lows.

Other Types of Investments

Loaning:

- Savings accounts, CDs
- Bonds, T-bills

Owning:

- Stocks, mutual funds
- Real estate
- Speculative (coins, metals, etc.)

Income stream:

- Annuities

Some Recommendations

- Locate a good financial planner, and have your retirement assets evaluated.
- Find one who charges for services rather than earns sales commissions.
- Start saving early and regularly.
- Re-evaluate all investments annually.
- Pay off your home mortgage; this is a low-risk, fixed-income investment.

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