

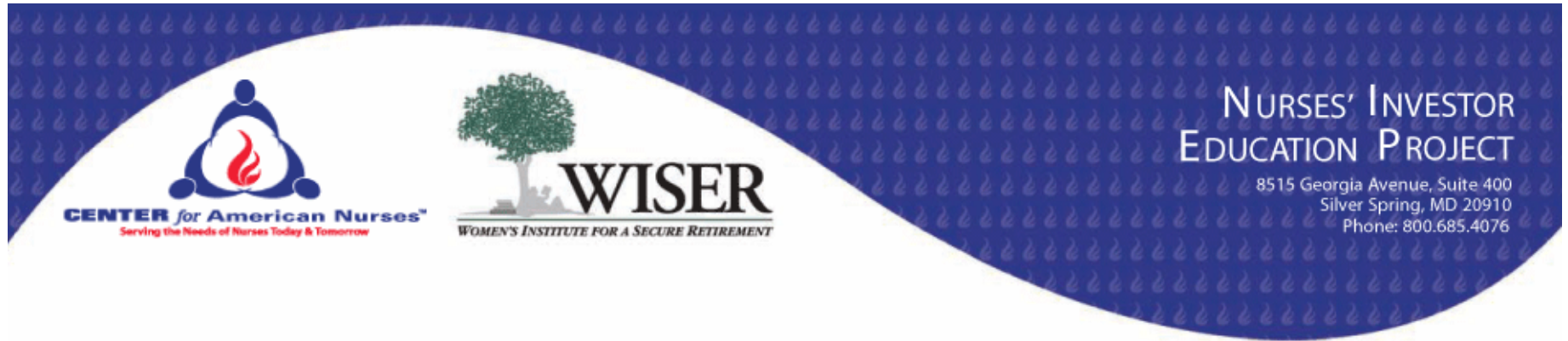


NURSES' INVESTOR EDUCATION PROJECT

8515 Georgia Avenue, Suite 400
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Phone: 800.685.4076

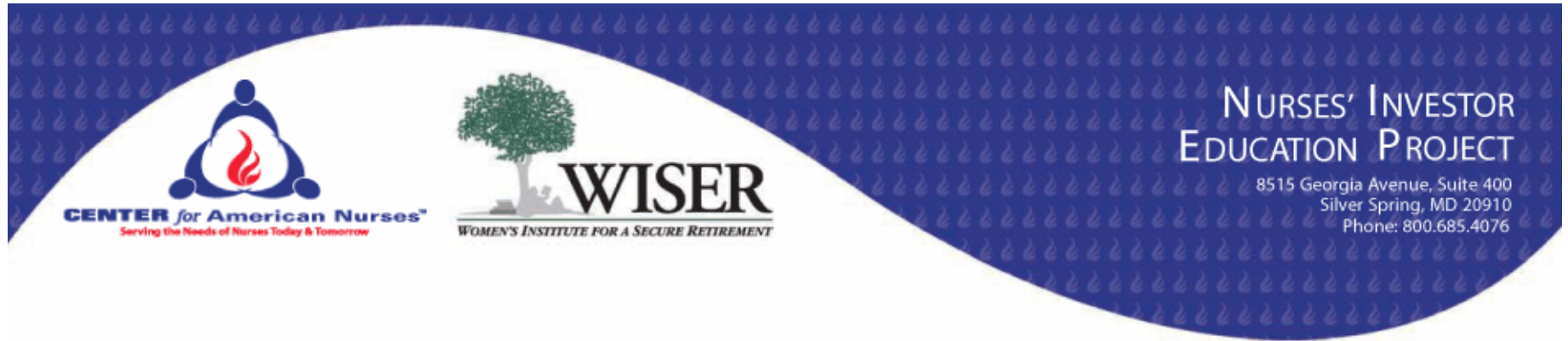
The Busy Nurse's Guide to... *Preparing for Retirement*

A financial education webinar sponsored by
the Center for American Nurses and the
Women's Institute for a Secure Retirement



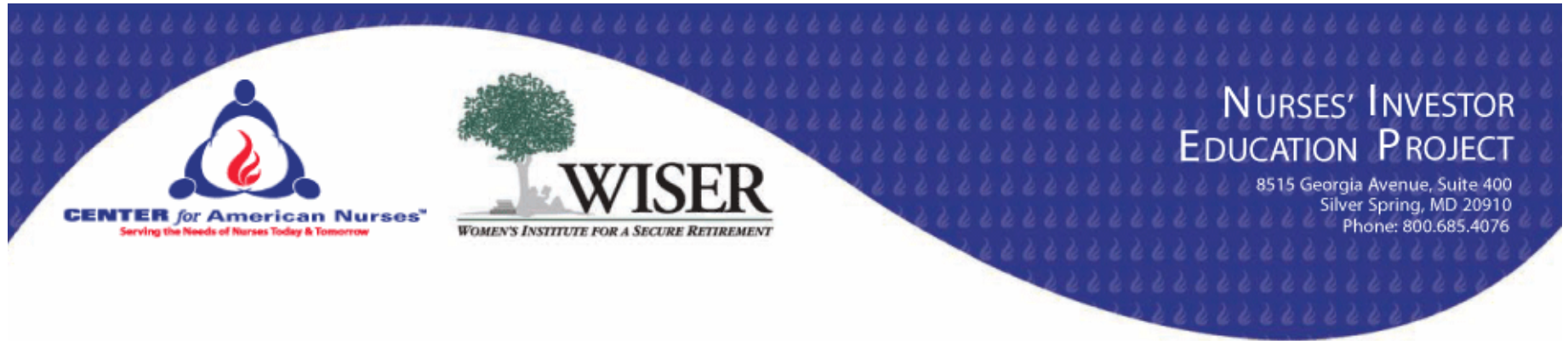
Purpose of this webinar

- To help nurses take care of themselves financially
- To help you understand basic financial aspects of preparing for retirement
- 2nd in a 3-part webinar series
 - *Busy Nurse's Guide to Making Your Money Last as Long as You Do* (Nov. 13)



Poll: Did you attend the *Busy Nurse's Guide to Investment Basics* webinar?

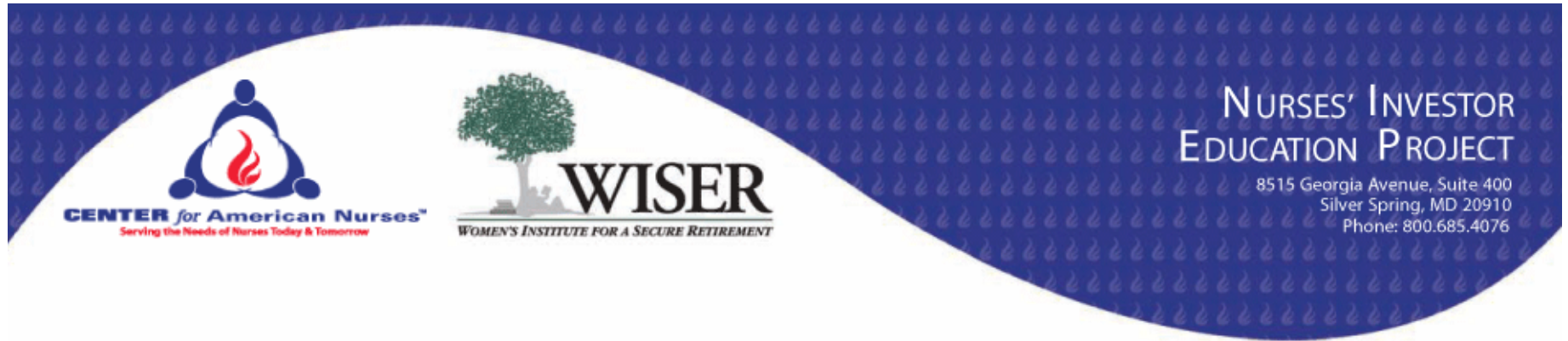
1. Yes
2. No
3. Can't remember



Who's behind the webinar

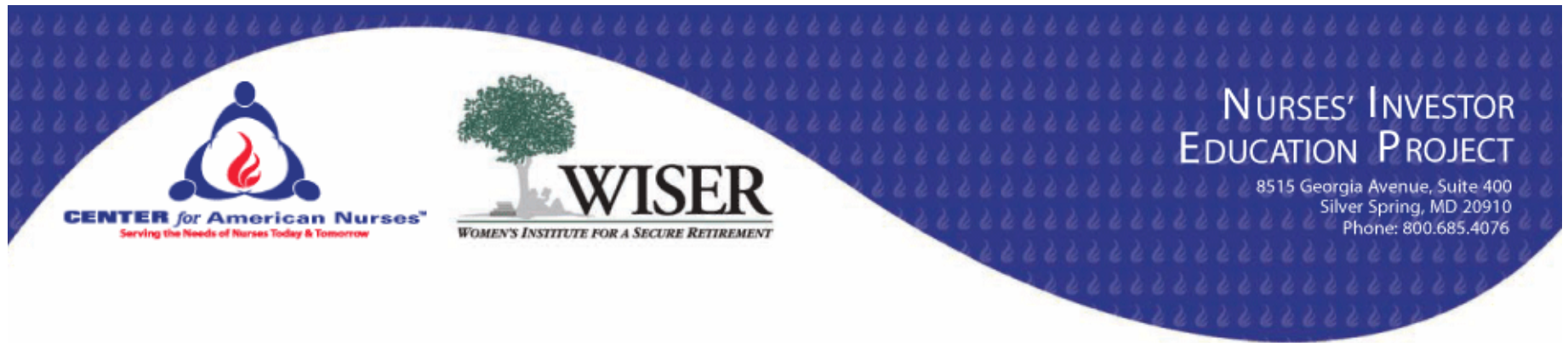
- **WISER** – A nonprofit organization committed to helping women achieve retirement security
- **Center for American Nurses** – National professional association for nurses

No hidden agendas.
Education and action are our only goals.



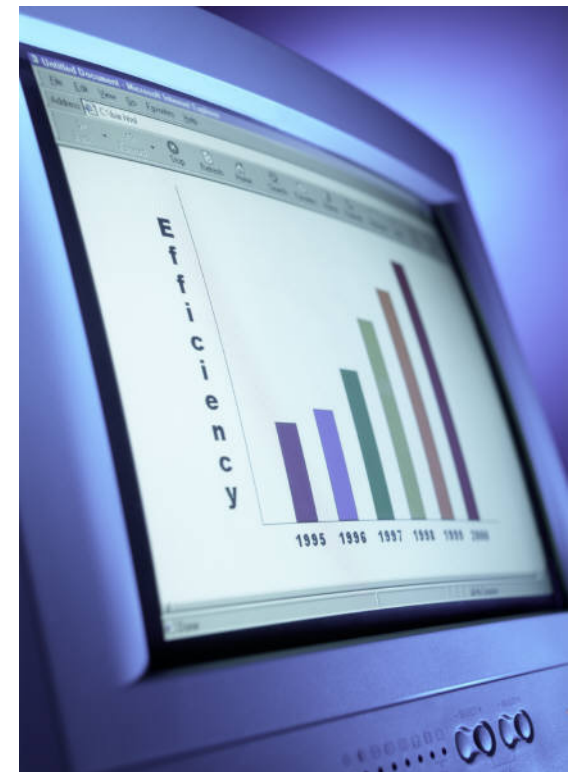
Background

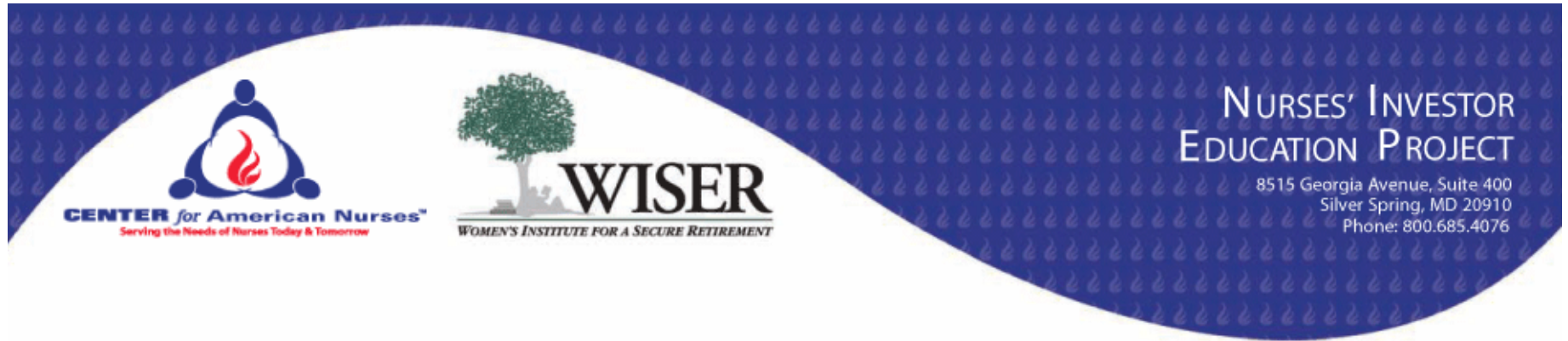
- CENTER survey shows 60% of nurses age 45-60 have done no retirement planning
 - Goal is to help nurses build financial security for retirement
- Funded by a three-year grant from the FINRA Investor Education Foundation



Why this topic?

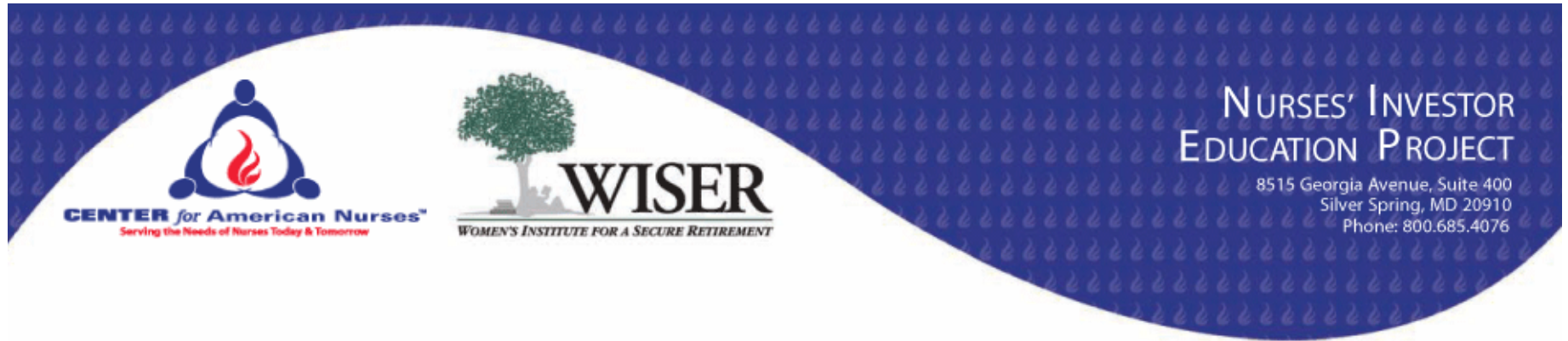
59% of nurses surveyed don't know where to begin to create a retirement plan





Agenda

- Setting a goal
- Shortfall options
- Social Security
- Pensions and retirement savings plans at work
- Individual Retirement Accounts



But first...

You know you're a nurse if...

*You've ever basted your Thanksgiving turkey
with a Toomey syringe!*



SETTING YOUR RETIREMENT GOAL



What's in a goal?

- How much you will need
 - Estimate the age when you may retire and how long it may last
 - Determine your time horizon to know how aggressively you can invest
 - Assume you will need 90%-100% of your pre-retirement income



Your time horizon

SHORT

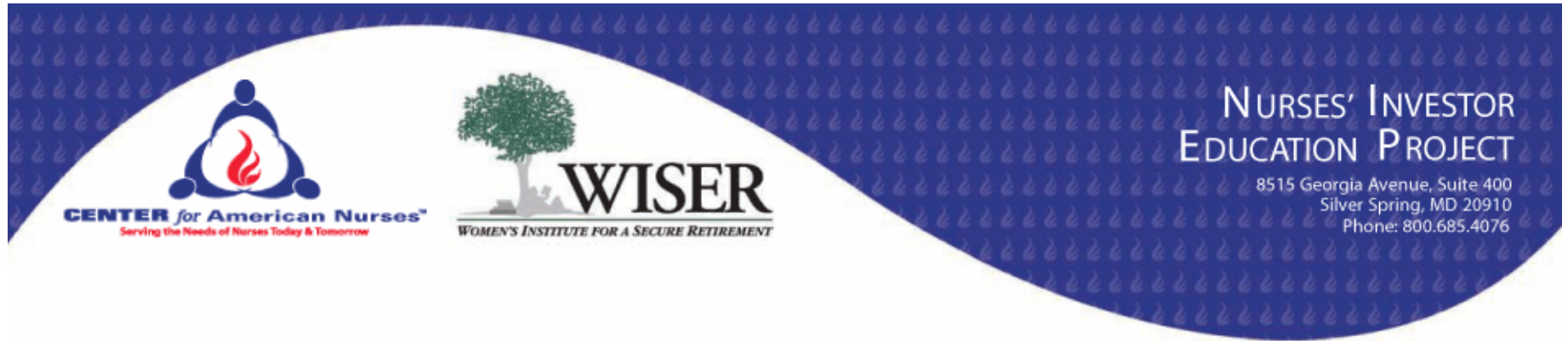
Less than 3 years

MEDIUM

3-10 years

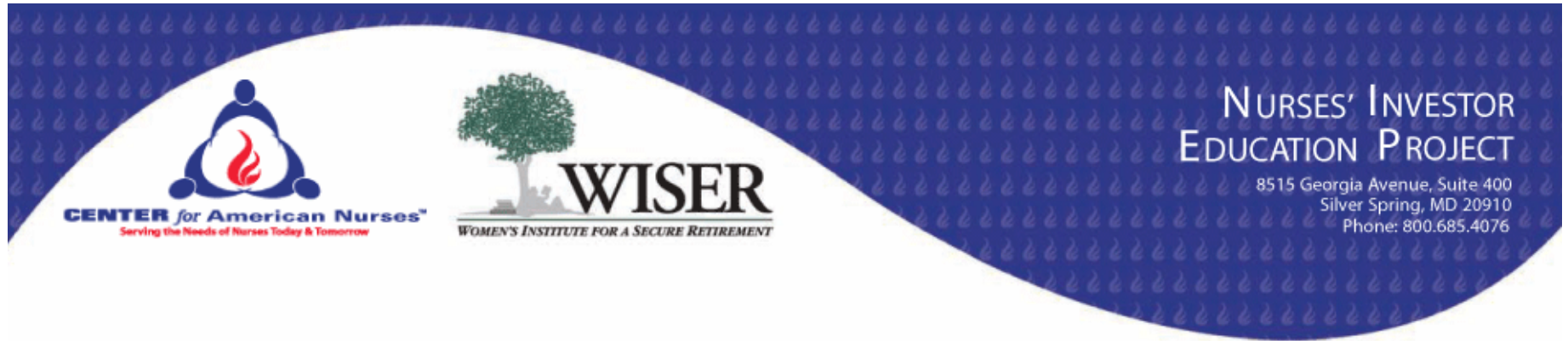
LONG

More than 10 years



Why 90%-100% pre-retirement income?

- Longevity risk – risk you may outlive your money
 - Inflation
 - Death of a spouse
 - Unexpected healthcare needs
 - Loss of ability to live independently
 - Risk of poverty



Do the math

Try this online calculator:

www.financialliteracy.org

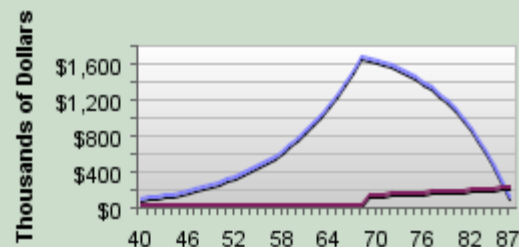
Search for “retirement planner”

Retirement Planner

Do you know what it takes to work towards a secure retirement? Use this calculator to help you create your retirement plan. View your retirement savings balance and your withdrawals for each year until the end of your retirement. Social security is calculated on a sliding scale based on your income. Including a non-working spouse in your plan increases your social security benefits up to, but not over, the maximum.

Retirement Plan

Current age:	40	Age of retirement:	70
Household income:	\$45,000	Current retirement savings:	\$60,000
Rate of return before retirement:	9.00%	Rate of return during retirement:	6.00%
Percent of income to contribute:	10.00%	Expected salary increase:	5.00%
Years of retirement income:	18	Percent of income at retirement:	90%
Expected rate of inflation:	3.10%		
If you are married	<input type="checkbox"/>	To include Social Security	<input checked="" type="checkbox"/>



Your plan is on track.

Your plan provides \$1,636,636 when you retire. With this retirement savings you could end your retirement with \$96,338. This assumes annual retirement expenses of \$166,703 which is 90% of your last year's income of \$185,226. This also includes \$53,099 per year from Social Security.

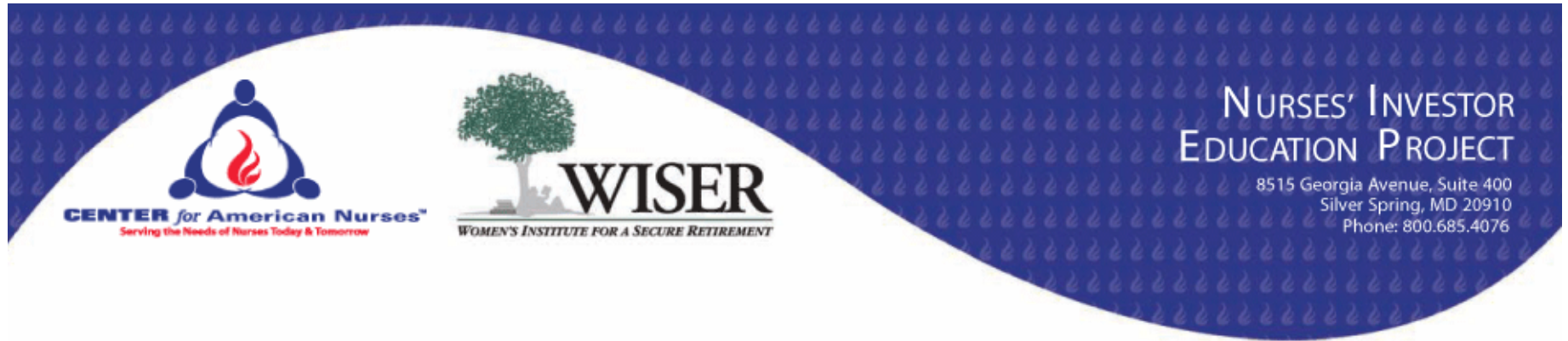
■ Savings for retirement
■ Total expenses



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WHAT IF YOU MIGHT COME UP SHORT?



Options

- Save more
- Seek higher return (if long time horizon)
- Work longer
- Delay Social Security benefits



Poll: What would you plan to do if you think you'd come up short?

1. Save more
2. Seek higher return
3. Work longer
4. Delay Social Security benefits
5. Many of these



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Impact of saving more

- Age 45
- Earns \$40,000/year
- Saves **6%** in 401(k) + employer match (3%)
- 8% annual rate of return
- Current balance is \$50,000

At age 67: \$521,000

- Age 45
- Earns \$40,000/year
- Saves **10%** in 401(k) + employer match (3%)
- 8% annual rate of return
- Current balance is \$50,000

At age 67: \$641,000



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Impact of higher return

- Age 45
- Earns \$40,000/year
- Saves 10% in 401(k) + employer match (3%)
- **8%** annual rate of return
- Current balance is \$50,000

At age 67: \$641,000

- Age 45
- Earns \$40,000/year
- Saves 10% in 401(k) + employer match (3%)
- **10%** annual rate of return
- Current balance is \$50,000

At age 67: \$850,000



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Impact of retiring later

- Age 45
- Earns \$40,000/year
- Saves 10% in 401(k) + employer match (3%)
- 10% annual rate of return
- Current balance is \$50,000

At age 67: \$850,000

- Age 45
- Earns \$40,000/year
- Saves 10% in 401(k) + employer match (3%)
- 10% annual rate of return
- Current balance is \$50,000

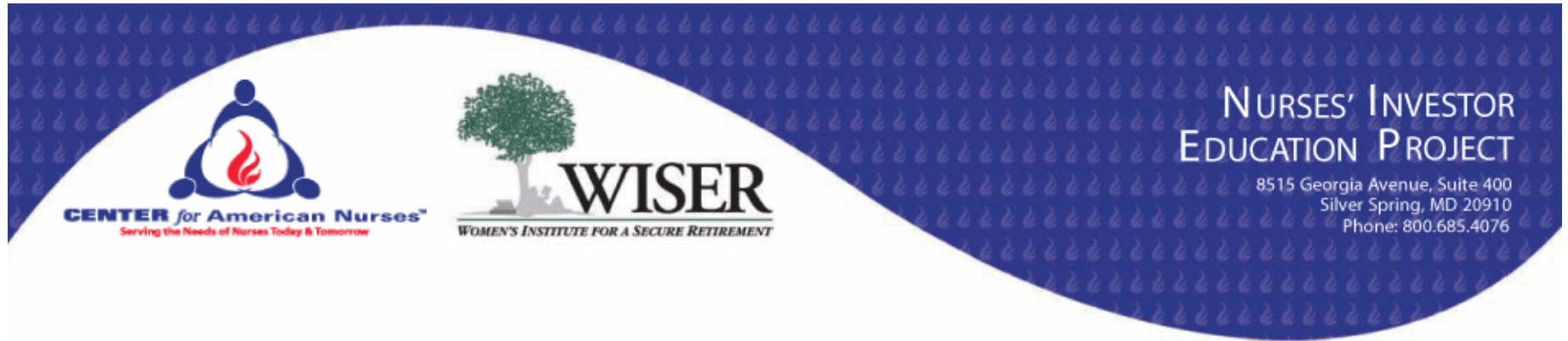
At age 70: \$1.2 million



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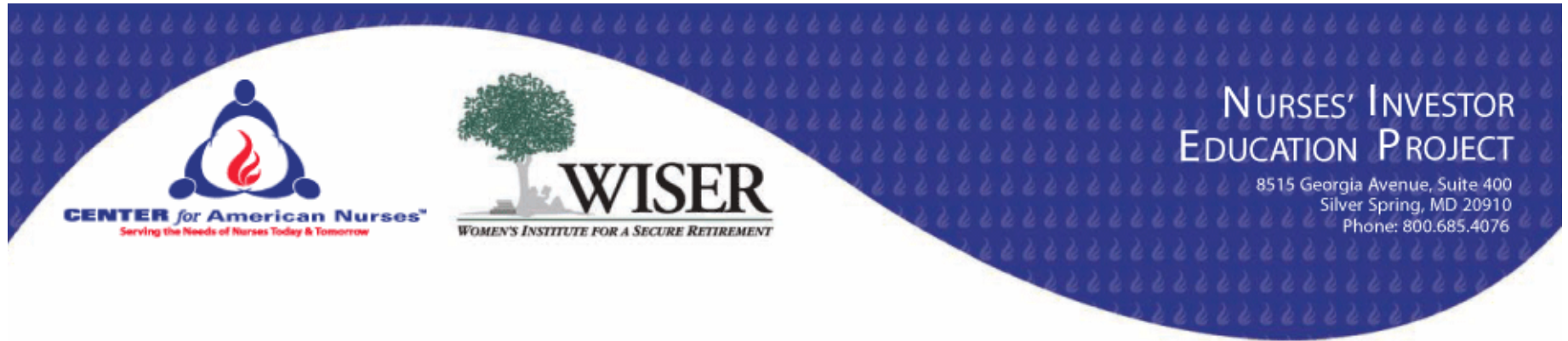
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SOCIAL SECURITY



Count on Social Security

- First line of defense for millions of women
- Provides foundation of economic security for individuals and families nationwide
- Adjustments will allow Social Security to continue paying benefits



When you are eligible

- Between 65-67 for those born 1938-1950
- Age 67 for those born after 1960
- Age 62 if you take early retirement
 - 30% loss of benefit
- Age 60 if widowed (and not remarried)



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Benefits of retiring later

45 year old who earns \$40,000/year

Retirement age	Monthly Social Security benefit*
62 (early retirement)	\$994
66 (normal retirement)	\$1,350
70 (latest)	\$1,828

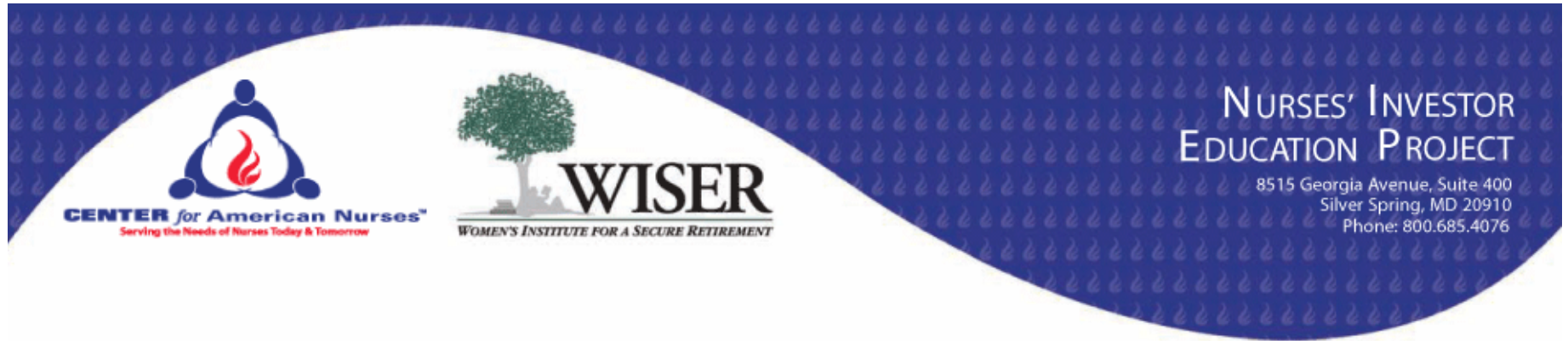
*Benefits are in today's dollars. Quick calculator on www.ssa.gov.



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PENSIONS AND RETIREMENT PLANS



Retirement plans at work

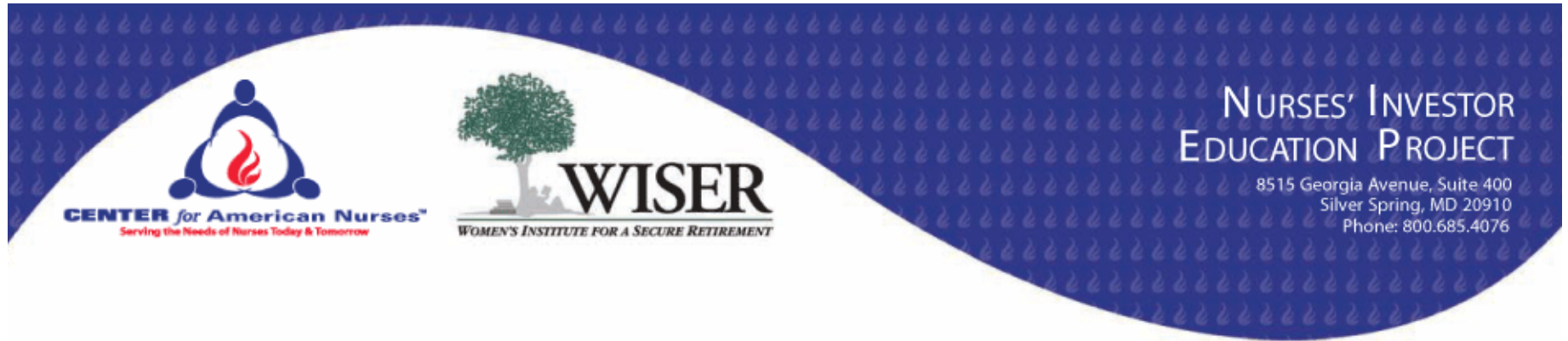
Important: understand the types available ,
and the rules for how they work

- Defined benefit plan
 - Traditional pension plan
- Defined contribution plan
 - Savings plan, like a 401(k), 403(b), 457, Thrift Savings Plan



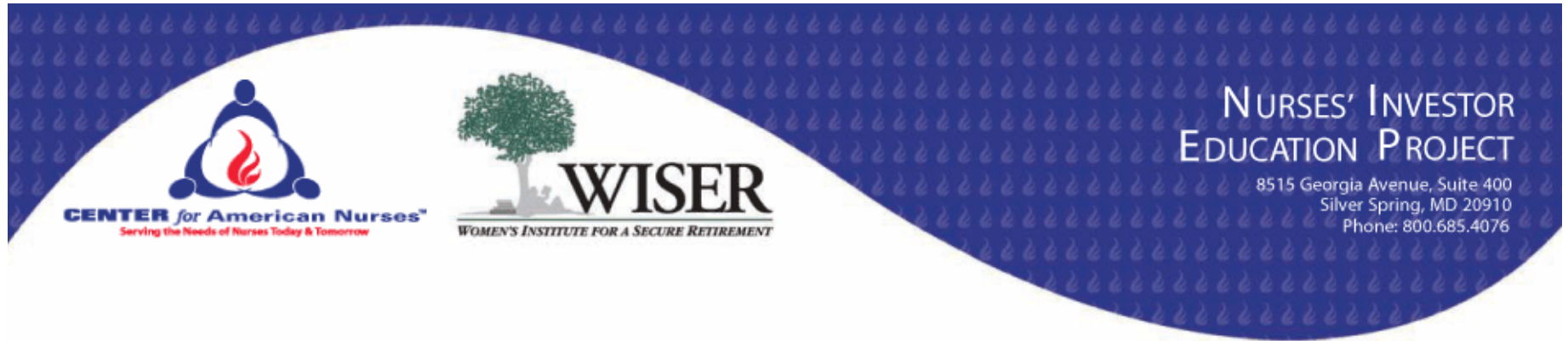
Defined benefit plan

- Employer does the work
 - Funds the plan
 - Selects the administrator who makes the investment decisions
- Backed (to a limit) by federal insurance
- Employee receives a specific benefit amount every month following retirement
 - Based generally on years of service and final salary



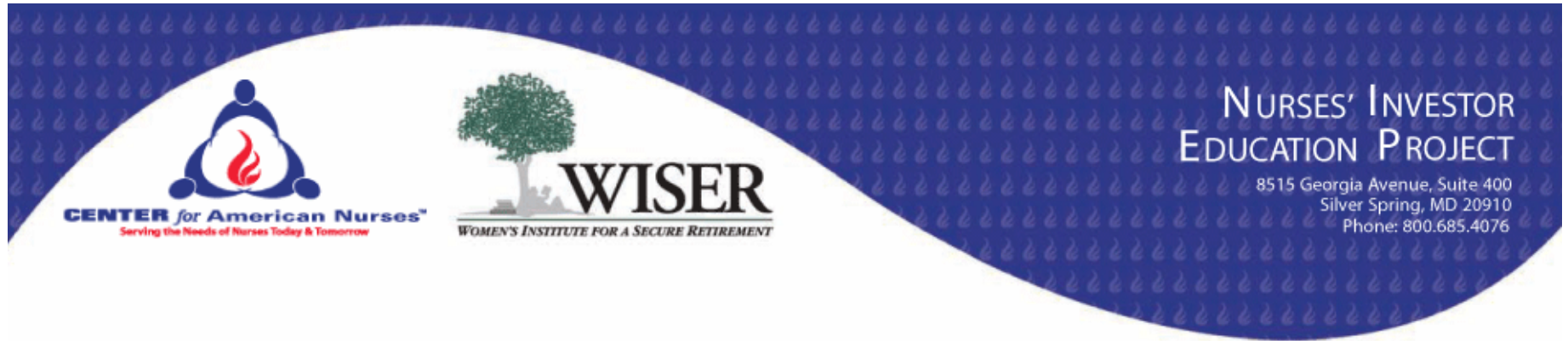
Questions to ask yourself

- Have you earned a pension?
- Do you know how much it will be?
- Do you know what happens if you change jobs?
- Do you know what happens if you retire early?



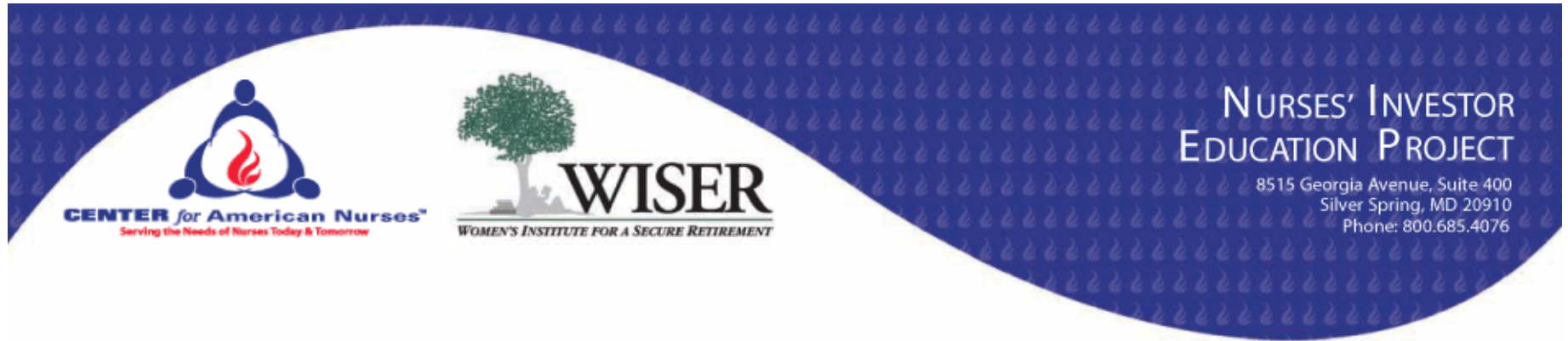
Poll: Are you covered by a defined benefit pension plan?

1. Yes
2. No
3. Not sure



Pensions in divorce

- Under all state laws, a pension earned during marriage is a joint asset
 - It is NOT automatically divided
- You must specifically ask for a share of the pension at the time of divorce
- Special court order stating your right to a portion of your ex's pension to be submitted to the retirement plan
 - “Qualified Domestic Relations Order” (QDRO)



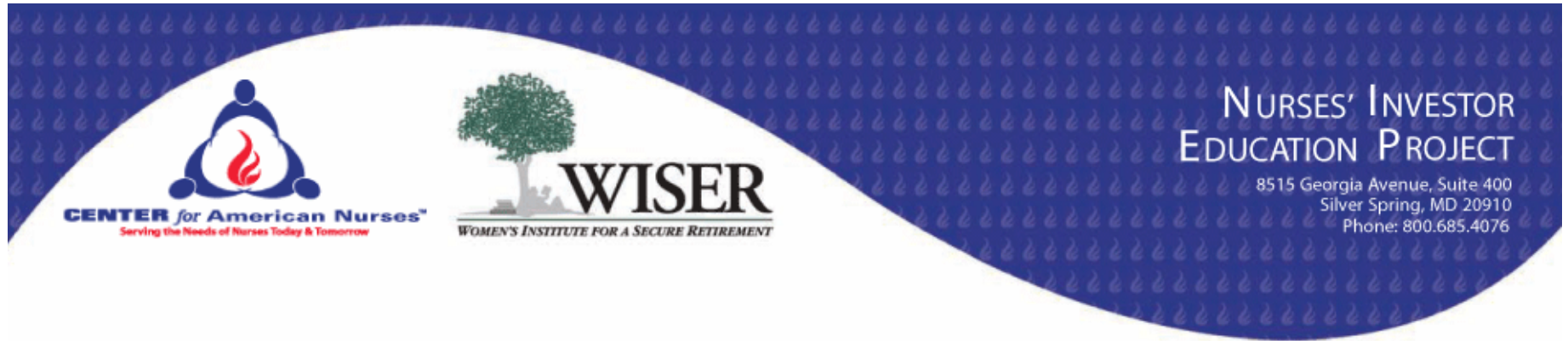
Pensions in divorce

- Check to see if your spouse has more than one pension
- Find out what your spouse has earned from each pension
- You may want to have the benefits valued by a pension actuary or accountant
- Include survivor benefits in the pension court order



Defined contribution plans





How they work

- You decide:
 - Whether to join the plan
 - How much to contribute (may be matched by employer)
 - Commonly 50¢ on every \$1 you contribute, up to 6% of your pay
 - How to invest
- No guarantees
- You can contribute up to \$16,500 for 2009
 - Plus \$5,500 if age 50 or older

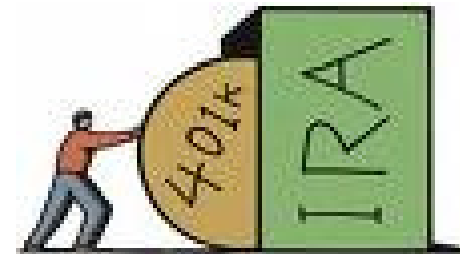


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If you leave your job

- Stay long enough to earn the match!
- Avoid tax penalty by rolling your balance into another employer plan or IRA

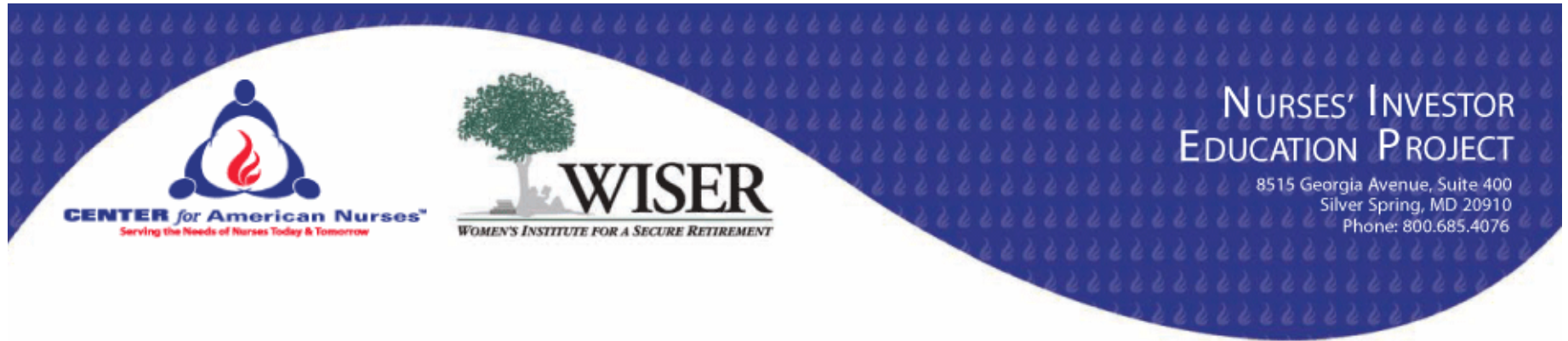




Preserve savings for retirement

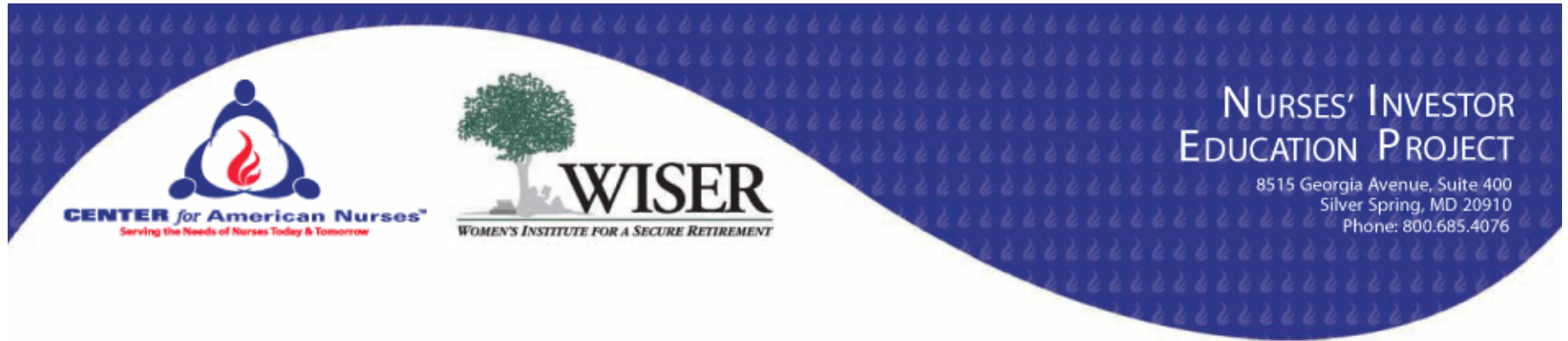
- A job change gives you the chance to cash out
- “Cashing out” has two consequences
 1. Makes it harder to afford to retire
 2. Likely to pay income taxes and penalties

As frequent job changers, nurses are more susceptible to spending retirement assets



Be WISER

- Learn the rules
 - Check your plan document and talk to HR or plan administrator
- Avoid withdrawals
- Understand risks before you take a loan
 - Lose growth while the money is out of the plan
 - Loans must be paid back if you leave your employer
 - If you must take one, set a payback plan



Survivor benefits

- Traditional defined benefit pension plans
 - The survivor benefit can only be given up with your written permission
- Defined contribution plans
 - If your spouse dies before receiving benefits, you are assumed to be the beneficiary
 - If spouse wants to select another beneficiary, you must consent in writing



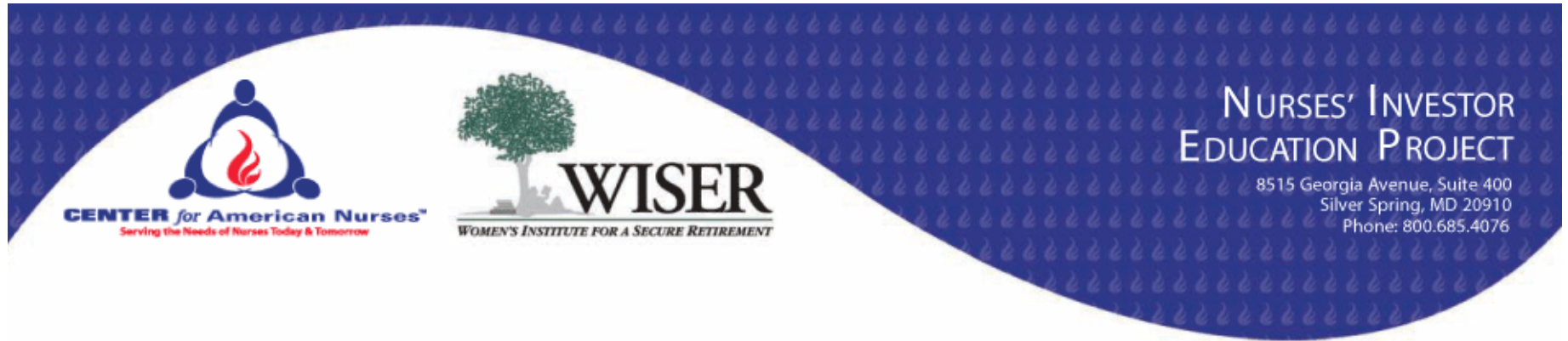
If you're self-employed

- Self Employed Pension (SEP)
 - An IRA for self employed and small businesses
 - You can contribute up to 25% of compensation
 - Maximum for 2009 is \$49,000
 - Administrative costs are low
 - A bank, mutual fund or credit union will set it up
 - One short form available from the IRS



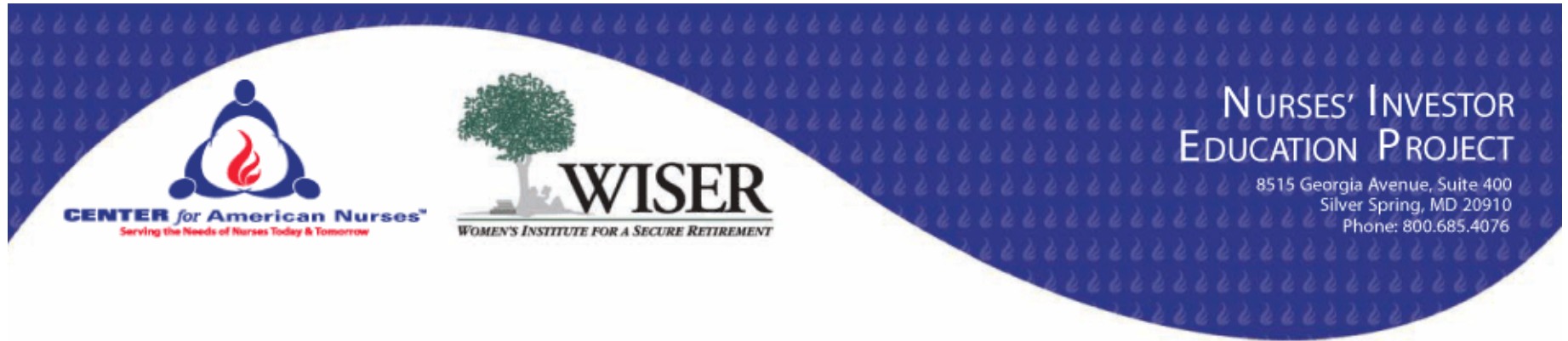
Individual retirement accounts





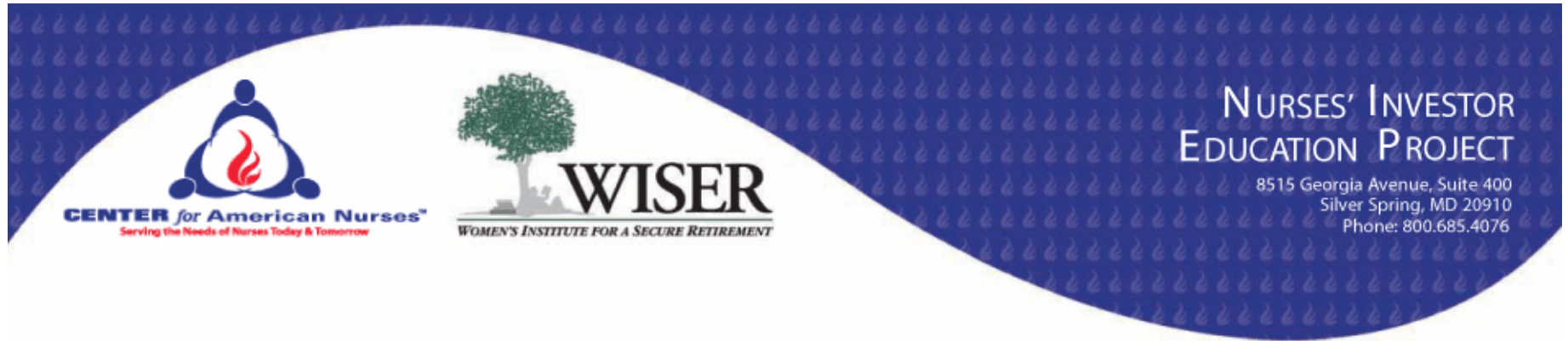
Roth IRA

- After-tax
- Open one through bank or other financial institution
- Income limits phase out eligibility
 - Limit is \$176,000 for couples and \$120,000 for individuals (2009)
- Pay no tax on gains when you withdraw them at retirement
 - In 2009, you can contribute up to \$5,000 annually
 - \$6,000 if you are over 50



Traditional IRA

- Pretax contributions
 - Same contribution limits as a Roth IRA, but no income limit
- Pay tax on contributions and earnings at withdrawal
- Tax penalty if you take money out before age 59½
- Studies show a Roth IRA is typically the better bet if you qualify



Review

- How to set a retirement financial goal
- Do the math at www.360financialliteracy.org
- Options for shortfalls
- Work-based retirement plans
- Options outside of work



Thank you!

- Join us November 13 at 2 pm Eastern for the *Busy Nurse's Guide to Making Your Money Last as Long as You Do*
- Coming soon: 5-minute financial planning podcasts!



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WHAT ARE YOUR QUESTIONS?