KPERS

Kansas Public Employees Retirement System

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Mid-Career *Strategies*

Building
for your
Future

Kansas Public Employees Retirement System

Building a strong tomorrow begins with careful planning today!

With only 10-15 years until retirement, now is the time to begin breaking ground on your retirement savings plan if you haven't already. Have you been a dutiful saver throughout your career or someone who's just never gotten around to it? Either way, reviewing your current situation and setting goals is essential to being prepared for retirement.

Inventory your current retirement resources.

Before you can create or adjust your savings plan for the upcoming years, you need to determine where you are now and what resources you will have during retirement.

For a balanced, stable retirement income, most financial experts suggest three sources of income – Social Security, pension benefits, and personal savings and investments – commonly known as the "three-legged stool" theory.

Each year the Social Security Administration sends you a Social Security statement, giving you an estimate of the benefit amounts you may qualify for in the future. If you don't have yours, call (800) 772-1213. SSA also offers an online benefits planner (www.ssa.gov/planners/calculators.htm) where you can calculate your estimated retirement benefit.

In addition to Social Security, your KPERS pension benefit will be an important source of retirement income. As a retired member, you will receive a monthly benefit for the rest of your life, guaranteed. You can use the benefit calculator on KPERS Web site (www.kpers.org) to estimate your retirement benefits. Having your most recent KPERS annual statement in hand will make it easier. On average your KPERS benefit plus Social Security will replace 70 percent of your working income if you remain in KPERS 30 years. However, many participants may not have been members for this length of time.

While a crucial part of retirement income, KPERS benefits are just that – a part. The plan was designed to supplement Social Security and personal savings. As the baby-boomer generation nears retirement age and places a greater demand on Social Security and the Medicare system, there is significant debate about how the needs of retirees should be met in the future. This leaves the "third leg" of the retirement stool with even greater importance.

Review your current personal savings and investments. Many resources can help you calculate their worth by the time you retire.

These two Web sites are good starting points:

- www.choosetosave.org
- www.asec.org

By adding your estimated Social Security and KPERS benefits with your personal savings and investments, you should have a good idea of how much money you will have to fund your retirement.

Evaluate your current savings architecture.

Now you know how much you will have, but will it be enough?

To estimate what your expenses in retirement will be, look at the expenses you have now. Many of them won't change from your current budget. Because of age and retirement, some expenses may increase while others will decrease.

Take into consideration:
- housing and utilities
- auto/transportation
- any debt repayment other than mortgage or car loan
- food
- personal items
- health insurance and medical expenses
- other insurance like home or auto
- travel and recreation

Unfortunately, prices won't stay the same from now until you retire. Inflation affects us all by increasing the amount of money it takes to keep pace with rising prices. In setting your long range goals, it's helpful to realize you may need more money each year just to stay even. Inflation has increased prices an average of three percent per year for the past decade. Also, keep in mind, people are living longer, which adds to your total lifetime income needs.

Total your estimated expenses, factoring in when you'll retire, how long you think you'll live, and inflation. Subtract the estimated retirement income you calculated earlier. The Web sites mentioned earlier can help with this.

If your expenses out-weigh your income, you have an income gap. If such a gap exists, don't lose hope. You still have time to increase your retirement income with careful planning.

Construct a retirement foundation that appreciates in value.

As a KPERS member, there are some strategies you can use to increase your retirement income.

Get the most out of your pension.
One strategy is to purchase additional service credit. Service credit is a major factor in figuring your KPERS benefit. You earn credit for the years you've been with any employer participating in KPERS, and you can receive or purchase other types of public service credit.

Increasing your years of service credit increases your benefit amount and may allow you to retire sooner. Some types of service you can purchase include forfeited service, military service, out-of-state teaching and numerous others. You can purchase it by payroll deduction, lump sum, or a rollover or trustee-to-trustee transfer from another retirement plan like a 457(b), 403(a) or an individual retirement account.

Save more before taxes.
Max out your contributions to tax-sheltered savings plans like 457 deferred compensation plans, 403(b) annuities or individual retirement accounts. State of Kansas employees can participate in its 457 plan. Many local governments provide similar plans. Also, most school districts offer 403(b) annuities. Contributing to a plan does not affect your KPERS retirement benefit.

If you haven't participated, start. If you've been saving this way already, increase the amount you have withheld to the maximum amount allowed. Employees 50 and older can save additional money with catch-up provisions because of new tax laws. Saving this way, your taxes will be lower, and automatic deductions make it easy.

Still think you'll fall short of your retirement goal? There's another option: working longer. It's a choice more and more employees are considering. Even working a few more years can make a big difference.

Be sure your savings strategies are up-to-code.

Take the time to repeat this review every couple of years or every year as you near retirement. Any number of factors might change – from the size of your salary, to the rate of return on your investments, to a major life event. These and other factors will affect the amount you can save and the best way for you to do it.

The bottom line is, after your review, make a plan, set goals for yourself and begin building. The sooner you take action, the better. Make saving a high priority. Retirement will get here faster than you think.

Retirement Planning Internet Resources

- KPERS: www.kpers.org
- Social Security Administration: www.ssa.gov
- Employee Benefit Research Institute's Choose to Save Education Program: www.choosetosave.org
- American Savings Educational Council: www.asec.org