403b NEWS

A quarterly newsletter for Retirement Plan Participants

Could You Live on $16,848 a Year

It doesn't seem like a lot, but it is the average annual Social Security benefit for all retired workers in 2018. Could you get by on this amount?

Sure, some expenses could be lower once you retire -- your mortgage may be paid off, your children may be financially independent, and you won't have work-related expenses. However, other expenses, such as new hobbies or additional travel, may take their place. And you should anticipate that certain expenses, such as health care, will be more costly as you age. Also, don't forget the potential for inflation and its impact on the cost of food, utilities, and other goods and services.

Social Security Is Only a Safety Net

The reality is that it may not be wise to count only on Social Security. If you want a better quality of life in retirement, you have to take responsibility now and focus on building your own retirement savings. You can use the savings you accumulate while you are working to help make up the difference between what Social Security may provide and what you'll need to live comfortably when you retire.

Harness the Power of Compounding

Contributing to your employer-provided retirement plan is an important first step, but it can also be important to keep increasing the amount you contribute over time. The more you put into your plan, the greater your potential retirement income. Long-term compounding may turn even a small contribution increase into a higher plan balance at retirement.

Facts About Social Security

8%	The amount your benefit grows per year for each year you put off enrolling after full retirement age (up to age 70)
2.8	The number of current workers for each Social Security beneficiary
95%	Percentage of working Americans between age 20 and 49 who have survivors insurance protection for their spouse and children through Social Security
89%	Percentage of workers who are protected in the event of a long-term disability by Social Security
6.2%	Social Security payroll tax on earnings up to $128,400 in 2018 (the employee and the employer each pay this tax)

Source: Social Security Administration, 2018

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Three Things You May Not Know About Your Retirement Plan

Many plan participants may not fully understand all the advantages their employer-provided retirement plans provide. Here are three aspects of your retirement plan that may surprise you.

1. By law, the assets of a retirement plan are held in a trust (or invested in an insurance contract), separate and apart from the assets of the employer sponsoring the plan. Plan assets must be used solely to benefit plan participants and beneficiaries.

2. Your retirement plan assets are portable so that if you change jobs, you won't have to start over. You may have several options for your retirement savings, such as keeping the money in your current plan, moving your savings to another employer's retirement plan or an individual retirement account, or cashing out your plan assets.

3. You can change beneficiaries. If there's a major change in your life, you have the flexibility to add or subtract an individual or individuals from the list of beneficiaries who would receive the assets in your retirement account upon your death.

Employer-provided retirement plans also offer tax benefits, professional investment management, and an automatic payroll contribution feature, all of which can simplify and streamline saving for retirement.

How America Views Retirement Plans
U.S. households hold generally favorable impressions of 401(k) and similar "defined contribution" retirement plans. Among surveyed households with defined contribution plan accounts or individual retirement accounts:

91% agreed that their plans helped them think about the long term, not just their current needs
82% said the tax treatment of their retirement plans was a big incentive to contribute
86% had favorable opinions of their plans
83% were satisfied with their plan's investment options

This table is based on data compiled from American Views on Defined Contribution Plan Saving, 2017, Investment Company Institute, February 2018.

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