



Life Learning with Houston Highway Credit Union

Community Financial Fitness; Adult Retirement Planning
The Way to Build Your Retirement Through Financial Education

RETIREMENT PLANNING INVOLVES

- ▶ REVIEWING OUR SPENDING HABITS
- ▶ REVIEWING OUR GOALS FOR LIFE
- ▶ LEARNING ABOUT RETIREMENT BUDGETS
- ▶ ADJUSTING—MAKING DECISIONS
- ▶ ENJOYING

What Are Our Spending Habits

Look at your Budget Expenses

Expenses	Budget	Actual	Difference
Fixed Regular			
Mortgage/Rent			
Mortgage/Rent Insurance			
Car payment/insurance			
Taxes			
Other Insurances (Health, etc)			
Fixed Irregular			
Utilities			
Savings			
Transportation: Bus/Gas/Parking and Tolls			
Repairs			

My Expenses for My Budget

Other Expenses	Budget	Actual	Difference
Groceries			
Clothing			
Entertainment			
Household, Cleaners			
Health: Fitness			
Personal: Spa, Nails, Hair			
Credit Card Payments			
Medical supplies and co-pays/office			
Dining Out			
Personal Category			
Total of All Expenses			

Expenses
Continued...

My Budgeted Income

Income Source	Budget	Actual	Difference
Job 1			
Job 2			
Other			
Total:			

Budgeting

- ▶ A personal budget is a financial plan that allocates future income toward expenses, savings, and debt repayment. “Where does the money go?” is a common dilemma faced by many individuals and households when it comes to budgeting and money management. Effective money management starts with a goal and a step-by-step plan for saving and spending. In planning for retirement your income may not be the same and yet our expenses may be the same or more depending on some factors, like health, like the place we wish to live and/or travel. So What are your Goals?



Budgeting: what are your goals for retirement?



EDUCATIONAL



SOCIAL



FINANCIAL



FAMILY




HEALTH



RECREATIONAL

Importance/Value of Goals

Choose the two goals from each category that are the most important to you.



Identify each goal as short-term (1-4 weeks), medium-term (2-12 months), or long-term (1 year or longer).

Prioritize your goals



LIST AND PRIORITIZE SIX OF YOUR MOST IMPORTANT GOALS.



AFTER EACH GOAL, IDENTIFY WHAT YOU COULD BE DOING NOW TO WORK TOWARD THE GOAL,



AND WHAT RESOURCES (IF ANY) YOU NEED TO ACHIEVE EACH GOAL.

Goal1 (do this for each goal)

What I can be
doing now to
work toward
this goal:

The resources I
need to
achieve this
goal are:

What Must I Learn About Retirement to Make Decisions About My Goals

Let's See ! Get Your Thoughts Ready About How You Wish To Live in Retirement. CHOOSE WHAT YOUR EXPENSE WILL BE IN EACH CATEGORY.

Retirement Planning: Food and Clothing

- ▶ A retired person/couple spends between 12% and 25% of their total income; average is 18%
- ▶ Determined by 2 factors: how frugal you are when shopping and how often you eat out
- ▶ Other factors to consider: your taste (expensive or not) and entertaining

A	B	C
*eats out frequently *expensive taste *buys new clothes regularly	*occasionally eats out *average taste *buy new clothes occasionally	*never eats out *frugal taste *replaces clothes when needed
25% of income	18% of income	12% of income

Retirement Planning: Housing

- ▶ A retired person/couple spends between 20% and 40% of their total income; average is 32%.
- ▶ Housing cost from: mortgage, insurance, utilities, taxes and maintenance/rent; buy other property.

A	B	C
<ul style="list-style-type: none">*large house*high mortgage payments*high maintenance costs*high utilities	<ul style="list-style-type: none">*medium size house*moving to assisted living*modest mortgage payments	<ul style="list-style-type: none">*move to or has a small house*no mortgage payments*lives with kids
40% of income	32% of income	20% of income

Retirement Planning: Communications

- ▶ A retired person/couple spends between 2% and 8% of their total income; average 5%.
- ▶ This includes landlines, cell, internet and cable/technology expenses.

A	B	C
*Full technology *multiples: phones, tablets, computers with top range plans *unlimited internet *landline	*Basic technology with limited extras *multiples with middle range plans *basic internet *landline	*Basic technology package *basic plans on multiples *no or limited internet *no landline
8% of income	5% of income	2% of income

Retirement Planning: Leisure, Travel and Entertainment

- ▶ A retired person/couple spends between 5% and 15% of their total income; average 8%
- ▶ This is considered discretionary spending and expenses vary dependent upon how frequent you participate in the hobby (boating, golf, etc.) travel (local, overseas, interstate), local: arts/cultural/sporting events

A	B	C
*annual expensive travel *regular local events *expensive hobbies or hobbies done regularly	*annual interstate travel *occasional local events * moderate cost hobbies or hobbies done occasionally	*local vacations *minimal local events *minimal hobbies or none
15% of income	8% of income	5% of income

Retirement Planning: Transportation

- ▶ A person/couple spends between 10% and 25% of their total income; average 17%.
- ▶ This includes the cost of buying, maintaining a vehicle (gas, insurance, repairs), (size of vehicle) along with multiple vehicles or use of public transit/bike etc.

A	B	C
<ul style="list-style-type: none">*multiple vehicles: large/medium*expensive to run*high usage*replace vehicle frequently	<ul style="list-style-type: none">*multiple small vehicles or one large vehicle*moderate usage*replace vehicle occasionally	<ul style="list-style-type: none">*one small or medium vehicle*minimal usage*replace vehicle only when needed*use of public transit/bike
25% of income	17% of income	10% of income

Retirement Planning: Health and Fitness

- ▶ A person/couple spends between 7% and 15% of their total income; average 10%.
- ▶ This includes health insurance premiums, medical services, medication, supplies.

A	B	C
*Poor health *pre-existing conditions *unfit *poor genetics *smoker *retiring before age 65	*some minor health *moderately fit *minor genetic issues *slightly overweight *retiring after age 65	*excellent health *extremely fit *no genetic issues *non-smoker *retiring after age 65 *retired military
15% of income	10% of income	7% of income

Retirement Planning: Gifts and Donations

- ▶ A person/couple spends between 2% and 15% of their total income; average 5%.
- ▶ This includes gift giving to children, grandchildren, donations to church, charities, organizations and the number of family you give and how regularly you give.

A	B	C
*large family in number *substantial gifts to family *substantial contributions	*average family in number *average amount gifted to family *average contributions	*small family in number *modest amount gifted to family *modest contributions
15% of income	5% of income	2% of income

Retirement Planning Overview

- ▶ Housing: Men are likely to say they will spend very little on clothing while women are more likely to continue to spend as much as they do prior to retirement. Food and Clothing: as regional variations. Gifts and Donations: category with the widest variation in expenditures, it is your discretion. Transportation: this category can overlap with leisure, travel and entertainment where vehicles are used in local/interstate travel. Health and Fitness: it is hard to predict how our health will be in retirement; it does not usually get better. Leisure, Travel and Entertainment: this is the fun part of retirement; usually the healthier you are the more you spend in this category. Communications: this category is increasing cost.

Retirement Planning Income

- ▶ This includes all sources of income: cash, retirement pensions, social security, dividends, 401K distributions, IRA distributions, savings withdrawal, etc. Typically, one is encouraged to live on 80% of their working (before retirement) income. Anyone under age 40 with no or limited retirement savings still has time to save but each year after 40 it becomes more difficult to retire at the lifestyle one is accustomed. You want to consider your lifestyle choices including savings as well as taxes.

Retirement Planning Desired Lifestyle

- ▶ When progressing through the 7 sections in retirement your percentages do not have to add up to 100. Be honest with yourself as you go through each category; consider having an optimal and realistic and maybe the bare minimum you can live with lifestyle number. Based on your lifestyle number how much income do you need to have for an optimal, realistic or bare minimum retirement. How long will you have to work in order to have that income? Are you saving enough now or what do you need to do to change—save more, change spending now? “Four out of five Americans are not adequately prepared to meet their retirement needs” (Aon Hewitt Consulting) and “49% say they are not contributing to any retirement plan” (LIMRA).

- ▶ Income for the Year: \$48,000
- ▶ Income for Retirement Use (80% of \$48,000=38,400)= \$3,200 per month
- ▶ Expenditures for Retirement: (get the percentage for the category from the information given in the previous slides)
- ▶ Housing: lifestyle percentage 32% x 38,400 = 12,288 ÷ 12 = monthly of \$1024
- ▶ Food and Clothing: lifestyle percentage 18% x 38,400 = 6,912 ÷ 12 = monthly of \$576
- ▶ Gifts and Donations: lifestyle percentage .02% x 38,400 = 768 ÷ 12 = monthly of \$64
- ▶ Transportation: lifestyle percentage 17% x 38,400 = 6528 ÷ 12 = monthly of \$544
- ▶ Health and Fitness: lifestyle percentage .15% x 38,400 = 5760 ÷ 12 = monthly of \$480
- ▶ Leisure, Travel and Entertainment: lifestyle percentage .08% x 38,400 = \$3072 ÷ 12 = monthly of \$256.
- ▶ Communications: lifestyle percentage .05% x 38,400 = 1920 ÷ 12 = monthly of \$160
- ▶ Add the monthly expenditure areas: \$3104
- ▶ Subtract the monthly expenditure total \$3104 from the Retirement Use Income (80%) \$3200 to get your emergency money each month= \$96. Are you over? Under or none available.
- ▶ Money left for emergencies from expenditures \$96 x 12 = \$1152 yearly emergency money and add the 20% left from total income \$48,000 - \$38,400 = \$9600 to get your total emergency money and taxes for the year: \$10,072.

A RETIREMENT BUDGET EXAMPLE (lifestyle percentages come from the A, B, C boxes)

- ▶ Income for the Year: _____
- ▶ Income for Retirement Use (80% of Income for the Year): _____ per month
- ▶ Expenditures for Retirement: (get the percentage for the category from the information given in the previous slides)
- ▶ Housing: lifestyle percentage ____ x 80% = ____ ÷ 12 = monthly of _____
- ▶ Food and Clothing: lifestyle percentage _____ x 80% = _____ ÷ 12 = monthly of _____
- ▶ Gifts and Donations: lifestyle percentage _____ x 80% = _____ ÷ 12 = monthly of _____
- ▶ Transportation: lifestyle percentage _____ x 80% = _____ ÷ 12 = monthly of _____
- ▶ Health and Fitness: lifestyle percentage _____ x 80% = _____ ÷ 12 = monthly of _____
- ▶ Leisure, Travel and Entertainment: lifestyle percentage _____ x 80% = _____ ÷ 12 = monthly of _____.
- ▶ Communications: lifestyle percentage _____ x 80% = _____ ÷ 12 = monthly of _____
- ▶ Add the monthly expenditure areas: _____
- ▶ Subtract the monthly expenditure total _____ from the Retirement Use Income (80%) _____ to get your emergency money each month = _____. Are you over? Under or none available.
- ▶ Money left for emergencies from expenditures _____ x 12 = _____ yearly emergency money and add the 20% left from total income _____ to get your total emergency money for the year: _____.

A RETIREMENT BUDGET (lifestyle percentages come from the A, B, C boxes)

After working with your goals and budget



After you've completed your planning, try to stick to your budget for one month.



At the end of the month, record your actual income and your actual expenses.



Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

Decisions: Be Aware

- ▶ Decisions, decisions. With so many choices available to us, how can we be sure we're making the right decision? Wise retirement planning starts with a plan. Using a systematic strategy will provide you with an ability to make your desired lifestyle happen. Learn and compare before you decide.

Making Decisions



What are you trying to decide?



Identify the issue (s)



What are the options?
Alternatives?



What are the consequences of each?



What is the best course of action for each?



How will you evaluate the outcome (s)?

Strategies for Decision Making Consider

What have you used before?

How well did they work?

What were the issues when using them... i.e.... barriers and/or strengths?

What influences you to use your strategies?

Option

- ▶ Retirement is the withdrawal from one's position or occupation or from one's active working life. A person may also semi-retire by reducing work hours. An increasing number of individuals are choosing to put off this point of total retirement, by selecting to exist in the emerging state of pre-retirement.

Retirement is an Important Part of Life

Retirement is one of the most important life events you'll experience, and getting it right takes planning. Making sure you have a comfortable retirement from a personal and financial perspective is a long process that takes years of following a plan and continuous saving. Once you've reached your financial goals, managing your retirement is a continuing process that lasts the rest of your life.



Retirement— Expenditures Must Be Examined at least every year!

As your health changes, lifestyle or income changes, living arrangements change and the cost of life goes up.

HOUSTON HIGHWAY CREDIT UNION HAS MORE FOR YOU...

Want to learn more, just ask... more can be sent to you...

Also we have lessons for in more detail about all types financial aspects.

Financial education is an area that can help you live the life you desire.

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