

# Smart retirement planning

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**Planning for retirement is no easy task.** How much money will you actually need? How long will it need to last? What will be the cost of health insurance? These are just a few of the questions facing those who are preparing to retire.

As an employee who participates in the Public School and Education Employee Retirement Systems of Missouri, you have a head start in planning a successful retirement.

Here are a few tips to get started:

## Become familiar with PEERS/PSRS

The state of Missouri provides a great pension plan for you. You must be aware of eligibility dates, changes to the benefit factor and what might be the best income option for you and your family before you make the decision to retire.

## What are your retirement needs?

What will be your cost for health insurance? Will your home be paid off? Are you making student loan payments for children or grandchildren? Most retirees will need at least 70 to 90 percent of their pre-retirement income. You must have a budget and be able to stick to it. Do not let "wants" (as opposed to needs) detract you from your goals.

## Save as much you can

Your income from PSRS/PEERS will not be enough. It will provide an excellent base; however, you will need savings to enjoy the retirement you deserve. All school district employees are eligible to save in a 403b and a 457 account. They each have a maximum of \$18,000/year plus an additional \$6,000 for those who are 50 and above. Between the two plans, you could potentially save \$48,000/year. Consult with your Reliant advisor to determine which plan—traditional 403b, Roth 403b or 457—is best for your situation. Stick to your plan! It is never too early or too late to start saving.

## Understand the basics of investing

It is not always about how much you make. It is about how much you keep. You must take into account your goals, inflation, your time frame, asset allocation and diversification. Take advantage of free money such as a matching plan on your spouse's 401k or using flexible spending and health savings accounts to reduce taxes and save money on out-of-pocket health expenses. There is no one-size-fits-all plan when it comes to planning for retirement. It's a good idea to seek professional help.

## Get out of debt

Decreasing debt as much as possible will give you the ability to save more and spend less. Credit card debt typically costs you the most. Start with your highest interest, lowest balance debt. Once it is paid off, apply that money to the next one. You won't miss that money because you have already been



paying it on the previous debt. Continue the process until you are debt free.

## Don't touch your retirement savings ever!

Taking withdrawals or loans prior to retirement against your retirement savings is a bad idea. You will lose principal and future growth on that money. You may also have to pay steep penalties and taxes. Don't lose track of old retirement plans from previous employers. Roll that money into an IRA that you or a professional can manage.

## Understand your Social Security benefits

Whether you participate in PEERS or PSRS, you may qualify for Social Security benefits. Contact your local social security office to determine how many qualifying quarters you have accumulated. Make sure when you meet with a Social Security officer prior to retirement that he or she is qualified to answer your questions related to how Social Security works with PSRS/PEERS.

## Questions to ask yourself

Have you made sure your basic income needs are covered? Are you saving enough? How long will your pension and investments last? Are you prepared for emergencies outside of your normal budget? Will you be able to maintain your current lifestyle, or are there changes that need to be made? What do you really want to do in retirement, and can you afford those dreams? Do you want to leave anything to your heirs as a legacy?

## Don't do this alone

Work with a qualified financial advisor from your MNEA endorsed Reliant Financial Services. A recent study by Vanguard shows that an advisor will not only provide peace of mind but also may add about three percentage points of value in net portfolio returns over time ❖

If you would like to work with a Reliant Financial advisor, call Sandy Warmund at (816) 460-0401.