

## Supplemental Retirement Plans November 2018

At STRS Ohio, our mission is to partner with our members in helping to build retirement security.

When it comes to making smart choices for your secure future, sooner is better than later. One of the smart choices retired educators indicate wishing they'd known about sooner are supplemental retirement plans.

As we've all experienced, as times change, expenses rise. Having additional savings for retirement isn't just an option it's a necessity. Current projections are that most individuals will need at least 70% of their current income to live comfortably in retirement.

While it's true your STRS Ohio pension may be a substantial part of your retirement income, having additional financial resources — such as a supplemental retirement plan — can improve your financial security. Supplemental retirement plans are voluntary savings accounts. They give you the option to save for retirement on a tax-deferred basis or with tax-free growth. The 457(b) governmental plan and 403(b) plan are retirement savings options sponsored by your employer.

When evaluating the best savings option for your needs, keep these considerations in mind.

- How long until you plan to retire?
- What is your current tax rate and your anticipated tax rate in retirement?
- How will the savings contributions impact your taxable income?
- And, what is your self-discipline in being able to save money?

The earlier you start saving, the more time you give your money to compound and grow. For this reason, it's best to start your retirement planning at the beginning of your career. Starting early also gives you the flexibility to weather unexpected expenses that may at times limit how much you can allocate to your savings.

If you're beyond the start of your career, rest assured that it's never too late to start saving! Some retirement savings plans even have higher contribution limits at age 50 or older — also known as "catch-up" contributions.

The answer to the question of how much to save is not a one-size-fits-all. The answer depends on you!

Figuring out the right amount of retirement savings is primarily dependent on the kind of retirement lifestyle you see for yourself. When you're thinking about retirement savings, there are two other very important factors to include in your planning. One important factor is health care. These costs continue to escalate nationwide. In addition to including health care premiums in your retirement budgeting, make sure you include out-of-pocket expenses related to deductibles, coinsurance and prescription drugs. Secondly, make sure to plan for longevity. Although hard to predict, your potential number of years in retirement can significantly impact your savings.

Here are three key steps to start your path to financial security in retirement.

STEP 1: Enroll in a supplemental retirement plan.

STEP 2: Establish your short-term and long-term financial goals.

STEP 3: Define your retirement wish list.

Don't let unanswered questions hold you back from getting started. You don't have to be a financial planning expert to do this. There are resources to help! Consider consulting a tax or investment professional for assistance in picking the plan to best fit your needs.

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If you're specifically interested in the 457(b) governmental plan contact Ohio Deferred Compensation. If it's a 403(b) plan that appeals to you, ask your employer for further details.

We encourage you to explore smart choices, such as supplemental retirement plans, that can better position you for a financially secure future!