LIVE SMART, SAVE SMART

Planning your financial health at every stage of life

Wyoming™

RETIREMENT SYSTEM

Agenda

- Live Smart, Save Smart
  - What can a budget do for you?
- Budget Smart
- Live Smart
  - Generation Y
  - Generation X
  - Baby Boomers
- Save Smart

This presentation is intended for education purposes only and does not represent investment advice. This is an educational tool to help you make informed financial decisions. It does not advise or recommend specific investments or investment strategies.

Live Smart, Save Smart

- 26% of American workers report that they have less than $1,000 in savings.[1]
- 45% report that the total value of their household savings is less than $25,000.[1]
- In 2007, household liabilities were 138% of household disposable income.[2]
- **Don't let this be you: you *can* master your money.**

1 "The 2018 Retirement Confidence Survey," Employee Benefits Research Institute; March 2018

2 U.S. Federal Reserve, McKinsey Global Institute analysis

"Money makes a good servant, but a bad master."
– Francis Bacon

Live Smart, Save Smart

- What can a budget do for you?
  - Budgeting: Deciding how you're going to spend your money before you spend it
    - Identify areas of excess spending
    - Plan for future expenses
    - Reduce risk of the unknown
    - Relieve guilt over spending
    - Provide peace of mind about the future
    - Empower you to be accountable for your life choices

"Money is one of the most powerful motivators of human behavior. It affects the level of happiness, peace of mind, harmony of relationship within our family, and quality of life we experience over time…As you take control of your financial future, you will notice that you feel like you have more control in other areas of your life, too."

- *Controlling Your Financial Future* by Betty Meredith, CFA, CFP, CRC; Discover Learning, © 1999

"Budget: a mathematical confirmation of your suspicions." – A.A. Latimer

Budget Smart

- How to approach budgeting
  - Do it for you!
  - Make yourself accountable.
  - Establish small steps that you can make into habits.

“Being successful with your money is not a function of how much you have, but rather how well you use it to support your personal values, priorities and needs.”

- *Controlling Your Financial Future* by Betty Meredith, CFA, CFP, CRC; Discover Learning, © 1999

Budget Smart

- Step 1: Budget goals
  - Short-term savings
  - Long-term savings
  - Allocate spending where you really want to spend!
- Step 2: Income and expenses
  - List essential expenses (needs)
  - Track discretionary expenses (wants)
  - List all income sources
- Step 3: Create budget based on goals
- Step 4: Put into action!

Budget Smart

- Resources- Books
  - *Controlling Your Financial Future* by Betty Meredith, CFA, CFP, CRC; Discover Learning, © 1999
  - *The Total Money Makeover* by Dave Ramsey, published by Thomas Nelson, Inc., © 2009
  - *The Everything Budgeting Book* by Tere Drenth © 2003 Adams Media

These resources are intended to help you get started and don't represent a complete list. You may find a variety of resources can be helpful. The opinions presented in these books are solely those of the authors.

"A penny saved is a penny earned." – Benjamin Franklin

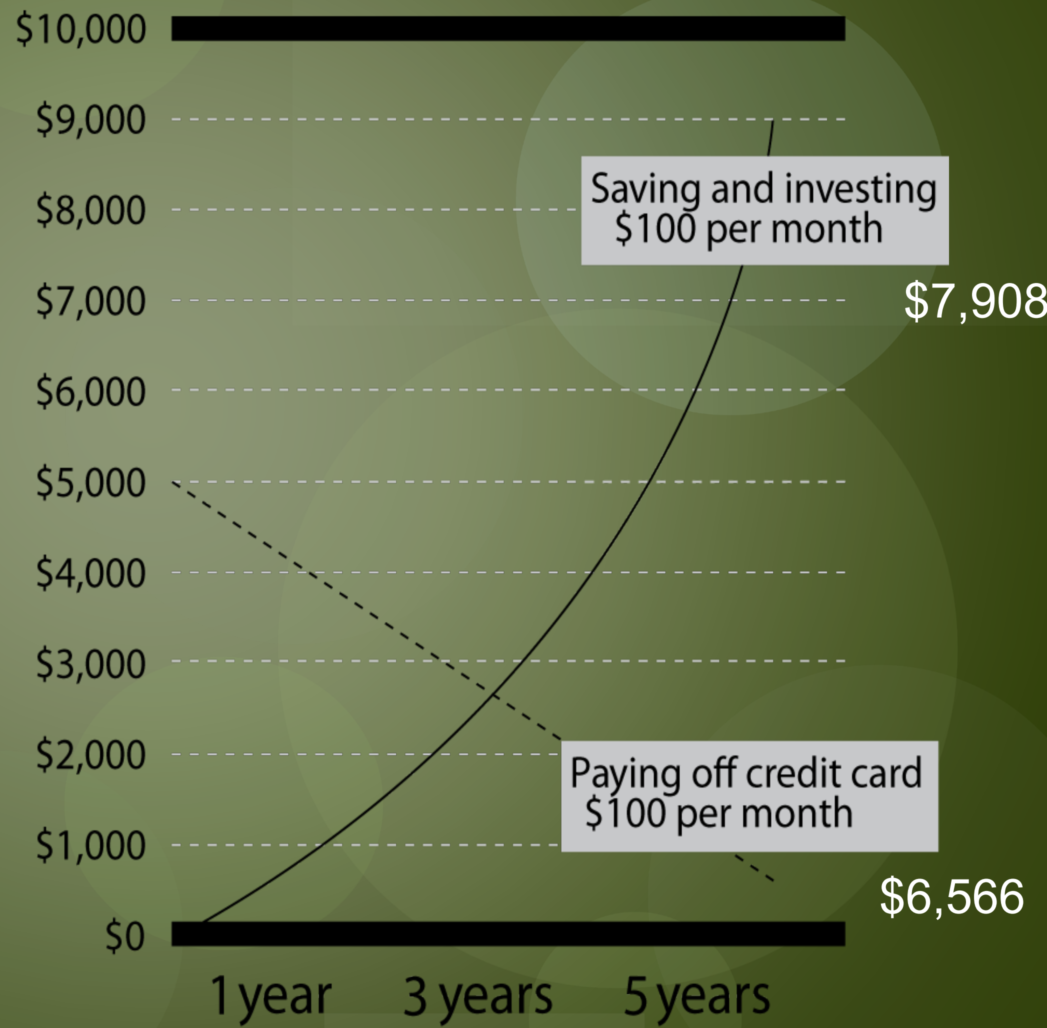
Budget Smart

- Free Budgeting Resources- Online and Software
  - Kiplinger offers a very simple, free budgeting worksheet, a good place to get started: http://www.kiplinger.com/tools/budget/
  - Vertex42.com offers a variety of free Excel templates to help you manage your finances: www.vertex42.com
  - You can also purchase online software to help you track and manage your expenses.
- WRS Live Smart Budget Expense sheets

These resources are intended to help you get started and don't represent a complete list. You may find a variety of resources can be helpful.

Budget Smart

- Debt
  - May be necessary (i.e. tax-deductible mortgage, building credit)
  - Can be very, very bad (i.e. high-interest consumer debt)



Source: Arnerich Massena, Inc.

Budget Smart

- Make a plan to pay off debt
  - Negotiate interest rates
  - Decide which credit cards to pay off first
  - Stop using credit cards
- Hold yourself accountable!

"We can afford to retire in 20 years, but only if our credit cards retire in 10 years."

Budget smart

- Action plan: why have one?
  - Provides a framework
  - Written goals help you stay motivated and stick to the plan
  - Helps you prioritize and break down your financial plan into manageable steps

"…a study of Harvard graduates found that after two years, the 3 percent who had written goals achieved more financially than the other 97 percent combined!"

-The Total Money Makeover by Dave Ramsey, © 2007 Thomas Nelson

Budget smart

- Sample Action plan

Budget	Reduce debt	Short-term savings	Long-term savings
Track expenses for a month	List cards, debt, and interest rates	Open a short-term savings account	Calculate a retirement savings goal
Create spreadsheet of income and expenses	Plan which cards to pay off first	Set up direct deposit to this account	Adjust monthly contributions based on calculations
Balance checkbook online or on paper	Set up online payments of credit cards	Review disability insurance	Review life insurance

Live Smart

Generation	Life stage	Particular challenges
Generation Y New Boomers Millenials Ages 18-32	Getting started in a career Paying off student loans Saving for home, car, etc.	Getting started in a difficult economy Dealing with a debt culture Navigating consumer gimmicks
Generation X Ages 33-44	Protection from risk Saving for retirement Raising children	Establishing new lifestyle models New generation of complexity in financial products
Baby Boomers Ages 45+	Pre-retirement Estate planning	Recovering from recession Changing ideas of retirement

Live Smart- Gen Y (ages 18-32)

- The median credit-card debt of low- and middle-income people aged 18 to 34 is $4,712
- The average college debt for recent grads is more than $32,731 and rising.
- People between the ages of 25 and 34 make up 22.7% of all U.S. bankruptcies (but just 14% of the population at large), according to a recent report.

- "Why Generation Y is broke;" by Emma Johnson, MSN Money; April 22, 2008

- Generation Y, New Boomers, Millenials
  - Facing a more complex economic environment than previous generations
    - Need to become financially educated
    - Need to break out of the culture of debt

"That money talks, I'll not deny, I heard it once: it said, 'Goodbye.'" – Richard Armour

Live Smart- Gen Y (ages 18-32)

- Generation Y Action Plan
  - Focus on short-term savings and paying off debt
  - Begin to establish a safety net
  - Explore alternative lifestyle options
    - Renting
    - Carpooling
  - Start saving for retirement early

"On my 65th birthday, I'm going to lie down in a crop circle and wait for space aliens to abduct me. That's my retirement plan."

Live Smart- Gen Y (ages 18-32)

- Emergency safety net
  - Prevents you from having to use credit when unforeseen events occur
  - Should be a minimum of 3 months' salary (more if you have dependents)
- Where to invest your short-term savings/safety net
  - Savings account or money market deposit account
    - Insured up to $250,000
    - Interest is modest but stable
    - Liquid – easily accessed by writing a check
  - Money Market Mutual Fund
    - Not insured
    - Long-term return higher than a traditional savings account
    - Liquid – daily access

Live Smart- Gen X (ages 33-44)

- Generation X: Blazing a trail
  - "Gen Xers face this harsh reality: The standard of living that most of them have so far managed to achieve falls short of their own parents' standard at the same age. The median income for men now in their 30s, when adjusted for inflation, is 12% lower than what their dads earned three decades earlier, a report by the Economic Mobility Project concluded."
    - - "Debt-squeezed Gen X saves little" by Lynn O'Shaughnessy, *USA Today*; 5/19/2008
  - "The generation [X] is challenged by rising costs of healthcare and education, diminishing defined benefits through employers, and uncertainty around the future of Social Security."
    - - Jonathan Craig, vice president at Charles Schwab
  - Grew up with traditional models of home, family, and career that may no longer work due to new financial pressures

"We thought we were running away from the grown-ups, and now we're the grown-ups." – Margaret Atwood

Live Smart- Gen X (ages 33-44)

- Protection from risk
  - Homeowners' or renters' insurance
  - Life insurance
  - Disability insurance
  - Long-term care insurance
  - Safety net to cover deductibles, unforeseen events, unemployment

"I'm not 40; I'm eighteen with 22 years experience."
-Author Unknown

Live Smart- Gen X (ages 33-44)

- Prepare for future
  - Focus on retirement savings
  - Calculate a savings goal and find out if you're on track
  - Save as much as you can now

- A balancing act: paying for now and preparing for later
  - Carefully consider contribution to kids' college educations
    - There are alternative options to pay for college, but not for retirement
  - Can you afford to take on college debt?
  - Are student scholarships, loans, and grants an option?
    - There are ways your student can earn or borrow money for college

Live Smart- Gen X (ages 33-44)

- Lifestyle alternatives
  - Home: Renting vs. owning
    - Renting: no maintenance or property taxes
    - Home ownership: "forced savings"
    - Renting allows you to have control over your savings and invest in long-term assets
  - Entertainment
    - Libraries instead of bookstores
    - Potlucks instead of hosted dinner parties
    - "Stay-cations" instead of vacations
    - Board games instead of movies

Live Smart- Gen X (ages 33-44)

- Generation X Action Plan
  - Review your insurance coverage
  - Make sure you have enough short-term savings to cover deductibles/emergencies
  - Focus on increasing your retirement savings
  - Explore ways to reduce spending/reduce debt

Live Smart- Boomers (ages 45+)

- Baby Boomer Generation
  - Facing a retirement crisis
    - Haven't saved enough
    - Had to use retirement savings for other purposes
    - Continue to have debt

"Only 17 percent [of boomers polled] say they are strongly convinced they will be able to live in comfort.
A total of 64 percent said they were either somewhat or very certain they could retire with financial security. But another 36 percent express little or no faith they'll have enough money when their careers end.
Further underscoring the financial squeeze, 1 in 4 boomers still working say they'll never retire. That's about the same number as those who say they have no retirement savings."

2018 EBRI/Greenwalb Retirement Confidence Survey

Live Smart- Boomers (ages 45+)

- Estate planning – important at all ages!
  - Make sure you have a current will.
  - Check your beneficiaries.
  - Assemble your estate planning team.
    - Financial planner
    - Tax advisor
    - Attorney

"I retire on Friday and I haven't saved a dime. Here's your chance to become a legend!"

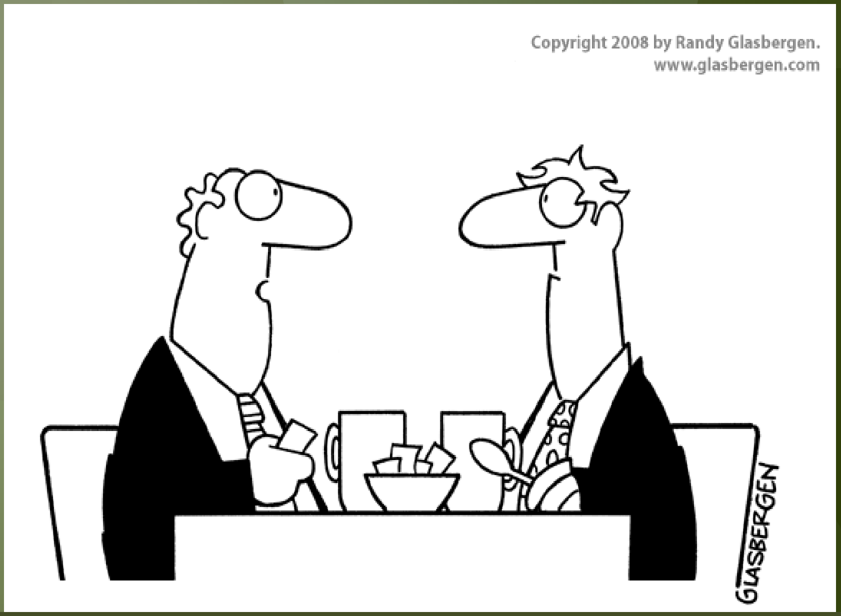
Live Smart- Boomers (ages 45+)

- Planning your retirement income- things to consider
  - When are you planning on retiring?
  - Sources of retirement income
  - Tax planning
    - Consider withdrawing from after-tax accounts first to allow pre-tax investments to grow
  - Estate planning
  - Retirement plan distribution and rollovers
    - Leave in the plan
    - Rollover
    - Lump sum
    - Annuitize
  - Annuities

"The mint makes it first, it is up to you to make it last."
-Evan Esar

Live Smart- Boomers (ages 45+)

- When you can't afford to retire- filling the gap
  - Save more today
    - $400 a month earning 6.5% annually could become more than $28,000 after 5 years!*
  - Delay retirement
    - More years for savings to grow
    - Fewer years drawing from savings
    - Potentially greater Social Security benefit
  - Adjust your retirement lifestyle
    - Reduce or eliminate debt before retiring
    - Work part-time in retirement



"So far I've got $900 saved for my retirement plus 250,000 little packets of sugar, ketchup and crackers."

* Source: Arnerich Massena, Inc.

Live Smart- Boomers (ages 45+)

- Practice retirement
  - Live on your post retirement budget for one to two years before you retire.
    - Find out if you need to make adjustments to your retirement income.
    - Become adjusted to your retirement lifestyle in advance.
    - You can use your extra income to save more for retirement or pay down debt.

"The boomers' biggest impact will be on eliminating the term 'retirement' and inventing a new stage of life... the new career arc." – Rosabeth Moss Kanter

Live Smart- Boomers (ages 45+)

- Baby Boomer Action Plan
  - Review your beneficiary information.
  - Make sure you have a completed will.
  - Hone in on your retirement date.
  - Calculate your retirement income needs and find out where you are.
    - List retirement income sources and find out if there's a gap.
    - Look into retirement distribution options.
    - Begin thinking about ways to fill the gap.
  - Attend a WRS pre-retirement seminar and get an estimate from WRS

"Don't simply retire from something; have something to retire to."
– Harry Emerson Fosdick

Save Smart

- People aren't born knowing how to save and plan a financial future. Everyone has to begin somewhere …
- We all recognize the importance of saving, but finding the self discipline and motivation to start can be a challenge.
- Benefits of saving
  - Security
  - Peace of mind
  - Fulfill your dreams
  - Reach your financial goals
  - Emergency reserves
  - Prepare for your future

"In the old days a man who saved money was a miser; nowadays he's a wonder."
- Author Unknown

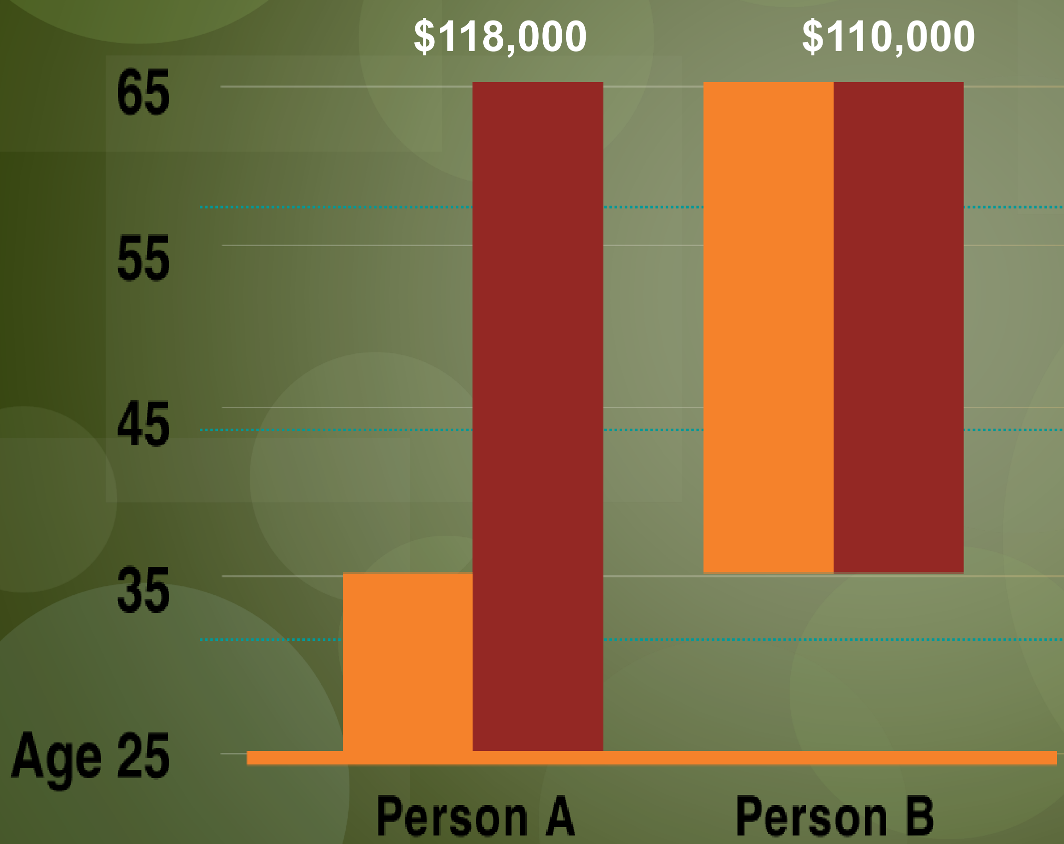
Save Smart

- Long-term retirement saving is a necessity
  - Enroll in the WRS 457 plan if you haven't already
    - Automatic paycheck deductions
    - Tax advantages
    - Investment options
  - Save as much as you can in your retirement savings plan
- You can also choose other retirement savings vehicles
  - IRA
  - 403 (b)
- Short-term:
  - Money Market Deposit Account
  - Money Market Mutual Fund
  - Savings Account

"People are living longer than ever before, a phenomenon undoubtedly made necessary by the 30-year mortgage." –Doug Larson

Save Smart

- The earlier you save, the less you'll need to save



Keep in mind, since returns accumulate over time, time is money! By starting early, you can create surprising results.

- **Contributions**
- **Account Balance**

Saving $100 per month growing at 6.5 percent

Source: Arnerich Massena, Inc.

Save Smart

- Calculate a retirement savings goal!
  - Use the Retirement Goal Calculator on WRS website.
  - Use the Retirement Income Calculator on the WRSDCP website
- Rule-of-Thumb:
  - Starting at age 20: 4-6%
  - Starting at age 30: 7-12%
  - Starting at age 40: 15% or more
    - Source: Arnerich Massena, Inc.

Save Smart

- Ways to trim a budget and find extra dollars to save

Home	Car	Food	Entertainment
Start a home business (like pet-sitting)	Shop auto insurance: netquote.com will compare rates	Clip coupons	Libraries and book exchanges, sell used books
Consign clothing	Carpool	Buy in bulk	Check local papers for free events
Shop thrift and discount stores	Purchase a fuel-efficient vehicle	Take lunch box to work, eat in	Theatre previews and movie matinees
Re-use everything	Ride a bike	Host potlucks	Volunteer
	Telecommute	Plant a garden	

Save Smart

- Every little bit counts
  - With compounding, small amounts can make a huge difference.

Assumes 6.5% annualized return

Source: Arnerich Massena, Inc. This chart is for illustration purposes and does not represent investment advice.

Save Smart

- How do YOU save money?
- Finding tips
  - *365 Ways to Live Cheap: Your Everyday Guide to Saving Money* by Trent Hamm; Adams Media, 2008
  - *573 Ways to Save Money: Save the cost of this book many times over in less than a day!* By Peter and Jennifer Sander; Lyons Press, 2009
  - Feedthepig.org
  - Americasaves.org
  - Choosetosave.org

Save Smart

- Save in your WRS 457 Plan
  - After-tax (Roth 457) contributions
  - Traditional pre-tax contributions
  - Or combination of both

It's your choice!

Save Smart

- Pre-tax or After-tax contributions?
  - **Current, pre-tax, contributions:** Reduce your current tax liability, will be taxed upon distribution
  - **After-tax contributions:** Reduce your future tax liability;
    contributions are made
    after-tax, but qualified
    distributions are income
    tax-free

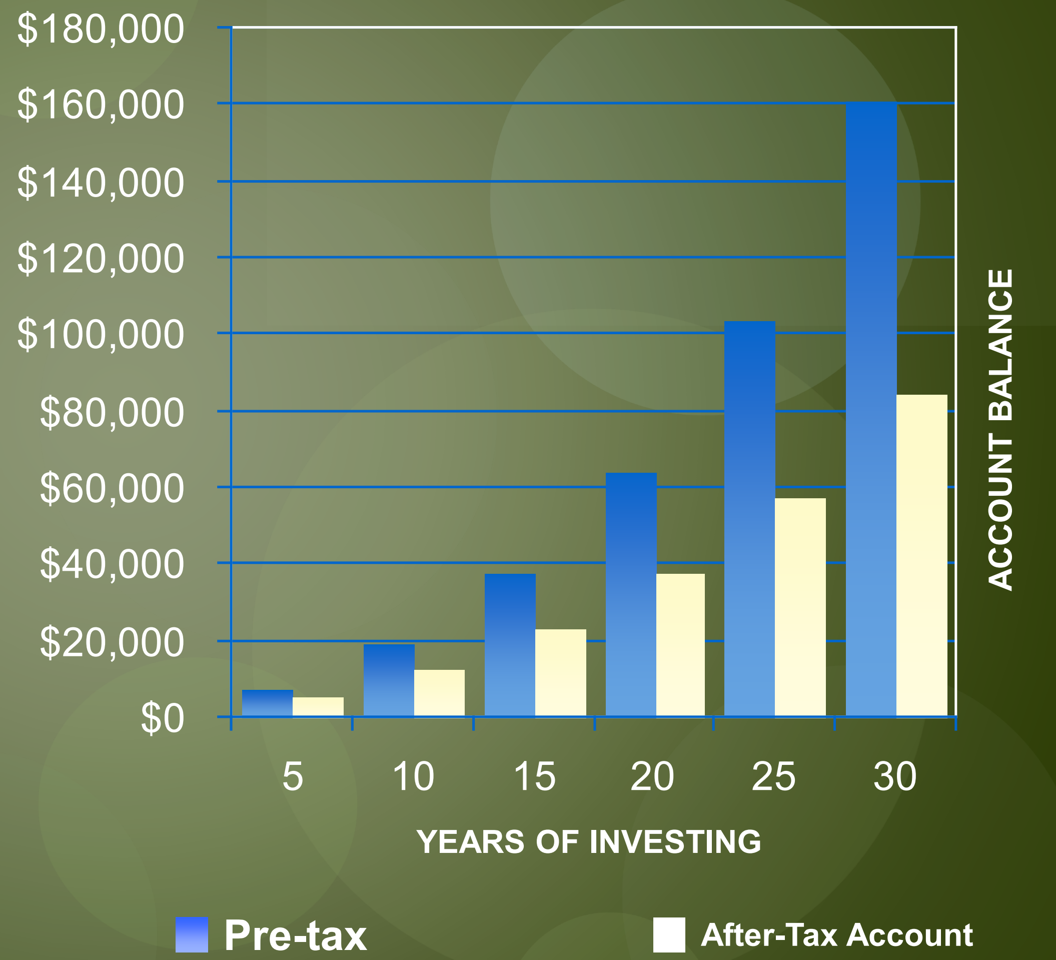
Save Smart

Pre-tax 457 contributions	Roth 457 contributions (after-tax)
Deferring taxes on contributions may allow you to save more today	If you anticipate higher taxes after retirement, a Roth 457 may give you a greater tax advantage
Contributions pre-tax, distributions taxed	Contributions taxed; qualified distributions tax-free
Automatic paycheck deductions	Automatic paycheck deductions
Can begin withdrawing money when you retire or leave your employer	Must have held the account at least 5 years, and if you reached the age of 59 ½, and permanently separated service you can begin withdrawing money tax-free
Required minimum distributions at age 70 ½	Required minimum distributions at age 70 ½

Choose Pre-Tax or After-Tax

Which is best for you?

- Anna starts investing at age 30
- She is in the 28% tax bracket
- She is considering $100 per month pre-tax or $72 per month after-tax
- Increases contributions by 3% each year until age 60
- Earns average annual return of 7%



This example is an illustration only and should not be construed as a guarantee of investment returns. If you invest in the plan, you may lose money. Read the prospectus carefully before you invest.

Save Smart

- Features of a 457
  - Annual contribution limit is $19,000 (additional catch-up contributions of $6,000 for those over 50)
  - Can contribute up to the annual contribution limit regardless of income
  - Required minimum distributions after age 70 ½
  - Roth withdrawals become tax-free after the account has been held for 5 years , and if you reached age 59 ½, and permanently separated service. Pre-tax withdrawals are taxed as ordinary income.

Retire Smart

- Maintaining your financial plan
  - Commit to making it a priority in your life.
  - Continue to write down your goals and action steps.
  - Make time to check in with yourself every month.

"Winning at money is 80 percent behavior and 20 percent head knowledge." – Dave Ramsey

Retire Smart

- Take action!
  - Take advantages of resources available to you
    - Budgeting worksheets
    - Books
    - Online resources
  - Follow your action plan
  - Make a plan to check in with yourself
- Let us know how it's working for you
  - Log onto our Facebook page and let us know how you're doing

"He who is not contented with what he has, would not be contented with what he would like to have."
- Socrates

Need help contacts us!

- WRS Pension Systems

  http://retirement.wyo.gov

- WRS Deferred Compensation Plan

  http://wrsdcp.com

  - Recordkeeper: (800) 701-8255

- Retirement Educators
  - (307) 777-3325
- Seminars
- Questions?