

*Every day we hear of more retirees going back to work, or more retirement-age people who are working longer than they were hoping to. Why? Because many are not prepared for retirement; they have not saved enough money. Are you financially prepared for retirement?*

## How much money do I need for retirement?

This can be an overwhelming question because of the many variables and unknowns. Some of the questions and variables you might consider include:

- How much money will I need on a monthly basis?
- How much money will I need for special situations such as serving missions or traveling?
- For how many years of retirement should I plan?
- What if I need long-term care? How can I plan for it while protecting my family's income?
- What will be the value of money at the time I retire compared to the value of money today?
- What about taxes?
- Given my needs today, how can I possibly save enough money for my retirement, which is several years from now?

Don't be overwhelmed. Let's look at this question logically.

## Consider your expenses

Your current expenses are a good indicator of what your basic retirement expenses will be. Look at your debt. If possible, pay off all your debt by the time you retire.

Now look at your anticipated expenses when you retire. What additional needs will you have? Think about things such as serving missions, hobbies, and travel. Estimate the cost of each of these expenses.

Also think about your possible need for long-term care and investing in long-term care insurance.

## What is your life expectancy?

Currently, our participants are living an average of 25 years after they retire at age 65. Some of your life expectancy is determined by your heredity and some is determined by your lifestyle, which you can control.

So if you retire at age 65, your retirement income will likely need to last for 25 years.

## How should I plan for the future value of money and for taxes?

Plan in today's dollars. Inflation is sure to increase your needs. But your investments can protect you from the impact of inflation.

Future taxes are unknown. All you can do is diversify your investments among taxable income sources, tax-deferred income sources –such as the 401(k) before-tax option, and tax-free income sources – such as the Roth 401(k) after-tax option.

## How can I save enough money?

First you must get started. Deseret Mutual's Thrift Plan is an effective way to save. To begin with, your employer contributes 4% to your account when you contribute 5%. And this is an 80% return on your investment! (Or generally if you were hired after April 1, 2010, 6% will get you 6%, a 100% return on your investment.)

The Thrift Plan also includes many effective tools:

- SMarT, a tool that helps you automatically increase your savings each year
- Preset investment mixes that are based on your personal investment horizon
- Savings options such as the 401(k) before-tax, the Roth 401(k) after-tax, and the standard after-tax
- The Thrift Plan Savings Calculator on our Web site

## So, how much money do I need to save for my retirement?

Look at the following chart to calculate the money you may need to save for retirement. The assumptions are:

- The principle and the interest earned is used as retirement income.
- Inflation is 3% annually; the return on investment is 7% annually.
- Life expectancy after retirement is 25 years.

- These savings amounts do not consider a Social Security benefit or any benefit from a defined benefit plan, such as the Master Retirement Plan.

So how much money do you need? For example, if you are 45 years old and plan to work until you are 65, you have 20 years to save. If you have determined that you need an annual income of \$35,000 in today's dollars, then you need to save, and somehow accumulate in benefits (including pension plans and Social Security), \$1,049,000 by age 65.

Annual After-tax Retirement Income In Current Dollars	5 years to retirement	10 years to retirement	20 years to retirement	30 years to retirement	40 years to retirement
\$25,000	\$470,000	\$548,000	\$737,000	\$978,000	\$1,319,000
\$35,000	\$686,000	\$786,000	\$1,049,000	\$1,420,000	\$1,890,000
\$45,000	\$898,667	\$1,024,000	\$1,360,333	\$1,861,667	\$2,456,500
\$55,000	\$1,114,667	\$1,262,000	\$1,672,333	\$2,303,667	\$3,051,500
\$65,000	\$1,330,667	\$1,500,000	\$1,984,333	\$2,745,667	\$3,632,786
\$75,000	\$1,546,667	\$1,738,000	\$2,296,333	\$3,187,667	\$4,214,071
\$85,000	\$1,762,667	\$1,976,000	\$2,608,333	\$3,629,667	\$4,795,357

## Help me consider my Master Retirement Plan benefit

Use the Master Retirement Plan Calculator on Deseret Mutual's Web site. Multiply your monthly benefit payment by 12 to get your annual payment. Divide this amount by an assumed 7% interest rate.

For example, let's say your monthly benefit payment is to be \$2,000, so your annual payment would be \$24,000. Divide this amount by .07. Your total Master Retirement Plan benefit could be \$342,857.

Using the example above, if you need \$1,049,000 at retirement, then subtract the \$342,857 from the \$1,049,000. And this would tell you how much money you must save. In this case, it would be \$706,143.

You can use this same type of calculation to determine the impact of your Social Security benefit. Find your information on their Web site, at [www.socialsecurity.gov](http://www.socialsecurity.gov).

Now you can go back to the Thrift Plan Savings Calculator to determine what amount you need to save each month in the Thrift Plan.

## Checklist

- Determine your expenses that will continue into retirement. Consider your retirement goals. How much do you need to save?
- Enroll in the Thrift Plan; automatically increase your savings by using SMarT.
- Consider investing in the 401(k) before-tax, Roth 401(k) after-tax, and standard after-tax options.
- Determine your investment options. Use one of our preset mixes to meet your individual needs.
- Consider purchasing long-term care insurance.
- If you need help planning for your retirement, please contact a Deseret Mutual Financial Planner.

### FINANCIAL PLANNING at DESERET MUTUAL BENEFIT ADMINISTRATORS

60 East South Temple STE 260 • Salt Lake City, Utah 84111-1167  
 Telephone 1-801-578-5627 • Toll Free 1-800-777-3622, ext. 5627 • Fax 1-801-578-5933  
[finplanning@dmba.com](mailto:finplanning@dmba.com) • [www.dmba.com](http://www.dmba.com)