MetLife

Retirewise®

A financial education workshop series

Welcome!

Welcome to Retirewise® – an award-winning financial education workshop series. In its 14th year, Retirewise has been offered to more than 2,700[1] companies in all 50 states. Our surveys consistently show that 99%[2] of employees would recommend Retirewise to their colleagues.

Let us help you sort it all out

By attending the Retirewise workshop series, you will learn a lot. Each session builds on one another and takes you through the different stages of financial and retirement planning. From investment basics and budgeting to tax strategies and estate planning, there's something for everyone, regardless of your age or where you are in your career.

At the end of the series, we hope you'll feel:

- More informed about personal finance and retirement planning
- Better prepared to make financial decisions
- Confident, in control, and ready to take action

Get your questions answered

This workbook includes important activities and concepts that are covered in the Retirewise workshops. During the program, you will have the opportunity to ask any questions and hear from your co-workers. You can also sign up for a personal consultation with the presenter or a member of their team. There is no cost and no obligation. It is part of the financial education program offered by your employer.

We know your time is valuable, and thank you for participating in the Retirewise workshop series. Remember, it's never too early or too late to get a better financial plan in place.

AVA DIGITAL AWARDS

THE Pensions&Investments Eddy Awards

HERMES CREATIVE AWARDS

MEA SUMMIT MARKETING EFFECTIVENESS AWARD

MFEA STAR awards

1. Retirewise workshop data results
2. 2020 Retirewise satisfaction survey results

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1

Building the Foundation

Building the Foundation sets the stage for the "why" and "how" of the financial and retirement planning process. We'll talk about money, but also about what your ideal retirement might look like and what you need to think about to get you there.

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Please note: Throughout our workshop series we use the term spouse/partner to reflect the various domestic arrangements individuals may have. Federal and tax legislation may vary based on your particular arrangement.

My financial checkup checklist

It's never too early or late to start knocking off these tasks that can lead to your financial success. Even if you have planned, it is essential to review this checklist often, so you are more prepared to make important decisions as your lifestyle and financial circumstances change.

Building the Foundation

- ☐ Have a budget and understand monthly expenses categorized as "needs" and "wants"
- ☐ Know my marginal tax bracket and if a pre-tax or after-tax retirement plan contribution is best for me
- ☐ Understand how tax diversification may help me keep more of what I earn
- ☐ Max out 401(k) or 403(b) contributions, or at least enough to get the company match
- ☐ How to use the "Rule of 72" to help understand the power of compounding in savings efforts
- ☐ Determine if Roth accounts and an HSA (if available) fit into the plan
- ☐ Understand the meaning and importance of tax diversification

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Creating and Managing Wealth

- ☐ Get a basic idea of how big my retirement savings will have to be by using the "Rule of 25"
- ☐ Complete a risk tolerance assessment to help identify an asset allocation that reflects my investment objectives
- ☐ Review investments regularly to make sure they are appropriately diversified

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Establishing Your Retirement Income Stream

- ☐ Order my Social Security statement and understand how to maximize benefits
- ☐ Think about how my expenses will change in retirement
- ☐ Determine my dependable income sources in retirement and what percent of my income will, and will not, be guaranteed

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Making the Most of What You Have

- ☐ Ensure that all beneficiary designations are correct, especially on life insurance, 401(k)s, 403(b)s, and IRAs since named beneficiary(ies) supersede a will
- ☐ Determine how much life and disability income insurance is needed
- ☐ Take the time to look at all additional benefits offered by my employer
- ☐ Have the five basic elements of an estate plan, including a will, advanced healthcare directives, financial and healthcare powers of attorney and a digital fiduciary

Budget worksheet

	Current		Retirement	
	Needs	Wants	Needs	Wants
Housing and related expenses				
Rent / mortgage				
Real estate association / maintenance fees				
Property taxes				
Home insurance				
Heat / AC / electric				
Water / sewer / garbage				
Cable / internet / phone				
Home maintenance and repairs				
Other				
Housing total:				
Transportation expenses				
Car payments				
Car insurance				
Transportation (gas, parking, rideshare)				
Other car-related costs (registration, license)				
Other				
Transportation total:				
Personal expenses				
Groceries				
Entertainment / vacations				
Restaurant / takeout				
Personal care (hair, nails)				
Clothing				
Childcare				
Pet insurance / care				
Gym memberships / hobbies				
Monthly subscriptions (Netflix, Hulu, Spotify)				
Gifts				
Charitable donations				
Education				
Credit card(s) / Personal loan(s) / Student loan(s)				
Other				
Personal total:				
Medical expenses / insurance premiums				
Medical (copays, prescriptions)				
Eye care (glasses, contacts, exams)				
Health insurance				
Dental insurance				
Life insurance				
Long term care insurance				
Disability income insurance				
In-home care services				
Other				
Medical / Insurance total:				
Savings				
Emergency fund (checking / saving)				
Retirement Plan (401k / Roth / Other)				
Other				
Savings total:				
Total monthly expenses:				

How to find money for your emergency fund?

Get paid

- Treat reimbursements from your Flexible Spending Account (FSA) and Dependent-Care FSA as a windfall – the money has already been spent.
- Use MissingMoney.com to search for unclaimed property held in state treasury departments.
- Get a no-fee credit card that pays points that can convert to cash (but make sure you pay off the balance in full).
- Increase your tax withholding from your paycheck which will generally result in a larger tax refund.

Spend less

- Manage debt payments – never pay less than the minimum but if they are manageable, consider 50% toward extra debt payments and 50% towards emergency fund.
- Take advantage of historic low interest rates and refinance your mortgage and other loans (auto, personal or student).

Save more

- Build up your Health Savings Account (HSA) if you have one and pay for regular out-of-pocket expenses with other money.
- Increase deductibles on your auto and homeowners policies and eliminate collision coverage on older cars to lower your premiums.
- Don’t spend your raise.

Get to know your credit score

What it is and why it matters

Virtually all lenders use your credit score as a factor when you apply for credit. Whether you are applying for a credit card, a mortgage, a car loan, or refinancing your student loans, your score will more than likely come into account.

How scores are calculated

- **Payment history**
- **Amounts owed on credit and debt**
- **Length of credit history**
- **Type of credit used**
- **New credit**

Aim for 740 or higher

Your FICO* credit score can range from 300 to 850 and can influence what credit is available to you, how much interest you'll pay, and even how much you pay for utilities and car insurance.

The most widely used credit scores are FICO Scores created by Fair Isaac Corporation.

Credit Score	Rating	% of people	Impact
300-579	Very Poor	16%	Applicants may be required to pay a fee or deposit or may not be approved for credit at all.
580-669	Fair	18%	Scores in this range are considered to be subprime borrowers.
670-739	Good	21%	Only 8% of applicants in this score range are likely to become seriously delinquent in the future.
740-799	Very Good	25%	Applicant with scores here are likely to receive better than average rates from lenders.
800-850	Exceptional	20%	Scores in this range are at the top of the list for the best rates from lenders.

Experian.com 2021

Check your score

You are entitled to one free credit report every 12 months from each of the three reporting agencies — Experian, TransUnion or Equifax. You can order your credit report online from **annualcreditreport.com** or by calling **877-322-8228.** After you get your report always check it for accuracy — especially if you are a victim of identity theft, trying to repair credit, or applying for a major loan.

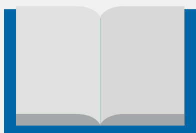
Factors that affect your credit score

- The longer a credit account has been open and in good standing, the better it reflects on your credit score.
- A home loan has a more positive impact on your credit score than a credit account with some financing companies.
- Limit the number of times you apply for credit because frequent credit applications may depress your score.

Improve your score

Once you know your score and have your credit reports in hand, there are steps you can take to improve your credit score.

- Make all your loan payments on time and for the appropriate amount. Even one late payment can affect your score.
- Avoid carrying large balances on your credit cards and stay below 30% of the limit.
- Pay off your debts which will generally improve your score within a few months.



Remember:
Even an unpaid library book fine of $16 can affect your credit.

Envision your retirement

Place

As you look ahead to retirement and where you will live, make sure your vision offers you the right climate, activity, transportation, healthcare, safety, proximity to family, and impact on taxes.

1. **Given your resources, lifestyle, and your vision of retirement, where would you like to live?**

   ____

2. **Do you anticipate your cost of living to change?**

   a) More
   b) Less
   c) No change
   d) I don't know

3. **What type of living arrangement do you prefer?**

   a) House
   b) Apartment/Condo
   c) 50+ Community
   d) Living with family
   e) Other

People

It's important to consider how and with whom you will spend your time in retirement.

1. **Have you thought about the importance of having a support system in place, such as family and friends?**

   a) Yes
   b) No

2. **If you plan on being financially responsible or acting as a caregiver for any individual during retirement, what impact do you think that will have on you and your goals?**

   ____

3. **Do you, or any of your family members, have any health concerns or history that may impact your lifestyle in the future, including the need for long term care?**

   a) Yes
   b) No
   c) I don't know

Work

For many, working, volunteering or going to school during retirement is part of the plan.

1. If necessary, would you rather work longer, save more now, or spend less in retirement?

a) Work longer

b) Save more now

c) Spend less in retirement

2. At what age(s) do you and your spouse/ partner (if applicable) intend to transition into retirement?

____

3. Do you plan to continue working in retirement?

a) Yes, part-time

b) Yes, in a new career

c) No

d) Undecided

4. If you intend to work or volunteer, what would you imagine your main reason to do so?

a) Additional income and maintain benefits

b) Social interaction and structure

c) Pursue other interests

d) Start a business

Activity

A significant benefit of retirement is that you are no longer "on the clock." But this can be a mixed blessing.

1. How will you spend your time in retirement?

a) Continue working, full or part-time

b) Take classes toward a degree or otherwise

c) Pursue old or new hobbies

d) Travel

e) Visit family and friends

f) Volunteer

g) Teach

h) Take up a new sport or join a fitness group

Meet your match — literally

When it comes to retirement planning the very first place you should start is with your employer plan. If available, at the very minimum, meet any match your employer provides on contributions to your 401(k) or other retirement plan.

How does the employer 401(k) match work?

Example: Company match is 50% of employee salary contribution up to a maximum of 3%. For every $1 put into the 401(k), this employer will put in 50¢ up to a maximum of 3% of the annual salary. If the annual salary is $50,000, 3% of that salary is $1,500. If the employee contributes $1,500, this employer will add another $750.

($50,000	x	3%)	x	50%	=	$750
salary		salary contribution		company match		employer contribution

This employee has earned a **50%** return **($750)** on a **$1,500** contribution.

($________	x	___%)	x	___%	=	$________
Your salary		Your salary contribution		Your company match		Your employer contribution

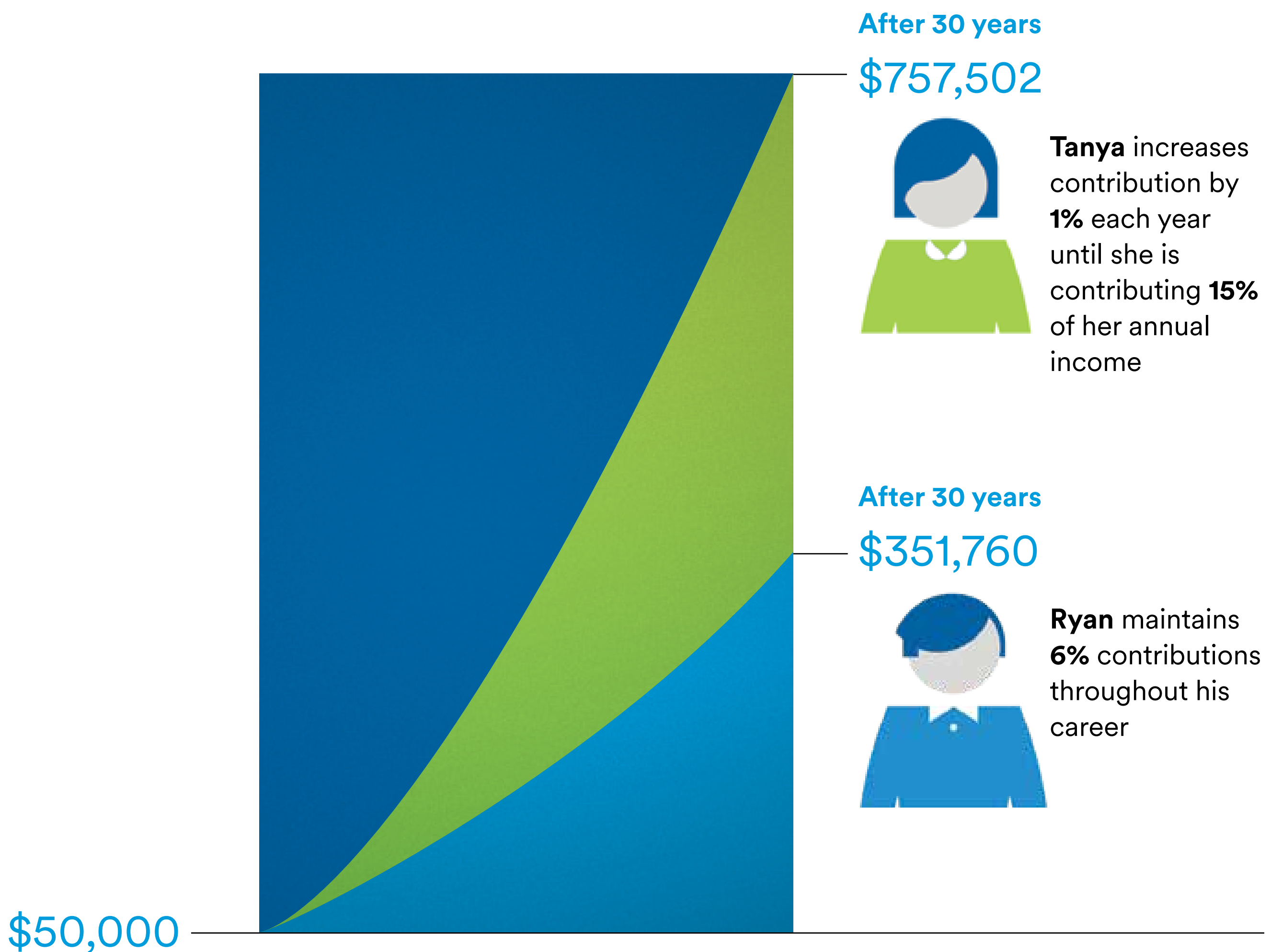
Leverage the power of 1%

Meet Tanya and Ryan.

Both have a starting salary of **$50,000.**

Both contribute **6%** of their salaries to retirement plan accounts.

Both receive a **3%** salary increase each year.



Assumes 6% average annual rate of return, monthly salary deferral and monthly compounding of earnings. Hypothetical examples of mathematical compounding is used. Fees, taxes and expenses are not considered and would reduce the results if shown. Actual results may vary.

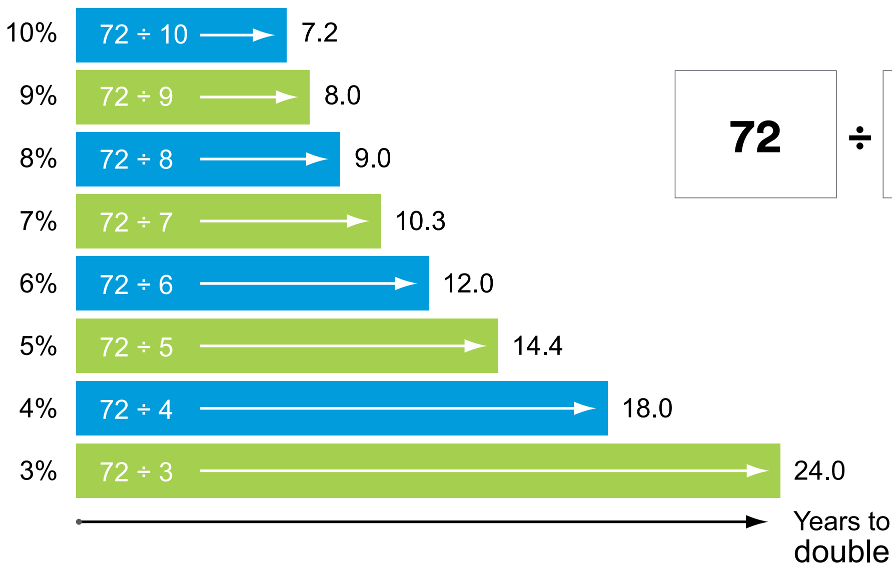
Remember, every small change you make can add up to a big difference.

Rule of 72 – How long will it take to double your money?

Here's a simple way to illustrate the power of compounding in your retirement and financial planning efforts.

You can use the Rule of 72 to:

- Determine how many years it will take to double your money at various rates of return.
- Estimate the return you will have to earn to double your money within a specific time frame.



72 ÷ annual interest rate % = number of years to **double** value[1]

1. The Rule of 72 is based on a hypothetical illustration and is not a guarantee of future performance. This illustration does not represent the performance of any specific product and there is no assurance that investments would double or triple within any specific time frame.

How are things taxed?

A key part of any investment strategy is developing the right mix of short and long-term investments. But not all investments receive the same tax treatment — some are taxed at capital gains rate and others as ordinary income.

While it's generally not a good idea to make an investment based solely on tax considerations, it's smart to know the tax consequences on any move you make.

How are things taxed?

Interest income	In most cases, as ordinary income
Dividends	0%- 20% depending on income[1]
Capital gains	
Short-term: asset held one year or less	Ordinary income
Long-term: asset held for more than one year	0%-20% depending on income tax rate
Capital gains distributions from mutual funds	0%-20% depending on income tax rate
Tax-deferred investment earnings	Taxed as ordinary income when withdrawn[2]

1. Some dividends may still be taxed as ordinary income tax rates. For higher income brackets, a 3.8% Medicare surtax may result in a maximum 23.8% rate.
2. Additional penalties may apply.

Key Takeaways:

- When calculating capital gains taxes, the holding period matters. Long-term investments are subject to lower tax rates.
- The tax rate on long-term (more than one year) capital gains is 0%, 15%, or 20%, depending on taxable income and filing status.
- Interest income from investments is generally treated as ordinary income for federal tax purposes.
- The initial cost basis is the amount paid for the investment when purchased.
- Capital gains distributions from a mutual fund or exchange-traded fund (ETF) are taxed as long-term capital gains, no matter how long the individual has owned shares of the fund- which means a tax rate of 0%, 15%, or 20%, depending on ordinary income tax rate.
- Some strategies can offset capital gains with capital losses (selling an investment for less than the purchase price) to lower their capital gains taxes.

When does a Roth make sense?

Pay tax now but not later

A Roth 401(k) is the reverse of your traditional 401(k). There is no tax break up front. So your taxable income would be higher than if you saved money in a traditional 401(k). But every dollar you withdraw from a Roth in retirement is tax-free.

So, which way to go?

Roth IRA or 401(k) candidates generally include those who:

- Expect a higher income and tax rate in retirement
- Want to tax-diversify to minimize taxes in retirement
- Have a desire to leave an income tax-free account to heirs

Like all investments, everyone's situation is different. That's why it's important to speak with a financial professional to determine if a Roth is right for you.

How do taxes and inflation impact your investment return?

It's not easy to outpace inflation and taxes

Taxes and inflation can put downward pressure on the growth of your investments and savings.

1980
12.94%
−3.60%
−13.91%
−4.57%

2000
6.59%
−1.90%
−2.74%
1.95%

2021
.25%
−0.06%
−1.2%
−1.01%

CD rate − (minus) taxes − (minus) inflation = real rate of return

With taxes, you can quantify and see the impact of taxes on your savings and investments because, except for tax-deferred accounts, you must pay this year after year.

With inflation, no one is taking that money out every year, but the downward impact is still there. You may think you are doing fine, but over time inflation adds up. Keeping your money in CDs or a low-interest bank account may seem a good way to preserve your capital, but ultimately, it diminishes purchasing power.

Source: CD is Ally Bank 6 month CD 1/2021; Inflation – Bureau of Labor Statistics 1/2021

Key action steps

- ☐ Max out my 401(k) contributions, or at least enough to get my company match if it's offered

- ☐ Create and manage a budget and build my emergency fund

- ☐ Start saving now to take advantage of compounding

- ☐ Know how taxes and inflation affect my investments

2 Creating and Managing Wealth

Creating and Managing Wealth is when we start the discussion about investments. By choosing the right investments, in the right amount and at the right time, you can build a diversification strategy to protect your money.

21 What's the Rule of 25?

22 The value of a diversified approach

23 Annual index returns 2009–2020

24 Determine your risk tolerance

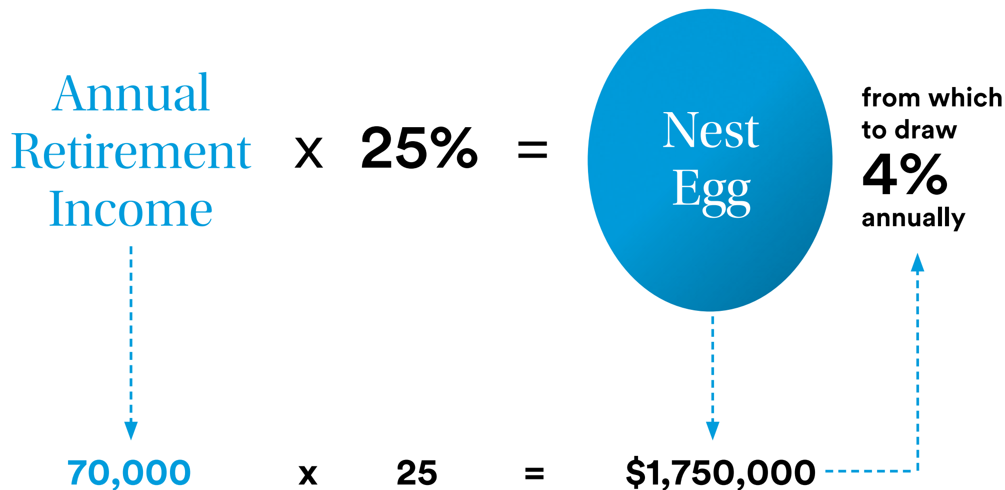
26 Let dollar-cost averaging work for you

27 Key action steps

What's the Rule of 25?

The Rule of 25 is a way to estimate how much money you need to save for retirement. It assumes a 4% annual withdrawal rate and works by calculating the annual retirement income you expect to provide from your personal savings and multiplying that number by 25.

Let's assume you've settled on a retirement budget of $100,000 a year and Social Security, pensions, a part-time job, or other income sources cover $30,000 of this amount, so you must cover the remaining $70,000 with your personal savings.



According to the Rule of 25, you would need to save at least $1.75 million to be able to safely withdraw $70,000 of income in your first year of retirement. Remember that depending on the type of account the money is withdrawn from, you may owe income or capital gains tax.

This concept does not account for the potential impact of reducing purchasing power due to inflation and taxes, unanticipated expenses reducing the principal, and the possibility of outliving your money.

The value of a diversified approach

This chart looks a bit like the periodic table you probably last saw in high school chemistry class. It shows the best-performing types of investments each year from 2009-2020.

Can you see a pattern here? The pattern is that there is not a pattern. The boxes circled represent the Small Cap Equity index, and the performance is pretty much all over the place.

The point is that different investment categories fall in and out of favor in different market environments. So how do you know which ones are best for you? The answer is that it depends on your specific objective, risk tolerance, and time horizon.

Annual index returns 2009–2020

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%	Large Cap Equity 31.49%	Small Cap Equity 19.96%
High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Dev ex-U.S. Equity 24.21%	U.S. Fixed Income 0.01%	Small Cap Equity 25.52%	Large Cap Equity 18.40%
Real Estate 37.13%	Emerging Market Equity 18.88%	Glbl ex-U.S. Fixed 4.36%	Dev ex-U.S. Equity 16.41%	Dev ex-U.S. Equity 21.02%	U.S. Fixed Income 5.97%	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%	Dev ex-U.S. Equity 22.49%	Emerging Market Equity 18.31%
Dev ex-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Glbl ex-U.S. Fixed -2.15%	Real Estate 21.91%	Glbl ex-U.S. Fixed 10.11%
Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash Equivalent 0.10%	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Dev ex-U.S. Equity -3.04%	Real Estate 4.06%	Glbl ex-U.S. Fixed 10.51%	Large Cap Equity -4.38%	Emerging Market Equity 18.44%	Dev ex-U.S. Equity 7.59%
Large Cap Equity 26.47%	Dev ex-U.S. Equity 8.95%	Small Cap Equity -4.18%	High Yield 15.81%	Cash Equivalent 0.07%	Cash Equivalent 0.03%	Small Cap Equity -4.41%	Dev ex-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%	High Yield 14.32%	U.S. Fixed Income 7.51%
Glbl ex-U.S. Fixed 7.53%	U.S. Fixed Income 6.54%	Real Estate -6.46%	U.S. Fixed Income 4.21%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%	U.S. Fixed Income 8.72%	High Yield 7.11%
U.S. Fixed Income 5.93%	Glbl ex-U.S. Fixed 4.95%	Dev ex-U.S. Equity -12.21%	Glbl ex-U.S. Fixed 4.09%	Emerging Market Equity -2.60%	Glbl ex-U.S. Fixed -3.09%	Glbl ex-U.S. Fixed -6.02%	Glbl ex-U.S. Fixed 1.49%	U.S. Fixed Income 3.54%	Dev ex-U.S. Equity -14.09%	Glbl ex-U.S. Fixed 5.09%	Cash Equivalent 0.67%
Cash Equivalent 0.21%	Cash Equivalent 0.13%	Emerging Market Equity -18.42%	Cash Equivalent 0.11%	Glbl ex-U.S. Fixed -3.08%	Dev ex-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.57%	Cash Equivalent 2.28%	Real Estate -9.04%

Source: Callan Associate Inc., 2020

Large Cap Equity (S&P 500) measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value weighted.

Index of 500 stocks. The weightings make each company's influence on the Index performance directly proportional to that company's market value.

Small Cap Equity (Russell 2000) measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.

Developed ex-U.S. Equity (MSCI World ex USA) is an index that is designed to measure the performance of large and mid cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.

Emerging Market Equity (MSCI Emerging Markets) is an index that is designed to measure the performance of equity markets in 26 emerging countries around the world.

U.S. Fixed Income (Bloomberg Barclays US Aggregate Bond Index) includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.

High Yield (Bloomberg Barclays High Yield Bond Index) measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

Global ex-U.S. Fixed Income (Bloomberg Barclays Global Aggregate ex US Bond Index) is an unmanaged index that is comprised of several other Bloomberg Barclays indices that measure the fixed income performance of regions around the world, excluding the U.S.

Real Estate (FTSE EPRA Nareit Developed REIT Index) is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.

Cash Equivalent (90-day T-bill) is a short-term debt obligation backed by the Treasury Department of the U.S. government.

A mutual funds portfolio may differ significantly from the securities held in the indices. These indices are not available for direct investment, therefore, their performance does not reflect the expenses associated with the active management of an actual portfolio. Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains.

Determine your risk tolerance

One way to diversify your assets is to spread investments over asset classes. To determine an asset allocation that specifically meets your needs, you need to complete a risk tolerance assessment. It asks questions about your retirement objectives, time horizon, risk tolerance, and personal situation.

Depending on your answers, you are given a suggested allocation model. These allocation models range from conservative to aggressive. Sometimes, people think they're more aggressive than they are or vice versa. That's why it's important to go through an exercise like this and identify an asset allocation model that reflects who you are as an investor.

Get your risk tolerance score. Determine a number for each item, then add them up.

I have a short investment time horizon, few years until I'll need most of my money.	< 1 2 3 4 >	I have a long investment time horizon, many years until I'll need most of my money.
I try to minimize the risk of investment losses, both long-term and short-term.	< 1 2 3 4 >	I'm willing to tolerate short-term losses to earn higher long-term returns.
I would feel great if a very conservative investment allocation kept me from losing money when the stock market declined.	< 1 2 3 4 >	I would feel great if an aggressive investment allocation allowed me to make large investment gains when the stock market increased dramatically.
In choosing between investments, my primary goal is to not lose any principal contributed to my account.	< 1 2 3 4 >	In choosing between investments, my primary goal is to earn as high a rate of return as possible.
I'm willing to contribute a greater percentage of my salary, so I can invest conservatively and avoid risk.	< 1 2 3 4 >	I'm willing to risk losing my principal for the chances of earning higher returns over time, so I can reduce my monthly contributions.
I would be very upset if my quarterly or annual return were negative.	< 1 2 3 4 >	I could accept a quarterly or annual negative return, if my aggressive allocation gave the chance for higher long-term returns.
If the stock market dropped 10% over a few days, I'd probably move my savings out of stocks to keep from losing more money.	< 1 2 3 4 >	If the stock market dropped 10% over a few days, I'd probably move more of my savings into stocks to get in on the next market increase.
The time horizon and cost of my goals are not flexible, so unexpected investment losses would be a difficult setback for me.	< 1 2 3 4 >	The time horizon and cost of my goals are flexible, so unexpected investment losses would only mean delaying the goal or spending less on it.

*If you don't answer all of the questions, divide your score by the number of items answered and multiply by 8.

Your risk tolerance score ______________

8 20 32

Risk tolerance scores range from 8 to 32; a moderate score is 20. A low risk tolerance score may suggest putting more money in conservative investments that have lower volatility and risk. A high score may suggest a tolerance for putting more money in aggressive investments that have higher volatility and risk.

Let dollar-cost averaging work for you

The goal of dollar-cost averaging is to help even out the cost of investing and cut down the guesswork about the best time to buy. It involves making continuous regular investments, regardless of fluctuating price levels. If you contribute to a 401(k) plan with your employer, you are already using this strategy.

When using this approach, you should consider your ability to continue making purchases in periods of low or fluctuating price levels.

Monthly	Monthly Investment	Share Price	Shares Purchased
January	$500	$10.00	50.0
February	$500	$9.00	55.6
March	$500	$8.00	62.5
April	$500	$9.00	55.6
May	$500	$10.00	50.0

Let's take a look at our example. Assume in January, February, March, April, and May you continue to invest $500, even though your investment's share price went up and down. When the price was up, that money bought fewer shares. When it was down, that share price bought more shares. **Because you were continually investing, your actual share price was, on average, $9.13.**

While dollar-cost averaging can reduce your average share price and the average cost per share, it does not ensure a profit or protects against a loss in declining markets.

Key action steps

- ☐ Figure out my "Rule of 25" to get the basic idea of how big my retirement nest egg will have to be

- ☐ Review my investments and make sure they are properly diversified

- ☐ Complete a risk tolerance assessment so I can create an asset allocation model that works for me

- ☐ Use dollar-cost averaging to balance out the effects of market volatility

- ☐ Evaluate all risks to make sure they are properly managed

3

Establishing Your Retirement Income Stream

Planning for a retirement that can last 30 or more years is not easy. But with a sensible and efficient withdrawal strategy, you can learn how to spend your money in the right way to reach the level of income you'll need each year in retirement.

29 Age-related tax and financial planning milestones

30 Order and understand your Social Security statement

31 The benefits of waiting

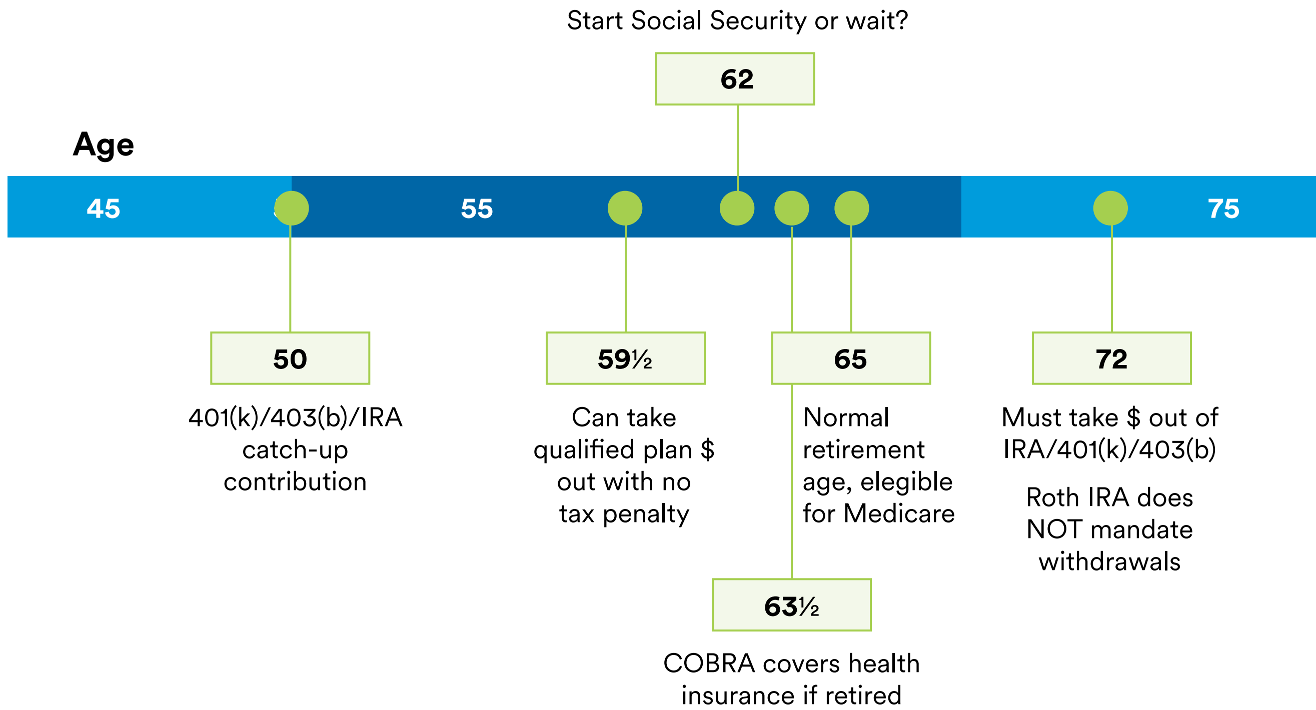
32 Match sources of retirement income with expenses

33 Do you have a retirement income gap?

34 Key action steps

Age-related tax and financial planning milestones

Yes, age is only a number. But it's an important number to make sure you prepare for these key age-related tax and financial planning milestones as you and your loved ones grow older.



Order and understand your Social Security statement

Get your Social Security statement online anytime by creating your account at socialsecurity.gov/myaccount

Your full retirement age is here.

The amount of benefits in relation to your full retirement age.

There's an annual cap on the amount of income that is taxed for Social Security.

Your Estimated Benefits

Your Earnings Record

You put money into Social Security each year you work.

Since you receive your statement about 3 months before your birthday, the current year's income may not be recorded.

How Your Benefits Are Estimated

Help Us Keep Your Earnings Record Accurate

Your benefit information is displayed on page 2.

The basis for the Social Security Administration's calculations and your personal information are shown at the bottom. Be sure to store it in a safe place!

Your earnings information is displayed on page 3.

The benefits of waiting

When it comes to Social Security benefits, the earlier the claim, the steeper the penalty.*

You can collect Social Security as early as age 62, but if you do so, your benefits will be permanently reduced. If you wait until your Full Retirement Age, which is based on the year you were born, you are entitled to 100% of your earned benefit.

Benefits at age 62 **$1,426 / month**

Full retirement age

Benefits at age 67 **$2,061 / month**

Benefits at age 70 **$2,561 / month**

These examples are based on a hypothetical Social Security statement and current Social Security policy.

As you can see, delaying your Social Security payments beyond the Full Retirement Age results in a significant increase in monthly guaranteed income payments.

Remember, just because you're retired doesn't mean you have to take Social Security. Generally, if your health is good and you can live without the income, you will ensure the maximum payment for yourself and lock in the maximum spousal benefit by waiting until age 70.

*CNBC and Bipartisan Policy Center, September 2020

Match sources of retirement income with expenses

Matching your different income sources with types of expenses can be the first step in determining if you have a retirement income gap that you need to plan for. What's important is to make up any shortfall in your basic needs before contributing to your personal wants. Try this for yourself - don't worry about dollar amounts, just income and expense sources.

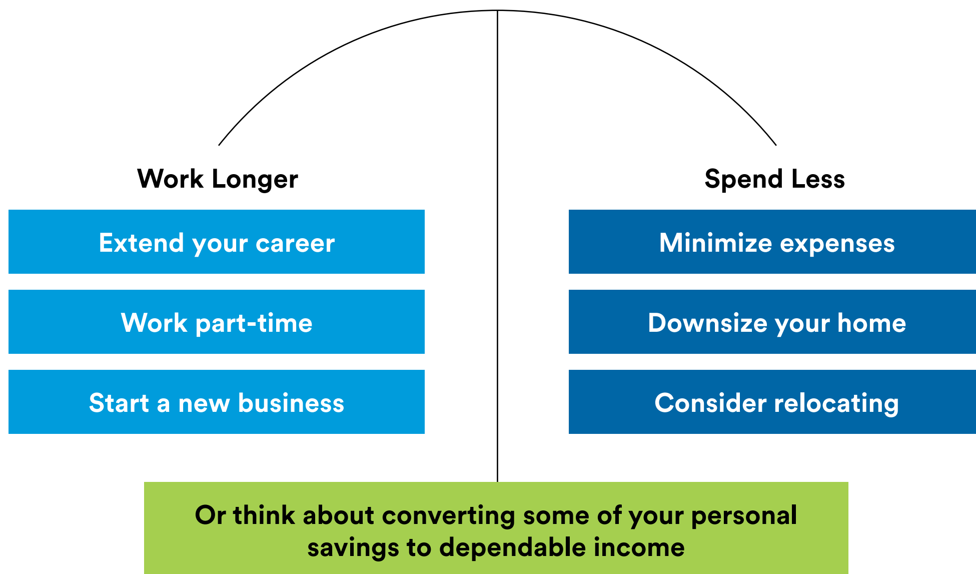
Income sources	Match	Expenses
Guaranteed • Social Security • Pensions • Fixed annuities • Veteran's benefits • Survivor's benefits • ______ • ______ • ______ • ______ • ______ • ______	Cover needs →	**Needs** • Food • Mortgage or rent • Property taxes • Utilities • House and car maintenance • Transportation • Healthcare • ______ • ______ • ______ • ______
Other • Retirement plan accounts • Variable annuities • Defined contribution plans • Earned income • Investment income • Rental income • Alimony • Income from trusts • ______ • ______ • ______ • ______	Cover wants →	**Wants** • Clothing • Memberships/subscriptions • Entertainment/vacations • Additional insurance • ______ • ______ • ______ • ______ • ______ • ______ • ______

Do you have a retirement income gap?

Here’s how to look at some numbers to determine if you have an income gap. You’ll need your total expense and income sources.

Total anticipated monthly income		Total anticipated monthly expense		Potential monthly income gap		Potential annual income gap
	–		=		x 12 =	

If you still have an income gap



Key action steps

- ☐ Track my current expenses and think about how they would change in retirement

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- ☐ Order and review my Social Security statement

- ☐ Match my retirement income sources with types of expenses to determine if there is an income gap

4 Making the Most of What You Have

Since your employee benefits play a large role in your overall financial and retirement planning process, it's essential to review them carefully. It is also important to make sure you and your family are properly protected and have your estate in order.

37 Common types of life insurance
38 Life insurance planning over your lifetime
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Common types of life insurance

Group	Sometimes offered by an employer, group insurance pays a death benefit that is typically a multiple of your salary. Since an employer offers it, the premiums are often partially or completely paid by the company.
Term	Pays if the insured dies during the specified term period (e.g. 10, 15 or 20 years). The longer the policy is in effect, the higher the premiums will be.
Whole	It will pay at your death. Benefit payment is not limited by time like term life. Premiums remain level for the insured's lifetime. Generally it costs more than term insurance, and it builds cash value.
Universal	A form of permanent insurance like whole life. However, premiums and the benefit at death can go up and down based on the performance of an underlying account. You have a degree of control over your premium payment and death benefit. You may have a choice of death benefits.
Variable	A form of permanent insurance like whole and universal life. However, you choose how to invest your cash values in the sub-accounts offered by the contracts. The policy cash value and death benefits will fluctuate based on the performance of the sub-accounts.

Variable life insurance is offered by prospectus only, which is available from your registered representative. You should carefully consider the product's features, risks, charges and expenses and the investment objectives, risks and policies of the underlying portfolios, as well other information about the underlying funding choices. This and other information is available in the prospectus, which you should read carefully before investing. Product availability and features may vary by state. All product guarantees are based on the claims-paying ability of the issuing insurance company. The amounts allocated to the variable investment options of your account balance are subject to market fluctuations so that, when withdrawn or surrendered it may be worth more or less than its original value.

Life insurance planning over your lifetime

Life insurance is rarely a “set it and forget it" solution. Like asset allocation, insurance allocation can be just as important by combining the appropriate amounts of term and permanent life insurance based on your current and long term objectives.

	Starting out	Growing	Midlife	Retirement ready	Retirement
Age	25	35	45	55	65+
	• Early career • Marriage	• Higher income • Parenting • Home ownership	• Higher income • Larger family • Bigger home	• Highest income • Empty nest • Downsize home	• Fixed income • Leaving a legacy • Relocation

Financial professionals suggest reviewing your policy at every life stage to determine whether more, less, or what combination of coverage may be appropriate.

Consider your insurance needs

Life insurance

- How much coverage do you need on your life and, if applicable, your spouse/partner's life?
- Consider whether term or permanent life insurance is the better option.
- Consider your employer-sponsored life insurance and understand cost and portability options.

Disability income insurance

- Calculate how much income you will lose if you were to become disabled.
- Consider employer-sponsored coverage as your first option.

Long term care insurance

- What do hourly home health care and annual nursing home care cost in your area?
- Do you have sufficient income to cover the cost of long term care?

Automobile insurance

- Determine whether your current liability insurance is adequate.
- Review with your insurance agent your current underinsured/uninsured motorist coverages.

Homeowners insurance

- Is your current liability insurance adequate?
- Are your property damage limits sufficient based on the current value of your home?
- Do you require a rider to insure jewelry, art, collectibles above the base policy limits?
- Consider whether you want to purchase a flood insurance policy or optional earthquake coverage.
- Create a record by videotaping and preparing a catalog for your possessions.

Excess liability insurance

- In coordination with your automobile and homeowner's liability coverage, consider purchasing one million dollars or greater of personal excess liability insurance. This is also called an umbrella liability policy.

Insurance plan worksheet

Insurance is an integral part of financial planning because it protects you and your loved ones from the costs associated with accidents, disability, illness, and death.

Take a few minutes to think about your comfort level with the insurance-related decisions you've made so far.

How comfortable are you when you compare your current insurance to your:	Very comfortable	Comfortable enough	Not comfortable
Lifestyle in terms of taking risks (scuba diving, snowboarding)	☐	☐	☐
Daily risks (driving, screen fatigue, identity theft)	☐	☐	☐
Home maintenance (storm or flood damage, fire)	☐	☐	☐
Car (condition, safety, appearance)	☐	☐	☐
Personal healthcare needs now	☐	☐	☐
Personal healthcare needs in the future (chronic conditions)	☐	☐	☐
Family healthcare needs now	☐	☐	☐
Family healthcare needs in the future (chronic conditions)	☐	☐	☐
High-risk habits (smoking, heavy alcohol use, drug abuse)	☐	☐	☐
Emergency fund to cover home/auto repairs or medical bills	☐	☐	☐
Emergency fund to cover living expenses in the event of job loss	☐	☐	☐
Natural disaster threats	☐	☐	☐
Ability to take time off for caregiving	☐	☐	☐

Remember, life can change in a moment. That's why it's essential to make sure you're protected when life's unexpected events happen with proper insurance planning and risk management.

How much life insurance is enough?

10 x $________________ = ________________

salary (before taxes)

approximately how much life insurance coverage you need

It is also important to make sure you have the proper protection in place in the event of an unforeseen circumstance. You can multiply your salary by 10 to determine approximately how much coverage you need, and your partner should do the same. Of course, this is just a guide, and everyone's situation is different but it's a good starting point.

How much disability income insurance is enough?

65%-85% x $________________ = ________________

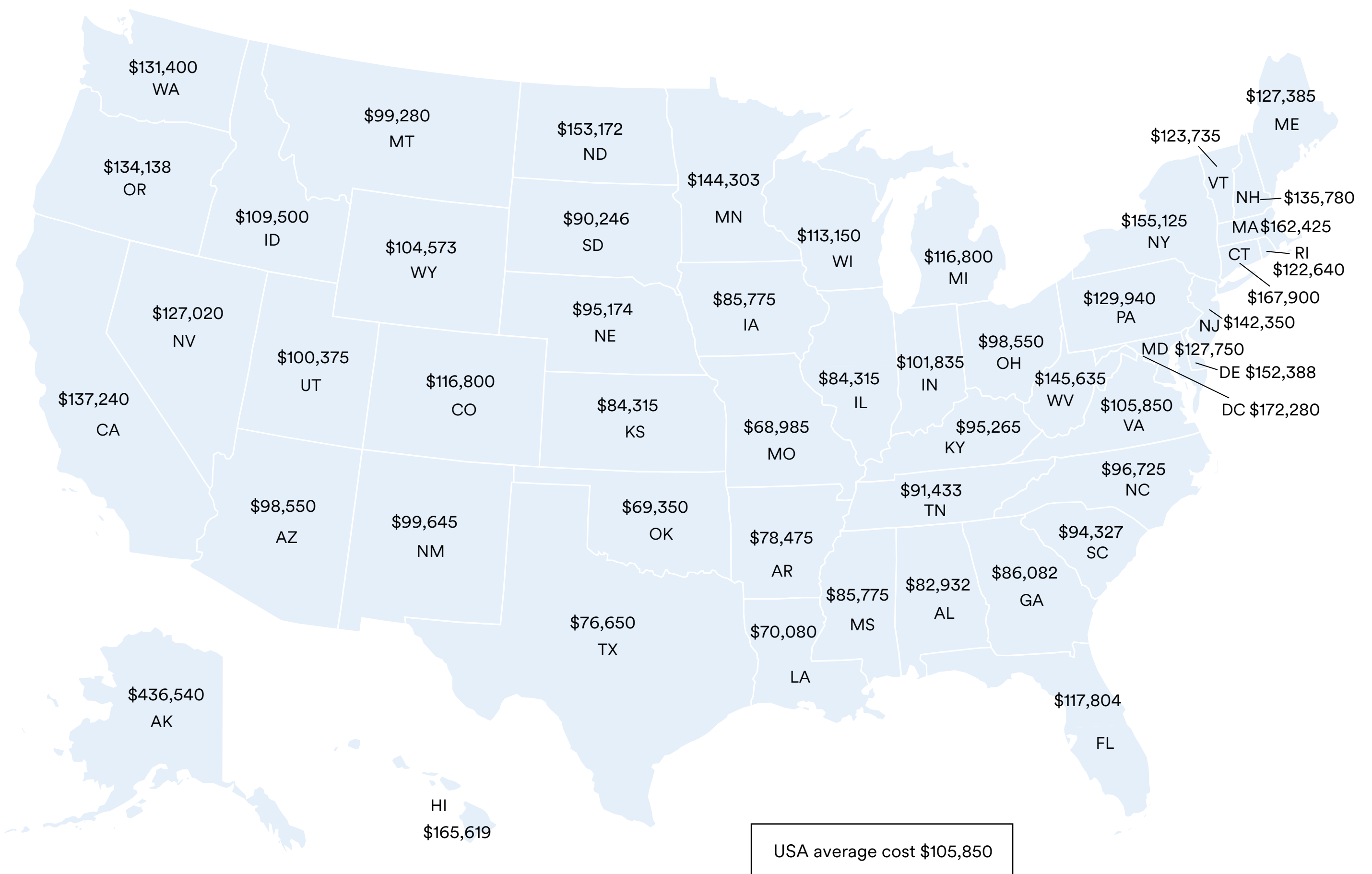
salary (before taxes)

approximately how much disability insurance coverage you need

We all run the risk of becoming disabled due to an unexpected illness or accident. What would happen if you were no longer able to earn a living? To help their employees prepare for that possibility, employers often offer long term disability insurance. You may be asked to pay for part or all of the cost. Depending on your financial obligations and other sources of income, it's probably a good idea to purchase enough long term disability insurance to replace 65% to 85% of your pay. And it's important to know that age plays an important role here.

Long term care costs in your state

The cost of care varies based on care setting, geographic location, level of care required, and other factors. Knowing the cost of care is the first step to helping you plan for it.



Source: Genworth Cost of Care Study, 2020. Costs for private room in nursing care facility.

Separate long term care myths from realities

Myth	Reality
Medicare pays for long term care.	Traditional Medicare does not pay for long term care. Medicaid, the health insurance program for the very poor, pays for about half of all long term care costs.[1]
Most long term care is provided in a nursing home.	85% of long term care is provided at home or the home of relatives.[1]
You can qualify for Medicaid to pay for long term care by transferring assets to other family members.	Upon application, the state will "lookback" over five years to prevent Medicaid applicants from giving away assets at less than fair market value to meet Medicaid's asset limit.[2]
Family history, age, and income are all primary factors in calculating long term care insurance premiums.[3]	Age, health, and the type of coverage are the primary factors in calculating long term care insurance premiums.[3]

1. Five Myths About Long Term Care, Washington Post, September 2020; 2. California lookback period is 30 months. In 2021, New York will be implementing a 30-month lookback period for their Community Medicaid program. 3. American Council on Aging, January 2021; Longtermcare.gov, October 2020

Take time to look at additional benefits

Many of us don't take enough time to consider the value of all of the benefits offered by our employers. These additional benefits are paid completely or mostly by employees. They are important because they can close gaps in employer-sponsored coverage, allow easy access through payroll deduction, and help ease the burden of what can be high and unpredictable out-of-pocket expenses. Here are some of the traditional additional benefits your employer may offer:*

Accident insurance: Helps offset costs that may not be covered under your employer's existing medical plan. It generally provides a lump-sum payment after an accident and helps with out-of-pocket expenses such as deductibles, copays, and transportation to medical centers, childcare and more. It may also include benefits for injuries: fractures, dislocations, concussions, lacerations, eye injuries, torn knee cartilage, ruptured discs, and second and third-degree burns.

Cancer insurance: A cancer diagnosis can mean unexpected expenses such as deductibles, copays, and costs for out-of-network care. Even if you have a disability plan, it may only cover a portion of your income. There could also then be a significant gap between any disability payments you receive and your family's everyday living expenses like utilities, groceries, and rent.

Critical illness insurance: Critical illnesses can happen when you least expect them – and they can be costly. Even quality medical plans can leave you with extra expenses to pay. Costs like plan deductibles, copays for doctor visits, and extra costs for out-of-network care can add up fast. A critical illness insurance policy can help close those gaps.

Hospital indemnity insurance: A hospital stay can be expensive. Be ready for costs not covered by your medical plan with hospital indemnity insurance which may include coverage for hospital admission, accident-related inpatient rehabilitation and hospital stays.

Legal services: Group legal plans provide affordable, convenient access to a highly qualified network of attorneys for everyday personal legal matters which may include preparation of wills, living wills and trusts, purchase, sale and refinancing of a residence, debt collection and foreclosure defense, identity theft defense, tenant negotiations, civil litigation defense, and adoptions.

Pet insurance: Vet visits can be expensive. Pet insurance helps cover the cost of injuries and illnesses so you can give your pet the best possible care.

Auto insurance: Whether it's a car, boat, or RV; auto insurance protects your vehicles, yourself and your family. Policies generally offer a wide variety of coverage options, including liability protection, collision and comprehensive coverage, personal injury protection and uninsured motorists' coverage.

Home insurance: If you own a house, condo, or apartment; a homeowner's insurance policy can protect you if you have to rebuild your home and replace lost or damaged property. Some policies may also include customizable coverage in the event of tornadoes, hail, fire, theft, and vandalism.

*Not all companies will offer these benefits

Estate planning must-haves

Your estate plan should be made up of a set of legal documents, that when drafted correctly, will collectively protect you, your loved ones, and your assets. Here are the items every estate plan should have:

Last will and testament. This is about as basic as it gets. You typically hire an attorney to draft a document that reflects your wishes. Can you write a will on your own? Yes — many of you have probably seen will creation software you can use. But we strongly suggest you hire an attorney at least to check it for clarity.

Durable power of attorney. There may come a time when, because of physical or mental incapacity, you're not reasonably able to act on your own behalf. If you previously designated your spouse/partner or other trusted individual, that person can legally make financial and other decisions and take actions when you're not able to.

Living will and health care proxy. Some of you may remember the publicity around Terry Schiavo and the agonizing conflict of whether or not to remove her feeding tube after medical evidence overwhelmingly suggested she would never regain consciousness. The controversy arose because no one could produce a legal document in which she expressed her wishes should such an event occur. A living will specifies what measures should be taken to keep you alive under certain circumstances, while a health care proxy appoints an agent to make health care decisions for you.

HIPAA release form ensures that your family and other people you identify can receive confidential medical information about your condition that will enable them to make decisions on your behalf.

Beneficiary designations. Another basic tool of estate planning is the beneficiary designations you make on your employer benefits and other accounts. Make sure they are up to date.

Digital fiduciary. Digital is a relatively new and often overlooked category of assets that you should consider when creating an estate plan. Most of us have many digital accounts, and those accounts may be inaccessible when a person becomes incapacitated or dies.

Special needs plan. If you are a caregiver for a dependent with special needs, it is important to be aware of planning issues and options available. There are many concerns that come with special needs planning which can include: eligibility for government benefits; types of special needs trusts and determining which one works best for a particular situation; appropriate financial funding vehicles, including life insurance, to enhance the dependent's quality of life.

Five reasons an estate plan is for you

If you hear the phrase “estate planning” and immediately tune out, you’re not alone. An estate plan is not only for the wealthy who own an actual estate, complete with manicured lawns and a mansion. It's for everyone—because everything you own counts as your estate.

Still not convinced....

1. Make your wishes known

The most important reason to have an estate plan is to ensure what you want is clear and your requests are honored if you’re alive but unable to make decisions on your own behalf, or after you pass away.

A will alone is not enough to dictate particular requests and rules that you want to set up for your heirs. If you only have a will, beneficiaries will simply receive what you bequeath to them and are free to do what they want with it. However, a trust fund established by your estate can stipulate how, when, and why funds you leave to your loved ones may (or may not) be used.

An estate plan will also cover issues like who receives guardianship and custody over your children or who makes medical decisions for you, if you're unable to do so.

2. Skip over probate

Without an estate plan, the decisions above—including who gets custody of your children—would pass through probate court (a court that handles estate matters). A probate judge could be the one who ultimately decides how your financial accounts, possessions, and anything of value will be split between interested parties, and who will receive guardianship of any minors or dependents.

Probate court is also a matter of public record, whereas wills and trust documents can remain private. And, because it is a court of law, the probate process opens the door to litigation and arguments between family and friends who may disagree on how your assets should be distributed.

You can avoid these issues with a clear will and trust as part of an estate plan.

3. Avoid unnecessary taxes

If you have assets and valuables in your name when you pass away, those belongings are your estate—and the value of your estate can be taxed at both the federal and state level.

Depending on where you live, you may want to use a trust to protect your estate from these taxes, as a higher tax bill leaves a lower amount in assets available for your heirs to receive.

Tax liability differs by state, so it's important to understand the regulations that apply where you live.

4. Protect yourself if you're incapacitated

Estate plans don't just help protect your assets and your family members after you're no longer here—they can protect you while alive, too.

For example, if you're unable to make decisions that are in your best interest, someone with power of attorney over your accounts and assets can step in to conduct business on your behalf, manage bills and other financial to-dos, and sign off on legal documents where your signature is needed.

Healthcare proxies or advanced healthcare directives are important to draft as part of your plan, too. These documents can stipulate important demands about your medical care, such as "do-not-resuscitate" orders.

5. Give loved ones clarity and yourself peace of mind

A well-organized and complete estate plan can help eliminate confusion, prevent fighting between potential beneficiaries (because there will be no ambiguity about what you may have wanted), and create organization and structure to follow when it comes to inheritances and passing on possessions.

This can help make processing everything—emotionally *and* logistically—easier for your friends and family if you were no longer around (or able) to clearly provide direction.

In the meantime, an estate plan can provide peace of mind to you, as well. It can be a big relief to know that your affairs are in order and what you want are both clearly articulated *and* protected by legal documentation. Plus, getting organized is always a good thing.

When it comes to creating the best estate plan for you, it helps to hire an estate planning attorney to draft the necessary documents. Work with someone in your state, as specific laws governing things like wills and trusts vary depending on where you live—or check with your employer to see if they can help. A workplace legal plan can provide convenient access to qualified estate-planning attorneys to help you get started.

What else can get in the way of calculating your estate taxes?

As the saying goes, not only can you not “take it all with you” but something called Income in Respect of a Decedent (IRD) may also prevent your beneficiaries from “taking it all with them” too.

Income in Respect of a Decedent (IRD) refers to untaxed income – such as remaining employee compensation or IRA distributions- that a decedent had earned or had a right to receive during their lifetime.

IRD is taxed as if the decedent is still living.

Beneficiaries are responsible for paying taxes on IRD income under most circumstances.*

*Investopedia 2021

Documents that you need when your child turns 18

Turning 18 is a big deal, not just from a parent's emotional perspective, but legally too. Parents may not realize they can no longer make legal decisions. If your child is going away to college, many of them do a good job of notifying parents of these matters. However, it is probably a good idea to take the initiative by having documents in place. Here are some of the primary ones to consider.

Health care power of attorney/Proxy: When we think of a Health Care Power of Attorney, it is frequently for an older parent, but it is just as important for college-age adult children. This document gives parents the ability to make decisions about their child's health care. Usually, this is not used unless a child becomes incapacitated. If a student goes to school in a different state it is suggested to have a document from each state.

HIPAA authorization: This authorization allows doctors to speak about a student's medical condition with whomever the student chooses. Students can also set limits on how much and what type of information can be shared. This authorization should be kept in a handy place because you will need to show it to a local medical professional or hospital if you should need access to otherwise private information. Even with this authorization, students might still need to sign a release form that is specific to their college, as many have varying policies and procedures.

Financial power of attorney: This document is a way to allow parents to manage their child's finances. It can become effective immediately upon signing or at a point in the future. It can also permit parents to act on all financial matters or have limits on their authority. This would be especially useful if the child has a car accident or is ill, leaving him or her unable to make financial decisions. It may also be useful if a child is planning on traveling abroad or has an overdrawn bank account due to fraud.

Education record release: The Family Educations Rights and Privacy Act (FERPA) require students age 18 and older to provide written consent (with very few exceptions) before grades, transcripts and disciplinary actions can be shared with parents. This would also include notifications of financial-aid documents. Colleges usually notify parents of this requirement but even so, many may not understand the implications or forget to act upon it.

Understanding Health Savings Accounts (HSAs)

As you probably know, health insurance plans have consistently topped the list of employees' most precious benefits. You may have heard about Health Savings Accounts (HSAs), which are growing in popularity. When paired with high-deductible health plans, HSAs offer tax benefits and are designed both to help you with the rising costs of healthcare and to save for future medical expenses. But are they right for you?

Advantages of an HSA:

- You decide how much money to set aside for healthcare costs – puts you in control
- You decide how to spend your HSA money – you can shop around for care based on quality and cost
- You always own the account and the money – even if you change jobs, retire or stop contributing – the money is yours
- Any unused money rolls over to the next year – there is no "use it or lose it" rule
- You don't pay taxes on contributions and any earnings in the account – just like a 401(k)

Disadvantages of an HSA:

- Illness is usually unpredictable making it difficult to budget
- Information on cost and quality of care may be difficult to find and understand
- Depending on your situation, it may be challenging to set aside money to put in an HSA
- Pressure to save money may prevent you from getting medical care when needed
- If you take money out for nonmedical expenses, you will have to pay taxes on it

So...is an HSA right for you?

As you consider your choices, think about your budget and what healthcare you may need. If you are generally healthy and want to save for future expenses, than an HSA may be the right choice. And, if you are near retirement, it may also make sense to offset healthcare costs in retirement.

Alternatively, if you think you might need expensive medical care over the next year and would find it hard to meet a high deductible, even with money in an HSA, it might not be the best solution.

What is right for you is to get all the information and help you need to make the most of your healthcare plan options.

Key action steps

- ☐ Determine how much disability income and life insurance I need

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- ☐ Look at my additional benefits that can close gaps in my benefits package and may help with possible high, unpredictable out of pocket expenses

---

- ☐ Know how much long term care costs in my state

- ☐ Review the 5 basic elements of an estate plan, and create or update my will

Are you ready to take action?

Building the Foundation

- ☐ Max out my 401(k) contributions, or at least enough to get my company match if it's offered
- ☐ Create and manage a budget and build my emergency fund
- ☐ Start saving now to take advantage of compounding
- ☐ Know how taxes and inflation affect my investments

Creating and Managing Wealth

- ☐ Figure out my "Rule of 25" to get the basic idea of how big my retirement nest egg will have to be
- ☐ Review my investments and make sure they are properly diversified
- ☐ Complete a risk tolerance assessment so I can create an asset allocation model that works for me
- ☐ Use dollar-cost averaging to balance out the effects of market volatility
- ☐ Evaluate all risks to make sure they are properly managed

Establishing Your Retirement Income Stream

- ☐ Track my current expenses and think about how they would change in retirement
- ☐ Order and review my Social Security statement
- ☐ Match my retirement income sources with types of expenses to determine if I have an income gap

Making the Most of What You Have

- ☐ Determine how much disability income and life insurance I need
- ☐ Look at my additional benefits that can close gaps in my benefits package and may help with possible high, unpredictable out of pocket expenses
- ☐ Know how much long term care costs in my state
- ☐ Review the 5 basic elements of an estate plan, and create or update my will

MetLife administers the Retirewise program, but has arranged for specially trained third party financial professionals to offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

This discussion is based on our understanding of the tax law as it exists as of 3/31/2021.

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

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