



Navigating life together

# Building the Foundation

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# ABC Company

Retirewise Workshop - Sessions 1, 2, 3 & 4

Workshop ID 21929

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6/3/2019 11:30 AM – 01:00 PM Main Conference Room  
 6/10/2019 11:30 AM – 01:00 PM Main Conference Room  
 6/17/2019 11:30 AM – 01:00 PM Main Conference Room  
 6/24/2019 11:30 AM – 01:00 PM Main Conference Room

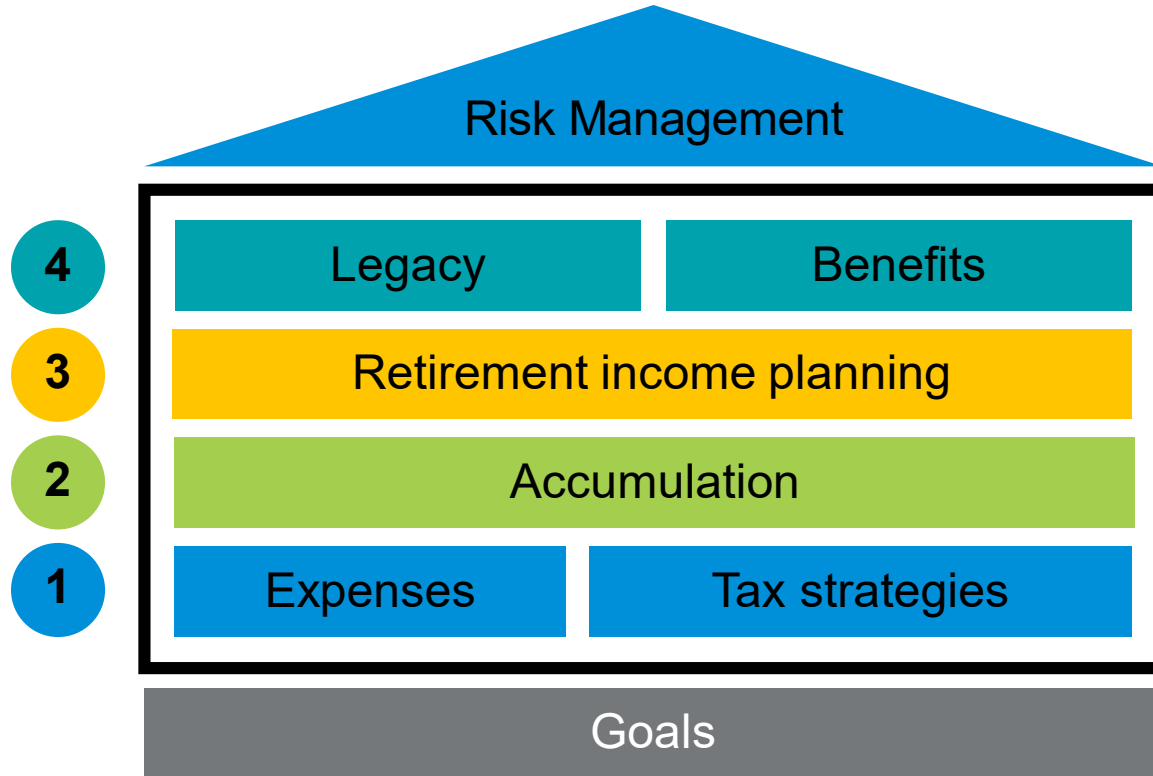
| Last Name      | First Name     | Emp/Guest    | 6/1/2017 | 6/8/2017 | 6/15/2017 | 6/22/2017 | Phone                 | E-mail                    | Appt. Req |
|----------------|----------------|--------------|----------|----------|-----------|-----------|-----------------------|---------------------------|-----------|
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# What's important about retirement planning...

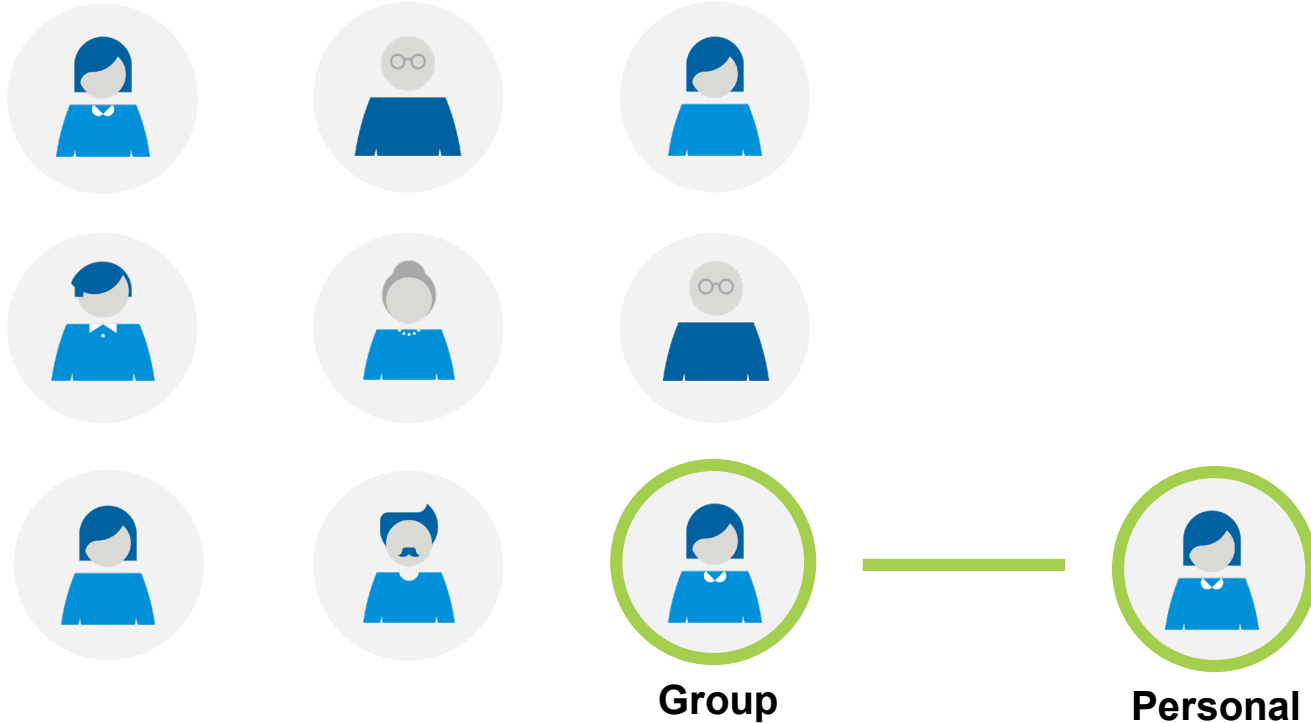


  
**...to you?**

# Building your “retirement house”



# What to expect from today's workshop...



# Your Retirewise workbook



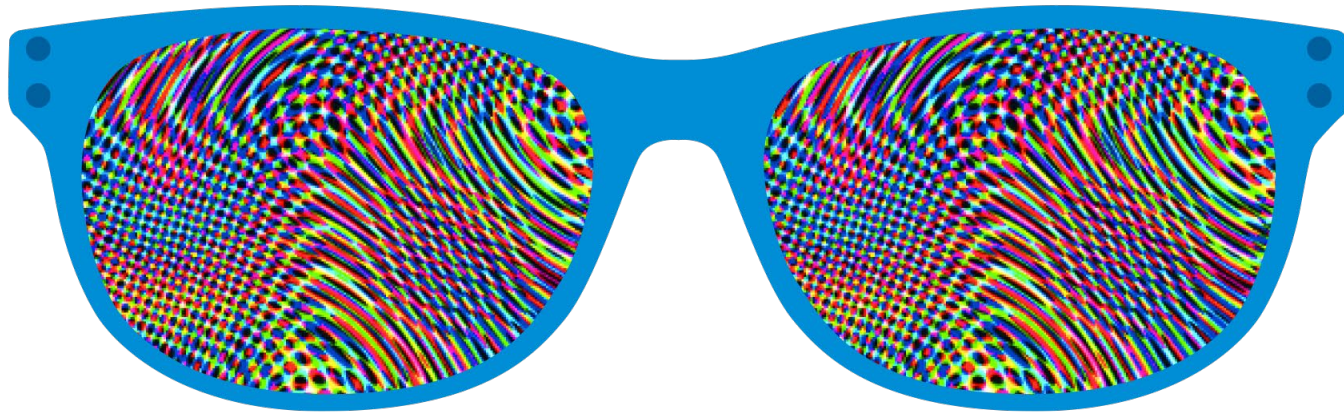


How you **envision** your day-to-day life after you **retire**





## Financial basics **you should know**



How to maintain a **long-term focus** through the distractions of economic news and events

# Information overload



retirement



# America's top financial concerns

64%

Not having **enough money** in retirement

60%

Not being able to pay for **medical costs** in event of a serious illness/accident

51%

Not being able to maintain the **standard of living** you enjoy

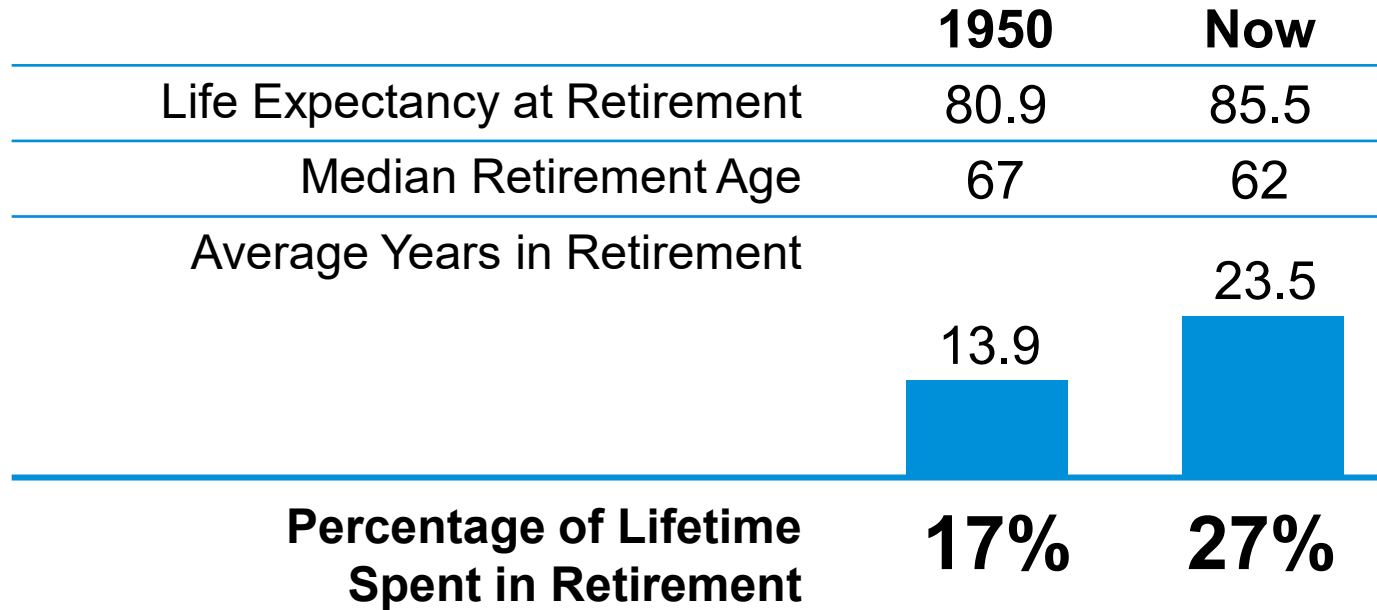
# Old age is getting younger



## 70 is the new 53

Source: Frontiers in Psychology, February 2018

# Increasing time in retirement

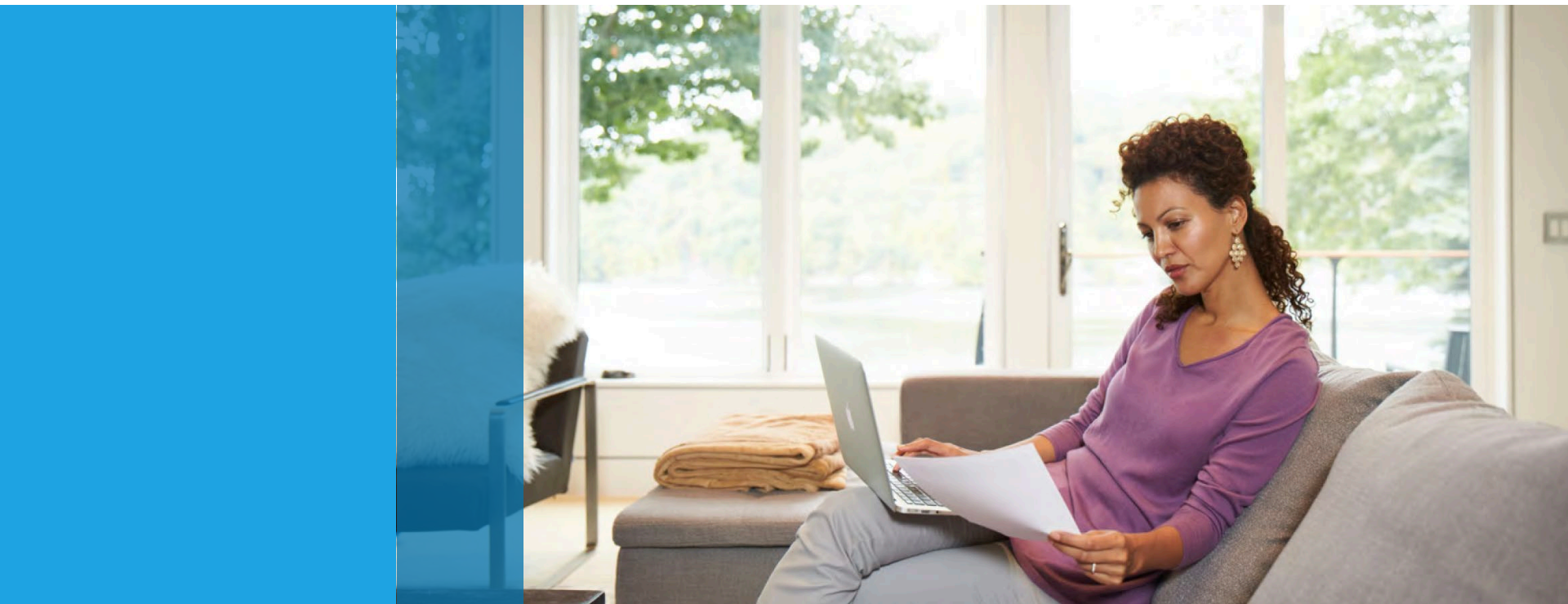


Sources: ChartSource, DST Systems, Inc. Current median retirement age , Board of Governors of the Federal Reserve System, May 2018.  
Data for 1950 , U.S. Treasury.

**Good news / bad news.**

**You can look forward to  
the longest and healthiest  
retirement in history . . .  
but also the most costly**

**Envision.** Start to think about how your retirement will look. How to live it on your own terms.





**What's your retirement dream?**

# Envision your retirement


How do you **see** your retirement?

What are some of the **thoughts**  
**or concerns** you have?

## Envision Your Retirement—Part 1

|  |  |
|--|--|
| <p><b>Place</b><br/>If you were living your vision of the good life, and had enough resources to do what you love doing, where would you live? What would your lifestyle be like?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>          | <p><b>Work</b><br/>If you had the resources, would you work or volunteer? If so, what would your ideal work be? Would you go to school? What would you study? What type of avocation, hobbies or creative expression would you like to pursue?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> |
| <p><b>People</b><br/>Who would you spend your time with? Who is in your support system? Do you have other resources to build additional supports, should you need them? What would you do?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> | <p><b>Purpose</b><br/>If you had the resources, would you like to leave a legacy? What type of personal and/or financial legacy would you like to leave? How would you like to make a difference in the world?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>                                 |

MetLife Retirewise 3



**Money won't guarantee  
happiness, but it can  
help you do the things  
YOU want to do.**

# Getting Started

# Rules of thumb to using your money more wisely

1. **Pay yourself** first
2. Create and stick to a **budget**
3. Take advantage of **compounding**
4. It's not what you earn . . . it's **what you keep**

# Rule of thumb 1

**Pay yourself** first



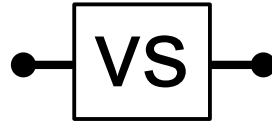
**Retirement savings**

**KEY TAKEAWAY:**

**You are your main financial priority**

# Bad debt vs. good debt

“Bad debt”



“Good debt”

Credit card

Mortgage

Gratification today

Financial security

**KEY TAKEAWAY:**

**Try to control debt and build equity**

# Rule of thumb 2

## Create and stick to a **budget**

- Categorize “**needs**” vs. “**wants**”
- **Today’s** income
- **Today’s** expenses

**Take control of your money**

### **KEY TAKEAWAY:**

You have control of **where** money will go and what it **can do for you** in retirement



# Budgeting exercise

| Monthly Expenses                                | Current |       | Retirement |       |
|---|---------|-------|------------|-------|
|   | Needs   | Wants | Needs      | Wants |
| <b>Housing and Related Expenses</b>             |         |       |            |       |
| Rent / mortgage                                 |         |       |            |       |
| Real estate / association fees                  |         |       |            |       |
| Heat / AC / electric                            |         |       |            |       |
| Phone   |         |       |            |       |
| Water / sewer / garbage                         |         |       |            |       |
| Property taxes                                  |         |       |            |       |
| Home insurance                                  |         |       |            |       |
| Property care (lawn, etc.)                      |         |       |            |       |
| Home maintenance (repairs, painting, etc.)      |         |       |            |       |
| Cable / internet / subscriptions                |         |       |            |       |
| Other:  |         |       |            |       |
| Other:  |         |       |            |       |
| <b>Housing Totals:</b>                          |         |       |            |       |
| <b>Transportation Expenses</b>                  |         |       |            |       |
| Car payments                                    |         |       |            |       |
| License / registration / maintenance            |         |       |            |       |
| Gas / parking                                   |         |       |            |       |
| Insurance                                       |         |       |            |       |
| Public transportation (bus, train, etc.)        |         |       |            |       |
| Other:  |         |       |            |       |
| Other:  |         |       |            |       |
| <b>Transportation Totals:</b>                   |         |       |            |       |
| <b>Personal Expenses</b>                        |         |       |            |       |
| Childcare                                       |         |       |            |       |
| Groceries / restaurant / takeout                |         |       |            |       |
| Personal care, hairdresser, etc.                |         |       |            |       |
| Clothing / shoes                                |         |       |            |       |
| Gym membership / hobbies                        |         |       |            |       |
| Vacation / leisure / entertainment              |         |       |            |       |
| Education (you / spouse / children)             |         |       |            |       |
| Debts (other than car / mortgage)               |         |       |            |       |
| Charitable donations                            |         |       |            |       |
| Gifts to children / grandchildren / others      |         |       |            |       |
| Pet care  |         |       |            |       |
| Savings   |         |       |            |       |
| Federal income tax                              |         |       |            |       |
| State income tax                                |         |       |            |       |
| Other:  |         |       |            |       |
| Other:  |         |       |            |       |
| <b>Personal Totals:</b>                         |         |       |            |       |
| <b>Medical Expenses / Insurance Premiums</b>    |         |       |            |       |
| Medical (copay, prescriptions, etc.)            |         |       |            |       |
| Eye care (glasses, contacts, etc.)              |         |       |            |       |
| In-home care services                           |         |       |            |       |
| Health Insurance Premiums (Medicaid / Medicare) |         |       |            |       |
| Long-Term Care Insurance Premiums               |         |       |            |       |
| Life Insurance Premiums                         |         |       |            |       |
| Disability Income Insurance Premiums            |         |       |            |       |
| Other:  |         |       |            |       |
| Other:  |         |       |            |       |
| <b>Medical / Insurance Totals:</b>              |         |       |            |       |
| <b>Total Monthly Expenses:</b>                  |         |       |            |       |

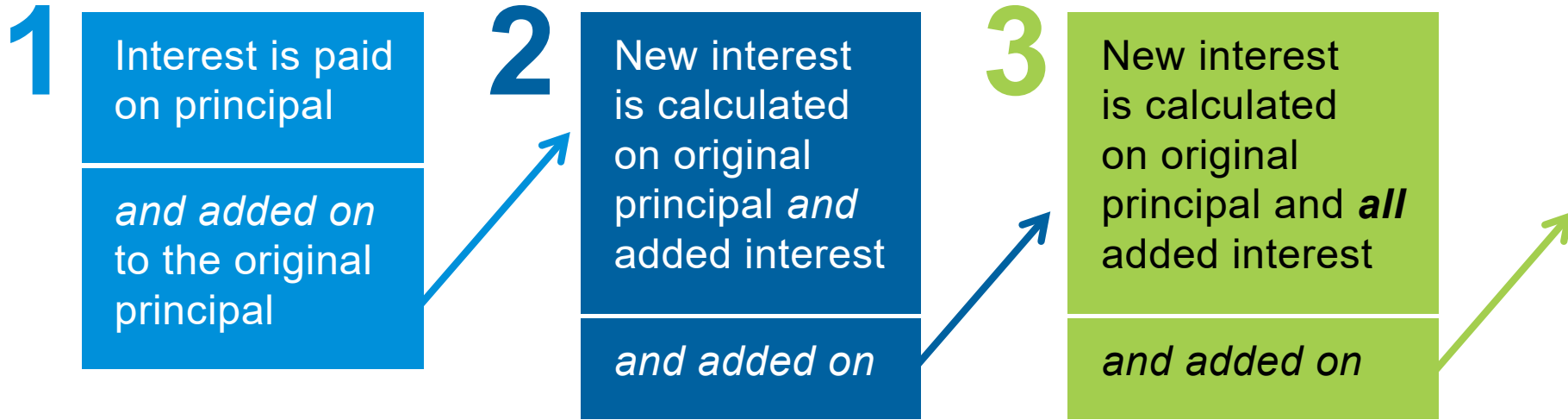
MetLife Retirewise 1

# Consider the following . . .

- Do you have money **set aside** in an emergency fund?
- Should you continue to **pay off your mortgage quickly** or **invest that money** for retirement?
- What's the best way to invest today for **multiple goals and different time frames**?
- How much **life insurance** should you have?
- Are you concerned about **healthcare** and **long term care** costs?

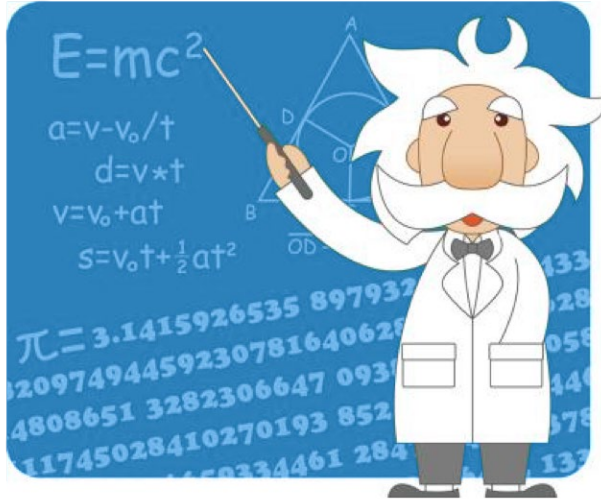
# Rule of thumb 3

Take advantage of **compounding**



**KEY TAKEAWAY:** Compounded interest = **GROWING principal**

There's an urban legend that Albert Einstein once said . . .



***“Compound interest is the most powerful force in the universe.”***

# The early bird gets the worm

| Contribution             | Early Bird | Procrastinator |
|--------------------------|------------|----------------|
| First 10 Years           | \$5,000    | \$0            |
| Next 20 Years            | \$0        | \$5,000        |
| Total Contribution       | \$50,000   | \$100,000      |
| Value at end of 30 Years | \$224,044  | \$194,963      |

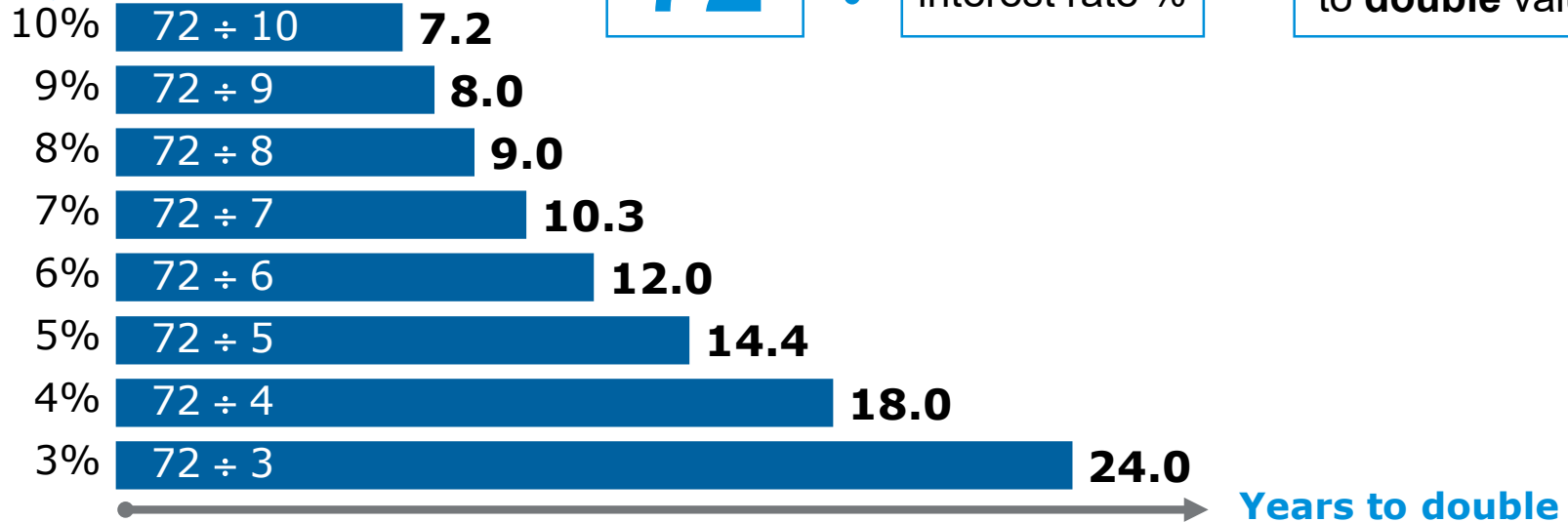
**Procrastination carries a high cost**

Hypothetical example for illustrative purposes only. Assumes a 6% compounded rate of return.

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

Annual interest rate

$$\boxed{72} \div \boxed{\text{Annual interest rate \%}} = \boxed{\text{Number of years to double value}}$$



The Rule of 72 is based on a hypothetical illustration and it is not guaranteed. It does not represent performance of any specific product and therefore there is no assurance that investments would double within a specific timeframe.

# Rule of thumb 4

It's not what you earn



it's what you keep

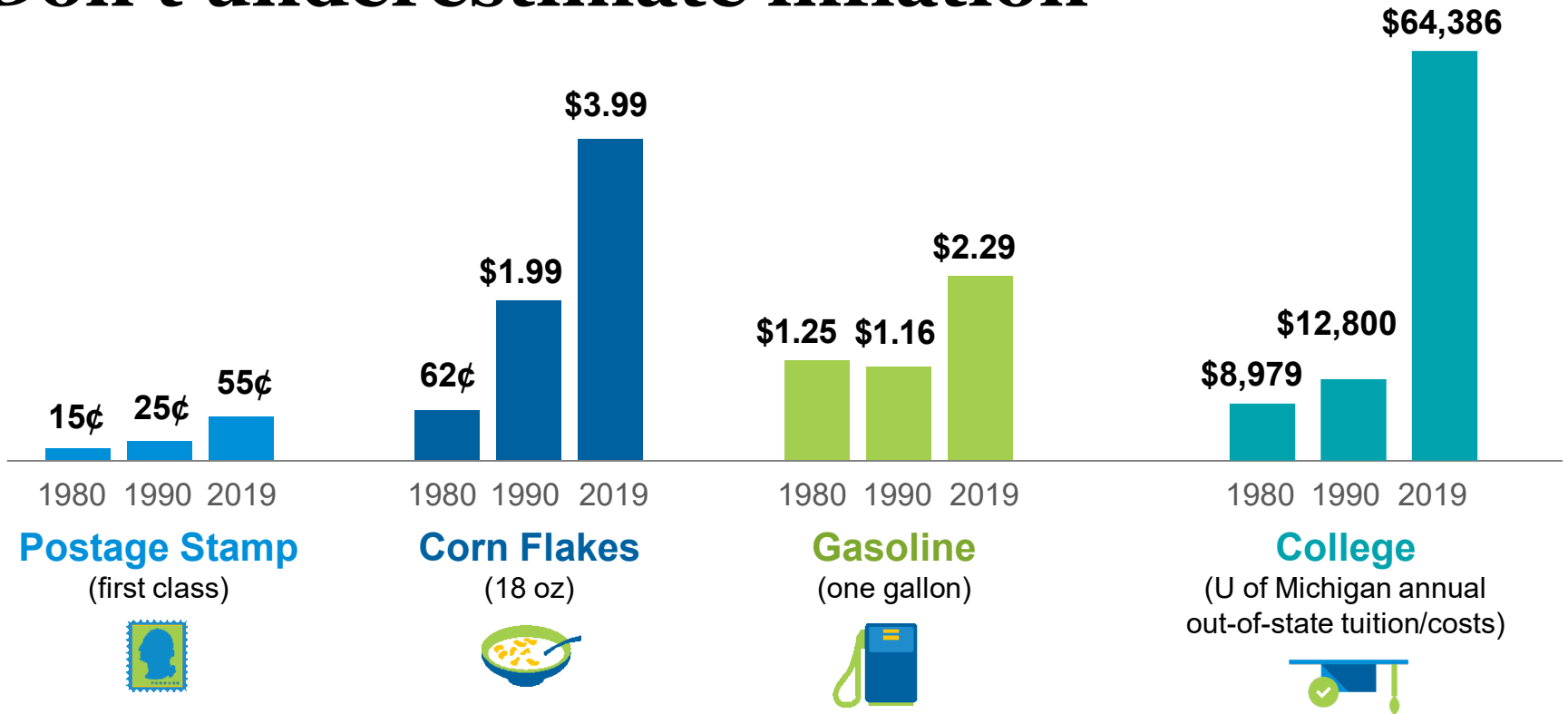
## KEY TAKEAWAY:

**Inflation and taxes take quite a bite out of yield**

# Inflation and Taxes

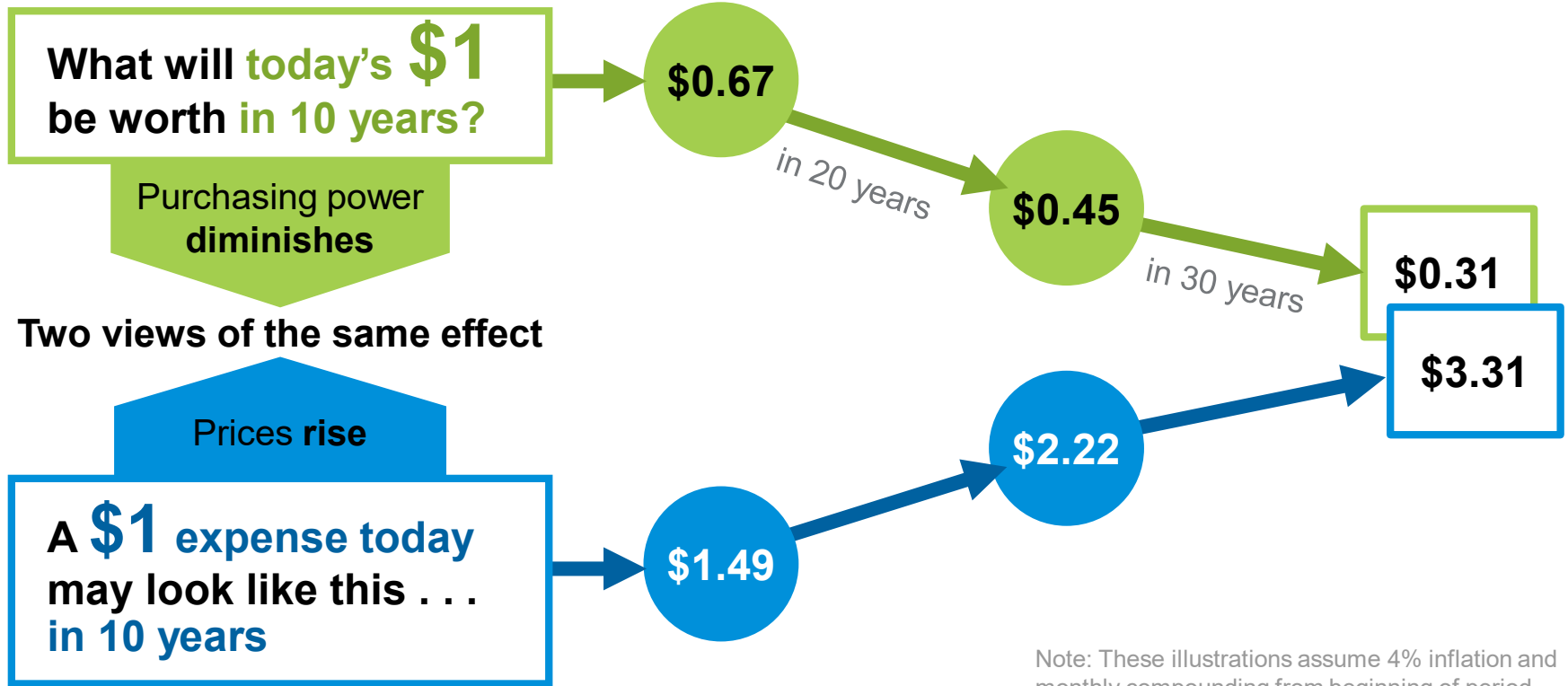


# Don't underestimate inflation



Source:: USPS, Foodtimeline.org, Mills Fleet Farm, Gasbuddy.com, University of Michigan 2019

# Inflation in action



# Think about taxes today

## 2019

| <b>Tax Rate</b> | <b>Single Filers</b>   | <b>Married Filing Jointly or Qualifying Widow/Widower</b> | <b>Head of Household Filers</b> |
|-----------------|------------------------|---|---------------------------------|
| <b>10%</b>      | \$0 to \$9,700         | \$0 to \$19,400   | \$0 to \$13,850                 |
| <b>12%</b>      | \$9,701 to \$39,475    | \$19,401 to \$78,950                                      | \$13,851 to \$52,850            |
| <b>22%</b>      | \$39,476 to \$84,200   | \$78,951 to \$168,400                                     | \$52,851 to \$84,200            |
| <b>24%</b>      | \$84,201 to \$160,725  | \$168,401 to \$321,450                                    | \$84,201 to \$160,700           |
| <b>32%</b>      | \$160,726 to \$204,100 | \$321,451 to \$408,200                                    | \$160,701 to \$204,100          |
| <b>35%</b>      | \$204,101 to \$510,300 | \$408,201 to \$612,350                                    | \$204,101 to \$510,300          |
| <b>37%</b>      | \$510,301 or more      | \$612,351 or more   | \$510,301 or more               |

Source: IRS, 2019

# The effect of taxes

**Selling a stock**  
*held for 12 months*  
or less for a profit

**Short-term capital gain**  
Gain subject to income  
tax at ordinary rates

**Selling a stock**  
*held for more than*  
12 months for a profit

**Long-term capital gain**  
Gain subject to tax at  
maximum rate of 20%\*

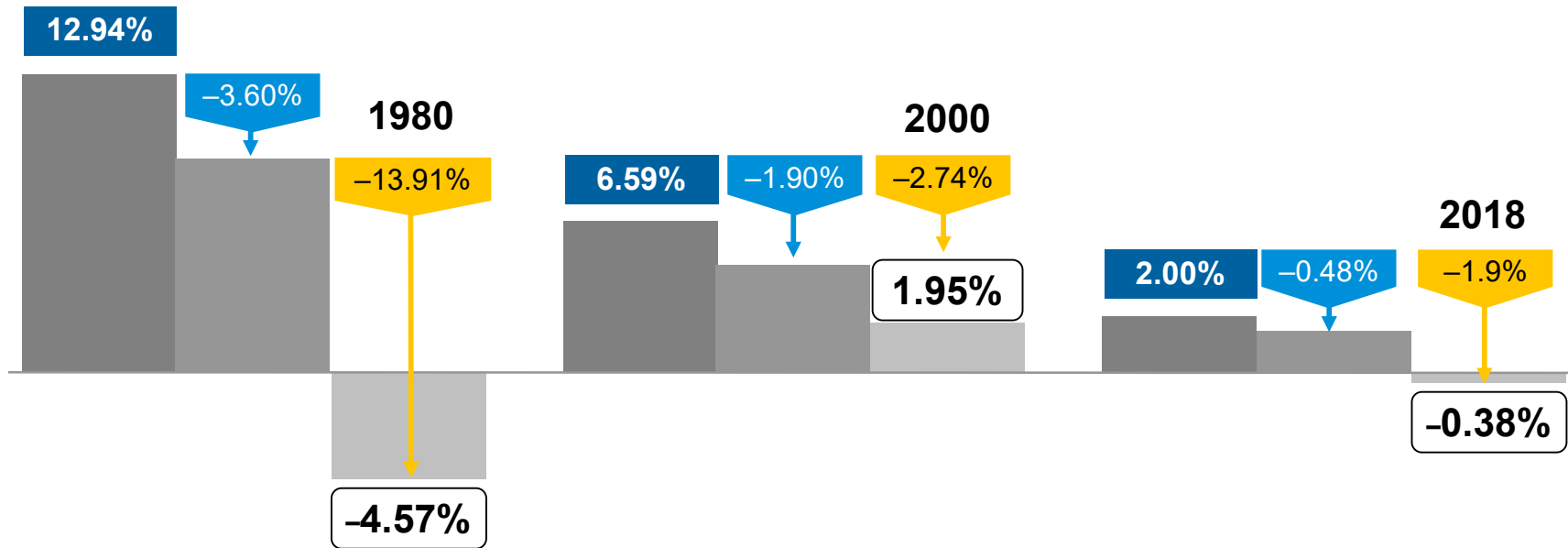
Your stock pays a **cash dividend**  
or you have it **automatically**  
**invested back into the security**

Most dividends are subject to tax  
at **maximum rate of 20%**,  
although some may still be taxed  
at ordinary rates

**KEY TAKEAWAY:**  
**Taxes can significantly impact your rate of return**

\*For higher income brackets, an additional 3.8% Medicare surtax may result in a maximum 23.8% rate.

# The impact of taxes + inflation

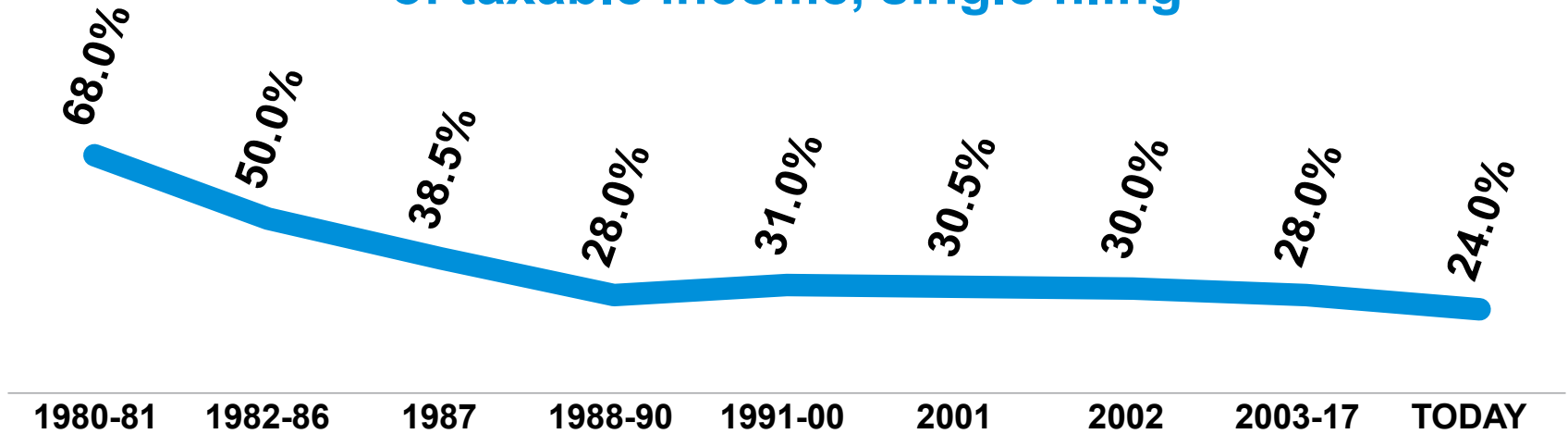


CD rate
*minus*
taxes
*minus*
inflation
 = 
 Real rate of return

Source: Citibank 6-month CD 2018. Tax rates are the median rate for married filing jointly, Tax Foundation 2018. Inflation – Bureau of Labor Statistics, 2018

# What will your tax bracket be in retirement?

Income tax rates based on \$100,000  
of taxable income, single filing



Source: Tax Facts 2019

# Current highest tax rates

Top **Income Tax** rate **37%**

On taxable income over **\$612,351** married  
filing jointly

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Top **Capital Gains** rate **20%**

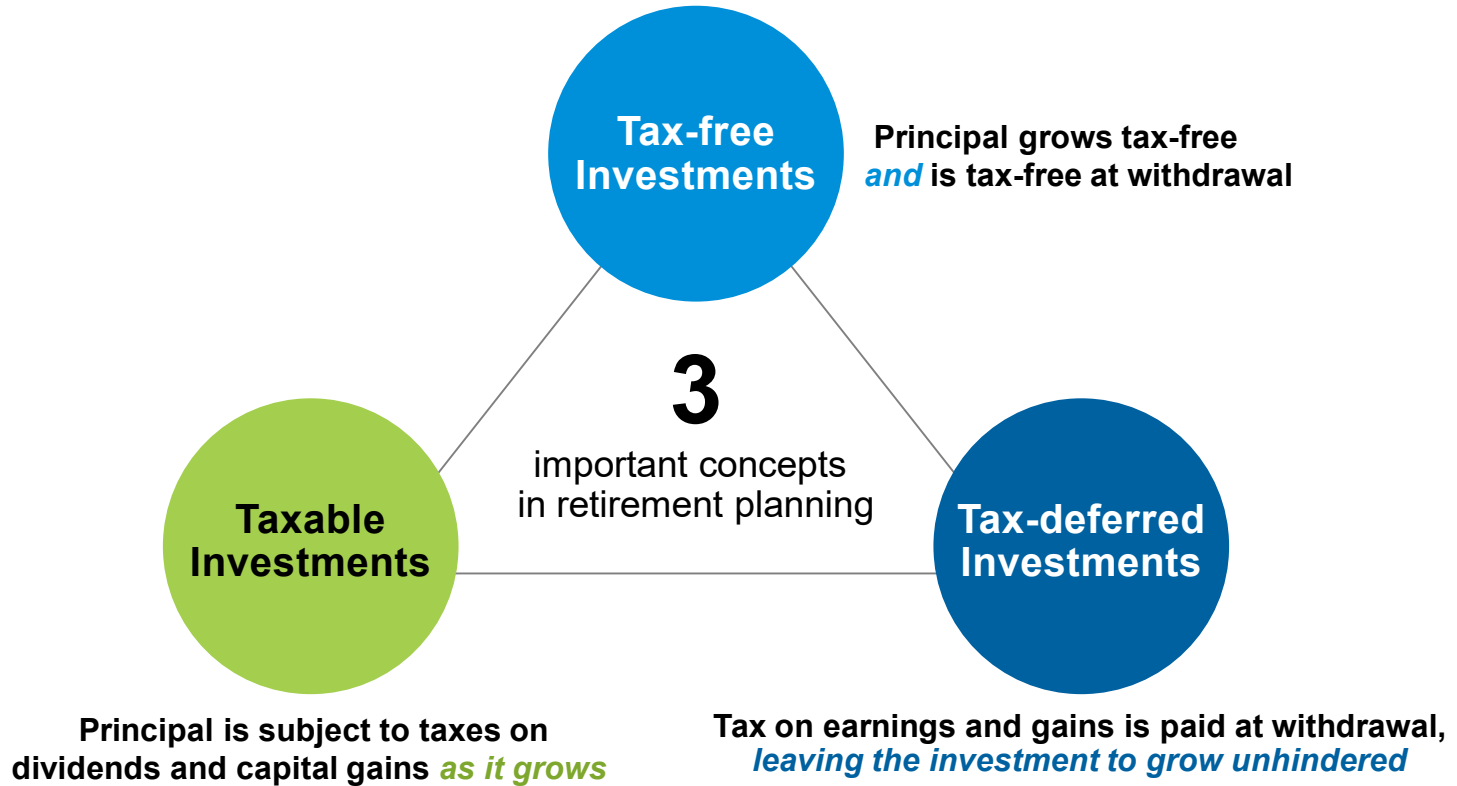
On long term gains  
Ordinary income tax rate on short term gains

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**Medicare** surtax\* **3.8%**

\*Adjusted gross income (AGI) exceeds: \$200,000 if you're unmarried, \$250,000 if you're a married joint-filer, or \$125,000 if you use married filing separate status

# Think about taxes tomorrow





# Tax diversification

| Taxable            | Tax-free  | Tax-deferred                      |
|--------------------|---|-----------------------------------|
| Checking Accounts  | Roth 401(k)*, Roth 403(b)*                                | 401(k), 403(b),<br>457 plans      |
| Brokerage Accounts | Roth IRA*   | Traditional IRA<br>Simple/SEP IRA |
| Real Estate        | Municipal Bond** Interest<br>Cash Value Life Insurance*** | Annuities Savings Bonds           |

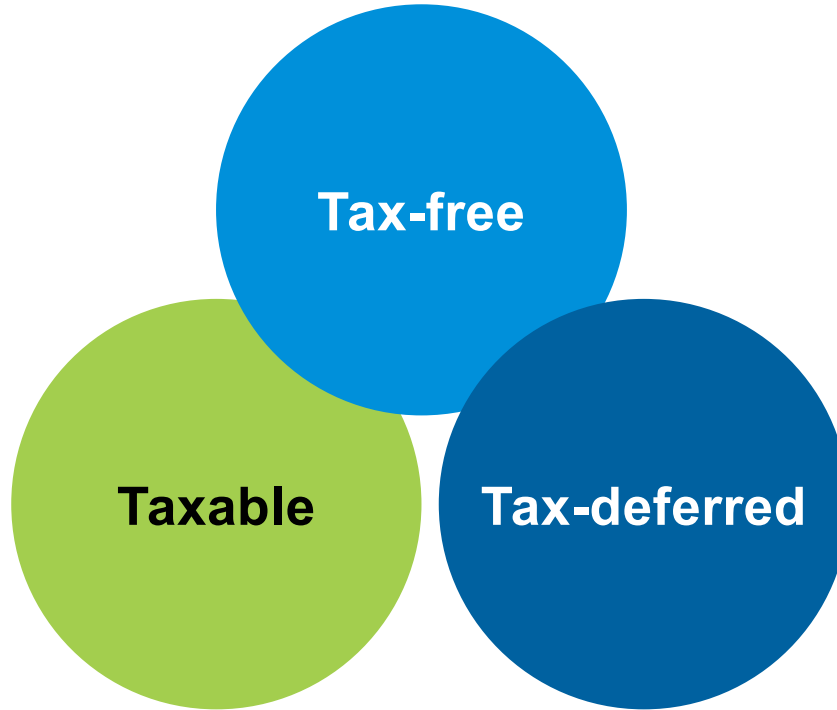
\* If a distribution is nonqualified, the earnings will be subject to income tax. Nonqualified distributions may be subject to a 10% penalty.

\*\* Municipal bond interest is generally income-tax free but exceptions apply.

\*\*\* Distributions from a life insurance policy through withdrawals of certain policy values (up to cost basis) and loans are generally not taxed as income provided certain premium limits are followed which prevent a policy from becoming a modified endowment contract (MEC). Distributions taken during the first fifteen years may be subject to tax. Loans and withdrawals will generally reduce the cash value available and death benefit payable. If policy loans are taken, there may be income tax consequences if the policy lapses, is surrendered or exchanged. If the policy has not performed as expected and to avoid a policy lapse, distributions may need to be reduced, stopped and/or premium payments may need to be resumed.

# Tax diversification

**Question:**  
So, what's **best**  
for retirement?



**Answer:**  
A bit of each

# Retirement Savings Plans

# Your employer's retirement savings plan

It's tax-deferred

Annual contribution limits change each year

Catch-up contributions begin at age 50

A 10% tax penalty for withdrawals before age 59½

Your underlying investments should line up with your risk tolerance, objectives and time horizon

## KEY TAKEAWAY:

When it's time to retire, **your employer's plan** may be the **largest check** you'll ever see

# Increase your qualified plan contributions by 1%

A small **1%** change ▶ ▶ ▶

**Big %**  
impact

**KEY TAKEAWAY:**  
You can start doing this **today**

# Actions you can take today...

Simpler is better,  
**consolidate**  
where you can

Consider  
**converting**  
to a **Roth IRA\***

\*This opportunity may not be right for everyone. The cost of having to pay taxes now may outweigh the benefit of tax-free qualified distributions in the future. For a distribution from a Roth IRA to be a tax-free qualified distribution, the distribution must occur after the 5-tax-year holding period for Roth IRAs and satisfy one of the other requirements (e.g., occur on or after the Roth IRA owner attains age 59 ½).

**Today's key learning:**  
**Inflation and taxes**  
**can impact your**  
**investments.**

# Retirement is NOT a one-size-fits-all proposition.





# Homework:

## Budgeting exercise



**MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.**

**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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# Creating and Managing Wealth

