

Don't just **HOPE** to  
retire....

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**PLAN** for it!

We have to start here:

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- The Texas Legislature **HATES** public school teachers! 😊

- Not Really.... There are some good ones that are trying to help!

# TRS is a pension

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- TRS is a good program
  - You will receive a check for the rest of your life!
- On average teachers in Texas take a **38%** pay cut at retirement!
- Think of your TRS benefit as a safety net, not a sole source of income

# How does TRS calculate your benefits?

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- “Rule of 80”
  - There is no “Rule of 90” to determine retirement eligibility
  - If you started employment:
    - Before 2007 – Original “Rule of 80” – No Age restrictions
    - 2007-2014 – “Rule of 80” + Must be 60 years of age
    - After 2014 – “Rule of 80” + Must be 62 years of age
  - Age + Years of Service = Must total the number 80

## How does TRS calculate your benefits?

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- (Years of service) x 2.3 = %
- Average of 5 highest salaries

## What if I leave teaching before I reach the “Rule of 80”

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- Leave your money in TRS until you reach the requirements
- Roll your TRS funds into an IRA
  - \*\*\*\*\* Only recommended in rare circumstances

# Why can't I get Social Security Benefits?

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- YOU CAN.....maybe.....
  - **If** you are eligible you may get reduced benefits:
    - This DOES NOT affect your TRS benefit!!
    - Expect  $\frac{1}{2}$  of your SS benefit
      - Could be less than  $\frac{1}{2}$  depending on your situation

# I don't want to work until I am dead...Help!

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- Supplemental Savings

- 401k, 403b, 457b, IRA, Roth IRA.....

- Over-simplified, these are IRS names for retirement savings accounts

- They are tax-sheltered or pre-tax (except for the Roth option)



# I don't want to work until I am dead...Help!

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- Supplemental Savings

- What is a 401k?

- For people in the “real world” (outside of education)
- Do you have one from a previous employer?
- Companies now use the 401k as a replacement for a pension

# I don't want to work until I am dead...Help!

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- Supplemental Savings
  - What is a 403b?
    - For people in education
    - Contributions must be made through your paycheck
    - Build a 2<sup>nd</sup> paycheck at retirement

# I don't want to work until I am dead...Help!

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- Supplemental Savings
  - What is a 457b?
    - For people working for a municipality (government), a church or in education
    - Most schools will also have this option
    - Do you have one from a previous job or district?

# I don't want to work until I am dead...Help!

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- Supplemental Savings
  - What is an IRA?
    - Individual Retirement Account
    - Everyone is eligible
    - Contributions are made through a bank account, not a paycheck
    - Rules for use are slightly different

# I don't want to work until I am dead...Help!

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- Supplemental Savings

- **What is a Roth IRA?**

- Similar to a traditional IRA
- Contributions are made **after** taxes have been paid
- Pay taxes now – Never pay taxes on it again

# Speaking of Taxes.....

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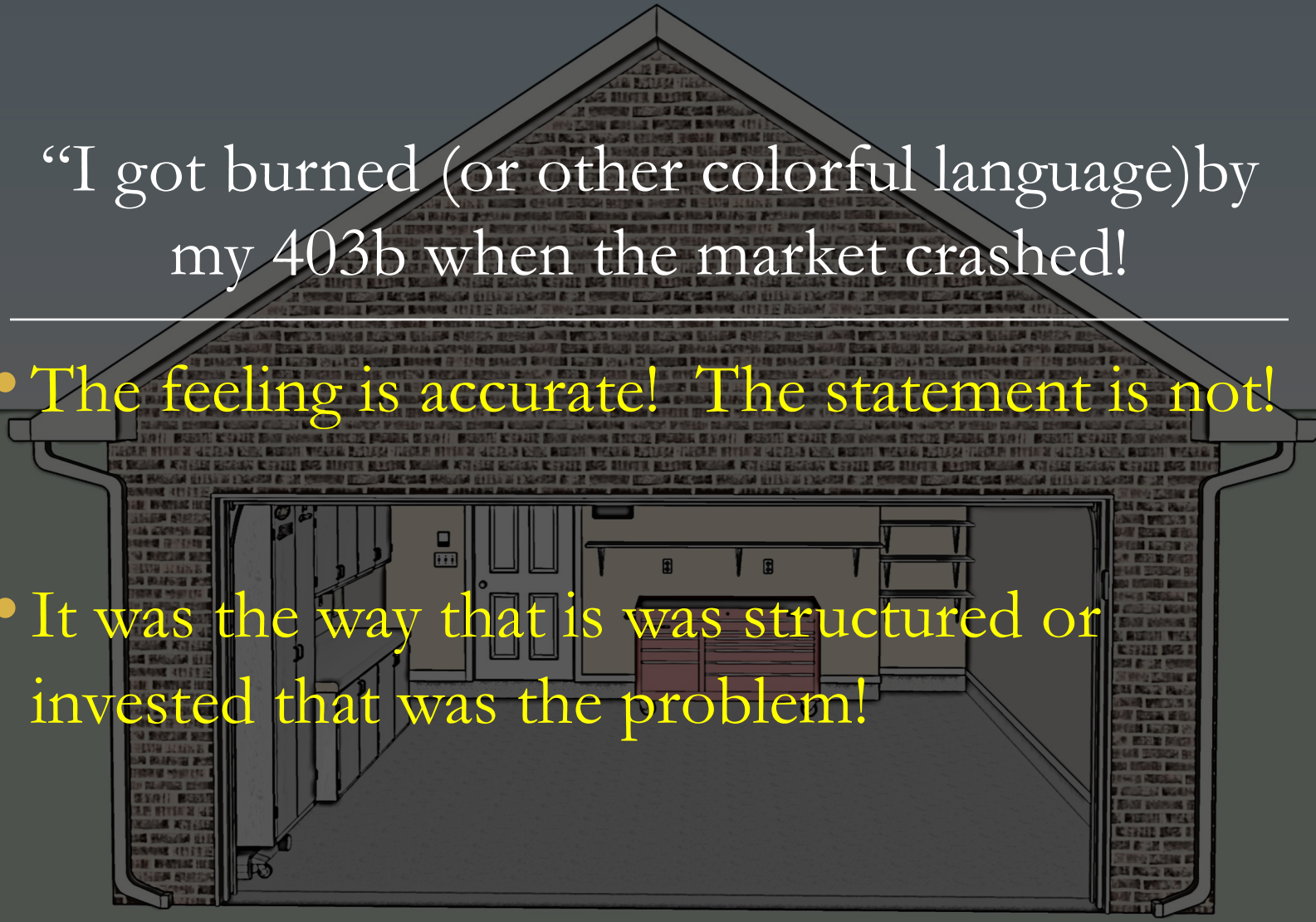
- How can I send less money to the IRS?
  - Lower your taxable income dollar for dollar!
  - Move down into a lower tax bracket!
  - DO NOT try to lower your taxes by changing your W-4 withholding!
    - Unless you like giving your money to the government and not getting it back.
  - Make your 403b work for you!

“I got burned (or other colorful language) by my 403b when the market crashed!

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- The feeling is accurate! The statement is not!

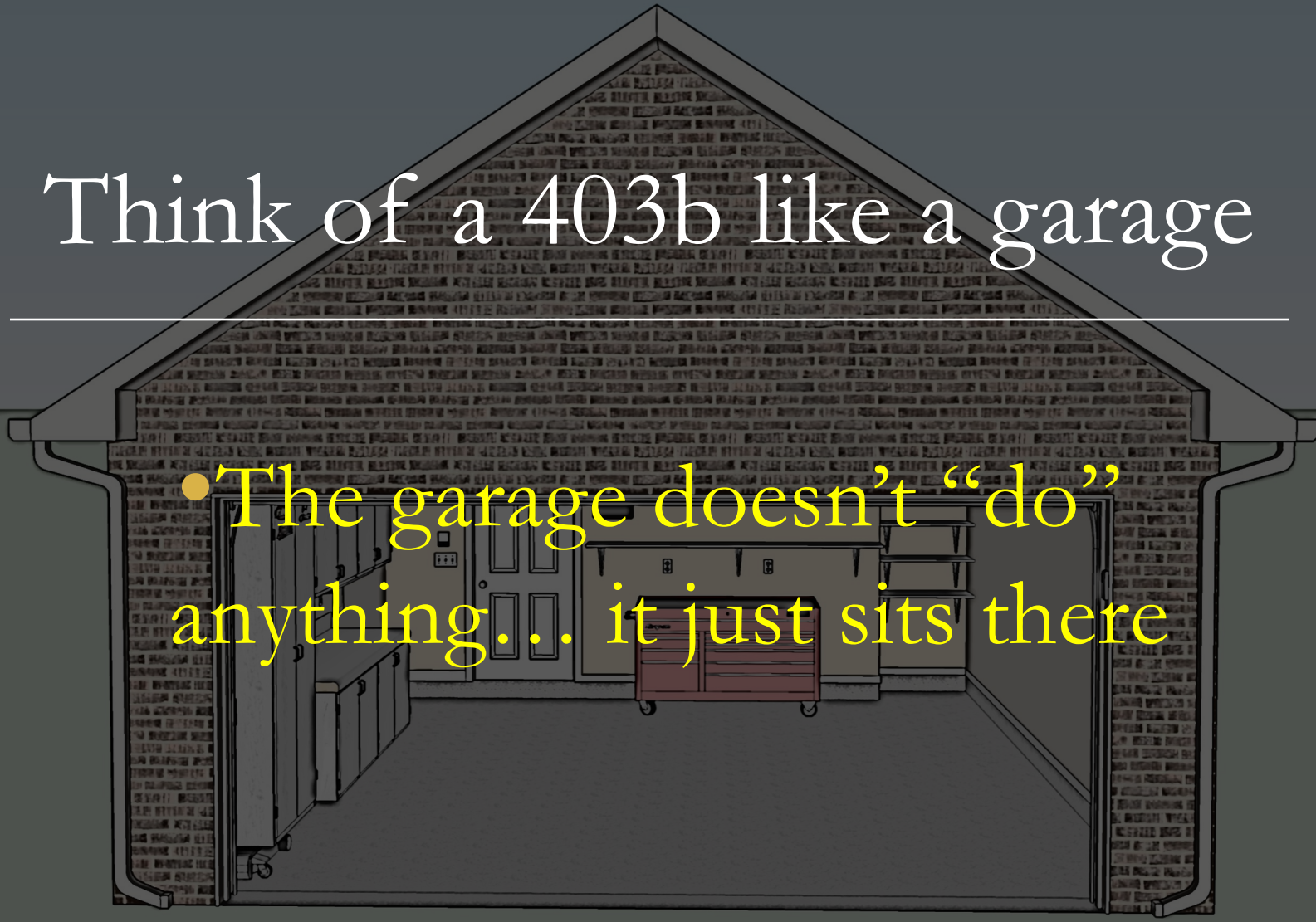
- It was the way that it was structured or invested that was the problem!



Think of a 403b like a garage

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• The garage doesn't “do” anything... it just sits there





# What vehicle should I park in my garage?

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- Stock Market
  - Money Market Accounts
  - Bank CD's
  - **YOU GET TO CHOOSE!!!**
- Mutual Funds
- Annuities
- Etc....
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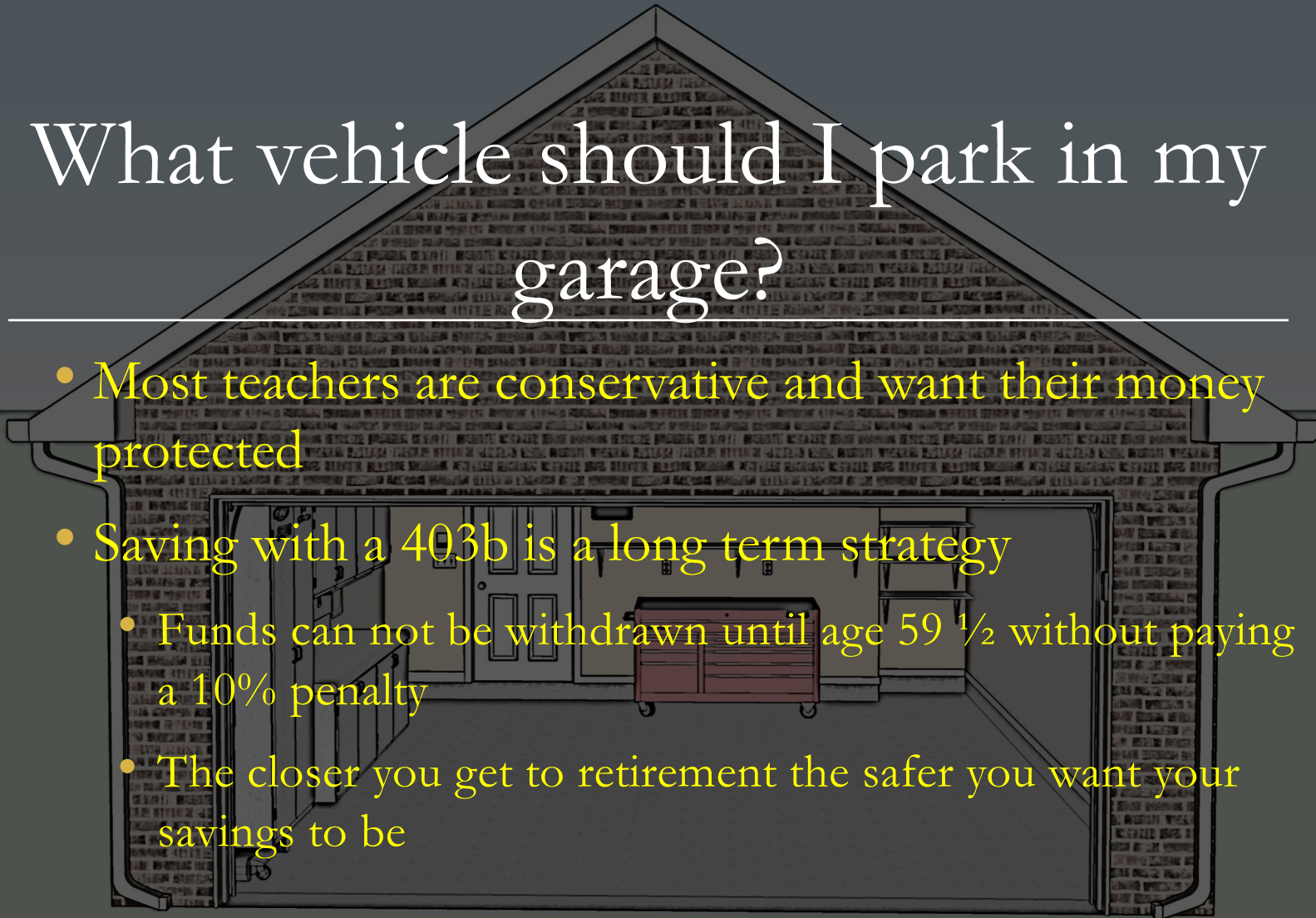
# What vehicle should I park in my garage?

- You get to choose the company that has the vehicle you want!
- National Life Group / LSW Edward Jones
- Horace Mann
- AXA (Now Equitable)
- Voya
- Many others....
- Your district or the TPA (Third Party Administrator) that works with your district will have a list of approved vendors or companies

# What vehicle should I park in my garage?

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- Most teachers are conservative and want their money protected
- Saving with a 403b is a long term strategy
  - Funds can not be withdrawn until age 59 ½ without paying a 10% penalty
  - The closer you get to retirement the safer you want your savings to be



# What do I do now?

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- Do you currently have a 403b?
  - Or a 401k from an old job
  - Or a 457b from an old district
- Your contributions do not automatically follow you to your new district!

# What do I do now?

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- Do you currently have a 403b?
  - Fill out the forms to get it “attached” to new district
    - Or.....
  - Transfer it to a new company
    - No penalties, may be fees involved

# What do I do now?

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- Do you want to start saving with a 403b:
  - Find a Financial Advisor or Retirement Specialist that you can trust
    - Knows your wants and needs
    - Will stay with you long term and create a relationship
    - Understands the education business, TRS and the benefits and limitations of being a teacher
  - Start saving!
    - It is really a very simple and quick process

# How can I save enough \$ to retire?

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- There are 2 main factors that control your savings:
  - 1 - Interest Rate
    - You have no control over the interest rate applied to your account
      - Trust your people to get you the best rate possible
      - This is the slowest way to grow the balance of your account
    - YOU CAN **NOT** FUND YOUR RETIREMENT ON INTEREST RATE!!!

# How can I save enough \$ to retire?

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- There are 2 main factors that control your savings:
  - 2 - Your contributions
    - You have COMPLETE control!
      - Create a habit of regular increases (at least once per year)
      - This is the FASTEST way to grow the balance of your account
    - **YOUR SAVINGS WILL GROW EXPONENTIALLY!**



# Retirement Supplement Savings

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- Teacher A:

- Starts saving \$100/month
- Saves for 25 years
- Never increases contributions
- Balance in her 403b at Retirement:

● \$49,000

- Teacher B:

- Starts saving \$100/month
- Saves for 25 years
- Regularly increases contributions each year (avg of 10%)
- Balance in his 403b at Retirement:

● \$221,000

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# Retirement Supplement Savings

This is your interest rate!



These are your contributions!

# Are you ready to retire?

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- Are you interested in doing what we do?
- Are you interested in part-time or full-time work?
  - Ask me how to join ValuTeachers!

# Contact Information

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