

PROJECT 10: RETIREMENT PLANNING

INSTRUCTOR OVERVIEW

Retirement is the time in life when the major sources of income change from earned income to employer based retirement benefits, private savings and investments, social security, etc.

INSTRUCTIONAL OBJECTIVES

As students begin their working phase of life, they should start planning for a comfortable retirement. In this lesson, students will:

- Examine the need to start saving early
- Calculate how much money they will need for retirement
- Identify sources of retirement income
- Create a strategy for saving for retirement

CENTRAL QUESTION OR PROBLEM

How much money will I need to retire?

ASSIGNMENT RESOURCES

Students will need a computer, printer, and access to the Internet.

ASSIGNMENT LENGTH

One week

NOTES

- This is one of my favorite projects to go through with the students. It does a nice job of making saving for retirement relevant. It also illustrates how easy this can be if you start saving early and often.
- Read through the sample social security statement with the students. Make sure they understand the vocabulary and how credits are earned. You will get feedback on whether or not students feel social security will be around when they get ready to retire. I typically respond that, for the purposes of this project, we are going to assume that it will be funded at today's levels.
- Many experts suggest that saving for retirement requires a three-legged stool approach.
- You must determine how much money you need in retirement.
 - How much will social security contribute monthly?
 - How much will your employer-based retirement benefits contribute monthly?
 - How much will you need to save of your disposable income for retirement?

- I typically walk them through the calculators during class and let them work independently to determine their specific numbers.
- I have received positive feedback from students on the project. Retirement seems so far away when you are young. Understanding the steps to determine how much you need for retirement make the process less intimidating.

PROJECT 10 ASSESSMENT

RETIREMENT PLANNING RUBRIC

This project has a total value of 20 points.

The student did not follow directions. (minus 2)	
The student completed the social security piece. (plus 6) The student did not attempt. (0 points)	
The student completed the What's Your Number worksheet. (plus 6) The student did not attempt. (plus 0)	
The student completed the retirement income calculator. (plus 6) The student did not attempt. (plus 0)	
The student completed the Three-Legged Stool worksheet. (plus 2) The student did not attempt. (plus 0)	
Total	

PROJECT 10 OVERVIEW: RETIREMENT PLANNING

HOW MUCH MONEY WILL I NEED TO RETIRE?

Retirement is the time in life when the major sources of income change from earned income to employer-based retirement benefits, private savings and investments, social security, etc. In this lesson, you will:

- Examine the need to start saving early
- Calculate how much money you will need for retirement
- Identify the sources of retirement income
- Create a strategy for saving for retirement

As you begin your working phase of life, it is a good idea to start planning what you will need to be comfortable during retirement. You will need to start thinking about the following questions:

1. What age do I want to retire?
2. How long do I anticipate living past retirement?
3. What type of lifestyle do I want in retirement?
4. How much money will I need to maintain that lifestyle?

PROJECT 10 ACTIVITY**RETIREMENT PLANNING EXERCISE**

STEP 1: ESTIMATE YOUR SOCIAL SECURITY BENEFITS

Using the Social Security Administration's website, www.ssa.gov/retire2, familiarize yourself with the rules surrounding collecting social security benefits. Determine what age you would like to retire and what your life expectancy might be. If you are currently working or have worked in the past, you can access your personal information by creating an account.

Use this link to open an account and print your benefits statement:

<https://secure.ssa.gov/RIL/SiView.do>.

If you have not had a job or do not have a social security number, use this link to access a sample social security benefits statement: www.ssa.gov/myaccount/SSA-7005-OL.pdf.

Understanding how much you will receive in social security benefits is the first step in planning for your financial future during retirement.

_____ Estimated Monthly Income

_____ Estimated Yearly Income

STEP 2: FIND YOUR NUMBER

Access the retirement calculator here:

<http://www.bankrate.com/calculators/retirement/retirement-calculator.aspx>.

- Enter how much you think you will need annually in retirement in the first box. To calculate the annual income you will need for retirement, find 80% of your current household income.
- To find the average income for the career path you have chosen (For example, if you want to go into accounting you could use the following link to see what the national average is: www.payscale.com/rcsearch.aspx?category=Job&str=accounting&CountryName=United+States&SourceId=Country.) If you have a different career path, type the job title in the box to the left.
- Recall the chart from the Social Security Administration in Step 1. To find the number of years until retirement, subtract your current age from your anticipated retirement age and enter it in the second box.

PROJECT 10 RETIREMENT PLANNING EXERCISE (CONTINUED)

- To determine how many years you will need income after you retire, , you can look at the average age of relatives. Most experts say that you should plan to live until the age of 90. This may need to be adjusted as you grow older and as life expectancy models change.
- In the annual inflation field, use 3 as your value.
- For the annual yield on balance field, use 5 as your value.
- Click **calculate**.
- Print the page that shows your number. Put this with your social security benefits estimate.

STEP 3: RETIREMENT INCOME CALCULATOR

Now that you know what you need for retirement, it is important to understand how you will reach such a large number. Use the following link and complete the questions.

<https://www3.troweprice.com/ric/ricweb/public/ric.do?src=startover>

- Do not hit register or log in. Go directly to **start**.
- This assignment is to be completed as an individual. Do not include a partner or spouse (click **no**).
- Enter the month and year you were born, click **saving for retirement**, and then click **next**.
- In the first box, enter how much you have saved for retirement. If you don't have a retirement account, indicate zero. If you are not working, assume that you contribute \$100 per month to retirement savings.
- Enter your current salary. If you aren't working, enter the average salary for your chosen career (determined in Step 2, above).
- If you are currently working, enter your correct information into the workplace contributions space. If you are not working, assume that you contribute 5% and your employer matches your 5% contribution for a total of 10%.
- List other contributions if they apply. Click **next**.
- For asset allocation, use the default settings of 90% Stocks and 10% Bonds. Click **next**.
- Enter the age you expect to retire.
- Enter how much you think you'll spend per month in retirement. Recall earlier we indicated that would be 80% of your current household income.
- Click the **yes** button to include the estimated social security benefit.
- If your place of business provides a pension, include that information in the next box. If you aren't working, leave it blank. Click **next**.
- Review the results and print the page.

You will need to turn in the social security benefits sheet, the ING number printout, and the Retirement Income Calculator printout with your Three Legged Stool worksheet.

Be prepared to discuss how you felt about this process.

PROJECT 10 ACTIVITY

THREE-LEGGED STOOL WORKSHEET

Planning for retirement is a three-legged stool.

Insert the dollar amount from the retirement calculator:

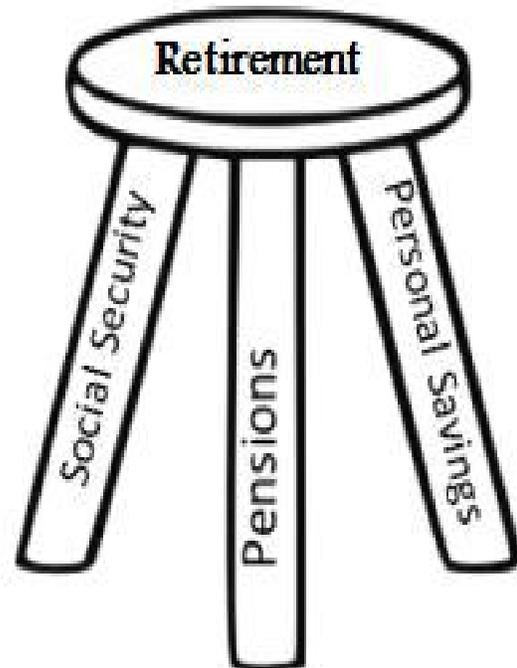
How much will you need per month?

What are your monthly social security contributions?

How much are you employer benefits contributions per month?

What do you plan to contribute from personal savings each month?

Will you have enough money to retire at the age you chose?



PROJECT 10 ADDITIONAL RESOURCES

SOCIAL SECURITY STATEMENT

Go to: <http://ssa.gov/myaccount/SSA-7005-OL.pdf>



Prevent identity theft—protect your Social Security number

Your Social Security Statement

Prepared especially for **Wanda Worker**

www.socialsecurity.gov

January 2, 2014

See inside for your personal information →

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

What's inside...

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What Social Security Means To You

This *Social Security Statement* can help you plan for your financial future. It provides estimates of your Social Security benefits under current law and updates your latest reported earnings.

Please read this *Statement* carefully. If you see a mistake, please let us know. That's important because your benefits will be based on our record of your lifetime earnings. We recommend you keep a copy of your *Statement* with your financial records.

Social Security is for people of all ages...
We're more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family after you die.

Work to build a secure future...
Social Security is the largest source of income for most elderly Americans today, but Social Security was never intended to be your only source of income when you retire. You also will need other savings, investments, pensions or retirement accounts to make sure you have enough money to live comfortably when you retire.

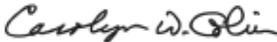
Saving and investing wisely are important not only for you and your family, but for the entire country. If you want to learn more about how and why to save, you should visit www.mymoney.gov, a federal government website dedicated to teaching all Americans the basics of financial management.

About Social Security's future...
Social Security is a compact between generations. Since 1935, America has kept the promise of

security for its workers and their families. Now, however, the Social Security system is facing serious financial problems, and action is needed soon to make sure the system will be sound when today's younger workers are ready for retirement.

Without changes, in 2033 the Social Security Trust Fund will be able to pay only about 77 cents for each dollar of scheduled benefits.* We need to resolve these issues soon to make sure Social Security continues to provide a foundation of protection for future generations.

Social Security on the Net...
Visit www.socialsecurity.gov on the Internet to learn more about Social Security. You can read publications, including *When To Start Receiving Retirement Benefits*; use our Retirement Estimator to obtain immediate and personalized estimates of future benefits; and when you're ready to apply for benefits, use our improved online application—It's so easy!



Carolyn W. Colvin
Acting Commissioner

* These estimates are based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.

PROJECT 10 ADDITIONAL RESOURCES

SOCIAL SECURITY STATEMENT

Go to: <http://ssa.gov/myaccount/SSA-7005-OL.pdf>

Your Estimated Benefits

*Retirement	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...
	your full retirement age (67 years), your payment would be about.....\$ 1,680 a month
	age 70, your payment would be about.....\$ 2,094 a month
	age 62, your payment would be about.....\$ 1,159 a month
*Disability	You have earned enough credits to qualify for benefits. If you became disabled right now,
	your payment would be about.....\$ 1,527 a month
*Family	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
*Survivors	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:
	Your child.....\$ 1,176 a month
	Your spouse who is caring for your child.....\$ 1,176 a month
	Your spouse, if benefits start at full retirement age.....\$ 1,569 a month
	Total family benefits cannot be more than.....\$ 2,908 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of \$255.
Medicare	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

* Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to pay only about 77 percent of scheduled benefits.

We based your benefit estimates on these facts:

Your date of birth (please verify your name on page 1 and this date of birth).....	April 5, 1974
Your estimated taxable earnings per year after 2014.....	\$47,423
Your Social Security number (only the last four digits are shown to help prevent identity theft).....	XXXXXX1234

How Your Benefits Are Estimated

To qualify for benefits, you earn “credits” through your work — up to four each year. This year, for example, you earn one credit for each \$1,200 of wages or self-employment income. When you’ve earned \$4,800, you’ve earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven’t earned enough yet to qualify for any type of benefit, we can’t give you a benefit estimate now. If you continue to work, we’ll give you an estimate when you do qualify.

What we assumed — If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2014 and later (up to retirement age), we assumed you’ll continue to work and make about the same as you did in 2012 or 2013. We also included credits we assumed you earned last year and this year.

Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes. We encourage you to use our online Retirement Estimator at www.socialsecurity.gov/estimator to obtain immediate and personalized benefit estimates.

We can’t provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates stated above because:**

- (1) Your earnings may increase or decrease in the future.
- (2) After you start receiving benefits, they will be adjusted for cost-of-living increases.

(3) Your estimated benefits are based on current law. **The law governing benefit amounts may change.**

(4) Your benefit amount may be affected by **military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.** Visit www.socialsecurity.gov to learn more.

Windfall Elimination Provision (WEP) — In the future, if you receive a pension from employment in which you do not pay Social Security taxes, such as some federal, state or local government work, some nonprofit organizations or foreign employment, and you also qualify for your own Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. For more information, please see *Windfall Elimination Provision* (Publication No. 05-10045) at www.socialsecurity.gov/WEP.

Government Pension Offset (GPO) — If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse’s record. To learn more, please see *Government Pension Offset* (Publication No. 05-10007) at www.socialsecurity.gov/GPO.

PROJECT 10 ADDITIONAL RESOURCES

SOCIAL SECURITY STATEMENT

Go to: <http://ssa.gov/myaccount/SSA-7005-OL.pdf>

Your Earnings Record

Year You Worked	Your Total Social Security Earnings	Your Total Medicare Earnings
1990	634	634
1991	1,392	1,392
1992	2,834	2,834
1993	4,478	4,478
1994	6,347	6,347
1995	7,923	7,923
1996	9,983	9,983
1997	13,095	13,095
1998	14,232	14,232
1999	19,232	19,232
2000	22,240	22,240
2001	24,343	24,343
2002	24,341	24,341
2003	28,412	28,412
2004	30,970	30,970
2005	33,233	33,233
2006	33,799	33,799
2007	38,342	38,342
2008	40,043	40,043
2009	40,191	40,191
2010	41,790	41,790
2011	43,768	43,768
2012	45,718	45,718
2013	Not yet recorded	

You and your family may be eligible for valuable benefits:

When you die, your family may be eligible to receive survivors benefits.

Social Security may help you if you become disabled—even at a young age.

A young person who has worked and paid Social Security taxes in as few as two years can be eligible for disability benefits.

Social Security credits you earn move with you from job to job throughout your career.

Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:

Estimated taxes paid for Social Security:

You paid: \$31,322
Your employers paid: \$33,112

Estimated taxes paid for Medicare:

You paid: \$7,744
Your employers paid: \$7,744

Note: Currently, you and your employer each pay a 6.2 percent Social Security tax on up to \$117,000 of your earnings and a 1.45* percent Medicare tax on all your earnings. If you are self-employed, you pay the combined employee and employer amount, which is a 12.4 percent Social Security tax on up to \$117,000 of your net earnings and a 2.9* percent Medicare tax on your entire net earnings.

*If you have earned income of more than \$200,000 (\$250,000 for married couples filing jointly), you must pay 0.9 percent more in Medicare taxes.

Help Us Keep Your Earnings Record Accurate

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you're self-employed) reported your earnings.

Remember, it's your earnings, not the amount of taxes you paid or the number of credits you've earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you're entitled.

Review this chart carefully using your own records to make sure our information is correct and that we've recorded each year you worked. You're the only person who can look at the earnings chart and know whether it is complete and correct.

Some or all of your earnings from last year may not be shown on your *Statement*. It could be that we still were

processing last year's earnings reports when your *Statement* was prepared. Your complete earnings for last year will be shown on next year's *Statement*. **Note:** If you worked for more than one employer during any year, or if you had both earnings and self-employment income, we combined your earnings for the year.

There's a limit on the amount of earnings on which you pay Social Security taxes each year. The limit increases yearly. Earnings above the limit will not appear on your earnings chart as Social Security earnings. (For Medicare taxes, the maximum earnings amount began rising in 1991. Since 1994, all of your earnings are taxed for Medicare.)

Call us right away at 1-800-772-1213 (7 a.m.–7 p.m. your local time) if any earnings for years **before last year** are shown incorrectly. Please have your W-2 or tax return for those years available. (If you live outside the U.S., follow the directions at the bottom of page 4.)

PROJECT 10 ADDITIONAL RESOURCES

SOCIAL SECURITY STATEMENT

Go to: <http://ssa.gov/myaccount/SSA-7005-OL.pdf>

Some Facts About Social Security

About Social Security and Medicare...

Social Security pays retirement, disability, family and survivors benefits. Medicare, a separate program run by the Centers for Medicare & Medicaid Services, helps pay for inpatient hospital care, nursing care, doctors' fees, drugs, and other medical services and supplies to people age 65 and older, as well as to people who have been receiving Social Security disability benefits for two years or more. Medicare does not pay for long-term care, so you may want to consider options for private insurance. Your Social Security covered earnings qualify you for both programs. For more information about Medicare, visit www.medicare.gov or call 1-800-633-4227 (TTY 1-877-486-2048 if you are deaf or hard of hearing).

Retirement — If you were born before 1938, your full retirement age is 65. Because of a 1983 change in the law, the full retirement age will increase gradually to 67 for people born in 1960 and later.

Some people retire before their full retirement age. You can retire as early as 62 and take benefits at a reduced rate. If you work after your full retirement age, you can receive higher benefits because of additional earnings and credits for delayed retirement.

Disability — If you become disabled before full retirement age, you can receive disability benefits after six months if you have:

- enough credits from earnings (depending on your age, you must have earned six to 20 of your credits in the three to 10 years before you became disabled); and
- a physical or mental impairment that's expected to prevent you from doing "substantial" work for a year or more or result in death.

If you are filing for disability benefits, please let us know if you are on active military duty or are a recently discharged veteran, so that we can handle your claim more quickly.

Family — If you're eligible for disability or retirement benefits, your current or divorced spouse, minor children or adult children disabled before age 22 also may receive benefits. Each may qualify for up to about 50 percent of your benefit amount.

Survivors — When you die, certain members of your family may be eligible for benefits:

- your spouse age 60 or older (50 or older if disabled, or any age if caring for your children younger than age 16); and
- your children if unmarried and younger than age 18, still in school and younger than 19 years old, or adult children disabled before age 22.

If you are divorced, your ex-spouse could be eligible for a widow's or widower's benefit on your record when you die.

Extra Help with Medicare — If you know someone who is on Medicare and has limited income and resources, extra help is available for prescription drug costs. The extra help can help pay the monthly premiums, annual deductibles and prescription co-payments. To learn more or to apply, visit www.socialsecurity.gov or call 1-800-772-1213 (TTY 1-800-325-0778).

Receive benefits and still work...

You can work and still get retirement or survivors benefits. If you're younger than your full retirement age, there are limits on how much you can earn without affecting your benefit amount. When you apply for benefits, we'll tell you what the limits are and whether work would affect your monthly benefits. When you reach full retirement age, the earnings limits no longer apply.

Before you decide to retire...

Carefully consider the advantages and disadvantages of early retirement. If you choose to receive benefits before you reach full retirement age, your monthly benefits will be reduced.

To help you decide the best time to retire, we offer a free publication, *When To Start Receiving Retirement Benefits* (Publication No. 05-10147), that identifies the many factors you should consider before applying. Most people can receive an estimate of their benefit based on their actual Social Security earnings record by going to www.socialsecurity.gov/estimator. You also can calculate future retirement benefits by using the Social Security Benefit Calculators at www.socialsecurity.gov.

Other helpful free publications include:

- *Retirement Benefits* (No. 05-10035)
- *Understanding The Benefits* (No. 05-10024)
- *Your Retirement Benefit: How It Is Figured* (No. 05-10070)
- *Windfall Elimination Provision* (No. 05-10045)
- *Government Pension Offset* (No. 05-10007)
- *Identity Theft And Your Social Security Number* (No. 05-10064)

We also have other leaflets and factsheets with information about specific topics such as military service, self-employment or foreign employment. You can request Social Security publications at our website, www.socialsecurity.gov, or by calling us at 1-800-772-1213. Our website has a list of frequently asked questions that may answer questions you have. We have easy-to-use online applications for benefits that can save you a telephone call or a trip to a field office.

You may also qualify for government benefits outside of Social Security. For more information on these benefits, visit www.govbenefits.gov.

If you need more information—Contact any Social Security office, or call us toll-free at 1-800-772-1213. (If you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778.) If you have questions about your personal information, you must provide your complete Social Security number. If you are in the United States, you also may write to the Social Security Administration, Office of Earnings Operations, P.O. Box 33026, Baltimore, MD 21290-3026. If you are outside the United States, please write to the Office of International Operations, P.O. Box 17769, Baltimore, MD 21235-7769, USA.