

The Road to Retire Well

Karen M. Chan, University of Illinois Extension

Keywords

Retirement planning, IRAs, annuities, defined contribution plan, defined benefit plan, matching contributions, vesting.

Target Audience

This conference presentation is delivered as a train-the-trainer session for those teaching retirement planning classes for college students, employee groups, or the general public. The content is most relevant for early to mid-career workers (and their spouses), rather than those who are close to retirement age. The lesson focuses on the small steps that individuals can take that will put them on the road to a financially secure retirement.

Objectives/Purpose

Surveys and studies continually point out the low participation rates in 401(k) plans, and the low amount of assets accumulated for retirement. These materials are intended to help professionals provide actionable information to workshop participants, to help reverse this trend. The program also covers new, less familiar information about the details of Roth 401(k) and 403(b) plans, especially as they differ from Roth IRAs. For the end audience—early to mid-career workers and their spouses—the workshop attempts to ease the decision making process so that they will make the small decisions along the way that will contribute to a financially secure retirement, including choosing between traditional and Roth versions of retirement plans.

Content Description

Session participants will receive extensive background information, both in hard copy and as links to specific topics on the Plan Well, Retire Well website (www.RetireWell.uiuc.edu). They will also receive instructions for downloading the handout, PowerPoint presentation, and related materials for use in their own educational programs.

Major topics include:

- Retirement Plan Basics: Defined benefit and defined contribution plans
- Getting the Most from Your Retirement Plan: Matching, vesting, and benefit formulas
- Make Use of IRAs: Eligibility, who should contribute
- Tax Benefits of Retirement Plans and IRAs: Tax deferral versus tax-free (Roth) plans
- Maximizing Your Tax Benefits: Rollovers, catch-up provisions, and the Saver's Credit
- What about Annuities? Commercial annuities compared to tax-deferred or tax-exempt retirement plans
- Attention: Government Workers: Special Social Security rules for those receiving government pensions.

Examples included in the lesson materials portray the financial impact of decisions such as rolling over retirement account balances, leaving an employer prior to vesting, or contributing less than the amount needed to obtain the full employer match. Other main points include differences between Roth and tax-deferred versions of 401(k) and 403(b) plans, situations where IRAs are particularly beneficial, comparison of commercial annuities versus tax-deferred and tax-exempt (Roth) retirement plans, and special rules for recipients of government pensions.

The workshop materials encourage participants to identify actions they will take based on the topics covered in the session. The handout also directs participants to other sources for additional information or services.

Contact author: Karen M. Chan, University of Illinois Extension, 6438 Joliet Road, Countryside, IL 60525, (708)352-0109 ext. 21 Fax (708) 352-0451, Email: chank@uiuc.edu