




**MyFRS**  
Florida Retirement System


## Nearing Retirement in the FRS




### Workshop Objectives

- Know how to set goals for retirement including income needs
- Review sources of income you have to meet your retirement goals
- Recognize how to develop a plan for the distribution of retirement assets
- Understand tax and planning opportunities that may present themselves
- Review the tools and resources available to help
- Know which steps to take next


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## Tools and Resources



- MyFRS.com
- MyFRS Financial Guidance Line
- Employee workshops
- Print and e-mail communications





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## Workshop Survey

- Text “FRS survey” now to 313131
  - You will receive a text with a link to the survey
- Alternatively, after the workshop you may go directly to:
  - [www.surveymonkey.com/r/FRSWorkshop](http://www.surveymonkey.com/r/FRSWorkshop)

*Thank you for providing feedback  
to help ensure we are meeting your needs*



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## Personal Action Plan

Action Steps	Done
Find your 6-digit PIN and create a MyFRS.com account. (If already registered, use User ID and Password created.)	

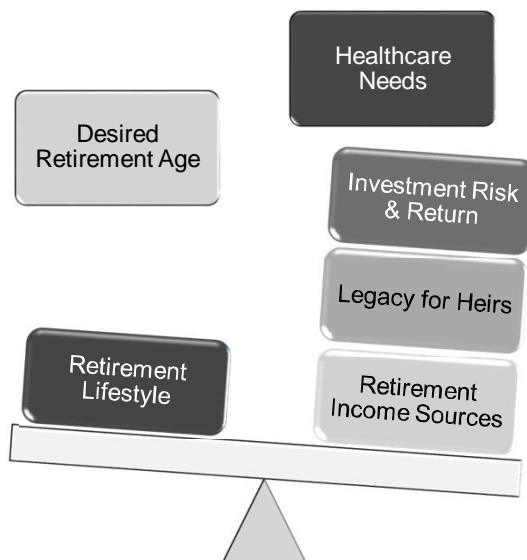


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See Appendix G for your own  
Personal Action Plan

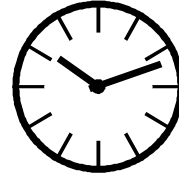
## Balancing Retirement Goals



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## How Will You Spend Your Time in Retirement?

- Will you be employed?
  - Part-time or full-time?
  - New career?
- Will you volunteer?
- Do you have a hobby?
- What activities will you be involved in?
- Do you plan to travel?



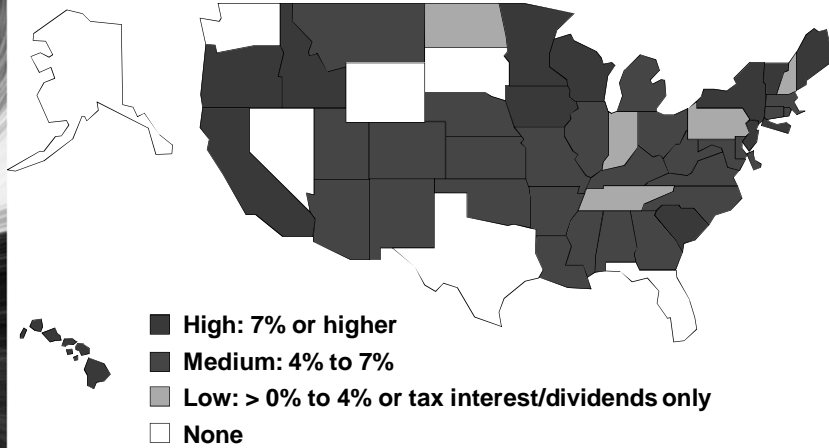
## Where Will You Live in Retirement?

- A. Current home
- B. New home, in state
- C. New home, out of state
- D. In another country
- E. Don't know



## U.S. State Income Tax Rates

Note: Figures reflect 2017 rates



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## Financial Impact of Lifestyle Changes

Making Large Purchases



New Lifestyle

Staying Healthy



Caring for Others



Relocating

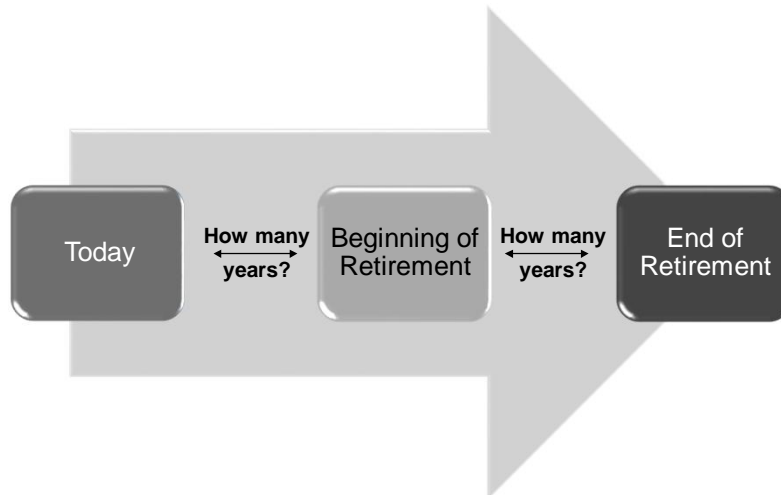


Consider how your lifestyle will change, and how the changes will affect your finances

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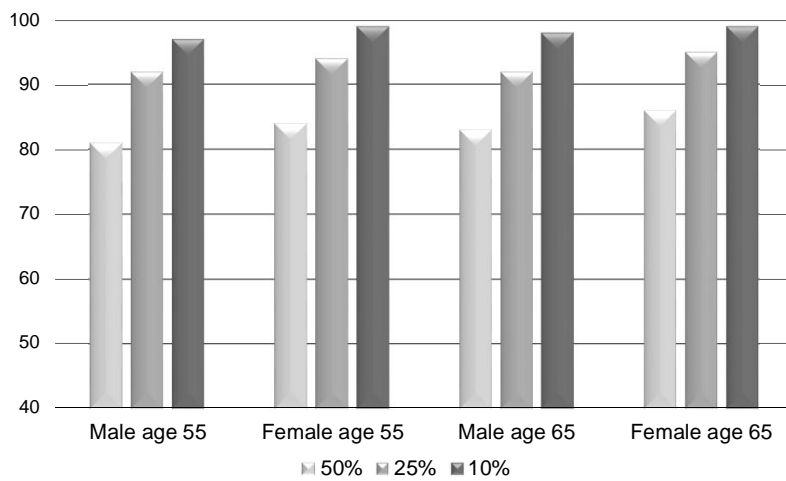
## When Will You Retire?



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## Planning for Longevity

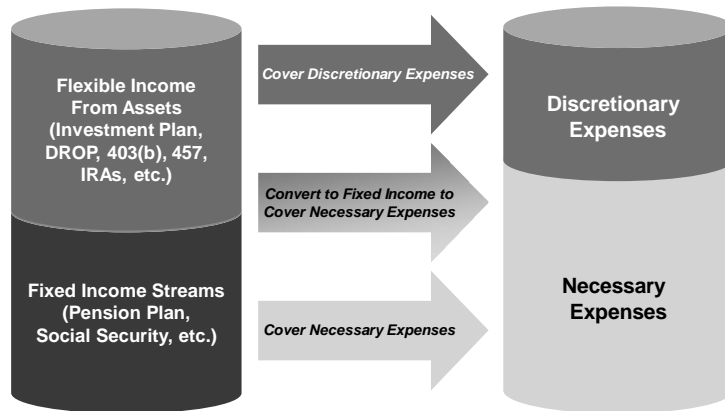


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Sources: U.S. Department of Health and Human Services, National Vital Statistics Reports, Vol. 66, dated April 11, 2017 and RP 2000 Mortality Table

## Retirement Income Model - Expenses



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## Know Your Annual Retirement Expenses

- What are your retirement expenses?
  - Is the expense recurring or one-time?
  - Same amount each year or different amounts?
  - How much is necessary vs. discretionary?
  - How much is fixed vs. variable?
- How will inflation affect you?
- How will expenses change for the survivor?



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## Calculating Retirement Expenses - Example

Expense	Current Amount	Anticipated Amount
Housing*	\$18,000	\$10,800
Food	\$7,200	\$6,000
Clothing	\$2,600	\$2,000
Medical Costs	\$4,800	\$8,400
Other Insurance	\$3,000	\$2,000
Personal Care	\$1,800	\$1,000
Transportation	\$4,800	\$3,400
Entertainment / Travel	\$2,400	\$3,600
Gifts / Charity	\$1,500	\$1,200
Income Taxes	\$3,900	\$1,600
Annual Income Need	\$50,000	\$40,000



Complete the Retirement Expense Worksheet in Appendix B

\*Assumes mortgage is paid off by retirement

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## How do Healthcare Expenses Change When You Retire?



- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Needs                             <ul style="list-style-type: none"> <li>• Preventive care</li> <li>• Prescription drugs</li> <li>• Dental</li> </ul> </li> <li>• Coverage                             <ul style="list-style-type: none"> <li>• Group medical</li> <li>• Dental</li> </ul> </li> <li>• Costs                             <ul style="list-style-type: none"> <li>• Lower costs</li> <li>• Group pricing</li> <li>• Cost-sharing</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Needs                             <ul style="list-style-type: none"> <li>• Preventive care</li> <li>• Chronic care</li> <li>• Prescription drugs</li> <li>• Dental</li> <li>• Long-term care</li> </ul> </li> <li>• Coverage                             <ul style="list-style-type: none"> <li>• Retiree plan</li> <li>• Medicare at age 65</li> </ul> </li> <li>• Costs                             <ul style="list-style-type: none"> <li>• Higher costs</li> <li>• Medicare premium</li> </ul> </li> </ul> |
|--|---|

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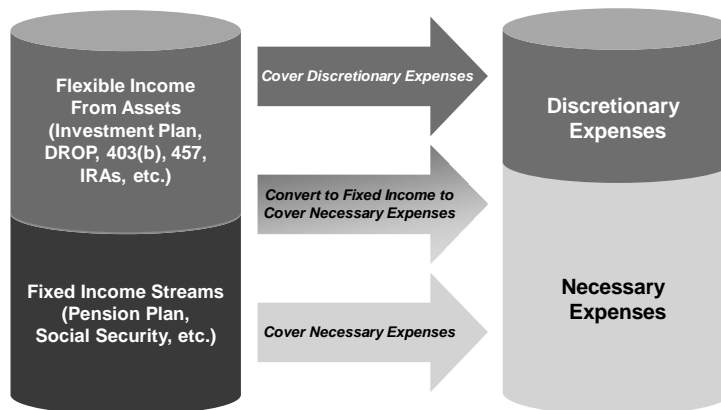
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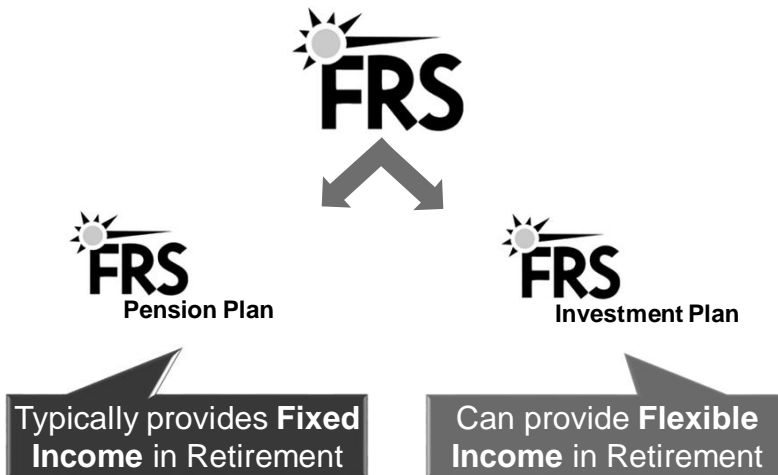
## Retiree Medical Plans

FRS Retiree Medical Plans	
<b>Plan Eligibility</b>	Each employer is different Speak with your personnel office regarding eligibility and cost
<b>Health Insurance Subsidy (HIS)</b>	\$5 per month per year of service \$150 per month maximum
<b>Subsidy Eligibility</b>	6 years of service—for those who began their FRS career before July 1, 2011 8 years of service—for those who began their FRS career July 1, 2011 and after Pension Plan: Payable when benefits commence Investment Plan: Payable when plan withdrawals begin and normal retirement age or service requirement has been met
Medicare Part A	
<b>Eligibility</b>	Age 65
<b>Cost</b>	Typically no cost
Medicare Part B	
<b>Eligibility</b>	Age 65
<b>Cost (2018)</b>	\$134–\$428.60/month (per person for new enrollees)

## Retirement Income Model - Income



## FRS Retirement Plans



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## 2<sup>nd</sup> Election Rules

- **Pension Plan** members can convert their accumulated pension benefits into a lump sum by switching to the Investment Plan
- **Investment Plan** members can buy into the Pension Plan
  - If cost > balance, you will need to make up the difference using personal assets
  - If current balance > the cost to buy in, the excess will accumulate in the Investment Plan for future benefit
- Eligibility to use the 2<sup>nd</sup> Election
  - May be used only once and is irrevocable
    - Must be actively employed receiving service credits and
    - Does not have a termination date on record and
    - Cannot be on unpaid leave of absence

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## Considerations in Using Your 2<sup>nd</sup> Election

- **Pension Plan members**
  - Do you want to take the FRS benefit with you to a non-FRS employer?
  - Do you want to control how/when you receive the benefit?
- **Investment Plan members**
  - Can you get a better benefit under the Pension Plan because you are staying longer than you initially expected?
  - Do you want to participate in the DROP program?



Speak to your employer about the impact of switching plans on retiree medical and call the MyFRS Financial Guidance Line to help decide if switching plans might be right for you

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## 2<sup>nd</sup> Election Choice Service

**CHOICE SERVICE**

**2nd Election Choice Service**

**See how your plans compare.**

Here's how both plans compare if you leave FRS employment and start receiving benefits at age 65, and your salary grows at 3.0% per year **Please make a selection and click Next.**

**Pension Plan**

Estimated yearly pre-tax benefit today's dollars  
\$1,150 \$3,149 \$4,342

See the **Likelihood** that staying in Pension plan will give you more money than switching.

[View details](#)

**Investment Plan**

Estimated yearly pre-tax benefit today's dollars  
\$3,534 \$12,094 \$39,596

Potential short-term loss 16% or more

[Explore Other Retirement Date Fund Options >](#)

[View details](#)

Here's how both plans compare if you leave FRS employment and start receiving benefits at age 65, and your salary grows at 3.0% per year **Please make a selection and click Next.**

**Pension Plan**

Estimated yearly pre-tax benefit today's dollars  
\$15,100

See the **Likelihood** that staying in Pension plan will give you more money than switching.

[View details](#)

**Investment Plan**

Estimated yearly pre-tax benefit today's dollars  
\$7,232 \$16,412 \$41,206

Potential short-term loss 16% or more

[Explore Other Retirement Date Fund Options >](#)

[View details](#)

Scenario 1

Current Salary: \$41,300

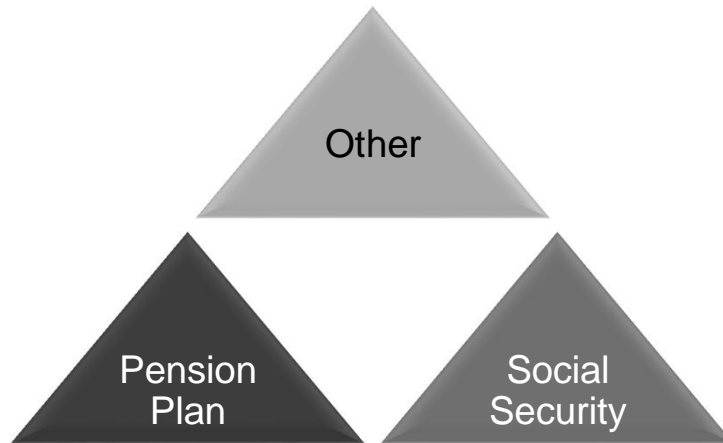
Scenario 2

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## What are Your Fixed Retirement Income Sources?



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## FRS Pension Plan

<b>Distribution Options</b>	<ul style="list-style-type: none"> <li>All options are lifetime monthly payments</li> <li>Option 1: Single life annuity</li> <li>Option 2: Reduced lifetime annuity to retiree with 10-year payout guarantee</li> <li>Option 3: Reduced joint-and-survivor annuity</li> <li>Option 4: Reduced annuity with <math>\frac{2}{3}</math> survivor annuity</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>Fully taxable (typically)</li> <li>Taxed as ordinary income in the year received</li> <li>Can elect withholding</li> <li>May be subject to state and local taxes</li> </ul>
<b>COLA</b>	<ul style="list-style-type: none"> <li>3% COLA for service before July 1, 2011</li> <li>No COLA for service earned July 1, 2011 and after</li> </ul>

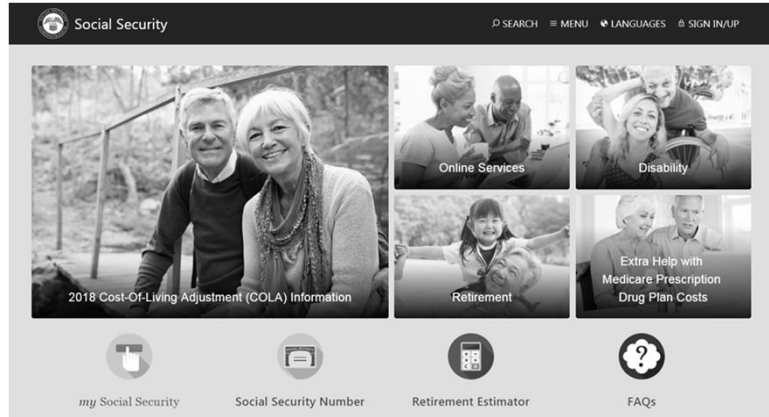


- Call the MyFRS Financial Guidance Line for assistance in choosing a payment option
- Make certain you understand the re-employment restrictions before you retire

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## Social Security Benefits Projection

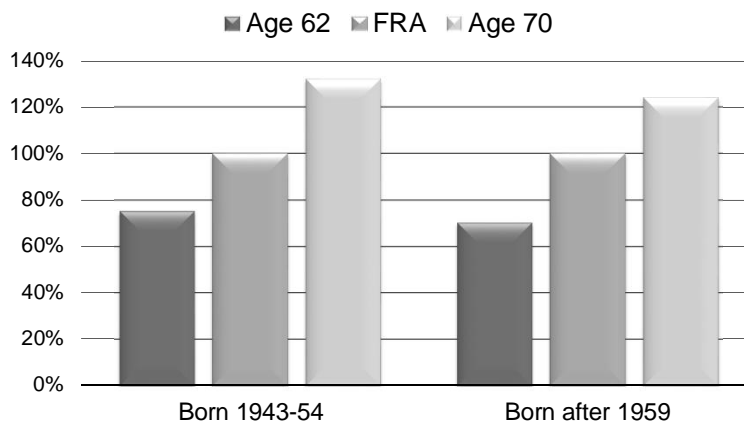


Request an estimate of benefits by contacting Social Security Administration at 1-800-772-1213 or online at [ssa.gov/retire/estimator.html](https://ssa.gov/retire/estimator.html)

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## Early, Full and Delayed Social Security Benefits



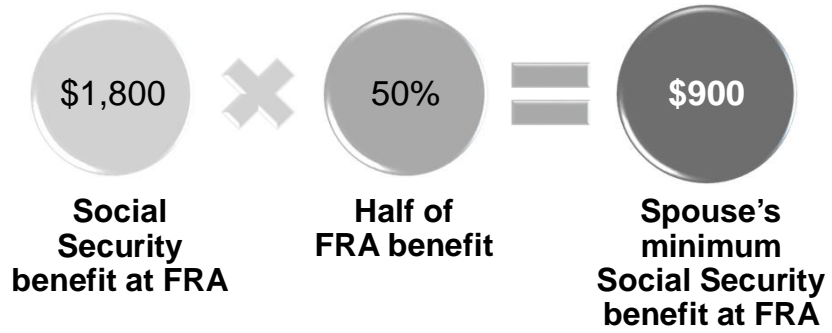
Monthly reduction of 5/9 of 1% for each of the first 36 months before FRA, plus 5/12 of 1% for each additional month  
 Monthly increase of 3/4 of 1% for each month beyond FRA

Call the MyFRS Financial Guidance Line for assistance in deciding when to begin benefits

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## Spousal Benefit – Example

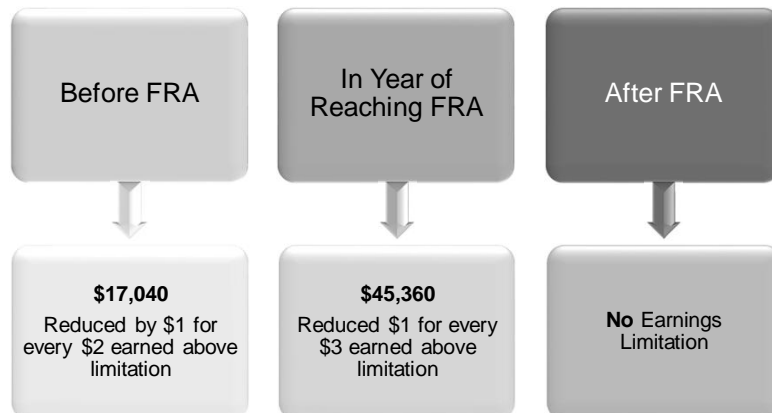


*Note: Spouse receives the greater of the benefit based on their work history or 50% of their spouse's benefit*

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## Social Security 2018 Earnings Limitation

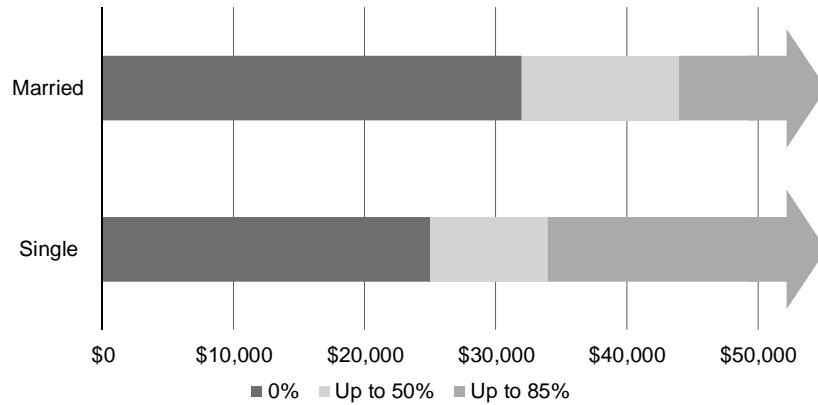


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## Federal Taxation of Social Security Benefits

Amount of Social Security income subject to tax based on "modified" adjusted gross income



Modified Adjusted Gross Income includes: Gross income, tax exempt income, and half of Social Security benefits

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## Other Possible Fixed Income Sources

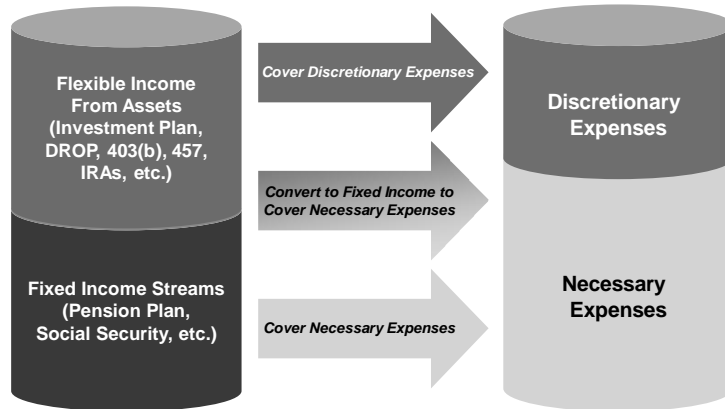
- Former employer pension
- Part-time or full-time work
- Rental income
- Spouse/partner's fixed income



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## Retirement Income Model - Income



## What are Your Retirement Investment Income Sources?







## FRS Investment Plan Benefit Payment Options

- Lump-sum distribution
- Distributions on demand or by any schedule
- Guaranteed annuity payments for life, including survivor options and 3% annual benefit increase
- Any combination of the above distribution options
- Rollover to an IRA or another tax-deferred plan



- Visit [MyFRS.com](http://MyFRS.com) to view the Investment choices within the FRS Investment Plan
- Make certain you understand the re-employment restrictions before taking a distribution

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## Deferred Retirement Option Program (DROP)

- Available to Pension Plan participants
- Retire and begin accumulating retirement benefits without terminating employment
- Eligible to participate in month you reach Normal Retirement (according to membership class and hire date)
- Maximum participation of 60 months (5 years)
  - School Board Instructional Position exception
- Accumulated benefits earn interest compounded monthly. Effective annual interest rate of 6.5% if enrolled before 7/1/11, 1.3% if enrolled on or after 7/1/11
- DROP benefits paid at termination are eligible for rollover



Call the MyFRS Financial  
Guidance Line to learn more

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## What Can You do With Your DROP Account?

### Full or partial distribution

- Subject to taxation at the time of distribution

### Full or partial rollover

- Remains tax-deferred
- Can be rolled over to Investment Plan, 403(b), 457, IRA, other qualified plan
- Have 60 days from the end of DROP to decide
- If nothing is done, you will receive a total distribution subject to taxation



Call the MyFRS Financial Guidance Line to further understand the tax implications and help you make a decision

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## Other Retirement Assets: Employer-Sponsored Savings Plans

	457 Plan – Deferred Comp	403(b) Plan – Tax Sheltered Annuity
<b>Contribution Limits – 2018</b>	\$18,500	
<b>Catch-Up Contributions</b>	Additional contributions allowed if you are 50 and older. Each plan has other “special catch-up” rules based on the time until retirement or length of service.	
<b>Distribution Options</b>	Vary by plan provider	



Contact your plan administrator to see if you qualify for special catch-up contributions and to understand your distribution options

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## How do Retirement Plans Compare Once in Retirement?

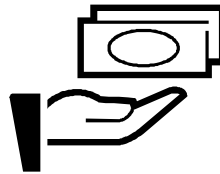
Consideration	Deferral of 403(b) Plan Balance	Deferral of 457 Plan Balance
<b>Investments</b>	• Varies by plan sponsor	
<b>Distribution options</b>	• Varies by plan sponsor	
<b>Income taxes on Distributions</b>	<ul style="list-style-type: none"> <li>• Ordinary income on distributions</li> <li>• No 10% penalty tax if retire or separate from FRS in the year of or after turning age 55 or if another exception applies</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinary income on distributions</li> <li>• No 10% penalty tax on 457 contributions and earnings</li> </ul>
<b>Fees and expenses</b>	• Typically, lower fees and administrative costs than IRA	

## How do Retirement Plans Compare Once in Retirement?

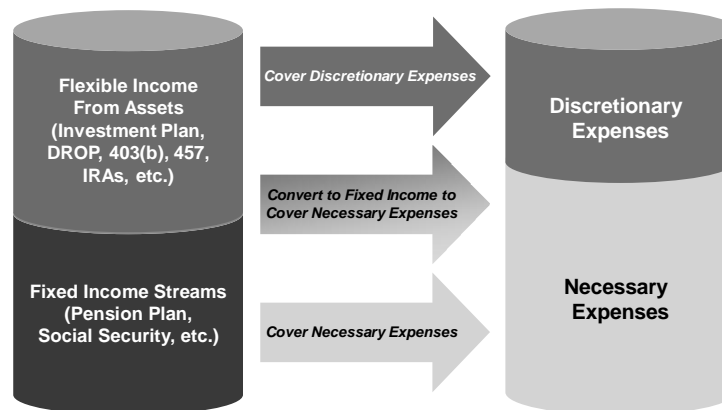
Consideration	Investment Plan	IRA
<b>Investments</b>	<ul style="list-style-type: none"> <li>• Standard Investment Plan choices</li> <li>• Brokerage Account option</li> </ul>	• Unlimited investment choices
<b>Distribution Options</b>	• Flexible choices for distributions	
<b>Income taxes</b>	<ul style="list-style-type: none"> <li>• Ordinary income on distributions</li> <li>• No 10% penalty tax if retire or separate from FRS in the year of or after turning age 55 or if another exception applies</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinary income on distributions</li> <li>• No 10% penalty tax after age 59½ or if another exception applies</li> </ul>
<b>Fees and expenses</b>	• Typically, lower fees and administrative costs than IRA	• Typically, higher investment fees and administrative costs

## What Other Investment Income Sources Will You Have?

- Taxable savings
- Deferred annuities
- Other retirement savings plans/pensions
- Spouse's retirement assets
- Inheritance
- Home equity
- Other?



## Retirement Income Model - Strategies



## Income from Assets – Strategies

Annuitize

Use income  
and principal

Live off the  
income

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## Annuities vs. Lump Sums

### Annuities

Annuity Recipients Happy and "Better Off" Financially

96%

Percentage of DB and DC plan participants who are happy that they chose an annuity over a lump sum

95%

Percentage of DB and DC plan participants who believe they are "better off" financially since they chose an annuity over a lump sum

### Lump Sums

Lump Sums Are Being Depleted Too Quickly



One in five DB and DC plan participants (21%) who took a lump sum from their plan have already depleted it

5½  
Years

Length of time, on average, that their lump sum was depleted\*

Lump Sums Expected to Run Out and Fall Short of Average Life Expectancy



One in three lump sum recipients who still have money remaining (35%) worry about the money running out

17  
Years

Average length of time those who have not yet depleted their lump sum expect the remaining money to last

82  
Years

Average age<sup>2</sup> at which the money is expected to run out; however, 25% of people aged 65 will actually live to age 95<sup>3</sup>

Source: MetLife.com \*Those who took a lump sum from a DC plan and did not have separate DB pension income depleted their money in just four years; very small base (n=40). <sup>2</sup>The average age of those who took a lump sum was 65. <sup>3</sup>Society of Actuaries Annuity 2000 Mortality Table with 100% AA projection to 2016 and 150% projection thereafter, with mortality blended 50% Male and 50% Female.

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## What are Fixed Immediate Annuities?

- Insurance products designed to distribute assets
- Convert a lump sum of money into a stream of payments
- Payments paid over your lifetime or multiple lifetimes
- Payments are fixed, though you can purchase a COLA



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## Deciding How Much to Annuitize



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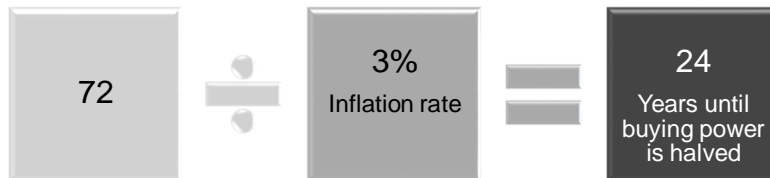
Call the MyFRS Financial Guidance Line to obtain a quote from Metlife at group rates

## Withdrawals from Investments

- What is your basic withdrawal strategy?
  - Do you plan to live on the interest and dividends only?
  - Will you also access the principal?
- How much income can your investments provide?
  - What mix of investments will you use?
  - What average returns should you expect?
  - What average returns do you need?
  - How much can you withdraw without running out of money in your lifetime?
  - When **MUST** you withdraw from retirement accounts?
  - Which accounts should you withdraw from first?

## Why Investing for Income is Not Enough?

### Rule of 72



Age	Nominal Nest Egg	Nominal Interest	Real Nest Egg	Real Interest
60	\$500,000	\$25,000	\$500,000	\$25,000
84	\$500,000	\$25,000	\$250,000	\$12,500
108	\$500,000	\$25,000	\$125,000	\$6,250

Note: Portfolio assumed to yield 5% income

## How Many Years Will Your Assets Last Using Both Income and Principal?

		Rate of return									
		1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
Withdrawal rate	10%	9	9	10	10	10	11	12	13	14	15
	9%	10	10	11	11	12	13	14	15	16	18
	8%	11	11	12	13	14	15	16	18	20	24
	7%	12	13	14	15	16	18	20	22	27	36
	6%	14	15	16	18	19	22	25	31	44	*
	5%	17	18	20	22	24	29	36	*	*	*
	4%	20	22	25	28	33	42	*	*	*	*
	3%	25	28	33	39	*	*	*	*	*	*
	2%	35	40	50	*	*	*	*	*	*	*

Note: Withdrawal rate is based on the first year distribution.  
Subsequent distributions increase 3.5% for inflation.

\* =50+ years

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## Required Minimum Distributions

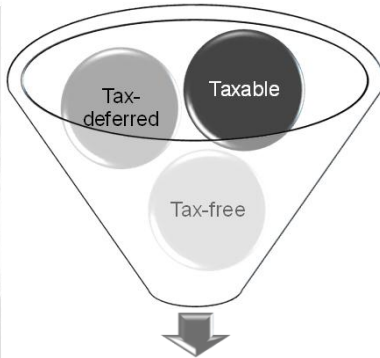
- Accounts subject to Required Minimum Distributions:
  - Investment Plan, 403(b), 457, 401(k), Traditional IRA, Rollover IRA
- Required by December 31
  - First RMD by April 1st of the year following the year you reach age 70½
- 50% penalty if RMD not taken
- Distributions determined using a "Uniform Table"
  - Exception if spouse is your sole beneficiary and more than 10 years younger

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## Considerations for Order of Account Withdrawals



Work with a tax/financial professional throughout retirement to assist with account withdrawal decisions

### Minimize the “tax drag”

- Pre-70 ½, spend taxable assets first

### Avoid mistakes

- Post-70 ½, ensure you first satisfy your RMDs

### Tax incentives

- Tax-advantaged growth
- No RMDs with Roth IRAs

### See the “big picture”

- A combination of account distributions may help reduce taxes

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## Establishing Payments

- Know your upcoming annual expenses
- Understand what your account distributions need to cover
- Decide which account(s) you will/must take distributions from
- Set aside enough in cash for upcoming planned distributions and for unanticipated emergencies
- Establish a payment method
  - Annually
  - Quarterly
  - Monthly
  - Distributions as needed



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## Workshop Objectives

- Define your goals for retirement
- Use the retirement planning process to organize your retirement plan
- Understand the role of FRS retirement plans
- Review the tools and resources available to help
- Know which steps to take next



See Appendix C for a Retirement Checklist and Appendix D for a Glossary of Financial Terms

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## Workshop Survey


- If you sent a text at the beginning of the workshop, please check your phone for a text that contains the link to the survey
- If you did not send a text earlier, please do so now by texting “FRS survey” to 313131
- If you do not receive a text, please go directly to:
  - [www.surveymonkey.com/r/FRSWorkshop](http://www.surveymonkey.com/r/FRSWorkshop)

*Thank you for providing feedback  
to help ensure we are meeting your needs*




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## Tools and Resources




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MyFRS  
Financial  
Guidance Line




Employee  
workshops



Print and e-mail  
communications



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## Next Steps: Personal Action Plan

Action Steps	Done
Consider your retirement goals	<input type="checkbox"/>
Calculate your retirement expenses	<input type="checkbox"/>
Understand what resources you will have to reach your goal	<input type="checkbox"/>
Consider how to draw from retirement investment assets	<input type="checkbox"/>
Call the MyFRS Financial Guidance Line for a retirement analysis	<input type="checkbox"/>
Use the retirement checklist in Appendix C	<input type="checkbox"/>

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## Questions and Answers



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### Nearing Retirement in the FRS



# Nearing Retirement in the FRS Workshop

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D	Glossary of Financial Terms	9
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# A. FOR INFORMATIONAL PURPOSES ONLY

## DISCLOSURE STATEMENT

**Ernst & Young LLP  
Ernst & Young Investment Advisers LLP  
Employee Financial Services**

**11/10/17**

**Please note that this disclosure statement provides a summary of the investment advisory services provided by Ernst & Young LLP. Please note that a full copy of ADV Part 2A can be located at this link [www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)<sup>1</sup>**

Ernst & Young LLP (“EY”), under the supervision of Ernst & Young Investment Advisers LLP (“EYIA”), provides Employee Financial Services (“EFS”), including investment education and counseling services to employees, members of associations, unions or other large groups (“Participants”) pursuant to engagements by corporate employers, pension plan trustees, or other entities formed for the benefit of such Participants (“Sponsors”). Such services are provided through EFS, a functional specialty within the firm’s Tax Department. EYIA is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”) and maintains its main office at 200 Plaza Drive, Suite 2222, Secaucus, NJ 07094 (telephone: 800-273-0588).

### **Employee Financial Services (“EFS”)**

EY’s services to Participants are rendered to such persons in a manner determined by their Sponsors. EY services to Participants may include some or all of the following:

1. Enabling Participants to access a toll-free “*EY Financial Planner Line®*”, staffed by EY planners or consultants, for assistance with personal financial planning matters.
2. Designing or presenting workshops for Participants concerning the financial planning process and alternatives available under the Sponsor’s benefit plans.
3. Providing access to a financial planning website (“*EY Financial Planning Center®*”) for use by Participants.
4. Providing various personal finance and tax-related publications, in print form or by audio or other visual means.
5. Making available to Participants and survivors of Participants, financial education and counseling assistance with respect to retirement plan distributions; company benefit and compensation plans; estate settlements and planning; life insurance policies; and other related issues.
6. Providing in-person personal financial advisory services to Participants pursuant to an engagement by a Sponsor.

As part of the personal financial advisory services, both in-person and via the EY Financial Planner Line®, EY may prepare personal asset allocation targets (based on modern portfolio theory and using EY’s own or other approved financial planning tools) for such Participants after obtaining and evaluating

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<sup>1</sup> From this webpage follow these steps to view the most current Form ADV: a) select Firm, b) enter CRD #110921, c) click Investment Adviser Firm, d) click SEC, e) Brochure link is on the left under Part 2.

information concerning their individual circumstances provided by each Participant in response to an EY questionnaire. Participant specific advice (i.e., personal asset allocation targets) will generally be confirmed in writing.

EY does not recommend, and should not be deemed to have recommended, any particular investment as an appropriate investment for the Participants and discussions of various investments should not be construed as such a recommendation.

EY's advisory services also may be offered by a Sponsor to Participants in tandem with the personal advisory services of another registered investment adviser designated by the Sponsor that is not affiliated with EY ("Other Adviser"). In some EFS engagements, the Sponsor contemplates that EY will refer individual Participants to the Other Adviser for specific recommendations and/or implementation of the Participant's investment decisions. Such referrals by EY do not constitute a recommendation of the Other Adviser by EY to Participants, and, in such cases, EY does not perform any quantitative or qualitative screening procedures with respect to the Other Adviser.

EY, in certain circumstances, is contracted solely to help train employees of financial institutions seeking to offer financial and tax planning services to clients. Such services do not involve EY providing advice directly to the clients of such financial institutions, but rather entails training a financial institution's counselors on financial and tax planning topics and such other support as is mutually agreed upon by EY and the financial institution.

### **All Selections and Investments Are Made Solely by the Participating Employee**

EY's investment education and counseling does not include recommendations concerning the purchase or sale of particular investments or particular industry sectors. EY may provide counseling on the purchase or sale in the context of providing tax, compensation and benefits, or estate planning services, but that counseling does not reflect a view as to the intrinsic merits of the investment. All decisions to invest in or dispose of particular investments are made solely by the participating Participant in the exercise of his or her own discretion.

### **Fees**

Fees for EFS Services generally are negotiated between EY and the Sponsors of such groups on a case-by-case basis. They usually are based upon (i) a "per capita" eligible employee or member amount, (ii) a "usage by Participants" amount, (iii) the volume of calls by Participants to the *EY Financial Planner Line*®, (iv) the number of workshops designed and presented by EY, or (v) other negotiated factors. EY's fees in such engagements may be paid wholly or partially either by the Sponsor or by Participants, whose payments for services received (if any) may be collected by the Sponsor through payroll deductions and remitted to EY. Participants also may incur expenses for fees to any other investment adviser they may consult and will be responsible for transaction charges imposed by broker-dealers through or with whom they effect transactions for their accounts. Generally EY's contracts with Sponsors for services to Participants are terminable by either party in accordance with a specified notice period. In addition, Participants receiving advisory services by EY (including a Participant who pays in whole or in part for the services rendered to such Participant) may terminate participation at any time. If such a contract or participation is terminated at a time other than the end of the quarter, a pro rata portion of any quarterly or other fee paid in advance is refunded.

### **Investment Advisers**

All personal investment advice, and most impersonal investment advice, typically is given only by EY Financial Planners. Financial Planners are persons who spend all or substantial portions of their time on financial planning. Typically, all of these professionals have at least a degree from a four-year college or university and must meet such other standards as EYIA may establish from time to time. Those standards may include participation in continuing education programs each year and maintaining what EY



regards as significant involvement in financial counseling engagements. Moreover, financial planners must satisfy applicable State investment adviser representative registration requirements or pass the Series 65 Uniform Investment Adviser Exam of the Financial Industry Regulatory Authority ("FINRA"). In some instances, EY may retain consultants to assist in providing workshops and staffing the *EY Financial Planner Line*®. Generally, consultants are subject to the same requirements as EY Financial Planners. However, consultants are not subject to the same public accounting independence requirements as EY Financial Planners and their continuing education programs differ in some respects.

### **Monitoring, Reviews and Reports**

In the case of EFS engagements that extend beyond one year and involve the provision of personal advisory services to Participants, Participants are asked questions concerning any changes in their relevant individual circumstances. EY will take into account the changed circumstances of any Participant of which it has notice in the event that Participant seeks additional personal advisory services from EY.

### **Miscellaneous**

Clients and prospective clients of EY also should be aware of the following additional information concerning EY and EYIA:

Custody of Securities or Funds. EY does not manage participant accounts on a discretionary basis and does not take custody of participant securities or participant funds.

Other Financial Industry Activities. As noted above, EYIA is responsible for supervising the investment advisory services provided by EY. EY and Ernst & Young (U.S.) are general partners of EYIA. In consideration of EYIA's supervising the rendering of investment planning services provided by EY, EY provides EYIA with office and filing space, staff and other assistance. All of EYIA's time is spent supervising the compliance and operations of the investment planning services provided by EY.

Other Business Activities. EY is a public accounting firm which spends substantially all of its time providing accounting, audit, tax, and business advisory services.

Education and Business Background. Below are the backgrounds and five year business histories of each EYIA Advisory Board member: (1) Name, (2) year of birth, (3) education and (4) business background for preceding five years of EYIA Advisory Board members:

1. Christopher Williams - Chair
2. 1970
3. B.A. Political Science, Union College, Schenectady, NY; JD, Albany Law School, Albany, NY
4. 1998 to date, Ernst & Young, LLP

1. Glenn H. Hascher
2. 1961
3. B.S., Economics, Rutgers University, New Brunswick, NJ
4. November 1988 to date, Ernst & Young LL

1. Robert J. Porter
2. 1964
3. B.S., Siena College, Loudonville, NY
4. 1998 to date, Ernst & Young LLP

1. Greg Rosica
2. 1964
3. B.S., Accounting with Honors, M.S., Accounting, University of Florida, Gainesville, FL
4. 2002 to date, Ernst & Young LLP

1. Leigh S. Miller
2. 1964
3. B.A. in Economics and Accounting, Rutgers College; MBA in Finance, New York University
4. 1986 to date, Ernst & Young LLP

## B. RETIREMENT EXPENSE WORKSHEET

Description	A Current Annual Costs	B Additional or Reduced Costs Anticipated for Retirement (in current year dollars)	C Estimated Cost At Retirement Column A + B
<b>HOUSING</b>			
Mortgage/Rent	\$	\$	\$
Property Taxes			
Homeowners Insurance			
Repairs & Maintenance			
Electricity			
Gas/Oil			
Cable/Internet			
Water			
Telephone			
Other Utilities			
Yard Maintenance			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>HOUSEHOLD</b>			
Food	\$	\$	\$
Miscellaneous Supplies			
Laundry			
Other			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>TRANSPORTATION</b>			
Car Payments	\$	\$	\$
Car Repairs/Maintenance			
Car Registration/License			
Commuting			
Other			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>PLEASURE</b>			
Eating Out	\$	\$	\$
Vacation			
Entertainment			
Club Dues			
Other			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Description	A Current Annual Costs	B Additional or Reduced Costs Anticipated for Retirement (in current year dollars)	C Estimated Cost At Retirement Column A + B
<b>HEALTH</b>			
Medical Insurance	\$	\$	\$
Doctors/Dentists			
Deductibles/Co-Pays			
Prescriptions			
Other			
<b>Total</b>	\$	\$	\$
<b>PERSONAL CARE</b>			
Clothing	\$	\$	\$
Barber/Beautician			
Other			
<b>Total</b>	\$	\$	\$
<b>TAXES</b>			
Federal Income	\$	\$	\$
State Income			
Social Security			
Other			
<b>Total</b>	\$	\$	\$
<b>MISCELLANEOUS</b>			
Charity	\$	\$	\$
Gifts			
Loans			
Life Insurance			
Savings			
Investments			
Education			
Other			
<b>Total</b>	\$	\$	\$
<b>TOTAL</b>	\$	\$	\$

## C. RETIREMENT CHECKLIST

Issue	Completed
<b>Retirement Lifestyle</b>	
Considered your goals in retirement	<input type="checkbox"/>
Thought of what your daily routine will entail	<input type="checkbox"/>
Decided where you will live	<input type="checkbox"/>
Planned for your transition into retirement	<input type="checkbox"/>
<b>Income Needs</b>	
Determined your recurring annual retirement expenses	<input type="checkbox"/>
Determined your extraordinary retirement expenses	<input type="checkbox"/>
<b>Social Security</b>	
Projected benefit using the Social Security estimator	<input type="checkbox"/>
Reviewed accuracy of earnings history on Social Security statement	<input type="checkbox"/>
Decided when you will draw your benefit	<input type="checkbox"/>
Contacted Social Security 3 months in advance of starting your benefit	<input type="checkbox"/>
<b>Pension</b>	
Requested a projection of your pension benefit	<input type="checkbox"/>
Reviewed the payment options and projections	<input type="checkbox"/>
Decided when you will begin your benefit	<input type="checkbox"/>
Chose which payment option to take	<input type="checkbox"/>
Contacted your plan administrator 3 months before starting your benefit	<input type="checkbox"/>
Verified your correct mailing address is on file	<input type="checkbox"/>
<b>Employer-Sponsored Savings Plan (401(k), 403(b), 457)</b>	
Reviewed your account options available once you retire	<input type="checkbox"/>
Reviewed the payment options available to you	<input type="checkbox"/>
Considered whether to leave with your employer or rollover	<input type="checkbox"/>
Established a payment plan with your plan administrator	<input type="checkbox"/>
Verified your correct mailing address is on file	<input type="checkbox"/>
Prepared to start taking Required Minimum Distribution at 70½	<input type="checkbox"/>
<b>Asset Allocation</b>	
Implemented an appropriate asset allocation for your retirement assets	<input type="checkbox"/>
Determined and established a cash reserve	<input type="checkbox"/>
Established the frequency of rebalancing your investments	<input type="checkbox"/>
<b>Income From Investments</b>	
Determined your basic withdrawal strategy	<input type="checkbox"/>
Considered what portion (if any) of your investments to annuitize	<input type="checkbox"/>
Established a sustainable withdrawal rate	<input type="checkbox"/>
Contacted plan administrators to establish payments	<input type="checkbox"/>

<b>Issue</b>	<b>Completed</b>
<b>Taxes</b>	
Considered how you will pay your taxes (quarterly payments or withholdings)	<input type="checkbox"/>
Considered how much to withhold from various income sources	<input type="checkbox"/>
Spoke to a tax advisor about projecting / sending quarterly payments	<input type="checkbox"/>
<b>Medical / Dental Coverage</b>	
Reviewed your options of retiree medical plans through your employer	<input type="checkbox"/>
Received estimates/quotes for the cost of retiree medical	<input type="checkbox"/>
Prepared for changes in medical coverage/costs at 65 when Medicare begins	<input type="checkbox"/>
Assessed whether a Medigap policy is needed	<input type="checkbox"/>
<b>Long Term Care Insurance</b>	
Assessed the cost of long term care facilities in your area	<input type="checkbox"/>
Understand your need (if any) for long term care insurance	<input type="checkbox"/>
Identified the type and amount of coverage you require	<input type="checkbox"/>
Shopped for and compared the costs and features of various policies	<input type="checkbox"/>
<b>Life Insurance</b>	
Reviewed your need for life insurance throughout retirement	<input type="checkbox"/>
Know your options with insurance coverage you have through your employer	<input type="checkbox"/>
Identified any gaps in life insurance coverage	<input type="checkbox"/>
Shopped for and compared the costs of various life insurance policies	<input type="checkbox"/>
<b>Estate Planning</b>	
Created / updated your will	<input type="checkbox"/>
Met with an estate lawyer	<input type="checkbox"/>
Created a living will	<input type="checkbox"/>
Created a health care power of attorney	<input type="checkbox"/>
Created a durable power of attorney	<input type="checkbox"/>
Created a letter of instructions / vital records organizer	<input type="checkbox"/>
Updated various beneficiary designations	<input type="checkbox"/>
Discussed your burial wishes with your spouse/partner	<input type="checkbox"/>
<b>Financial Advisors</b>	
Considered which areas of planning you will require assistance	<input type="checkbox"/>
Searched for and interviewed financial advisors	<input type="checkbox"/>
Performed background check of prospective advisors	<input type="checkbox"/>

## D. GLOSSARY OF FINANCIAL AND INVESTMENT TERMS

### **After-Tax Contributions**

Contributions to company plans or other savings that have no immediate tax benefit.

### **Aggressive Investor**

An investor who requires or desires a greater return on investments and is willing to take a higher degree of risk to achieve this return. The investment portfolio of an aggressive investor would typically be weighted heavily toward stocks and have a higher expected average rate of return.

### **Annuity**

A method of paying a pension benefit that spreads payments out over an extended period of time, as opposed to a single-sum payment.

### **Asset Allocation**

An investment strategy that considers the percentage of funds to be invested in cash equivalents, fixed income, equities, and other assets as a way to manage risk and maximize return.

### **Average Annual Return**

The compounded annual return you receive on average from your investments. In other words, an investment may have had years with varying degrees of losses and varying degrees of gains. These different annual returns are averaged over the period, taking into account compounded earnings, to determine average annual return.

### **Bonds**

Bonds are publicly traded debt instruments. The issuer agrees to pay interest on the money invested and to repay the principal at a specified time. Examples would include government bonds (U.S., municipal, or foreign) or corporate bonds. (See Fixed Income.)

### **Cash or Cash Equivalents**

These are investments that are quickly convertible to cash with little or no loss of principal. These assets typically pay some interest and are generally viewed as safer investments. Examples would include savings accounts, money market accounts, Treasury Bills, and certificates of deposit.

### **Conservative Investor**

An investor who is not comfortable taking much risk or one who needs a high degree of liquidity. Typically a conservative investor's portfolio would include more cash and fixed income investments and less equities or other investments, and would have a lower overall return.

### **Consumer Price Index**

A mix of goods and services, the prices of which are tracked by the United States government to determine the appropriate rate of inflation.

### **Cost of Living Adjustment (COLA)**

An increase, often each year, in a payment that one receives. This increase is typically based on and for the purpose of keeping up with inflation. For example, Social Security benefits increase each year based on the consumer price index.

### **Dividend**

Income payment to shareholders of a company.

### **Effective Tax Rate**

This is your actual tax paid during a year divided by your gross income earned during the year. This phrase can refer only to federal taxes or it can take into account federal, state, Social Security, and Medicare taxes.

### **Equities**

Ownership in a business, typically in the form of shares of common stock. Typical equity categories include:

- Growth and Income:** Companies providing an income stream and some appreciation in value over time.
- Growth:** Companies providing less income but greater appreciation in value over time.
- Aggressive Growth:** Companies that are typically smaller and providing more rapid growth.
- International:** Companies headquartered outside of the United States.

### **Fixed Income**

An asset category of investments that typically pays moderate to high interest, has a mid- to long-term maturity and is generally a debt obligation such as a bond or mortgage obligation.

### **Hard Assets**

This is an investment category consisting of tangible investments such as real estate, collectibles, gold/silver, other precious metals, commodities, etc.

### **Inflation**

The rising cost of goods and services over time. (See Consumer Price Index.)

### **Investment Mix**

An investment strategy that considers the percentage of funds to be invested in cash equivalents, fixed income, equities and other assets as a way to manage risk and maximize return (see Asset Allocation).

### **Investor Profile**

Your unique situation as an investor. Characteristics making up your investor profile include your time horizon, risk tolerance, goals and objectives, and anything else that affects the way you invest.



**Life Expectancy**

The age to which people typically live, based on averages. For example, newborns are currently expected to live until their late 70s; once you reach age 65 you are expected to live into your 80s.

**Liquidity**

The ability to convert an investment into cash quickly and with little or no loss in value.

**Marginal Tax Rate**

The tax rate on your next dollar of taxable income. Your marginal tax rate is generally higher than your effective tax rate.

**Moderate Investor**

An investor who is neither conservator nor aggressive. An investor who is willing to take on some degree of risk to obtain a return greater on investments than would have otherwise been possible, while seeking to avoid a large degree of risk.

**Money Market**

Accounts or funds established to invest in cash and cash equivalents and short-term debt obligations. A money market fund or account is a type of mutual fund. (See Mutual Funds.)

**Mutual Funds**

A company that invests and professionally manages stocks, bonds, cash, real estate, or other investments and sells shares of the investment to investors. Mutual funds provide a way for investors to pool their money in order to benefit from diversification and professional management.

**New York Stock Exchange**

An organization established for the efficient trading of stock of various companies.

**Pension Plan**

A retirement plan offered by companies where the primary method of payment once a person is retired is a monthly benefit payment.

**Purchasing Power**

Your ability to purchase goods or services with a given amount of money.

**Pre-Tax**

Pre-tax investments refer to savings that have been created with income not yet subject to taxes. For example, contributions to a 401(k) plan are made on a pre-tax basis. The amount of your pay you contribute, as well as accumulated earnings on those amounts, is not subject to income taxes until you take the money out, typically after retirement.

**Rate of Return**

The combined dividend, interest, and/or growth (profit) you receive on your investment.

**Risk**

The chance that the actual return from an investment may differ from what is expected; risk is sometimes described as the chance of losing money.

**Risk Tolerance**

Your comfort level with taking on varying degrees of risk.

**Roth IRA**

A Roth individual retirement account (IRA) is a personal savings plan that offers certain tax benefits to encourage retirement savings. Contributions to a Roth IRA are never tax deductible on your federal income tax return, which means that you can contribute only after-tax dollars. But amounts contributed to the Roth IRA grow tax deferred and, if certain conditions are met, distributions (including both contributions and investment earnings) will be completely tax free at the federal level.

**Social Security**

Governmental system established to provide retirement, disability, and survivor benefits. Benefits are based on earnings and are paid in the form of a monthly benefit.

**Standard & Poor's (S&P) 500**

The 500 leading companies traded on the New York Stock Exchange. These companies account for about 70-80 percent of the entire value traded on the New York Stock Exchange.

**Stocks**

Shares representing ownership in a corporation.

**Tax-Deferred**

Investment earnings not subject to income taxes in the year earned, but at some point in the future.

**Time Horizon**

The amount of time you have to invest. Usually the time period between now and the time for the achievement of a particular goal.

**Traditional Individual Retirement Account (IRA)**

This is a tax-deferred retirement vehicle. Depending on your income level, you may be able to deduct your contributions to an IRA and defer the taxes until you withdraw the money, often at retirement. Even if you can't deduct your contribution, you will still receive tax-deferred compounding on funds in your IRA. IRAs may be set up at banks, brokerage houses, discount brokers, insurance companies, and mutual fund companies, among others.

**Today's Dollars**

Looking at your money in terms of its purchasing power based on the value of a dollar today.

**Treasury Bills**

Short-term United States government bonds - one year or less to maturity.

**Volatility**

The fluctuation in the value or return of an investment over time.

## E. MYFRS FINANCIAL GUIDANCE LINE APPOINTMENT

There are two ways of setting an appointment to speak with a financial planner at the MyFRS Financial Guidance Line. Please use the method below which is most convenient for you.

### **Text “Callback FRS” to 313131**

After sending a text, you will receive a reply asking you to provide your first and last name. Upon receipt of this information, a representative from the MyFRS Financial Guidance Line will call you within 3 business days to schedule an appointment with a financial planner at a time and date convenient for you.

### **Call the MyFRS Financial Guidance Line – 1 866 446 9377 (option 1)**

Start planning your finances by directly calling the MyFRS Financial Guidance Line - scan this QR Code with your mobile phone to call now and/or save this number for future use. Select “option 1” from the phone menu to speak with a representative.



You may schedule an appointment at a time and date that is convenient for you, or if you'd like to begin planning immediately, you may hold an introductory call if a planner is available when you call. Our lines are open Monday-Friday, 9 a.m. – 8 p.m. Eastern Time.

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## F. WORKSHOP SURVEY

There are two ways of providing feedback on this workshop. Please use the method below which is most convenient for you. There are 12 questions which should take approximately 5 minutes to complete.

### **Text “FRS survey” to 313131**

After sending a text, you will receive a reply with a link to the survey.

### **Go directly to the survey – [www.surveymonkey.com/r/FRSWorkshop](http://www.surveymonkey.com/r/FRSWorkshop)**

Type the web address into your browser or scan this QR Code with your mobile phone to go directly to the survey.



*Thank you for providing feedback to help ensure we are meeting your needs!*

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## G. PERSONAL ACTION PLAN

<u>Action Step</u>	<u>When</u>	<u>Done</u>
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