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Retirement Savings Education, Simplified

Third Quarter 2017

The Cost of Retirement

Retirement is supposed to be a carefree time in one's life, without the pressures of a nine to five job. Unfortunately, for most state of Missouri employees, this won't be the case. In fact, 49.4% of the retirees surveyed in the recent 2017 Retirement and Savings Survey expected to relax and enjoy life after retirement, but instead continued working. Sadly, nearly 30% of retirees continue to work, simply because they cannot afford to live solely on their pension and social security in retirement. Don't let that be you!

What Costs So Much?

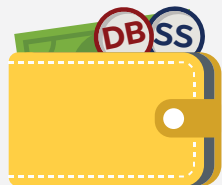
Let's face it, life is expensive and without the proper planning, more and more state of Missouri employees will find themselves back to work in their golden years. The latest deferred comp survey revealed that the majority of state employees and retirees spend between \$1,500 - \$1,999 each month on reoccurring expenses (e.g., utilities, food, rent/mortgage, loan payments). Over a course of a year, those monthly expenses add up to around \$24,000. If an employee makes roughly **\$37,000 a year**, in retirement he or she could only receive an estimated **\$25,900** in retirement (**70%*** of their working pay) from their pension from MOSERS or MPERS and social security benefit. This leaves roughly \$1,900 for unplanned expenses for the year. Saving additional money now can provide you extra monthly income in retirement to help supplement your pension and social security. While saving money in deferred comp is optional, in reality, it's a necessity for state of Missouri employees.

Retirees spend between **\$1,500 - \$1,999 each month** on recurring expenses.



**Annual Income
from Pension & SS**

\$25,900



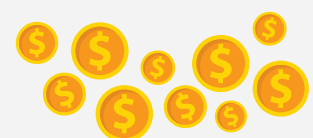
Annual Expenses

\$24,000

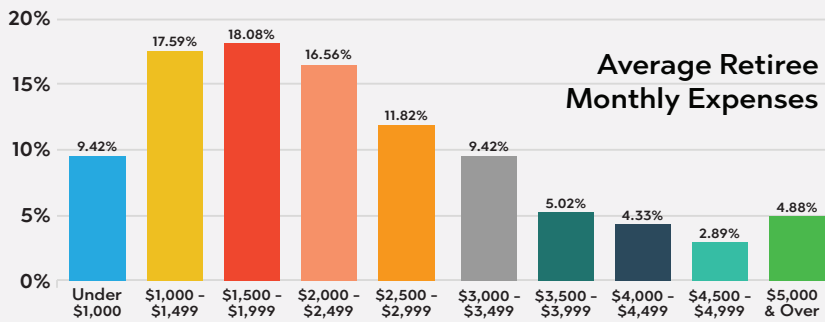


**Annual Income
AFTER Expenses**

\$1,900



According to 64% of retirees, their expenses in retirement have stayed about the same, while 19% said they actually increased after they left work. Ironically enough, over 50% of the active employees surveyed believe they will see a decrease in their expenses once retired, but only 17% of retirees reported their expenditures actually lowered in retirement. Of those who saw an increase, 33% continued to work in order to make ends meet. It's no surprise that mortgage payments and healthcare costs were reported as the top two largest expenses facing retirees today. To make matters worse, 68% of the retirees surveyed are carrying some kind of debt (e.g., mortgage, credit card, car loan) into retirement. On a positive note, 32% reported to have NO DEBT and 41% said they have less than \$5,000 left to pay on current debts. Way to go MO retirees!



What to do?

Remember, the deferred comp plan is an important part of your retirement income, just like your pension and social security. Taking the time to make regular contributions to your account now, can directly affect how you live in retirement. After all, no one wants to spend their retirement bagging groceries or flipping burgers; they want to do the things they enjoy. Saving now can help you reach your retirement goals later on in life.

It is in your best interest to start saving for retirement as early as possible. I know it seems as if it is a long way off and you have lots of time, but the fact is, you don't.

- State of Missouri Retiree

Survey Statistics

The retirement edition of the 2017 Retirement and Savings Survey was sent to 12,299 state of Missouri retirees who were also deferred comp participants. 1,628 surveys were completed, making this year's response rate 13.24%. Thank you again to all who participated in this year's survey. Your responses and insight help to enrich the MO Deferred Comp Plan's communication and education efforts.

To review each of the surveys' results, please visit modefferredcomp.org/news/2017-surveyresults.html.

68%
of retirees are carrying some kind of debt into retirement.

Retirement Income: DB + SS + DC

It's important to understand where your money will come from in retirement. The average retiree will receive money from three sources: defined benefit pension from MOSERS or MPERS, social security, and personal savings (MO Deferred Comp). Your pension and social security could replace roughly 70%* of your current income in retirement. Unfortunately, for most retirees 70% will not be enough to cover everyday living expenses, rent or mortgage, and rising medical costs.



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* Assumes normal retirement and a single life annuity from MOSERS or MPERS defined benefit pension plan. Social security is an average estimate. Social Security replacement income will vary based on when you choose to receive social security benefits (whether as early as age 62 or your full social security retirement age) and Social Security's ability to pay 100% of scheduled benefits. For a more accurate calculation of expected benefits and income replacement from Social Security at a specific age, please visit www.ssa.gov to view your social security statement.

Current statement from the Social Security Administration - "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 2034, the payroll taxes collected will be enough to pay only about 79 percent of scheduled benefits."