



Planning for Retirement – A Three Legged Approach

Adequate retirement income is essential toward ensuring that employees retire from the workforce with **financial security**, and that they can continue contributing to the economic well-being of the community in which they live. **Optimally, retirement assets will accumulate over the employee’s working career** to be paid out and/or drawn down during the retirement years.

If retirement benefits are inadequate, individuals may face difficult financial challenges and be forced to rely on their families or taxpayer-funded public assistance programs such as welfare and Medicaid. Public assistance programs, in turn, place operational and financial challenges on the state and local governments that fund and operate them, which may ultimately shift responsibilities to a later generation of taxpayers.

Public Employee Retirement System of Idaho (PERSI)

As a full-time employee, you are automatically participating in PERSI. You contribute around 6.79% of your gross paycheck and the City of Rexburg contributes around 11.32%. Once you reach the **Rule of 90** (your age plus service years in PERSI), your **monthly retirement generally provides at least 60% of your gross income** at the time of retirement. (Percentage contributions are higher for **Rule of 80** qualified employees in the Police and Fire Departments.)

Visit myPERSI at <https://www.persiweb.idaho.gov/members/index.cfm> for more information

City of Rexburg 401-K Deferred Compensation Plan

As you contribute up to 4% of your gross pay to this plan, the **City will contribute half as much (up to 2%)**. With this City match and because it is tax deductible, you can generally double your money going into your 401-K account every time you invest (this may vary depending on your income tax rate). This money is credited to your account and will typically build in value over the years.

An employee working for 30 years at the city will accumulate the following estimated balances in today’s dollars in their 401-K account, assuming they contribute 4% of their gross pay and receive the 2% city match each pay period and earn a 7% annual rate of return over that period. Because of inflation, the estimated amounts will be much higher, but the value will be approximately the same as in today’s dollars.

<u>Salary</u>	<u>Account Balance at Retirement</u>
\$30,000	\$182,996
\$40,000	\$243,384
\$50,000	\$305,603
\$60,000	\$365,991
\$70,000	\$426,380

Visit the employee portal or <https://secure01.retirementpartner.com/published/1352938-01enrollmentbooklet.pdf> for more information

Social Security (SS) Income (Based on Social Security Retirement Estimator @ socialsecurity.gov)

The following amounts are estimated for a person paying into the Social Security System in today’s dollars (no inflation added) and assuming they work full-time from age 23 until they retire.

<u>Salary</u>	<u>Monthly SS Check at age 62</u>	<u>Monthly SS Check at age 67</u>
\$30,000	\$1,037	\$1,473
\$40,000	\$1,156	\$1,642
\$50,000	\$1,285	\$1,849
\$60,000	\$1,414	\$2,071
\$70,000	\$1,498	\$2,175

Bonus: City of Rexburg VEBA/HRA Plan for Unused Sick Leave

The City will contribute to a tax free retirement savings account for medical expenses (**VEBA/HRA Plan**) 35% of the pay rate of each employee for every hour of unused sick leave. If an employee uses only half of his/her sick leave during their 30 year employment with the City, they will accrue over \$5,000 in their account for every \$10 of their pay rate. Thus, an employee earning \$20/hour at 30 years retirement could have over \$10,000 in their tax free medical reimbursement account. They may also accumulate additional dollars through the **City's Health Reimbursement Arrangement (HRA) plan** for use on qualified medical expenses during retirement.

Wisdom: Life Insurance, Emergency Fund, Consumer Debt

You should consider purchasing a **Life Insurance** policy when you are young and continue it throughout your life so that your family can survive on the proceeds after you are gone. Consider purchasing term life insurance that reduces in coverage at the same rate your investments (your 401-K) increase in value, so that the sum of both would be sufficient for the surviving spouse and children. The City pays for a \$50,000 policy on each full time employee and offers additional coverage on a voluntary basis, which is paid by the employee. Employees may also consult with an insurance or investment agent regarding other life Insurance options, such as Whole Life.

Create an **Emergency Fund** in a savings account, for those unforeseeable emergencies where cash will be necessary and define exactly what it is to be used for. Consider accumulating enough to handle replacement of any and all large ticket household items, such as: vehicles or repairs of vehicles, washer, dryer, fridge, stove, water heater, furnace, etc.

Consumer Debt (borrowing for consumables or items that do not increase in value over time, such as the household items mentioned above and even second cars) **can severely limit your ability to be financially stable**. Save up for consumables. Borrow only what you really need for a house or car, nothing else.