



Retirement

**Cornerstone Foundation's Journey to Financial Wellness
(developed by the Financial Wellness Task Force)**

JOURNEY TO FINANCIAL WELLNESS



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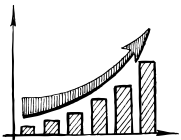
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SAVING FOR RETIREMENT



How Much?

The amount you should save from each paycheck depends on the type of retirement you envision. A common guideline is to start by saving 15% of your income. Retirement advisors can assist you in determining your retirement needs and help you estimate how much you should save.



What Investments?

Although investing carries risk, starting your retirement savings early gives you the advantage of time to weather the market's fluctuations and achieve a solid overall return. Many retirement plans offer options like Target Date Funds, which automatically diversify and become less risky as you near retirement. If you're unsure where to begin, consulting an advisor can provide valuable guidance.



Employer Match

If you work for an organization that provides an **employer-matching retirement option**, make sure to invest enough to take full advantage of it. For example, if your credit union matches up to 3%, aim to contribute at least 3% to maximize the benefit.




Other Options

There are alternatives if your credit union doesn't offer a retirement plan or if you're not satisfied with the terms. Anyone with earned income can open an Individual Retirement Account (IRA), so consider starting there.


RETIREMENT WORKSHEET



What sources of income do you expect in retirement? Consider options like a 401(k), pension, Social Security, or part-time work. List them here:



Now comes the exciting part: have you ever envisioned your *retirement budget*? How do you want to enjoy the money you've worked so hard to save? Whether it's traveling, giving gifts, or other activities, start jotting down your dreams and a rough estimate of how much you might want to budget for the fun stuff each year.



Take some time to consider the more practical aspects of retirement: What will your housing needs be? How will you address healthcare and long-term care needs? Use the spending plan sheet from earlier in this workbook to think through the categories you'll still be spending on in retirement and what adjustments you'll need to make.

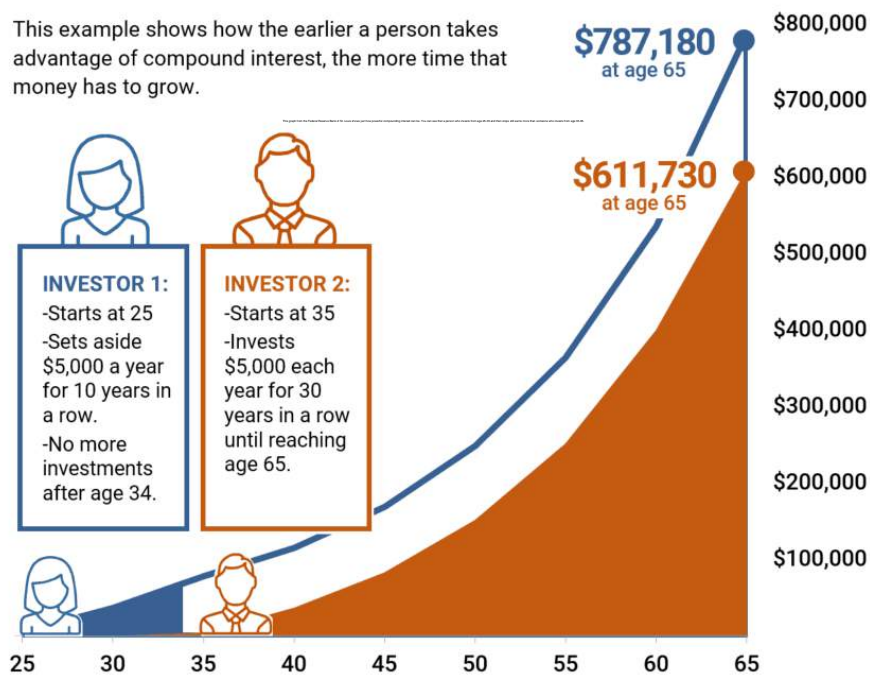
THE POWER OF COMPOUND INTEREST

This graph from the Federal Reserve Bank of St. Louis shows just how powerful **compounding interest** can be. You can see that a person who invests from age 25-35 and then stops still earns more than someone who invests from age 35-65.

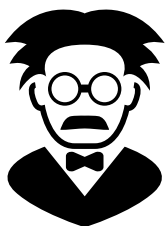


COMPOUND INTEREST: WHO WILL EARN MORE?

This example shows how the earlier a person takes advantage of compound interest, the more time that money has to grow.



NOTES: Assumes an 8 percent interest rate, compounded annually. Balances shown are approximate.
SOURCE: Author's calculations.



Albert Einstein is often credited with saying, "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it." **Moral of the story? Don't wait! Work your budget and make sure you can start your retirement savings today.**

SAVING BY LIFESTAGE



Trying to figure out where to start? While your savings goals will be as unique as you are, here are some questions to ask yourself as you move towards retirement.

TWENTIES: Do I have a working budget that prioritizes my savings goals? Do I want roommates? Do I want to start saving for a house? What's my plan for health insurance? If my employer offers a retirement savings match, can I meet it or begin working incrementally towards it? Do I know what my goal is for my emergency fund, and do I have a plan to begin saving for it?

THIRTIES: Have I met my employer's retirement savings match? Am I working towards saving at least 15% for retirement? Do I have 3-6 months of essential expenses saved for an emergency fund? If I have kids, do I know how much I want to save for their future expenses, like education?

FORTIES: What are my life insurance needs and are they covered? Do I need to meet with a retirement advisor or explore options beyond my workplace retirement plan, like an Individual Retirement Account or taxable brokerage account?

FIFTIES: Do I know what my options are for saving for long-term care needs in retirement? Do I know what age I would like to retire at and if my savings will help me reach that goal? Do I have an estate plan in place to make sure all I've saved goes where I want it to go?

SIXTIES: Do I want to retire in stages or all at once? Do I know my options for things like Social Security and Medicare? Will I be downsizing a house? Do I know my options for retirement income and a continued savings plan to make sure my money lasts?



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*Empowering Credit Unions to Impact
Their Communities*