Growing Your Nest Egg: One Paycheck at a Time

Will You Be Ready for Retirement?

"Will I have enough money to retire?" "When can I retire? "What will my standard of living be like?" These are the questions most people ask when they think about retirement. Unfortunately, these questions are usually asked long after they should have started planning for retirement.

Did you know?

Less than 30% of employees who are engaged in saving for retirement are projected to have adequate retirement savings?

The City Makes Saving for Retirement Simple

The City of Grand Rapids has partnered with ICMA-RC and Municipal Employees Retirement System (MERS) to make saving for retirement simple. It doesn't take much to turn a little into a lot when you have the right partners. ICMA-RC offers 401(a), 457, and ROTH IRA accounts designed to maximize your retirement savings.

Many people worry about health care costs after retirement, but having a Health Care Savings Plan (HCSP) through MERS helps you save money specifically for health related expenses.

Which Plans Are Available to You?

New employees are automatically enrolled in a 401(a) plan through ICMA-RC. Police and Fire Department employees and those employees who will receive a pension benefit are not eligible for the 401(a) plan. New employees, including Police and Fire Department employees, are also enrolled in a MERS account. Funding these accounts through mandatory payroll contributions begins after the employee successfully passes his or her original 6 month probation period.

All employees are eligible to sign up for a 457 and/or ROTH IRA account, and there is no waiting period for contributions to start.

ICMA RC
BUILDING PUBLIC SECTOR RETIREMENT SECURITY

MERS
Municipal Employees' Retirement System

What Are The Differences Between These Accounts?

Each plan is a little bit different, but they are all designed to help you make the most of you retirement savings.

The 401(a) account has a mandatory contribution of 6% of the employee's salary, and the City also contributes 6% for a combined total of 12% of the employee's salary! Most people invest in a target-dated fund that calculates his or her expected retirement date based on age and changes the investments based on that data over time. When the employee is younger and still has a while before retirement, there are riskier investments. As the employee gets closer to retirement, the investments become more conservative to limit the potential of a big loss before retirement. However, employees can choose their own investments if they want to be hands-on.

The 457 account has no minimum contribution nor employer contribution, and it has an annual contribution limit of $18,000. If you are age 50 or older, you can contribute a maximum of $24,000 into the 457 account. These contributions are taken out of your paycheck before taxes are withheld, but that means you will pay taxes on the withdrawals from the account later. You can only access this money in the account after separating from service with the City. Exceptions are allowed only in the event of a verifiable emergency (foreclosure, deaths, etc.).

457

The ROTH IRA account is an individual retirement account. There is an annual contribution limit of $5,500. If you are age 50 or older, you can contribute a maximum of $6,500 into the ROTH IRA account. These contributions are taken out of your paycheck after taxes are withheld, which means you do not pay taxes on the withdrawals later. You can access this money for any reason at any time, but you can only withdrawal your contributions; you can only receive the interest tax-free if you are over the age of 59 and a half.

The MERS HCSP is an account designed to help you save for health care expenses after retirement. There are minimum contributions and an employer contribution, but the amounts differ depending on the bargaining unit (Check your union contract or handbook for specifics). These contributions are made before taxes are withheld, and so long as you use the money for health care expenses, it remains tax-free. This money is only available after retirement, but it can be used for spouses and legal dependents, and it can even be given to a beneficiary should the need arise.

HCSP Health Care Savings Plan
Our Tax-Free Solution

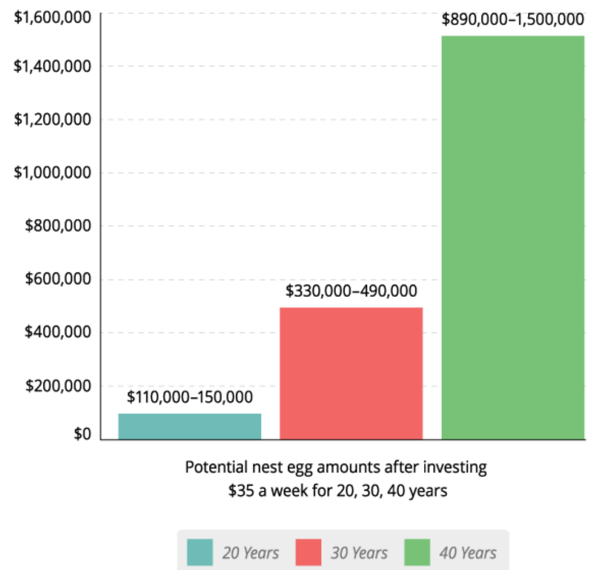
What If You Don't Have A Lot of Extra Money?

You don't need a lot to start growing your retirement accounts. Typically, we talk about investing in percentages: Some experts recommend contributing 15% of your household income into retirement accounts to retire comfortably. Everyone's 15% is different and may be big or small depending on your salary.

But what if we broke it down into a number that's easy for everyone to relate to—a figure that could easily cover a dinner out or a week's worth of daily super-sized lattes?

Let's see what kind of future $35 a week could afford you if you invest in a good account. **That would be 15% of an approximately $12,000 salary**—$3,000 less than what you'd bring home in a year if you worked 40 hours a week at the federal minimum wage.

- In 20 years, you could retire with $110,000 to $150,000.
- In 30 years, you could retire with $330,000 to $490,000.
- In 40 years, you could retire with $890,000 to $1.5 million!



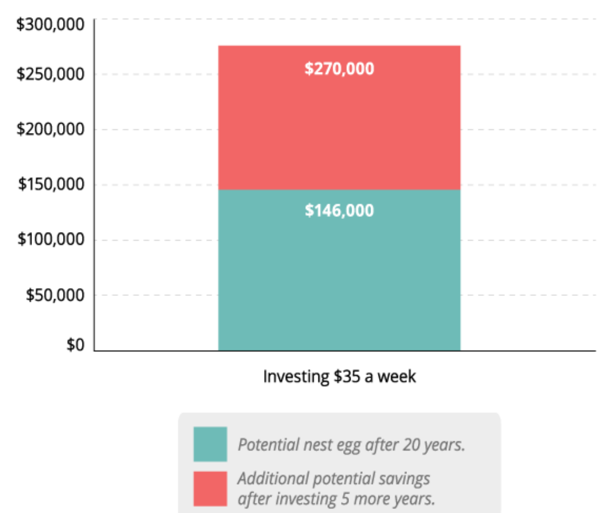
Performance Not Guaranteed
Actual Performance May Vary

What If You Don't Have 40 Years to Invest?

That's okay! It just means you'll need to roll up your sleeves and contribute more in the time you do have.

Pick up the pace. Add oomph to your retirement savings by increasing your contribution amount. If you doubled down and contributed $70 a week, you could retire with $230,000 to $290,000 after 20 years and $660,000 to $980,000 after 30 years.

Work a few extra years. There's no rule that says you have to retire at 65. If you're 45 years old, adding five more years to your timeline could boost your savings to $200,000 to $270,000 if you continue to contribute just $35 a week.



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How Do You Get Started?

If you are a new hire, you are already off to a great start by being enrolled in a 401(a) account and a MERS account. You should still consider opening a 457 and/or ROTH IRA account to supplement that. Remember that experts recommend contributing 15% of your income; the 401(a) plan contributes a combined 12%.

If you would like more information or help opening an account, please talk to the City of Grand Rapids' Benefits and Insurance staff members. They will be happy to help you.

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What Can You Do After Setting Up Your Account?

After you enroll in a plan, you should get registered as a user on the ICMA-RC and MERS websites:
icmarc.org
mersofmich.com

Once you log in, you will have access to tons of resources, including account management tools, videos, retirement calculators, and much more.