Saving for Retirement

1. Introduction
   1. Not many young adults have started saving for their retirement.
   2. “Saving early is key….I’m telling you, saving early is one of the best things you can do for yourself.” – Jenni Riedeman, Financial Advisor for Raymond James
   3. Statistics have shown that many elderly people today have to work longer than they planned because of insufficient savings for retirement.
2. History of IRAs
   1. 1974 Employee Income Security Act
      1. Implemented to combat fewer employers using pensions
      2. Allowed savers to contribute $1500 tax free
      3. Only allowed for those without employer based retirement plan
   2. 1981 Economic Recovery Tax Act
      1. Opened the use of IRAs to any taxpayer under the age of 70 ½
   3. 1986 Tax Reform Act
      1. Implemented to correct the fact that only high income workers were using IRAs
      2. High-income workers prevented from taking tax deduction form IRA
      3. IRA contributions dropped of significantly
   4. 1997 Tax Payer Relief Act
      1. Sponsored by Senator William Roth of Delaware
      2. Established Roth IRAs
      3. Implemented to reinvigorate IRA contributions
3. Traditional IRAs
   1. Tax deductible contributions
   2. Contributions up to $5500 a year or $6500 a year for those above age 50
   3. No income limits for contribution
   4. Penalty free withdrawal after 59 ½
   5. Mandatory withdrawal after 70 ½
   6. Withdrawals from IRA taxed as income
4. Roth IRAs
   1. Contributions are not tax deductible
   2. Contributions up to $5500 a year or $6500 a year for those above the age of 50
   3. Income limits are enforced (Single w/ AGI=$129,000 or Married w/ AGI=$191,000)
   4. Penalty free withdrawal at 59 ½
   5. No mandatory withdrawal is enforced
   6. Withdrawals in retirement are tax free
5. Roth IRAs: Best for Young Investors
   1. Paying a small tax on your income now for a tax free pay out in retirement
   2. $10,000 penalty free for first time home purchase
6. Mutual Funds & Stocks
   1. Mutual Funds and stocks allow one to invest money that can be taken out, if needed, at any time in case of emergency.
   2. These investments are more available to get at for various expenses that will show up in the future (college bills, buying a house, paying for kids).
   3. Mutual funds are a pool of stocks, bonds, money markets, and other assets, giving one a diversified portfolio of investments.
   4. Load mutual funds
      1. Load funds are those that have someone else watch investments and make decisions on the investor’s behalf.
      2. There are normal managing fees with these funds as well as other fees charged by the portfolio manager.
   5. No-load mutual funds
      1. No-load funds only charge small annual managing fees, but the investor keeps track of all their funds on their own.
      2. This can be more cost efficient if one has the time and knowledge on how to properly invest money.
   6. Stocks
      1. Stocks are investments within one particular company in which the investor becomes part owner off.
      2. Stocks can be more risky, but can yield greater returns.
      3. Young investors tend to have more freedom and money to play with because they do not have the expenses that an older person will.
7. Compound Interest
   1. Interest which is accumulated over time and is made off of both the principle invest, as well as the previous earned interest.
   2. Compound interest is a very powerful thing which can make the investor who starts saving earlier a huge return in the future.
8. There are four things that set apart 401(k) plan from other retirement plans.
   1. You can decide how much money you want to put into your account with the exception of the employer having the right to limit that amount.
   2. The money from your check that is placed into your plan is before taxes.
   3. The company you work for will sometimes match a portion of your payment into your plan.
   4. A plan administrator will help you invest your savings.
9. Pre-tax is the main difference between 401ks and roths.
   1. An example of 401ks and roths will better show the difference and advantages of the pre-tax.
10. If you change jobs, your 401k that you have saved will be unaffected and you have some options.
    1. You can keep your money in your former employer’s plan.
    2. You can roll over your money into a new 401k plan if your new job has that option.
11. Even though it seems like companies with 401k plans are giving away money, it actually benefits the company in the long run.
    1. Helps with recruiting
    2. It gives the employees an incentive to work better.
12. Pension Plans
    1. Pension plans are a very unique aspect of retirement.
       1. Definition of pension plans.
       2. The basic pension formula.
    2. The different types of pension plans.
       1. Defined benefit (DB) pension plans.
       2. Defined contribution (DC) pension plans.
    3. Pensions throughout history.
       1. How pensions started.
       2. Pensions in current America.
       3. The future of pension plans.
    4. The Pension Protection Act of 2006.
       1. How the PPA is saving pension pans in America today.
       2. The impact of the PPA on employees.
13. Social Security
    1. Social security plans in the workplace.
       1. Definition of social security.
       2. The social security calculator.
    2. Social security in America
       1. The start of social security.
       2. Social security plans in current America.
       3. The future of social security.
14. Conclusion
    1. Saving for retirement is a very important idea that can never be done to early.
    2. There are many facets available to the young investor such as: stocks, mutual funds, traditional IRAs, roth IRAs, and many others.
    3. Once in a full-time career, one can continue to save through 401Ks and pensions.
    4. The power of compound interest is an important concept to understand and take action on.

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