



EDUCATORS RETIREMENT PLAYBOOK

Educators Retirement Playbook
<http://www.educatorsretirementplaybook.com>

Planning Lessons for Educators: Addressing Your Financial Issues



Want to retire slowly?

Phased retirement programs have become attractive to both institutions and faculty. You may be looking forward to — or counting on — working part-time to extend both your working life and your retirement nest egg. But having such a program available also requires big decisions, such as:

- *Should you opt for phased retirement?*
- *How would doing so affect your current and future finances?*
- *How would your decision affect your insurance needs?*

Being an educator requires expertise and that you stay current on developments in your field. However, that level of ongoing attention can make it difficult to find the time to stay on top of issues that affect your finances, or to put together a comprehensive financial plan. Whether you work directly with students or focus on research, whether you are just starting your career or have achieved distinction in your field, you may benefit from working with a financial professional who understands an educator's special concerns. Here are some issues that may not have been at the top of your to-do list, but that can affect your long-term comfort and happiness.

Addressing tax issues

Many educators, particularly contingency or adjunct faculty members, have multiple sources of income. For example, you may teach at several institutions, and/or earn consulting fees or royalties on your work. Welcome as that income doubtless is, it also may complicate tax planning and preparation. Other tax issues you may need help with include the deductibility of student loan payments, tax issues that arise from pursuing an advanced degree, and the taxation of employer-provided benefits such as faculty housing.

Getting tenure is cause for celebration, but it also is likely to affect your tax situation. Moving into a higher tax bracket could mean it's time to make or rethink decisions about how much you need to save for retirement, the immediate and long-term benefits of various retirement savings accounts — both taxable and tax-advantaged — and how your retirement savings are invested.

Planning for retirement and beyond

One key to any potentially successful retirement plan is starting early. The sooner you can put a well-thought-out plan in place, the better your chances of financial security. Saving for retirement is like building up an endowment; it gives you the freedom to expand your horizons. Because academic

salaries tend to remain relatively predictable (at least compared with corporate salaries) once you've gotten tenure, you may have an advantage when it comes to retirement planning. Why? Because you may be able to make more accurate forecasts of your lifetime earning capacity than people in other professions, which can in turn help you make more informed decisions about how you should manage your money now. Statistical analysis tools can estimate the likelihood that a given financial strategy may be adequate to meet your long-term needs. Because of the many variables involved, an investor should not rely on statistical analysis tools without realizing their limitations.

Take full advantage of the tax benefits of your employer's 401(k), 403(b), or 457(b) plan, especially if there's an employer match (it's essentially free money). You can defer up to \$19,000 in 2019 (\$25,000 if you're 50 or older), or 100% of your pay if less. Also, any deferrals you make to a 457(b) plan don't reduce the amount you can contribute to a 401(k) or 403(b) plan. So, for example, if you're eligible for both a 403(b) and 457(b) plan, you can contribute the maximum to both, for a total contribution of up to \$38,000 (\$50,000 if you're 50 or older) in 2019.

Beyond employer-sponsored plans, you may also be able to use other tax-advantaged retirement savings vehicles, such as a traditional or Roth IRA. In 2019, the annual contribution limit for traditional and Roth IRAs is \$6,000 (plus an additional \$1,000 if you're 50 or older).

Investing responsibly

An understanding of investing fundamentals is essential to making informed decisions with your money. A financial professional can help you understand not only the mechanics of investing, but demonstrate why a given strategy might be appropriate for you. Most common investing strategies are derived from a wealth of research on the historical performance of various types of



investments. Though past performance is no guarantee of future results, it can help to understand the various asset classes, the way each class tends to behave, and the function each fulfills in a balanced portfolio. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. You might find assistance especially useful if you are the recipient of a lump sum, such as a cash award, prize or grant for your work.

Do you have ethical concerns about investing? Socially conscious investing has entered the mainstream, and there are many investment options that could help you address your financial needs and still support your convictions.

Even if you're an experienced investor, you may need to adjust your strategy periodically as your circumstances change over time — for example, after you receive tenure or as you near retirement. The sooner you establish a relationship with a professional, the sooner you might benefit from the expertise of someone who deals with financial issues daily.

Creating an estate plan

A will is the cornerstone of every estate plan; without it, you have no control over how your assets will be distributed. You also should have a durable power of attorney and a health care directive.

If you've amassed substantial outside business interests or intellectual property assets (e.g., copyrights, patents, and royalties), an estate plan is particularly important. Managing those assets wisely while you're alive can help make an enormous difference in your ability to maximize their benefits for your heirs.

Estate planning also can further your legacy in other ways. Charitable giving to your heirs, your educational institution, or another nonprofit organization can both further your philanthropic goals and be an effective tool to help reduce taxes. For example, by establishing a trust, you may be able to benefit from an immediate tax deduction as well as

provide an ongoing income stream for you or the charitable institution of your choice. While trusts offer numerous advantages, they incur up-front costs and often have ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax advisors before implementing such strategies.

Protecting your assets

You also might want to think about whether you and your family are adequately shielded from emergencies. Types of insurance you might consider include:

- Life insurance
- Disability insurance
- Liability insurance (particularly if you're involved in applied research projects or consulting engagements)

Managing debt

Being in debt can make managing all other financial issues more challenging. If you're in the early part of your career, you may still be facing years of student loan payments; if you're more senior, you may be trying to pay off a mortgage and eliminate all debts before retirement. Balancing debt with the day-to-day demands of raising a family, seeking support for your work, finding good housing, and saving for your children's education and your own retirement can be a formidable task.

Handling debt wisely can have consequences over time. Having someone review your finances might uncover some new ideas for improving your situation. It also can help you understand the true long-term cost of any debt you incur.

Whether you have a specific concern or just want to be better prepared for the future, a financial professional may be able to help. However, there is no guarantee that working with a financial professional will improve investment results.

Planning ahead

If you've amassed substantial outside business interests or intellectual property assets (e.g., copyrights, patents, and royalties), an estate plan is particularly important.

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.