

Retirement Planning

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PARSONS
FINANCIAL ASSOCIATES, INC.

Financial Essentials

*Helping New Hampshire NEA
Members*

Save & Plan for Retirement

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Welcome

Agenda:

- NHRS
- Social Security
- Financial Planning
- Retirement Planning Checklist

State Pension

- **Subject to state control**
 - The state can choose to make changes at any time
- **Defined Benefit Plan**
 - Benefits are not based on contributions or investment returns
- **Benefits are based on a specific formula:**
 - Service (Creditable Service)
 - Salary(Average Final Compensation)



New Hampshire State Pension

“Group 1 (State Employees and Teachers)” Has 3 Tiers:

Tier	Hire Date	Vesting Date	Full Retirement Age	Service Credits Required
1	[Any]	By Jan 1, 2012	60	N/A
2	Before Jan 1, 2011	Jan 1, 2012 or later	60	N/A
3	After Jan 1, 2011	[Any]	65	N/A

Members become “vested” for retirement benefits at the earlier of:

1. Completion of 10 years of NHRS Creditable Service; or
2. On or after attainment of the NHRS normal retirement age while in service, regardless of years of Creditable Service.



New Hampshire State Pension Tier 1, 2 & 3

Benefit Formula prior to attainment of full Social Security age:

(Avg. final compensation) \div (60), x (Creditable Service)

Example: $\$50,000 \div 60 = \833.33 ;

$\$833.33 \times 30 \text{ years} = \$25,000$

Benefit Formula following attainment of full Social Security age:

(Avg. final compensation) \div (66), x (Creditable Service)

Example: $\$50,000 \div 66 = \757 ; $\$757 \times 30 \text{ years} = \$22,710$



Early Retirement

*Early Retirement results in a permanently reduced pension based on the months before full retirement age the pension commences. The farther away from full retirement age, the greater the reduction.

Vested Deferred Retirement

10 + years of creditable service:

- ◆ Terminate NHRS-covered employment
- ◆ Do not withdraw accumulated contributions
- ◆ Pension may commence at age 60, or earlier as an early reduced pension



Working After Retirement

- ◆ May work for any non-NHRS employer with no restrictions
- ◆ May not occupy NHRS-covered position and receive pension
- ◆ 26-hour limit on 'part-time' employment of NHRS retirees by NHRS-participating employers
- ◆ **Disability Retirement** – contact NHRS for details

Survivorship Options

Post-Retirement Death Benefits

- Lifetime pension to beneficiary
- Choosing a payment option is an important decision and is irrevocable once you sign up for benefits

Options	Payment to Retiree	Payment to Spouse
• 1	\$3,500/month	0
• 2	\$3,200/month	\$3,200/month
• 3	\$3,300/month	\$1,650/month
• 4 A*	\$3,150/month	\$3,150/month
• 4B*	\$3,250/month	\$1,625/month

*If spouse pre-deceases the retiree, then payout “pops up” to option 1 for remainder of retiree’s life.

This is a hypothetical example for illustrative purposes only. Actual benefit amount will be based on your particular situation.



Pre-selection of a Survivorship Option

➔ *Lifetime pension to beneficiary if member dies before applying for NHRS*

*If member continues to work in NHRS-covered position
AND is age 60 or older

*NOT automatic

*Expires once retirement application is received by NHRS



Approaching Retirement?

- ❑ Within 3 years of Retirement
 - Request Benefit Estimate
- ❑ Within 1 to 2 years of Retirement
 - Schedule Appointment with a Benefits Specialist

Filing for Retirement

- *File with NHRS 30-90 days prior to effective date of retirement (always the first of a month)*
- *Terminate NHRS-covered employment prior to the effective date of retirement*



New Hampshire Retirement System

NHRS

54 Regional Drive

Concord, NH 03301

Phone: 603-410-3500

Toll Free: 877-600-0158

www.nhrs.org



Retirement Income Planning – Find an Expert

1. You will probably need between 70% to 100% of pre-retirement income to maintain your current life style.
2. Consider pensions, Social Security, 403(b)'s, IRA's, 401(k)'s, part- time work, income-producing real estate, or sale of and reinvestment of assets.
3. Remember to consider impact of part time work on Social Security and Teachers' Retirement benefits.
4. Don't forget about inflation!

Social Security

- **Overview**

Mandatory federal program that promises a retirement benefit at a certain age



- **Full vs Partial Benefit**

Depending on when you begin taking Social Security, you may not receive the highest amount possible

- **Future Uncertain**



Social Security: Full Retirement Age

If you were born	And you start taking Social Security at age					
	62	63	64	65	66	67
Before 1937	80.0%	86.7%	93.3%	100%		
1938 – 42	75 - 80%	80 - 86%	86 - 93%	93 - 100%		
1943 – 54	75.0%	80.0%	86.7%	93.3%	100%	
1955 – 59	70 - 75%	75 - 80%	80 - 86%	86 - 93%	93 - 100%	
1960 +	70.0%	75.0%	80.0%	86.7%	93.3%	100%

You are eligible for this percentage of your “full” benefit.

Once you begin taking Social Security, your benefit is **locked in**. It does not increase as you age.

Note: The government can change these benefit levels/amounts at any time for future retirees.

Source: Social Security Administration, www.ssa.gov



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Social Security + State Pension

- *Will Social Security and a state pension be enough?*

Type of Benefit	Amount
Average annual Social Security benefit ¹	\$22,884
Average annual pension benefit ²	\$23,173
Total	\$46,057

- You can't control Social Security or state pension amounts. You can't control inflation or unexpected expenses.

Source:

1. [Retirees Get a 3.2% COLA Bump in Social Security Benefits For 2024 – Forbes Advisor](http://money.usnews.com/money/retirement/articles/2011/08/01/how-to-predict-your-social-security-payout)
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2 Source: NHRS FY 2022 Summary ACFR; 2022 benefit data No. 5 Updated January 2023



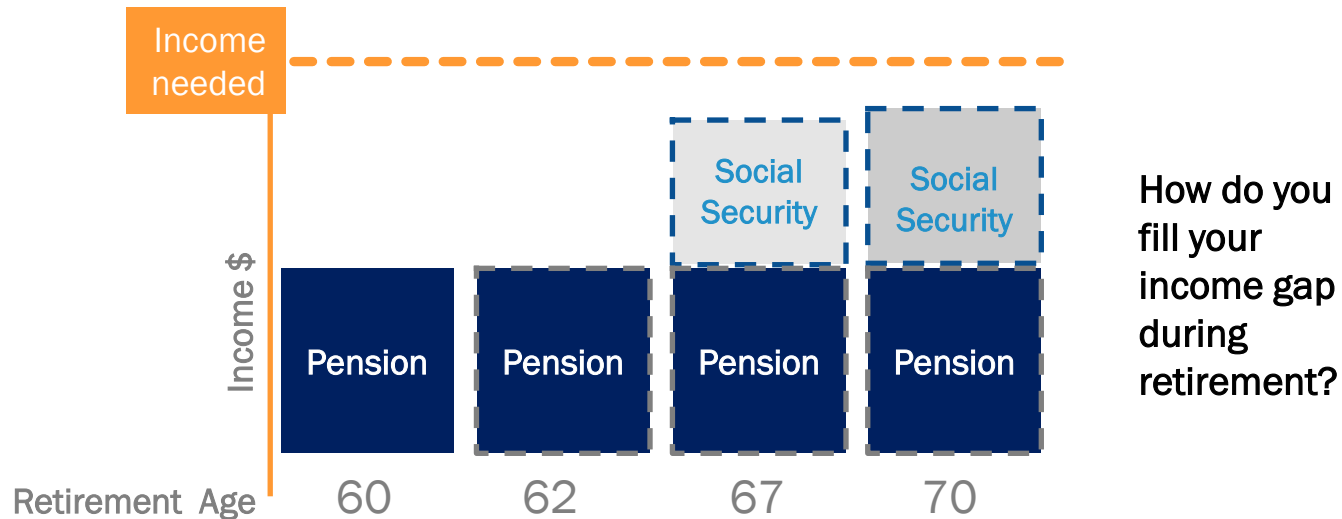
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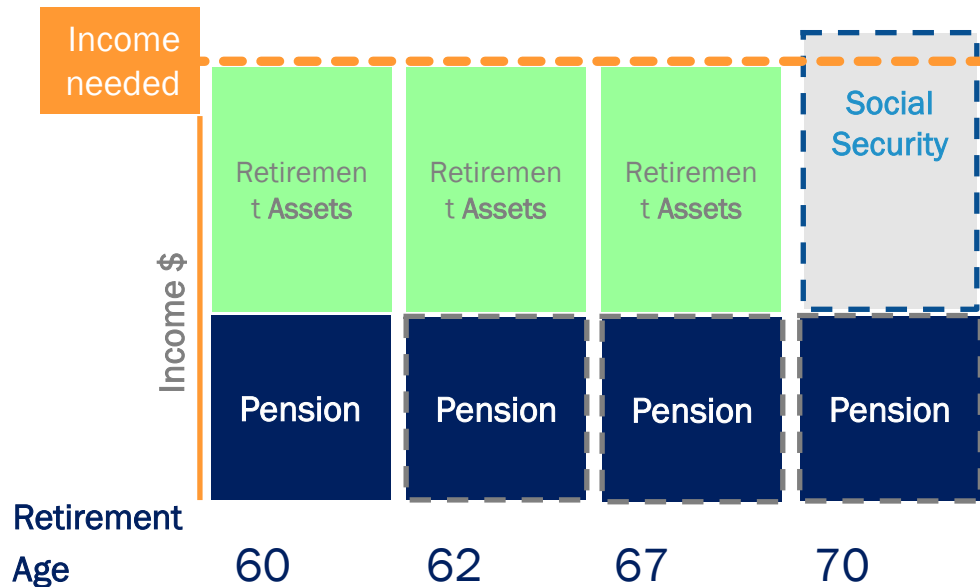
How Much Will I Need?

- Everyone's retirement income needs are different, but on average, Social Security and a state pension are not enough to meet expenses.



How Much Will I Need?

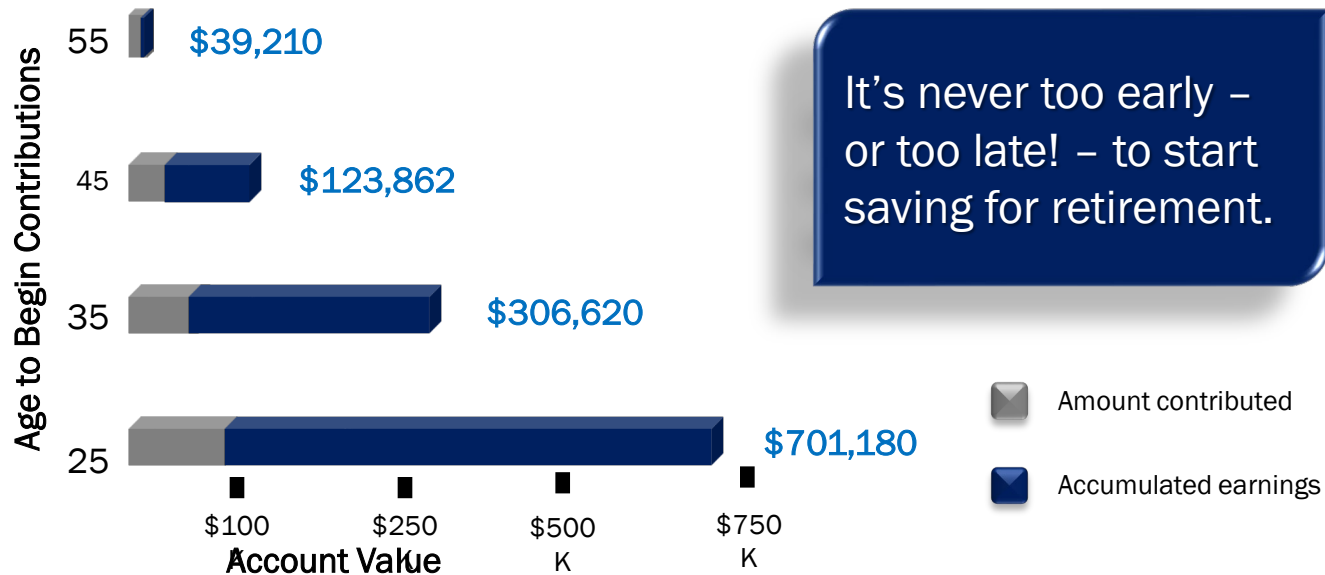
- 403(b) accounts and IRAs can be used to:
 - Help you generate retirement income; or
 - Provide time for you to wait and maximize other sources of income



How Much Can I Save?

Time: Your most valuable asset

If you saved just \$100 per paycheck, how much might you eventually accumulate?



It's never too early –
or too late! – to start
saving for retirement.

The above illustration does not take into account the effect of any state or federal taxes. The performance of the investment, 8%, in the illustration is hypothetical and in no way relates to the actual or expected performance of any investment. The results of an investment may differ substantially. Investing involves risk and there is no guarantee of investment results. This illustration assumes \$100 invested 26 times per year.



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2025 Contribution Limits

- 403(b), 457(b), 401(k)
 - Lesser of
\$23,500 or 100% of earned income.
- Additional “catch-up” limits for individuals ages 50-59 and 64 or older = \$7,500
- For those ages 60-63 = \$11,250

- Traditional and ROTH IRA's
 - Lesser of \$7,000 or 100% of earned income.
 - Over age 50 with “catch-up” = \$8,000



2025 Tax Planning

Taxable Income Brackets for 2025 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	\$0-\$23,850	\$0-\$11,925
12%	\$23,851-\$96,950	\$11,926-\$48,475
22%	\$96,951-\$206,700	\$48,476-\$103,350
24%	\$206,701-\$394,600	\$103,351-\$197,300
32%	\$394,601-\$501,050	\$197,301-\$250,525
35%	\$501,051-\$751,600	\$250,526-\$626,350
37%*	Over \$751,601	Over \$626,351

2025 Trust Tax Rates

Trust Tax Rate	
10%	\$0-\$3,150
24%	\$3,151-\$11,450
35%	\$11,451-\$15,650
37%	Over \$15,651

Standard Deductions	
Married-Joint	\$30,000
Single	\$15,000
Head of Household	\$22,500

Additional deductions for non itemizers	
Blind or over 65	Add \$1600
Blind or over 65 unmarried and not a surviving spouse	Add \$2000

Source: IRS.gov

2025 Social Security Taxes and FRA

Social Security

Benefits	
Estimated maximum monthly benefit if turning full retirement age in 2025	\$4,018
Retirement earnings test exempt amounts	\$23,400 under FRA \$62,160 during year reach FRA No limit after FRA

Tax on Social Security Benefits: income brackets

Filing Status	Provisional Income**	Amount of Social Security subject to tax
Single, head of household, qualifying widow(er), or married, filing separately and living apart from spouse	Under \$25,000 \$25,000 to \$34,000 Over \$34,000	0 Up to 50% Up to 85%
Married, filing jointly	Under \$32,000 \$32,000 to \$44,000 Over \$44,000	0 Up to 50% Up to 85%
Married, filing separately and living with spouse	Over \$0	Up to 85%

Medicare Premiums

2023 MAGI Single	2023 MAGI joint	Part B Premium	Part D Income Adjustment
\$106,000 or less	\$212,000 or less	\$185.00	\$0
\$106,001 to \$133,000	\$212,001 to \$266,000	\$259.00	\$13.70
\$133,001 to \$167,000	\$266,001 to \$334,000	\$370.00	\$35.30
\$167,001 to \$200,000	\$334,001 to \$400,000	\$480.90	\$57.00
\$200,001 to \$500,000	\$400,001 to \$750,000	\$591.90	\$78.60
Above \$500,000	Above \$750,000	\$628.90	\$85.80

Source: SSA.gov

Next Steps

- Discuss with a financial advisor *the best way to generate monthly retirement income.*
 - Which assets do you use first?
 - When do you have to start receiving distributions from supplemental retirement programs?
- Determine how any shortfall of monthly income will be offset from investments, savings, part-time work or change in life style.
- Consider *paying off credit card debt and other loans,* including your mortgage, to reduce expenses.

Review Insurances:

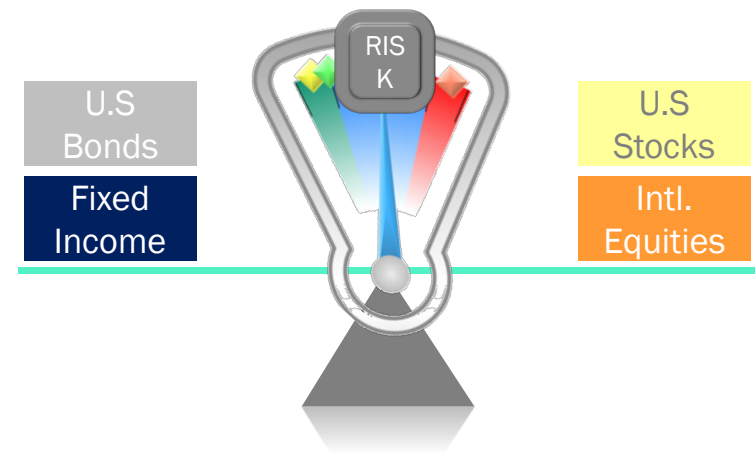
- Review options for Health, Dental, and Life insurance
- Long Term Care Planning
 - Self Insure
 - Long Term Care Insurance
 - Hybrid Planning

Estate Planning – 5 Important Documents

1. **Will (s)** – review and update.
2. **Durable Power of Attorney** – authorizes someone to make business-related decisions for you.
3. **Advance Health Care Directive** – authorizes someone to make medical decisions for you when you can't make them yourself. It can also specify burial and funeral arrangements and replaces what used to be called a "Living Will."
4. **HIPAA Release** – authorizes hospital, doctor, insurance company and any other medical professional to share personal medical information and discuss your condition with those you specify in the document.
5. **Trust Planning** – review whether trust is applicable for your situation.

Re-Visit your investments at least once a year.

1. Risk tolerance.
2. Diversification.
3. Amount saved.
4. Time horizon.
5. Inflation.



USE YOUR RESOURCES !

- New Hampshire-NEA
- NEA Member Benefits
- New Hampshire State Teachers' Retirement System
- Social Security ssa.gov
- Financial Advisor(s)

Next Steps:

- ♦ *If you are 60 or older, file pre-selection form with NHRS*
- ♦ *Request a benefit estimate from NHRS or a pension estimate from us*
- ♦ *Schedule a meeting with us to review your current plan*



How we can help you

- ♦ *Retirement Income distribution planning*
- ♦ *Pension Estimate*
- ♦ *Social Security Estimate*
- ♦ *We are here for you as a resource!*
- ♦ *If you have additional questions don't hesitate to contact us!*



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