COAERS

# FINANCIAL PLANNING ACROSS CAREER STAGES

## A Comprehensive Look at the Key Aspects of Living

# Key Aspects of Life

- Accumulating Wealth
- Managing Expenses & Debt
- Managing Risk
- Managing Health
- Leaving a Legacy
- Living Your Best Life

# How Key Aspects Show Up in Life

# Key Aspects of Life

We tend to focus on a particular aspect when it is most problematic.

We may forget to have a presence in each aspect through all the stages of our life.

# Have a Presence in the Key Aspects of Life

Have a presence in each of these aspects of your life

Cycle through them continuously

Don't ignore any key aspect

You Can Do This!

Accumulating Wealth

Managing Expenses & Debt

Managing Risk

Managing Health

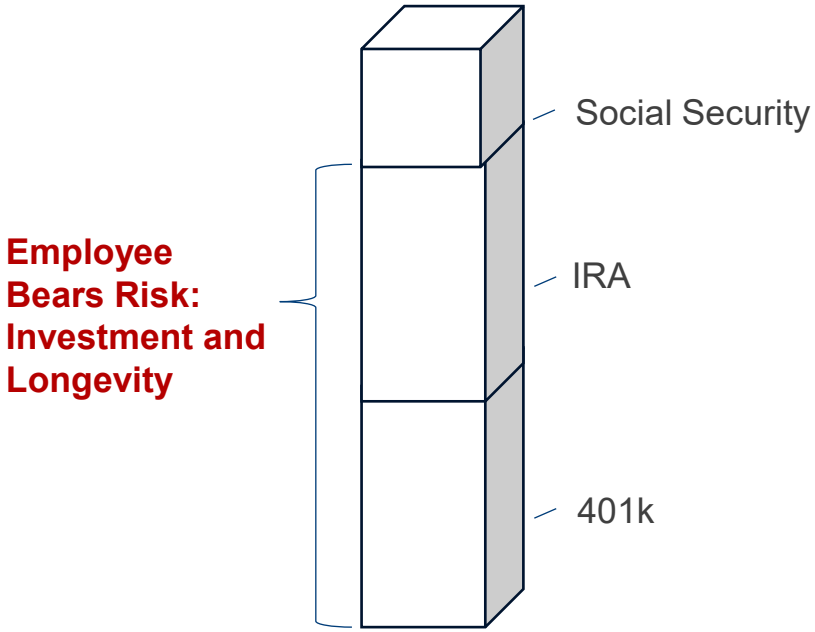
Leaving a Legacy

Living Your Best Life

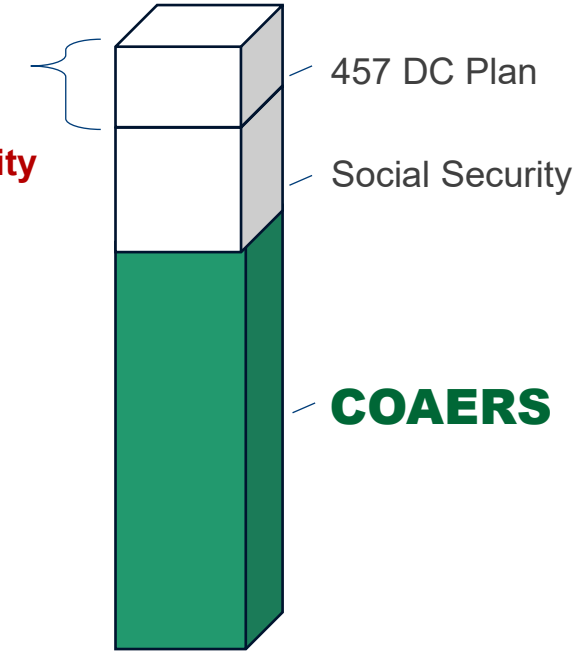
# Accumulating Wealth

# Accumulating Wealth

## Typical Retirement Portfolio




## COA Employee Retirement Portfolio



# Your COAERS Retirement Plan

## What does the COAERS benefit mean for your financial future?

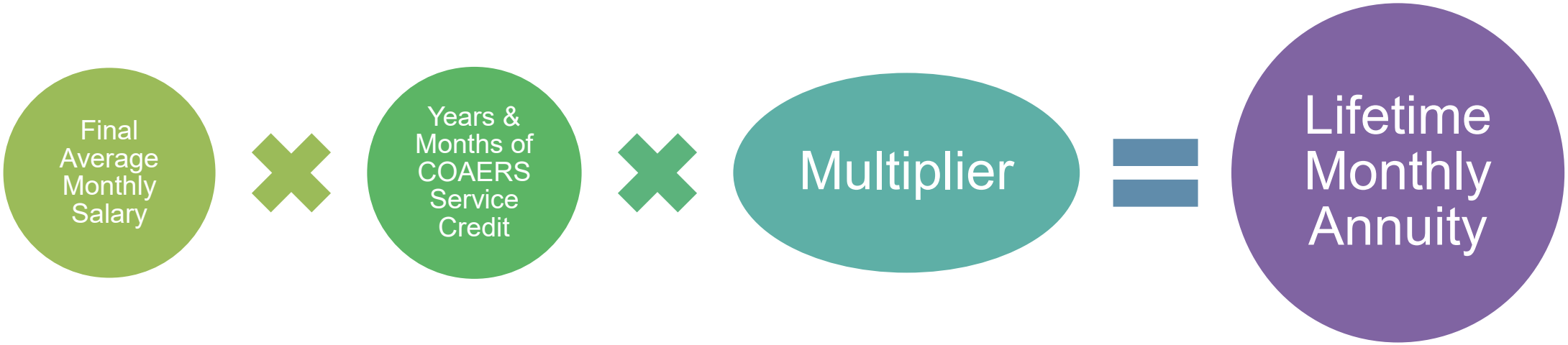
- **Members bear no investment or longevity risk!!!**
- Guaranteed income for life
- The City funds the promised benefits, and COAERS Trustees and Staff invest those assets to pay for the promised benefits
- A formula determines your benefits and is designed to replace your pre-retirement income AKA “replacement ratio”
- Benefits earned/accrued are legally protected
- Increase your replacement ratio with a purchase of service
- Convert your unused sick leave
- Member contributions are tax-deferred. You are paying yourself. While you are working, your yearly retirement contribution lowers your taxable income.

***Cost of Living Adjustments are not a promised benefit.***

# Your Retirement Benefit

## How is Your Retirement Benefit Calculated?

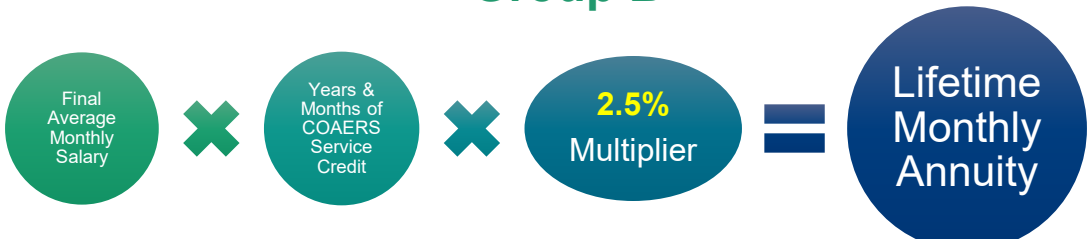
- It's based on a predetermined formula



# Your Retirement Benefit

Normal Retirement Life Annuity Estimates:

## Group B




**COAERS Service Credit**

| Monthly Final Ave. Pay | 5 | 10 | 15 | 20 | 25 | 30 |
|---|---|---|---|---|---|---|
| **$2,000** | $250 | $500 | $750 | $1,000 | $1,250 | $1,500 |
| **$3,000** | $375 | $750 | $1,125 | $1,500 | $1,875 | $2,250 |
| **$4,000** | $500 | $1,000 | $1,500 | $2,000 | $2,500 | $3,000 |
| **$5,000** | $625 | $1,250 | $1,875 | $2,500 | $3,125 | $3,750 |
| **$6,000** | $750 | $1,500 | $2,250 | $3,000 | $3,750 | $4,500 |
| **$7,000** | $875 | $1,750 | $2,625 | $3,500 | $4,375 | $5,250 |
| **$8,000** | $1,000 | $2,000 | $3,000 | $4,000 | $5,000 | $6,000 |

**75% of pre-retirement income**

# What is Vesting? Why is it Important?

**Vesting means** you have established enough service credit to receive a lifetime benefit once you reach retirement eligibility.

## When are you vested?

- If you earned at least five years of service credit and do not withdraw your accumulated contributions if you leave City employment.
- If you have service credit with a retirement system that participates in the Proportionate Retirement Program, that service may count toward the five years of service credit needed for vesting.

# Your Contributions

Your contributions are automatically deducted.

They are accounted for in your COAERS account.

Each year, interest is applied.

If you choose not to have a City career, your contributions and interest can be refunded to you or rolled over to another plan.

You are paying yourself!

# Declare Proportionate Service Credit

You may be able to combine your service credit from those retirement systems to help you meet retirement eligibility under the Proportionate Retirement Program.

## May be eligible to:

- combine service to reach COAERS retirement eligibility

## May not be used to:

- calculate monthly retirement benefit amount

## Proportionate Retirement Systems

- **Austin Police Retirement System**
- **El Paso Firemen and Policemen's Pension Fund**
- **The El Paso City Employees' Pension Fund**
- **Employees Retirement System of Texas (ERS)**
- **Judicial Retirement System of Texas I and II**
- **Teacher Retirement System of Texas (TRS)**
- **Texas County and District Retirement System (TCDRS)**
- **Texas Municipal Retirement System (TMRS)**

# Purchasing Service Credit

**Consider the Financial Impact of Making a Service Purchase**

- You can establish additional service credit by purchasing it.
- Service credit purchase does not make you eligible to retire any sooner, but it will increase your monthly benefit payment.

## Purchase at Retirement

- Supplementary service credit
- Prior military service
- Non-contributory service
- Sick leave

## Purchase Anytime

- Prior Service

# Purchasing Sick Leave

PRO TIP

**How does it work?**

- At the time of retirement, you may be able to purchase unused sick leave hours and convert it to service credit.
- A sick leave purchase does not make you eligible to retire any sooner, but it will increase your monthly benefit payment.
- You will pay the current contribution rate at the time of retirement to convert the unused sick hours to service credit.
- Use your COA 457 Deferred Compensation to fund the conversion via a rollover.

**When can you make a sick leave purchase?**

- You should start the conversion and purchase process 30 to 60 days before your retirement date.

# Run a COAERS Benefit Estimate

PRO TIP

**City of Austin Employees' Retirement System**
**Retirement Benefit Estimate Worksheet**
**PAMELA R PENSIONER**

| Retirement Estimate Information | |
|---|---|
| **Member Details** | **Estimate Details** |
| **SSN:** ***-**-0600 | **Separation Date:** 12/31/2022 (68.80000) |
| **Employee ID:** | **Benefit Effective Date:** 01/01/2023 (68.80000) |
| **Birth Date:** 03/08/1954 | **Separation Type (Sub-Type):** Retirement |
| **Hire Date:** 01/12/1976 | **Benefit Type:** Service Retirement |
| **Participation Begin Date:** 01/17/1976 | **Calculation Date (Run By):** 09/17/2019 (Russell Nash) |
| **Current Status:** Retired | **Basis Plan:** Group A |
| | **Projected Eligibility Service Years:** 27 |
| | **Projected Eligibility Service Months:** 11 |

**Nominated Beneficiary**

| Name | SSN/TIN | Relationship | Birth Date | Distribution Percent |
|---|---|---|---|---|
| Paul Pensioner | | Husband | 02/01/1960 | 100.00% |

**Benefit Calculation**

| Plan | Service | | Final Average Salary | FAS Percent | Unadjusted Amount |
|---|---|---|---|---|---|
| Group A | **Years:** 28 | **Months:** 8 | $5,759.87 | 86.00% | $4,953.49 |
| **Total:** | | | | | **$4,953.49** |

# Your Social Security Benefit

PRO TIP

**Work History**
You need to have worked and paid Social Security taxes for at least 10 years (40 quarters) to qualify for benefits.

**Top 35 Years of Earnings**
Benefits are calculated using your highest 35 years of earnings, adjusted for inflation.

**Check Your Statement and Stay Informed**
Regularly check your Social Security statement. You can track your Social Security statement online to see your earnings history and estimated benefits.

Create a mySocialSecurity account by visiting [www.ssa.gov/myaccount](www.ssa.gov/myaccount).

Follow the news for future changes. Budget in retirement as though benefits may be reduced for future retirees or eligibility may be pushed out to older ages.

# 457 Deferred Compensation Plan

PRO TIP

## How does it work?

- Before tax contributions
  $10 per paycheck minimum
  $23,500 annual maximum
- After-tax contributions (Roth option)
- Catch up provisions Ages 50+
- Free seminars
- Start any time. Enroll online. Change deferrals
  dcaustin.empower-retirement.com
- Plan counselors:
  - OLIVER MENDOZA
    Retirement Plan Counselor
    oliver.mendoza@empower.com
  - JENNIFER PRESTON
    Certified Financial Planner
    Jennifer.preston@empower.com

# Service Incentive Pay

Regular employees who have completed three years of continuous service by December 1 will receive service incentive pay (SIP) of $100 for every year of continuous service, up to $1,500.

What will you use your SIP payment for?

# Emergency Fund

An emergency fund is a cash savings account set aside for unexpected expenses or financial emergencies, such as medical bills or car repairs.

A critical part of financial planning, and emergency fund helps avoid the risks of becoming dependent on credit or falling into debt if such a situation were to occur

# Managing Expenses & Debt

# Understand Budgeting Basics

## Budget

- Needs
  - List your essential expenses (needs) such as housing, utilities, groceries, insurance, and retirement contributions
- Savings and debt repayment
  - Paying yourself first
  - Retire debt
- Review your spending monthly and adjust categories to align with changing priorities or financial goals.

# Credit/Debt

- Pay your bills on time
- Make your credit card payments on time
- Keep your credit card balances low or paid off – don’t utilize more than 70% of your total credit limit
- Pay more than the minimum payment to reduce debt faster
- Regularly review your credit reports for accuracy and to prevent fraud – consider a credit freeze/unfreeze

# Childcare Expenses

**Dependent Care Spending Account**

- Use pretax dollars for fund childcare for dependents under age 13.

**Childcare Assistance Program**

- City of Austin offers up to a $5,000 annual benefit to regular, full-time City employees with children under the age of 13 to use towards care-related costs that allow you to work, look for work, or attend school. This assistance is offered on a first-come, first-served basis as funding permits. Eligibility criteria include income and family size.

# More Ways to Save

- Tuition Reimbursement Program
- Homebuyer Assistance Program
- Transportation benefits with CapMetro and Austin Energy

# Managing Risk

## Life Insurance

**Basic Life:** Provided at no cost for full-time employees. You receive one times (1x) your base annual salary.

**Supplemental Life:** Paid by you. You may purchase Supplemental Life Insurance in amounts equal to one, two, three, or four times your base annual salary.

**Dependent Life:** Paid by you. Available for the death your spouse, domestic partner, and children. You have two options to choose from when purchasing coverage for your dependents

## COAERS Death Benefits

**Active members:** Double the amount of contributions and interest
**Retired members:** $10,000 (Also a $1,000 City insurance benefit)

## Disability

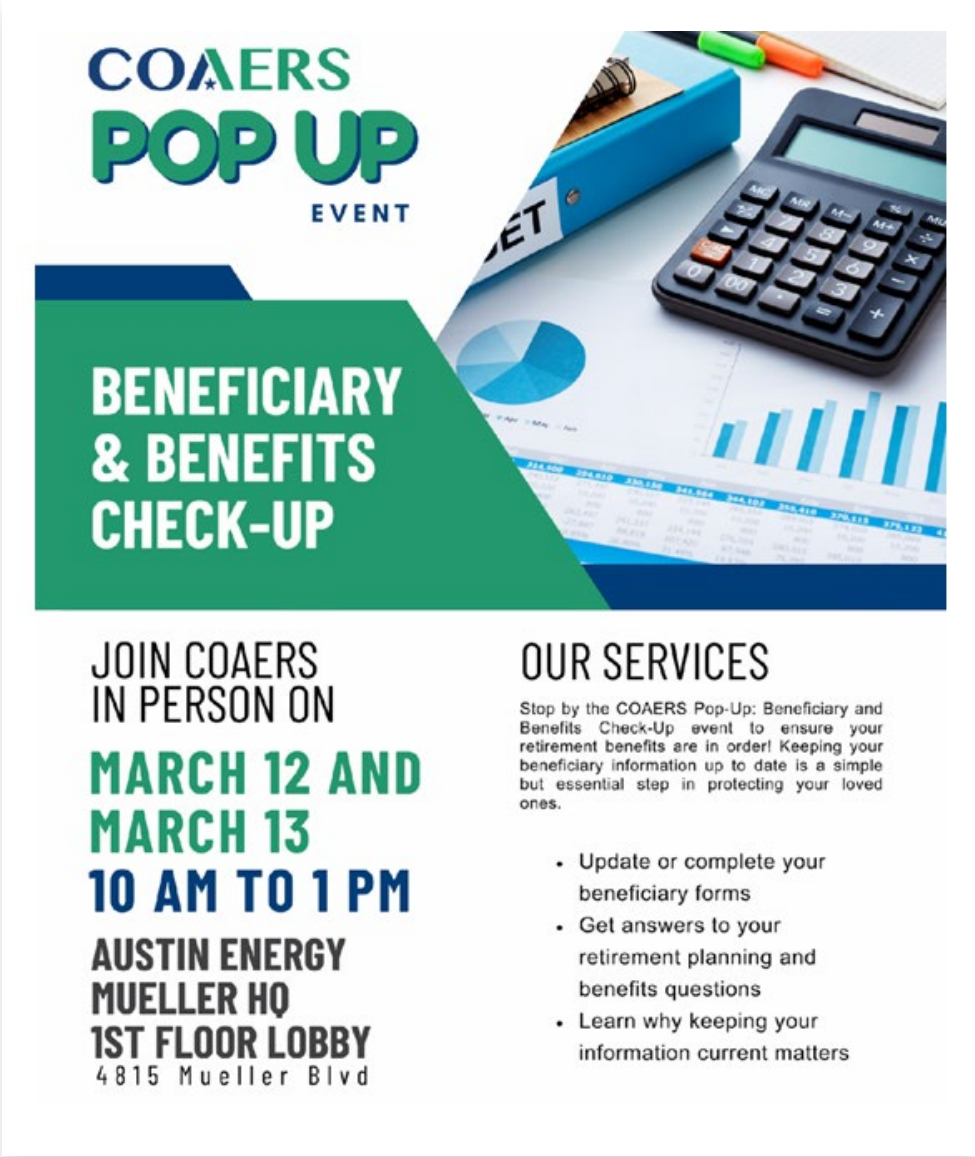
- Long Term (insurance) - you are considered disabled if, as a result of physical disease, mental disorder, injury, or pregnancy, you are unable to perform the material duties of any occupation, and you are unable to earn 60% or more of your indexed earnings.

## COAERS Disability Retirement

- You can apply for disability retirement if you are medically determined to be incapable of work.
- No age eligibility requirements.
- Benefits are paid for life based upon the COAERS retirement benefit formula.

# Beneficiary Designation

- Log on to MemberDirect.
- Review your Beneficiaries.
- If you don’t have one on file, designate one now.
- If you need to change, do it now.
- Don’t wait to take care of this important business.
- Review your beneficiary designations on other accounts – life insurance, Empower 457 Plan; CDHP HSA accounts



# Preparing for a Time When You Need Help

**Gather important information and when the time is right only share it with a trusted source. Here's a sample of the items you may want to assemble.**

- Contact persons for COAERS, 457 Deferred Compensation, City of Austin HR, Insurance Companies, Legal Counsel, Financial Advisor, Insurance agent, Accountant
- COAERS Beneficiary Form
- Life insurance policy/Beneficiary Forms (City or Other)
- Social Security Card
- Health insurance cards
- Car insurance coverage cards
- Birth certificates
- Military discharge documents (DD214)
- Marriage license
- Divorce decrees/Orders (Child Support)
- Titles to cars/other vehicles
- Deed/mortgage to home/real property
- Investment accounts
- Bank accounts/Credit Card Accounts
- Power of Attorney
- Healthcare POA/Directive
- Will/Trust Documents
- Location/keys to safety deposit box
- List of medications
- Username/passwords to accounts/social media/online shopping accounts.
- Utility bill information
- Funeral arrangements

# Preparing for a Time When You Need Help

**Durable Power of attorney**

A durable power of attorney (or “POA”) designates someone to oversee your finances. This type of power of attorney is extremely useful if you are incapacitated or simply unable to be reached. Your power of attorney can be used to keep bills paid, pay your taxes, and to perform other important tasks.

**Medical Power of attorney**

A medical power of attorney designates someone to make healthcare decisions for you. In Texas, a power of attorney for health care can only become effective upon your incapacity.

**Healthcare Directive (Living Will or Advanced Directive)**

A document that contains your end-of-life decisions only used in scenarios where you are incapacitated and suffering from a terminal or irreversible condition.

*The information contained herein is made available as a public service. No information provided is intended to constitute legal or investment advice.*

# Estate Planning

## City Legal Services Plan

- Wills and estate planning
- Real estate and home ownership
- Traffic tickets and license suspension
- Disputes with a landlord
- Family law matters
- Small claims court
- Personal property disputes
- Student loan debt
- Bankruptcy
- Tax audit
- Divorce
- School Administrative Hearings

## Help Finding Legal Counsel

- State Bar of Texas (Find a Lawyer)
- Austin Community Law Center
- Texas Legal Services Center
- Lawyer Referral Service
- Texas State Law Library
- Texas Law Help

# COAERS
# Power of Attorney

To keep legal costs low for our members, we have created a Power of Attorney form for COAERS members to designate an agent to act of their behalf for COAERS business.

**Access the Form**

- Register or Log On to Member Direct to find the form.
- Print, complete, notarize and submit it to COAERS.

# Preparing for a Time When You Need Help

**Long Term Care Needs**

Long-term care is a range of services and support you may need to meet your personal care needs.  For example, at some point in your life you may need need assistance with things like getting dressed, driving to appointments, or making meals. A variety of services are available such as:

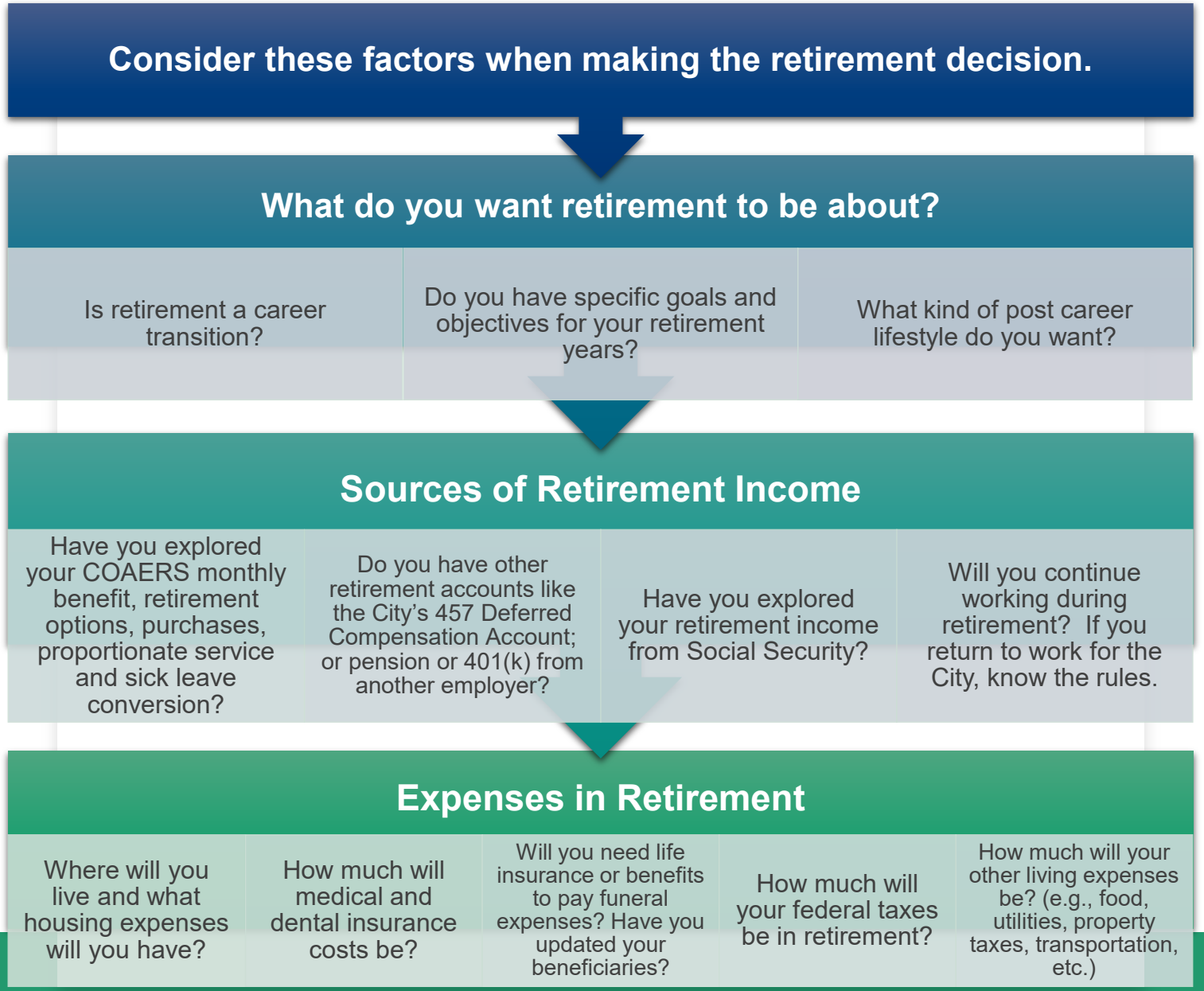
In home services
Home health aide
Adult day services
Assisted living facilities
Nursing home

**Long Term Care Virtual Seminar**
**September 3rd at 12 pm**
**Register at www.coaers.org**

It is important to understand what these services how to obtain them if the need arises.

# When *will you be ready* to retire?

## Things to Consider When Making the Retirement Decision



# Managing Your Health

# Staying Healthy

- Adopt a holistic approach
- Nutrition, regular physical activity, mental well-being, and preventive healthcare.
- Understand your risks and how to avoid mitigate disease.
- Know your numbers
- Get active
- Eat well

# Staying Healthy

**City Health and Wellness Programs**

- Comprehensive Medical/Dental Insurance
- Prescription Drug Coverage (Mail Order)
- Employee Assistance
- Tobacco Cessation 101
- Diabetes Control Program
- Vision Insurance

# Leaving a Legacy

# COAERS Survivor Benefit Options

The benefit option you select at retirement will have an impact on your finances and the annuity amount you receive.

## Survivor Options

- **Life Annuity –** Retirees receive an annuity for life.
  No monthly survivor benefits will be paid to anyone after your death.
- **Option I** – Upon retiree death, 100% Joint and Survivor Annuity
- **Option II** – Upon retiree death, 50% Joint and Survivor Annuity
- **Option III** – Upon retiree death, 66 2/3% Joint and Survivor Annuity
- **Option IV** – Upon retiree or survivor death, Joint and 66 2/3% Last Survivor Annuity
- **Option** V – 15 year Certain and Life Annuity
- **Option VI** – Actuarial Equivalent of Life Annuity

# Survivor Option Estimate

| | | | | |
|---|---|---|---|---|
| **Option I - 100% J&S** | Group A | Form | 0.8081000 | $4,002.92 |
| | Group A | Final | 1.0000000 | $4,002.92 |
| | | **Total Benefit Amount: $4,002.92** | | |
| | | **Total Deductions: -$204.05** | | |
| | | **Net Benefit Amount: $3,798.87** | | |
| | | **To Beneficiary: $4,002.92** | | |
| | | **Tax Free Amount: $0.00** | | |
| **Option II - 50% J&S** | Group A | Form | 0.8939000 | $4,427.92 |
| | Group A | Final | 1.0000000 | $4,427.92 |
| | | **Total Benefit Amount: $4,427.92** | | |
| | | **Total Deductions: -$255.05** | | |
| | | **Net Benefit Amount: $4,172.87** | | |
| | | **To Beneficiary: $2,213.96** | | |
| | | **Tax Free Amount: $0.00** | | |
| **Option III - 66 2/3% J&S** | Group A | Form | 0.8633000 | $4,276.35 |
| | Group A | Final | 1.0000000 | $4,276.35 |
| | | **Total Benefit Amount: $4,276.35** | | |
| | | **Total Deductions: -$236.86** | | |
| | | **Net Benefit Amount: $4,039.49** | | |
| | | **To Beneficiary: $2,850.91** | | |
| | | **Tax Free Amount: $0.00** | | |

# Austin Volunteer Opportunities

Central Texas Food Bank
Meals on Wheels Central Texas
Community First! Village
LifeWorks
Caritas of Austin
Sustainable Food Center
Austin Animal Center
Austin Pets Alive
Austin Public Library
Austin Parks
ABIA

# Remember: Have a Presence in the Key Aspects of Life

Have a presence in each of these aspects of your life

Cycle through them continuously

Don't ignore any key aspect

You Can Do This!

Accumulating Wealth

Managing Expenses & Debt

Managing Risk

Managing Health

Leaving a Legacy

Living Your Best Life

# Leverage Your Resources

**Attend**

- Financial Wellness Seminar Series
- Mid Career Seminars
- Pre-Retirement Seminars
- Retiree Resources Seminars
- Beneficiary Designation Pop Up Events

**Sign up**

COAERS newsletter

MemberDirect

Empower App

**Visit**

www.coaers.org

https://dcaustin.com

www.ssa.gov/myaccount/

**Schedule**

Schedule one-on-one counseling appointments with COAERS

**Meet**

Meet with Empower's Certified Financial Planners

# More Resources

**COAERS Retiree Resource Website**
www.coaers.org/retiree-resources

**BlueCross Blue Shield**
www.bcbstx.com/coa

**State Bar of Texas (Find a lawyer)**
www.texasbar.com

**COAERS MemberDirect**
www.coaers.org

**City of Austin Benefits**
www.austintexas.gov/department/benefits-division

**Empower – Deferred Compensation Plan**
www.dcaustin.com

**my Social Security**
www.ssa.gov

**Medicare.gov**
www.medicare.gov

**Area Agency on Aging**
www.capcog.org/divisions/area-agency-on-aging#resources

**City of Austin Seniors Programs/Services**
www.austintexas.gov/department/seniors-programs-and-services

**AARP**
www.aarp.org

# QUESTIONS?

**CONNECT WITH COAERS**

(512) 458-2551 | member.services@coaers.org | www.coaers.org