

NAME: _____

DATE: _____

Monthly Retirement Planning ^(1/2)

Complete This Chart

In order to retire with security, you must have a goal and a visual picture of how to accomplish it. Your assignment is to determine how much you should be saving per month, at 12% interest, in order to retire at 65 years old with the amount you need.

Part 1:

Use the monthly retirement planning worksheet to help with the calculations. Do the activity twice: one time assuming you start investing today and a second time assuming you start investing in 10 years.

- ① What annual income do you want to retire on? _____
- ② How much per month will you have to save? _____
- ③ How much per month will you have to save if you wait 10 years before you start saving? _____

Part 2:

Next, compare the figures above with what you can expect to retire on if you rely only on Social Security. Go to the U.S. Social Security Administration's website at www.ssa.gov. On the home page, click on "Benefits" and select "Calculators" from the menu. On the following page, choose "Quick Calculator."

On the "Quick Calculator" page, make up a year of birth (must be at least 21 years old for calculator to work) and estimate a retirement date (use at least 65 years old). Enter your anticipated earnings for your career choice (experiment using different amounts). Also, select "inflated (future) dollars." This will adjust your earnings for inflation. Next, click "Submit request." Your monthly benefit amount will be calculated. Calculate at least two different earning amounts and record your results below.

Earnings _____	Earnings _____
Monthly Benefit _____	Monthly Benefit _____

Consider the results from both parts of this activity and answer the following:

- ① Based on this activity, describe the relative importance of Social Security, employer retirement plans (i.e., 401(k)), and personal investments.

- ② What is the maximum monthly benefit you can receive from Social Security?

Monthly Retirement Planning (2/2)

Too many people use the READY-FIRE-AIM approach to retirement planning. That's a bad plan. You need to aim first. Your assignment is to determine how much per month you should be saving at 12% interest in order to retire at 65 with the amount you need.

If you save at 12% and inflation is at 4%, then you are moving ahead of inflation at a net of 8% per year. If you invest your nest egg at retirement at 12% and want to break even with 4% inflation, you will be living on 8% income.

Step 1: Annual income you wish to retire on: _____

Divide by .08

(Nest egg needed) equals: _____

Step 2: To achieve that nest egg you will save at 12%, netting 8% after inflation. So, we will target that nest egg using 8%.

Nest Egg Needed \$ _____

Multiply by 8% Factor X _____

Monthly Savings Needed = _____

Note: Be sure to try one or two examples if you wait 5 or 10 years to start.

8% Factors (select the one that matches your age)

Your Age	Years to Save	Factor
25	40	.000286
30	35	.000436
35	30	.000671
40	25	.001051
45	20	.001698
50	15	.002890
55	10	.005466
60	5	.013610