

WISER Nurse

A NEWSLETTER FROM THE WOMEN'S INSTITUTE FOR A SECURE RETIREMENT
and the CENTER FOR AMERICAN NURSES

NURSES' INVESTOR EDUCATION PROJECT

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Are You On Track to a Secure Retirement?

Like many Americans, you may be wondering how much money you will need when you are ready to retire and if you are saving enough to meet your goals. The answers depend on your individual circumstances, but here are a few key things to consider.

First, you need to know how much you can expect from Social Security, pensions, annuities or other retirement vehicles. This will give you an idea of retirement income that is already in place. First, sit down and make a list of all of your sources of retirement income, and estimate what the monthly benefit will be. Include Social Security, any pensions from private or government employment, and IRA and 401(k) retirement savings plans.

The Social Security Administration sends every adult over the age of 25 a statement with their projected Social Security benefits. Contact the plan administrator of any pension plan you have participated in to determine how much it will be. Look at your total IRA and 401(k) savings and estimate how much monthly income you can with-



draw from savings. (See box on page 4.) Also, if you are planning to work part-time, estimate how much you can earn monthly and the length of time you predict you will work.

For each source of retirement income, ask yourself three important questions:

- ❑ **Can you count on getting the income for life?**
- ❑ **Will the income keep up with inflation?**
- ❑ **Can some or all continue to your surviving spouse?**

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For example, Social Security pays benefits for life and is inflation adjusted each year. Social Security also pays a spouse benefit.

Once you've made this list, it's time to add up your sources of retirement income. Look at the income total and compare it to your current monthly income today.

The second step is to calculate your net worth. Estimate the total value of your assets, including cash, home equity, automobiles, other personal property, the value of insurance policies and so on. Then, subtract the total of your liabilities, including mortgages, credit card and loan balances, home equity loans and other debts from your total assets. The result is your net worth. Remember, not all of your assets—your house or car, for example—will be available for retire-

ment income unless you sell them and invest the funds or take a reverse mortgage and use your home equity as a source of retirement funds.

Calculate how much income you will need in retirement. Most experts recommend planning for at least 80% of your current pre-tax income in order to maintain your current living standard. One big factor to consider is whether you own your own home or rent. If you will own your home outright by retirement, you can safely choose a lesser amount. If you are renting however, you do not want to be in a position of needing to find a less expensive apartment. With inflation, your housing costs will be higher than they are now.

Finally, calculate the gap between income from Social Security, retirement plans and

assets and your retirement income goal. The gap represents the amount you will need to save between now and retirement in order to meet your overall goals.

Don't fall into the trap of thinking that saving small amounts of money isn't worth bothering with.

How much you need to save each year to fill the gap is a complicated calculation, depending on several factors including the rate of return you get from your savings and inflation. Remember that the sooner you start saving, the easier it will be to realize your goals. WISER's website (www.wiserwomen.org) has an online calculator that can be used to calculate how much you will need to save each year in order to build the nest egg you need to retire with security.

Like most of us, chances are you will be surprised by the calculations. Many people who go through these exercises find out that their savings rate is inadequate to finance a comfortable retirement. Even worse, some people

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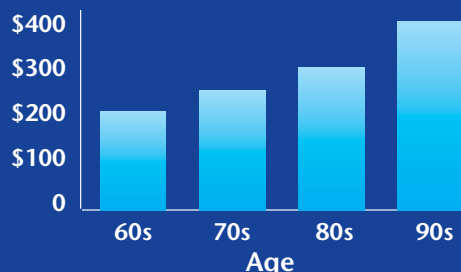
The chart below shows a "rule of thumb" for how much of your total savings you can safely withdraw each year of retirement and make the money last a lifetime, depending upon your age.

Estimated Amount You Can Withdraw From Retirement Savings by Age

Age	Percent of Assets
50s	3-5%
60s	4-6%
70s	5-7%
80s	6-8%
90s	8-10%

If you have \$50,000 saved for retirement, for example, you can withdraw \$2,500 per year in your sixties or about \$200.00 each month. In your seventies, you can withdraw \$3,000 each year, or about \$250.00 each month. The amount you can withdraw each month in your eighties will increase to about \$300 and to about \$400 each month in your nineties. ▶

Example of Monthly Withdrawals with \$50,000 Saved for Retirement



faced with this information adopt a “What’s the use?” attitude and get discouraged from saving at all. Remember, saving something is always better than not saving at all. And, it’s never too late to get started.

If you’re living paycheck to paycheck, and struggling to find money to save for retirement, consider these options.

☒ **Sometimes, the best first step is to pay off your credit card and loan debts.** If you’re paying high interest credit card debts, you need to break that cycle. Cut back on expenses or consider doubling payments to the credit card companies. If you pay only the minimum each month, you will have those debts for decades. Once you pay off the credit card balances, put the money in a retirement savings account. Resist the temptation to charge on those accounts again.

☒ **Be sure to participate fully in your workplace retirement plans.** If your employer will match your contributions to your 401(k)—that’s free money. Don’t pass it up. If your job does not have retirement benefits, consider looking for a job with a retirement plan. Conversely, think carefully about leaving a job if you will be leaving pension payments or moving to a situation with little or no retirement benefits. You will need a backup plan to compensate for the lost retirement income.

☒ **Finally, learn to live beneath your means.** That’s how people build wealth. Keep track of all of your spending for one month and see where your money is going. Examine your list carefully and you will be sure to find ways to cut back on expenses. Try going to the library instead of buying books or invite friends to a pot-luck dinner

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instead of eating out. Don’t fall into the trap of thinking that saving small amounts of money isn’t worth bothering with. Money saved and invested early can have a big return at retirement. Establish a monthly budget for yourself and stick to it. Make sure the budget includes a contribution to your retirement plan every month. Women need to learn to pay themselves before buying sneakers and summer camp for the kids.

Start now and stick to a plan! ☒

About the Nurses' Investor Education Project

Opportunities, Challenges, and Moving Forward

The Center for American Nurses and the Women's Institute for a Secure Retirement (WISER) have formed a retirement project partnership called the Nurses' Investor Education Project. It is a three-year project funded by a grant from the FINRA Investor Education Foundation.

The Nurses' Investor Education Project Goals:

- 1) Understanding nurses' financial knowledge with a special focus on their understanding of and preferences for investment education;
- 2) Changing nurses' investment behavior and planning; and
- 3) Creating investor education materials, activities, and a training program that will provide benefits beyond the conclusion of the project.

The Center for American Nurses, established in 2003, is a District of Columbia non-profit corporation.

NURSES' INVESTOR EDUCATION PROJECT

It offers tools, services, and strategies designed to make nurses their own best advocates in their practice environments. Through research, continuing education, and knowledge sharing among today's nursing community, the Center serves more than 44,000 nurses seeking to overcome workforce

challenges and realize opportunities.

The Women's Institute for a Secure Retirement (WISER), launched in 1996, is the only non-profit organization dedicated exclusively to providing education to improve the long-term financial quality of life for women. WISER is funded by both public and private grants, including eight years of grant funding from the U.S. Administration on Aging to develop financial education for minority and low-income women.

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