



# Straight Talk About Financial Planning *For Your Retirement*



**Thomas P. DiNapoli**

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New York State and Local Retirement System  
Employees' Retirement System  
Police and Fire Retirement System

# A Message from Comptroller

Thomas P. DiNapoli



Although there are few things that are certain in life, it's good to know your pension is one of them. You can be confident that, when you are ready to retire, your pension will be there for you.

But, your pension is only one part of a good financial plan. Whether you are new to public service or are close to retirement, it is never too early or too late to develop a financial strategy. That's where this booklet can help. In addition to information about your retirement benefits, it includes tips on how to develop a well-rounded financial plan and resources to help you create that plan.

Your retirement years should be the most enjoyable part of your life – and they can be with some preparation and planning. You are a member of one of the largest pension systems in the world and your pension is secure. Now is the time to bring other aspects of a solid financial plan into the picture, so you can enjoy added security in your retirement years.

Sincerely,

A handwritten signature in black ink that reads "Tom DiNapoli". The signature is written in a cursive, flowing style.

Thomas P. DiNapoli  
State Comptroller

## The Icons

As you read through this book, you will see icons that point out special information. Here is what they mean:



**Resource** — How to get more information on the subject.



**Example** — An illustration of the topic discussed.

Whether you are just starting your professional career or are in the middle of it, it's a good time to check your finances and develop a plan for when you retire. Here are some steps you can take to begin crafting that plan.

# Developing Your Retirement Plan

## Step 1: FUTURE

### *Take a peek into the future — the retirement benefit calculator*

The retirement benefit calculator on our website allows most members to enter different retirement dates, final average salaries and service credit totals to estimate what their pensions will be when they retire. Entering a variety of information will help you see how these different factors can affect the amount of your pension.

Visit the retirement benefit calculator at:  
**[www.osc.state.ny.us/retire/members](http://www.osc.state.ny.us/retire/members)**



There is a point early on while using the calculator when you can choose “Vested Retirement.” This is for those who are, or will be, vested and should be used only if you plan to leave (or have already left) public employment before you are eligible to retire.

The retirement benefit calculator helps members estimate what their pensions will be when they retire.

## Step 2: NEEDS

### *Determine your retirement needs*

Once you have an idea of what your pension will be, you can formulate a plan based on what you spend now and what you think you will need to supplement your pension. Experts tell us you will need at least 70 to 80 percent of your pre-retirement income to enjoy the same standard of living once you stop working.



A Tier 4 member, retiring at age 62 with 25 years of service, will receive a maximum retirement benefit of 50 percent of final average salary. Your Social Security benefit and retirement savings must provide the remaining 20 to 30 percent.

Since members retiring today at age 62 can expect to live, on average, another 20 years, it is important to take inflation into account. To succeed, your retirement plan must include an investment strategy that gives you a hedge against the eroding effects of inflation. There are

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a number of Internet calculators available to help you determine how inflation will impact your savings and future costs. Here are two that are easy to use:



- [www.fool.com/calcs/calculators.htm#ret](http://www.fool.com/calcs/calculators.htm#ret)
- [www.finance.cch.com](http://www.finance.cch.com)

In the meantime, you can track your expenses on our Monthly Expenses and Monthly Income Worksheets on pages 6–8. These forms will show you how you spend your money over the course of one or two months. Include expenses that occur periodically, such as car or life insurance, or property and school taxes.

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# Monthly Expenses Worksheet

Item	Present	Anticipated
<b>SHELTER</b>		
Rent	\$ _____	\$ _____
Mortgage Payments	_____	_____
Real Estate Taxes	_____	_____
Insurance	_____	_____
<b>HOUSEHOLD MAINTENANCE</b>		
Repairs, House & Grounds	_____	_____
Water, Electricity, etc.	_____	_____
Fuel	_____	_____
Telephone	_____	_____
Waste Disposal	_____	_____
Hired Help	_____	_____
Other	_____	_____
<b>HOME PURCHASES</b>		
Furniture & Fixtures	_____	_____
Equipment, House & Yard	_____	_____
Other	_____	_____
<b>AUTOMOBILE &amp; TRANSPORTATION</b>		
Monthly Car Payment	_____	_____
Repairs	_____	_____
Gas & Oil	_____	_____
License & Registration	_____	_____
Insurance	_____	_____
Other Transportation	_____	_____
<b>TOTAL (enter on next page)</b>	<b>\$ _____</b>	<b>\$ _____</b>

Item	Present	Anticipated
<b>TOTAL (from previous page)</b>	\$ _____	\$ _____
<b>MEDICAL &amp; HEALTH</b>		
Medicines & Drugs	_____	_____
Doctor, Dentist, etc.	_____	_____
Hospital	_____	_____
Insurance Premiums	_____	_____
Other	_____	_____
<b>CLOTHING</b>		
New Clothing	_____	_____
Dry Cleaning, Laundering	_____	_____
Other	_____	_____
<b>ENTERTAINMENT</b>	_____	_____
<b>FOOD</b>		
Food at Home	_____	_____
Food Away From Home	_____	_____
<b>TAXES &amp; INSURANCE</b>		
Federal	_____	_____
State & Local	_____	_____
Life Insurance Premiums	_____	_____
<b>SAVINGS &amp; INVESTMENTS</b>		
Savings, Stocks, IRAs	_____	_____
Other	_____	_____
<b>PERSONAL CARE</b>		
Gym Fees	_____	_____
Grooming	_____	_____
Other	_____	_____
<b>TOTAL</b>	\$ _____	\$ _____

# Monthly Income Worksheet

A realistic assessment of your financial status at, and following, retirement is a very important part of retirement planning.

This worksheet will help you prepare a full survey of your assets.

Source	Present	Anticipated
New York State Retirement Income	\$ _____	\$ _____
Social Security Income	_____	_____
Yield from Savings	_____	_____
Dividends from Stocks, Mutual Funds	_____	_____
Life Insurance Income	_____	_____
Salary	_____	_____
Real Estate	_____	_____
Other Sources	_____	_____
<b>TOTAL</b>	<b>\$ _____</b>	<b>\$ _____</b>

## Step 3: BENEFITS

### *Keep track of your benefits*

#### **Retirement Benefits**

Here are some ways you can increase your knowledge of the services available to you and the benefits you are entitled to receive:

- Visit our website at **www.osc.state.ny.us/retire** to see the latest changes to your plan, get tips on planning for retirement and enroll in *Retirement Online*, our new customer self-service option. You'll be able to access your retirement-related information quickly, easily and securely.
- Review your Member Annual Statement carefully to ensure we have the correct information in our files.
- Read your plan booklet for details of your retirement, disability and death benefits.
- Read our semiannual newsletters, *The Update* for Employees' Retirement System members and *The Sentinel* for Police and Fire Retirement System members.
- Ask your employer to schedule a pre-retirement presentation as you get closer to retirement.

Visit our website at: [www.osc.state.ny.us/retire](http://www.osc.state.ny.us/retire) and enroll in Retirement Online, our new customer self-service option.

You'll be able to access your retirement-related information quickly, easily and securely.

The average retiree receives between 35 and 40 percent of his or her pre-retirement earnings from Social Security.

## Social Security

If you are at least 25 years old, the Social Security Administration (SSA) will automatically send you a statement each year, approximately three months before your birthday. It contains a record of your earnings and a summary of the Social Security benefits you may be eligible to receive.

The average retiree can expect to receive between 35 and 40 percent of his or her pre-retirement earnings from Social Security. (This percentage is reduced if a retiree chooses to collect Social Security benefits between age 62 and full retirement age.) If your income is below average, Social Security may replace more of it, while above-average earnings mean a lower percentage will be replaced.



While the SSA provides annual statements, you can request a statement of your earnings at any time to review your information.

The SSA's website at [www.ssa.gov](http://www.ssa.gov) has several tools available for you, including ways to estimate your benefit and help you determine the best time to start receiving your benefit.

## Step 4: SAVINGS

### *Start a savings plan*

There are several ways to save for retirement. Even if you save a modest amount each year, over time and through the magic of compounding, you can save a substantial amount. Here are some savings plans to consider:

#### **Deferred Compensation Plans**

Deferred compensation plans (457(b)) and 403(b) plans (for faculty and employees of universities, colleges, public school systems and certain nonprofit organizations) are voluntary retirement savings programs created by federal and State laws that allow you to save a portion of your gross salary before federal or New York State income taxes are deducted.

Deductions are automatically taken from your paycheck. During 2009 you can defer up to \$16,500. Participants who are age 50 or older can defer an additional \$5,500 under the Catch-Up provision. The maximum contribution limit is indexed for inflation in the following year.

If you are a New York State employee, visit **[www.nysdcp.com](http://www.nysdcp.com)** or call **1-800-422-8463** to learn more about deferred compensation or a similar plan. If you work for a local government, check with your Personnel Office.



Deferred compensation plans allow you to save a portion of your gross salary before federal or New York State income taxes are deducted.

To learn if you might have some money you forgot about, visit the Comptroller's Unclaimed Funds website at [www.osc.state.ny.us/ouf](http://www.osc.state.ny.us/ouf).

## IRAs

Individual Retirement Accounts (IRAs) are offered through banks and other financial institutions such as insurance companies and investment firms. In 2009, individuals under the age of 50 can deposit up to \$5,000 per year. Individuals over the age of 50 can deposit up to \$6,000 in 2009. Thereafter, the maximum contribution limit will be indexed for inflation. After age 59½, when you can withdraw your money for retirement, it will be taxed as ordinary income using the tax tables in effect at that time.

## Roth IRAs

Roth IRAs are also subject to limits, but your taxes are not deferred on the amount of your deposit. However, your withdrawals will not be taxed after age 59½, when you may begin withdrawing your money for retirement.

## Unclaimed Funds

It is easy to lose old financial records. Personal documents may be misplaced or companies can go out of business or lose track of you. To learn if you might have some money you forgot about that has been turned over to New York State for safekeeping, visit the Comptroller's Unclaimed Funds website at [www.osc.state.ny.us/ouf](http://www.osc.state.ny.us/ouf).



## Step 5: DEBT

### *Get out of debt*

If you have heavy credit card or personal loan debt for items that do not last as long as the loan or do not produce financial benefits, you could be cheating yourself out of savings and investment opportunities. Money to pay high interest rates and fees could be used, instead, to fund your retirement.

For instance, if you have a \$5,000 balance due with an 18 percent annual interest rate and make payments of \$250 per month, it will take you 24 months to pay off this credit card debt (assuming no additional charges are made) and you will have paid over \$990 in interest to the credit card company.



If you take the same \$250 per month, invest it over the same two-year period and the investment accrues interest at 4 percent, you can save over \$6,200 — even more if you invest in a tax-deferred plan.

To determine just how much interest you are paying on your credit cards and loans, and to estimate how long it will take you to pay them off, visit [www.choosetosave.org/calculators](http://www.choosetosave.org/calculators) or [www.fool.com/calcs/calculators.htm#credit](http://www.fool.com/calcs/calculators.htm#credit).



If you have heavy credit card or personal loan debt, you could be cheating yourself out of saving and investment opportunities.

## Pay Off Retirement System Loans

You cannot pay off your Retirement System loan after you retire. Outstanding loans at retirement **permanently reduce** your benefit. Also, at least some portion is almost always subject to federal income tax. To avoid a permanent reduction, increase the amount of your loan payments so your loan is paid in full before you retire.

## Step 6: CONSULT

### *Consult a financial planner*

A competent financial planner, accountant or attorney can help you prepare for retirement and avoid costly mistakes. Financial planners do not manage your money, but will assess your present financial condition and develop a practical plan to meet your needs and goals.

When choosing a financial planner:

- Check credentials, educational background and experience;
- Find out if he or she is a member of the Certified Financial Planner Board of Standards;
- Get referrals from people you trust — ask friends, relatives and business associates;
- Don't be afraid to ask questions:
  - Do they personally research the financial products they recommend?
  - Do they offer a free consultation?
  - How are they paid (i.e., by fee, commission, salary)?

Financial planners will assess your present financial condition and develop a practical plan to meet your needs and goals.

For help in finding a certified financial planner, contact:

**National Association of Personal  
Financial Advisors**

3250 North Arlington Heights Road  
Suite 109  
Arlington Heights, IL 60004  
Phone: 1-800-366-2732  
Fax: 847-483-5415  
Website: **[www.napfa.org](http://www.napfa.org)**

To research a member of the Certified Financial Planner Board of Standards, contact:

**Certified Financial Planner  
Board of Standards**

1425 K Street, NW, Suite 500  
Washington, D.C. 20005  
Phone: 1-800-487-1497  
Fax: 202-379-2299  
Website: **[www.cfp.net](http://www.cfp.net)**

Websites that provide a variety of retirement and financial information:

- **[www.choosetosave.org/asec](http://www.choosetosave.org/asec)**
- **[www.fool.com](http://www.fool.com)**
- **[www.kiplinger.com](http://www.kiplinger.com)**
- **[www.moneycentral.msn.com](http://www.moneycentral.msn.com)**
- **[www.mostchoice.com](http://www.mostchoice.com)**

## Contact Us

For retirement-related information, you can:

- Email us through our website at **www.osc.state.ny.us/retire**. You will also find the most up-to-date information, forms, newsletters and other publications on our website.
- Sign up for *E-News*, our monthly email newsletter, to get the latest news about your retirement benefits. Go to our website and click on the sign-up icon in the lower right.
- Call us toll-free at 1-866-805-0990, or 518-474-7736 in the Albany, New York area.
- Make an appointment to visit an Information Representative at any of our 16 locations throughout the State (a list is available from your employer, our Call Center or our website).
- Write to us at:

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