

SIMPLYPUT

Retirement Savings Education, Simplified

Third Quarter 2018

Your Demographics Can Affect Your Savings

Saving for retirement is important for everyone. Men and women of all ages, ethnicities, income and education levels, marital status, and geographical location recognize the signification of retirement planning and saving, however few actually make it a financial priority in their lives. Not only do they overlook the significance it plays on their future, but they also do not realize their personal demographics play a big role in their retirement savings. Demographics, such as those listed previously, can help shape how much you should be saving, how you should be investing, and when you should retire.



Age

Your age is one of the biggest indicators of how much you should be saving each month for your future retirement. Starting to save early in your career is one of the best and easiest ways to hit your retirement savings goal because it allows you to save less right now and accumulate more savings over time. In the graph below you'll notice Employee #1 saved an additional \$101,399 for retirement and contributed almost half as much as Employee #2. **Saving for retirement early in your career can make a huge impact on your final savings balance.**

Compounding: It Doesn't Pay to Wait

Compound Period



Employee #1

Employee #1 contributes **6.5% per paycheck** for **15 years** and then stops contributing.



Employee #2

Employee #2 starts saving **15 years later** than Employee #1 and contributes **6.5% per paycheck** for **25 years**.



Age

25 30 35 40 45 50 55 60 65

Assumes a starting balance of \$0 with an annual salary of \$30,000, 6% rate of return, and 1.5% annual salary increases while employed.

If you don't have 25-years to save, you can still reach your goal by simply saving more each month or even working a little longer. Each year the IRS allows you to save up-to a certain limit and they also provide catch-up provisions for those within 3-years of retirement. While it may seem impossible to save this much, many state of Missouri employees are doing it and so can you!

2018 Contribution Limits

Maximum Annual Deferral - under age 50	\$18,500
Age 50 and Over Catch-up Provision Limit	\$6,000 (\$24,500 total)
Pre-Retirement Catch-Up Provision Limit	\$18,500 (\$37,000 total)

Gender

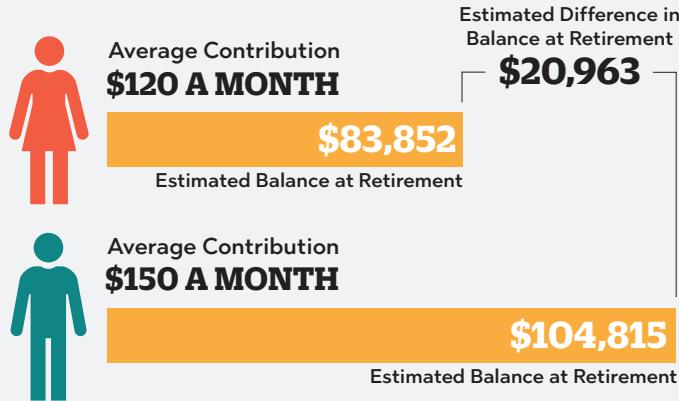
Believe it or not, your gender plays a significant role in how much you should be saving for retirement. Life expectancy, family dynamics, and financial priorities are just a few gender specific factors that can affect your retirement and the need for additional savings. In general, women

On average, women in the US live until age 81, while men live until age 76.

live longer than men. On average, women in the US live until age 81, while men live to 76.¹ In addition, women tend to live longer in poor health than men and are often the primary caregivers of spouses and children.² These extra years of life will greatly affect how much a woman should be saving because she may need

additional income to cover more living expenses and higher healthcare costs throughout her retirement. **Despite needing to save MORE, women who are employed by the state of Missouri actually save, on average, LESS than their male counterparts.** To be specific, the average woman employed by the state saves \$120 a month, while the average male saves \$150 a month. While an extra \$30 may not seem like a big difference, over time that additional savings can really add up! Women and men need to create a retirement plan now that allows them to be financially independent and work-free once retired.

Men vs. Women: Average Contribution



Assumes a starting balance of \$0 with an annual salary of \$33,000, 6% rate of return, and 25-year career.

1 - World Bank Group - International Development, Poverty, & Sustainability, <http://www.worldbank.org/>; 2 - How the Gender Gap Affects Your Retirement Savings, Dave Dineen - https://www.sunlife.ca/ca/Learn+and+Plan/Money/Retirement+savings/How+the+gender+gap+affects+your+retirement+savings?vgnLocale=en_CA



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Marital Status

Married employees who are saving with the MO Deferred Comp Plan on average save more than those who are single. In fact, married state employees have an average balance of roughly \$29,000, while single employees have an average balance of \$16,000.



It's also important to note the average age of married participants is 48 and the average age of those who are single and save with deferred comp is 42. There's not a huge difference in age, however the savings rates are quite different. This might possibly stem from stretching one salary to cover expenses related to child care, housing, financial priorities, etcetera. Furthermore, single male deferred comp savers are contributing MORE than single female savers and the same goes for married participants. This also confirms what was mentioned in the above: men are saving more for retirement than women. Either way, those who are single may want to take a closer look at their savings strategy to ensure they are on the right track. Married participants may want to check to see if their spouse is saving enough with his or her employer or if he or she needs to increase his or her contributions to provide for both people in retirement.

No matter if you're male or female, 22 or 76, have a high school degree or a doctorate in Psychology, you need to reflect on your personal situation and make smart savings decisions based on those factors. While your demographic characteristics will play a part in your efforts to save for retirement, they do not define you or your retirement lifestyle. Saving for retirement is ultimately your choice and you have to make the decision to make it a priority in your life. If you need help along the way, the MO Deferred Comp Plan has education specialists located all across the state who would be happy to help you review your strategy and assist with any needed changes.