

# SIMPLYPUT

Retirement Savings Education, Simplified

Fourth Quarter 2019

## Set Financial Goals, Not Resolutions

Another year has come and gone and if you're like most Americans you'll be setting some lofty resolutions for 2020. Eating better, losing weight, improving your finances, staying organized, and reading more are just a few common resolutions people make each year. Unfortunately, the statistics on how many people actually make these self-promises and achieve them are rather depressing. Numerous studies have shown that roughly 8% of people accomplish what they set out to do within that year. Why do New Year's resolutions often fail? While there is no single reason, a big factor has to do with resolutions not being specific enough or too vague. **In 2020, the MO Deferred Comp Plan challenges you to not make resolutions regarding your financial situation, but instead to set specific goals – like creating a budget or saving a specific amount for retirement.** Setting a goal creates a defined target with an actionable plan for you to work toward and, in the process, make positive changes to your financial situation.

### BUDGETING: It's FREEDOM, Not a Limitation

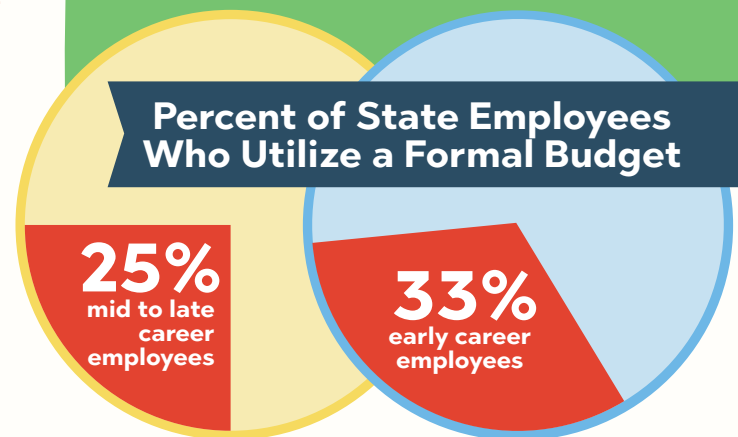
Budgeting often gets a bad rap as people view it as a restriction or limitation that keeps them from doing the things they truly want. However, it is quite the opposite! **Budgeting helps you cover your monthly expenses, pay additional money toward debt, save for retirement, and still do the things you want within a certain monetary threshold.** In short, it's creating a plan for your money and it can give you the financial freedom and retirement dreams you deserve.

### Keys to Successful Budgeting

- 1) Review Your Current Situation.** We promise, this is the most painful part of the process as no one wants to take a good hard look at the truth. However, it's crucial you know where you're spending your money, in order to revamp how you manage your money. This step is as simple as going through your bank statements to see where and how much of your money is being spent in specific places.
- 2) Use Online Tools and Ask for Help.** Just like hitting the gym, it pays off to have a trainer or group of people to help hold you accountable. Using apps, like MINT or EveryDollar, can help you track spending. If you've set a goal to save more, start by using an online calculator, like the **Grow Your Retirement Savings** or **RetirementTrack** calculator on MO Deferred Comp's website to determine how much you need to save to reach your goals. If that's too much work, meet with one of the plan's education specialists and they can walk you through the process.

### THERE'S A NEED TO BUDGET!

According to *debt.com*, only about 1/3 of Americans (32%) maintain a household budget. Sadly, state of Missouri employees follow suit with only 33% early career and 25% mid to late career employees having a formal budget.<sup>1</sup>



### TIP: SAVE YOUR RAISE

If your New Year's goal revolves around saving more for retirement or improving your financial situation, you should consider contributing the raise (or even half of it) given to most state employees to your deferred comp account. It could make a HUGE impact on your end balance!

<sup>1</sup> 2019 Retirement Awareness & Savings Survey

**3) Set a specific goal.** For example, most people set a resolution to “save more money” or “spend less.” These are not precise goals. Instead, try saying, **“I want to save 6% of my salary each month for retirement”** or “I will pay \$100 extra each month toward my credit card debt.” These are actionable items that give us clear direction.

**4) Toss Out the All-In or Nothing Mentality.** Starting with a small, attainable goal and building on top of it is really the key to sticking with any type of goal. For example, going with a goal like what’s mentioned above. Once you have successfully managed to achieve that goal for some time, add another layer, like, “I will only spend \$50 a month on clothing.”

**5) Automate Your Goal.** In the 2019 Retirement & Savings Survey, roughly 70% of current state employees said they would sign up for an automatic savings increase feature that allowed them to boost their contributions annually by less than \$10 a month. Well surprise, the state of Missouri has had this feature since 2012, but only a small number of folks have opted into it. **By signing up for automatic increase, you can put your New Year’s savings goal on “cruise control” for the rest of your career and merely monitor and tweak it as needed.** To learn more, visit [www.modeferredcomp.org](http://www.modeferredcomp.org) or log in to Account Access to enroll.

## THE MAJORITY ARE SAVING...

Nearly 80% of all state of Missouri employees are saving with the MO Deferred Comp Plan.<sup>2</sup> In addition, 20% of early career and 31% of mid to late career state employees are saving using another type of retirement savings account alongside deferred comp.<sup>1</sup>

## HOW PREPARED ARE STATE WORKERS?

Only 10% of early career and 14% of mid to late career state employees are confident they are saving enough to be financially prepared for retirement. However, roughly one quarter (25%) have used some kind of online calculator to help determine how much they would need to save each pay period in order to reach a specific savings goal.<sup>1</sup>

## Wrapping It Up

It’s human nature to expect the best while not planning for the worst. This is one huge reason why folks refuse to budget or save for retirement – they simply think they won’t need it. The truth is, you will. Somewhere along the line, something will arise where you will need additional income – an illness, home or auto repairs, divorce, and etcetera. **Budgeting, along with saving money for retirement and emergencies, can help you weather these situations and stay on track financially.**

<sup>1</sup> 2019 Retirement Awareness & Savings Survey; <sup>2</sup> MO Deferred Comp Participant Data

## EMERGENCY! EMERGENCY!

On top of not having a monthly budget,

# less than 20%

of all state of Missouri employees have a retirement savings plan or strategy in place and only half have money set aside for emergency expenses.<sup>1</sup>

## Reasons Why People Budget

34%

Desire to Manage Money Better

25%

Have Always Used a Budget

13%

To Get Out of Debt

9%

To Plan for Retirement

8%

To Increase Wealth/Savings

7%

Loss of Job or Income

2%

Loss of Spouse or Significant Other

2%

After a Divorce

[www.debt.com](http://www.debt.com)



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