Can I Afford to Retire?

Pre-Retirement Webinar Series

Session 1

Aug. 13, 2019
Today’s Presenters

Grace Pomroy
Senior Financial Educator

Mark Duder, CFP®
Portico Financial Planner
Today’s Agenda

• What’s my picture of retirement?
• How much does my retirement picture cost?
• Can I afford my retirement picture?
• How can I make the most of my remaining working years?
• Closing

Questions?
Email Portico Customer Care at mail@PorticoBenefits.org
Put “Pre-Retirement Webinar” in the subject line
Who is Portico Benefit Services?
What’s my picture of retirement?
What does retirement mean to you?
What’s your picture of retirement?

### Spending Your Time
- Part-time job
- New career
- Volunteer
- Hobbies
- Activities
- Travel

### Choosing Your Residence
- Current home
- New home, in state
- New home, out of state
- Another country
- Don’t know yet

### Financing Your Vision
- Lifestyle
- Large purchases
- Relocation
- Health care

### Caring for Others
- You
- Spouse
- Children
- Grandchildren
- Parents
- Others

ACTION STEP
Consider: What would your ideal day look like?
Sally & Dan’s Retirement Picture*

• Planning to move and purchase their first home in a bigger city
• Focusing on volunteering, traveling, and grandkids
• Not planning to work in retirement

*Hypothetical, for illustrative purposes only.
Nancy’s Retirement Picture*

- Mortgage paid off, continue to live in her current home
- Work part-time
- Enjoy pottery and volunteering

*Hypothetical, for illustrative purposes only.
How much does my retirement picture cost?
Know Your Annual Expenses in Retirement

• What might your expenses be in retirement?
  – Is the expense recurring or one-time?
  – Does it vary from year to year?
  – How much is necessary vs. discretionary?
  – How much is fixed vs. variable?

• How might inflation affect you?

• How might these expenses change for your survivor, if applicable?
## Sally & Dan’s Annual Retirement Spending*

<table>
<thead>
<tr>
<th>Category</th>
<th>Today</th>
<th>Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>FICA/SECA tax</td>
<td>$10,400</td>
<td>$0</td>
</tr>
<tr>
<td>Retirement savings</td>
<td>$10,400</td>
<td>$0</td>
</tr>
<tr>
<td>Work-related expenses</td>
<td>$3,300</td>
<td>$0</td>
</tr>
<tr>
<td>Income tax</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Housing</td>
<td>$12,000</td>
<td>$18,080</td>
</tr>
<tr>
<td>Transportation</td>
<td>$3,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Clothing</td>
<td>$4,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>Personal care</td>
<td>$3,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Food</td>
<td>$10,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$5,200</td>
<td>$9,000</td>
</tr>
<tr>
<td>Charitable giving</td>
<td>$18,000</td>
<td>$18,000</td>
</tr>
<tr>
<td>Medical</td>
<td>$8,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Other insurance</td>
<td>$4,700</td>
<td>$7,920</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$112,000</strong></td>
<td><strong>$112,000</strong></td>
</tr>
</tbody>
</table>

*Hypothetical, for illustrative purposes only.

**ACTION STEP**
Track your spending and create or refine your budget. Consider how your budget might change in retirement.
## Nancy’s Annual Retirement Spending*

<table>
<thead>
<tr>
<th>Category</th>
<th>Today</th>
<th>Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>FICA/SECA Tax</td>
<td>$5,200</td>
<td>$2,500</td>
</tr>
<tr>
<td>Retirement savings</td>
<td>$5,200</td>
<td>$2,500</td>
</tr>
<tr>
<td>Work-related expenses</td>
<td>$3,250</td>
<td>$1,500</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$11,050</td>
<td>$5,525</td>
</tr>
<tr>
<td>Housing</td>
<td>$12,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>$3,550</td>
<td>$3,550</td>
</tr>
<tr>
<td>Clothing</td>
<td>$2,350</td>
<td>$2,350</td>
</tr>
<tr>
<td>Personal care</td>
<td>$1,950</td>
<td>$1,950</td>
</tr>
<tr>
<td>Food</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$2,600</td>
<td>$4,000</td>
</tr>
<tr>
<td>Charitable giving</td>
<td>$6,500</td>
<td>$4,600</td>
</tr>
<tr>
<td>Medical</td>
<td>$4,000</td>
<td>$6,900</td>
</tr>
<tr>
<td>Other insurance</td>
<td>$2,350</td>
<td>$4,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$65,000</td>
<td>$46,375</td>
</tr>
</tbody>
</table>

*N: Hypothetical, for illustrative purposes only.*
What is your retirement timeline?

Age 57
8 Years
Age 65
? Years
Age ?

Today
How many years
Beginning of retirement
How many years
End of retirement
How long might retirement last?

Retirement Timeline Examples

Today

How many years

Beginning of retirement

How many years

End of retirement

Sally & Dan
55 yrs. old

10 years

Sally & Dan
65 yrs. old

Dan: 23 yrs.
Sally: 25 yrs.

Dan: 88 yrs.
Sally: 90 yrs.

Nancy
65 yrs. old

2 years

Nancy
67 yrs. old

Nancy: 27 yrs.

Nancy: 93 yrs.
Historical Inflation Rates

- 2009 – 2018 (10 yrs) - 1.8%
- 2004 – 2018 (15 yrs.) - 2.1%
- 1999 – 2018 (20 yrs.) - 2.2%
- 1969 – 2018 (50 yrs.) - 4.1%
- 1919 – 2018 (100 yrs.) - 2.8%

## Impact of Inflation on Your Retirement Income Needs

<table>
<thead>
<tr>
<th>Years</th>
<th>3% Inflation</th>
<th>4% Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>5</td>
<td>$70,000</td>
<td>$73,000</td>
</tr>
<tr>
<td>10</td>
<td>$80,600</td>
<td>$88,800</td>
</tr>
<tr>
<td>15</td>
<td>$93,500</td>
<td>$108,100</td>
</tr>
<tr>
<td>20</td>
<td>$108,400</td>
<td>$131,500</td>
</tr>
<tr>
<td>25</td>
<td>$125,600</td>
<td>$160,000</td>
</tr>
<tr>
<td>30</td>
<td>$145,600</td>
<td>$194,600</td>
</tr>
</tbody>
</table>

Note: Figures rounded to the nearest $100
Can I afford my retirement picture?
Retirement Planning Tool: Retirement Profile

- ELCA account information is already included
- Estimates Social Security income, retirement age, and how much income you may need
- You’ll need to enter your spouse’s income (if applicable)

ACTION STEP

Use the Retirement Planning Tool to see if you are on track for your retirement goals. Find it in the Retirement Center tab under Tools & Information on myPortico.
Retirement Planning Tool: Risk Tolerance

Targeted Lower Risk & Return

Targeted Moderate Risk & Return

Targeted Higher Risk & Return

Determine Your Risk Tolerance

Use this questionnaire to help identify your risk tolerance.

To seek potentially higher long-term returns on my investments, I'm willing to accept annual returns that may vary greatly.

Strongly Disagree Disagree Neutral Agree Strongly Agree

Cancel

Step 1 of 5 Next
Retirement Planning Tool: Level of Confidence

Level of Confidence

Indicate your confidence level (i.e., low, medium, high) in future favorable financial market performance, which will create different financial scenarios.* Your choice will directly impact the simulated investment returns and resulting retirement income projections. Select the level of confidence below that best reflects your personal and financial circumstances.

If you have questions or need assistance, please contact a Portico Financial Planner free of charge at 800.922.4896.

Choose a Level of Confidence

Indicate your level of confidence in favorable financial market performance over the course of your retirement.

- Low

*Each confidence level creates a distinct financial scenario via a Monte Carlo Simulation that generates annual wealth values for the current year and extending through a member’s retirement planning horizon. The tool computes 1,000 individual valuation scenarios (i.e., the sum of annual wealth values throughout a member’s planning horizon) that reflect varying random patterns of investment returns. A statistical distribution of the resulting valuation scenarios is stored within the tool, and a wealth distribution consists of a range of resulting valuation scenarios from highest to lowest.
Retirement Planning Tool: Retirement Income

• See if you have a surplus or gap
• Add other retirement account balances like:
  - IRAs
  - Spouse’s 401(k)
• Add other retirement income sources like:
  - Pensions
  - Part-time work
  - Inheritance
Retirement Planning Tool: Recommended Plan

Sally & Dan: Gap
- Increase pretax contribution
- Reallocate investments
- Retire later

Nancy: Met goal
- Increase pretax contribution
- Reallocate investments
Retirement Planning Tool: Customized Plan

CUSTOMIZE YOUR PLAN

<table>
<thead>
<tr>
<th>Monthly Pretax Contribution</th>
<th>7% = $3,330</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>$0</td>
</tr>
<tr>
<td>20%</td>
<td>$945</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retirement Age &amp; Life Expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>You</td>
</tr>
<tr>
<td>67</td>
</tr>
<tr>
<td>92</td>
</tr>
<tr>
<td>Your Spouse</td>
</tr>
<tr>
<td>67</td>
</tr>
<tr>
<td>92</td>
</tr>
</tbody>
</table>

Social Security start age and benefit amount will be determined by the option chosen in step three.

<table>
<thead>
<tr>
<th>Monthly Retirement Income Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>85% = $11,000</td>
</tr>
<tr>
<td>70% $9,059</td>
</tr>
<tr>
<td>150% $19,412</td>
</tr>
</tbody>
</table>

Risk Tolerance

Our recommended ELCA investments are based on the risk tolerance level you chose. Adjusting your risk number will change the investment mix.

1 2 3 4 5

Nancy: Exceeded + sustained goal
Sally & Dan: Even larger gap

This presentation is for informational purposes only, does not constitute an offer to sell any investment, and may be subject to changes and corrections. An offer for the sale of interests in the funds will only be made through the ELCA Investment Fund Descriptions document, which is available upon request.
## ELCA Retirement Account
### Investment Recommendation

<table>
<thead>
<tr>
<th>Investment Allocation</th>
<th>Fund Category or Name</th>
<th>Social Purpose Split</th>
</tr>
</thead>
<tbody>
<tr>
<td>80.00%</td>
<td>80e Balanced  ELCA 80e Balanced Fund  ELCA Social Purpose 80e Balanced Fund</td>
<td>100.0% 0.00%</td>
</tr>
<tr>
<td>15.00%</td>
<td>U.S. Stock  ELCA U.S. Stock Fund  ELCA Social Purpose U.S. Stock Fund</td>
<td>100.0% 0.00%</td>
</tr>
<tr>
<td>5.00%</td>
<td>Bond  ELCA Bond Fund  ELCA Social Purpose Bond Fund</td>
<td>100.0% 0.00%</td>
</tr>
</tbody>
</table>

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Choosing Your Funds

<table>
<thead>
<tr>
<th>Select Series</th>
<th>Build-Your-Own</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELCA 40e Balanced Fund</td>
<td>ELCA Money Market Fund</td>
</tr>
<tr>
<td>ELCA 60e Balanced Fund</td>
<td>ELCA Bond Fund</td>
</tr>
<tr>
<td>ELCA 80e Balanced Fund</td>
<td>ELCA High-Yield Bond Fund</td>
</tr>
<tr>
<td>ELCA Social Purpose 40e Balanced Fund</td>
<td>ELCA Social Purpose Bond Fund</td>
</tr>
<tr>
<td>ELCA Social Purpose 60e Balanced Fund</td>
<td>ELCA Social Purpose U.S. Stock Fund</td>
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<tr>
<td>ELCA Social Purpose 80e Balanced Fund</td>
<td>ELCA Social Purpose Stock Index Fund</td>
</tr>
<tr>
<td></td>
<td>ELCA S&amp;P 500 Stock Index Fund</td>
</tr>
<tr>
<td></td>
<td>ELCA Small/Mid Cap Index Fund</td>
</tr>
<tr>
<td></td>
<td>ELCA Non-U.S. Stock Fund</td>
</tr>
<tr>
<td></td>
<td>ELCA Social Purpose Non-U.S. Stock Fund</td>
</tr>
<tr>
<td></td>
<td>ELCA Global Stock Fund</td>
</tr>
<tr>
<td></td>
<td>ELCA Social Purpose Global Stock Fund</td>
</tr>
<tr>
<td></td>
<td>ELCA Global Real Estate Securities Fund</td>
</tr>
</tbody>
</table>

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For Those Age 55+:
Enhanced Retirement Income Focus

- Project future household budget needs
- Model ELCA Participating Annuity options
- See how specific actions taken while still working can impact your future potential income stream
- Use the tool with a Portico Financial Planner to take full advantage of its value

Hypothetical, for illustrative purposes only. Actual performance will vary.
How can I make the most of my remaining working years?
Contribute 3% More Per Month

Monthly contribution to Anna’s ELCA Retirement Account: $148

Reduction in Anna’s monthly paycheck: $100

Contributions and corresponding returns could add up to: $24,123

Additional monthly income: $78

Meet Anna
58-year-old
• Earns $59,000/year
• Makes an additional 3% monthly pretax contribution on top of her employer’s contribution

Hypothetical, for illustrative purposes only. Actual performance will vary.
2https://communications.fidelity.com/wi/powerofsmallamounts/#/results; assumes retirement age of 67, 5.5% investment growth rate, salary growth of 4% (2.5% inflation + 1.5% real salary growth rate). Accumulated retirement savings shown in future dollars.
3http://www.bankrate.com/calculators/retirement/retirement-plan-income-calculator.aspx calculated using $0 starting balance, $1,776 annual contributions, current age 52, retirement age 67, 30 years in retirement, 7% pre-retirement investment returns, 4% retirement investment returns, 25% current tax rate, 15% retirement tax rate, 2.9% inflation. Reported after taxes and inflation.
# Retirement Plan Contributions

| How much can I contribute? | • Up to the IRS limit of $19,000 per year in 2019  
|                           | • An additional $6,000 per year “catch-up” contribution if you reach age 50 in 2019  
|                           | **NOTE:** You may be able to make additional contributions if you have completed 15 years of service with an ELCA organization  
| What does my employer contribute?* | • At least 10% of defined compensation for rostered ministers  
|                             | • At least 6% of defined compensation for lay employees sponsored by congregations  
| What is the maximum amount my employer and I can contribute? | Lesser of 100% of taxable compensation or $56,000 in 2019 (not including “catch-up” contributions)  
| When are my and my employer contributions vested? | All ELCA Retirement Plan contributions are immediately 100% vested  

*See the ELCA Retirement Plan Summary Plan Description or call the Portico Customer Care Center for more information.
Modifying Your Picture of Retirement

Reduce Income Needs

Work in Retirement

Retire Later

Did you know?
Working 3 – 6 months longer can boost retirement income by as much as increasing retirement contributions by 1% over 30 years of employment.

Source: http://www.nber.org/digest/may18/w24226.shtml
Sally & Dan’s Remaining Working Years

1. Reallocate their investments
2. Retire one year later
3. Increase pretax contributions to their retirement accounts
4. Start a relationship with a Financial Planner
5. Modify their vision of retirement
Nancy’s Remaining Working Years

1. Reallocates her investments
2. Increases pretax contributions to her retirement account
3. Checks in with her Financial Planner

ACTION STEP
Determine how you will make the most of your remaining working years.
Portico Walks With You – In-House Financial Planners

- Are plan members like you, appreciate the realities and blessings of ministry
- Don’t work on commission, available at no additional cost to you
- Can walk you through the Retirement Planning Tool and help you adjust your plan
- Know ELCA investment options inside and out, including Social Purpose funds

Call us at 800.922.4896

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Closing
4 Things You Can Do Today

1. Create your picture of retirement, including your larger goals as well as your day-to-day activities.

2. Complete a budget that aligns with your picture of retirement.

3. Use Portico’s Retirement Planning Tool to see if you’re on track for your retirement goals and explore how you might make the most of your remaining working years.

4. Start a relationship with a Portico Financial Planner or check in with your financial planner.
Next Steps

• Post-webinar survey
• Follow-up email
• Session 2: Can I Create a Sustainable Income in Retirement? Aug. 20 at 2 p.m. (Central)