



Getting *Started* on the Road to Retirement:

How to Save and Invest for Your Future

MMBB
A Financial Services Ministry™

Live Faithfully. *Plan* Confidently.

**We want to help you
take charge of your future.**

At each stage of life there are financial decisions that must be made such as buying or leasing a car, paying for education – or children’s education – or taking a loan, renting an apartment or buying a house. For each of these questions, making the right decision is very personal and depends on a number of factors that are unique to you. Your choice – what is right for you – may not be right for someone else.

A common financial decision that most of us have to think about is whether or not to save for retirement. While you can certainly say “No,” unless you have some unique financial resources at your disposal, your retirement years can be very bleak or more delayed than you would like.

While most of us cannot afford to say “No” to saving for the future, each of us can choose how much to save and how to make long-term savings a part of our lives.

Together, let's create a *path* to financial well-being.

It's about more than balancing numbers on paper. It's about helping you envision what is financially possible for your life, now and in the future. Let's illustrate with a simple story about two investors.



Joanna started her first real job at age 26 after finishing college and a master's degree. With her very first paycheck she decided to contribute \$50 a month to her employer's retirement plan. She did this faithfully for twenty years. When she turned 46, she stopped contributing and left

the investment alone. When she was age 66 she reviewed her account and discovered that it had grown to \$76,472. Not bad since she had only contributed \$12,000 and had not thought about it since she was 46 years old, twenty years earlier.



Joe was the same age as Joanna, but when he began his first job at age 26 he had other priorities for his money and chose not to contribute to his employer's retirement plan. At 46, Joe realized he needed to begin saving or he was going to have to work for the rest of his life.

In order for Joe to end up at age 66 with the same savings as Joanna, he would need to save \$165 a month for the next 20 years.

Take a look at the table below that summarizes the difference in experience between Joanna and Joe.*

	Joanna	Joe
Years of Active Saving	20	20
Years money is invested	40	20
Monthly amount saved	\$50	\$165
Total amount saved	\$12,000	\$39,600
Account value at age 66	\$76,472	\$76,472

Assumes a 6% rate of return on investments

Key Points

Each of them actively saved for 20 years. Because Joanna started early her money was actually invested for 40 years, while Joe's was only invested for 20. Joanna and Joe had exactly the same account value at age 66 but Joe had to save more than three times as much as Joanna for the same result (\$39,600 compared to \$12,000.)

*The story of Joanna and Joe is for example purposes only to illustrate the value of starting to save early. However, MMBB advises members to continue to make contributions to their retirement savings throughout their working lives.

Your path is *different*. So is your financial plan.

As one who serves the church, you have a financial picture that's more complicated.

For most working people, Social Security will provide an amount somewhere between 30% and 40% of their final salary if they retire at the age in which they can first receive full Social Security benefits (currently age 66 - 67 depending on the year of birth). For most individuals the remaining funds required to meet living expenses will need to come from personal retirement savings.

You probably will not need to replace 100% of your final salary when you retire since there are at least two expenses that you may no longer have:

- FICA taxes of 7.65% (or SECA taxes of 15.3% if you are ordained)
- Any amount you are saving for retirement (hopefully by this time between 12% and 15% of your salary).

Adding FICA or SECA taxes and any amount that you are saving for retirement together shows you may be able to reduce your income needs by 20-25%. (Everyday travel expenses and costs related to work are included in this assumption.) This means that you may be able to maintain your lifestyle with approximately 75-80% of your final salary. Your personal circumstances and lifestyle choices will ultimately determine your exact income needs in retirement.

In order to support this level of income in retirement, you will need to save an amount equal to 12-15 times your final salary by the time you retire, assuming a retirement age of 66. As an example, if your final salary is \$50,000, you should have saved between \$600,000 and \$750,000.

If you plan to retire earlier, you may need more money and if you plan to work later, you may need less.

So, how are *you* doing?

The following table gives an easy benchmark for various ages to illustrate where you should be if your goal is to reach approximately 12 times your salary at age 66.

Age	Retirement Savings to Income Ratio (Multiple of your annual income you should have saved)
26	0.1
31	0.5
36	1.3
41	2.2
46	3.6
51	5.2
56	7.2
61	9.6
66	12.6

Assumptions: Salary increases at 2% each year. Investment returns are 6% and compounded monthly. Retirement investments are made at the end of each month.

To calculate your own progress, follow this simple math:

Add Savings in IRA,
401(k) & 403(b) accounts

Divide by your current
Annual salary

=

Your Savings
To Income
Ratio

If you are married be sure to include savings and income for you and your spouse. If you are close to retirement and know that you will need significantly less than your final salary on which to live, substitute that amount for your actual salary.

Where Does Social Security Fit Into Your Retirement?

Social Security plays an important role in your retirement plan, but you will need more than Social Security benefits for a comfortable retirement. Social Security retirement benefits replace about 40 percent of earnings for the average worker. This is unlikely to be sufficient. Even after reducing your monthly budget by cutting work-related expenses, retirees usually need at least 75 – 80 percent of their pre-retirement earnings. As a result, in addition to Social Security, your retirement plan should include personal investments, savings, and defined contribution plans, such as those offered by MMBB.

Social Security benefits are based on the taxes you pay into the program throughout your working life. Your minimum Social Security benefit level is computed using a formula called “AIME” – or Average Indexed Monthly Earnings. The key drivers of that formula depend largely on three factors:

1. The highest 35 years of Social Security earnings.
2. Your salary during those working years.
3. The index of your wages vs. the national average during those years.

- Your exact benefit will be determined when you file for Social Security.
- Social Security adjusts your benefit based on when you start collecting.
- Your AIME benefit level is based on you starting to collect at your full retirement age, but you can take retirement benefits as early as age 62. Starting Social Security before your full retirement age results in a reduction in your monthly payment.
- Your full retirement age is dependent upon your date of birth. For example those born from January 2, 1943 through January 1, 1955 have a full retirement age of 66.
- Your retirement benefit reaches its maximum if you wait until age 70 to claim it.

You can get an estimate using Social Security’s online calculator at <https://www.ssa.gov/benefits/calculators/>. To learn more about Social Security retirement benefits, visit www.mmbb.org and type **Navigating Social Security** in the Search bar to view our Social Security Webinar. By planning now for any gaps, you will put yourself in a much better position to achieve your retirement goals.

Financial wellness is within your reach.

Set a Savings Goal

We have talked about the importance of starting early and the necessity of understanding what your ultimate retirement savings needs will be. If your goal is to replace 75% – 80% of your pre-retirement income, let’s talk about a plan that will take you successfully into your future.

The old wisdom said that if you saved 10% of your income throughout your working years, you would have adequate assets to retire. Sadly, with rising medical costs and other expenses in retirement, even if you start early, a steady 10% savings plan is not likely to get you to a fully funded retirement.

A better approach is to achieve a 10% savings rate before the end of your 20s, a 12% rate during your 30s and 15% savings from age 40 to retirement. The good news is you can count any contributions your employer makes on your behalf toward this goal.

Age	Savings Rate
20s	10%
30s	12%
40s to retirement	15%

Of course this model assumes an ideal – that you had the knowledge, foresight and ability to start saving with your first job sometime in your 20s. If you did not, and the previous exercise showed that you were behind, you may need to save even more to catch up.

Don’t let that scare you. With just a few modifications in your plan, like working two or three years longer or cutting expenses now or in retirement you can make a big difference in achieving your goal. The most important thing is not to let disappointment about your current savings keep you from making changes – remember, the sooner you start the more you can save. If you have not already done so, take the first steps towards retirement savings now.

Make a Plan and Take Your First Step

You may want to save 12%, but are not anywhere near that. What can you do? Here are four relatively painless steps:

1.

Forget about the past, and commit to working toward your goal starting today.

2.

Decide how much you can save each month out of your paycheck. Think about this in real dollars, not percentages. We’ll get to the percentages, but initially thinking about \$50, \$100 or \$500 a month is easiest. Include any amount your employer is contributing for you.

3.

To figure out what percentage of your salary you are saving, divide your savings amount by your salary. For example, if you make \$30,000 a year and decide you can save \$100 a month, your calculation would be

$$\frac{\$1200 \text{ } (\$100 \times 12 \text{ months})}{\$30,000} = 4\%$$

4.

Make a commitment to reevaluate the amount you are saving annually with the goal of increasing it by 1% each year until you reach your target savings rate. If you normally receive an annual salary increase, review your savings at that time. If you get a pay increase, using part of that to increase your savings rate will be almost painless.

Savings Worksheet

My earnings now

My current annual salary: \$ /yr

My retirement savings rate now

Current annual amount my employer contributes to my retirement: \$ /yr

Current annual amount I save for retirement: + \$ /yr

Total amount saved annually for retirement: = \$ /yr

My current retirement savings rate: %

My retirement assets now

Current total amount in retirement savings: (include IRAs, 401(k), 403(b)) \$


Current savings to income ratio: %

My retirement savings goal (see “Set A Savings Goal” on prior page)

My target savings rate is: %

It’s Your Choice

Today I choose to save \$ per month from my salary.

This is % of my salary.
 **Transfer this number to page 1 of your MMBB application.**

See how your money can grow. Find the number of years you have until you retire across the top of the table. Pick a monthly savings amount from the left side of the table and read across to see how much your savings can grow.

		Years to Retirement							
		5	10	15	20	25	30	35	40
Monthly Investments	\$10	\$698	\$1,639	\$2,908	\$4,620	\$6,930	\$10,045	\$14,247	\$19,915
	\$25	\$1,744	\$4,097	\$7,270	\$11,551	\$17,325	\$25,113	\$35,618	\$49,787
	\$50	\$3,489	\$8,194	\$14,541	\$23,102	\$34,650	\$50,226	\$71,236	\$99,575
	\$100	\$6,977	\$16,388	\$29,082	\$46,204	\$69,299	\$100,452	\$142,471	\$199,149
	\$250	\$17,443	\$40,970	\$72,705	\$115,510	\$173,248	\$251,129	\$356,178	\$497,873
	\$500	\$34,885	\$81,940	\$145,409	\$231,020	\$346,497	\$502,258	\$712,355	\$995,745
Annual Investment Return 6%									

Now that you know how much you need to save for retirement, let’s take a look at how MMBB can assist you in building a portfolio that meets your comfort with risk and achieves your investment goals.

Financial planning that's right for *you*.

Our approach to financial planning is different.

We offer diligent, personal advice and service no matter what your salary is. Our financial planning specialists aren't obligated to recommend a particular fund – you'll get unbiased advice about which funds are a good match for your financial needs and risk tolerance.

As an MMBB member, you are eligible to receive expert personal financial consultations at no cost. To work with one of MMBB's Financial Planning Specialists, please call **800.986.6222** or send an email to financialplanning@mmbb.org.

How to *build* your portfolio – you decide

Choosing Your Funds

MMBB offers members a broad range of investment options. You may invest your entire account in any of our funds or you may choose to split your contributions among several investment funds – the choice is yours. Until you select among the funds in which you want to invest, MMBB places your contributions into a Target Date Fund based on your expected retirement age. As the name implies, a Target Date Fund adjusts the asset allocation based upon how far away you are from retirement.

Risk and Return

When considering your investment options, you need to think about the relationship between risk and return – as the potential for return increases, so does the level of risk. The investment plan that's right for you depends largely upon your comfort level with risk. The more aggressive you are as an investor, the more risk you may be willing to take. An investor who is more tolerant of risk is more likely to pursue investments, such as stocks, that offer a greater potential return, but are also more likely to generate at least short-term losses. In turn, investments that generally carry less risk also generally come with lower long-term returns, but also less likelihood of short-term losses. This is known as the risk-return tradeoff. Individuals with a longer time until retirement may be willing to accept more risk because they have more time to recoup from any investment losses.



MMBB Investment Funds

Fixed Income Funds

Money Market Fund – The Money Market Fund seeks stability of returns and capital preservation by investing in a portfolio of high-quality, investment grade, short-term money market securities. It is one of the most conservative investment choices MMBB offers and employs an active management style.

U.S. Bond Index Fund – The U.S. Bond Fund invests in intermediate-term bonds that mirror the Barclays Capital U.S. Aggregate Index, a widely-recognized benchmark of U.S. intermediate bond performance. The fund is passively managed.

Stock Funds

U.S. Equity Index Fund – The U.S. Equity Index Fund invests in stocks that mirror the broad U.S. stock market as represented by the MSCI U.S. Broad Market Index. This index is a widely recognized benchmark of overall U.S. stock performance representing approximately 99.5% of the full capitalization of the U.S. equity market. Because it seeks to mirror, rather than outperform, the broad market, its style of investing is passive.

Social Awareness Fund – The Social Awareness Fund aims to provide long-term growth of capital while avoiding companies in the tobacco, alcohol, gambling and pornography industries. The fund excludes companies whose businesses are not in harmony with the fund’s social sensitivities, to the extent that they can be identified. It is actively managed and attempts to outperform its benchmark, the S&P 500, while adhering to its socially aware mandate.

International Equity Index Fund – The International Equity Index Fund is invested in large-, mid-, and small-capitalization companies in developed markets outside of the United States. This fund is passively managed and provides members with a low-cost, diversified portfolio of non-US stocks.

Multi-Asset Class Funds

New Horizons Fund – The New Horizons Fund is MMBB’s most diversified investment option, with investments in U.S. and international stocks along with some exposure to the bond market, real estate, commodities and private investments. New Horizons is unique among MMBB funds in that it seeks to mirror the investments of our Annuity Fund.

The Balanced Fund – The Balanced Fund is given its name because it “balances” global equity exposure with a fixed income component. The equity allocation is global; the fixed income allocation is primarily comprised of investment grade bonds. The majority of the fund is allocated to equities, both U.S. and international.

The Balanced Fund also invests in hedge funds. It employs both active and passive management styles.

The Fossil Fuel-Free Balanced Fund – The Fossil Fuel-Free Balanced Fund seeks to provide a fossil fuel-free diversified, medium volatility option that balances assets which traditionally have higher growth potential with others that typically are more stable and/or tend not to move in lock-step. The Fossil Fuel-Free Balanced Fund targets 60% global stock market exposure with 40% bond market exposure.

Target Date Funds

A target date investment fund offers the simplicity of a complete portfolio in a single investment option. Each target date investment fund is comprised of five broadly diversified Vanguard index funds.

For many people, investment choices become more conservative as they approach retirement age. Our Target Date Funds (TDF) automatically becomes more conservative through the years, reducing your risk.

Simply select the fund that most closely corresponds to the year in which you expect to retire, and the fund will gradually reduce the proportion of stocks and increase the proportion of bonds that it holds in the portfolio.

Active or Passive Investment Management?

Funds that adopt a passive management strategy build a portfolio that mirrors a market benchmark such as the Standard and Poors 500 Index. The holdings in the fund reflect the holdings in the index. The fund manager does not try to improve performance by changing the fund holdings. Index funds use passive management.

Funds under active management seek to do better than the markets. The fund managers analyze economic and market data in order to discern – and purchase – investments that are expected to outperform the broad market. Holdings may vary significantly from those in the broad market benchmark.

Historical Returns and Volatility

To offer historical perspective on the long-term risk and return of MMBB’s investment options please see the diagram on www.mmbb.org by typing "historical returns & volatility" in the Search bar. It summarizes risk and return over time and encompasses both rising and falling stock market periods as well as both economic expansions and recessions.

Let us show you how easy it can be to get *started*.

It's not about acquiring wealth – **it's about gaining financial peace of mind**. At MMBB we have one purpose: to help those who dedicate their lives to serving God feel confident and in charge of their finances. Whether you are just starting out with a faith-based organization, are a mid-career pastor accepting a new call, or are nearing retirement, our Financial Planning Specialists can assist with all aspects of your financial plan including insurance planning, investment planning and income tax planning. At MMBB, your financial wellness means everything to us.

Accessing Your MMBB Retirement Account Online

Go to www.mmbb.org. Click the login button, then click "Manage My Retirement Account" and "Register (first-time user)" to create a user name and password. Upon login you will be able to view your account and make changes to your investments.





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The examples used in this publication are based upon the book "Your Money Ratios: 8 Simple Tools for Financial Security" by Charles Farrell. These guidelines are for informational and educational purposes only. Each individual's situation is unique and should be evaluated with a qualified professional. Your individual risk tolerance and investment inclinations may vary. Please speak with an MMBB Financial Planning Specialist to discuss your specific investment and retirement planning needs, call **800.986.6222** or send an email to **financialplanning@mmbb.org**.