

# BUILDING BLOCKS FOR RETIREMENT

## Social Security

### Not Your Grandparents' Retirement

Throw out those rocking chairs -- retirement is changing! The goal of enjoying a comfortable retirement lifestyle is still the same. But the types of activities people plan to enjoy in retirement and the opportunities they plan to pursue are changing and expanding.



#### The New 65

Advances in medicine have played a major role in the changes, especially in terms of increased life expectancies. The average life expectancy for a baby born in the U.S. at the turn of the previous century was 47.3 years.<sup>1</sup> Fifty years later, the life expectancy for newborns was 68.2 years. According to projections, babies born today can look forward to an average life expectancy of 78.9 years.<sup>2</sup> That's an increase of over 66% in a little more than 100 years.

#### The Old Three-legged Stool

More time to enjoy being retired is a big plus. However, a longer retirement means you'll need more money. Where will your income come from when you retire? Traditionally, financial professionals used the "three-legged stool" analogy to explain the most likely sources of a person's income in retirement. The legs were Social Security, pension benefits, and personal savings: three income sources working together to support your retirement.

Let's look at how well the three legs are holding up these days.

- **Social Security.** The Social Security system was designed to provide supplemental income only -- not the bulk of a retiree's living expenses. At the beginning of 2017, the average monthly Social Security benefit amount was \$1,360 (\$16,320 per year),<sup>3</sup> which is not enough to allow most people to live comfortably. As the chart on the next page shows, today's retirees receive only 33% of their income from Social Security. Plus, the future of the program is uncertain; benefit formulas and age requirements could change.
- **Pensions.** This is the leg that has changed the most. Traditionally, a pension is a steady monthly benefit paid to covered retirees who accrued vested benefits while employed. Pensions are much less common today. More and more employers are offering

retirement savings plans instead. Retirement benefits under these plans are determined by the amount you have in your account.

- **Savings and investments.** Like many people, you will probably have to rely on your personal savings and investments, in addition to the balance in your employer's retirement savings plan, to supply a significant portion of your retirement income, especially if you won't receive traditional pension benefits.

| Where Your Money Might Come From   |                         |
|--|-------------------------|
| 33%  | Social Security         |
| 34%  | Earnings                |
| 20%  | Pensions                |
| 9%   | Savings and investments |
| 4%   | Other                   |
| Source: <i>Fast Facts and Figures About Social Security, 2017</i> , Social Security Administration |                         |

### A Working Retirement

Not everyone is ready to stop working at "normal retirement age." Some people plan to continue working so they can stay active, pursue new interests, continue to earn a full-time income, or simply make some extra money. However, if you have to work just to make ends meet once you reach retirement age, it could be a problem. There are many factors, such as your health and appropriate job opportunities, that you won't be able to control.

### Do It Now

Since you won't know everything about retirement until you get there, make the most of what you do know. Your employer's plan is an opportunity to save and invest for retirement. If you decide you can do more now for the future, make the changes soon.

Your situation is unique, so consider consulting a professional before taking action.

Source/Disclaimer:

<sup>1</sup>Centers for Disease Control and Prevention, National Vital Statistics Reports, [www.cdc.gov](http://www.cdc.gov).

<sup>2</sup>Centers for Disease Control and Prevention, National Vital Statistics Reports, Vol. 66, No. 4, August 2017.

<sup>3</sup>Social Security Administration, *Fact Sheet: 2017 Social Security Changes*.

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