Cyprus Credit Union
Saving For Retirement Guide

For many Americans, saving for retirement isn't a priority when it comes to their financial planning. However, the sooner you begin this process, the better prepared you will be for whatever life has in store. With this guide, we'll walk you through everything from how to pick the account that will work best for you and the steps that you can take, no matter your age, to ensure that you can live your golden retirement years in style.

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CHOOSING AN ACCOUNT

Types of Accounts

There are a variety of options available to you when it comes to saving for retirement. You may be eligible for one of the following:

- 401(k)
- Solo 401(k)
- 403(b)
- 457(b)
- IRA
- Roth IRA
- Self-directed IRA
- SIMPLE IRA
- SEP IRA
- HSA

401(k) vs. IRA

Two of the most common methods of saving are a 401(k) or an IRA. Here is a quick rundown about what both of these types of accounts entail and what makes them different:

401(k)

A 401(k) is an employer sponsored retirement plan. In many instances, your employer will match your contributions; ask about this when establishing your account.
There are two main types of 401(k) accounts:

A Traditional 401(k) account is where the contributions are taken out of the paycheck pre-tax. This means, once you retire, you will have to pay taxes on all of your withdrawals. For this type of account, there are caps on how much you can contribute in a year, so check the IRS website for the most up to date details.

A Roth 401(k) is where the contributions are taken out of the paycheck post-tax. So once you retire and start making withdrawals, you won't owe any taxes on this money.

Individual Retirement Accounts (IRA)

An Individual Retirement Account (also called an IRA) is a retirement plan that is held at a financial institution. They can either be employer sponsored or by self-employed individuals. There are some accounts that require a person meet certain qualifications.

For a Traditional IRA, contributions are taken out pre-tax and will be taxed once you start withdrawing the funds.

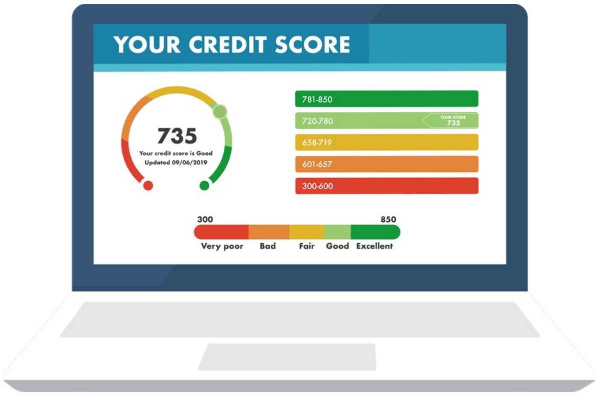
For a Roth IRA, contributions are made post tax and are no longer subject to additional taxes once you begin making withdrawals.

SAVING BY THE DECADE

Saving in your 20's

Enroll in a 401(k)

There are two basic types of a 401(k), a Traditional and a Roth. In a traditional account, the money is taken out of your paycheck pre-tax. Once you retire, you will pay tax whenever you withdraw money. With a Roth account, the money is taken out after taxes, meaning all of the money is yours to keep after retirement.



Build Good Credit

If you've never had a credit card before, now is the time to get one. Consistent, on time payments in full will help raise your credit score over time. Just remember to never use more than 30% of your credit line at one time.

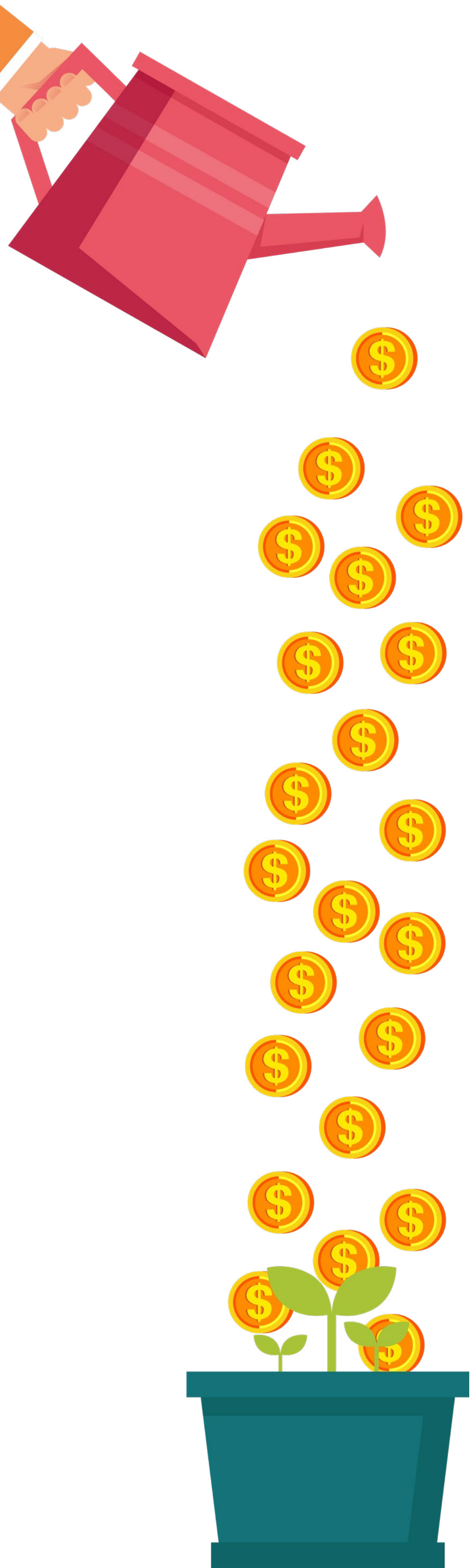
Start Paying Off Debt

Chances are you graduated school with student debt. Start with the debt with the highest interest rate and then work your way down. The sooner you start paying off these high interest debts, the more money you'll save overtime.

Set Financial Goals

You need to know where you're headed in life before making any major decisions. By setting goals early, you can create a budget that can help you reach these goals, but still allow you to live a life you want.

SAVING BY THE DECADE



Saving in your 30's

Your 20's were fun but now it's time to focus on your 30's. You've been out of school and on your own for a while now, your career is shaping up nicely, and you feel pretty good about where your life is. Even if there are some areas where you need to improve, there's still plenty of time.

Increase Contributions

Now that you're a bit more settled, you can start contributing a little more to your retirement account each paycheck. As we learned yesterday, you can contribute up to $5,500 each year, so you should be aiming for a contribution percentage that hits that.

Create Other Savings

Cyprus has several different types of saving accounts. At this point, starting a Certificate or Money Market may be a good way to capitalize on interest rates. Your emergency savings should contain about 6 months' worth of expenses. This can be used in case of unexpected unemployment or medical emergency.

Diversify Your Portfolio

Since you can't predict what the market is going to do, you need to invest in various ways such as real estate, stocks and bonds, and so forth. The more you diversify, the more any potential losses will be contained. If you need help getting started with investing, reach out to an investment professional.

Buy a Home

A home is the biggest investment you will make in your lifetime, but the last thing you want to do is buy one before you're ready. Once you've settled into a career and saved for a down payment, it's a great time to buy. Rates are super low and house values are holding steady. Cyprus Credit Union is your mortgage partner. Our qualified loan advisors will be there every step of the way and will continue to be your point of contact throughout the loan.

SAVING BY THE DECADE

Saving in your 40's

You've finally hit the big four-oh. This is the time in your life where your focus transitions from the present to the future of you and your family. Kids are growing up, headed to college, or even getting married, changing the landscape of your finances. Here are a few suggestions to help you down the path towards retirement when you're in your 40's.

Max Out Benefits

In your 40's, you should be pretty stable in your career and salary. Every time you receive a raise, the amount you contribute to your retirement account should also increase. If your employee offers matching donations to your 401k, you should be matching this number.

Convert to Roth IRA

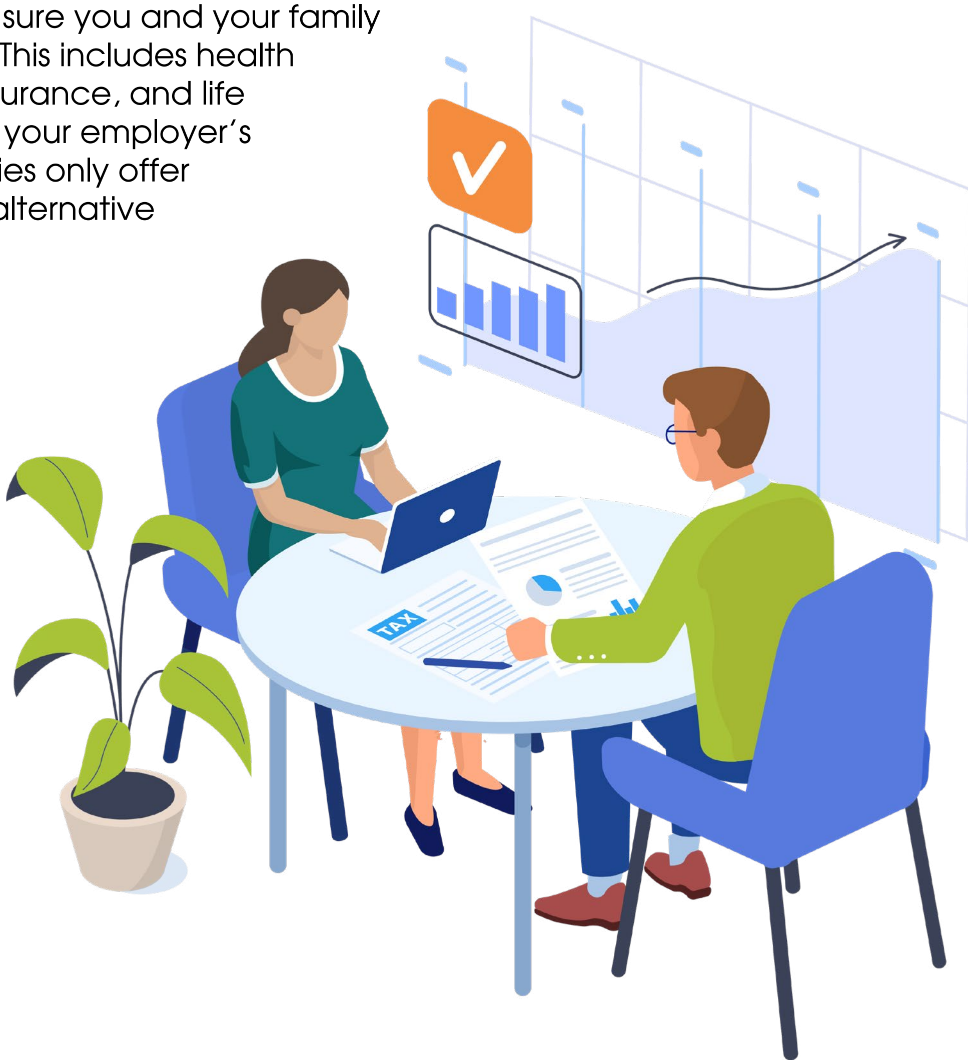
At this point in your career, you are making more money than you have the past two decades. Since you don't know what your tax rate will be once you retire, you can avoid them by switching to Roth and paying the taxes now. You can even start a retirement account outside of your employers.

Capitalize on Insurance Coverage

Don't wait until it's too late to make sure you and your family are properly covered by insurance. This includes health insurance, home insurance, auto insurance, and life insurance. Also, take a look at what your employer's disability insurance is. Most companies only offer to 60% of your income, so consider alternative forms of insurance.

Seek Professional Financial Help

As you enter the middle of your career path, now is a great time to have a professional take a look at your finances to make sure you're on track. If you need to start a retirement fund or just have questions in general, contact an investment professional. They can help you take a proactive approach to your personal financial situation and gain a better understanding of the financial concepts behind insurance, investing, retirement, estate planning, and wealth preservation.



SAVING BY THE DECADE

Saving in your 50's

Welcome to your 50's. You're oh so close to that long-awaited retirement date, but that doesn't mean you can become complacent. There's still a lot you need to accomplish before you enter the next stage of your life.

Take Advantage of Catch-Up Contributions

Once you reach the age of 50, you can add additional contributions to your 401(k) that can add up to $6,000. It's also very important to remember that your 401k is off limits when those larger expenses hit, such as a child's marriage or tuition payment.

Re-Evaluate Assets and Investments

It was easier to take risks a couple of decades ago because you had more time to recover. However, now is the time to take a look at your portfolio and start moving towards more conservative investment options. If you need help through this process, contact an investment professional.

Ramp Up Savings

Your retirement account isn't the only savings you should be focused on. These are your peak earning years, so your savings should reflect this. Make it a goal to save at least 15% of your annual income. Also, any bonuses, raises, or commissions should also be set aside for the future.

Focus on Eliminating Debt

You don't want to worry about putting your retirement fund towards paying off debt, so make that the priority during this time in your life. Start with debts that have the highest interest rate and will cost you more over time. If you are considering refinancing, our short and sweet mortgage is a great option for current homeowners. These loans require no appraisal and offer a fixed closing fee of $250. Call one of our Mortgage Specialists to find out more.

SAVING BY THE DECADE

Saving in your 60's

Hello, 60's You're almost there. You can do it. Just a few more years and then it's time to enjoy that sweet, sweet retirement. You've worked hard and now it's time to reap the rewards of your planning. With just a few more steps, you'll be ready to spend your golden years in style.

Start Planning Retirement Lifestyle

Everyone has big dreams when it comes to retirement but planning is what makes them a reality. Where are you going to live? Are you going to sell your home? Pay off the rest of your mortgage? Rent it out to people? These are all decisions that you need to make before retiring.

Prepare for Future

When it comes to life in retirement, you need to be unprepared for the unexpected. This could include any potential long term health care costs in the future. The younger you are, the lower your long-term insurance premiums will be. You should also keep padding your other savings accounts in the lead up to your retirement.

Create a Budget

At this point in the retirement planning process, you should have a good idea of how much money you have set aside. You'll need to create a retirement income for yourself and budget how you will spend your money. There should be enough money available each month so expenses can be paid, but not so much that you run out of money early.

Update Estate Planning

You want to make sure that your family is taken care of when after you're gone. All estate planning documents should be up to date and reflect the correct information. This includes a will and last testament, power of attorney, living wills, wishes for health care, etc. If necessary, you may want to place safeguards in place to protect any potential inheritances.

MANAGING RETIREMENT

Retirement Check-Up

While it may be easy to just allow your retirement saving to happen in the background of life, it's important to take time to make sure your savings goals remain on track and where you need them to be. Ideally, you should be sitting down at least once a year to conduct a 'retirement check-up' to ensure that everything is running smoothly. Here are some factors to take into consideration during this check-up.

What am I currently contributing?

What are you currently contributing to your retirement savings? How close are you to reaching the yearly maximum contributions? Have you received a pay increase that will help you contribute more? Does your employer offer some type of match program for you to maximize your savings? You should always be on the outlook to increase what you are contributing. According to NBC News, you should try to increase your contributions by at least 1% each year.

How am I investing?

Having a well balance portfolio is the backbone of retirement planning. Depending on where you are in the retirement planning process, your investment strategy should chance. For example, once you hit your 50's, you should re-examine your savings and start investing more conservatively. Because everybody's situation is different, you should speak to a professional investment advisor who will be able to help you come up with a personalized retirement plan.

Should I change my methods?

Perhaps an employer sponsored traditional 401(k) made sense when you first started saving, but maybe you're ready to look into a Roth account or an IRA. While a traditional retirement account contains funds that are taken out pre-tax, a Roth account will be taken out post-tax which means you won't have to make payments on withdrawals once you retire. To learn more about roll-overs, click HERE.

Has my life changed?

Maybe you were single when you first set up your retirement fund and didn't account for a second person. Or maybe you never designated a beneficiary for your account or the person you designated is no longer a part of your life. Or perhaps you left an old job and never rolled the money over into a your new account. During your check-up, make sure all of your information is up to date and correct and that you don't have money floating around.

Mistakes to Avoid

With all the planning you've put into saving for retirement, the last thing you want is a simple mistake to cost you. Here are some of the most common mistakes that people make when it comes time to start withdrawing for retirement.

Not Having a Budget

Now that you are on a fixed income, it's more important now than ever before to have a firm budget in place. You should know exactly how much you have saved and how much you'll need each month so you can pay your bills and other expenses.

Withdrawing Too Much

Money that you withdraw from your retirement accounts is considered income. By withdrawing too much in a specific period of time, you may limit the amount of tax breaks and credits for which you are eligible.

Withdrawing Too Early

Withdrawals that are made before you turn 59 ½ may be subject to a penalty fee. This fee usually amounts to 10% of the funds withdrawn. There are some exceptions to this rule, but make sure your reasoning is one of them before making a withdrawal.

Withdrawing Too Late

Once you turn 70 ½ years old, retirement withdrawals usually become required. Failure to do so will cause a 50 percent tax on the funds that should have been withdrawn. You must make your first withdrawal by April 1st the year after you turn 70 ½. Every year after, you must make a withdrawal before December 31st.

401(k) Rollovers

If you have 401(k) accounts with previous employers, consider rolling them over into an IRA. A rollover can be completed in three easy steps:

1. **Choose an account.** This can either be a traditional IRA, which features tax deferred contributions or a Roth IRA, which you pay taxes on before contributing.
2. **Withdraw funds.** A request will be sent to your current plan manager or former employer to rollover the funds. Once they receive this request, either an automatic deposit will be made to your new IRA or a cashier's check will be mailed to you.
3. **Invest Savings.** Working alongside your financial advisor, you'll find the options that work best for you.