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# Retirement Essentials

Summer 2016



## Is paying bills undermining retirement saving?

It's a tough question whether you're 25 or 55 ... "How am I supposed to save money when I have all these bills to pay?"

### What's first? Do a budget.

A simple budget will help you see where you can cut. It will also let you see – all in one place – where you are on your debt, whether it's credit cards, student loan, mortgage or other monthlies.

It seems like a no-brainer that you should pay off debt before worrying about saving. But according to financial experts ... actually, it depends.

#### When to save first

Knowledgeable people suggest:



- Start saving for your future, even if it's only 1 or 2% of your monthly paycheck, in your workplace savings plan.
- If you can, save enough to get the maximum employer match. That's free money.
- Create an emergency fund — to help keep you from being blindsided by a car repair or appliance failure.

#### When to pay down debt first

Pay off the debt if it's costing you a lot, like high-interest credit card debt. Low-interest debt like student loans or a mortgage are not a priority. Once high-interest debts are gone, you can begin to save more.

Visit [VALIC.com](http://VALIC.com) for the latest updates.

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## Making Cents

### Ah, summer time!

It's that special part of the year when everyone wants to kick back, relax, take a vacation or just be entertained. If you're on a tight budget though, it may be a little harder to enjoy those dog days of summer.

Don't fret! We've got a couple of ideas to help you get away for less.

#### [Groupon.com](http://Groupon.com)

If you haven't signed up for Groupon, you could be missing out on tons of deals! This site offers all kinds of local discounts for restaurants and shopping, or even deals to help you get away. There's even an entire category of Things To Do filled with activities, classes, events and nightlife features ... all discounted to help keep you entertained on a budget.

#### [Airbnb.com](http://Airbnb.com)

Thinking of doing some traveling this summer but don't want to shell out hundreds of dollars on a nice hotel? Try Airbnb. It's a community marketplace of hosts who rent out their extra space, giving you a chance to book unique accommodations around the world. You can choose from a single room, an entire house, or even a treehouse or castle for much less than most four-star hotels. Plus, if you have an extra space and want to make a little extra cash, you can sign up to become a host.



## Money Talks

### Why a couple's finances should walk hand-in-hand

Ideally, a committed relationship is a partnership, with each individual bringing something to the relationship to make the whole stronger than the parts. This concept should extend to your finances too.

For many couples, both individuals contribute to the total household income. It's important to view finances as a combined total rather than separately, especially if both partners have workplace retirement plans. Here's why.

#### Matches made heavenly

The first reason is matching contributions. If you both qualify for employer matches, you would be smart to coordinate and ensure you maximize those contributions before directing money elsewhere.

#### A bigger picture

Asset allocation is another reason. You likely already know about diversification, but that's only part of it: Asset allocation means determining how investments are portioned out across different assets. Let's say you decide your portfolio should include conservative bond funds. If your partner's plan offers a bond fund with lower expenses, take advantage.







#### Plan to succeed

Once you've determined an asset allocation strategy, review the options in your respective retirement plans and map your investments.

Of course, neither asset allocation nor diversification ensure a profit or protect against market loss.

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## Dollars & Sense

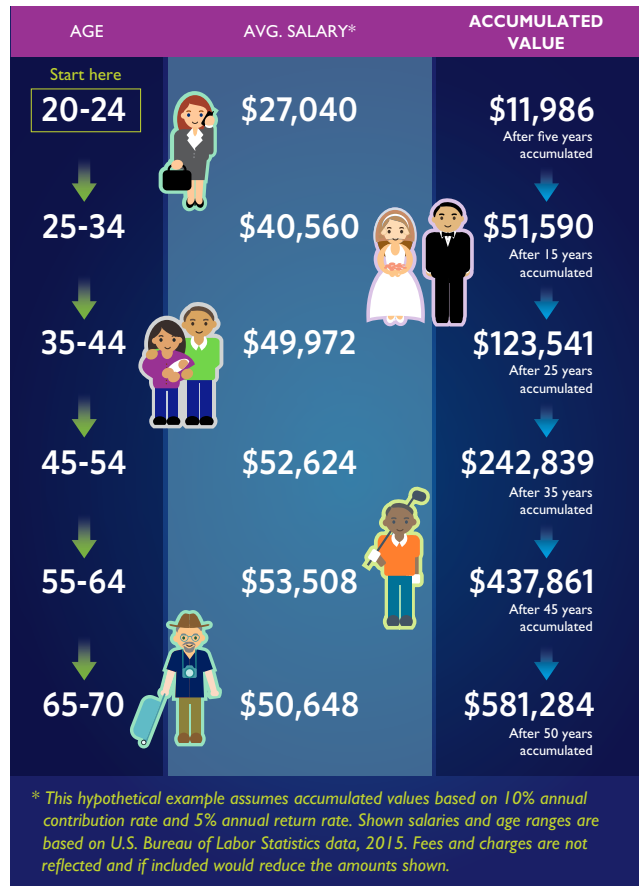
### Are you on track?

#### Don't get lost on the road to retirement

Start saving early for an easier transition to the retirement you want. A steady saving plan that keeps up with the changes in your salary through every chapter of life could help make a difference.

Waiting too long to decide and start a saving strategy can make it very difficult to catch up to the amount you'll need for essential income later in life. That doesn't mean it can't be done, it's just you'll be losing out on years of compounding interest that could have been growing tax deferred.

Let's look at an example of how saving early and consistently can add up.



## By the Numbers

### Reading, writing, 'rithmetic and readiness

Everybody is talking about "financial literacy" these days. Some employers are offering resources to help improve understanding of managing finances ... maybe you're even trying to help the kids and grandkids see the big picture.

In a recent survey, teachers said education should begin in elementary school on subjects like ...

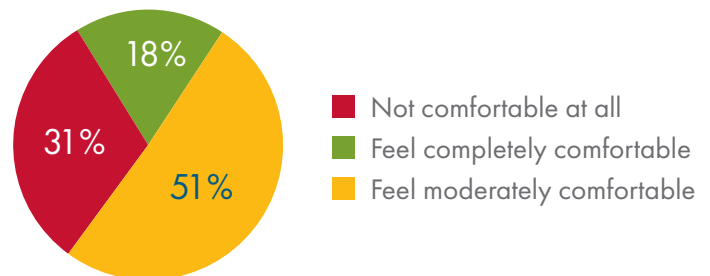
- Household budgeting
- Understanding debt and its consequences
- How a personal financial plan could help you prepare for the future

According to K-12 teachers (surveyed nationwide) ...

The best time to start teaching financial education is in elementary school	<b>67%</b>
Percentage of K-12 schools/districts that offer financial education	<b>21%</b>

A big problem is a lack of financial education materials designed for younger students. And some teachers don't feel equipped to teach the subject. So, how would teachers feel if asked by their schools/districts to start teaching financial education on the very next day?

The chart below shows their answers:






Why does financial education get kicked to the curb by many schools/districts? A majority of educators surveyed (62%) think it's because financial education is not viewed as a critical skill for college admission and career readiness.

They also say students who receive financial education earlier in life better understand the importance of budgeting, planning for the future, and debt.

It really is true that knowledge is power — and financial literacy empowers students to help control their futures.

Source: "Bridging the Financial Literacy Gap: Empowering teachers to support the next generation," 2016, PWC.com, PricewaterhouseCoopers.

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## Test your financial knowledge

1	Underinflated tires can	A	Hurt your gas mileage
		B	Affect the handling of your vehicle
		C	Increase tread wear, decrease the life of your tires
		D	All of the above
2	Which of these can you rent for a vacation?	A	Vacation/resort
		B	Bed and breakfast
		C	Mobile home
		D	Private home
		E	All of the above
3	The price of tickets to a theme park has increased:	A	More slowly than the cost of living
		B	About the same rate as the cost of living
		C	Faster than the cost of living

### Answers:

1. D
2. E
3. C\*

\* Source: Washington Post, June 12, 2015, How theme parks like Disney World left the middle class behind, Drew Harwell.

Investment values will fluctuate and there is no assurance that the objective of any fund will be achieved.

Income taxes on tax-deferred accounts are payable upon withdrawal. Federal restrictions and a 10% federal early withdrawal penalty may apply to withdrawals prior to age 59½.

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