

## DEFERRED COMPENSATION PLAN

Supplemental Benefit

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## DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

# DEFERRED COMPENSATION PLAN NEWS

## Spending versus saving: How changing your habits can change your future

If you think contributing more to your retirement account seems impossible, consider this eye-popping statistic. According to **one survey**, the average adult in this country spends \$1,497 each month on “non-essentials,” which adds up to nearly \$18,000 each year!<sup>1</sup> Some of the categories include restaurant meals (\$209.38 a month), cable TV (\$90.57 a month) and online shopping (\$84.11 a month).

How does your own spending compare? Have you ever tracked your spending over a few months to see exactly how much goes toward things you may not need but are simply nice to have? The results may surprise you.

One of the striking things about the \$18,000 annual spending figure is that it is close to the \$19,500 limit the IRS has established for contributions to your deferred comp plan in 2020. (Keep in mind that people age 50 and older may be eligible to save even more through catch-up contributions).

Even if your own spending on non-essentials each year isn't anywhere near \$18,000, you probably have areas where you could cut back without any major changes to your lifestyle.

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## Daunted by the idea of investing?

The idea of investing can intimidate anyone.<sup>3</sup> A person who is reluctant to invest; however, could be putting their future retirement readiness in jeopardy. Why? One reason is the potential impact of inflation on our future spending power.

According to a Bureau of Labor Statistics **inflation calculator**, you would need around \$154 in today's dollars to match the buying power of \$100 in 1999.<sup>4</sup> So, even though you may be saving money for retirement with each paycheck, you may be hurting your future spending power if you're not investing in a way that keeps pace (or even outperforms) inflation.

### The difference in buying power



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## Spending versus saving: How changing your habits can change your future (continued)

One or two fewer visits to restaurants each month, a more affordable cable package, fewer impulse purchases made online — the savings can add up quickly. Best of all, you can use the savings to increase your contributions to your retirement account, where they can help you build the income you'll need for the future you want.

## Daunted by the idea of investing? (continued)

Fortunately, you have help if you're interested in gaining the knowledge you need to invest in a way that matches your goals and tolerance for risk. Check out the online planning tools and calculators available on your deferred comp plan's website to get started. You can also schedule some time with a deferred comp specialist to discuss some basic

Remember, **many financial advisors** say that we'll need at least 70% of our pre-retirement earnings to maintain our pre-retirement standard of living in retirement.<sup>2</sup> A few painless changes to our spending habits can make reaching that goal a little easier.

financial planning and investing concepts (such as risk management and asset allocation) that you can put to work building a retirement strategy that's right for you.

Knowledge truly is power. The more you learn about the basics of investing, the better prepared you'll be to chart a path toward the future you want.

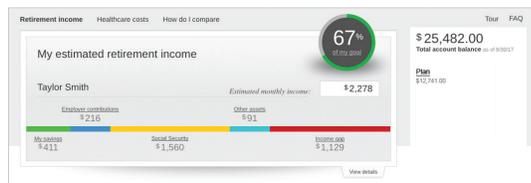
## Two tools to help you plan for your retirement

Do you have a picture of how close you are to your retirement readiness goals?

Your online deferred comp account features a tool that, in conjunction with your new SERS annual statement, can help bring that picture into focus.

### Online Lifetime Income Score<sup>SM</sup> tool\*

Your Lifetime Income Score is a helpful estimate of your future retirement readiness. When you sign in to your account, you can immediately see whether you're on course to meet your retirement income goals. While you're there, you can experiment with how a change in your planned retirement date and your contribution rate affect your retirement income. And you can get recommendations for other things you can do to help achieve the retirement you want.



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### New SERS annual statement

As a deferred comp participant, you contribute to more than one SERS retirement plan (with a few exceptions). While you receive quarterly statements detailing your deferred comp investments, we are working to also send you a single statement in March that provides a snapshot of all your SERS retirement plans as of December 31, 2019. As you plan for retirement, it is helpful to have a snapshot of all your SERS retirement plans in one place.

The screenshot shows a 2019 Retirement Statement for a member named Taylor Smith. It includes personal data such as birth date, sex, and counseling center. The statement is dated as of December 31, 2019. It provides a snapshot of three retirement plans: Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan. Each plan section shows the total account balance and 2019 contributions. The Defined Benefit Plan shows an estimated final average salary. The Defined Contribution Plan shows a total account balance of \$12,741.00. The Deferred Compensation Plan shows a total account balance of \$11,129.00. The statement also includes a disclaimer and contact information for SERS.

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**\*IMPORTANT:** The projections, or other information generated on the website by the investment analysis tool regarding the likelihood of various investment outcomes, are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. The results may vary with each use and over time.

1 usatoday.com, You don't need that: Average American spends almost \$18,000 a year on non-essentials, May 7, 2019.

2 ssa.gov, Benefits Planner: Retirement, September 2019.

3 Investing involves risk, including possible loss of principal.

4 bls.gov, CPI Inflation Calculator, September 2019.

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