A Million Reasons to Get Started With The UT Voluntary Plans

A million reasons to get started.

FutureFIT® for Life:

Bob Johnston, CLU, FLMI
Retirement Plan Consultant
You could be the winner of any of these prizes!

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- ECHO DOT BLUETOOTH SPEAKER
- WIRELESS BENCHMARK EARBUDS
- IGLOO MADDOX DELUX COOLER
A Million Reasons to Get Started With The UT Voluntary Plans

A million reasons to get started.

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Agenda

“Adulting” can be hard

Setting up your personal budget

Why The UT Voluntary Plans

Establishing healthy financial habits

Enrolling in The UT Voluntary Plans

Action steps
Retirement Income

Teacher Retirement System of Texas

Social Security Administration

UT Voluntary Savings Plans 403b and 457
Calculating the standard annuity

TRS uses the following formula:

• Total years of service X 2.3% = Total Replacement %
• Total % X average highest five-year salary = Annual Benefit
• Annual Benefit divided by 12 = Monthly Retirement Benefit

Example: Karen Rogers is an employee with 20 years of service. The average of her highest five years of salaries is $40,000.00.

• 20 years of service X 2.3% = 46%
• 46% X $40,000 = $18,400 Annual Benefit
• $18,400 divided by 12 = $1,534 Monthly Retirement Benefit

Above is a hypothetical example. (Source: www.trs.texas.gov/January 2018 handbook)
Filling The Glass
Replacement Ratio
Monthly Retirement Benefit

25%  50%  66%  80%  90%

Gap
“Adulting” can be hard.
"Adulting" can be really hard (1 of 4)

Your financial stress is real

62%
Age 18 - 24
Anxiety is highest for young adults
Percent who say: “Thinking about my personal finances can make me feel anxious.”

52%
Age 18 - 24
Stress is also highest for young adults
Percent who say: “Discussing my finances can make my heart race or make me feel stressed.”

67%
Age 25 - 34

58%
Age 25 - 34

"Adulting" can be really hard (2 of 4)

Feeling the stress

55% Women

45% Men

report feeling anxious or stressed about their money.

"Adulting" can be really hard (3 of 4)

Know the signs and the steps to take

Don’t let your concerns derail your good progress building a strong financial future

1. Recognize the symptoms of stress

2. Understand how work-related factors can add to stress, especially during transition times in your life

3. Use tried-and-true tips to help build your resilience and manage stress

4. Get more hands-on with your money and financial picture

Source: CDC: Employees: How to Cope with Job Stress and Build Resilience During the COVID-19 Pandemic  Updated Dec. 23, 2020
"Adulting" can be really hard (4 of 4)

Let's help relieve some of your financial stress

Sometimes, it’s a challenge to get started. Here’s what I suggest…

**Personal Budget**
- Start by setting up (or updating) your budget.
- Be honest about your spending.
- Then, you can make adjustments.

**Retirement Plans**
- It might seem a long way off but planning now gets you ahead.
- Start small, then increase over time.
- Let compounding work for you.

**Healthy Financial Habits**
- You'll leave with five good habits for your financial future.
- Most important: you have a lot of resources right here at AIG Retirement Services.
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Setting up your personal budget.
# Setting up your personal budget (1 of 5)

Create a budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$2,800</td>
</tr>
<tr>
<td>Investment gains</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bonus</td>
<td>175</td>
<td>225</td>
<td>95</td>
</tr>
<tr>
<td>Tips</td>
<td>350</td>
<td>500</td>
<td>275</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$3,325</td>
<td>$3,525</td>
<td>$3,170</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent/mortgage</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
</tr>
<tr>
<td>Car payment</td>
<td>375</td>
<td>375</td>
<td>375</td>
</tr>
<tr>
<td>Insurance</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Student Loan</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Credit card</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Savings</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Groceries</td>
<td>150</td>
<td>225</td>
<td>175</td>
</tr>
<tr>
<td>Utilities</td>
<td>325</td>
<td>250</td>
<td>275</td>
</tr>
<tr>
<td>Entertainment</td>
<td>100</td>
<td>275</td>
<td>150</td>
</tr>
<tr>
<td>Personal/misc.</td>
<td>150</td>
<td>210</td>
<td>175</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$2,825</td>
<td>$3,060</td>
<td>$2,875</td>
</tr>
<tr>
<td><strong>BALANCE</strong></td>
<td>$500</td>
<td>$465</td>
<td>$295</td>
</tr>
</tbody>
</table>
A budget-buster: college loan debt

<table>
<thead>
<tr>
<th>43M</th>
<th>$1.59T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of borrowers with federal student loan debt.</td>
<td>Total outstanding federal student loan debt.</td>
</tr>
</tbody>
</table>

- Bachelor degree debt: $28,950
- Graduate school debt: $71,000
- MBA student debt: $66,300

Tip: Watch for changes in the forbearance rules. Check eligibility in loan forgiveness programs if your job is in the public sector.

Setting up your personal budget (3 of 5)

Getting credit card debt under control

Tip: Enter each of your credit card balances into the AIG Retirement Services Credit Card Payoff Tool. See where you might pay down your debt faster.

Setting up your personal budget (4 of 5)

Know your credit score and how to improve it

- Very Poor (300)
- Fair (579)
- Good (699)
- Very Good (739)
- Excellent (799)

Credit score range: 300 to 850
“Amounts Owed” is 30% of your credit score calculation

5 Key Considerations

1. Total amount owed
2. Payment history
3. How many accounts have balances
4. Credit utilization ratio on revolving credit
5. Installment loan balance vs. original note

Credit Utilization Ratio = Keep below 30%

Your Total Debt

Total Available Credit Amount

Source: myFICO.com https://www.myfico.com/credit-education/whats-in-your-credit-score
Why The UT Voluntary Plans?
Retirement Income

TRS
TEACHER RETIREMENT SYSTEM OF TEXAS

UT Voluntary Savings Plans 403b and 457

SOCIAL SECURITY ADMINISTRATION
Income taxes are payable upon withdrawal; federal restrictions and a 10% federal early withdrawal tax penalty might apply to withdrawals prior to age 59½.

Roth contributions are after-tax contributions.
## UT Voluntary Plans

**Contribution limits**

**2022**

<table>
<thead>
<tr>
<th></th>
<th>Traditional and Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual limit</strong></td>
<td>$20,500</td>
</tr>
<tr>
<td><strong>Contribution method</strong></td>
<td>Deferral via salary-reduction agreement</td>
</tr>
<tr>
<td><strong>Age-based catch-up (50+)</strong></td>
<td>$6,500 $6,500*</td>
</tr>
</tbody>
</table>

*Not applicable to 457(b) tax-exempt organizations*
Awesome Advantages of The UT Voluntary Plans

1. Tax advantaged savings
2. Roth Provision in both plans
3. You pay yourself first!
4. Mitigates or eliminates your “Shortfall”!
5. You choose your own investments
How much might you need to save for retirement?

Just take a guess or simply multiply your current annual spending by 30…

Maybe $1 million or more?
How much might you need to save for retirement?

<table>
<thead>
<tr>
<th>Starting at age</th>
<th>Annual Retirement Savings Rate</th>
<th>By age 65 you’d have…</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>5%</td>
<td>$414,965</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>$829,931</td>
</tr>
<tr>
<td></td>
<td>15%</td>
<td>$1,244,896</td>
</tr>
<tr>
<td>35</td>
<td>5%</td>
<td>$228,227</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>$456,455</td>
</tr>
<tr>
<td></td>
<td>15%</td>
<td>$684,682</td>
</tr>
</tbody>
</table>

The following is an example based on the U.S. median household annual income of $68,703* and assumes a 5% annual return.

The cost of procrastination

Saving $200,000

This hypothetical example compares the total out-of-pocket costs required to fund the retirement goals of an investor if the investor started contributing $300 a month at different ages. This example assumes a 5% annual rate of return. Tax-qualified plan accumulations are taxed as ordinary income when withdrawn. Federal restrictions and tax penalties can apply to early withdrawals. This information is hypothetical and only an example. It does not reflect the return of any investment and is not a guarantee of future income. Investing involves risk, including possible loss of principal. NOTE: $300 in pretax contributions would equal about $400 out of pocket if paid with after-tax dollars.
Even small contributions can make big differences

Investing for 40 years may help you reach your retirement goals.

<table>
<thead>
<tr>
<th>Save ($/wk)</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>$644,037</td>
</tr>
<tr>
<td>$75</td>
<td>$483,028</td>
</tr>
<tr>
<td>$50</td>
<td>$322,018</td>
</tr>
</tbody>
</table>

Tip: Try out the AIG Retirement Services Savings Calculator to see how your savings may deliver more

Source: AIG Savings Calculator. Assumes starting amount is $0. Save weekly for 40 years. 5% rate of return compounded annually.
Getting your retirement going (5 of 5)

Balancing debt repayment with saving for retirement

• **Make it visual:** Lay out a timetable for better planning
• **Aim to save:** Start small then get to the match
• **Accelerate debt payments:** When close to the end of debt repayments, pay more. Then switch some of your “newfound” money to retirement

Remember to celebrate your financial successes!
Prizes

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Establishing healthy financial habits.
Establishing healthy financial habits (1 of 2)

These are the “golden rules” I try to keep in mind every time I go in a store…

- Spend less than you earn
- Pay yourself first
Establishing healthy financial habits (2 of 2)

Bite off information in each of these areas over time

1. **Understand your benefits at work:** take full advantage of protections – disability, life, & health insurance

2. **Split your raise:** consider increasing contributions to your retirement plan 1%, perhaps use the rest to pay down debt

3. **Save before you spend:** for big purchases, holiday shopping, vacations
Action steps.
Ask for help

I start with articles and using the AIG Retirement Services online tools…
Ask for help

Then, I call an AIG Retirement Services financial professional ...

• Where do I stand today with my retirement account?
• How can I make sure I get the most from my investments?
• Does adding 1% to my contributions really make a difference?
• What ideas do you have for helping me save more?

Investing involves risk, including the possible loss of principal. Investment values of variable products fluctuate so that investment units, when redeemed, may be worth more or less than their original cost.
Do you know what AIG Retirement Services can offer you?

For more than half a century, AIG Retirement Services has helped Americans plan for and enjoy a more secure financial future.

- Prioritize your investment goals
- Identify and analyze the risks to your retirement income
- Determine the time horizon needed to achieve your goals
- Determine a financial strategy to help meet your goals
Retirement Pathfinder® Get answers to your questions:

• Can I retire when I planned?
• How much monthly income will I need?
• Am I currently saving enough?
• Is it possible to guarantee my retirement income?
• Will I outlive my retirement savings?
• What happens if I die prematurely?
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Enter User ID and Password
TEXT (512) 831-2112

Your Name
Worksite Name

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Kevin Konkal
Financial Advisor
Cell: (512) 831-2112
Email: Kevin.Konkal@aig.com

District Office: (972) 383-7208
2745 Dallas Pkwy, Ste 480, Plano, TX 75093
Bear in mind investment involves risk, including possible loss of principal.

Withdrawals may be subject to federal and/or state income taxes. A 10% federal early withdrawal tax penalty may apply if taken before age 59½ in addition to ordinary income tax.

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Thank you!

Bob Johnston, CLU, FLMI
Retirement Plan Consultant