CHAPTER 23: Retirement Planning

Introduction

Planning for your retirement can be a difficult task, especially if you are unaware of what options are available to you, or you are not sure what steps you need to take to get there. This two-hour session will introduce the basic concepts of retirement planning, including the military retirement system and the Thrift Savings Plan (TSP). It is designed to provide Marines with the knowledge and skills necessary to estimate their own retirement needs, make informed decisions about military retirement plans, and understand what is needed to build personal savings and investments. Due to the complexity of the material, it is recommended that the instructor be thoroughly familiar with the content. Additionally, the instructor should complete the "Ballpark Estimate" handout before the presentation, to become familiar with the calculation process.

Learning Objectives

Upon completion of this course, learners should be able to:

- Identify the five basic steps necessary for retirement planning.
- Calculate and estimate retirement funding needs through a worksheet activity.
- Identify four sources of retirement income.
- Differentiate between Final Pay, High-3 and CSB/Redux pension plans.
- Explain the fundamentals of the Thrift Savings Plan (TSP).
- Discuss the three forms of individual retirement accounts.
- Explain the importance and functions of the Survivor Benefit Plan.
- Explain how Social Security benefits work.
- Identify resources to assist with retirement planning.

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PREPARATION AND PROCEDURES

Activities:

- "How Many Squares?" — An icebreaker activity which illustrates the learning point that things are not often what they appear to be, and to prompt participants to begin thinking about retirement from a different perspective.
- "The Ballpark Estimate" — An activity that provides participants with an opportunity to calculate the approximate amount of money they need to be saving for retirement. Use the Ballpark Estimate Worksheet created by the Employee Benefit Research Institute.

Additional Handouts:

- "The Thrift Savings Plan: Wealth Building Made Easy"
- "Compound Interest and Time (Rate of Return = 10 %)"
- "Financial Checklist for Military Retirees" from TurboTap.org
- "Military Retirement Pay Plans"
- "Retirement Planning: Five Basic Steps to Take Command of Your Future"
- "Session Evaluation"

Materials:

- Retirement Planning PowerPoint slides
- Pens, pencils and markers
- Calculators
- Chart paper or a whiteboard
- Blank paper
- Internet connection, if available

Registration:

Registration ensures that you have an adequate number of materials on hand and that guest speakers are prepared if they have handouts or giveaways for their audience. Program registrants should be contacted by phone or e-mail two to three days before the program to verify participation. Sign-in is advised to track attendance.

Target Audience:

The target audience is Marines and their family members with a basic to intermediate knowledge of personal financial management.

KEY TERMS

- **Annuity:** An insurance product that entitles the recipient to receive a fixed sum of money for a specific period of time, often for the remainder of their life.

- **Career Status Bonus (CSB)/Redux:** A retirement plan option for Marines joining on or after Aug. 1, 1986. This plan includes a cash bonus at 15 years of service.

- **Consumer Price Index (CPI):** A measure over time of the change in prices paid by urban consumers for a market basket of consumer goods and services.

- **Defined benefit plan:** An employer-sponsored retirement plan that uses a predetermined formula to calculate the benefit to the employee. The pension amount usually depends on the employee's age at retirement, salary and number of years on the job. (Military retirement is an example of a defined benefit plan.)

- **Defined contribution plan:** An employer-sponsored retirement plan that is not predetermined or guaranteed. It is based on contributions made to the account and how contributions are invested. (Thrift Savings Plan, 401(k), 403(b), and 457 plans are examples of defined contribution plans.)

- **Final Pay:** A retirement plan for Marines who entered the service before Sept. 8, 1980, that uses the last (final) pay received by an individual and multipliers for years of service.

- **High 3:** A retirement plan for Marines joining Sept. 8, 1980, through July 31, 1986, and those joining on or after Aug. 1, 1986, who elect not to take the CSB/Redux plan. The average of the highest 36 months basic pay is used to calculate the defined benefit plan using multipliers for number of years of service.

- **Individual Retirement Account (IRA):** An investment tool where individuals can earmark funds for retirement. Funds are tax-deferred until disbursement. There are many types of IRAs.

- **Required Minimum Distribution (RDM):** The minimum amounts that deferred retirement account holders must withdraw annually starting with the year the individual turns 70½. Retirement and IRA holders are subject to stiff penalties if they fail to take required RDMs.

- **Rollover IRA:** This account is used to hold assets distributed from an employer's retirement account, such as 401(k) or TSP. There is no limit to the amount that can be rolled over. The amount can then be rolled into a new employer's retirement plan.

- **Roth IRA:** A retirement plan with set financial limits that is not usually taxed as long as certain conditions are met. Funds added to the Roth IRA are taxed prior to contribution; however growth and disbursements after an individual turns 59½ are not taxed. RMDs are not required for Roth IRA.

- **Social Security (SS):** SS refers to the federal Old-Age, Survivors, and Disability Insurance (OASDI) program that encompass several social welfare and social insurance programs. It is a social insurance program that is funded through dedicated payroll taxes called Federal Insurance Contributions Act tax (FICA). The four main benefits of Social Security are benefits for retirement, disability, survivorship, and death.

- **Standard & Poor's (S&P):** One of the leading U.S.-based financial services companies. S&P publishes financial research and analysis on stocks and bonds. Known for the stock market indices, including the U.S.-based S&P 500, and the Australian S&P/ASX 200, S&P is considered to be one of the "Big Three" (credit rating agencies).

- **Survivor Benefit Plan (SBP):** The plan pays eligible survivors an inflation-adjusted monthly income after the Marine dies. If the SBP is elected upon retirement from the Marine Corps, a monthly premium must be paid by the Marine.

- **Thrift Savings Plan (TSP):** A defined-contribution plan for federal employees. It is designed to be a supplement to, not a replacement for, military retirement.

QUALITY ASSURANCE PROCEDURES

To assure accurate and current information as well as a quality presentation:

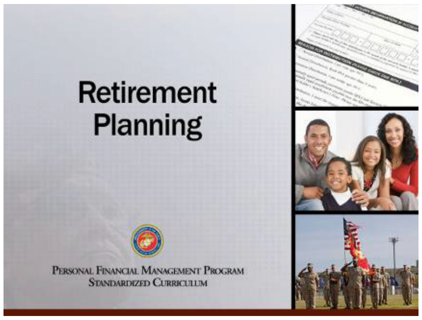
- Headquarters (HQ) and installation PFMs will review the curriculum annually or when there have been consequential changes to content regarding laws, regulations or military programs that could have a significant impact on Marines and their families. HQ will then update the curriculum.
- Distribute session evaluations to participants at the end of each workshop. Results should be tabulated and retained to measure the effectiveness of information provided at the session, in the program content, and of the delivery of the presentation.

CONTENT OUTLINE (2 HOURS TOTAL)

1. Welcome and Introduction (10 minutes)
    a. Overview: Topics
    b. How Many Squares?
    c. Retirement Planning and Financial Success
2. What Are You Planning For? (5 minutes)
3. Retirement Planning Steps (45 minutes)
    a. Step 1: Consider the Factors
    b. Pre-retirement Income and Future Retirement Lifestyle
    c. Retirement Date
    d. Life Expectancy
    e. Compound Interest and Time
    f. Step 2: Calculate Income Needed
    g. Example: Gunnery Sergeant Tasker
    h. How Much Needs to be Saved?
    i. The Ballpark Estimate
    j. Step 3: Commit to the Goals
    k. Committing Mentally
    l. Committing Financially
4. Employer-Provided Pensions (10 minutes)
5. Military Retirement Plans (25 minutes)
    a. Final Pay
    b. High-3
    c. The CSB/Redux Plan
    d. Military Retirement Multipliers
    e. CSB: To Save or Spend?
    f. High-3 vs. CSB/Redux
    g. To Help You Decide

   h. Life Insurance Decisions
   i. Thrift Savings Plan
   j. TSP: Contribution Amounts
6. Personal Savings and Investments (10 minutes)
   a. Traditional IRA
   b. Rollover IRA
   c. Roth IRA
   d. Annuity
   e. Required Minimum Distribution
7. The Final Steps: Re-evaluate and Revise (5 minutes)
8. Making Your Retirement Last (5 minutes)
9. Resources and Summary (5 minutes)

SLIDE 1: INTRODUCTION



SLIDE 2: OVERVIEW: TOPICS

INSTRUCTOR NOTES:

1. Introduce yourself and have the audience introduce themselves.
2. Introduce the topics to be covered in this session.

SECTION BACKGROUND INFORMATION

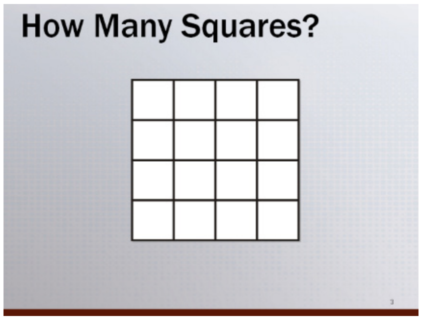
The importance of retirement planning cannot be overstated. Retirement planning begins with setting clearly defined life goals early in life and putting together a financial plan to achieve those goals prior to retirement.

Although final retirement may seem far in the future, the earlier you start planning for it, the easier it will be. In fact, the best time to begin planning for retirement is when you first start earning income, because that is when you begin to have access to some of the excellent retirement programs that are available, including employer-provided pensions, IRAs and the Thrift Savings Plan. Additionally, the earlier you start saving for retirement, the less you have to put away, because time is on your side.

This session will provide you with an introduction to retirement planning, including information on the retirement planning steps, and resources that are available to assist you in the planning process. Additionally, it will also provide you with the knowledge and skills necessary to:

- Estimate your own retirement needs.
- Make informed decisions about employee-provided pensions and military retirement plans.
- Understand what is needed to build personal savings and investments.
- Understand the basics of Social Security Retirement Benefits.

SLIDE 3: HOW MANY SQUARES?



INSTRUCTOR NOTES:

1. Conduct the learner activity described below.
2. Use the information in the column to the right to guide your discussion.

Learner Activity: How Many Squares?

Purpose: A brief icebreaker activity to illustrate the learning point that things are not often what they appear to be, and to prompt participants to begin thinking about retirement from a different perspective.

Time: 3 minutes

Materials: None

Procedure: Display Slide 3 and ask participants to tell you how many squares they see on the slide. Most individuals will only see the obvious 16 individual squares displayed on the slide. Accept all responses. Explain to participants that there are actually 30 squares. Point out all the squares that are formed, (vertically, horizontally and diagonally). Ask the participants why they think they could not see all the squares beforehand, and ask them whether they can see them all now.

SECTION BACKGROUND INFORMATION

Often in life, situations are not always what they appear to be. The same can be said for retirement planning as well.

Creating a successful retirement plan, that is also financially sound, is not as complicated as it may seem. It can however, be a simple or complex process, depending on your perspective.

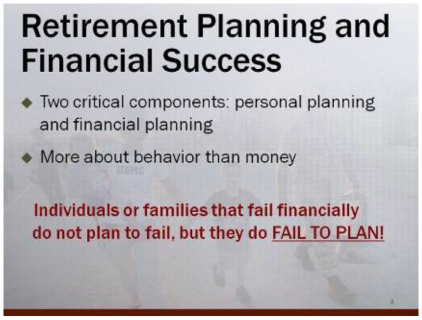
When you look at this slide, how many squares do you see? Many of us readily see the 16 smaller squares that are most apparent, but have difficulty seeing beyond that to find the others. However, when pointed out to us, we are then able to re-frame our thinking and can better understand and see where the other squares are located.

As you can now see, there are many other squares that can be formed inside (horizontally, vertically, and diagonally), and around, the 16 smaller squares. This gives us an actual count of 30 total squares.

This illustrates a very important point: Things are often not what they appear to be, and sometimes you need someone to show you a different perspective in order for you to have a better understanding.

This is exactly what this presentation will do – open your eyes to new options and new ways of thinking about retirement. As you'll see, with a little thought and planning, a successful retirement can become a reality and not just a dream.

SLIDE 4: RETIREMENT PLANNING AND FINANCIAL SUCCESS



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Retirement planning is a comprehensive process to help determine the amount of money an individual will need when he or she retires. In addition, it helps an individual identify the best ways to save for retirement.

There are two critical components to retirement income planning:

- **Personal planning:** Personal planning is important because it helps determine your satisfaction with your retirement lifestyle. Do you want to travel, go back to school, start a business, take up that special hobby, move to a warmer climate, etc.? These lifestyle questions are important factors to consider when planning for retirement.

- **Financial planning:** Financial planning is important because it identifies your sources of income and expenses and establishes your retirement budget. Will you have enough funds to enjoy the lifestyle you envision at retirement?

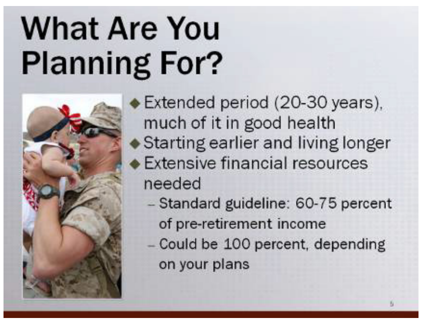
  For most of us, the amount of actual dollars we have is less important than what our overall future lifestyle will be like. This may or may not involve retirement (which for most of us is a long way off). What is really at stake though, is our future financial independence.

  - **Financial independence:** When you have most of your bills paid for, can buy what you want (within reason) and — the big item — you don't have to get up and go to work in the morning unless you feel like it. That is a goal most of us can all share!

When talking about retirement, and an individual's success or failure with money, it quickly becomes apparent that success is much less dependent on the amount of money an individual has and more so on what they do with what they have. In other words, a good retirement plan and financial success is about behavior more than it is about money. Remember:

Individuals or families that fail financially do not plan to fail, but they do fail to plan.

SLIDE 5: WHAT ARE YOU PLANNING FOR?



INSTRUCTOR NOTES:

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SECTION BACKGROUND INFORMATION

There was a time, not too long ago, when retiring from work meant a short period of ill health followed by death. People did not live long after retiring from active employment. Retirement usually lasted five to 10 years at most and was spent living with extended family members or possibly in a sparsely equipped retirement home. Limited financial resources were required, usually 60 – 75 percent of pre-retirement income.

What to expect today: Today's retirees can expect a quite different story:

- An extended period of retirement, possibly 20 to 30 years, much of it in good health.
- To start retirement earlier and live longer than their parents or grandparents.
- To need extensive financial resources, often beyond what a pension and Social Security can provide.

In the future, it may be common for a Marine retiree to spend more years in full retirement than he or she did while on active duty!

Standard guideline: In the old version of retirement planning a standard guideline to estimate how much money is needed after retirement is to use 60 percent to 75 percent of pre-retirement income as a starting point. With longer lives, better health, and early retirement, many financial planners are now urging people to realize they may need 100 percent of their pre-retirement income, at least in the early years of retirement.

SLIDE 6: RETIREMENT PLANNING STEPS

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Retirement Planning: Five Basic Steps to Take Command of Your Future" handout to the participants. Invite the participants to use the handout as a guide, and for note taking, as each topic is discussed throughout the session. Point out that all websites discussed in the presentation are included at the bottom of the handout.

SECTION BACKGROUND INFORMATION

The five basic steps of retirement planning:

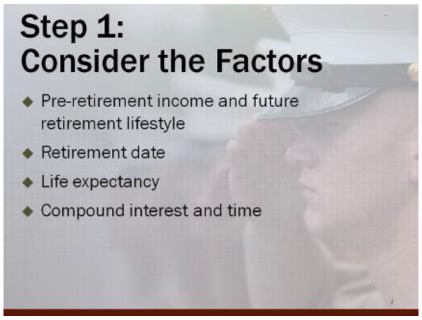
The model on the "Retirement Planning: Five Basic Steps to Take Command of Your Future" handout shows the steps that individuals should take to ensure they meet their retirement goals.

These basic steps are:

1. Consider the factors.
2. Calculate the income needed.
3. Commit to the goals.
4. Re-evaluate.
5. Revise.

Throughout the remainder of this session, each of the five steps will be expounded upon in greater detail.

SLIDE 7: STEP 1: CONSIDER THE FACTORS



INSTRUCTOR NOTES:

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SECTION BACKGROUND INFORMATION

When planning for retirement, calculating the amount of money you need can be a daunting task, since a variety of factors will likely affect your answer.

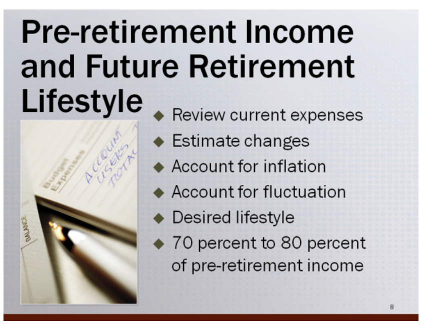
Although many factors should be considered when determining an accurate savings goal, the most important ones to consider are those that will provide financial far-sightedness.

These include:

- Pre-retirement income and future retirement lifestyle
- Retirement date
- Life expectancy
- Compound interest and time

Let's take a closer look at each of these factors individually.

SLIDE 8: PRE-RETIREMENT INCOME AND FUTURE RETIREMENT LIFESTYLE



INSTRUCTOR NOTES:

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SECTION BACKGROUND INFORMATION

When trying to determine how much income you want during retirement, the best place to start is with your projected retirement lifestyle. Also factor in your annual pay just before you retire (this is your "pre-retirement" income) and whether or not this income supports the lifestyle you desire in retirement.

To determine the specific amount of income you will need, especially if you are close to retirement (within 10 to 15 years), review your current expenses, estimate changes in expenses and income, account for inflation, and estimate fluctuations in expenses during retirement (such as paying off a mortgage, etc.).

The new standard guideline used as an amount you will need during retirement is 70 percent to 80 percent of your pre-retirement income but you may prefer to aim higher depending on your goals and standard of living. Although this is an arbitrary number, the younger you are, the more difficult it is to get a good estimate of retirement needs, so this guideline provides you with a great place to start.

SLIDE 9: RETIREMENT DATE

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

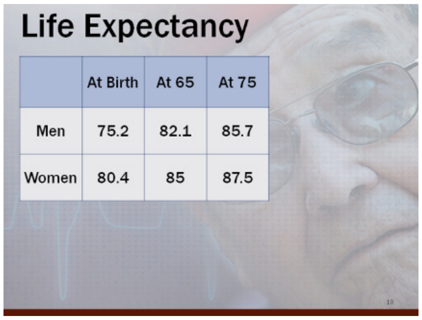
SECTION BACKGROUND INFORMATION

After you have determined the amount of income you will need, estimate a retirement date. Retirement from the Marine Corps is not "retirement" as we normally think of retirement. Most Marines go on to work a second career following their military service. Others may leave the Marines before they are eligible for retirement from military service. These are all factors you should consider when calculating your retirement date.

- **When will you retire from earning income?** Traditionally, retirement has occurred somewhere between the ages of 62 to 67. These ages are based on the time frame when Social Security benefits become available. However, maybe you will not want to retire at all but plan on continuing to earn some level of income as long as you can.
- **Do you want to retire earlier?** Retiring early, of course, would mean saving more in your younger years.

To begin planning, you need to pick a retirement date. If the date changes over time that is OK, because the last two steps in retirement planning are to re-evaluate your plan and revise it as things change.

SLIDE 10: LIFE EXPECTANCY



INSTRUCTOR NOTES:

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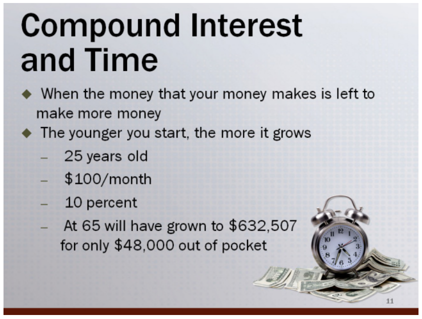
SECTION BACKGROUND INFORMATION

After choosing the date of retirement, take some time to consider how long you might live and therefore how long your money needs to last. Our continuing commitment to good health and long life has prompted some financial planners to plan all the way out to 100 years of age for some clients. If that seems extreme, there are websites with calculators that attempt to determine how long you will live. However, for our purposes, the data from the federal Center for Disease Control and Prevention (CDC), (February 2007) is adequate:

	At Birth	At 65	At 75
Men	75.2	82.1	85.7
Women	80.4	85	87.5

This chart shows that at birth, the life expectancy of men is 75.2 years and for women, 80.4. The older you are, the longer you are expected to live. For people who have reached age 65, the life expectancy increases for men to 82.1 years and for women to 85. For people who have reached age 75, the life expectancy is 85.7 years for men and 87.8 for women. We can use these statistics to make some logical assumptions about how long we might live.

SLIDE 11: COMPOUND INTEREST AND TIME



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Compound Interest and Time (Rate of Return = 10%)" handout to the participants. If participants have difficulty understanding the 10 percent rate of return on the handout, explain that it is an average return over time including the effects of inflation.
3. Provide the following example, if needed: According to Standard and Poor's, a leading U.S.-based financial services company, the average annual compounded rate of return for the S&P 500 (including reinvestment of dividends), from January 1970 to December 2009 was 10.1 percent. Even during the Great Depression, the average annual compounded rate of return from 1926 to 2008 was 9.68 percent. Source: http://www.standardandpoors.com

SECTION BACKGROUND INFORMATION

Compound interest, simply defined, is when the money that your money makes is left to make more money.

Example: If a 25-year-old invests $100 each month for 40 years (a total of $48,000 out of pocket), and that money grows at a compounded average rate of return of 10 percent per year, (provided no money is ever taken out of the account), that individual will have, at age 65, $632,507. That is a tremendous amount of money for an easy $100 per month.

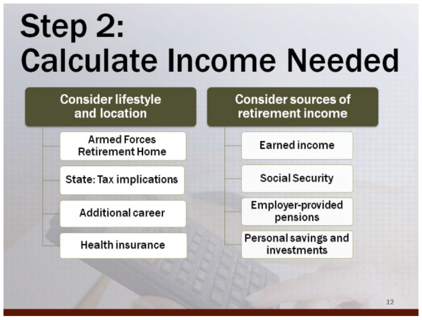
"Compound Interest and Time (Rate of Return = 10%)" handout: This handout shows four different plans to grow money. Looking at Plan A, you can see another example of the magic of compound interest and time. In this example, a 21-year-old has invested $3,000 per year ($250 per month) for six years, a total out-of-pocket expense of $18,000. If the money is left alone to grow at a rate of 10 percent, the investor would have over $1 million at age 65. You can see the power of starting early and leaving your money alone to grow at a good rate of return.

Compound interest and time is the fourth factor to consider as you prepare to estimate your retirement needs:

- How soon can you start?
- How much can you save?
- What rate of return can you get?

With discipline and a long-term attitude, your money will grow!

SLIDE 12: STEP 2: CALCULATE INCOME NEEDED



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Once you have determined when you want to retire and have considered all the relevant factors, you are ready to proceed to the second step of retirement planning: Calculate the income you will need and determine how much you have to save each month (or year) to reach your goal.

Lifestyle and location: How much you will need for retirement will depend upon, among other things, what kind of lifestyle you want to have when you retire, as well as the location you plan to live.

- Will you live in an Armed Forces Retirement Home? Armed Forces Retirement Homes have specific rules for eligibility such as requiring 20 years of active duty service, veterans with a service-connected disability, or those who are unable to earn a livelihood in connection to serving in a war theater or received hostile fire pay. Rank during service may be connected to eligibility as well. If this is an option you wish to pursue, research the eligibility requirements for the various types of Armed Forces Retirement Homes.
- What taxes are involved in the state in which you plan to retire? Several states have no state tax. Some states have exemptions for taxation of military retirement pay. It is wise to research where you plan to retire to fully understand the tax implications when it comes to retirement income.
- Do you plan to have a career following your retirement from the Marine Corps?
- What health care insurance will you and your dependents participate? The location you choose for retirement years may influence this decision. Will you be near a Veteran’s hospital, a local military installation, or do you choose to use professionals not affiliated with TRICARE?

Retired Marines and their families may be eligible for: TRICARE Prime (enrollment fees apply), TRICARE Standard and Extra, US Family Healthcare (in specific U.S. locations), TRICARE For Life (with Medicare Part A & Part B), TRICARE Standard Overseas, and TRICARE Retiree Dental Program. After the age of 65 TRICARE enrollment also requires enrollment in Medicare B. It is important to research your choices when it comes to healthcare plans and the costs associated when planning for retirement.

Sources of retirement income: It is also important to consider the sources of your retirement income. There are generally four sources:

- Earned income, (if you choose or need to continue working).
- Social Security.
- Employer-provided pensions.
- Personal savings and investments.

Retirement income rarely comes from all four sources equally. Let's look at an example.

SLIDE 13: EXAMPLE: GUNNERY SERGEANT TASKER

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Gunnery Sergeant Tasker is an E-7 retiring from the Marine Corps in 2012 after 20 years of service. He has used the OSD Military Compensation website to calculate his retirement benefits from Marine Corps Service. He used an inflation rate of 2%, annual active duty pay raise of 2%, and tax rate of 22% to calculate his benefits which will begin upon his retirement from the Marine Corps. Cost of Living Adjustments (COLA) are calculated for you when using this online calculator. (http://militarypay.defense.gov/mpcalcs/Calculators/FinalPayHigh3Result.aspx)

He used the Social Security Benefit calculator to find out approximately what his benefit would be if he continued working until January 2040, at age 68. (http://www.ssa.gov/oact/quickcalc/)

When he retires at age 68, he has decided to plan for a 22-year retirement (when he will reach age 90). He has estimated needing $65,000 (in today's money) at retirement. The gunnery sergeant estimates his annual income (using today's money) as follows:

- $24,379 from his military pension plan.
- $21,936 from Social Security.

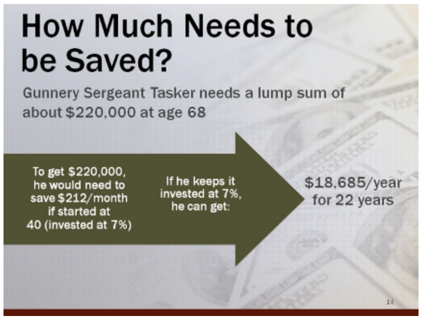
That leaves a gap of $18,685 that will need to come from personal savings and investments or continued employment.

Distribution of retirement income: Based on this scenario, Gunnery Sergeant Tasker's sources of retirement income would be distributed as follows:

- 38 percent from employer-provided pensions.
- 34 percent from Social Security.
- 28 percent from personal savings and investments, earned income, or a combination of the two.

The next question that needs to be answered is, *"How much does he need to save each month, (between retiring from the Marine Corps and retiring for good), to be able to fill the gap of $18,685 a year?"*

SLIDE 14: HOW MUCH NEEDS TO BE SAVED?



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

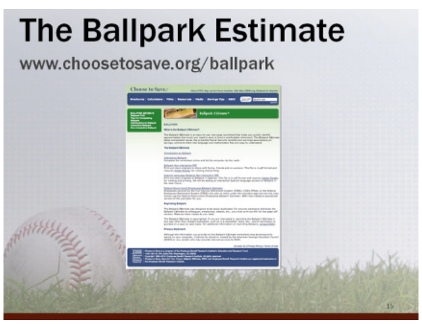
SECTION BACKGROUND INFORMATION

Calculations show that if Gunnery Sergeant Tasker had a lump sum of $220,000 and invested it at 7 percent, he would be able to withdraw $18,685 a year from it and have it last 22 years.

If he started at age 40, he would need to save $211.81 each month, invested at 7 percent, to have it grow to the needed $220,000. Savings invested at 3% income would need to be $418.59 to reach the same financial goal of $220,000. Of course, if Gunnery Sergeant Tasker had started a bit earlier in his life, he would need to save a lot less.

Now that you understand the various factors that go into calculating retirement income, it is time to work on estimating your own retirement needs.

SLIDE 15: THE BALLPARK ESTIMATE



INSTRUCTOR NOTES:

1. Discuss the Ballpark Estimate slide using the information in the column to the right.
2. Conduct the activity described below.

Learner Activity: The Ballpark Estimate

Purpose: To provide participants with an opportunity to complete the Ballpark Estimate worksheet and calculate what they need to be saving for retirement.

SECTION BACKGROUND INFORMATION

Planning and saving for retirement can be complex and challenging. To simplify the process and help you estimate your own retirement needs, the American Savings Education Council (ASEC) developed a planning and savings tool that can help: the “Ballpark Estimate” worksheet.

By simplifying some issues, such as projected Social Security benefits and earnings assumptions on savings, the Ballpark Estimate offers users a way to obtain a rough first estimate of what Americans need for retirement.

It is important to reiterate that planning for retirement is not a “one-size-fits-all” process. The purpose of the Ballpark Estimate worksheet is to simply provide you with a basic idea of the amount of savings you will need when you retire.

Marines should complete a Ballpark Estimate worksheet every few years or when significant life-cycle events occur, such as new employment, marriage, children, divorce, death, etc.

Time: 20 minutes

Materials: Internet connection if available, pencils, and the Ballpark Estimate Worksheet created by the Employee Benefit Research Institute.

Procedure: Distribute the Ballpark Estimate Worksheet created by the Employee Benefit Research Institute to each participant. If an Internet connection is available in the classroom, (to provide a live demonstration of the worksheet), go to www.choosetosave.org and click on the "Ballpark Estimate" link. If the Internet is not available, refer participants to the handout.

Discussion: Explain to participants they will walk out of this session today with a basic idea of the amount they need to be saving for retirement. This estimate will enable them to start saving for retirement today! For any participants already saving, this estimate will show them if they are on track to meet their retirement goals. If time permits, the instructor can choose to read through the opening information on the handout. If not, proceed directly to Step 1 and walk participants through the calculations. The steps can be completed as a group, or participants can complete them individually. If completed individually, the instructor should circulate and provide assistance as needed.

Complete Steps 1 through 6, and remind participants the total amount in Step 6 is an annual amount. For a monthly amount, divide by 12. When An interactive version of the Ballpark Estimate worksheet, tips for completing the worksheet, and a Ballpark FAQ are available on ASEC's website, www.asec.org, and www.choosetosave.org.

completed, ask the class whether they found it difficult, and whether they found it helpful. Ask if they were surprised by the results and what they plan to do, if anything, about the results. Congratulate everyone for taking this important step in retirement planning. Explain that it is an estimate and that as they get closer to retirement, they should be able to focus on more specific numbers.

SLIDE 16: STEP 3: COMMIT TO THE GOALS

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Once you know how much you need to save and invest, you must commit to the goal, both mentally and financially. Remember, financial success rarely is about the amount of money you have, and it is always about your behavior. So commit now to the behavior that will put you in command of your retirement.

SLIDE 17: COMMITTING MENTALLY

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

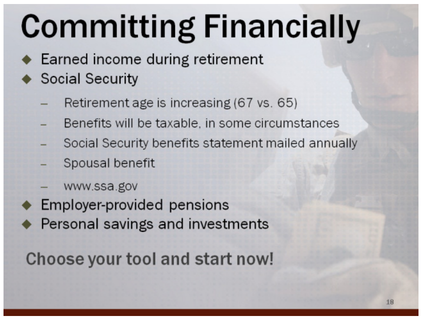
Understand the power of starting early: You have seen examples of the power of compound interest and time. You should now also understand the importance of starting early. The earlier you begin to save and invest for a specific goal, the less you need to put away, since compound interest and time will do the rest.

Pay yourself first: This means paying from the top of your paycheck, not the bottom.

Make regular, disciplined investments: Make savings a priority. The easiest way to do this is to set up an allotment, or establish contributions to the Thrift Savings Plan (TSP). This will establish a habit of regular, disciplined investments. Now you are behaving like a millionaire!

Understand the consequences of inaction: Finally, think long and hard about the consequences of inaction. Talk to senior members of your command and ask them about their investing experiences. Ask trusted family members and friends about how they prepare for retirement. Chances are more than a few of them will tell you they wished they had started earlier. When you wait to invest, it means that you have to dedicate a lot more money to your plan later in life. If you choose not to do anything at all, be assured that statistically things do not take care of themselves. About 25 percent of retired Americans have to continue working to maintain a nominal standard of living. Social Security, although still a part of retirement planning, is a shrinking part, and it is not available until later in life.

SLIDE 18: COMMITTING FINANCIALLY



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Committing financially means choosing the appropriate retirement tool and beginning to save and invest immediately. As mentioned earlier, there are four sources of retirement income:

- Earned income during retirement.
- Social Security.
- Employer-provided pensions.
- Personal savings and investments.

Earned income: It is not necessary to spend a lot of time on earned income, as it is generally hoped that you will have enough of other financial resources so that you can choose not to work, if you want to. Keep in mind however, the statistic mentioned earlier, (about 25 percent of "retired" Americans) are not really retired at all, because they still have to work.

Social Security: Social Security remains an important part of retirement planning for most Americans. The age for receiving full benefits is now 67 for anyone born 1960 or later. At least some Social Security benefits will be taxable for most military retirees. No matter what the full retirement age is, you may start receiving your benefits as early as age 62. You may choose to delay retirement benefits past age 67. Benefits will automatically increase each year you delay up until you start receiving benefits or until you reach age 70.

Social Security Spousal Benefits: Even if he or she has never worked under Social Security, your spouse can begin collecting the benefits as early as age 62. However, the earlier they collect the amount will be permanently reduced. They can qualify on your record for Medicare at age 65 and can receive a benefit equal to one-half of your full retirement amount if they start receiving benefits at their full retirement age. The benefits for your spouse do not include any delayed retirement credits you may receive. The spouse who is caring for your child, who is also receiving benefits, can receive the spouse's benefit no matter what the spouse's age. However, once the child reaches age 16 the spousal benefits stop unless the spouse is age 62 or older.

There are special rules regarding if the spouse works, whether they will receive a pension, limits on the amount paid to family members if a child qualifies for benefits, if a divorced spouse and more.

Benefits paid to your spouse will not decrease your retirement benefit. In fact, the value of the benefits he or she may receive, added to your own, may help you decide if taking your benefits sooner may be more advantageous.

Individuals should obtain a copy of their personal Social Security Benefits Statement as part of their retirement planning. The Social Security Administration mails a copy to everyone around the time of their birthday. You may also request one by phone or by visiting www.ssa.gov. You can review a rough estimate of your future benefits from this website, as well as general information about Social Security.

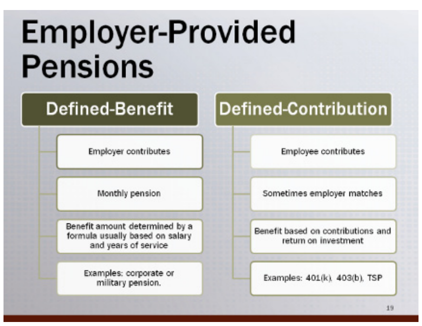
Employer Provided Pensions: These are plans made available by the employer for which you work. They include defined-benefit plans and defined-contribution plans such as 401k, 403b, TSP, SIMPLE IRA, etc. These will be discussed more in the next section.

Personal Savings and Investments: Savings implemented personally can include savings accounts, Certificates of Deposit (CD), Mutual Funds, IRA, Roth IRA, Simplified Employer Pension Plan (SEP) IRA, etc.

- **Certificate of Deposit (CD):** CDs offers a higher rate of interest than a savings account and is invested as a fixed sum of money for a fixed period of time. CDs feature federal deposit insurance up to $250,000.

- **Mutual funds:** These can offer advantages of diversification and professional management but that does involves risk and fees that may diminish a funds' return. Choosing a mutual fund should match your goals and tolerance for risk.
- **Individual Retirement Accounts (IRA):** IRAs are contributions of your money into account. A Traditional IRA may be deductible and the earnings may grow tax-deferred until retirement; whereas with a Roth IRA you've already paid taxes and your money may grow tax-free even into retirement if certain conditions are met.
- **Simplified Employer Pension Plan (SEP) IRA:** A SEP IRA is a plan for employers to make contributions toward their employee's retirement; these contributions are made directly to an IRA or annuity.

SLIDE 19: EMPLOYER-PROVIDED PENSIONS



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

There are two general categories of retirement pensions that are provided as a result of employment:

Defined-benefit plan: A defined-benefit plan is the traditional company pension plan. It is called a "defined benefit" because the ultimate retirement benefit is definite and determinable as a dollar amount, a formula based on age, salary, and number of years worked for the company, or as a percentage of wages. To determine these amounts, defined-benefit plans usually base the benefit calculation on a combination of the employee's salary and years of employment.

These plans are funded mostly by the employer, and the responsibility for the payment of the benefit and all risk on funds invested to pay out that benefit, rests with the employer. The military retirement pension is an example of a defined-benefit plan.

Defined-contribution plan: A defined-contribution plan is a qualified retirement plan in which the contribution is defined, but the ultimate benefit to be paid is not. Contributions come from the employee, and a portion may or may not be matched by the employer. In these types of plans, each participant has an individual account and often decides how their account is invested. The benefit at retirement depends on the amounts contributed, on the investment performance of that account through the years and any administrative fees.

In such plans, the investment risk may rest solely with the employee because of the opportunity to choose from a number of investment options. The contributions and earnings are not taxed until distribution. These plans take many forms and include 401(k) and 403(b) plans, Roth 401(k) and the Thrift Savings Plan (TSP), SIMPLE IRA, SEP, Employee Stock Ownership, (ESOP), and profit sharing.

- The 401(k) plan is a popular type of defined contribution plan. There are four types of 401(k) plans: traditional 401(k), safe harbor 401(k), SIMPLE 401(k), and automatic enrollment 401(k) plans. The 401(k) plan, traditional 401(k) plan work as stated above.

  The SIMPLE and safe harbor 401(k) plans have additional employer and vesting requirements.

  The automatic enrollment 401(k) plan is where employers can automatically enroll employees in a plan.

- A 403(b) plan, also known as a tax-sheltered annuity (TSA) plan, is a retirement plan for certain employees of public schools, employees of certain tax-exempt organizations, and certain ministers. You do not pay income tax on allowable contributions, earnings or gains until you begin making withdrawals and lastly you may be eligible to take a credit for elective deferrals contributions.

- A designated Roth contribution is a type of elective deferral that employees can make to their 401(k), 403(b) or governmental 457(b) retirement plan.

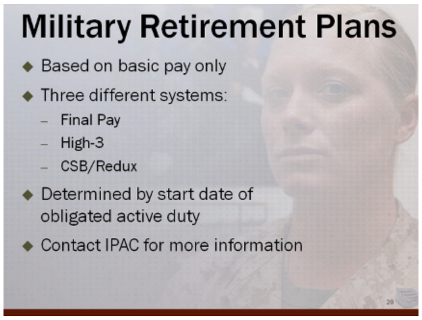
  With a designated Roth contribution, the employee irrevocably designates the deferral as an after-tax contribution that the employer must deposit into a designated Roth account. The employer includes the amount of the designated Roth contribution in the employee's gross income at the time the employee would have otherwise received the amount in cash if the employee had not made the election. It is subject to all applicable wage-withholding requirements.

  The law does not allow designated Roth contributions in SARSEP or SIMPLE IRA plans.
- The Thrift Savings Plan (TSP) is a retirement savings and investment plan for Federal employees and members of the uniformed services and offers the same types of savings and tax benefits that many private corporations offer their employees under the 401(k) plans.
- The SIMPLE IRA plan, SEP, employee stock ownership plan (ESOP), and profit sharing plan are other examples of defined contribution plans.

  The Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan may be offered by a small business with 100 or fewer employees and similar to a 401(k) plan. It can be either a SIMPLE IRA or a SIMPLE 401(k). SIMPLE IRA plans impose few administrative burdens on employers because IRAs are owned by the employees and the bank or financial institution receiving the funds does most of the paperwork. While each has some different features, including contribution limits and the availability of loans, required employer contributions are immediately 100 percent vested in both.

- Simplified Employee Pension Plan (SEP) is a plan in which the employer makes contributions on a tax-favored basis to individual retirement accounts (IRAs) owned by the employees. If certain conditions are met, the employer is not subject to the reporting and disclosure requirements of most retirement plans. Under a SEP, an IRA is set up by or for an employee to accept the employer's contributions.
- Employee Stock Ownership Plan (ESOP) invests primarily in employer stock.
- Profit Sharing allows the employer each year to determine how much to contribute to the plan (out of profits or otherwise) in cash or employer stock. The plan contains a formula for allocating the annual contribution among the participants.

SLIDE 20: MILITARY RETIREMENT PLANS



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Military Retirement Pay Plans" handout to participants.

SECTION BACKGROUND INFORMATION

The cornerstone of any career service member's retirement always has been a military pension from the government — a defined-benefit retirement plan. Most civilians believe everyone in the military can "retire on half pay after 20 years," without recognizing that retirement pay does not reflect bonuses, housing allowances and many other parts of military compensation. The military retirement plans are based on basic pay only. There are three different retirement systems currently in effect depending on your date of initial entry into military service (DIEMS):

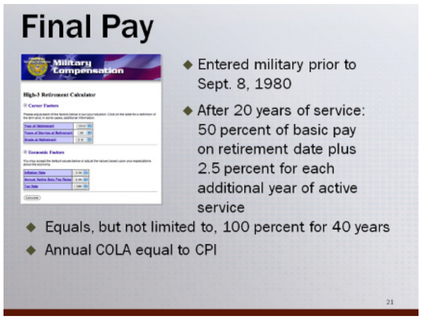
- Final Pay
- High-3
- CSB (Career Status Bonus)/Redux

The key to determining which system applies is the date the member initially obligated to begin active duty. That means, the day the individual first signed "on the dotted line." If the individual had a delayed entry, it would be the day the member originally signed up for military service. If the member had a break in service, it would be the day he or she originally signed the paperwork to join. This may be earlier than their pay entry base date if the latter has been adjusted.

For service academy graduates with no prior service, it is the date they reported to the academy. For Reserve Officers' Training Corps (ROTC) scholarships, the eligibility would be based on the start date the member commenced ROTC training, not the date of graduation/commissioning.

For situations other than those discussed here, it is best to contact your Installation Personnel Administration Center (IPAC) for more information.

SLIDE 21: FINAL PAY



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

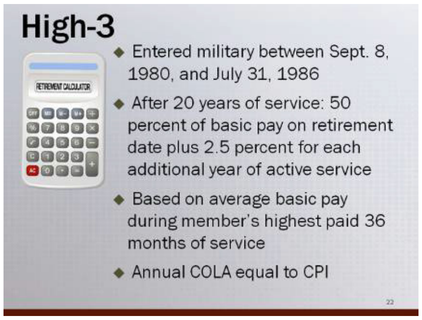
Applies to: The original retirement system applies to anyone who initially entered the military before Sept. 8, 1980.

Provisions: Individuals receive 50 percent of their monthly basic pay ("multiplier") if they retire at 20 years of service, plus 2.5 percent for each additional year of active service. This equals, but is not limited to, 100 percent for 40 years.

This plan provides an automatic annual cost-of-living adjustment (COLA) equal to the consumer price index (CPI, which is the inflation rate).

Benefits of military retirement: There is no doubt that military retirement has traditionally been a good benefit, though not quite as good as it had often been portrayed in the civilian community. Most civilians believe everyone in the military can "retire on half pay after 20 years," without recognizing that retirement pay does not reflect bonuses, housing allowances, and many other parts of military compensation. On average, military retirees can normally expect to receive between 35 percent and 40 percent of their final total entitlement (equivalent to a civilian salary) if they retire at the 20-year mark, and probably about two-thirds of their final total entitlement if they serve 30 years.

SLIDE 22: HIGH-3



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

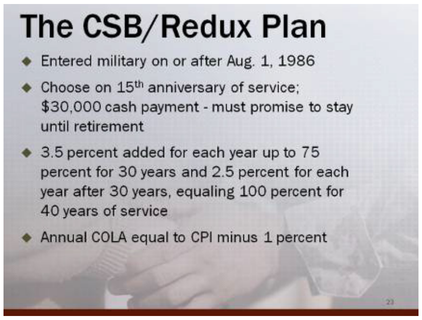
SECTION BACKGROUND INFORMATION

Applies to: This plan applies to anyone who initially came on active duty between Sept. 8, 1980, and July 31, 1986.

Provisions: The multiplier for this plan is the same as under the Final Pay plan: 50 percent of basic pay at 20 years plus 2.5 percent per year for each additional year of active service. The retired pay is figured on the average basic pay during the service member's highest-paid 36 months of service, (normally the final three years on active duty).

The COLA remains equal to the CPI. The High-3 plan results in a moderate reduction in total retirement benefits.

SLIDE 23: THE CSB/REDUX PLAN



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

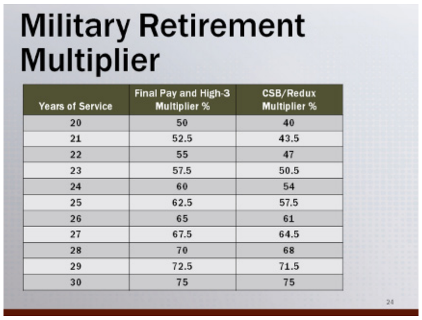
Applies to: Anyone entering on or after Aug. 1, 1986.

Provisions: On their 15th anniversary of military service, members must choose between taking the High-3 retirement plan or the Career Status Bonus (CSB)/Redux plan.

The CSB/Redux plan has significant differences from High-3:

- At year 15, members electing CSB/Redux receive the one-time $30,000 taxable Career Status Bonus. (A promise to stay until retirement is a condition of receiving the cash payment.)
- Retirement pay is still based on the average of the highest 36 months of basic pay, but the multiplier is reduced to 40 percent at 20 years of service. The longer a service member stays on active duty, the smaller the overall reduction under this plan.
- The multiplier is increased by 3.5 percent for each additional year of service, up to 75 percent for 30 years of service, and 2.5 percent for each year after 30 years. That equals 100 percent for 40 years of service.
- In addition, all annual cost-of-living adjustments are based on the CPI minus 1 percent, instead of the full COLA offered under the other plans.

SLIDE 24: MILITARY RETIREMENT MULTIPLIERS



Years of Service	Final Pay and High-3 Multiplier %	CSB/Redux Multiplier %
20	50	40
21	52.5	43.5
22	55	47
23	57.5	50.5
24	60	54
25	62.5	57.5
26	65	61
27	67.5	64.5
28	70	68
29	72.5	71.5
30	75	75

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

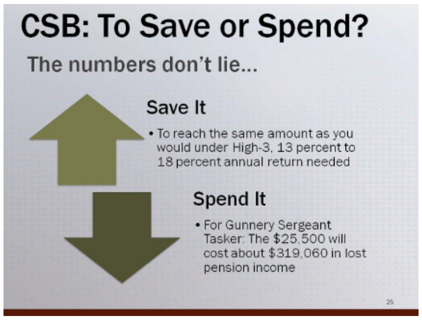
Details: Members are given a six-month window to decide between the High-3 plan and CSB/Redux. The window begins at the 14½-year point. The decision must be made, and becomes irrevocable, at year 15. If CSB/Redux is chosen, the CSB is paid to the member and the CSB/Redux rules are locked in at 40 percent versus 50 percent of basic pay with a 3.5 percent increase in the multiplier, and a COLA of CPI minus 1 percent.

There is a one-time catch-up at age 62, where the pay under CSB/Redux is increased to the amount it would have been had the member chosen High-3.

Multiplier percentages: This chart shows the difference in the multipliers under the High-3 and CSB/Redux plans. Redux represents a substantial reduction in initial retirement benefits. The higher the grade and the lower the years of service at retirement, the greater the reduction in retirement income.

Years of Service	Final Pay and High-3 Multiplier %	CSB/Redux Multiplier %
20	50	40
21	52.5	43.5
22	55	46
23	57.5	50.5
24	60	54
25	62.5	57.5
26	65	61
27	67.5	64.5
28	70	68
29	72.5	71.5
30	75	75

SLIDE 25: CSB: TO SAVE OR SPEND?



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. It is critical that the instructor fully understand the analysis behind the CSB/Redux decision. The instructor is encouraged to review the article "The Retirement Choice," by the Center for Naval Analysis, listed in the reference section. The data discussed on this slide has been taken from this study.

SECTION BACKGROUND INFORMATION

Taking the bonus: Marines can do one of two things with the Career Status Bonus — they can save it or spend it. There is a reduction in benefits with either option.

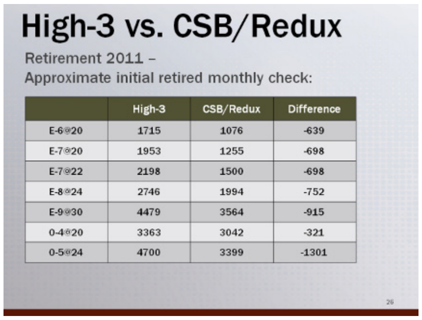
Save it: If the Marine chose to save the bonus, the money would have to be invested aggressively to come close to providing the difference in retirement pay. Most reputable financial planners will use 10 percent to 11 percent as the maximum long-term growth rate that can be expected from a diversified all-stock portfolio. In fact, for the past 81 years, the stock market has returned, on average, 10 percent per year.

A comprehensive study of the CSB/Redux option by the Center for Naval Analysis (CNA) demonstrated that, to get the same or better value from the CSB/Redux decision as you would from High-3, the bonus would need to be invested fully at a virtually unattainable rate of return of 13 percent to 18 percent, depending on pay grade and tax bracket.

Gunnery Sergeant Tasker example: As an example, let's revisit the case of Gunnery Sergeant Tasker. As you recall, Gunnery Sergeant Tasker is an E-7 retiring after 20 years. In the 15 percent tax bracket, he would need an investment rate of return of 15.5 percent to get the same amount of money as he would have gotten under High-3. Investing the money in a tax-deferred plan such as TSP was not factored in, since the TSP has risk (unlike the military pension plan, which is backed by the full faith and credit of the U.S. government), and is not inflation protected.

Spend it: If Gunnery Sergeant Tasker were to spend the Career Status Bonus, $25,500 after taxes, it would cost him $319,060 in lost benefits. As we can see, that does not look like a good deal.

SLIDE 26: HIGH-3 VS. CSB/REDUX



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. For background, the loan analogy used in the content is taken directly from the CNA study. As mentioned previously, instructors should read the study to fully understand the thought process and numbers behind this analogy.
3. For the purpose of this chapter, the "cost" of choosing to take CSB/Redux is compared to a loan, and the chart is presented like a "Truth-in-Lending" disclosure.

SECTION BACKGROUND INFORMATION

Look at what the choice would mean on a month-to-month and annual basis. This chart shows the approximate initial monthly retirement checks a service member will receive under High-3 and CSB/Redux (July 2011 figures). As you can see, there is a significant difference of more than $300 per month for retirement at 20 years.

	High-3	CSB/Redux	Difference
E-6@20	1,715	1076	-639
E-7@20	1953	1255	-698
E-7@22	2198	1500	-698
E-8@24	2746	1994	-752
E-9@30	4479	3564	-915
O-4@20	3363	3042	-321
O-5@24	4700	3399	-1301

Considering this comparison from the perspective of annual payments, the difference is substantial when CSB/Redux is chosen.

For an E-7 retiring with 20 years, the Year 1 annual payment under the High-3 plan is $23,432, and under CSB/Redux it is $15,060, a difference of $8,372. The difference at the 10-year point is $11,540, and at the 20-year point, due to the decreased multiplier and the COLA of CPI minus 1 percent, the difference in the annual amount is $15,951. Marines should think seriously about the substantial, long-term difference in retirement benefits before making their choice.

Other disadvantages: Besides the clear decrease in the retirement benefit amount, choosing the CSB/Redux plan also results in a reduction in survivor benefits for a surviving spouse (since those benefits are based on the retired pay amount). The

CSB is an early cash-out of your retirement plan. Think of it as a loan from your future benefits that you will spend the rest of your life repaying.

If you were shopping for a $30,000 loan, would you accept the following terms?

- **Loan amount:** $30,000.
- **Taxes:** Must be paid, reducing spendable amount to $25,500, if not less.
- **Interest rate:** Effectively 13.2 percent.
- **Term:** 40 years or death, whichever comes later
- **Total repaid amount:** If you die 40 years after retiring from active duty, you will have repaid eight to 15 times the original loan amount. (Even a 30-year mortgage at a whopping 9 percent interest rate would pay back less than three times the original loan amount. Eight to 15 times the amount is astronomical.) You can always invest the loan, but you need to find a guaranteed rate of return of 15.5 percent. But then, why borrow at all?

SLIDE 27: TO HELP YOU DECIDE

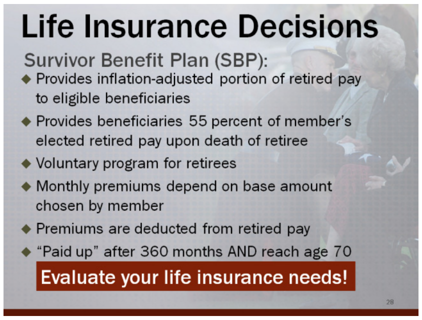
INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

To help you decide on the best military retirement plan, there are several retirement calculators available online that are designed specifically to help Marines make an educated decision. The website for the retirement calculators is listed on the "Retirement Planning: Five Basic Steps to Take Command of Your Future" handout.

SLIDE 28: LIFE INSURANCE DECISIONS



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Additional information on the SBP and determining your insurance needs can be found in the Insurance course.

SECTION BACKGROUND INFORMATION

Any military retirement-pay planning must include a bit of information on the Survivor Benefit Plan, or SBP as it is commonly referred to.

SBP is an option that is available to those retiring from the Marine Corps. The program that allows a spouse to continue receiving a portion of retired pay after the retiree dies. A member must enroll prior to retirement and will pay a premium in return for guaranteed continuation of a portion of retired pay to an eligible beneficiary. Active-duty Marines who are eligible for retirement and any active-duty Marine killed in the line of duty are automatically enrolled in SBP.

Highlights of SBP:

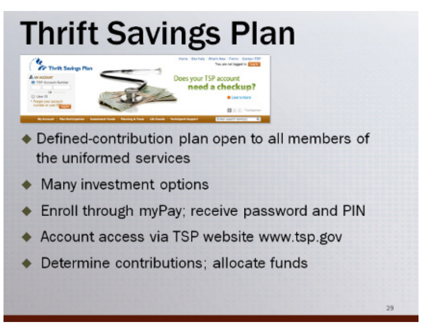
- Provides an inflation-protected portion of retired pay (in the form of an annuity) to eligible designated beneficiaries of military retirees at a reasonable cost.
- SBP provides beneficiaries 55 percent of a member's elected retired pay and it does not affect Social Security benefits.
- SBP participation is voluntary; however, the decision made by the member and spouse will have a profound effect on the family in the years ahead.
- Payment to eligible beneficiaries and monthly premiums depend on the base amount chosen by the member. The base amount is the amount upon which any payable annuity is based.
- Premiums are deducted from retired pay.
- "Paid up" after 360 months AND reach age 70.

More information on SBP can be found by talking to your installation Personal Financial Management Professional or on the Defense and Finance Accounting Service (DFAS) website at: www.dod.mil/dfas/retiredpay/survivorbenefits.

When calculating your retirement needs you will also want to evaluate your life insurance needs. As a Marine you are covered by Servicemembers' Group Life Insurance (SGLI). SGLI can be transferred when leaving the service to Veterans' Group Life Insurance (VGLI) which is a 5-year renewable term insurance. Other life insurance policies can be considered.

It is important to calculate the needs of dependents when choosing insurance, as well as debts that may be owed. Life insurance needs may be higher or lower depending on many factors. As you age the insurance needs to support your family may decrease as your children become independent or if your home is paid for. Costs may increase if you have taken on the debt of a new home or if the needs of the surviving spouse will include extended health care needs, etc. It is important to realize that life insurance needs are likely to change throughout retirement, as well as the beneficiaries that you designate on your policy(ies). Attend our insurance course for more information on determining insurance needs.

SLIDE 29: THRIFT SAVINGS PLAN



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "The Thrift Savings Plan: Wealth Building Made Easy" handout to participants.

SECTION BACKGROUND INFORMATION

The Thrift Savings Plan (TSP) is a retirement savings and investment plan sponsored by the federal government. It is a "qualified" defined-contribution plan; therefore it has the same type of savings and tax benefits as a 401(k).

Eligibility: The TSP is open to all members of the uniformed services, active-duty and Ready Reserve. With the TSP, you choose to join or not (it is optional); you choose the contribution amount (which comes directly out of your pay); you choose the investments from six options; and you own all of your contributions and any earnings. The six options are: Life cycle Fund (L Fund) which is an appropriate mix for a particular time horizon or target retirement date, Government Securities Investment Fund (G Fund),

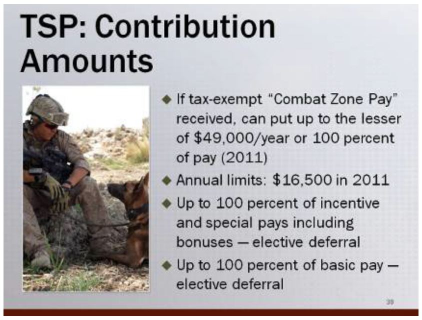
3. The instructor may choose to ask for a show of hands of those already participating in the TSP. Invite participants to share their comments on how easy it was to join, how much they miss (or do not miss) their monthly contribution, would they recommend it, etc.
4. More information on the TSP can be found in our Saving and Investing course, both Basic and Intermediate.

Fixed Income Index Investment Fund (F Fund, Common Stock Index Investment Fund (C Fund), Small Cap Stock Index Investment Fund (S Fund), and International Stock Index Investment Fund (I Fund).

Other advantages: A choice of several investments, a loan program, and flexible withdrawal options. The main advantage of TSP is that it provides a relatively easy and automatic way for Marines to build wealth for the future.

Enrollment: You can enroll in TSP via your MyPay account at any time. TSP has both a telephone customer service line (the "Thriftline") and a website (www.tsp.gov), which makes it simple to check on your TSP account and conduct transactions. After you enroll, TSP will send you a TSP account number and password. Your TSP account number and password are your secure identification for accessing your account at the TSP website and on the Thriftline. The TSP website provides timely account and plan information. Here you will find rates of return, performance history, daily share prices and fact sheets on each fund. You can view your statement online to check on the status of your account and to make changes to your account. However, to enroll in TSP or to start, change, or cancel contribution amounts, you must go through your MyPay account or complete form TSP-U-1 that can be obtained on the TSP.gov website.

SLIDE 30: TSP: CONTRIBUTION AMOUNTS



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SECTION BACKGROUND INFORMATION

Contribution amounts: Once enrolled in TSP, you can contribute up to 100 percent of your basic pay each month to the plan (elective deferral) as long as it does not exceed the total elective deferral limit of $16,500 (2011). This annual limit may be increased in later years by cost-of-living adjustments. The plan cannot accept contributions that exceed the elective deferral limit.

You can also contribute up to 100 percent of any incentive and special pays (including bonuses) up to the annual limit. When receiving tax-exempt combat-zone pay," you can contribute up to the lesser of $49,000 (2011) each year or 100 percent of pay.

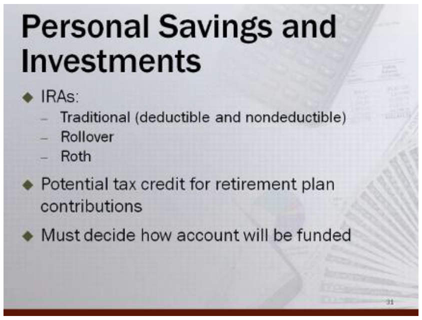
TSP Catch-up Contributions can be contributed up to $5,500 annually by participants age 50 and older. This is in addition to the $16,500 regular contribution limit.

Although many, if not most, Marines may be unsure if they will remain in the military long enough to get the defined-benefit plan, everyone can participate in TSP. It is one of the easiest retirement options that you can take advantage of immediately. In addition, there are some options in TSP that are safe, so if you are a nervous or first-time investor, TSP has something for you.

After service: After your service in the Marine Corps, you may leave your funds in TSP, roll it over into another eligible account, or withdraw funds. It may be possible to add to your TSP, depending on the career following your military service. Adding funds from qualifying accounts, such as a 401(k) from work after leaving the service, is possible. Because TSP has low fees, this may be an option for Marines to consider.

Keep in mind though, withdrawal of funds before age 59½ years will result in fees being assessed.

SLIDE 31: PERSONAL SAVINGS AND INVESTMENTS



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SECTION BACKGROUND INFORMATION

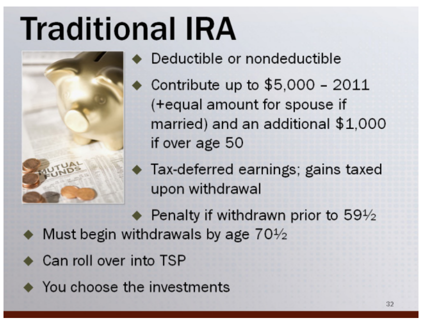
Personal savings and investments represent another critical area that is necessary to achieving a financially successful retirement. Individuals have many options, including both taxable and tax-deferred opportunities. In this session, we will focus on the most popular form of personal retirement savings, the Individual Retirement Account (IRA). The retirement IRAs include:

- Traditional (deductible and nondeductible)
- Rollover
- Roth

Tax credit: An IRA is a tax-deferred vehicle that is used to save for retirement. Money contributed to a Traditional IRA grows tax-deferred. Sometimes the amount contributed can be deducted from income taxes (if you are below certain income levels, such as when contributing to a traditional deductible IRA). Low- to Middle- income taxpayers may be eligible for a “Saver’s Credit” up to $1,000 ($2000 for couples) when contributing to retirement savings plans If you are above certain income levels, the contribution cannot be deducted (traditional nondeductible IRA); however the growth is still tax-deferred. In both traditional IRAs, you are not taxed until the money is withdrawn. In a Roth IRA, you never can deduct the contribution (therefore it is considered “after-tax” money), but you also never are taxed on the growth. In most cases, a Roth IRA is the best option.

Funding the account: For any type of IRA used, the account owner must make the decision as to which saving or investment tool will be used to fund the account. For example, a mutual fund could be designated as an IRA, and the IRA rules would apply to the money put into the mutual fund. In fact, money placed in most common investments can be designated as an IRA and thus become subject to the unique rules and regulations of the individual retirement account. For new investors, it is important to gain a basic level of knowledge in saving and investment products, or seek the advice of a financial professional to make a good IRA investment decision.

SLIDE 32: TRADITIONAL IRA



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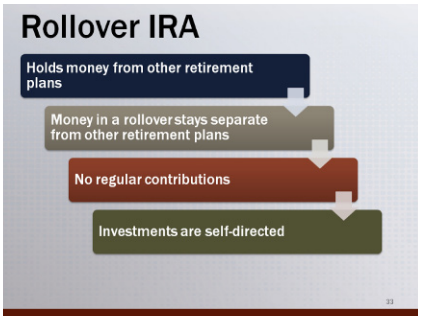
SECTION BACKGROUND INFORMATION

Traditional IRA highlights:

- Since Marines are covered by an employer-provided pension plan, a traditional IRA can be deductible or nondeductible depending on your income level. Accounts are individual, so there are no "joint" IRAs. You can, however, contribute to one for yourself and one for your spouse.
- Contributions for both traditional and Roth IRAs are limited to $5,000 per year for 2011 (or $6,000 if you are over age 50). That would be $10,000 total if making maximum contributions to your own and to your spouse's IRA.
- Earnings grow tax-deferred, and the gains are taxed upon withdrawal of IRAs.
- If the earnings are withdrawn before age 59½, there is a tax penalty assessed and taxes are due.
- Regular withdrawals must begin by age 70½ as minimum required distributions (RMD).
- Can roll over into the TSP.
- You choose the investments; in other words, the investments are "self-directed."

SLIDE 33: ROLLOVER IRA



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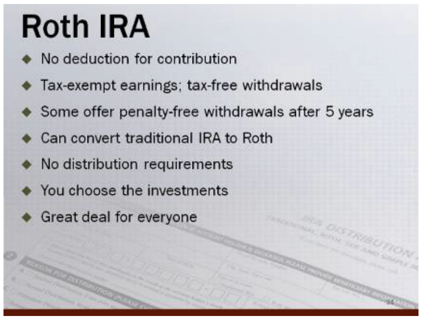
SECTION BACKGROUND INFORMATION

Rollover IRA highlights:

- A rollover IRA is a special type of IRA that holds money transferred from other retirement plans. Money from 401(k)s and 403(b)s — in fact, from any qualified retirement plan that allows it, can be rolled into this type of IRA.
- Money placed in a rollover IRA can stay in the account separate from other retirement funds or be comingled. You can make regular contributions to a rollover IRA, as well as add funds from other qualified retirement plans. It is important to separate tax-deferred funds into a rollover IRA if you plan to move the rollover IRA account into a new employer's 401(k) plan.
- A rollover IRA also is a self-directed IRA; you choose the investments.

SLIDE 34: ROTH IRA



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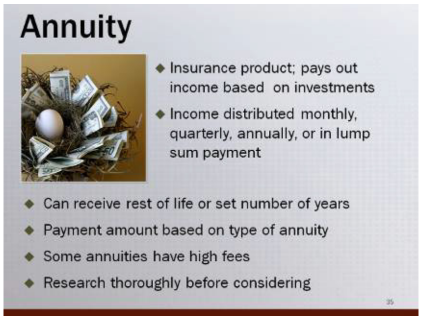
SECTION BACKGROUND INFORMATION

Roth IRA highlights:

- Money in a Roth IRA grows tax-exempt, since taxes never are due on the growth of Roth funds.
- You cannot take a tax deduction on contributions to a Roth IRA; but at retirement, all the money can be withdrawn tax-free, forever.
- Although designed for retirement, original contributions can be taken out of a Roth IRA with no taxes or penalties due at anytime.
- Traditional IRAs can be converted to Roth IRAs, but all taxes are due and payable in the year of conversion.
- Money in a Roth IRA easily can be passed to your heirs, because there are no distribution requirements.
- Self-directed IRA; you choose the investments.
- Roth IRAs are great deals for just about everyone.

SLIDE 35: ANNUITY



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SECTION BACKGROUND INFORMATION

An annuity is a type of tax deferred contract. It is an insurance product that pays out income and can be used as part of a retirement strategy. Annuities are a choice for persons who want to receive a steady income stream in retirement and have fully funded all other retirement options.

How it works:

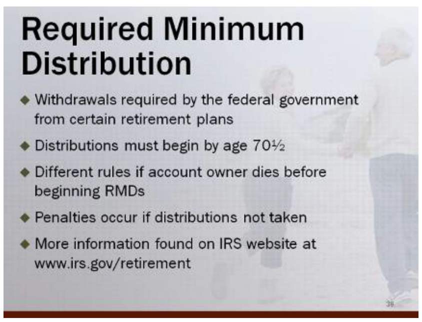
- You make a contribution in the annuity, and it then makes payments to you on a future date or series of dates.
- The income you receive from an annuity can be distributed monthly, quarterly, annually or even in a lump-sum payment. The size of your payments is determined by a variety of factors, including the length of your payment period.
- You can opt to receive payments for the rest of your life or for a set number of years.
- How much you receive depends on whether you opt for a guaranteed payout (fixed annuity) or a payout stream determined by the performance of your annuity's underlying investments (variable annuity).

A well-known example of how an annuity works is Social Security. Payments in the form of Social Security tax are paid in for a minimum of 10 years to receive benefits beginning at a designated time. Calculating whether or not an annuity is a good way to invest for retirement may be complicated.

While annuities can be useful retirement planning tools, they also can be an unwise investment for certain individuals due to the high fees that some of them have. Anyone who considers an annuity should research it thoroughly first, before deciding whether it is an appropriate investment for someone in their situation.

For the TSP, the website is an excellent source of information from a pamphlet, annuity calculator to study various payout arrangements and additional information on the investment.

SLIDE 36: REQUIRED MINIMUM DISTRIBUTION



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Specific information on rules requiring RMDs can be found on the IRS website at www.irs.gov/retirement

SECTION BACKGROUND INFORMATION

When discussing the topic of personal savings and investments, it is also important to add some brief information concerning required distributions.

Required minimum distributions (RMD) are amounts that the federal government requires you to withdraw annually from traditional IRAs and employer-sponsored retirement plans. Distributions for most retirement accounts must begin at the age 70½.

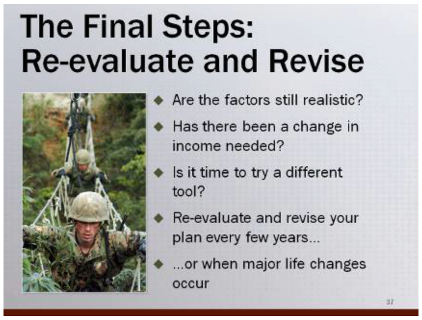
Purpose: The purpose of the RMD rules is to ensure that individuals do not accumulate retirement accounts, defer taxation, and leave these retirement funds as an inheritance. Instead, required minimum distributions force you to withdraw at least some of the funds as taxable distributions during your lifetime.

Individuals who do not take any distributions, or if the distributions are not large enough, may have to pay a 50 percent excise tax on the amount not distributed as required.

When different rules apply: If a participant in a retirement plan or an IRA account owner dies before RMDs have begun, different RMD rules apply to the beneficiary of the retirement plan account or IRA. Generally, the entire amount of the benefit must be distributed to the beneficiary either:

- Within five years of the owner's death.
- Or over the beneficiary's life starting no later than one year following the owner's death.

SLIDE 37: THE FINAL STEPS: RE-EVALUATE AND REVISE



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SECTION BACKGROUND INFORMATION

The final two steps in retirement planning are to re-evaluate your plan consistently and revise it as needed.

How do you know when your plan needs to be re-evaluated? Re-evaluating your retirement plan should happen whenever circumstances in your life change, you have excess money being withdrawn, or you do not have enough funds to cover your expenses. Before retirement, regular evaluation of your plan should be done every couple years, and more often as retirement age approaches. By re-evaluating your plan you can determine the needs you will have during retirement so that you do not run out of money. Take into consideration your military retirement pay if qualified as well as social security that will be ongoing. You will need to calculate any required minimum distributions from retirement accounts, as well as savings.

Retirement planning is a dynamic process that does not end when you take a particular action. You need to regularly assess your financial and retirement decisions. Changing personal, social, and economic factors may also require more frequent assessments.

- Are the factors still realistic? Do you have enough money to pay bills? Are your withdrawals higher than you need?
- Has there been a change in income needed? Are there expenses that were not expected: healthcare, insurance costs, vehicle, living expenses?
- Have the needs of dependent family members and debts owed changed that go into calculating life insurance needs?
- Is it time to use a different tool? Are the investment tools providing enough interest to provide for your current retirement plan so you will not run out of money?

If changes have occurred, revisit the process again:

Step 1: Consider the factors.

Step 2: Calculate your income needs — update your ballpark estimate annually or with major life changes. Work with a financial professional if necessary.

Step 3: Commit to the goals — do some serious thinking and planning before you decide to take the CSB/Redux retirement plan. Join TSP today, and commit a portion of future raises and bonuses to your retirement savings. You will not even miss it!

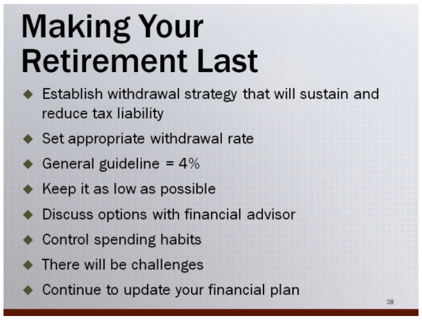
Step 4: Re-evaluate your factors periodically.

Step 5: Revise your plan to meet the needs of your new goals.

When life events affect your retirement needs, these basic steps provide a vehicle for adapting to those changes. Regularly reviewing this decision-making process will help you make priority adjustments that will bring your retirement planning goals in line with your current life situation.

Re-evaluate and revise when major life events occur and at least annually as you get within 10 years of your retirement.

SLIDE 38: MAKING YOUR RETIREMENT LAST



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SECTION BACKGROUND INFORMATION

Your withdrawal decisions during retirement can have a big impact on your portfolio's ability to last long-term during retirement. You will want to establish a withdrawal strategy that will sustain your savings over your retirement years while reducing your tax liability.

Setting a withdrawal rate that is appropriate for you based on your age can significantly contribute to making your funds last. Determining a percentage to withdraw annually is very important. A general rule of thumb is 4 percent -- assuming you live for 25 years after retirement. For example, say you have a balanced portfolio and withdraw 6 percent during an extended down turn in the market; your portfolio life may be only 18 years vs. 36 years at a 4 percent withdrawal rate.

You must consider the effect of the percentage you determine as your withdrawal rate and how it affects the life of your portfolio. If it is too high it can quickly deplete your savings especially in a downturn of the economy; a lower withdrawal rate helps to ensure that your savings will last longer.

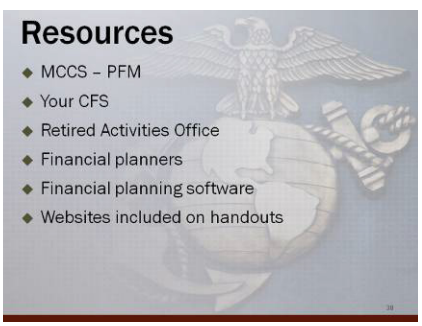
Your options after discussion with your financial advisor should take into consideration your income stream prior to determining your options. For example you may want to include a strategy that reviews your minimum required distributions (MRD), taxable accounts that may be worth less than their tax basis, selling assets in taxable accounts that generate no capital gains or capital losses, how to utilize taxable accounts or tax-deferred savings vehicles with some non-deductible or after tax contributions, or even withdrawing money from tax-deferred accounts with deductible or pre-tax contributions.

Controlling your spending habits and not overspending early in your retirement will help retain your retirement funds for future insurance, health and other cost of living issues that may arise. Review your budget and projected expenses and ask yourself if these expenses are "luxuries" that can be deferred for a year or two in order to keep your withdrawal rate in check.

During your retirement you will inevitably have challenges regarding your standard of living, insurance costs (life, long-term care, health, etc.), ongoing income tax planning, estate planning and other retirement future planning that affect your withdrawals.

It is critical that you develop and continually update your financial plan. The better you manage your withdrawal rate at the beginning and watch the economic conditions of the markets -- the better chance you will have additional funds available later in life.

SLIDE 39: RESOURCES



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Financial Checklist for Military Retirees" handout to participants.

SECTION BACKGROUND INFORMATION

There are many resources available to help Marines get started with retirement planning.

Government, military, and nonprofit agencies: These are particularly helpful resources. Their counselors are often familiar with these benefits as well.

- Your Command Financial Specialist (CFS) and the MCCS Personal Financial Management (PFM) staff should be your first stop as a resource.
- The Retired Activities Office (RAO) may have information on other resources.
- Commercial financial counselors, accountants and professionals in the civilian world, including those at Department of Defense-affiliated credit unions, offer fee-based comprehensive financial-planning services and do-it-yourself planning tools available at little or no cost.

Financial Planners: Financial Planners can help you to manage certain aspects of your financial life. They can provide an objective third party perspective when approaching planning for retirement. Not all financial planners are the same, be wary of those pushing financial products that are not in the best interest of your needs and goals.

Financial Planning Software: There is a lot of software available that can help you to plan for your retirement needs. It is important to research any program or online resource you are putting your personal financial information in to see that it is secure and safe. No retirement plan should solely be devised by use of financial planning software only. They often do not account for current realistic rates of return on investment accounts; as well failing to account for fees, taxes, and inflation. They also cannot plan life expectancy or life events that may happen to change the plan. One form of software simulation is Monte Carlo. Many different variables are calculated to account for “what if” scenarios, large stock drops, hospital bills, etc.

Internet resources: There are many retirement-planning calculators on the Internet that enable you to do at least some of your planning on your own. Remember, the results will be only as good as the data you input. Many of these calculators do not accurately reflect the effects of an inflation-adjusted employer pension, such as a military retirement check. When using any type of calculator, be sure to use realistic assumptions for inflation and rates of return. A rate of inflation of 3 percent to 4 percent per year will accurately reflect most time periods of 20 years or more. For long-term rates of return on your investments, a reputable financial planner would use, at a maximum, 9 percent to 10 percent per year before retirement, and 7 percent to 8 percent during retirement. Many calculators are automatically set for the rate of inflation and rate of return. Make sure they are realistic. Use the rates just mentioned as a guide.

SLIDE 40: SUMMARY

INSTRUCTOR NOTES:

1. Distribute the “Session Evaluation” handout to participants. Ask that they complete it and return it to you before they leave.
2. Recap the discussion you’ve had during the session.
3. Answer any remaining questions the participants may have.

SECTION BACKGROUND INFORMATION

With the steps outlined in this program, you are well on your way to building wealth and ensuring a comfortable (and affordable) retirement

To summarize: We discussed the five basic steps necessary for retirement planning and provided you with an opportunity to calculate and estimate your own individual retirement needs. We discussed the three different retirement plans that are available for Marines, as well as the pros and cons surrounding the decision to choose CSB/Redux or remain under the High-3 plan. We also introduced the Thrift Savings Plan. Finally, we presented information and resources to enable you to do your own planning for retirement.

When it comes to retirement planning, remember these important points:

- Start planning early for retirement.
- Consider factors and calculate funds needed for retirement.
- Commit funds toward retirement using investment tools.
- Re-evaluate your plan on a regular basis, especially with major life changes and as you near retirement.
- Revise your plan when needed.
- Use all the resources available to you, especially while you are on active duty.

And remember, those who fail to plan are really planning to fail. Do not fail to plan; plan to succeed. It is your choice and your future.