



RETIREMENT PLANNING

TRAINING TECHNIQUES

MODULE DESCRIPTION

Retirement Planning is a 60-90 minute interactive workshop designed to help the sailor estimate retirement needs, choose between the High-3 and CSB/Redux retirement plans, and join the TSP.

This module covers a large amount of material. The instructor should be thoroughly familiar with the content, complete a Ballpark Estimate prior to presentation (both manually and interactively), and choose which slides will be included in the presentation.

There are a total of 56 slides in the package, which includes a brief icebreaker on Slide 3, and a comprehensive TSP brief on slides 33 through 49. Slide 3 is hidden; if choosing to include the icebreaker, simply click on the box at the bottom left of slide 2 and you will automatically go to slide 3. If choosing not to include the icebreaker, simply advance your slide normally and slide 3 will be skipped.

TSP Options

Short Form: The TSP brief can be presented in three ways. The shortest way is to use only slide 33 along with the TSP brochure. Review the brochure with the participants and ask for any questions. Upon forwarding the slides, you will automatically go to the next section starting on slide 50.

Long Form: If you would like to use slides to cover the material in the brochure, on slide 33 click on the Question Mark entitled “More Information on the TSP” and slide 34 will come up. When you reach slide 42, click on the “To Benefits” button at the bottom of the slide to go to slide 47, “Benefits of the TSP”. (This method skips the information on Withdrawals, Loans and Spouse’s Rights, but the information is included in the brochure.)

Full Form: If you would like to give a comprehensive TSP brief, either within the Retirement Planning module or as a stand-alone brief, start with slide 33 and click on the Question Mark to move to the rest of the slides. On slide 42, DO NOT click on “To Benefits” and the slides will continue on in order covering Withdrawals, Loans and Spouse’s Rights and the concluding slides for TSP.

■ LEARNING OBJECTIVES

At the conclusion of this program, participants will be able to:

- Identify four sources of retirement income.
- Complete a “Ballpark Estimate” worksheet to estimate retirement funding needs.
- Differentiate between the Final Pay, High-3 and CSB/Redux pension plans.
- Explain the fundamentals of the Thrift Savings Plan.
- Differentiate between Traditional, Roth and Rollover Individual Retirement Accounts..

■ REFERENCES

- Personal Financial Management Program OPNAV 1740.5B, May 2007.
- Command Financial Specialist Training Manual, NAVPERS 15608D (or later).
- Garman, E.T. and R.E. Forgue. 2007. *Personal Finance, 9th ed.* Boston, MA: Houghton Mifflin Company.
- Goodman, J.E. 2001. *Everybody’s Money Book.* Chicago: Dearborn Trade.
- Morris, K.M. and V.B. Morris. 2002. *The Wall Street Journal Guide to Planning Your Financial Future.* New York, NY: Lightbulb Press.
- Quester, A.O., et. al. 2005. *The Retirement Choice, FY 2006.* Arlington, VA: Center for Naval Analysis.
- Quinn, J.B. 1997. *Making the Most of Your Money.* New York: Simon and Schuster.
- Stanley, T.J. and W.D. Danko. 2002. *The Millionaire Next Door.* New York, NY: MJF Books.
- Stein, M.K. 1998. *The Prosperous Retirement.* Boulder, CO: Emstco Press.
- www.defenselink.mil/militarypay/ (OSD Military Compensation)

- www.npc.navy.mil (Stay Navy website with Retirement Calculators)
- www.lifelines.navy.mil (Lifelines Services Network)
- <http://gosset.wharton.upenn.edu/~foster/mortality/perl/CalcForm.html> (Longevity Calculator)
- www.militaryonesource.com (Navy One Source Lifeworks)
- www.tsp.gov (Thrift Savings Plan of the Uniformed Services)
- www.ssa.gov (The Social Security Administration)
- www.choosetosave.org/asec
(The American Savings Education Council)
- www.smartmoney.com (SmartMoney Educational Website)
- www.financialengines.com (Financial Engines Educational Website)
- www.morningstar.com (Morningstar Mutual Fund and Financial Research Site also available on NKO)

■ MODULE PREPARATION

Handouts:

- Planning for Your Retirement
- Compound Interest and Time: Rate of Return = 10%”
- Get a Ballpark Estimate for Your Retirement Needs
(download latest version at www.choosetosave.org)
- Military Retirement Pay Plans
- Thrift Savings Plan Brochure
- Comparison of the TSP Funds (from TSP Website)
- TSP-U-1 Forms for all Participants (from TSP Website)
- Any other information from the TSP Website that is relevant and useful

Materials (varies depending on activities chosen):

- Pencils and calculators
- Computer Lab, if possible

- Classroom internet connection, if possible

■ SUMMARY OF OPTIONAL PARTICIPANT ACTIVITIES

- **How many squares?** A brief icebreaker to show people that things may not be what they seem (especially when it comes to choosing CSB/Redux).
- **Retirement Planning: Your Hole-in-One!** A quick review game of the basics of Retirement Planning.

■ CURRICULUM OUTLINE

1. Welcome and Introduction (5 minutes)
 - a. Optional Participant Activity: How Many Squares?
 - b. What are you planning for?
 - c. Five Basic Steps of Retirement Planning
 - i. Consider the Factors
 - ii. Calculate the Income Needed
 - iii. Committing to the Goals
 - iv. Reevaluate
 - v. Revise
2. Consider the Factors (10 minutes)
 - a. Pre-Retirement Income
 - b. Retirement Date
 - c. Life Expectancy
 - d. Compound Interest and Time
3. Calculate Income Needed (10-30 minutes)
 - a. Sources of Retirement Income
4. Committing to the Goals (30 minutes)
 - a. Committing Mentally

- b. Committing Financially
 - c. Employer-Provided Pensions
 - d. Military Retirement Plan (Defined Benefit)
 - e. The Survivor Benefit Plan
 - f. Thrift Savings Plan
 - g. Personal Savings and Investments
 - h. Sources of Help
5. Reevaluate and Revise (5-15 minutes)
- a. Optional Participant Activity:
Retirement Planning: Your Hole-in-One Review Game

■ INSTRUCTOR TECHNIQUES BY SLIDE NUMBER

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Optional Participant Activity: How Many Squares

Time: 3 minutes

Preparation: None

Procedure: Display slide 3 and ask participants how many squares they see. Accept all answers. The correct answer is 30. Show participants where all the squares are. Ask why they couldn't see them before and if they can see them now. Explain that things often are not what they seem, and sometimes you need someone to show you a different perspective in order for you to have a better understanding. Finish by telling them that this is exactly what this presentation will do – open their eyes to new options and new ways of thinking about retirement.

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Distribute a copy of the handout “Planning for your Retirement: Five Basic Steps to Take Command of Your Future.” Invite participants to use it as a guide as you proceed through the presentation, and to use it for note taking as well. Note that all websites mentioned during the presentation are

included at the bottom of the handout.

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Distribute a copy of the handout “Compound Interest and Time: Rate of Return = 10%” to all participants.

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For consistency’s sake, all the examples used in this module will be based on an E-7 retiring after 20 years of service.

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Participant Activity: The Ballpark Estimate

(Note: This is not an optional activity)

Time: 20 minutes

Preparation: Classroom internet hookup and computers for all participants, or one copy of the Ballpark Estimate for each participant along with pencils and calculators. Download the most recent version of the Ballpark Estimate from www.choosetosave.org/asec.

Procedure: Explain to participants that they will walk out of this session with at least a “ballpark estimate” of what they need to be saving for retirement so that they can get started right away. If they are already saving for retirement, the “Ballpark Estimate” will show them if they are on track to meet their goals. If time allows, you can read through the opening information on the Estimate; but if time is short, go right to step one and walk participants through the calculations.

Have participants complete steps one through six of the worksheet. Remind them that the total amount in step six is an annual amount and that if they want a monthly amount they should divide it by 12. You can complete the steps as a group, or participants can do it individually while you circulate and provide help as needed.

When all are completed, ask the class how they did, if they found it difficult, and if they found it helpful. Ask if anyone wants to tell how much they need to be saving to reach their goals. Commend everyone for taking this important step in retirement planning. Explain that it

is a ballpark estimate and that as they get closer to retirement they should be able to zero in on more specific numbers. Suggest to the participants that they complete a Ballpark Estimate every few years or when they have significant life events such as a new job, new children, divorce, death, etc.

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Provide each participant with a copy of the handout “Military Retirement Plans”. The handout has a copy of the chart on this slide, as well as the information from slide 25 and some helpful websites.

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It is critical that the presenter fully understand the analyses behind the CSB/Redux decision. Read the CNA article listed in the reference section and included in the Resources file on the PFMSC disk. All data have been taken from this study.

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Slide 27 shows the difference in the initial retirement check (a monthly amount). You may want to focus in on the amount for the E7@20 (Chief Tasker from the earlier example). Slides 28 and 29 show ANNUAL amounts over 20 years. Again these amounts are for an E7.

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The loan analogy comes directly from the CNA study. Read the study to fully understand the thought process and numbers behind this analogy. For purposes of this module, the “cost” of choosing to take CSB/Redux is compared to a loan, and the chart is presented like a “Truth-in-Lending” disclosure.

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SBP is not covered in this brief, but is available as a separate brief or as part of the Insurance module.

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Provide each participant with a copy of the TSP Brochure. See the opening module description (page 1) for presentation methods. Hyperlinks are used in this section to shorten or lengthen it. You can also supplement the TSP Brochure with copies of other printouts from the TSP website, including the “TSP Highlights” for the month, fund sheets, and “Comparison of the TSP Funds”. But, exercise caution that you do not overwhelm participants with information.

Be sure to provide current rates of return, available from the TSP website. Rates included in this brief are current as of June 2007.

Have TSP-U-1 forms available for all participants. Give them out to anyone who is not currently enrolled in the TSP.

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Optional Participant Activity: Retirement Planning: Your Hole-in-One

See “Introduction to the Modules: PowerPoint Games”

Retirement Planning: Your Hole in One Question Bank

1. Which is NOT a benefit of TSP?
 - A. Tax deferral on investment earnings
 - B. Opportunity to build wealth
 - C. Low administrative and investment expenses
 - D. Government Matching**
2. What is the limit for the maximum contribution to the TSP from the base pay, special pays and bonuses in 2007?
 - A. \$11,000
 - B. \$12,000
 - C. \$15,500**

- D. \$40,000
3. Which of these is NOT a source of retirement income?
- A. The lottery**
- B. Employer-provided pensions
- C. Personal savings and investments
- D. Earned income
4. What does the “L” in “L Funds” stand for?
- A. Lehman Brothers
- B. Low-risk
- C. Lean years
- D. Life cycle**
5. CSB/Redux differs from High-3 in all of these EXCEPT:
- A. CPI
- B. Amount of Basic Pay
- C. Multiplier at 30 years**
- D. Increase Rate of Multiplier
6. If you joined the Navy on August 1, 1997, you will have to make an irrevocable decision between High-3 and CSB/Redux:
- A. When you first join the service
- B. On August 1, 2007
- C. At the fifteen and a half year point
- D. On August 1, 2012**
7. True or False: If you are enrolled in the TSP you cannot have an IRA.
- False, you can have both at the same time.

8. True or False: The government does not currently match contributions to the TSP.

True, but it is still a great deal!

9. Arrange the following TSP funds in order from least to greatest risk:

F I G C S

G F C S I

10. A standard guideline for estimating pre-retirement income is:

A. 60-70%

B. 70-80%

C. 80-90%

D. 100%