



# Pension Options for Americans

*By Donald Kendig, CPA*

# The Problem

Approximately 26% of adults have no savings set aside for emergencies, while another 36% have yet to start socking away money for retirement.



# Background

- *Surveyed Toastmasters in 2015*
  - *Younger generation less inclined to believe in social security and favors independence through Defined Contribution (DC) plan.*
  - *Respondents had Bachelor Degrees or higher*
  - *All felt they were middle class (doing fine or better)*
  - *All were interested in learning more.*
  - *Some of the comments:*
    - *We all deserve a secure retirement.*
    - *The private sector does not provide enough.*
    - *Defined Benefit (DB) is inequitable in today's environment.*
    - *Defined Benefit is gamed by insiders.*



# Background

- *DC (Defined Contribution) Plan - A retirement savings program under which an employer promises certain contributions to a participant's account during employment, but with no guaranteed retirement benefit.*
- *DB (Defined Benefit) Plan - pension plan under which an employee receives a set monthly amount upon retirement, guaranteed for their life. The monthly benefit amount is based upon the participant's wages and length of service.*



# Options

- *Do nothing... and pray*
- *Qualify for Social Security... and pray*
- *Qualify for Social Security , contribute to a DC Plan... and pray*
- *Receive a pension... and relax*
- *Receive a pension, qualify for Social Security ... and enjoy retirement*
- *Receive a pension , qualify for Social Security, contribute to a DC Plan ... and **PARTY LIKE A ROCK STAR!***





# Prayerful Approaches

- *Do Nothing* – 36% are doing nothing
- *Qualify for Social Security*

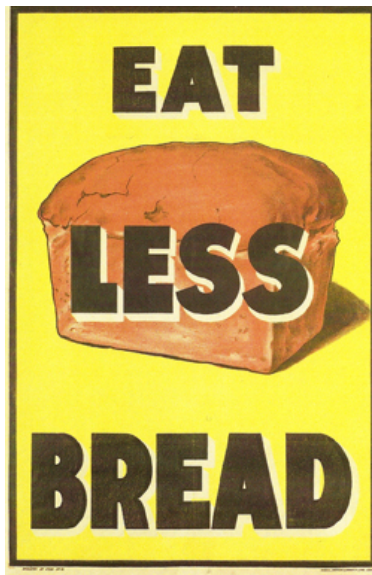


- *Contribute to a DC Plan*



# DC Plan

- *No guarantees.*
- *Saving, but are you saving enough?*
- *Do you know how to invest?*
- *How much are you paying in fees?*
- *Is your employer giving you the shaft?*



# DB Pension Plans

- *Myths:*
  - *Employees do not contribute anything*
  - *Unsustainable: simple formulas for success, just not being consistently followed*
  - *DB pension plans cost more than DC plans: DB plans pay lower fees and earn higher returns making the retirement less costly*
  - *Pensions are lavish for most employees: While pensions provide members with a monthly income for life, the majority of retirees receive modest benefits. Those receiving the larger pensions are retired firefighters and police officers who don't earn Social Security benefits, and higher earning executives.*





# DB Pension Facts

- *A pension is deferred income by an employee (that doesn't mean a deferred expense for the employer).*
- *Can attract and retain highly skilled employees.*
- *Promotes an orderly turnover.*
- *Many of the retirees (75% or so) live in the community and spend their pensions locally feeding the economy.*
- *Pensioners do not strain the social safety nets.*



# Secure Approaches

- *Receive a pension... and relax*
- *Receive a pension, qualify for Social Security... and enjoy retirement*
- *Receive a pension , qualify for Social Security, contribute to a DC Plan ... and **PARTY LIKE A ROCK STAR!***



# Handout for the Road

- *Under DB – EE shares in cost and no more COLAs.*
- *Under No. 9 – No withdrawals allowed for better success.*
- *Create No. 10.5 – Optional savings = no savings. Mandatory contributions for better success.*
- *Under No. 16 – timing is critical (emphasis added) so is luck.*

*Good Luck!*

