



AAFMAA[®]

COMPASSION • TRUST • PROTECTION

AAFMAA Wealth Management & Trust LLC

MANAGING YOUR 401K – BEST PRACTICES

Employer sponsored contribution plans such as a 401k or TSP can be powerful tool in saving for your retirement. Join AAFMAA Wealth Management & Trust for a 30 minute discussion on helpful tips and learn how some manage their plans toward a “self-directed pension fund”.



AAFMAA WEALTH MANAGEMENT & TRUST

- **OUR MISSION:** to be the premier provider of financial planning, investment management, and trust services to the American Armed Forces community.





AAFMAA WEALTH MANAGEMENT & TRUST

Focusing exclusively on the needs of the military family, we work to provide innovative, personalized, and lifestyle appropriate financial services.

Bound by a fiduciary standard - any advice or service we offer must always be in the best interest of the client.





Managing your 401k – Best Practices Agenda

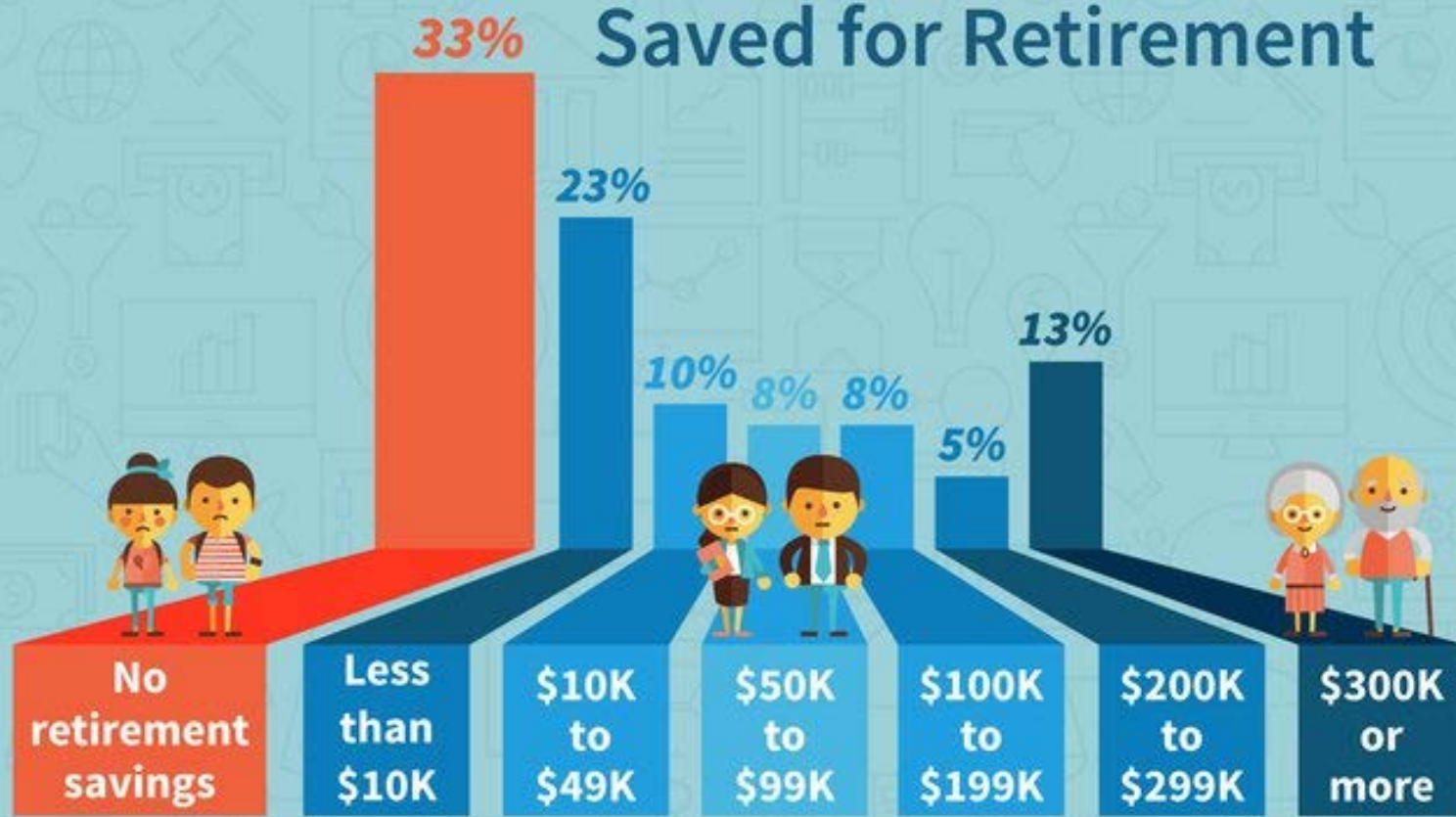
- 401k vs IRA
- Best practices on managing your 401k plan
- Setting Goals – Contribution and Distribution





WHY?

1 in 3 Americans Has \$0 Saved for Retirement



Courtesy of GOBankingRates.com

Source: <http://time.com/money/4258451/retirement-savings-survey/>



401k/IRA vs Coffee can

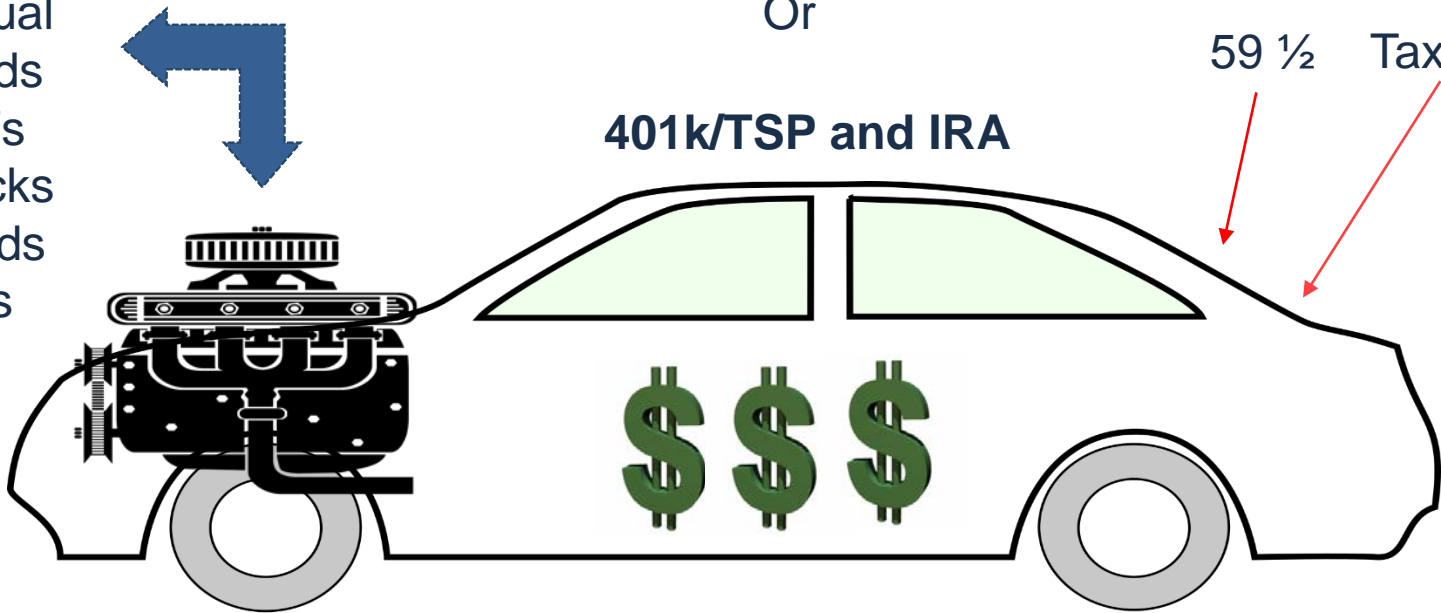


Or

401k/TSP and IRA

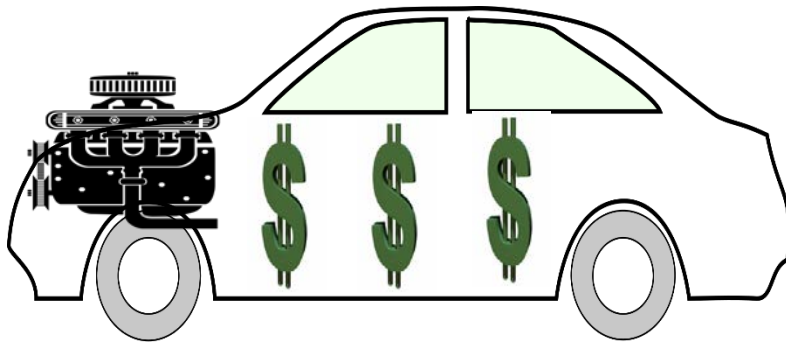
59 1/2 Taxes

- Mutual Funds
- ETFs
- Stocks
- Bonds
- CD's



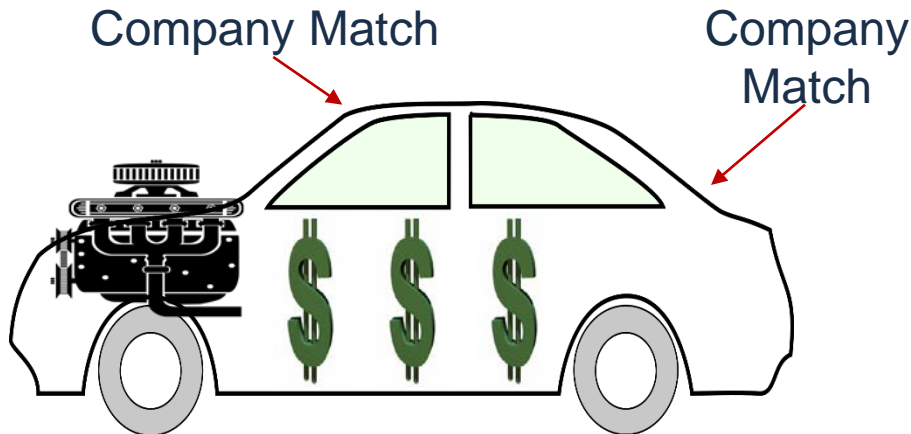


401k/TSP vs IRA



IRA

- \$5,500 Contribution limit
- Traditional & ROTH options
- Bank or Brokerage
- \$6,500 limit for over 50 or older
- Income Eligibility



401k/TSP

- \$18,500 Contribution limit
- Traditional & ROTH options
- \$24,500 limit for over 50 or older
- Employer sponsored – Matching options
- Higher income eligibility



Best Practices

- Contribute Maximum up to the Match and work up to at least 10%
- Re-Balance – Risk Tolerance and Time Horizon
- Understand the importance of index fund (as opposed to Target Date funds) – Expense management
- Diversify | Diversify | Diversify
- Set-up Automatic Annual increases
- Consult a financial professional





Setting Goals

- Jill is a 35 yr old professional earning \$100,000 a year
- 401k plan offered at employer matches 4.5% of 6% contribution (Total of 10.5% = \$10,500 annual contribution)
- Desired retirement age 66 yrs old (31 yrs until retirement)
- Life Expectancy age 85 yrs old (need retirement income to last 19 yrs)
- Assuming average 8% annual growth (compounding)
- Assuming that at retirement 80% of current income will be needed to maintain standard of living
- Assuming 2% inflation





Setting Goals (cont'd)

How much does Jill need in Retirement?

- Assuming the 80% of current income need, and adjusting for inflation (assuming 2%) she would need an annual income of roughly \$147,807 (one can use a generic online calculator to determine impact of inflation-i.e. www.calcxml.com)
- Which is about \$12,300 in monthly income
- Assuming she is eligible for \$3,500 in Social Security benefits at the age of 66 (inflation adjusted), she would need to draw \$8,800 from her Retirement income.
- In order for her to draw \$8,800 a month (\$105,807 annual) until life expectancy of 85, she will need a Retirement savings of roughly \$2,010,000





Setting Goals (cont'd)

How Much Does Jill Need to Save?



- By contributing the 6% with the 4.5% match and at possible 8% compounding growth for 31 yrs investment time horizon, there is probability that account values estimates can exceed \$1,700,000 in her 401k account



< Retirement/401k Calculator [Settings](#)



Currently Saved



Monthly Salary

Annual Salary Raise%

Contribution%  

Employer Match%  

Return Rate%  

Years Until Retire  

Employee Contribution: **300,004.07**

Employer Match: **225,003.05**

Investment Gain: **1,232,116.30**

Amount at Retirement: **1,757,123.42**

[Reset](#) [Email](#) [Table](#)

Source: EzCalculators by fncalculator.com



Setting Goals (cont'd)

What strategies should Jill Consider?

- If she opted to automatically increase her contributions with each raise, the probability of success for her retirement plan and strategy increases
- Possible portfolio options that have historical returns of 8% or higher can be found in the Aggressive growth or the All Equity allocation models. These strategies are also characterized by higher than normal fluctuations and volatility and must be considered carefully before selection is confirmed.



Are You Where You Need – Or Want – To Be?

- Complimentary Portfolio Review
 - Objective
 - Analyzes risk/return performance and other potential risk factors
 - Provide recent investment statement(s)
 - Email wealthmanagement@aafmaa.com to request



QUESTIONS

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