



Welcome to today's session - "Retirement Readiness."

## Pursuing the future you imagine

What will your retirement look like? No matter how far or near you are to retirement, you probably have a picture in your head of what you'd like it to look like. How you want to live in retirement will help determine how much you need to save.



**Travel to places you  
have always wanted to  
visit**



**Spend more time with  
friends and family**



**Split time between two  
homes**



**Have more quiet time at  
home or a busy social  
calendar**

2

### IMAGINE YOUR FUTURE

I'm going to start by asking you what you think your retirement will look like, to imagine it:

- Do you see yourself traveling to places you've always wanted to visit?
- Will you try to spend more time with friends and family?
- Do you think you'll split time between two homes?
- Will you enjoy more quiet time or fill your social calendar with events?

And the reason I ask is that how you want to live in retirement will help determine how much you need to save.

## It's about money, not age

You could spend one-third of your life in retirement.

Estimate Your Life Expectancy		
Current Age	Men	Women
25	75.5	80.7
35	76.5	81.2
45	77.7	81.9
55	79.3	83.0
65	82.0	84.8
75	85.6	87.4
85	90.5	91.5

Source: United States Life Tables, 2020; National Vital Statistics Reports, Vol. 71, No. 1, August 8, 2022

3

When it comes to retirement, it's really about money, *not* age—although how long you may live will also play an important role.



*When* can you retire? For some that may be at 65, for others, maybe 62 or 57, for a lucky few who began planning early enough, maybe 50.

Now, think about this question: How much money do you think you'll need to support your lifestyle if you live to be 80, 90, or 100 years old?

No matter how you view it, you're going to need a lot of money to create a more secure retirement.

## What will costs be in the future?

Inflation can zap the **power** of your retirement savings.  
So you may need more than you thought.

	2000	2010	2012	2020	2030	2040
	\$0.99	\$1.41	\$1.50	\$1.98	\$2.79	\$3.94
	\$15,047	\$19,054	\$20,411	\$26,877	\$37,913	\$53,480

For illustration purposes only. Assumes a 3.5% annual inflation rate.

4

Ensure that you're taking inflation into account as it can have a significant impact on your lifestyle.

For example, let's look at the cost of a loaf of bread in 2012, when it was an average of \$1.50. But take a look at what the rate of inflation could do to the amount you'll spend on bread in years to come.

In the year 2020, that same loaf of bread might have cost you \$1.98. In 2030, \$2.79. And in 2040, that same loaf could cost you \$3.94.

This illustrates the importance of *how* you're investing your retirement savings. If you're not investing your money in a way that AT LEAST keeps up with inflation, you'll actually be losing *buying power* in the years to come.

**Will you be ready for retirement?**



## Just what is retirement readiness?

Retirement readiness is your ability to live the retirement lifestyle you imagine

### Determining factors:

- Income
- Lifestyle choices
- Healthcare costs and your emotional readiness



6

Retirement readiness is your ability to live the retirement lifestyle you just imagined. Some of the determining factors include:

- Income
- Lifestyle choices
- Healthcare costs and your emotional readiness

## Your retirement income

Where can your money come from after you retire, and will you have enough to live the retirement you imagine?



Where can your money come from after you retire, and will you have enough to live the retirement you imagine?

## How much does it take to retire?

Many financial advisors recommend saving enough to cover 70% to 90% of your pre-retirement annual income to maintain your standard of living.



8

The other big question, of course, is:

- How much does it take to retire?
- Do you need \$500,000? \$1 million?
- More?

Well, everyone is different. Many financial advisors recommend saving enough to replace 70 to 90 percent of your pre-retirement annual income in order to maintain the standard of living you've become accustomed to.

## Do you have enough to retire?

It all depends on your unique situation and goals.

### Ask yourself:

- Am I in a position to stop working?
- What do my retirement expenses look like?
- What will my healthcare costs be?
- Do I plan to have a job?
- How and where do I want to live in retirement?



9

Do you think you'll have enough to retire? You can start to get a good sense by asking yourself some questions.

- Are you in a position to stop working? Meaning, you can still account for all of your expenses once you stop bringing in your salary/paycheck.
- What do your retirement expenses look like? Is your house paid off so you won't have a mortgage?
- What will your healthcare costs be?
- Do you plan to have a job or have a way to generate additional income?
- How do you want to live in retirement?
- Where do you want to live after you retire?

The answers to these questions will help determine how much you need to have saved before you retire.

## Catch-up contributions may help

### Contribution limits increased in 2025

The IRS contribution limits for the Plans have increased for 2025. Consider increasing your contributions.



For each Plan: NC 401(k) and NC 457 <sup>1,2</sup>	Max. contribution
Standard contributions	\$23,500
Catch-up contributions (50 or older)	\$7,500
Super catch-up ages 60-63	\$11,250
NC 457 Plan specifically <sup>2</sup>	
Three-year catch-up contributions	\$47,000
Participating in BOTH the NC 401(k) AND 457 Plans <sup>1,2</sup>	
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<sup>1</sup> Employer contributions reduce the contribution limits in the NC 457 Plan, but not in the NC 401(k).

<sup>2</sup> NC 457 Plan participants may not use age 50+ catch-up contributions or the super catch-up contributions for ages 60-63 in conjunction with three-year catch-up contributions.

Contributing as much as you can to your NC 401(k) and/or NC 457 account may help you reach your retirement income goal. As you can see here, while each Plan has an annual contribution limit—which is \$23,500 for 2025—you may also be able to make catch-up contributions if you are age 50 or older—or over age 64 by December 31. In 2025, that’s an additional \$7,500, per Plan, over the annual limit. If you’re age 60, 61, 62 or 63 by the end of the year, you may make a super catch-up contribution of \$11,250 to each Plan.

## Where your income in retirement can come from

Social Security may not be enough. For many, Social Security will only replace a portion of income in retirement.



Social Security



Pensions and retirement plans



Income from assets



Income from earnings



Other

Many financial planners say you'll need between **70%** and **90%** of your pre-retirement income to live comfortably in retirement. (Your workplace savings plan could be a good source for replacing that income.)

11

Where will this 70 to 90 percent come from?

You potentially will have income coming from a variety of places. Common sources of income include:

- Social Security
- Pensions and retirement plans – these are your 401(k)s, government employee pensions, IRAs and so forth
- Income from assets – like dividends, income from trusts or estates, rental income or royalties
- Income from earnings – which could include a side job or self-employment
- And other sources, such as veterans' benefits

At any rate, Social Security probably won't be enough to reach that 70 to 90 percent recommendation, so you'll need additional income sources.

## **The important role Social Security plays**

## When is my full retirement age for Social Security?

Date of birth	Full retirement age
1943-1954	66 years
1955	66 years and 2 months
1956	66 years and 4 months
1957	66 years and 6 months
1958	66 years and 8 months
1959	66 years and 10 months
1960 and later	67 years

Source: [www.ssa.gov/prepare/plan-retirement](https://www.ssa.gov/prepare/plan-retirement). As of January 2025.

13

“Full retirement age” is an important term when it comes to your Social Security benefits.

Full retirement age refers to the age at which you can begin to collect *full* Social Security retirement benefits — without any reductions.

This chart shows when you will reach your full retirement age.

## Collecting Social Security benefits early

### Full Retirement Age 66 (1943-1959)

Age	Reduction
62	25% reduction
63	20% reduction
64	13.3% reduction
65	6.7% reduction
66	full benefits

VS.

### Full Retirement Age 67 (1960 and later)

Age	Reduction
62	30% reduction
63	25% reduction
64	20% reduction
65	13.3% reduction
66	6.7% reduction
67	full benefits

Source: [www.ssa.gov](http://www.ssa.gov). As of January 2025.

14

It is important to know your full retirement age because if you take Social Security **early**, with age 62 being the earliest possible age, your benefits will be *reduced*. As you can see in the chart on the right, starting benefits at age 62 means a 30% reduction in your benefit amount.

It is also important to remember that your reduced benefit would generally be a reduced benefit for the rest of your life.

## A look at monthly Social Security benefits examples

Average annual salary	\$25,000	\$45,000	\$65,000	\$85,000	\$105,000	\$142,800 and up
Sample monthly benefit at full retirement age	\$1,218	\$1,732	\$2,245	\$2,620	\$2,861	\$3,338

Like most people, you are probably thinking,  
"I am going to need more than that."

Source: 2021 Guide to Social Security.

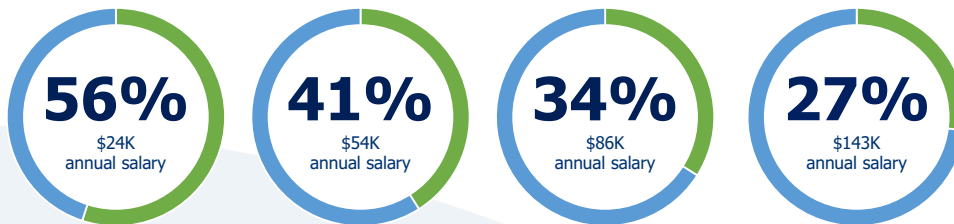
FOR ILLUSTRATIVE PURPOSES ONLY. Not intended to be investment fiduciary, financial, legal or tax advice. Illustration assumes the projections are based on a person at age 50 in 2021, worked steadily since age 22 and received average pay raises. Wages and salaries will remain constant until retirement.

15

Here's a look at approximate Social Security monthly benefits at full retirement age. This table assumes you will turn the corresponding age in 2021, worked steadily since age 22, and received average pay raises. Wages and salaries will remain constant until retirement. Keep in mind that these numbers are only estimates.

## How your salary affects Social Security

The percentage of income Social Security provides decreases as your salary increases.



Replacement ratio at full retirement age

Source: 2021 Guide to Social Security.  
Assumptions: This table assumes steady earnings.

16

Your salary affects your Social Security benefit. Generally, the percentage of retirement income Social Security provides decreases as your salary increases. For example, if your annual salary is \$24,000, you can expect Social Security to provide about 56% of your income in retirement. On the other end, if your annual salary is \$142,800, you can expect Social Security to account for about 27% of your retirement income.

## When you start can impact your total income in retirement

If you are in good health and live longer, you may consider waiting to start taking benefits.

Total retirement income if start taking benefits at:

62

66

70

If you live to:

80

\$223,560

\$299,268

\$287,468

85

\$360,092

\$417,061

\$437,286

90

\$455,259

\$545,213

\$599,953

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FOR ILLUSTRATIVE PURPOSES ONLY. The example uses an estimated Social Security benefit for a 62-year-old making \$50,000 a year. Estimated benefit taken from ssa.gov calculator. Example assumes a 1.7% annual increase in benefit. Figures are rounded to the nearest dollar amount.

17

Let's look at the impact of delaying when you start taking your Social Security benefit.

To start, each year you wait adds 8% to it.

Let's apply this to different ages. If you start taking your benefit at 62, your monthly benefit would be \$1,023; at 70, your monthly benefit would be \$2,000, which is over 95% higher.

Let's take a look at the chart to see how this plays out over the course of a lifetime.

For someone who lives to age 85, if they start collecting benefits at age 62, they will receive a total of \$360,000—compared to someone who also lives to age 85 but instead started collecting benefits at 70; they will receive a total of \$437,000.

## Consider your pension benefit

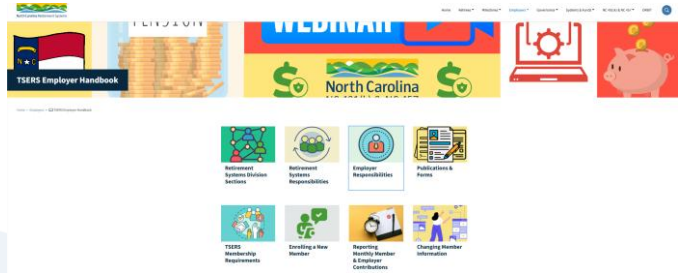
# Teachers' & State Employees' Retirement System (TSERS)

## Key information

Eligibility, vesting, benefit calculations and payments, etc.

- Required to contribute 6% pre-tax
- Vested after 5 years
- Monthly retirement benefit paid for life

Visit [myNCRetirement.com](https://myNCRetirement.com) for more information.



If you participate in TSERS, let's consider the role your pension benefit can play in your retirement income picture.

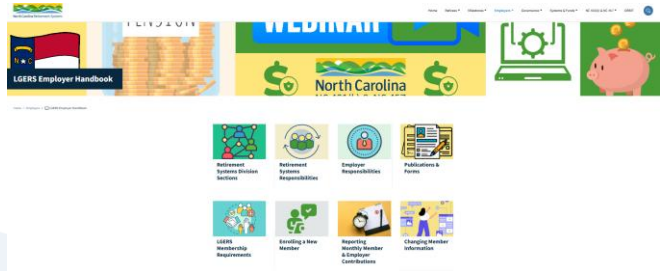
# Local Governmental Employees' Retirement System (LGERS)

## Key information

Eligibility, vesting, benefit calculations and payments, etc.

- Required to contribute 6% pre-tax
- Vested after 5 years
- Monthly retirement benefit paid for life

Visit [myNCRetirement.com](http://myNCRetirement.com) for more information.



If you participate in LGERS...

## Member Annual Retirement Statement

- Your annual Member Annual Retirement Statement (MARS) in ORBIT provides a snapshot of your current and future potential pension benefit
- MARS is released once a year for those members with error-free data and at least one year of consecutive contributing service as of December 31



## Required minimum distributions (RMDs)



22

## Required minimum distributions

- Federal rules require that you must begin taking minimum distributions of your pre-tax contributions to the Plan by a certain age, provided you are no longer working for the plan sponsor (employer).
- The chart shown here shows the age at which you must begin taking your required minimum distributions, based on your date of birth.
- The time when you must begin taking your distributions is known as the “required beginning date.”

Required Beginning date	Date of birth
Age 70½	For individuals born before July 1, 1949
Age 72	For individuals born July 1, 1949 through December 31, 1950
Age 73	For individuals born January 1, 1951 through December 31, 1959
Age 75	For participants born on/after January 1, 1960

The required minimum distribution (RMD) requirement does not apply to any assets designated as Roth within your Plan account. In addition, a surviving spouse may elect to be treated as the deceased plan participant for purposes of the RMD rules.

When an employee dies on or after their required beginning date (RBD), required minimum distributions or RMDs must continue each year of the 10 years following the employee’s death. All remaining benefits must then be distributed by the end of that 10-year period, unless the beneficiary is an eligible designated beneficiary (EDB). A similar rule applies after the death of an EDB who is taking life expectancy payments.

An eligible designated beneficiary is :

- The spouse or minor child of the deceased account holder;
- Someone who is disabled or chronically ill; or
- Someone who is not more than 10 years younger than the Plan participant

If you inherit an NC 401(k) or NC 457 account, but don’t formally become the account owner, and *then* elect a beneficiary, you’re going to be subject to this 10-year rule for withdrawing all the money from your inherited Plan account.

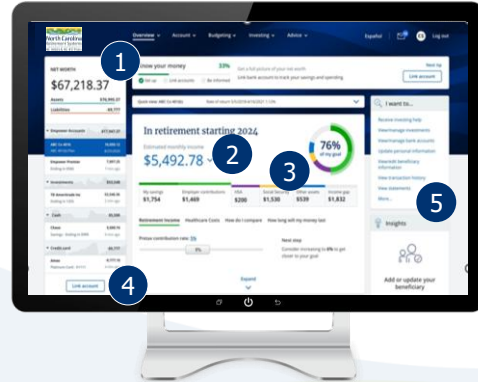
## **Your online account: retirement planning at your fingertips**

## Navigate your online account

Your account dashboard gives you a real-time view of all your savings in one place.

We will review how to:

- 1 See and understand your net worth
- 2 View your estimated monthly retirement income
- 3 Model the impact to your savings goal
- 4 Easily and securely link other accounts
- 5 Access common account actions with a single click



25

Now let's look at what you'll see when you log in to your account—your NC 401(k) and NC 457 online dashboard. I encourage you to use the resources on your dashboard to make sure your money is working as hard as *you* do.

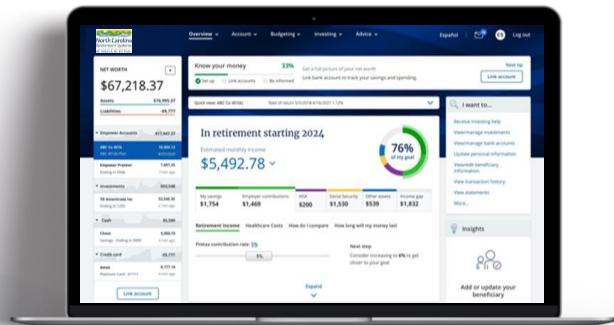
Whether you access your account online or on your mobile device, your Plans' dashboard enables you to view your finances in one secure place.

From the dashboard, you can:

- See and understand your net worth
- View your estimated monthly retirement income
- Model the impact to your savings goal
- Easily and securely link other accounts
- Access common account actions with a single click

## 1 See and understand your net worth

Your net worth is a good measure of where you stand at a point in time.



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26

## #1 View your net worth

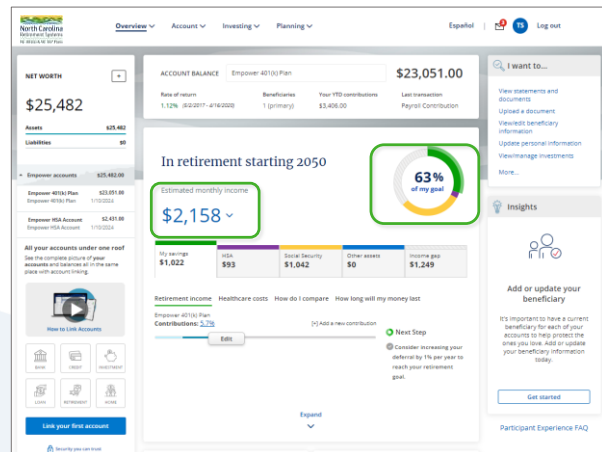
The more accounts you link, the clearer view you'll have of what you own, your assets, and what you owe, your liabilities.

How to make your net worth as accurate as possible is something we'll get to in a moment.

## 2 View and estimate your retirement income

From your account homepage, you can view progress toward your retirement goal:

- View your estimated monthly retirement income percentage to goal
- Estimate your monthly income with the Retirement Income Estimator tool



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27

## #2 View and estimate your retirement income

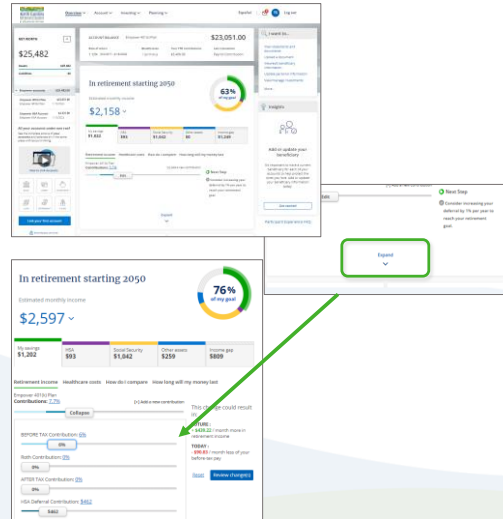
From your account homepage, you can view progress toward your retirement goal:

- View your estimated monthly retirement income % to goal and
- Estimate your monthly income with the Retirement Income Estimator tool based on your current savings

### 3 Model the impact to your savings goal

From your account homepage, click on "expand" to model potential changes:

- View Adjust the sliders to model your:
  - savings amount
  - retirement age
  - investment style
- Make changes to your savings with just one click



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28

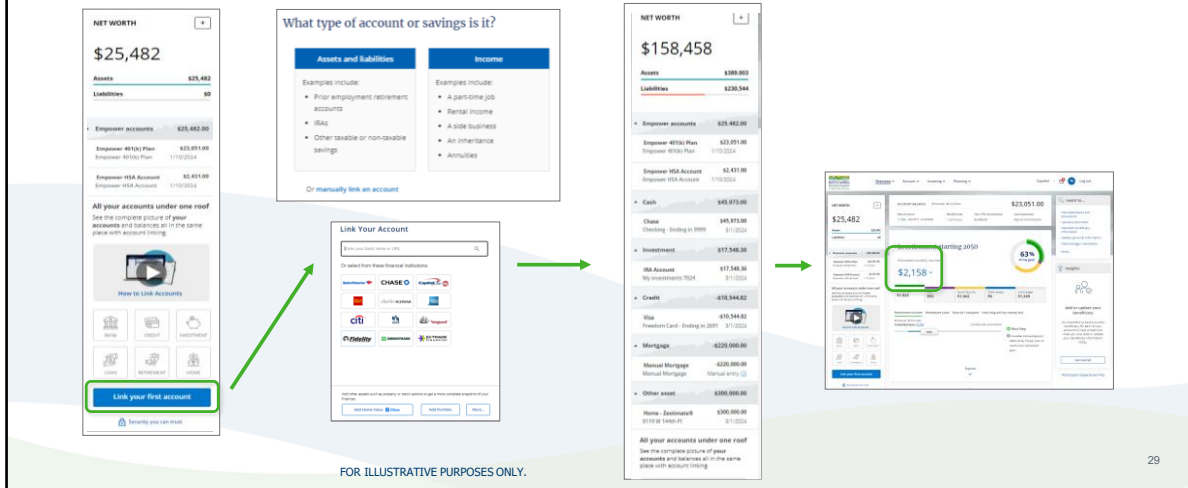
### #3 Model the impact to your savings goal.

From your account homepage, click on "expand" to model potential changes:

- You can adjust the sliders to model your:
  - savings amount
  - retirement age
  - investment style
- And then make changes to your savings with just one click.

## 4 Link accounts

Outside account assets will be incorporated into the Retirement Income Estimator Tool



### #4 Easily and securely link other accounts.

The more accounts you link, the clearer view you'll have of what you own (your assets) and what you owe (your liabilities).

To link other accounts from the dashboard:

**When you're online:** Click *Link another account* on the left side of your screen and follow the prompts.

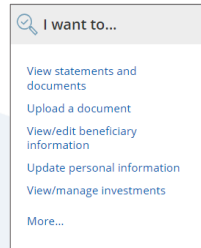
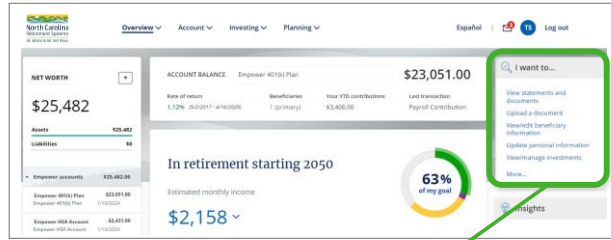
Once submitted as complete, you will see your total net worth, as provided by you, on your dashboard. Plus, any other retirement accounts you link will be incorporated into your Retirement Income Estimator Tool, which we just covered a few slides back.

Advanced security measures are taken to protect your privacy and information and ensure your accounts can't be viewed by your employer or plan administrators.

## 5 Access common account actions with a single click

From the “I want to...” sidebar on the right, you can quickly navigate to a wide array of tasks:

- View statements and documents
- Manage beneficiary designations
- Update your personal information
- View and manage your investments



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30

## #5 The “I want to” sidebar on the right provides easy-to-access links for account maintenance

For example, you can quickly navigate to:

- View your statements
- Update your beneficiary
- Update your personal information within your profile
- And view and manage your investments

## **Actions to consider**

## Plans provide flexibility for your future

- **Once you separate from service, you may remain in the Plan(s) and continue to enjoy the many benefits, such as:**

- Access to a strong-performing, competitively priced fund lineup\*
- Thorough investment oversight
- Integration with the state's pension system

- **You may make a special one-time contribution to the Plan for a final payout of:**

- unused vacation/sick leave
- bonus days
- prorated longevity

- **Planning on working part-time when you retire?**

- Depending on your employer you may be eligible to join the NC 401(k)/NC 457 once again

\* Source: BenchmarkDC for North Carolina Supplemental Retirement Plans (for the 5 years ending December 31, 2022), CEM Benchmarking, Inc., located at [myNCRetirement.com](http://myNCRetirement.com) > Governance > Boards of Trustees and Committees > Supplemental Retirement Board of Trustees Meetings > August 24, 2023 > Tab VII. CEM BenchmarkDC Presentation.

Once you separate from service, you may remain in the NC 401(k) and NC 457 Plans and continue to enjoy the many benefits, such as:

- Access to a strong-performing, competitively priced fund lineup
- Thorough investment oversight
- Integration with the state's pension system

You may also make a special one-time contribution to the Plan for any final payout you receive due to:

- unused vacation/sick leave
- bonus days
- prorated longevity

To help manage your taxable income for the year, you can elect to contribute funds from that final payout to your Plan account, as long as you do not exceed the current maximum contribution amount. The deduction will occur only once, and then it will revert to the previous amount being deducted (if any). To do this, fill out the "One-Time Contribution Form," located at [myNCPlans.com](http://myNCPlans.com).

Planning on working part-time after you retire?

- Depending on your employer you may be eligible to join the NC 401(k)/NC 457 once again.

## A side-by-side comparison

	Pre-tax contributions	Roth contributions
Effect of contributions on paycheck	Prior to tax withholding	After taxes withheld
Taxation on distributions	Contributions taxed as ordinary income  Any earnings taxed as ordinary income*	Contributions not taxed  Any earnings not taxable with qualified withdrawals*

Note: When choosing between contribution types, participants must take into consideration their complete personal financial situation.

\*If a distribution is not qualified, the earnings are taxed as ordinary income and may be subject to early withdrawal penalties. The 10% federal early withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from other type of plans or accounts.

- The effect contributions have on your paycheck and how distributions are taxed depends on the type of contribution you make. Pre-tax contributions are deducted prior to tax withholding. Both contributions and earnings are taxed as ordinary income when you withdraw your money.
- Roth contributions are deducted *after* taxes are withheld. For example, Roth contributions and any earnings are not taxable in withdrawals that meet the IRS guidelines.

One way to potentially maximize and diversify your retirement savings is to contribute on both a pre-tax and Roth basis. While it is important to consider how you want to contribute, the most important thing is to save as much as you comfortably can so you can get closer to the future you imagine.

## Would you rather have more money now or later?

- If you expect your tax rate to be higher in retirement, Roth contributions may be right for you
- It may cost you more on the front end to invest with Roth
- Your contributions may become more valuable later because they have already been taxed



One question to answer when thinking about Roth is, would you rather have more money now or potentially more later?

As we just saw, after-tax Roth contributions can hit your budget harder today because they take a bigger bite out of your paycheck than a pre-tax contribution. But remember, they have tax advantages on the back end—when you take a qualified distribution—because your contributions have *already* been taxed.

You may want to keep these points in mind when you consider what type or types of contributions you wish to make to your Plan account:

## In-Plan Roth conversion

### You have the option to:

- Convert certain non-Roth balances to Roth within your account

### Considerations and benefits

- Taxable event
- Irreversible
- Tax-free for qualified withdrawals
- Does not meet any required minimum distribution (RMD) obligations for the year
- Must log in to your account online to get started

**Consider consulting with a tax professional before making a decision.**



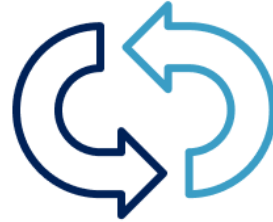
Within your Plan account, you have the option to “convert” certain non-Roth balances into a Roth balance.

However, you need to be aware that the total amount you convert from **pre-tax to Roth** will be included as part of your taxable income for the year, and you will not be able to take any money out of the account to pay any taxes due. **A 1099 will be issued.**

If you decide to do a conversion, you must log in to your account online to get started. Once a conversion has taken place, it is *irreversible*. Please consider consulting with a tax professional before making a decision to convert non-Roth balances into a Roth balance.

## Consider a rollover into the Plans

- Did you know you can keep money in the NC 401(k) and/or NC 457 Plan — even after you are no longer working?
- Did you know you can roll money in from other eligible retirement accounts you have as long as you have a balance in your NC 401(k) and/or NC 457 Plan account?



36

You can enjoy the convenience of having all your retirement savings in one place.

The Plan accepts rollovers from other qualified retirement plans you may have from former employers, including 401(k), 401(a), 403(b), governmental 457 plans and TSP plans, as well as Traditional, Conduit, SIMPLE and SEP IRAs. Under current IRS guidelines, Roth IRAs are not eligible for rollover into the Plan. All rollover requests must receive pre-approval from the Plan before funds can be received.

## Catch-up contributions

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## **Naming beneficiaries (very important)**



Many would agree that our retirement accounts are often one of our largest assets. And not only can they provide us with the lifestyle we want in retirement, but they have the potential to protect our loved ones should we pass away before reaching retirement. To show you how, we'll reveal:

- The most common beneficiary designations,
- An overview of beneficiaries as it applies to the Plan
- What happens if you do not have a stated beneficiary
- Common beneficiary mistakes
- What to consider if you have multiple retirement accounts

Perhaps it's time to think about updating your own beneficiary designations. And, if you have multiple retirement accounts, you might want to consider consolidating them to simplify your finances for yourself and for your family members.

## Naming the appropriate beneficiary for each Plan

### Your Plans' distribution default

- Estate

### Common beneficiary designations

- Surviving spouse
- Children or other non-spousal individuals
- Trusts
- Charities

### Non-spousal beneficiary examples:

- Parents
- Siblings
- Close friends

**Be sure to check your beneficiaries at least once per year, or whenever you have a life-changing event.**

It should be noted that you need to make separate beneficiary elections for **all** Plans you participate in. The beneficiary designations can be the same for each Plan, or they can be different. It's up to you, but for those Plans for which you do not make an election, the Plan default will apply.

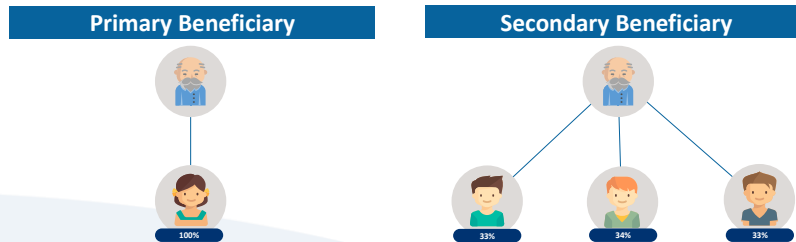
If you do NOT make a beneficiary election, according to the Plan rules, if you die without a named beneficiary on file, your retirement account assets would be distributed to your estate. It's important to note that having your money flow through your estate (rather than going directly to an individual, a trust, etc.) could delay the transfer of whatever funds are in those accounts. In some instances, the delay could be significant and require that the person in charge of your affairs or estate complete a lot of paperwork to make it happen.

By having a current beneficiary on all your accounts, you leave no doubt as to what you wish to be done with your hard-earned and thoughtfully saved money. The most common beneficiary designations are your spouse, children or other non-spousal individuals, trusts and charities.

Of course, you can name anyone as your beneficiaries. Examples of non-spousal beneficiaries are parents, siblings and close friends.

Important reminder: Be sure to check your beneficiaries at least once per year, or whenever you have a life-changing event.

## Beneficiary types



When making your beneficiary designations, the “primary beneficiary” (or beneficiaries) are those who would receive your assets should you die before they die. The “secondary beneficiary” (or beneficiaries) are those who would receive your assets should you outlive your primary beneficiary (or should they die simultaneously with you).

In this example, the person has chosen one person to receive all of the assets of his account should he die. That person is often a spouse, although that is not a requirement. Let’s say in this example that he chose his only living daughter to be his primary beneficiary. That daughter happens to have three adult sons. He has chosen to list them as his secondary beneficiaries in case he outlives his daughter. You will notice that two of the grandsons would receive 33% of the assets and the other would receive 34%. Beneficiary designations must be made in whole percentages and must add up to 100%.

## Trust as a beneficiary

### Common scenarios:

- Minors as beneficiaries
- Grown dependents—such as a disabled child
- Owner wants more control of the assets
- Beneficiary forms **override** wills and trusts—so it is important to have matching designations
- If the trust is not named appropriately, distribution options will be limited and could create adverse tax treatment of the distributions. Consult a trust attorney and tax advisor

When it does not make sense to name an individual as your beneficiary, a trust can be used. As mentioned previously, this choice is sometimes made when the beneficiary is a minor child. It is sometimes used when the beneficiary is an adult, disabled child or when the owner wants to have more control over their assets after they pass away.

If you designate a trust as your beneficiary, it is very important that the trust be named appropriately so that the beneficiary can take advantage of the same tax benefits he or she would be able to if named individually.

If you feel a trust may best fit your beneficiary needs, please seek the advice of a tax advisor and an attorney who specializes in trusts!

## **Beneficiary electing a beneficiary**

**When a beneficiary assumes ownership of an NC 401(k) or NC 457 Plan account, they are now able to elect a beneficiary.**



## Consider your healthcare costs

## The big picture

### Healthcare costs in your retirement

For many people, healthcare costs will be the largest expense in retirement.



Another big topic for those getting close to retiring or even those still a long way from retiring is the cost of healthcare. For many people, healthcare will be the largest expense in retirement.

## Expected healthcare costs in retirement

- Total projected lifetime health care costs for a healthy 65-year-old couple\* retiring in 2021 are expected to be \$662,156
- This excludes long-term care costs



\*Average projected life expectancy of 87 for the male, 89 for the female  
Source: hvsfinancial.com, Retirement Health Care Costs Data Report, December 2020.

45

Here's a quick projected estimate:

A healthy 65-year-old couple retiring in 2021 can expect to spend \$662,156 on healthcare costs in retirement. This excludes any long-term care costs.

These costs are expected to increase by 5.9% per year, due to healthcare cost inflation.

Healthcare costs in retirement can vary significantly. When planning for these expenses, you may want to take into consideration these factors — potential life expectancy, gender, and health conditions — so you can make informed choices now about your health and finances.

## A look at the basics of Medicare

From parts and plans to tiers and gaps, Medicare can be complicated and overwhelming. Having a good understanding of the basics can help simplify the program for you.

### What you need to know:

- Coverage and costs
- Eligibility and enrollment



46

From parts and plans, to tiers and gaps, Medicare can be complicated and overwhelming. Understanding the basics can really help simplify the program. The two most important items to understand are coverages and costs along with eligibility and enrollment.

## Medicare Parts A, B, C and D



**A. Hospital coverage**



**B. Medical coverage**



**C. Medicare Advantage**



**D. Prescription drug coverage**

47

The four main components or options available are Medicare Parts A, B, C and D. Each part helps pay for certain healthcare services and costs. You can piece the parts together to get the coverage you want or need.

PART A is hospital coverage and covers care you receive while an inpatient in a hospital.

PART B is medical coverage and covers doctor visits, clinic services and outpatient care.

PART C is Medicare Advantage; it combines coverage of Part A and Part B and often includes prescription coverage.

PART D is prescription drug coverage and covers many of the medications prescribed by your doctor or qualified health professionals.

## Supplemental Medicare plans

Medicare Supplement Insurance plans are provided by private insurance companies and designed to fill in the gaps left behind by Medicare Part A and Medicare Part B.

### Medicare Supplement plans may help pay for Medicare's out-of-pocket costs, such as:

- Copayments
- Coinsurance
- Deductibles

While these plans are provided by private insurance companies, they are regulated by the federal government.



Source: 2021 medicare.gov.

48

In addition to Medicare Parts A and B, there are Supplemental Medicare plans provided by private insurance companies that may help fill the gaps. These plans could help pay for Medicare's out-of-pocket costs such as copayments, coinsurance and deductibles.

## Medicare eligibility begins when you turn 65

### You can enroll even if you:

- Work past age 65
- Have other health coverage
- Are not collecting Social Security yet



49

Now let's talk about eligibility and enrollment. First, you must be 65 to enroll. Your spouse's age doesn't matter, so if your spouse is 65 and you're 64, you're not eligible. If you want, you may enroll even if you work past age 65, have health coverage through your employer or your spouse's employer, or are not collecting Social Security yet. Some people think you have to do both together, but you don't.

## Your budget in retirement



## The big picture

### Creating your retirement budget

The better the idea you have of your potential **retirement expenses**, the better you can determine what kind of retirement income you might need. Creating a retirement budget is a great first step.



Most of us spend all this time thinking about how we're saving for retirement and little to no time about how to budget that money once we do retire. But it's important to consider that the better idea you have of your potential retirement expenses, the closer you can come to determining what kind of retirement income you might need.

## Your spending plan for the future

A retirement budget will help you see where your money will be going.

### Benefits of a retirement budget:

- Prioritizes your future spending
- May help your retirement savings last longer
- Might help you reach your financial goals



52

Your retirement budget is your spending plan for the future and helps you see where your money will be going. It's a spending plan that accounts for the income you expect to receive and allocates it to specific future expenses. A retirement budget helps you prioritize your future spending, may help your retirement savings last longer and could help you reach your financial goals.

## The foundation of your retirement budget

It does not have to be complicated. In fact, the basis for your retirement budget can be made up with just three main components.



### Your current monthly expenses

Fixed and variable needs vs. wants



### Your retirement expectations

The kind of retirement lifestyle you would like to have



### Your expected monthly income

Fixed and variable (Social Security vs. retirement plan withdrawals)

53

Creating a retirement budget, in principle, is like creating a budget for the here and now. Three main components make up your retirement budget:

- One, your current monthly expenses — categorized fixed versus variable and prioritized by needs versus wants
- Two, what you expect your retirement to look like. Your retirement lifestyle will impact your budget
- And three, your expected monthly income. Will your income come from Social Security? Retirement plan withdrawals? Earnings? All of the above?

## Additional retirement expenses that could be on your radar



Relocation



Home improvements



Vacation



Hobbies



Caring for aging parents



Grandchildren



A second home

54

And then there may be some expenses you haven't thought of just yet. These can be expenses for the things you want to do or for things that are unexpected. Expenses like relocation, home improvements or renovations, vacations, hobbies, grandchildren, a second home or caring for your own aging parents.

## It all starts with your current budget

You will need to create a budget for today before you can create your retirement budget. It is important to keep in mind that your current expenses will likely change in retirement. For example, maybe you will no longer have a mortgage by the time you retire.

- Use your current budget to create a potential retirement spending plan
- Plan for unexpected expenses in retirement



55

Even though your current expenses will likely change in retirement, you need to create a budget for today before you can create your retirement budget. To put it simply, you need to know where you are before you can know where you're going. For example, you may have a mortgage payment now that you need to account for in your budget but that will be paid off before you retire.

And it's important to plan for unexpected expenses in retirement.

## **The emotional changes retirees may face**



## What the emotional transition to retirement looks like

With so much attention being paid to financially preparing for retirement, many overlook the emotional changes that will come with your new life. Here are the five stages of retirement transition.



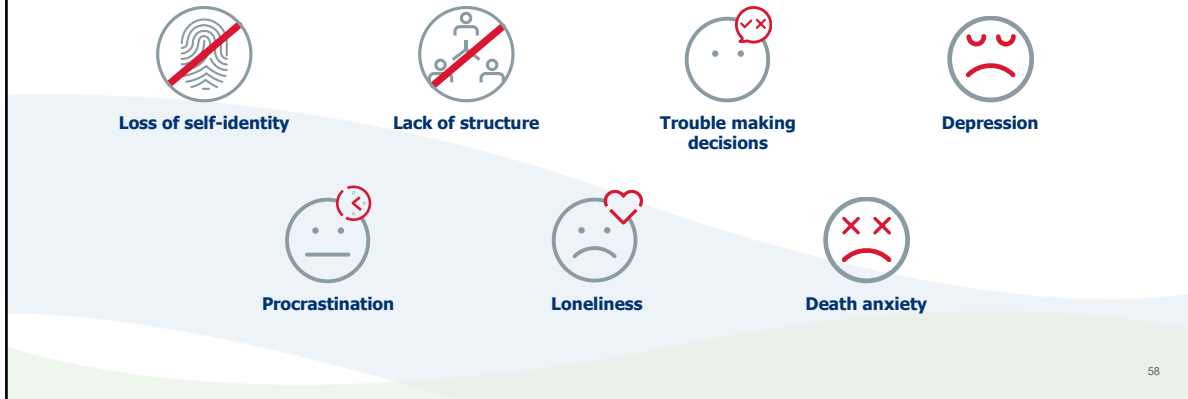
Heading into retirement you've probably been working for 30, 35 even 40 years or more. Working is certainly a big part of your life and no longer working will have an impact... no matter how psyched you are to retire.

As with any change, there are stages you may experience. The first stage as you approach retirement is growing interest. And then when you retire, there is this initial euphoria and celebration. Next, you may experience some stress as you deal with the big change that has taken place. Then there is the adjustment stage where you learn to adapt to your new way of life and finally retirement becomes the new normal and you settle into the retirement lifestyle.

## Potential psychological effects to be aware of

Everybody is different and experiences different feelings and thoughts as they approach and then enter retirement.

**Some common feelings people experience are:**



Everybody is different and experiences different feelings and thoughts as they approach and then enter **retirement**. It's nothing to worry about, but just something to be aware of. These feelings aren't uncommon.

- **Loss of self-identity:** The importance of retiree identity is emphasized by the fact that self-description often involves mention of a former profession or job. After retiring, they may realize how their job was the main basis of their identity.
- **Lack of structure:** The transition to retirement requires a major adjustment to the loss of a work life structure and the building of a retirement/life structure. The impact on a person's identity can be traumatic if employment was the main source of their identity.
- **Trouble making decisions and procrastination:** Some people may be overwhelmed by the number of adjustments and choices they need to make when retirement begins. They can experience trouble making decisions because they are in an entirely new situation. Add to that the effects aging can have on some people's self-confidence and retirees may not trust their ability to make appropriate decisions. Others may feel they can no longer muster the energy needed to act on decisions and lapse into procrastination and decision paralysis.

- **Death anxiety:** People connect retirement with getting older and the end of life. Now, something that has always seemed to be some distant time in the future seems closer.
- **Depression/loneliness:** Some retirees experience depression or the feeling of being in a void. Others can feel lonely if their partner is younger and still working. During this period of initial adjustment, retirees may need support from their partner and family.

## Common issues retirees face

The transition from a structured to an unstructured lifestyle can be a big change. There are ways to prepare for it, though.

### Fulfilling your emotional needs:

- Hobbies
- Volunteer work
- Part-time work
- Sports or activities
- Social engagement



59

The way we just talked about it makes it seem like each of these stages can just be breezed through, which isn't always the case. There are ways that you can take some stress out of the transition from your pre-retirement life to the retirement lifestyle. Get back into or discover new hobbies or interests you may not have had time for before. Find a new sense of purpose with volunteer work. Pick up a part-time job. Take up a new sport or activity. And finally, spend more time with friends.

## Disclosures

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**Questions?**

61

Well, that wraps up the presentation. I hope you found the information we covered today helpful and inspiring. Does anyone have any questions?