LifeSmarts Lesson: Retirement Planning
Activity: You're the Expert *Instructions*

Directions:

1. Divide students into groups of 2-3
2. Pass out a scenario to each group
3. Provide the handout, or project it in the room
4. Give students time to formulate their answers
5. Ask student groups to report back on their findings (answers will vary)

LifeSmarts Lesson: Retirement Planning
Activity: You're the Expert *Handout*

You work as a financial advisor and your client is coming in today for a review of their financial situation. Carefully read the scenario you have been given, and then answer the questions as this client's financial advisor.

1. Name two things this client is doing well in managing their finances:

2. Name two things this client is doing that harm their financial outlook:

3. Based on what you have learned in this lesson, provide two specific pieces of advice you would give this client for their retirement planning:

LifeSmarts Lesson: Retirement Planning
Activity: You're the Expert *Scenarios*

Scenario 1: Lucinda and Tom
Lucinda and Tom are 35. Lucinda works as an administrative assistant at a large company. Tom has seasonal work as a construction worker. Lucinda has access to a 401(k) at work, but so far she has not contributed to it, even though there they will match 3% of her salary if she does. Tom does not have any retirement savings options through his work. Lucinda and Tom love to travel and eat out. The only debt they have is their monthly mortgage payment and car payment, which they are able to pay each month. However, they have no savings at all. They plan to retire at age 62 and live off of Social Security and hope to continue their current lifestyle.

Scenario 2: Brianna
Brianna works in the tech industry, where she constantly watches for her next job opportunity. She has been working for seven years since graduating from college, and the longest she has been at one company is 18 months. At her last job she put money into her 401(k) every pay period and received the full employer match, which equaled 3.5% of her salary. However, Brianna left before being vested in her employer's retirement plan, so lost the amount her employer had contributed. She decided to cash out the $5,200 she had invested in her 401(k) and put that money toward a new car. Because she only got to take the money she had invested when she left her former employer, she doesn't think it's worth it to put money into an employer plan at her new job. She will use that money instead to pay off her credit card in the next two years. In the last several years, she has traveled to seven weddings and now has$15,000 in credit card debt from those trips. She has less than $3,000 in short-term savings and no retirement savings of her own. Her paycheck comfortably covers her regular expenses. She often eats out after working late.

Scenario 3: Alex
Alex is 25 and works as a home health aide. He is paid “under the table” in cash every week, and neither he nor his boss is paying into Social Security on Alex’s behalf. His boss pointed out that they both benefit from this arrangement – ordinarily both the boss and Alex (through payroll deductions) would contribute 6.2% of Alex’s pay toward Social Security. Because they are not contributing to Social Security, Alex’s boss claims he can pay Alex more, plus Alex doesn’t have to make his own payroll tax contribution, which makes his take-home pay even higher. Alex enjoys his income and the cash in his pocket, and he believes he is too young to worry about Social Security. However, his parents are concerned that he is not building a work history that will count toward Social Security and that he is not saving any money toward retirement on his own, either. They also worry that he could get in trouble if he doesn’t pay taxes, including Social Security taxes, on his income. His monthly bills are minimal and he has no problem paying them. He does some landscaping for friends and family on the side in the summer and they pay him in cash as well. This nearly doubles his income for five months a year. Alex saves about $300 a month ($750 in the months he does landscaping) to put toward the food truck business he plans to buy in the next five years. Since he has no earnings “on the books” he does not qualify to open an individual retirement account.

Scenario 4: Destinee
Destinee is 23. She graduated from college last summer and has begun working at a local company. Her employer offers a 401(k) with a 4% employer match, but Destinee’s priority is paying off her student loans, so she is not contributing to the 401(k). Her mom said Destinee can live at home for a few years to save money on expenses. With no housing expenses and good public transportation options to get to work, Destinee is paying extra toward her student loan debt and plans to have it paid off by age 30. She figures when her student loan is paid off she can move out on her own and also start saving for retirement. She is putting $100 a month into a savings account at her local bank.

Scenario 5: Connor
Connor knows he is lucky to work for an employer that offers a 401(k) and matches 50% of contributions up to $250 per pay period. Right now, he is setting aside $100 per pay period for his 401(k). Connor doesn't have a car, and he is trying to save up to buy a used one. He is putting $200 per pay period into savings for that purpose. He does not have other savings. He received a $1,000 bonus this year and used it to create an IRA for himself. His plan is to put any future bonus into the IRA. He is good about living within his means, but he knows he could also save more by cutting down on discretionary spending like travel.

Scenario 6: Franklin
Franklin is 64 and retired. He had liked his job and planned to work until at least age 67. But when his older brother retired due to health issues, Franklin abruptly decided to retire, too, so the two of them could spend time together. Franklin began drawing Social Security at age 62. He had not saved for retirement on his own and he didn't have a 401(k) at any of his former employers. Franklin can pay his regular bills and expenses with his Social Security income. He had $5,000 in savings when he retired, but he has dipped into that to pay for car repairs. He has $3,200 left. While he is enjoying having more time with his brother, Franklin misses the routine work provides and he's worried about his dwindling savings. He has started looking for a part-time job.