

A hand holding a vintage-style compass, with a brown leather watch strap visible on the wrist. The background is a blurred city skyline under a blue sky. The text is overlaid on the image.

RETIRING SOON?

**5 Key Financial Questions
Every Future PSERS
Retiree Must Answer**

Teachers**Retire**

Are you thinking about retiring in the next few years?

For such an important personal and financial event, you understand the importance of planning ahead to make sure there are no surprises. With a few years to go before retiring, now is the time to confirm that you will have enough money to stop working when you want, as well as answer other questions you may have such as:

- ▶ Will my retirement income cover my expenses and taxes?
- ▶ Should I work longer so my pension benefit is higher?
- ▶ Can I retire earlier than I thought possible?
- ▶ What should I be doing now so I am in the best financial position at retirement?
- ▶ Am I missing anything?

Who wants to leave work stress behind only to deal with financial stress and uncertainty? That doesn't have to be you. With a few years to plan ahead, you have time to prepare. Sometimes, the hardest part is knowing where to start.

This cheat sheet will help you answer five key financial questions that will give you everything you need to know to be confident in your financial future after retirement. Let's get started!

Question #1 – What are my PSERS pension benefits?

Your PSERS pension will play a major role in your financial picture after retirement. Like many Pennsylvania educators, you may not be quite sure how PSERS works and what you should expect in terms of monthly benefits. Your PSERS statement is the best place to start.

Mailed to you each fall, your pension statement provides a summary of your current PSERS pension account. However, we often hear that it can be difficult to understand what exactly the numbers on the statement mean. More importantly, it can be even more challenging to determine what these numbers can mean for your upcoming retirement decisions.

If you have it handy, pull out your most recent PSERS statement. If you do not have your most recent statement, you can access it by logging in or creating an account with the PSERS [Member Self Service Portal](#).

Everything you need right now is on Page 3. Let's walk through the sample page below and focus on the six important pieces of retirement information that you need to know.

Estimated Retirement Benefits

Member: _____

Social Security Number: _____

Estimated death, disability, and/or regular retirement benefits are shown below for those benefits for which you are eligible.

Your **estimated** final average salary (FAS) is normally the average of your three highest school year salaries.

The estimated **FAS** used in these calculations is:

Normal Retirement Date: June 30,

1

Listed below are your basic options. Under the basic options, you may name one or more beneficiaries and may change beneficiaries at any time. Additional options are available upon request. Contact PSERS at 1.888.773.7748 or check the Online Estimate Calculator at www.psers.state.pa.us .	As of June 30,
Death Prior to Retirement This amount is equal to the total value of your retirement account and will be paid to your beneficiary(ies) should you die before you retire.	
Disability Retirement This disability retirement option provides you with the maximum monthly benefit payable to you while you meet the disability eligibility requirements. If you die before receiving payments equal to the total value of your retirement account, any remaining balance will be paid to your beneficiary(ies).	
Regular Retirement Options - Monthly Benefit with NO Withdrawal of Your Contributions and Interest	
Maximum Single Life Annuity This regular retirement option provides you with the maximum monthly benefit for life. If you die before receiving payments equal to your contributions and interest, any remaining balance will be paid to your beneficiary(ies).	2
Option 1 This regular retirement option provides you with the maximum monthly benefit for life, reduced to protect a death benefit based on the total value of your account. If you die before receiving payments equal to the total value of your retirement account, any remaining balance will be paid to your beneficiary(ies).	3
Regular Retirement Options – Monthly Benefit with a TOTAL Withdrawal of Your Contributions and Interest (Available only to Class T-C and Class T-D Members)	
Contributions and Interest Eligible for Withdrawal	4
Maximum Single Life Annuity Reduced for Withdrawal of Your Contributions and Interest This regular retirement option provides you with the maximum monthly benefit for life, reduced by the withdrawal of your contributions and interest. If you die before receiving payments equal to the total of your contributions and interest, any remaining balance will be paid to your beneficiary(ies).	5
Option 1 Reduced for Withdrawal of Your Contributions and Interest This regular retirement option provides you with the monthly benefit for life, reduced by the withdrawal of your contributions and interest and to protect a death benefit based on the total value of your account. If you die before receiving payments equal to the total value of your retirement account, any remaining balance will be paid to your beneficiary(ies).	6

1 Your Normal Retirement Date

Your Normal Retirement Date is the earliest you can retire and receive your full pension benefit with no penalties. Retiring before this date means your pension payment will be lower because you are considered to be retiring “early.” Retiring after this date will lead to a higher pension payment.

2 Maximum Single Life Annuity – No Withdrawal

The Maximum Single Life Annuity pension option gives you the highest monthly payment which lasts for your entire life. The amount that you see on your statement is based on you electing not to make a withdrawal of your contributions and interest lump sum.

3 Option 1 – No Withdrawal

Option 1 provides you the second highest monthly payment and provides a larger potential benefit for your spouse if you should die first. The amount that you see on your statement is based on you electing not to make a withdrawal of your contributions and interest lump sum.

4 Contributions and Interest Eligible for Withdrawal

Each paycheck, you contribute between 5.25-7.50% of your pay to your PSERS account. These contributions grow at 4% per year. This box shows the total amount of your Contributions and Interest Eligible for Withdrawal as of June 30th. You can find a more detailed breakdown of your contributions and interest in the chart at the top of Page 2 of your statement.

5 Maximum Single Life Annuity – Withdrawal of Lump Sum

If you withdraw your contributions and interest lump sum, the Maximum Single Life Annuity still provides you the highest monthly lifetime payment. However, it will be lower than #2 above. You can find a more detailed breakdown of your contributions and interest in the chart at the top of Page 2 of your statement.

6 Option 1 – Withdrawal of Lump Sum

Similarly, Option 1 gives you the second highest monthly payment once reduced for your withdrawal.

It is important to know that the Maximum Single Life Annuity and Option 1 are only two of the five pension options available to you at retirement. The other three options are not shown on your statement but may be a better fit for you than the Maximum Annuity and Option 1.

Question #2 – What are my Social Security benefits?

Aside from PSERS, Social Security is likely your most important retirement income source. It is helpful to know what your Social Security benefits are and what they will be when you retire. The same goes for your spouse’s benefits.

The best way to check into your Social Security benefits is to access your statement online [here](#). If you do not yet have a My Social Security account, you can create one easily and find your benefits statement. Once you have your statement, turn to Page 2 to find your current benefit payment amounts.

Page 2 of your benefits statement should look like this:

Your Estimated Benefits

*Retirement

You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...
your full retirement age (67 years), your payment would be about.....\$
age 70, your payment would be about.....\$
age 62, your payment would be about.....\$

*Disability

You have earned enough credits to qualify for benefits. If you become disabled right now
your payment would be about.....\$

*Family

*Survivors

If you get retirement or disability benefits, your spouse or children may also qualify for benefits. You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits.
Your child\$
Your spouse who is caring for your child\$
Your spouse, if benefits start at full retirement age\$
Total family benefits cannot be more than.....\$
Your spouse or minor child may be eligible for a special one-time death benefit of \$255.

Medicare

You have earned enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

*Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2035, the payroll taxes collected will be enough to pay only about 80 percent of scheduled benefits. We based your benefit estimates on these facts:
Your date of birth (please verify your name on page 1 and this date of birth).....
Your estimated taxable earnings per year after 2020.....
Your Social Security number (only the last four digits are shown to help prevent identity theft)

At the top, you will notice three ages (full retirement age, 70 and 62) and corresponding monthly payments for each. This is the information that you need. You also need to know what these ages mean and why they’re important to your retirement income picture, especially in the early years of your retirement.

Full Retirement Age

Your Full Retirement Age (FRA) falls between age 66 and 67, depending on your year of birth. If you wait to file for benefits until your FRA, you will not be penalized and will receive your full monthly payment.

Age 70

If you reach your Full Retirement Age and do not file for benefits, you will receive an 8% increase in your payment for each year that you wait, until age 70. Once you reach age 70, there is no incentive to wait any longer. You'll notice how much higher this payment is than the ones at your FRA and age 62.

Age 62

This is the earliest you can begin receiving your benefits but at a reduced amount. Depending on your FRA, there is a penalty of between 20-25% assessed on your benefit if you decide to take it at age 62. That penalty is generally reduced by about 5% per year until you reach your FRA.

It is especially important for you to factor Social Security into your retirement decisions because educators in Pennsylvania often retire before their full retirement age or even before age 62. This can result in a gap of several years between retirement and when Social Security can start.

Phil is retiring from PSERS at age 58 with 30 years of service. He can't start his Social Security benefit until age 62 at the earliest. And he must pay for health coverage until he can apply for Medicare at age 65. So, Phil will have to fund his health insurance premium using just his pension and investments for at least four years. At that time, he will need to decide whether to start Social Security early to help cover his expenses at the cost of receiving a reduced benefit for life.

Before making any final retirement decisions, you should consider how and when Social Security will factor into your retirement income.

Question #3 – How much retirement income and assets will I have?

You should feel completely confident in your decision to retire. This means knowing how much retirement income you will have each month and how much you will have in financial assets to provide more money when you need it. The best way to accomplish this is to get a full view of your retirement financial inventory. This includes the income and assets you will use to fund your spending for the rest of your life.

To make this easy, fill in the Retirement Financial Inventory Chart below so you can have a clear picture of your retirement resources all in one place.

ASSETS		
	Type	Amount
CASH	Checking Accounts	\$
	Savings Accounts	\$
	Money Markets	\$
	CDs	\$
	Other cash	\$
	TOTAL CASH	\$
INVESTMENTS	Brokerage accounts	\$
	Individual stocks and bonds	\$
	Other investments	\$
	TOTAL INVESTMENTS	\$
RETIREMENT	Individual Retirement Accounts (IRAs)	\$
	Roth IRAs	\$
	Employer retirement plans (403(b), 401(k), etc.)	\$
	PSERS withdraw (if rolling over)	\$
	Other retirement accounts	\$
	TOTAL RETIREMENT ACCOUNTS	\$
OTHER	Other financial assets for retirement	\$
	TOTAL OTHER	\$
TOTAL RETIREMENT ASSETS		\$
INCOME		
PENSION	PSERS pension (starts at age ____)	\$
	Other pensions	\$
	TOTAL PENSION INCOME	\$
SOCIAL SECURITY	Your Social Security benefit (starts at age ____)	\$
	Spouse's Social Security benefit (starts at age ____)	\$
	TOTAL SOCIAL SECURITY BENEFITS	\$
OTHER INCOME	Investment property	\$
	Business income	\$
	Annuities	\$
	Other income	\$
	TOTAL OTHER INCOME	\$
TOTAL RETIREMENT INCOME		\$

Question #4 – What will I do about health insurance coverage?

In general, PSERS retirees are younger than retirees in other professions or industries. If you began your career in your early or mid-twenties, you could have 30 years of PSERS service and a sizeable pension by age 55. While mid-50s retirement is a dream for many people, it comes with a big problem—health insurance coverage. You aren't eligible for Medicare until age 65. What will you do about retirement health insurance until then? How much will it cost? There is a lot to think about, and it can be overwhelming.

Let's simplify the health coverage options you might have. Make your health coverage decisions easier by answering 3 questions to help guide your planning:

Can I apply for Medicare when I retire?

If you are age 65 or older when you retire, you can likely apply for Medicare. When compared to private health coverage, Medicare is generally much less expensive. However, it is not free. Medicare Part B, Medicare Advantage, Medicare Supplement, and prescription drug plans all come with monthly premiums and out-of-pocket costs.

If I'm not eligible for Medicare yet, which health coverage is best for me?

1. Enroll in the Health Options Program (HOP) through PSERS

To help retirees and their families with health coverage, PSERS sponsors the Health Options Program (HOP). HOP offers health insurance plans for qualifying PSERS retirees, spouses and some dependents. The program has options for health coverage to bridge the gap between retirement and Medicare and plans for those who are on Medicare.

It is important to know that these health plans are not free. Not even close. You can expect to pay a much higher monthly premium than you did for health coverage through your district, intermediate-unit or school.

The monthly cost can vary by county, but you can expect to pay around \$1,000 per month for a single-person plan and about \$2,000 per month for a 2-person plan.

Learn more about HOP coverage, options, benefits and costs [here](#).

2. Get coverage through your spouse's employer health plan

If your spouse has a health insurance plan at work, you are likely able to access coverage under that plan until you reach Medicare age or until your spouse retires, whatever comes sooner. You should find out what the extra costs will be for coverage under your spouse's plan.

3. Purchase private health insurance coverage

Generally, this option will not be necessary as you will likely qualify for coverage under HOP. However, if you are not eligible for HOP and you do not have access to a spouse's plan, you may need to go to [healthcare.gov](https://www.healthcare.gov) to find a plan.

What will my spouse do if they get coverage through my health plan?

1. Get coverage through their own employer plan

If your spouse is not yet Medicare age, their best option might be accessing coverage under their own employer plan. That is, if their workplace offers a health plan. If it is a small business, the costs for the plan might be much higher than the monthly premium that they pay under your health plan.

2. Enroll in the Health Options Program (HOP) through PSERS

If you qualify for HOP coverage, your spouse can also apply for coverage under the program. While the monthly costs are high, it is likely the next best option if your spouse does not have a health plan at work.

3. Purchase private health insurance coverage

Your spouse can enroll in a health plan through the health insurance marketplace at [healthcare.gov](https://www.healthcare.gov). If a health plan is not available at their place of work and they cannot enroll in HOP, private coverage might be the only option. Private health coverage can be complicated and it might be helpful to speak with an independent health insurance agent who can explain your options.

You can see how important it is to plan for these health insurance expenses. This is especially true if you plan to retire before age 65. Health coverage could be a major retirement consideration for you. Make sure that you know which types of coverage you are eligible for and how much it will cost.

Question #5 – Will my assets and income cover my retirement expenses?

All retirees need to be confident that they will have plenty of money to spend and to cover all their needs. This can be a particular challenge for PSERS members in the early years of retirement for the two reasons that were mentioned earlier:

- ▶ Losing employer health coverage and paying for private insurance or HOP for several years before applying for Medicare.
- ▶ Retiring years before reaching Social Security Full Retirement Age.

It is common to have lower income (no Social Security) and higher expenses (paying more for health coverage) during the first few years of retirement. These years can potentially be more of a financial strain than later in retirement when you are on Medicare, Social Security and PSERS.

Let's look at an example of how these costs can impact other retirement decisions or the decision to retire itself.

John is 60 and eligible for normal retirement from PSERS. He has seven years until he reaches Social Security Full Retirement Age at 67. John has a 403(b) plan and a few other retirement and investment accounts. He has five years until he qualifies for Medicare at age 65. His wife, age 58, does not have health coverage through work and is on John's school district health plan.

This means that he and his wife will be on HOP coverage together for five years until John reaches 65. At that time, his wife will still have two more years before she is eligible for Medicare. At a monthly premium of \$1,000 per person, these costs can add up to over \$140,000 by the time they are both on Medicare. This might cause John to think about a few things:

- ▶ Taking Social Security early to help cover the costs
- ▶ Choosing a different pension option for a higher monthly benefit
- ▶ Working part-time to help cover the costs
- ▶ Working full-time at an employer with health benefit
- ▶ Reconsidering retirement all together for a few more years

It is important to have a clear picture of your retirement finances so you can see any potential challenges years in advance and plan accordingly. Before making your decision on retirement, you should feel comfortable with how the first few years will be funded and what you need to do between now and then to give yourself plenty of financial flexibility.

If you are a Pennsylvania educator who is a few years away from retirement, answering these five questions will help you uncover potential challenges ahead. With enough time to plan, you can decide what to do so you can retire when you want and feel confident that it is financially achievable.

You're ready to master your retirement!

Answering these questions and feeling fully prepared for retirement is easier said than done. However, it doesn't have to be difficult and you don't have to do it alone.

If you want guidance from the experts on your retirement planning, financial decisions and PSERS options, we're here to help. Learn more about getting customized advice and step-by-step guidance from TeachersRetire [here](#).

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www.teachersretirepa.com

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