



**THE INDEPENDENT SCHOOL**  
GROUP RETIREMENT PLAN

# Transitioning to Retirement

**Presented by:**

Travon Erwin-Toney, Employee Engagement Manager, OneDigital

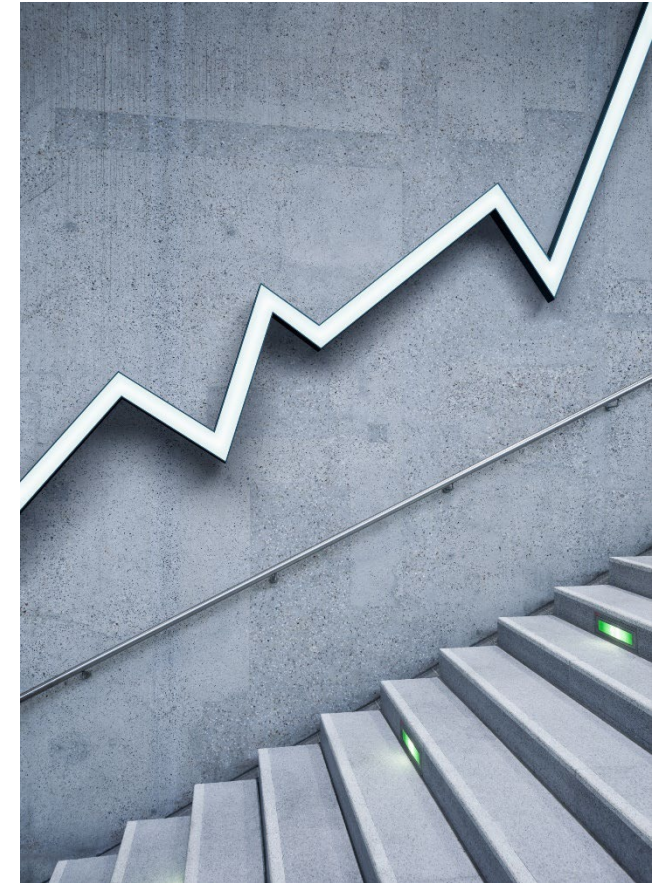
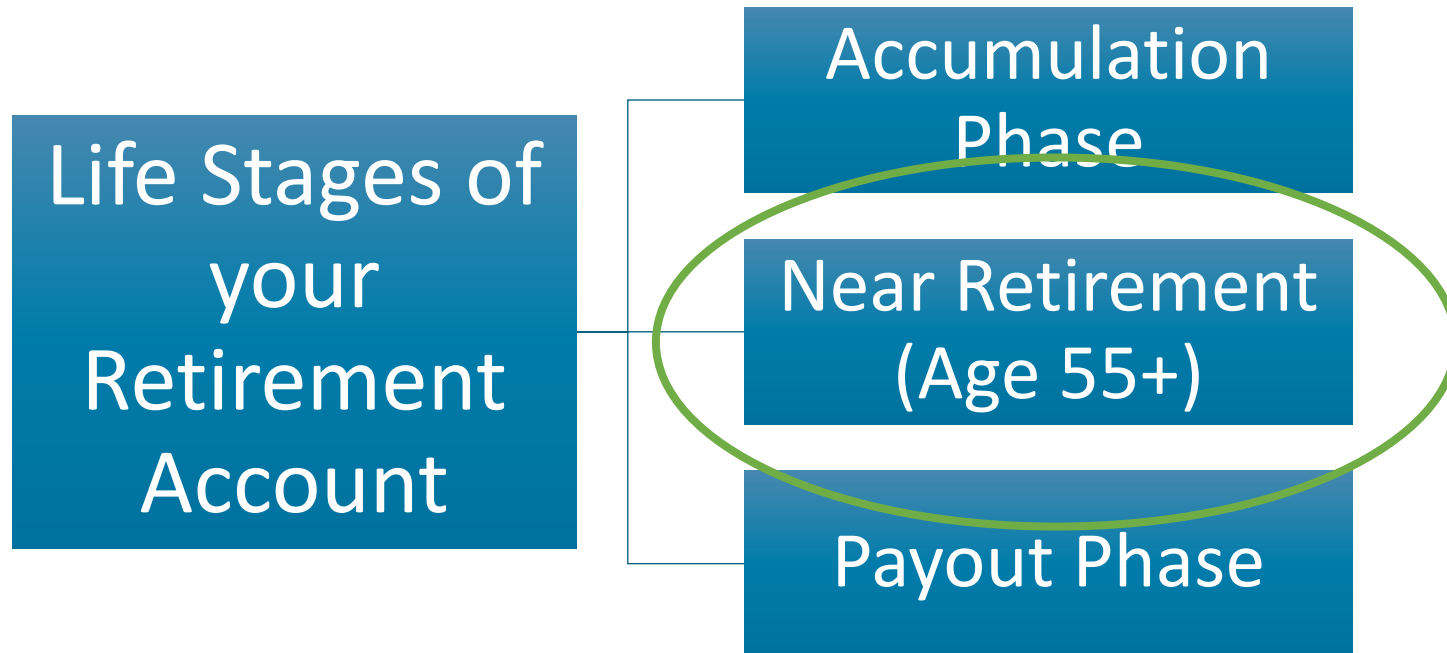
# Agenda



## WHY WE'RE HERE TODAY

- Transition Process
- Retirement Income
- Distribution Strategies
- Social Security
- Medicare

# Different Stages – Different Approach



# The Transition Process

What to do in the years leading up to retirement:

- Begin to estimate your retirement budget
- Compare estimated costs to anticipated sources of income (Social Security, Retirement Accounts, Annuities, etc.)
- Consider all assets in aggregate
- Check your investment allocation
- Start to formulate an income strategy
- Review your health insurance options (Medicare, supplemental insurance policies, etc.).
- Make a plan for your free time!



# The Retirement Picture

## Sources of Income

Social Security

403(b)/Pension

Part Time Work

Annuities

Other

vs.



## Projected Expenses

Housing

Healthcare

Food

Entertainment

Travel

If the projected expenses are greater than your expected income, the difference will need to come from your savings.

# How Does Spending Change After Retirement?

- On average, retirees need to replace between 75% and 85% of their pre-retirement income.
- In 2023, average annual spending by Americans ages 65 and older was \$57,800
- In the most recent CES breakdown, retired households spent about \$59,600 annually, compared with roughly \$77,000–\$78,000 per year for all consumer units that include working households
- In 2023, retired households spent just under \$20,000 per year on housing, while working households continued to spend closer to the mid-\$20,000 range, reflecting higher rents and mortgage costs among workers
- Retired households spent nearly \$8,000 per year out of pocket on health care in 2023, compared with roughly \$5,000–\$5,500 for working households

Average Amounts Spent by Workers and Retirees

Expense	Working	Retired
<b>Housing</b>	<b>\$26,870</b>	<b>\$19,820</b>
Owned dwellings	\$9,420	\$7,380
Rented dwellings	\$5,680	\$3,120
<b>Health Care</b>	<b>\$5,430</b>	<b>\$7,930</b>
<b>Personal Care Products &amp; Services</b>	<b>\$790</b>	<b>\$610</b>
Apparel	\$1,960	\$910
<b>Entertainment</b>	<b>\$3,740</b>	<b>\$2,610</b>
<b>Food</b>	<b>\$9,380</b>	<b>\$6,540</b>
Food away from home	\$3,210	\$1,620
Alcohol	\$610	\$420
Tobacco & Smoking Products	\$330	\$210
<b>Total</b>	<b>\$69,950</b>	<b>\$54,630</b>

Source:

- [50+ Essential Retirement Statistics for 2022, Annuity.org](#)
- <https://www.bls.gov/opub/reports/consumer-expenditures/2023/>

Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey (CES), 2023



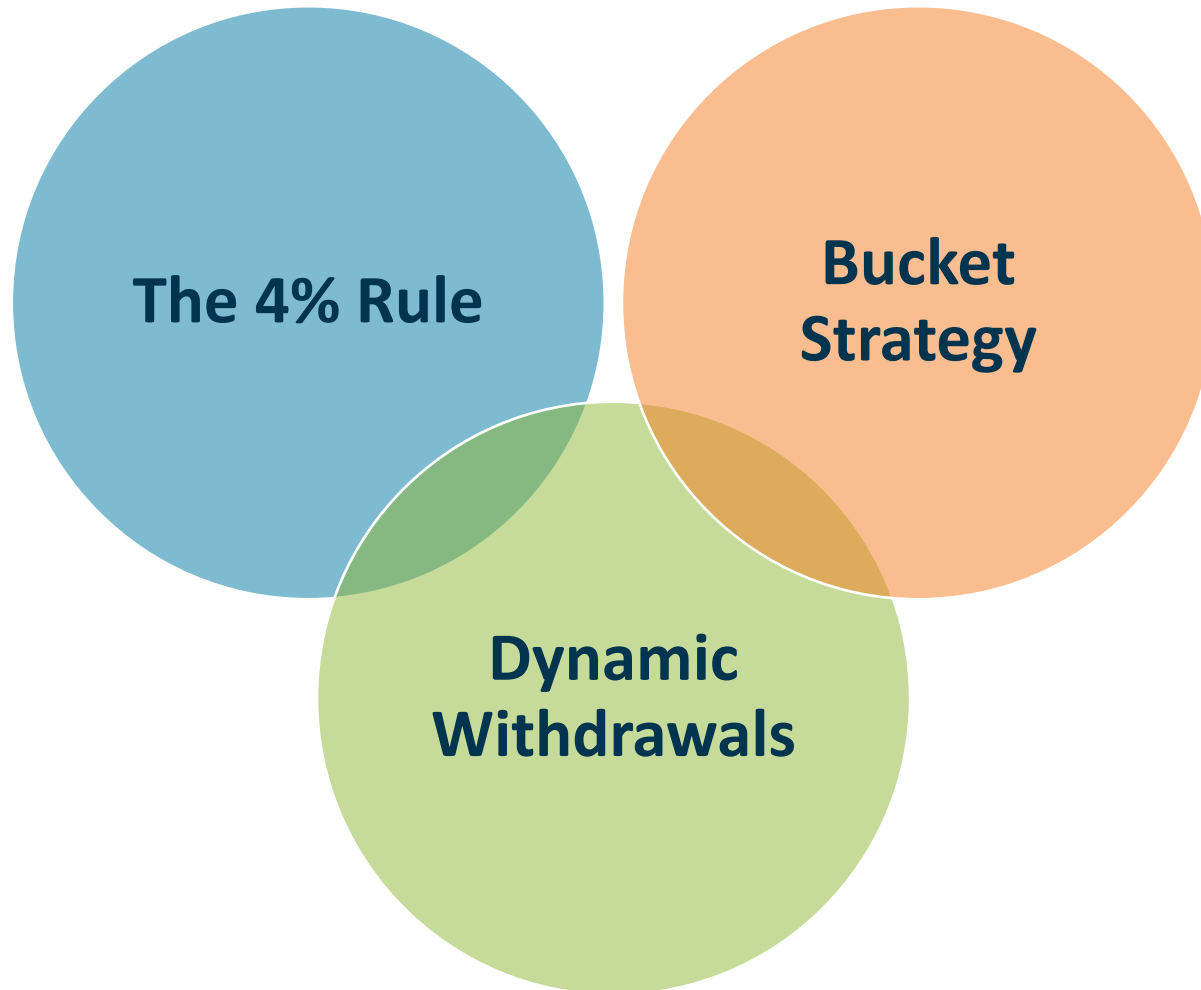
# What you can do if you're behind

1. Increase your 403(b) elective deferrals
2. Fine tune your investment strategy and maintain a suitably aggressive asset allocation based on your age and time horizon
3. Open more than one retirement account (i.e., IRA)
4. Set savings goals for future purchases
  - Avoid carrying large credit card balances when possible
5. Open a non-qualified investment account



# Distribution Strategies:

Top Ways to Access Your Retirement Income



# The 4% Rule

- Calls for a person to withdraw 4% of their savings in the 1<sup>st</sup> year of Retirement.
- In each year that follows, they will continue to withdraw 4% making sure to scale appropriately to account for inflation.
- While the 4% rule may seem standard in the financial industry, it's simply a guideline and not a one-size-fits-all solution.



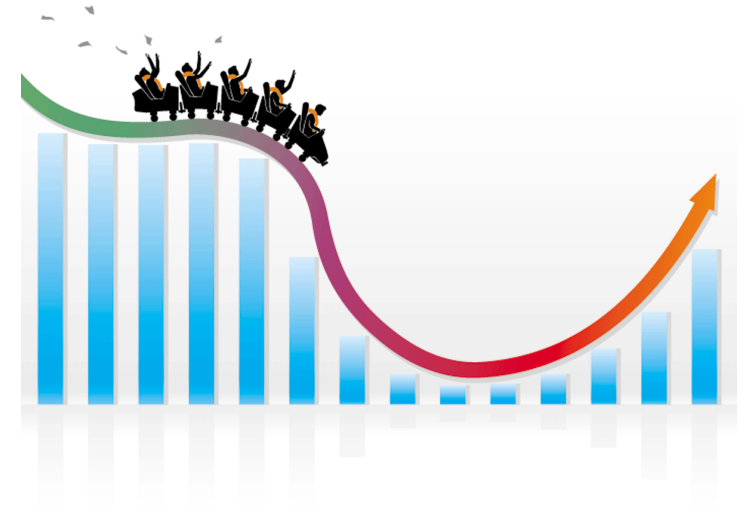
# The Bucket Strategy

- Consists of splitting your savings into different accounts based on your expenses
- Categorize Accounts: Emergency savings, Living Expenses, Entertainment, etc.
  - *Consider storing a couple years' worth of living expenses in low volatility investments (fixed income funds, CD's, Treasury Notes, Bonds)*
- Retain the remaining amount of long-term savings in your retirement or investment accounts
- This strategy tends to be less risky because you'll have cash on hand and won't need to liquidate investments or tap into another account in the event of an emergency



# Dynamic Withdrawals

- Unlike the 4% rule, dynamic withdrawals allow you to change how much you take out of your accounts each year, with an annual spending floor and ceiling to help you stay within an appropriate range
- Allows you to adjust for market fluctuations, withdrawing more in years when your investment returns are higher
- Since you can take out less money if you need to, this approach can help ensure your savings last the length of your retirement



# Required Minimum Distributions

- Your Required Minimum Distribution (RMD) amount each year is based on a life expectancy factor that is provided by the IRS
- In general, RMDs must be taken annually starting the year you reach the Required Beginning Date (RBD)
- First-time RMDs must be taken no later than April 1<sup>st</sup> of the year following the year you reach your RBD
  - *Subsequent RMDs must be taken annually no later than December 31<sup>st</sup>*
- All RMDs are taxed in the year they are taken
- It's generally recommended to request your withdrawals at least **60 days** before the deadline
  - This helps ensure any IRS and plan requirements—such as spousal waivers—are taken care of in time

Birth Year	RBD Age
1950 or earlier	72
1951 – 1959	73
1960 or later	75

# Social Security

# Social Security

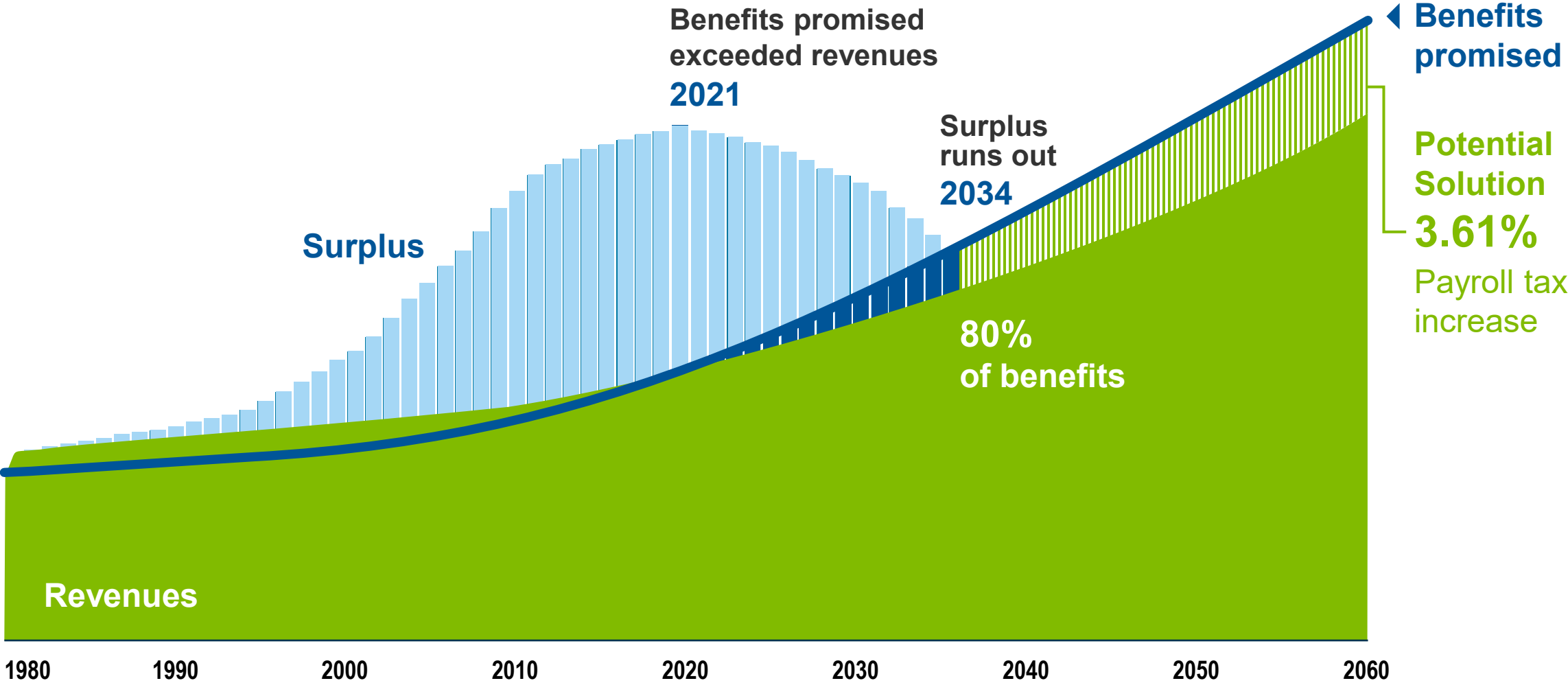
Many people consider Social Security to be a meaningful piece of their retirement picture.

## Consider this...

- The average monthly Social Security benefit paid out in January 2026 was \$2,071
- That amounts to approximately \$24,852 per year



# Social Security Outlook



*This chart is a conceptual illustration of Social Security revenues, benefits promised and surplus.*

Source: Social Security Administration, 2023, The 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. The figures shown are for the combined Old-Age and Survivors Insurance and Federal Disability Insurance trust funds. There is no assurance any estimate, forecast or projection will be realized.

# Social Security – Questions to consider

- What happens if you start benefits early?
- How do delayed retirement credits work?
- Eligibility for spousal benefits?
- Benefits for ex-spouses?
- How will your benefits be taxed?

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

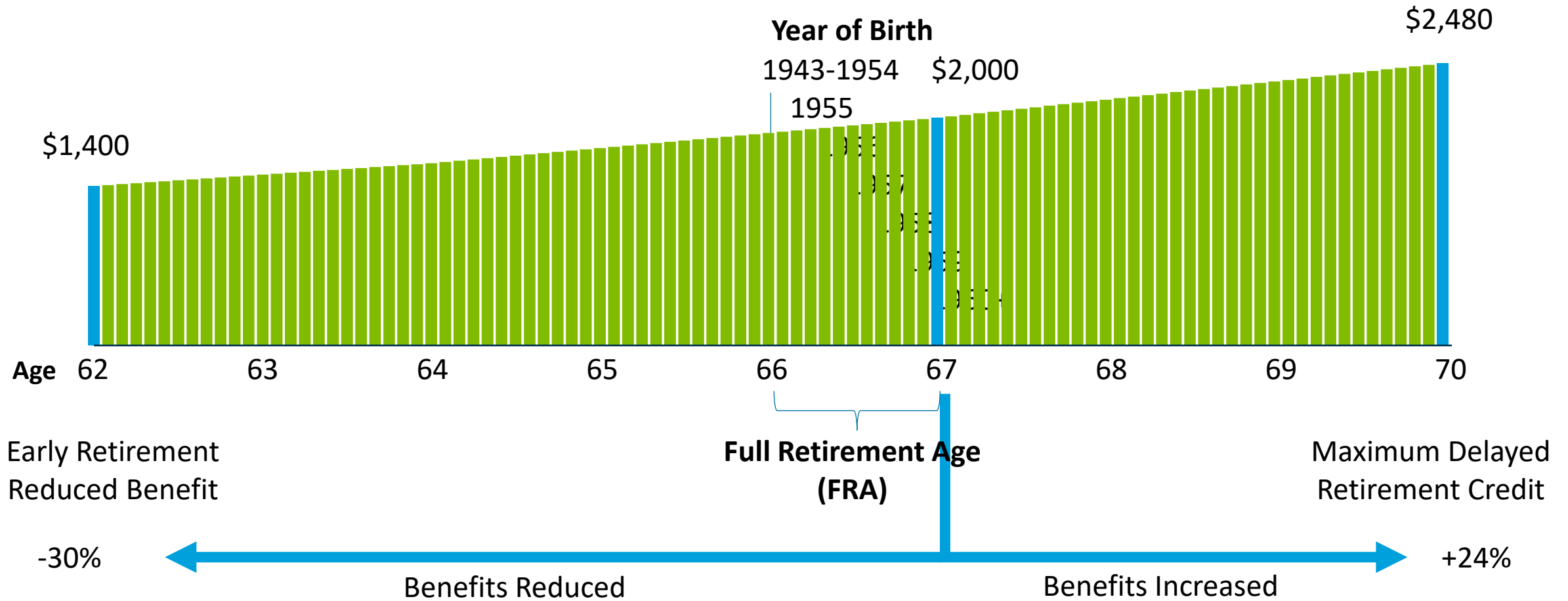


Download your Social Security statement by logging on to:

[www.ssa.gov/myaccount](http://www.ssa.gov/myaccount)



# When you claim impacts what you get



Source: Social Security Administration. Calculated for an individual turning 62 in 2023 with an assumed \$2,000 monthly Social Security retirement benefit at FRA (age 67).

# How Will Working Impact My Benefit?

**Before FRA** BENEFIT REDUCED **\$1** FOR EVERY **\$2** ABOVE **\$24,480** IN EARNED INCOME IN 2026

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**Year you reach FRA** BENEFIT REDUCED **\$1** FOR EVERY **\$3** ABOVE **\$65,160** IN EARNED INCOME IN 2026

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**At FRA**

- NO LIMIT ON EARNINGS
- WITHHELD LIMITS ARE RETURNED

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# How Can I Increase My Benefit?

## › Pay More FICA Tax

- › The SSA looks at your highest 35 years of income to determine your monthly benefit from Social Security.

## › Start Receiving Social Security Later

- › Social Security at 62 may sound great, but holding off until at least your FRA or age 70 will create the largest benefit possible.



# Will My Social Security Benefit Be Taxed?

## What Counts Toward Your MAGI

- Income earned from working
- Distributions from traditional/Pre-Tax retirement accounts
- Pension Income
- Add deductions for items such as the below to your Adjusted Gross Income (AGI)
  - Passive Income or losses
  - Rental losses
  - Self-employment tax

**Modified Adjusted Gross Income\***

+

**½ Social Security Benefits**

**= Combined Income**

\*Please consult with your tax professional for a complete understanding of your MAGI. This is not tax advice and not meant to be all inclusive.

If your  
income is:

Less than or equal to  
**\$25,000** if you file as an  
individual (**\$32,000** if  
married, filing jointly)

% of Social Security that's taxable:

0% Taxed

If your  
income is:

Less than **\$25,001 - \$34,000**  
if filing as an individual  
**(\$32,001 - \$44,000**  
if married, filing jointly)

% of Social Security that's taxable:

Up to 50% Taxed

If your  
income is:

**\$34,001** if filing as an  
individual  
**(\$44,001** if married,  
filing jointly)

% of Social Security that's taxable:

Up to 85% Taxed

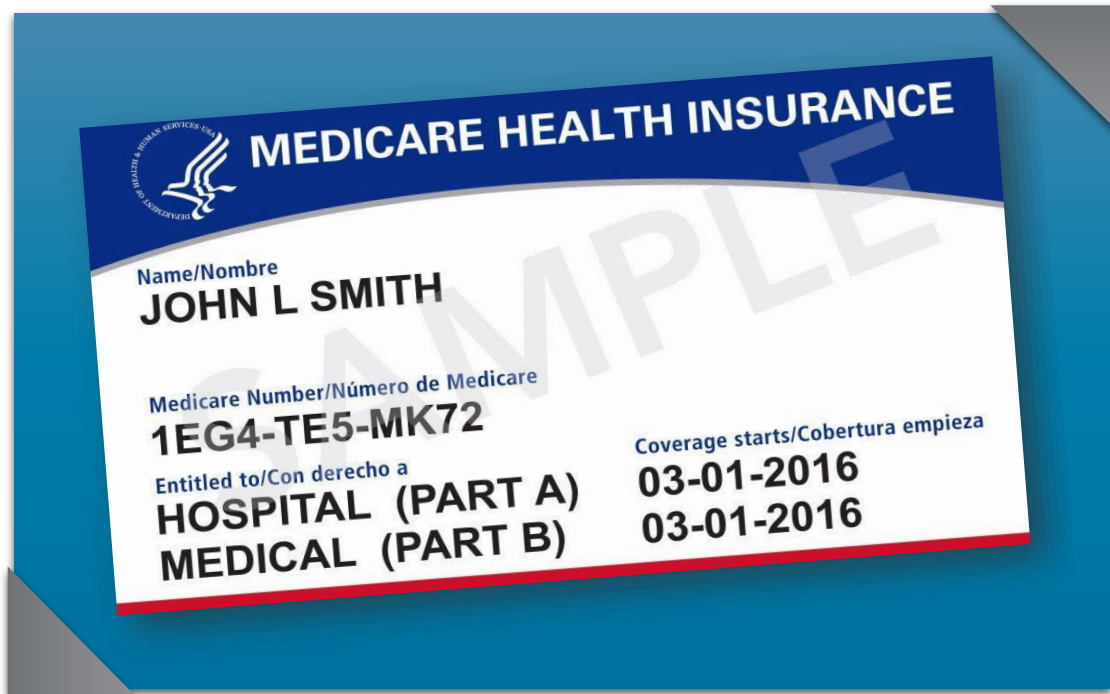


If you need clarification on whether your Social Security benefits are taxable, the IRS has a tool on its website that can help:

**[Are my Social Security benefits taxable?](#)**

# Medicare

# Are you Eligible?



## Original Medicare

You become Medicare eligible when you reach the age of **65**

- You've been **declared disabled** due to certain disabilities
- Diagnosed with End-Stage Renal Disease

# Enrolling in Medicare

If you are collecting Social Security, you will be **automatically** enrolled.

If **not**, you must actively **enroll yourself**.



Your initial enrollment window is **7 months**.

**3 months before** your birth month, your birth month & **3 months after** your birth month.



If you've **delayed enrollment** in Medicare because you are still covered based on current employment, you will have a special 8-month enrollment window that begins the month after the employment ends or the coverage ends, whichever happens first.



# When does Medicare begin?

If you sign up during the first 3 months of your Initial Enrollment Period and...

Your birthday is on the 1<sup>st</sup> of the month:

- ✓ Your Medicare will go into effect on the 1<sup>st</sup> of the month prior to your birth month

Your birthday is between the 2<sup>nd</sup> – 31<sup>st</sup>:

- ✓ Your Medicare will go into effect on the 1<sup>st</sup> of the month your birth month.

For all others, Medicare always begins on the first of a month depending on your desired enrollment date.

# Part A & B

Part A



Part B



# Medigap

You can also add:

**Supplemental Coverage**



This includes Medicare Supplemental Insurance ([Medigap](#)). See Section 5 (Starting on page 75) to learn more about Medigap. Or you can use coverage from a former employer or union, or [Medicaid](#).

## Your Medicare options

When you first enroll in Medicare and during certain times of the year, you can choose how you get your Medicare coverage. There are 2 main ways to get Medicare:

### Original Medicare

- Original Medicare includes Medicare Part A (Hospital Insurance) and Part B (Medical Insurance).
- You can join a separate Medicare drug plan to get Medicare drug coverage (Part D).
- You can use any doctor or hospital that takes Medicare, anywhere in the U.S.
- To help pay your out-of-pocket costs in Original Medicare (like your 20% [coinsurance](#)), you can also shop for and buy supplemental coverage.

Part A



Part B



You can add:

Part D



You can also add:

**Supplemental coverage**



This includes Medicare Supplement Insurance ([Medigap](#)). See Section 5 (starting on page 75) to learn more about Medigap. Or, you can use coverage from a former employer or union, or [Medicaid](#).

See Section 3 (starting on page 57) to learn more about Original Medicare.

### Medicare Advantage (also known as Part C)

- Medicare Advantage is a Medicare-approved plan from a private company that offers an alternative to Original Medicare for your health and drug coverage. These “bundled” plans include Part A, Part B, and usually Part D.
- In most cases, you’ll need to use doctors who are in the plan’s network.
- Plans may have lower out-of-pocket costs than Original Medicare.
- Plans may offer some extra benefits that Original Medicare doesn’t cover—like vision, hearing, and dental services.

Part A



Part B



Most plans include:

Part D



**Some extra benefits**

Some plans also include:

**Lower out-of-pocket costs**

See Section 4 (starting on page 61) to learn more about Medicare Advantage.

# Medicare Part D

You can add:

**Part D**



# Prescription Drug Coverage

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**Part A**



**Part B**



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**Part B**



Most plans include:

**Part D**



**Some extra benefits**

Some plans also include:

**Lower out-of-pocket costs**

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# Two most common types of Medicare Advantage Plans

**Health Maintenance Organization (HMO) plans**—In most HMOs, you can only go to doctors, other health care providers, or hospitals in the plan's network, except in an urgent or emergency situation. You may also need to get a referral from your primary care doctor for tests or to see other doctors or specialists.

**Preferred Provider Organization (PPO) plans**—In a PPO, you pay less if you use doctors, hospitals, and other health care providers that belong to the plan's network. You usually pay more if you use doctors, hospitals, and providers outside of the network.

# Medicare Part C

\*Must Have Part D

5

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**Part A**

**Part B**

**You can add:**





**Part D**

**You can also add:**

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**Part A**

**Part B**

**Most plans include:**




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**Part A** 

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**Most Plans Include:**

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**Some Plans Include:**

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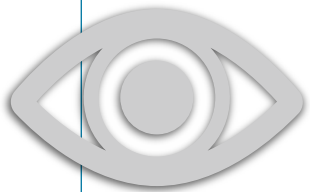
# What Medicare Does Not Cover



**Long Term Care**  
(Excluding Nursing Home)



**Dental Care**  
(Dentures, Crowns, X Rays,  
Partials, etc.)



**Vision** (Glasses & Exams)



**Hearing Aids & Exams, Etc.**

# Enrolling in Medicare



Online

[www.ssa.gov/retireonline](https://www.ssa.gov/retireonline)

Medicare Hotline Number

**1-800-MEDICARE**

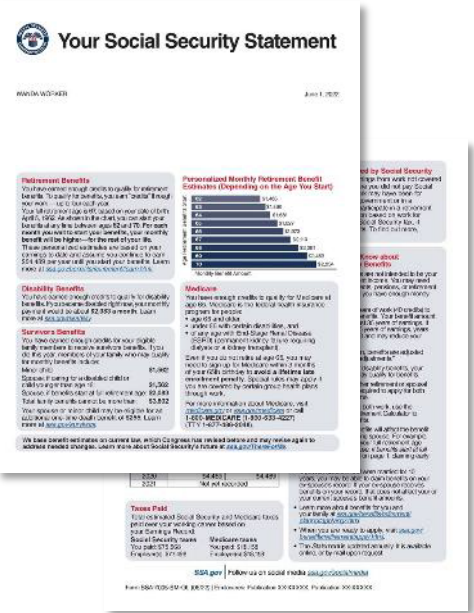
Social Security Hotline Number

**1-800-772-1213**

# NEXT STEPS

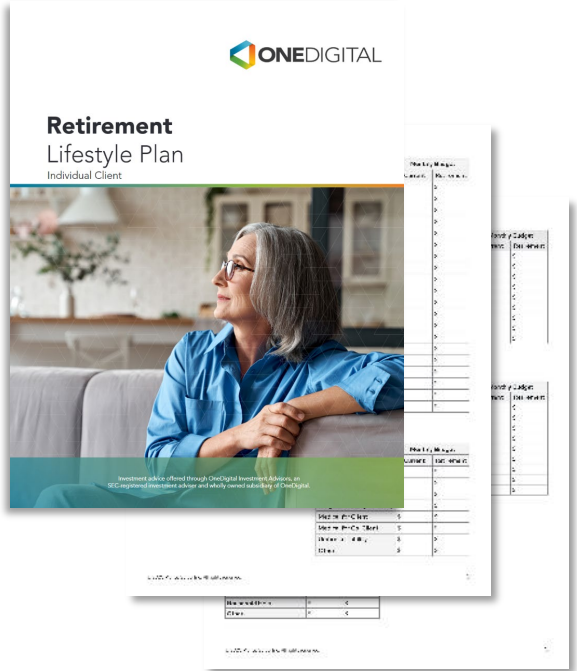
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Determine if you will be signing up for Medicare at 65 or at retirement



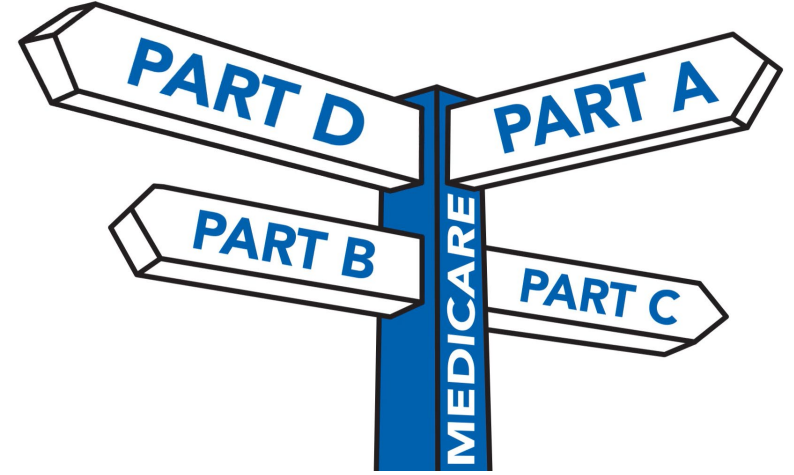
2

Work with your adviser and to pinpoint your retirement income



3

Meet with a Medicare professional to identify the filing strategy most in line with your retirement income and medical coverage needs



Let's head back to our  
main meeting!