Planning for Your Future

Planning for your future is similar to taking a long road trip. You probably would not just hop in the car and start driving without knowing your final destination. Before driving thousands of miles, you usually break out the maps and plan how you will travel.

However, many deal with finances in an unplanned way. We think, wrongly, that financial planning is only for people who have lots of money to put away. This is not the case.

Regardless of income, financial planning is a map of spending and saving. It's an overview of where you are now, what your destination is and what you will have to do in order to reach it. By understanding the benefits of planning and establishing financial priorities, you can gain control of the financial journey.

Benefits of Planning

When you know your current financial picture, you are in control and better able to plan for both immediate and long-term expenditures. Your "wish list" becomes reachable goals and your future will be more secure.

Don't assume that you will be able to retire comfortably or that others will take care of you financially. Layoffs, illnesses, or other catastrophes can leave you with nothing to fall back on. With planning, you will be less at risk to financial hardship.

Establish Priorities

Financial planning also helps establish priorities. By determining your financial priorities, you will find it easier to say "no" to your own spending. You will know where your money is going and be less likely to spend it without thinking. More importantly, you will know that you are building a more secure future for you and your family.

Financial Planning

It is never too late to take control of your financial planning. By beginning your financial planning today, you will know what and how much you need, and when you will need it.

A rough rule of thumb is that your combined income from Social Security, pension and investment earnings should be equal to 75 percent of your pre-retirement income. Learning to take advantage of a variety of types of investments will help you build a nest egg. Before retiring, you will want to carefully examine your health insurance coverage from work and the benefits you will be receiving from Medicare to make sure you will be adequately covered. You will also need an estate protection plan and a well-prepared, up-to-date will.

If you or someone you know is having a problem, contact your EAP—help is available!

Retirement Plan Options

Popular "Qualified" Plans

- Individual Retirement Account (IRAs)—A personal, tax-deferred account for the employee to set aside untaxed money from their paycheck to save for retirement.
- 401(k) Plans—A type of contribution plan where a portion of the employee's salary is placed into a pension plan (pretaxed) and which the employer will typically match the employee's contributions up to a certain percentage.
- Profit Sharing Plans—A retirement plan where contributions are made solely by the employer.

Basic Qualified Pension Plans

- Defined Benefit Plan—Employer promises retirees a pension in a specific amount, with the benefit based on years of service, final average salary, and a percentage figure.
- Defined Contribution Plan—Employer, and typically the employee, contribute a specific amount to the plans. Employees have an account with monies available at retirement. The employee bears the investment risk.

"Non-Qualified" Investment Plans

The types of non-qualified plans are unlimited. They can be as simple as making a contract with yourself to contribute to a savings account each month, or they can be complicated as deferred compensation arrangements that are funded by insurance.

For further information, please call your EAP:
1.800.492.4357

Callers with TTY equipment, please call:
1.800.338.2039

Online Services: www.mhneteap.com

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