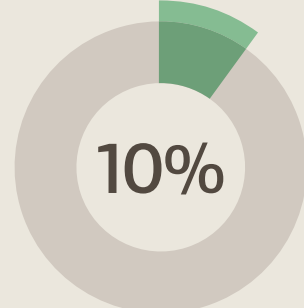


# Understanding civilian retirement plans



No matter how old you are, putting aside money for retirement is critical to your financial future. Waiting to plan is one of the biggest mistakes people make.

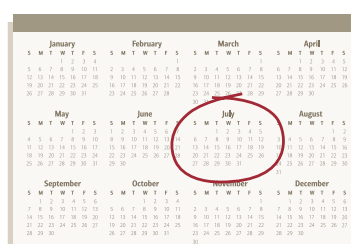
## How much will I need to put aside?



Many experts' rule of thumb is 10 percent of your income, **but it varies based on a few key factors.**

### Consider:

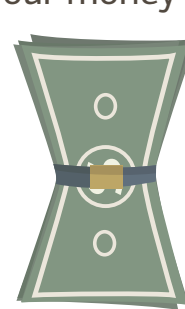
- 1 How many years you have left to work



- 2 What type of retirement lifestyle you want & how much it will cost



- 3 You may need more than you think: Inflation may shrink the value of your money



## Where will I put the funds?

### Employer plans



#### 401(k)/457/403(b)

These are **employer-sponsored retirement investment accounts that you contribute to pre-tax**, which may lower your overall taxable income. Employers may match some or all of the funds you contribute.

#### Pension

A traditional pension offers a defined benefit. That means it gives you a fixed, predictable payout in retirement, usually based on years of service and salary. An employer contributes to a pension for you; they're less common in non-government jobs.

### Individual plans

Individual Retirement Accounts are set up and **funded by you, not an employer.** Contributions are generally tax-deductible.

#### IRA



Roth IRAs are a type of Individual Retirement Account: **you contribute money after taxes**, but when you withdraw the money in retirement, it's generally federal tax-free.

#### ROTH IRA

#### SEP IRA

SEP stands for Simplified Employee Pension. It may be used if you're self-employed, freelance or a small-business owner, and has higher contribution limits than a traditional IRA.

## What about my TSP?

The Thrift Savings Plan is the federal government's version of a 401(k), and you may have enrolled during service. If so, you have a number of options, including leaving the account as-is or rolling it over into a new plan.

Each choice may offer different investment options and services, fees, expenses, and rules. These are complex choices. Before rolling over your TSP, take time to compare plans.

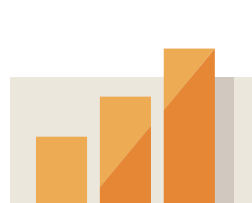
## What lingo do I need to know?

Some of the terminology associated with retirement accounts can be intimidating. Here are some basics to get you started.



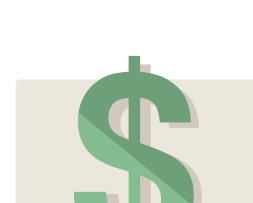
#### Diversification

Retirement accounts generally let you invest in more than just stocks. For example, you could invest in bonds or currencies. **Including more than one type of asset in your account is called diversifying.** (Note, though, that diversification does not protect against losses.)



#### Compounding

When your account makes money, those earnings are reinvested, so not only might your original investment earn returns, your earnings may, too. **The earlier you invest, the more opportunity your money has to compound.** Note that investments can lose money.



#### Fees

Many investment accounts are managed by people or firms, and their services are usually paid for by the investor (you) via fees. **Choosing an account with low fees can save you money over the life of your investment.**

### Now what?



If you're starting a full- or part-time job, talk to the human resources department about account options. **You may also want to consult with a financial professional about the best strategy for your family.**

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