

Planning for Retirement on a Teacher's Salary

A close look at your financial situation and options will help you make the right decisions.

By Stuart C. Ruwe

Many Missouri public school teachers are deciding to accept early retirement incentives from school districts facing tight budgets. About 2,500 educators who participate in the Public School Retirement System of Missouri (PSRS) retire each year, according to the 2010 Comprehensive Annual Financial Report.

As teachers prepare for their retirement years, it's important for them to take a close look at their financial situations and consider their options. For those who plan properly, there are no bad choices. Be sure to ask yourself four questions:

1. How much money do I need each month to live comfortably?

The amount of money you will need will depend on many factors, including your lifestyle, monthly expenses and plans for the future. Will you live with a spouse or friend who will contribute income and share expenses? Once you determine how much you need, will you need to work to supplement what is available through retirement savings?

The amount of money you need each month will help you determine the best payout option from PSRS, a benefit pension plan. For example, you can choose a payout over your entire lifetime, with or without one of the survivor options. If you are eligible, you can combine any payout option with a partial lump sum withdrawal.

2. Where do I keep my retirement savings?

Keeping money in PSRS and receiving regular benefit checks is a good move for many teachers. The monthly retirement benefit amount is determined according to a formula that factors in earnings history, years of service, age and inflation.

Depending on your years of service, you may be eligible to take a partial lump sum from your PSRS plan. You may find advantages in rolling over some of your PSRS money into another qualified retirement plan, such as a 403(b), which must be established prior to retirement. You can also roll money into an IRA.

Rolling money into a 403(b) or IRA reduces the monthly PSRS benefit payment, but gives you control and flexibility over how your money is invested. With a 403(b) or IRA, you can invest money into one or more financial vehicles, ranging from conservative, fixed-interest accounts to mutual funds or stocks, while sheltering earnings on your money from taxes until withdrawal. You also can readily access a 403(b) or IRA funds after retirement. Before accessing your funds, look into the cost of making a withdrawal. Product charges may apply.

You must be comfortable, however, in taking responsibility for managing your own money if you take it out of PSRS. You must choose quality investments and have the interest and ability to follow the markets and the performance of those investments.

3. How can I assure financial security for my spouse and children?

Life insurance works hand in hand with retirement savings to help assure that your survivors have financial security after your death. The start of retirement is a good time to make sure the beneficiary information on all of your retirement plans and life insurance policies is accurate and up to date. This will assure that any financial proceeds available after your death are distributed to those you wish to receive them. It's also a good idea to update your will and any trusts or estate plans you may have to make sure proceeds intended for beneficiaries are not tied up in court. Consult with legal and tax advisors as necessary.

4. Who can help me make the right decisions?

Because many Missouri teachers are considering retirement, you may have to wait to get an appointment with a PSRS counselor. There are other professionals throughout Missouri who understand how PSRS works. It's smart to receive good advice from a professional who can project how much money will be available to you upon retirement and help you evaluate retirement and life insurance options.

Stuart C. Ruwe is a Field Sales Leader with The Horace Mann Companies in Missouri. Horace Mann Life Insurance Company underwrites life insurance and annuities, primarily for teachers and other educators. Horace Mann has agents throughout Missouri who are knowledgeable about PSRS. These agents offer PSRS workshops in schools, as well as personal, no-obligation meetings with Missouri teachers wishing to better understand their retirement options. Go to horacemann.com to find an agent who can schedule a workshop or meeting.