***Directions: Calculate the following costs for the 401 (k) plans. Each grey box is worth 2 points (40 points total for chart)***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Employer 1  Matches 100% | Employer 2  Matches 50% | Employer 3  Matches 25% | Employer 4  Matches 0% |
| Age 26-35  Contribute $250/month | $250x12x10=  +  Employer $ | $250x12x10=  +  Employer $ | $250x12x10=  +  Employer $ | $250x12x10=  +  Employer $ |
|  |  |  |  |  |
| Age 36-45  Contribute $400/month | $400x12x10=  +  Employer $ | $400x12x10=  +  Employer $ | $400x12x10=  +  Employer $ | $400x12x10=  +  Employer $ |
|  |  |  |  |  |
| Age 46-55  Contribute $550/month | $550x12x10=  +  Employer $ | $550x12x10=  +  Employer $ | $550x12x10=  +  Employer $ | $550x12x10=  +  Employer $ |
|  |  |  |  |  |
| Age 56-Retirement (65)  Contribute $600/month | $600x12x10=  +  Employer $ | $600x12x10=  +  Employer $ | $600x12x10=  +  Employer $ | $600x12x10=  +  Employer $ |
|  |  |  |  |  |
| *Totals:* | *Saved for Retirement* | *Saved for Retirement* | *Saved for Retirement* | *Saved for Retirement* |

**Formulas:**

AMOUNT CONTRIBUTED x NUMBER OF MONTHS IN A YEAR x NUMBER OF YEARS IN PERIOD= TOTAL FOR PERIOD

MATCHING: AMOUNT YOU CONTRIBUTE x PERCENT EX: $48,000 (your contribution) x .50 (50% from employer)

* The above totals are what you have saved for the REST of your retirement years. If you retire at 65, and live to 80, you need to make that money last for 15 years.

***Directions: Divide each total above and list the answers below (Each grey box is worth 1 point, 12 points total):***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Employer 1  Matches 100% | Employer 2  Matches 50% | Employer 3  Matches 25% | Employer 4  Matches 0% |
| Total saved |  |  |  |  |
| Divided by 15 | 15 | 15 | 15 | 15 |
| Amount per year |  |  |  |  |
| Divide yearly by 12 | 12 | 12 | 12 | 12 |
| Amount per month |  |  |  |  |

* Why might you want to contribute to a 401 (k) plan that has a matching program (2 points)?

***Directions: Answer the questions below about a Pension Plan. The point value is listed by each question.***

* A Pension typically offers you the highest salary you were being paid within your last 5 years of employment. So, if you got a raise 2 years before you retire, and your raise takes your salary up to $50,000, you will receive $50,000 each year once you retire.
  + If you are receiving $50,000 a year, how much would you get each month (2 points)?
* Why might this be a better option than a 401 (k) or IRA (3 points)?

**IRA plans**

***Directions: Calculate the following costs for the IRA plan. Each grey box is worth 1 point (5 points total)***

|  |  |
| --- | --- |
|  | Employee  NO Matching from Employer |
| Age 26-35  Contribute $250/month | $250x12x10=  + |
|  |  |
| Age 36-45  Contribute $400/month | $400x12x10=  + |
|  |  |
| Age 46-55  Contribute $550/month | $550x12x10=  + |
|  |  |
| Age 56-Retirement (65)  Contribute $600/month | $600x12x10=  + |
|  |  |
| *Totals:* | *Saved for Retirement* |

Formulas:

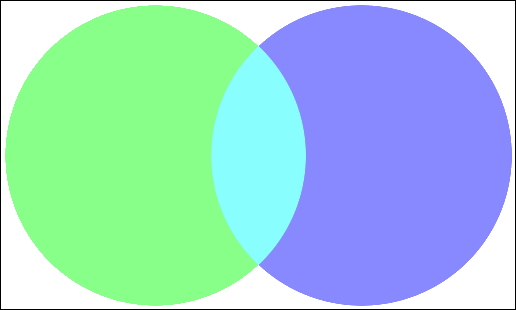
AMOUNT CONTRIBUTED x NUMBER OF MONTHS IN A YEAR x NUMBER OF YEARS IN PERIOD= TOTAL FOR PERIOD

* The above totals are what you have saved for the REST of your retirement years. If you retire at 65, and live to 80, you need to make that money last for 15 years.

***Directions: Divide each total above and list the answers below (each grey box is worth 1 point, 3 points total):***

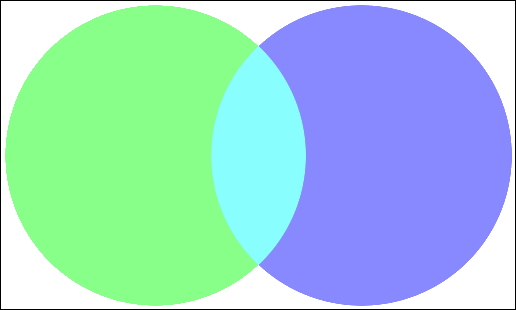
|  |  |
| --- | --- |
|  | Employer 1  NO Matching from Employer |
| Total saved |  |
| Divided by 15 (15 years) | 15 |
| Amount per year |  |
| Divide yearly by 12 | 12 |
| Amount per month |  |

**Putting it All Together!**

 *Compare and Contrast the 3 retirement plans. Each Venn Diagram is worth 9 points.*

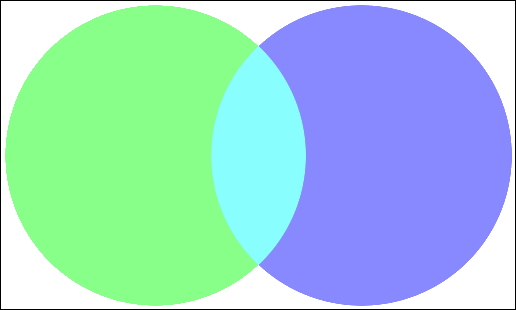
**Pension**

**IRA**



**401 (k)**

**IRA**



**401 (k)**

**Pension**

*FYI: Financial experts estimate that the average person will need about 75 % to 80 % of their pre-retirement income to sustain their standard of living after they retire. A 2 adult home needs at least $27,792 a year in order to meet their needs. That’s $2,316 per month.*

* What are some expenses that might go up during retirement (2 points)?
* What are some expenses that might go down during retirement (2 points)?
* What are some expenses that might go away during retirement (2 points)?