Helping Millennials plan for a brighter tomorrow

Education Program Workbook

Financial Planning offered through VALIC Financial Advisors, Inc. (VFA).

AIG Retirement Services
Getting started

About your workbook

This workbook is designed as an interactive guide to help reinforce the major points covered today. Use it to jot down notes about items that are important to you. Also, be sure to note the action steps included in each section. These steps will help you start right away as you plan to reach your financial goals.
Defining generations

The generation you’re born into can shape your experiences.

Generational experiences play a large part in how we see the world. Technologies, fashion, music, movies and world events can greatly influence our views, attitudes and behaviors.

What generation are you?

<table>
<thead>
<tr>
<th>Generation</th>
<th>Birth year</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.I. Generation</td>
<td>Before 1936</td>
<td>• Americans who fought or supported war efforts during World War II. • Raised following the Great Depression and The New Deal. • Sometimes referred to as the “Greatest Generation” for their sacrifices during the war.</td>
</tr>
<tr>
<td>Silent Generation</td>
<td>1937 - 1945</td>
<td>• Population too young to join the service when World War II started. • Relatively smaller generation than predecessors. • Characterized as mostly quiet, loyal, patriotic, responsible and hardworking.</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>1946 - 1964</td>
<td>• Termed “boomers” due to the post-war boom in births. • Known for individuality, aspiration and idealism.</td>
</tr>
<tr>
<td>Generation X</td>
<td>1965 - 1981</td>
<td>• Seen as living in the shadow of Boomers. • Termed “Gen X” – X for unknown – because they seemed harder to know or understand. • Lower birth rates than the Boomer generation.</td>
</tr>
<tr>
<td>Generation Y/Millennials</td>
<td>1982 - 1997</td>
<td>• Came of age in the new millennium. • Began careers at the height of the Great Recession. • Have developed a more entrepreneurial, strategic and adaptable attitude in order to succeed and thrive. • Exposed to rapid technological advances. • Feel a responsibility to care for the world.</td>
</tr>
</tbody>
</table>


Guess the generation

What technology most likely influenced each generation’s teenage years?

<table>
<thead>
<tr>
<th>Technology</th>
<th>Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walkman (1979)</td>
<td>G.I. Generation</td>
</tr>
<tr>
<td>MP3 player (2001)</td>
<td>Silent Generation</td>
</tr>
<tr>
<td>First cell phone (1986)</td>
<td>Baby Boomers</td>
</tr>
<tr>
<td>Electric typewriter (1961)</td>
<td>Generation X</td>
</tr>
<tr>
<td>Transistor radio (1954)</td>
<td>Generation Y/Millennials</td>
</tr>
</tbody>
</table>

See page 26 for answers.
The Millennial generation

Millennials are often portrayed as having certain personality traits and financial issues that may limit their growth. However, there are other interesting facts about this generation that are worthy of note.

Interesting facts

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>44%</td>
<td>are non-white¹</td>
</tr>
<tr>
<td>55%</td>
<td>describe themselves as Democrats²</td>
</tr>
<tr>
<td>35%</td>
<td>religiously unaffiliated³</td>
</tr>
<tr>
<td>21%</td>
<td>of men have a four-year college degree⁴</td>
</tr>
<tr>
<td>27%</td>
<td>of women have a four-year college degree⁴</td>
</tr>
<tr>
<td>65%</td>
<td>research topics interested in or pursue hobbies online⁵</td>
</tr>
<tr>
<td>82%</td>
<td>get most of their news from online sources⁵</td>
</tr>
<tr>
<td>40%</td>
<td>are married⁶</td>
</tr>
<tr>
<td>49%</td>
<td>believe their best years are ahead⁷</td>
</tr>
</tbody>
</table>

Sources:

What do you think?

What other interesting facts can you associate with the Millennial generation?

1. _____________________________________________

2. _____________________________________________

3. _____________________________________________

4. _____________________________________________
Savings attitude

Millennials are emerging as a generation of solid savers. Millennials are generally particularly conscious of the need to plan ahead to weather economic downturns, and many have already started to save for the future. That is impressive, given the level of debt they might already face.

Millennials are good savers

Believe it or not, Millennials are considered better savers than their predecessors.


Set financial goals

Setting goals gives a sense of purpose and direction and it is a good starting point toward attaining broader, long-term financial goals, such as retirement planning. With 66%* of Millennials ranking saving enough for a secure retirement and reducing debt as one of their biggest financial concerns, setting financial goals to meet these challenges should be a top priority. Start by establishing short-, mid- and long-term goals.


Set savings goals

82% of Millennials say the Great Recession taught them to save now to weather future economic uncertainty.

50% of Millennials have enough in savings to cover three months worth of expenses in case of an emergency.


Short-term

• Emergency fund
• Tuition payment
• Travel

Mid-term

• Buying a car
• Buying a house
• Starting a business

Long-term

• Child’s college education
• Retirement
• Legacy
Conquering debt

One of the biggest obstacles to saving is debt, which disproportionately impacts the potential of the Millennial generation.

Student loans

As the best educated group of young adults in American history, Millennials’ largest debt is student loan, which averages about $39,400 for the class of 2017.¹ If keeping up with student loan debt is of great concern, there are a few options to consider:

<table>
<thead>
<tr>
<th>Loan deferment</th>
<th>Allows putting off paying a student loan for a few months or years without affecting the borrower’s credit score, and the accrued interest is usually paid by the government. Keep in mind that this option must be requested directly from the lender to avoid defaulting on a loan due to missed payments. Going back to school usually automatically results in deferment of a student loan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance</td>
<td>Results when a deferment has been denied. The borrower is then responsible for paying accrued interest during any break in making payments.</td>
</tr>
<tr>
<td>Consolidation</td>
<td>Consolidating several student loans into one lower monthly payment might be a good option to consider; however, the borrower may end up paying more interest in the long run.</td>
</tr>
<tr>
<td>Loan forgiveness</td>
<td>Results when the federal government will cancel part or all of the federal student loans, if approved. For more information, visit the U.S. Consumer Financial Protection Bureau website, and search for “student loan repayment.”</td>
</tr>
</tbody>
</table>

Credit cards

The effects of a lingering recession and student loan debt may have many Millennials avoiding plastic. However, for those who don’t, the average credit card debt is $5,808.²

Building credit with a credit card

Having a credit card is a good way to build credit, as long as you are responsible. Here are some options to consider for managing credit card debt:

- Pay more than the minimum
- Pay off the credit card with the highest interest first
- Negotiate a lower interest rate
- Transfer balance to a lower interest card
- Use savings to pay off credit card debt

Building credit without a credit card

- Make installment loan payments on time
- Put at least one household or utility bill in your name
- Get a secured credit card

Getting your finances in order

How much money do you need to maintain or improve your current lifestyle, and allocate toward your future goals? You won’t know unless you properly account for your income and expenses in a budget.

Create a budget

A budget is an itemized allocation of available funds. It forms the foundation on which you will begin to build your own personal financial plan.

Steps in creating a budget

1. **Determine your income**
   - Your income includes any money that you can safely expect on a regular basis.
   - Do not overestimate your income.
   - Do not include income you may not receive later, such as bonuses or increases.

2. **Add your monthly expenses**
   - These include fixed and variable expenses.
     - Fixed expenses are recurring and predictable, such as rent or car payment.
     - Variable expenses might fluctuate from month to month, such as groceries and entertainment.
   - Keep your budget simple so it is easy for you to remain committed and motivated.

3. **Build in a savings component**
   - Decide what amount of your income you want to designate as savings.
   - Start with a small amount and increase when possible.
   - Schedule automatic deposits into a savings account.
   - Stick to your plan!

Monitor and revise your budget

Once you have created a budget, it is important to execute, monitor and maintain it.

- Compare actual to budgeted expenses.
- Monitor on a regular basis.
- Keep your budget current.

Notes: ________________________________________________________________
______________________________________________________________
______________________________________________________________
______________________________________________________________
______________________________________________________________
______________________________________________________________
______________________________________________________________
______________________________________________________________
Annual expense information

This information will provide a guideline to help you establish a budget. Based partly on this information, your financial advisor will help you create your personal financial plan.

1. Auto loan payments: $_________________/month x12 = $_________________/year
2. Auto lease payments: $_________________/month x12 = $_________________/year
3. Federal/state income/employment taxes: $_________________/month x12 = $_________________/year
4. Home/property maintenance: $_________________/month x12 = $_________________/year
5. Home insurance: $_________________/month x12 = $_________________/year
6. Mortgage/homeowner’s credit line payments: $_________________/month x12 = $_________________/year
7. Rental payments (including renter’s insurance): $_________________/month x12 = $_________________/year
8. Real estate taxes: $_________________/month x12 = $_________________/year
9. Utilities: $_________________/month x12 = $_________________/year
10. Other loan payments: $_________________/month x12 = $_________________/year
11. Clothing: $_________________/month x12 = $_________________/year
12. Debt service on credit cards: $_________________/month x12 = $_________________/year
13. Current education costs: $_________________/month x12 = $_________________/year
14. Food: $_________________/month x12 = $_________________/year
15. Gifts and other personal purchases: $_________________/month x12 = $_________________/year
16. Life, disability and health insurance premiums: $_________________/month x12 = $_________________/year
17. Medical and dental care: $_________________/month x12 = $_________________/year
18. Transportation, including auto repair, insurance and commuting expenses: $_________________/month x12 = $_________________/year
19. Travel, entertainment and vacations: $_________________/month x12 = $_________________/year
20. Vacation home expenses: $_________________/month x12 = $_________________/year
21. Childcare: $_________________/month x12 = $_________________/year
22. Alimony/child support: $_________________/month x12 = $_________________/year
23. Employee business expenses: $_________________/month x12 = $_________________/year
24. Charitable contributions: $_________________/month x12 = $_________________/year
25. Miscellaneous expenses: $_________________/month x12 = $_________________/year

Did you enter all of the above as annual figures? Please double-check your entries.
Analyze your budget

Which is your largest non-essential expense? ______________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________

Do you usually know how much money you have to spend each month? ____________________________
____________________________________________________________________________________
____________________________________________________________________________________

Do you build a little discretionary spending (for treats) into your budget? _________________________
____________________________________________________________________________________
____________________________________________________________________________________

Where can you make spending adjustments to increase your contribution to savings? ____________
____________________________________________________________________________________
____________________________________________________________________________________

Would you be willing to ask for help with budgeting if you find out you are not good at it? If so,
from whom? ____________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________
Are you saving enough to meet your retirement goals?

1. Are you currently contributing to a savings plan?
   - Yes
   - No

2. Do you have enough assets in reserve to sustain you for at least six months?
   - Yes
   - No

3. Where do you invest your savings?
   - Savings account
   - Private investment (shares, bonds, etc.)
   - Property
   - Private pension
   - Other: ________________________________

4. How much do you save annually?
   - Less than $500
   - $500 - $1,000
   - $1,000 - $5,000
   - $5,000 - $10,000
   - More than $10,000

5. How do you manage your savings and investments?
   - Alone
   - Through a banking institution
   - Through a financial advisor
   - Other: ________________________________
Investment approach

When it comes to investing, historical data indicates a strong relationship between the age distribution of the U.S. population and economic and stock market performance.

**Millennials: Good for the economy**

The coming of age for the Millennials is expected to have a great impact on the economy and the stock market over the coming decades, especially with that group being even larger than the Baby Boomer generation, at 83 million vs. 75 million.*


**Investment approach**

**Millennials’ thoughts on investing**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>85%</td>
<td>Identify themselves as being conservative</td>
</tr>
<tr>
<td>60%</td>
<td>Believe that making socially responsible investments is important</td>
</tr>
<tr>
<td>33%</td>
<td>Invest in stocks</td>
</tr>
<tr>
<td>33%</td>
<td>Believe that cash is the best long-term investment</td>
</tr>
</tbody>
</table>

Sources:

Notes:
Building your investment portfolio

Before you select any investment product, it is important that you understand how it works. Each asset class is unique and has a different risk-return profile that you can include in your investments to realize different financial goals.

As a general rule of thumb, risk and potential return are related: the more risk you take with your investment, the more potential return you should be able to expect.

Asset classes

There are three asset classes that you can invest in.

• Cash
  Composed of several types of low-interest, low-risk investment vehicles that provide liquidity. Cash investments avoid volatility, but generally also provide lower returns. This is a good place for short-term emergency money.

• Bonds
  Loans where you, the bond buyer, lend money to the bond issuer, usually the government or a corporation. In return, the bond issuer will pay you a fixed amount as interest at regular intervals in addition to repaying the principal in full at a specified date. These investments are typically less risky than stocks.

• Stocks
  Represent shares of ownership in foreign or domestic companies of various sizes and goals. A company issues stock to raise money for its business, and individuals invest in stocks because they want to make money. These investments are higher risk with a higher potential for return.

What is investing?

Investing is a form of saving, but savings is more passive, more focused on safety of principal, which is the amount of money you start with. However, when you invest, you buy assets you hope will maximize your earning potential by generating a good return on your money over time.
Investor profile

Your investor profile has a direct influence on which type of investment strategy you select to achieve your investment goals. Before investing you need to answer two important questions: “What is your risk tolerance?” and “What is your time horizon?”

Risk tolerance

Risk tolerance refers to your ability to absorb financial loss and your emotional reactions and long-term feelings about losing money. Knowing your risk tolerance is an important step in developing an investment strategy that’s right for you.

Time horizon

Your time horizon refers to how long you will remain invested. Establishing when you will need to access your money will help determine the type of investments you should choose.

<table>
<thead>
<tr>
<th>Time horizon</th>
<th>Short- to mid-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goals</strong></td>
<td>• Debt repayment</td>
<td>• Retirement planning</td>
</tr>
<tr>
<td></td>
<td>• Down payment</td>
<td>• College education</td>
</tr>
<tr>
<td></td>
<td>• Capital preservation</td>
<td>• Legacy</td>
</tr>
<tr>
<td><strong>Seeking</strong></td>
<td>• Capital preservation</td>
<td>• Capital appreciation</td>
</tr>
<tr>
<td><strong>Investment approach</strong></td>
<td>• Conservative</td>
<td>• Aggressive</td>
</tr>
<tr>
<td><strong>Investment vehicles/Plan types</strong></td>
<td>• Interest-bearing savings accounts</td>
<td>• Stocks</td>
</tr>
<tr>
<td></td>
<td>• Certificates of deposit (CDs)</td>
<td>• Mutual funds</td>
</tr>
<tr>
<td></td>
<td>• U.S. savings bonds</td>
<td>• Life insurance</td>
</tr>
<tr>
<td></td>
<td>• Money market accounts</td>
<td>• Annuities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 529 college plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Retirement plans</td>
</tr>
</tbody>
</table>

Millennials’ investment profile

• Very conservative
  While Millennials are younger and have a longer time horizon ahead of them, they take a more conservative investment approach than Gen X investors do, and hold significantly more cash than any other generation. Millennials hold more than half of their assets in cash (52%), with less than one-third of their assets (28%) in equities. This is directly counter to traditional long-term investment allocation advice.

• Wary of market volatility
  Millennials’ concerns about money, risk and success have been shaped by dramatic economic and market volatility that hurt job prospects and earning abilities, as well as disrupted their parents’ real estate values, investment portfolios and retirement savings.

• Risk averse, despite long-term investment time horizon
  Although Millennials might be optimistic about their financial future, some are skeptical about long-term investing as the way to reach their goals. Given their long-term investing time horizon, this may be a good time in their life to reassess the amount of financial risk they are prepared to take.

Source: Think You Know the Next Gen Investor? Think Again. UBS Investor Watch. 1Q 2014.
Reducing investment risk

When investing, it is hard to predict how your investments will react to the market. There are two strategies that can assist in reducing the risks associated with investing: asset allocation and diversification.

Asset allocation

Asset allocation is the first step in deciding the right mix of asset classes (stocks, bonds and cash) for your investments—one that balances risk and reward against your long- and short-term goals. Mixing a variety of asset classes in a portfolio helps increase your chances of a more consistent performance. The idea is to choose two or more investments that generally respond differently to the market; while the value of one is going down, the value of the other might be going up. Your portfolio performance is the average of how these assets perform.

Using the conservative and aggressive sample mixes, here is the difference in how two different investors might allocate the assets in their portfolios.

Allocation mix

- **Conservative**
  For investors who seek current income and stability and are less concerned about growth.

- **Moderately conservative**
  For investors who seek current income and stability, with modest potential for increase in the value of their investments.

- **Moderate**
  For long-term investors who don’t need current income and want some growth potential. Likely to entail some fluctuations in value, but presents less volatility than the overall equity market.

- **Moderately aggressive**
  For long-term investors who want good growth potential and don’t need current income. Entails a fair amount of volatility, but not as much as a portfolio invested exclusively in equities.

- **Aggressive**
  For long-term investors who want high growth potential and don’t need current income. May entail substantial year-to-year volatility in value in exchange for potentially high long-term returns.
Diversification

Diversification is the next step — deciding how to allocate funds within each asset class. Doing so helps to spread risk out over a variety of different investment types. The phrase “don’t put all your eggs in one basket” is often used as an illustration of diversification.

A portfolio should be diversified at two levels: among asset categories and within asset categories. So in addition to allocating your investments among stocks, bonds, cash equivalents and possibly other asset categories, you may also want to consider spreading out your investments within each asset category. The key is to identify investments in segments of each asset category that may perform differently under the same market conditions.

It is important to note that neither diversification nor asset allocation can ensure a profit or protect against market loss.


Mutual funds: Allow for diversification and asset allocation

Mutual funds are investment vehicles that allow you to pool your money together with other investors to purchase a collection of stocks, bonds, short-term money-market instruments or other securities or assets, or some combination of these investments, with the purpose of decreasing the risk that a loss on any particular investment would cause an overall portfolio. Mutual funds offer the experience of a professional money manager who closely monitors the securities market and individual companies.

Mutual funds consist of:

- Stock funds, some of which include growth funds, income funds, index funds which rely on the stock market, and sector funds, such as technology or banking.
- Bond funds, which include corporate, high yield, international and global bond funds and treasury bond funds.
- Balanced funds, which invest in a combination of stocks and bonds and possibly cash.
- Money market funds, which invest in specific high-quality, short-term debt such as U.S. Treasury bills and the very short-term corporate debt known as commercial paper. These investments are considered cash equivalents.

You might consider working with a financial advisor who can help you to select the right mix of funds to meet your individual investment needs.
What is your investment approach?

1. How would you describe your investment knowledge?
   - None
   - Limited
   - Good
   - Extensive

2. What is your primary financial goal?
   - Wealth preservation
   - Wealth accumulation
   - Retirement planning

3. When you invest, what are you most concerned about?
   - Your investment losing value
   - Equally concerned about your investment losing or gaining value
   - Most concerned about your investment gaining value

4. Do you own any of the following investments?
   - Money market or cash investments
   - Bonds and/or bond funds
   - Stocks and/or stock funds
   - International securities and/or international funds

5. What is your investment strategy?
   - Conservative
   - Moderately conservative
   - Moderate allocation
   - Moderately aggressive
   - Aggressive

6. Would you be willing to ask for help with your investment portfolio?
   If so, from whom?  ____________________________________________
   ____________________________________________
   ____________________________________________
Retirement outlook

It is estimated that you will need approximately 70-80%\(^1\) of your pre-retirement income in retirement. Planning early for retirement can help ensure you are prepared for your future lifestyle and financial needs.

Millennials are preparing for retirement

Millennials are not just concerned about saving for retirement ... they are taking action!

86\(^2\)%

Are confident they will reach their financial goals

82\(^3\)%

Are contributing to their 401(k) plan

82\(^4\)%

Are investing in a retirement savings account

39\(^5\)%

Those aged 25-34 have calculated how much money they should save for retirement

Sources:

3. Millennials may be far from retirement, but think ahead with 401(k). USA Today. July 26, 2017.
5. Age Comparisons Among Workers. EBRI Retirement Confidence Survey, 2019 Fact Sheet #4.

Notes: 

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
Are you too young to start preparing for retirement?

At the younger stages of life and career, time is the most valuable asset. Because you’re decades away from retirement, any savings, investments and contributions to a retirement plan will have years to grow.

And don’t forget to factor longevity into your retirement plans. Today, people are living longer and you will need to be financially prepared to enjoy those extra years without the stress of worrying about how to pay for the lifestyle you have earned.

The power of compounding

Every day you delay saving for retirement means less time to benefit from compound earnings. And the only solution you have to make up for that time is to save more in the time remaining until retirement and/or work longer.

With compounding, you are putting your money to work for you by reinvesting the interest you earn. When it comes to building wealth, the most effective way of amassing resources is to make regular and periodic investments while reinvesting your profits.

So the bottom line is that the earlier you start saving, the higher your chances of growing your money.

Notes: ____________________________________________________________

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Sources of retirement income
The realities of today’s retirement can be daunting. One of the first steps in determining how much money you will need in retirement is to identify your guaranteed sources of income.
Retirement income traditionally depended on three sources: Social Security, retirement plan or pension plan and savings. Nowadays, working in retirement has become another viable income source option.
Will you need to continue working?

Please note that this is just one scenario and the sources of retirement income will vary depending on your individual situation.


Is Social Security in your future?
Based on current law, the Social Security Board of Trustees estimates that Social Security Trust Funds will be depleted in 2041. This is due in part to longevity, low birth rate and falling ratio of workers to beneficiaries.* Therefore, taxes paid by workers into the Social Security system may not be enough to pay the full benefit amounts scheduled.

Sources: * What young workers should know about Social Security and saving. www.socialsecurity.gov.

81% NO Unlikely to exist at time of retirement

19% YES However, most lack confidence in benefit payout levels

Pay yourself first: Participate in your employer’s retirement plan

— Understanding that Social Security is only one source of retirement income, you will need a plan to account for income from other sources to supplement or replace Social Security benefits. Contributing to your employer-sponsored retirement plan can help you build your retirement savings.

Workplace retirement plans

<table>
<thead>
<tr>
<th>Tax deferred</th>
<th>Taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>403(b)</td>
<td>• Public schools and nonprofit</td>
</tr>
<tr>
<td>457(b)</td>
<td>• Government and tax-exempt</td>
</tr>
<tr>
<td>401(k)</td>
<td>• Non-government employers</td>
</tr>
<tr>
<td>403(b) Roth</td>
<td>• Public schools and nonprofit</td>
</tr>
<tr>
<td>457(b) Roth</td>
<td>• Government</td>
</tr>
<tr>
<td>401(k) Roth</td>
<td>• Non-government employers</td>
</tr>
</tbody>
</table>

The most common workplace retirement plans are:

- **The 403(b) plan**
  Designed specifically for public schools and nonprofit organizations like hospitals and churches.

- **The 457(b) plan**
  Takes two paths—one designed for government organizations and the other for tax-exempt organizations.

- **The 401(k) plan**
  Available to all non-governmental employers.

Pretax contributions by payroll deduction into a traditional 401(k), 403(b) or 457(b) can help reduce the amount of your current taxable income so you can save dollars for retirement that otherwise would have gone to pay taxes. So while you are working, whether you’re five or thirty-five years from retirement, your money grows tax deferred until withdrawn. (Keep in mind that upon distribution, both contributions and earnings are taxable.) Income taxes are payable upon withdrawal; federal restrictions and a 10% federal early withdrawal tax penalty might apply to withdrawals prior to age 59½.

There are also Roth versions of the 401(k), 403(b) and 457(b) accounts. Roth account contributions are made on an after-tax basis. If withdrawals from Roth accounts meet the criteria for qualified withdrawals, they are excludable from income. (A qualified withdrawal must be made five or more years after the initial contribution to the account and in addition to one of the following conditions: reaching age 59½, death or disability.)

Notes: ________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________
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Other options for saving for retirement

If you have additional funds to invest after you have contributed to your employer-sponsored retirement plan, consider other tax-advantaged retirement investment vehicles, such as Individual Retirement Accounts (IRAs).

- **Traditional IRA:** Pretax contributions are not taxed when contributed; however, all amounts are taxable when withdrawn.
- **Roth IRA:** You pay taxes up-front on your contributions; earnings and qualified withdrawals are generally tax-free.

Both accounts allow your contributions to grow tax deferred until retirement. With both, you can choose from a range of investment options, including mutual funds, stocks, bonds and certificates of deposit (CDs).

### The Millennial cost of procrastination

**Saving for tomorrow should start today**

<table>
<thead>
<tr>
<th>Start at 23</th>
<th>$1,217,206</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start at 32</td>
<td>$602,096</td>
</tr>
</tbody>
</table>

This hypothetical example shows the estimated values of an investor’s account at retirement based on the assumption that the investor’s starting pay was $32,000 annually and they contributed 5% of their annual pay starting at different ages. This example assumes a 7% annual rate of return and an annual pay increase of 2%. Tax-qualified plan accumulations are taxed as ordinary income when withdrawn. Federal restrictions and tax penalties can apply to early withdrawals. This information is hypothetical and only an example. It does not reflect the return of any investment and is not a guarantee of future income. Investing involves risk, including possible loss of principal. NOTE: Assumes an annual contribution rate increase of 2% per year up to 13% maximum contribution rate.


### Annuities

Annuities are another option for funding retirement. An annuity is basically a contract with an insurance company and the payouts are backed by the claims-paying ability of the insurance company. While traditional life insurance guards against “dying too soon,” an annuity can be used as insurance against “living too long.” If you buy an annuity, you will receive in return a series of periodic payments that are guaranteed as to amount and payment period.
Preparing for the unexpected

Managing risk is a fundamental part of financial planning. Even if you are saving, investing and think you are doing everything right, you could still have your financial future derailed by unanticipated events — like an unexpected accident or natural disaster.
Help protect your assets with insurance

If you’ve built up enough cash to replace three to six months of your salary, then you’ve made real headway when it comes to protecting yourself from risks that could derail your financial plans. However, there are quite a few risks that six months’ salary won’t even begin to cover, and you need to protect yourself from those as well.

Insurance is one of the most important components of your financial risk management plan since it serves to protect you against liability. By purchasing insurance, you can transfer your personal risk to a third party — the insurance company. The amount of insurance you need in any given area depends on your individual circumstances and needs.

Types of insurance

The following are the main types of insurance you might consider to protect your family and assets.

- Healthcare
- Life
- Auto
- Homeowners/renters
- Disability
- Long-term care
- Longevity

Next, we will focus on health insurance and life insurance.

Health insurance

Health insurance helps protect against financial loss for costs incurred due to sickness or injury. Medical expenses for an uninsured person could cost thousands of dollars for just one incident. Most of us might receive health coverage through our employers, but if you don’t, you could purchase health insurance for an average monthly premium of $404. This is less than the cost of an ambulance ride at $500 - $1,500! So, can you afford to be uninsured?


Access your healthcare needs and preferences

1. What do you consider the most important reason to have health insurance?
   - Protection against high medical bills
   - Ability to pay for everyday health expenses
   - Other ________________________________________________________________________

2. If you are insured through your employer, which would you choose given an option?
   - Continue to receive the same coverage, with a higher monthly premium
   - Switch to a new plan with more restrictions and fewer benefits, but same or lower premium
   - Receive more comprehensive health benefits, with lower wages
   - Receive less comprehensive health benefits, with higher wages

3. When choosing a health plan, rate from highest (1) to lowest (3) in importance:
   - ______ Cost
   - ______ Range of benefits
   - ______ Choice of doctors
   - ______ Other ________________________________________________________________________
Life insurance

Another very important aspect of safeguarding your financial assets is through life insurance. You might consider yourself too young to need it now since you are more focused on building wealth. You might even be single or without children who depend on you financially. However, you might still feel a need if:

- You assist others financially — such as an aging or disabled parent or a sibling.
- You are carrying debt that you wouldn’t want to pass on to family members who survive you.

Consider that if you’re young, healthy and have a good family health history, your insurability is at its peak, and you can take advantage of the best rates on life insurance. So you want to be prepared in advance.

What is your best life insurance option?

<table>
<thead>
<tr>
<th></th>
<th>Term Insurance</th>
<th>Permanent Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>Suitable for temporary needs such as mortgage insurance or final expenses</td>
<td>Cash value can assist with educational expenses, business opportunities or serve as a supplement to retirement income</td>
</tr>
<tr>
<td><strong>Length of coverage</strong></td>
<td>Specific term, generally 20 years</td>
<td>Long-term, as long as the premiums are paid</td>
</tr>
<tr>
<td><strong>Premiums</strong></td>
<td>Based on age and health. Usually much cheaper when first purchased</td>
<td>At first, much higher than term premiums, but usually levels off for life</td>
</tr>
<tr>
<td><strong>Death benefit</strong></td>
<td>Temporary</td>
<td>Guaranteed permanent *</td>
</tr>
<tr>
<td><strong>Cash value</strong></td>
<td>None</td>
<td>Accumulates over time with tax-deferred payments</td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td>Lowest premium</td>
<td>Permanent death benefit; guaranteed cash value *</td>
</tr>
<tr>
<td><strong>Disadvantages</strong></td>
<td>Death benefit and premium guarantees are temporary</td>
<td>Higher premiums than term</td>
</tr>
</tbody>
</table>

* Guarantees are backed by the claims-paying ability of the issuing insurance company.

For Millennials, term life insurance might be all that’s needed right now. It provides protection for a specified period of time, such as one, 10 or 20 years, and is well-suited for short-range goals such as to pay off a loan or provide extra life insurance protection during the child-raising years. You only need a policy for as long as others are financially dependent upon you.

With term life insurance there is no “accumulation” element or cash value. If you die within the term period, a death benefit is paid to your beneficiary. If you are still living at the end of the term, protection ceases unless the policy is renewed.

Perhaps investing some of the money you’d normally spend on “treats” such as gourmet coffee, organic foods and craft beers, and using it instead to purchase at least the minimum amount of insurance you need could keep an accident or illness from becoming a financial disaster down the road.

You might consider talking to a financial advisor to assess your insurance needs.

Notes:

______________________________________________________________________________
______________________________________________________________________________
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______________________________________________________________________________
"Guess the generation" answer key

<table>
<thead>
<tr>
<th>Technology</th>
<th>Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walkman (1979)</td>
<td>Baby Boomers</td>
</tr>
<tr>
<td>MP3 player (2001)</td>
<td>Generation Y/Millennials</td>
</tr>
<tr>
<td>First cell phone (1986)</td>
<td>Generation X</td>
</tr>
<tr>
<td>Electric typewriter (1961)</td>
<td>Silent Generation</td>
</tr>
<tr>
<td>Transistor radio (1954)</td>
<td>G.I. Generation</td>
</tr>
</tbody>
</table>
## Action steps

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Set financial goals</td>
</tr>
<tr>
<td>2</td>
<td>Create a written budget</td>
</tr>
<tr>
<td>3</td>
<td>Start a personal retirement savings program</td>
</tr>
<tr>
<td>4</td>
<td>Consider investment options</td>
</tr>
<tr>
<td>5</td>
<td>Consider insurance for the unexpected</td>
</tr>
<tr>
<td>6</td>
<td>Consult a financial advisor</td>
</tr>
</tbody>
</table>

Notes: 

____________________________________________________________________________________
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Take action!

Sound financial planning addresses the most important aspects of saving for retirement. Let us help you develop a personal financial plan, as well as outline the action steps and strategies that will help you achieve your financial goals.

To schedule a complimentary consultation with a financial advisor, simply check “yes” on the evaluation form on page 31. Be sure to complete the entire evaluation and turn it in at the end of the workshop. We’ve provided an overview of items you’ll need to bring with you to the consultation, as well as what you can expect from your financial advisor.

What you’ll need

Once you’ve decided to work with a financial advisor, you’ll need to bring certain documents to your first appointment. These documents are listed below. Don’t delay your meeting if some items are not available. Bring what you have.

- Current retirement account statement
- Recent statements from other investments
- Social Security Statement of Benefits
- Insurance policies (recent statement or billing)
- List of assets and liabilities (credit cards, loans, etc.)
- Recent paycheck stub
- Household budget

What to expect

AIG Retirement Services is a leading provider of retirement plan and investment services.* Our longevity and wide range of investment options means that we’ve helped hundreds of thousands of people, just like you, plan for and enjoy retirement. Most importantly, through our experience, our goal is to help you live retirement on your terms.

Your financial advisor can help you:

- Prioritize investment goals
- Determine the time horizon needed to achieve your goals
- Determine a financial strategy to help you meet your goals

* Source: LIMRA SRI Not-for-Profit Retirement Market Survey 12/31/2018. Based on total assets in a survey of 25 major companies.
Evaluation Form

Date of presentation: ___________________________ Name of presenter: ___________________________

Are you a current AIG Retirement Services client?   ____Yes   ____No

Would you like to schedule a complimentary consultation?   ____Yes   ____No

Name: _____________________________________________________________________________________

Day phone: ___________________________ Evening phone: ___________________________

Email address: _____________________________________________________________________________

(Please indicate your preferred contact method.)

Please rate the overall seminar

Not very good  1  2  3  4  5  Excellent

1. What did you find of particular interest in today’s presentation?   ________________________________________
   ___________________________________________________________________________________________
   ___________________________________________________________________________________________

2. How could we improve this presentation?  _________________________________________________________
   ___________________________________________________________________________________________
   ___________________________________________________________________________________________

3. What other topics would you like to learn more about?  _______________________________________________
   ___________________________________________________________________________________________
   ___________________________________________________________________________________________

4. Would any of your friends or associates benefit from this presentation? ___________________________________
   ___________________________________________________________________________________________
   ___________________________________________________________________________________________

If so, may we invite them to a future presentation?    ______

Name: ______________________________________ Telephone: _____________________________________

Name: ______________________________________ Telephone: _____________________________________

Name: ______________________________________ Telephone: _____________________________________
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Since 1955, we’ve helped millions of individuals plan and save for the future they envision. And we can help you, by offering a more personal experience, using powerful technology paired with one-on-one service. We’ll show you simple, actionable steps to take, to help achieve the life you want to live.

Our goal is to help you feel confident about your future.

Your Future is Calling. Meet It with Confidence.
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