

Top 5 Reasons why the Teachers' Retirement System of Louisiana (TRSL) may not be sufficient to live on in retirement

The TRSL (or LASERS) defined benefit retirement program provides a valuable source of ongoing retirement income for Louisiana public employees. It may not provide enough income, however, to ensure a financially secure retirement. It is important to understand whether you will have a gap between the amount of the TRSL pension and the amount of income needed to live a comfortable retirement.

Important Facts to Consider

1. The average TRSL retirement benefit is \$28,036/year and the income is taxable¹ –

While exempt from Louisiana state taxes, you will have to pay federal taxes on your TRSL income, and you may be subject to state tax if you reside outside of Louisiana during retirement. Assuming a minimum tax rate during retirement of 12%, the illustrated annual income amount of \$28,036, decreases to \$24,672. This equals a retirement income of \$2,056 per month or \$474 per week.

Like all defined benefit plans, your retirement income is not intended to replace 100% of your income. Your contributions and those made on your behalf do not determine the value of your TRSL pension at retirement. Instead, it is determined by a formula based on your years of TRSL service credit, your final average compensation (FAC), and a benefit factor (2.0% or 2.5%). These three factors, multiplied together, total the maximum TRSL benefit that you are eligible to receive.²

A common rule of thumb is that you will need retirement income equal to 70% - 80% of your final employment earnings. And according to the CDC, in 2020, the life expectancy at age 65 for the total U.S. population was 18.5 years.³

Are you financially fit? In other words, are you on track with your retirement savings to have an income that will last for 18 or more years equal to at least 70% - 80% of the after-tax income earned during your final working years?

2. You will not be eligible for Social Security –

Since TRSL members do not pay into Social Security, you are not eligible for Social Security benefits through your TRSL-covered employment. If you are eligible for Social Security benefits through your spouse or from another job where you paid into Social Security, the Social Security benefits may be reduced according to federal regulations when receiving TRSL benefits.

3. High health care costs – People over age 65 spent an average of \$6,583 per year, or \$548.62 per month, on healthcare costs from 2016 through 2020.⁴ The average couple will spend about \$315,000 on health care after retirement.⁵ Continuing with the prior illustration, that means your after-tax retirement income after healthcare costs could decrease to \$1,507 per month or \$348 per week.

Further, Medicare is not designed to cover the costs of long-term care. The U.S. Department of Health and Human Services estimates that close to 70% of today's 65-year-olds will require some kind of long-term care for an average of about three years, and the costs are high and rising. The national average cost for an in-home health aide in 2021 was \$61,776, whereas a private room in a nursing home facility was \$108,405.⁶

4. Inflation – The current inflation rate is the highest in 40 years, inflating the price of fuel, housing, food, and other essentials. Living on a fixed income can be especially challenging during periods of high inflation as consumer prices rise above any cost of living adjustments that may be provided by the state of Louisiana or the federal government. The cost of living nearly doubled over the past 25 years.⁷

What does all that mean to the average retiree? Your costs, including for essentials such as bread, can be expected to go up during retirement. How much? Between January 1980 and November 2022, the average costs of bread, white, pan, per pound increased from \$0.501 to \$1.847.⁸ That is a 269% increase, equal to an average inflation rate of 3.16% per year.

5. Emergencies – No matter how careful we may be, it is best to prepare for the unexpected including saving an extra amount for emergencies before and after retirement. Emergencies, such as home repairs, replacing appliances, fixing the car, helping a family member, unexpected health expenses, etc. can be difficult to pay for when working or retired and living on a fixed monthly income.

And, unlike your contributions to many 403(b) and 457(b) retirement plans, your TRSL contributions are not eligible for a hardship withdrawal. If you leave the Louisiana TRSL system, you retain your rights to a lifetime benefit but not until after you meet eligibility requirements.

Having an emergency fund through an additional retirement savings plan, and generally saving more for retirement beyond contributing to the TRSL program may provide the financial relief you need and help set your mind at ease in the event of an emergency.

Retiree health care costs can be more expensive than most people realize

- Original Medicare has two parts: Part A, which covers hospital stays, and Part B, which covers doctor visits. After paying the premiums, Medicare covers about two-thirds of the cost of health-care services, with out-of-pocket spending making up about 12%.⁹
- Medicare Part B medical insurance standard premium is \$164.90/month in 2023.¹⁰
- Other routine services and their expenses—such as dental, hearing, and vision care, as well as copays, deductibles, and prescription drugs—are not covered by Medicare.

Footnotes

1. [www.trsl.org/retirees/your benefits](http://www.trsl.org/retirees/your%20benefits), 2022.
2. [www.trsl.org/retirees/your benefits](http://www.trsl.org/retirees/your%20benefits), 2022.
3. www.cdc.gov
4. Bureau of Labor Statistics, www.sofi.com
5. Fidelity, May 2022. The figure assumes enrollment in Medicare Parts A, B, and D.
6. "Cost of Care Survey," Genworth, 2021.
7. Federal Reserve Bank of Minneapolis, Monetary Policy/Inflation Calculator, www.minneapolisfed.org
8. U.S. Bureau of Labor Statistics, www.data.bls.gov.
9. Employee Benefit Research Institute (EBRI), www.ebri.org
www.cnbc.com, 05.16.2022 Americans can expect to pay a lot more for medical care in retirement
10. www.medicare.gov

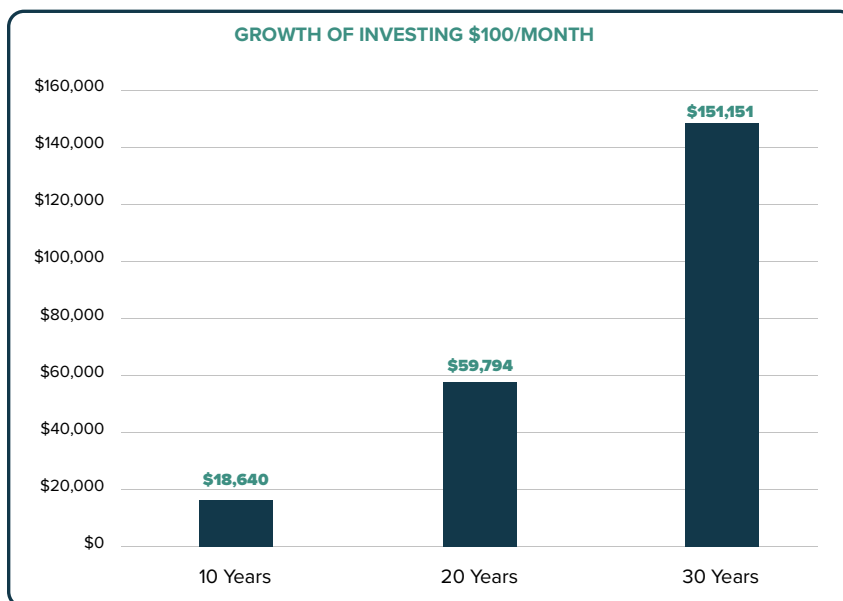
Will your retirement savings last?

Estimating your retirement income and expenses

Income Sources	Monthly Amount
TRSL Retirement Benefit	_____
Other retirement savings	_____
Taxes	_____
After-tax Income	_____

Expenses	Monthly Amount
Housing	_____
Food	_____
Transportation	_____
Insurance	_____
Health Care	_____
Remaining amount for Travel, Emergencies, Hobbies and Other Discretionary	_____

Saving \$100/month in your employer 403(b)/457 plan may result in over \$150,000 in 30 years and provide you the financial safety net you need



Start Now

Albert Einstein once said, “Compound interest is the eighth wonder of the world.” Time is your biggest asset when it comes to retirement savings. The longer you invest, the more time your money has to potentially build on itself and grown in value. Compounding is like a snowball rolling down a hill—the longer it rolls, the bigger it gets.

Assumes an 8% rate of return.

Hypothetical example shown for illustrative purposes only. This does not represent the performance of any actual investment product. Investing involves risk, including possible loss of principal. The rate of return on investments will vary over time, particularly for longer-term investments. Investments that offer the potential for higher returns also carry a higher degree of risk. This information is provided for informational purposes only and should not be construed as investment advice, an offer or solicitation to buy or sell securities, or be interpreted as tax advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. **Not affiliated with Social Security, Medicare, or any other federal program.**

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