

## 4. Building Your Financial Future

Whether you are new to teaching or a seasoned veteran, CalSTRS can help you develop your financial future.

This section offers a series of steps to help you start your plan with your CalSTRS benefit as the foundation:

- Step One – Determine how much you will need in retirement
- Step Two – Attend a workshop to learn what you need to include in your plan
- Step Three – Use CalSTRS programs to build supplemental income and achieve home ownership
- Step Four – Meet with a benefits counselor to get an estimate of your retirement benefit

### Step One – Determine How Much You Will Need in Retirement

At retirement, career teachers can expect to have 60 percent to 65 percent of their salary replaced by their Defined Benefit retirement benefit. Financial planners recommend that to maintain your current lifestyle after retirement, you should replace 80 percent to 85 percent of your salary. To meet this goal, it is important to have other sources of retirement income.

Traditional sources of retirement income for American workers consist of three components:

- A worker's pension from his or her employer
- Social Security
- Optional retirement savings plan

CalSTRS members typically have these three sources of retirement income:

- CalSTRS Defined Benefit monthly pension
- Defined Benefit Supplement account

- Optional 403(b) retirement savings plan such as the CalSTRS Voluntary Investment Program

CalSTRS members do not receive Social Security benefits from their CalSTRS-covered employment. However, if you will receive Social Security through other employment or expect to receive a Social Security benefit based on a spouse's earnings, see Section 5, *Approaching Retirement*, for information on how your retirement benefits may affect your Social Security benefits. You can also visit the Social Security Web site at [www.ssa.gov](http://www.ssa.gov) or the CalSTRS Web site at [www.CalSTRS.com/Members](http://www.CalSTRS.com/Members) and select *Social Security, CalSTRS and You*.

Planning ahead to make the most of your retirement benefit will ensure you have the lifestyle you desire after you leave the classroom. CalSTRS offers services to guide you through the obstacles and help you prepare for this phase of your life.

### Step Two – Attend a Workshop

All CalSTRS members are encouraged to attend workshops as an excellent means of establishing a foundation of knowledge about their CalSTRS benefits. They provide an environment to ask questions and formulate plans as you go through your career. The workshops are offered at no cost. You are encouraged to bring a spouse, family member or friend as your guest, but they must be registered to reserve a space for them.

CalSTRS offers four core workshops — each designed to meet your needs at different stages during your career. Please see the chart on the next page that describes each of the four workshops.

You can register for our workshops in two ways:

- Call toll-free 800-228-5453. If you are not sure which workshops are best for you, the person who registers you can assist you in determining the ones that will be the most beneficial.
- Go online to [www.CalSTRS.com](http://www.CalSTRS.com) and select Counseling/Workshops.

## Step Three – Use CalSTRS Programs to Build Supplemental Income and Achieve Home Ownership

### CalSTRS Voluntary Investment Program

An important component to maintaining your current standard of living after retirement is to set aside funds while you are working to supplement your CalSTRS pension. The Voluntary Investment Program, also referred to as VIP, offers any public school employee the opportunity to invest these additional funds on a tax-deferred basis for a secure financial future.

As a 403(b) savings program, the Voluntary Investment Program allows you to automatically save a pre-tax portion of your salary and invest it in your choice of 20 different investment funds or manage it yourself through a self-managed account.

Enhanced fund offerings and lower program fees make CalSTRS' Voluntary Investment Program a more attractive way to save than ever. Plan administrators have added 10 new "lifecycle" or "target date" funds to the mutual fund lineup under the Vanguard Target Retirement Funds umbrella.

You may choose from:

- *10 Core Investment Funds* that offer a well diversified selection of funds, such as Vanguard, Fidelity and Dodge & Cox.
- *10 Lifecycle Funds*. These distinct funds consider investment styles based on your retirement date and automatically adjust for your risk tolerance as you approach retirement. These funds are offered in five-year increments, with target retirement dates as soon as 2010 and as far off as 2050.

### VIP Features

- *Free, personal financial advice* – online at [www.CalSTRS.com](http://www.CalSTRS.com) or from qualified professionals toll-free at 800-699-4032.

<b>Early Career</b>	<b>Demystifying CalSTRS</b>
1 to 5 Years	This 1½-hour workshop explains the CalSTRS benefits and programs available to you and shows you how your benefits are calculated. <i>Demystifying CalSTRS</i> lays the foundation to help you plan a more secure future. If you have never attended a CalSTRS workshop, this is the place to start.
<b>Mid-Career</b>	<b>CalSTRS Fundamentals</b>
5 to 20 Years	This 1½-hour workshop covers your benefits and financial planning. You'll learn: <ul style="list-style-type: none"> <li>• How your retirement benefit is calculated and how to increase your benefit.</li> <li>• How to provide a lifetime monthly benefit for another person.</li> <li>• What your disability and survivor benefits provide.</li> <li>• How to complete a financial checkup.</li> <li>• How to set your retirement goals.</li> <li>• Why you need to save in a tax-deferred account.</li> <li>• How to judge your tolerance for investment risk.</li> <li>• How to choose a financial planner.</li> </ul>
<b>Near Retirement</b>	<b>CalSTRS Retirement Checkup</b>
20 Years or Age 55	If you're getting close to retirement and have at least five years of service credit, <i>CalSTRS Retirement Checkup</i> is for you. This 1½-hour workshop goes into detail on how your retirement benefit is calculated, how to provide a lifetime benefit for another person, your disability and survivor benefits, working after retirement and resources for prospective retirees.
<b>Right Before and After Retirement</b>	<b>Retirement Income Management</b>
Age 45 and Older	This 3-hour workshop covers steps necessary to build retirement security. You will learn: <ul style="list-style-type: none"> <li>• How to put a retirement plan in place.</li> <li>• Four potential sources of retirement risk.</li> <li>• How to identify your retirement expenses.</li> <li>• Five steps to managing your retirement income and making it last.</li> <li>• Tips for selecting a financial advisor</li> </ul>

- *Enhanced online trading* – including the self-managed account, called the Mutual Fund Window, with its 7,000 mutual funds from more than 300 fund families.
- *Greater ease of borrowing from your account* – for those unexpected financial emergencies that come along.
- *Low administrative costs* – passed on to plan participants.
- *Knowledgeable and responsive service reps* – call 800-699-4032.
- *Great savings opportunities from CalSTRS* – your trusted retirement benefit provider.

### **Free Advice Available**

The Voluntary Investment Program offers a free, enhanced advice service designed for VIP participants who want to learn more about personalized savings and investment. This popular VIP service is available online or by telephone. Provided by CalSTRS, advice is available from trained and licensed financial advisors through CitiStreet Advisor Service and powered by the online service, Financial Engines.

The advisor service helps you to:

- Build a personalized profile of your financial resources and retirement goals.
- Understand the likelihood of reaching your goals with your current savings and investment strategy.
- Design a personalized saving and investment plan to better meet your goals.

You will also receive free initial and ongoing consultations, expert and unbiased retirement planning advice, automatic investment rebalancing and quarterly summaries of progress toward your retirement goals.

### **Rollovers to VIP**

In addition to payroll deductions, you can roll over an existing balance from other qualified retirement plans, such as 403(b) plans and governmental 457 plans. You may also roll over all or a portion of the amount in an IRA provided that the entire balance in the IRA is attributable to a prior rollover from a qualified pension, profit sharing, 401(k) or stock bonus plan.

CalSTRS members who are no longer employed in CalSTRS-covered employment can still roll over an existing balance from qualified plans into the Voluntary Investment Program, but they cannot contribute additional funds until they resume CalSTRS-covered employment. CalSTRS retired members are also eligible to participate in the program by transferring funds from their qualified savings plan to the VIP.

### **For More Information**

Call the VIP information line at 800-699-4032 to request an enrollment kit or order it online at [www.CalSTRS.com/VoluntaryInvestmentProgram](http://www.CalSTRS.com/VoluntaryInvestmentProgram). The Web site also provides a list of current investment funds.

If your employer does not offer the CalSTRS Voluntary Investment Program, please contact us at 800-228-5453.

### **Comparing 403(b) Plans**

No matter which 403(b) optional savings plan you choose, you have a tool to help you make an informed decision. The 403bCompare Web site at [www.403bCompare.com](http://www.403bCompare.com) provides detailed, objective information about the 403(b) plans available to you.

The site, created and managed by CalSTRS, will help you compare the performance, features and fees of registered 403(b) plans. You will only be able to establish a new account with vendors registered on the site.

You can use the site to view the 403(b) vendors approved by your employer and then compare the products they offer. The site will show you available investment options, fees involved, and product performance, as well as each vendor's experience and services.

In addition, the 403bCompare.com Web site has links to general retirement planning information and educational materials. Visit [www.403bCompare.com](http://www.403bCompare.com) and see how it can help you make better-informed investment decisions.

**The busiest months for benefits counselors are April, May and June, so it may be easier to get an appointment in the summer or earlier in the school year.**

### **CalSTRS Home Loan Program**

A key part of a secure financial future can be homeownership. The CalSTRS Home Loan Program is open to active, inactive and retired CalSTRS members and Cash Balance Benefit Program participants. They can apply for conventional, fixed-rate, first mortgage loans for the purchase or refinance of one- to four-family owner-occupied properties in California. The program not only provides loans to members but also serves as a prudent investment of CalSTRS retirement funds.

The CalSTRS Home Loan Program includes:

- Your choice of lenders statewide.
- 45-day rate lock period, with one float-down opportunity if interest rates fall.
- Controlled lender origination fees.

Several financing options are available including:

- Conventional Loan Program
- Zero Down Preferred (95%/5%) Program
- 80%/17% Down Payment Assistance Program.

Reverse mortgages are also available through the CalSTRS Home Loan Program.

For more information on the CalSTRS Home Loan Program, visit [www.CalSTRS.com/HomeLoanProgram](http://www.CalSTRS.com/HomeLoanProgram) or call toll-free at 866-384-4457.

### **Step Four – Meet With a Benefits Counselor to Get an Estimate of Your Retirement Benefit**

This last step in planning your financial future is to see a benefits counselor for personalized assistance. You can use this service more than once and we encourage you to meet with our counselors throughout your career.

A CalSTRS benefits counselor can help you create a CalSTRS retirement plan tailored to your needs. He or she can explain the decisions you will need to make before you retire, including electing an option if you choose to do so. Your counselor can provide you with important information if you are facing retirement or disability, or if you experience other life-changing events such as the birth of a child. This information will help you make educated decisions for a secure financial future.

### **How to Schedule an Appointment**

You can make an appointment to meet with a counselor in person or over the phone. Attending any of the workshops first helps you get more out of your counseling session by helping you know which questions to ask. Below are the steps to set up each type of appointment.

To meet with a counselor in person:

- Contact the office that is most convenient for you, Monday through Friday, from 8 a.m. to 5 p.m. Interviews are usually scheduled about four weeks in advance and are during the work day.
- Be prepared to bring to your interview upon request:
  - Your last check stub, unused sick leave days and the number of days in your contract.
  - Your most recent CalSTRS *Retirement Progress Report*, and
  - Your Social Security annual statement, if applicable.

The counselor will research your account history prior to your appointment and provide you with customized estimates as well as other appropriate plan forms and publications during your session.

To schedule a phone counseling appointment:

- Call the CalSTRS toll-free number, 800-228-5453, Monday through Friday, from 8 a.m. to 5 p.m., Appointments are usually available about four weeks in advance and can be done during the work day, early evening and on Saturday.

## Benefits Counseling Offices by County/City

<b>Alameda</b> /Hayward .....	510-670-4200
Dublin .....	925-426-0102
<b>Contra Costa</b> /Pleasant Hill.....	925-942-5375
<b>Fresno</b> /Madera .....	559-497-3797
<b>Kern</b> /Bakersfield .....	661-636-4880
<b>Los Angeles</b> / Downtown/Downey/Reseda .....	562-922-6414 ..... or 562-922-6838
Monterey Park .....	323-780-3961
<b>Monterey</b> /Salinas.....	831-784-4195
<b>Orange</b> /Costa Mesa/Laguna Hills/Anaheim/ Garden Grove/Los Alamitos/Fullerton .....	714-966-4251
Orange County Teachers Federal Credit Union/Santa Ana .....	714-466-8450
<b>Placer</b> /Auburn .....	530-745-1466
<b>Sacramento</b> /Folsom/Cordova .....	916-861-0519
Elk Grove .....	916-229-4347
<b>San Bernardino</b> /Apple Valley/Riverside/ Ranch Cucamonga/Murrieta .....	909-433-4686
<b>San Diego</b> /Escondido.....	619-718-6783
<b>San Francisco</b> .....	415-355-7756 ..... or 415-355-7757
<b>San Joaquin</b> /Stockton .....	209-468-4864
<b>San Mateo</b> /Foster City .....	650-312-7712
<b>Santa Barbara</b> /Santa Maria.....	805-928-0542
<b>Santa Clara</b> /San Jose .....	408-535-6171
<b>Santa Cruz</b> /Capitola.....	831-476-7140
<b>Shasta</b> /Redding .....	530-225-0203
<b>Solano</b> /Fairfield .....	707-399-4445
<b>Sonoma</b> /Santa Rosa .....	707-524-2627
<b>Stanislaus</b> /Modesto .....	209-525-4842
<b>Tulare</b> /Visalia.....	559-733-6760
<b>Ventura</b> /Camarillo.....	805-383-1993
<b>Yuba</b> /Marysville .....	530-749-4979

- Be prepared to provide the following information to the scheduling technician:
  - Personal information including Social Security number, birth date, address and phone number.
  - Your projected retirement date.
  - Your unused sick leave days and the number of days in your contract.
  - Your option choice and the birth date of your option beneficiary (if applicable).

The counselor will research your employment history and prepare your customized benefit estimates. You will receive a packet of information along with your estimates in advance of your appointment so that you have it in front of you on the day of your telephone interview.

Whether you have a face-to-face meeting or a telephone counseling appointment scheduled, you will receive a confirmation letter prior to your appointed day. Each appointment takes about an hour. The counselor will review various forms and publications with you during your interview as well as answer any questions you may have. You are encouraged to review your *Retirement Progress Report*, explore [www.CalSTRS.com](http://www.CalSTRS.com) or look through the *Member Handbook* prior to your session. The more you learn about your benefits increases your understanding and allows the counselor more time to tailor your session to your needs.

### How Much Will You Need to Retire?

At retirement, career teachers can expect to have 60 percent to 65 percent of their salary replaced by their Defined Benefit retirement benefit. Financial planners recommend that to maintain your current lifestyle after retirement, you should replace 80 percent to 85 percent of your salary. To meet this goal, it is important to have other sources of retirement income.

Traditional sources of retirement income for American workers consist of three components:

- A worker's pension from his or her employer
- Social Security
- Optional retirement savings plan.

CalSTRS members typically have these three sources of retirement income:

- CalSTRS Defined Benefit monthly pension
- Defined Benefit Supplement account
- Optional 403(b) retirement savings plan such as the CalSTRS Voluntary Investment Program.

Planning ahead to make the most of your retirement benefit will ensure you the lifestyle you desire after you leave the classroom. One important factor for increasing your retirement benefit is the purchase of additional service credit. See Section 6, Your Retirement Benefit.

CalSTRS members do not receive Social Security benefits from their CalSTRS-covered employment. However, if you will receive Social Security through other employment or expect to receive a Social Security benefit based on a spouse's earnings, see Section 5, Approaching Retirement, for information on how Social Security may affect your retirement benefits or go to [www.CalSTRS.com/Members](http://www.CalSTRS.com/Members) and select *Social Security, CalSTRS and You*.