Roth IRA

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How to start Investing?

- Savings Account
- **Roth IRA**
- Traditional IRA
- 401k Plan
- 403b Plan

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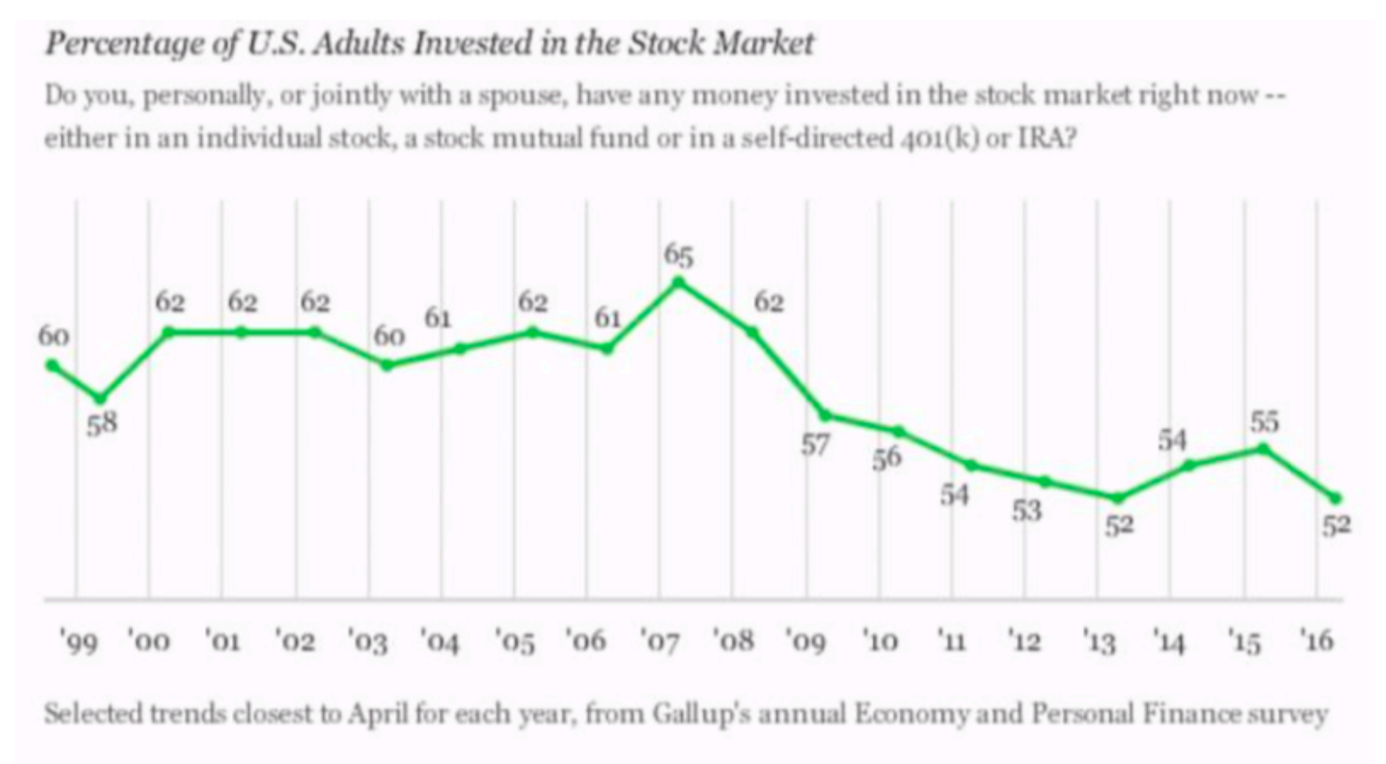
“The Dow just hit 20,000, but half of America missed out”
- January 25, 2017 Headline



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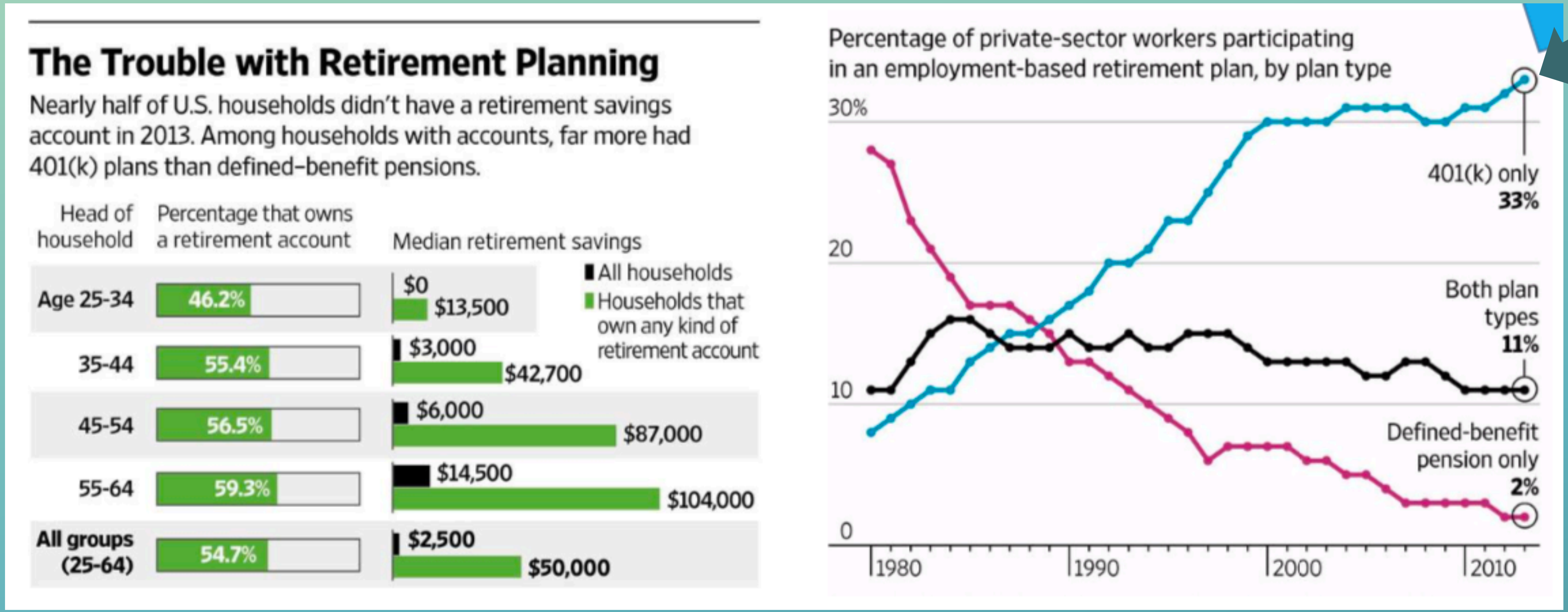
"The Champions of the 401(k) Lament the Revolution They Started"
- WSJ January 2, 2017



And this is why this conversation is so important!

One Conclusion: Teaching “this” subject (financial literacy) is more important today than at any point in history!

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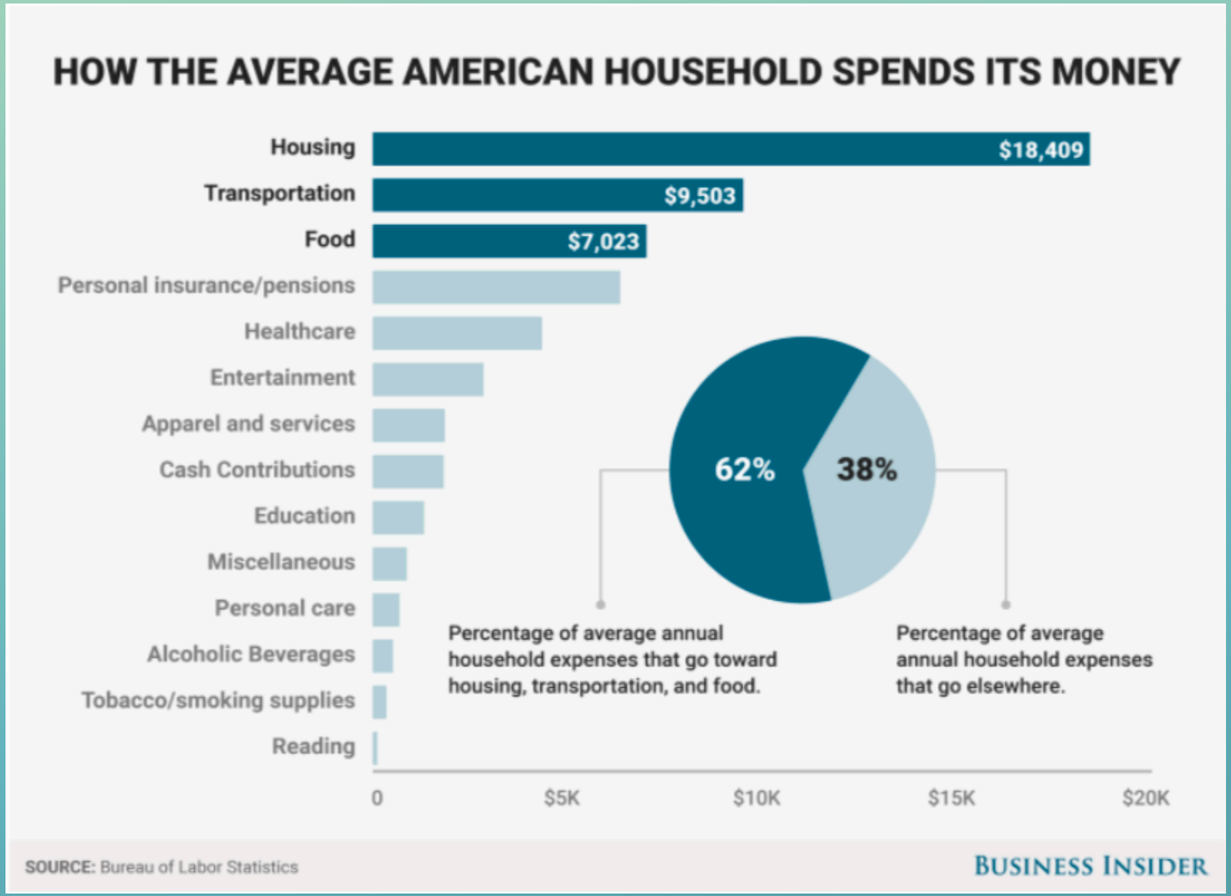
Understanding how we spend our money – where that hard earned paycheck goes – is an important first step.



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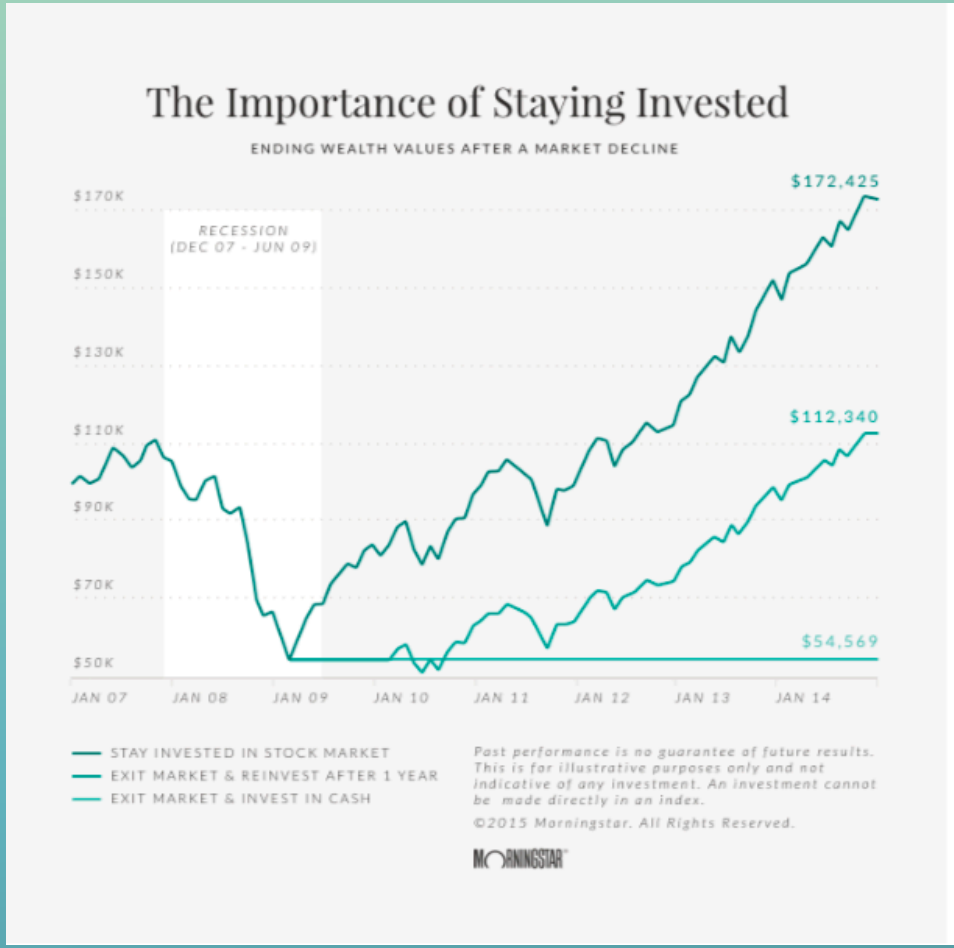
But even for those that “get it” – “it” isn’t going to be easy!



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What is a Roth IRA: Things to know

1. Named for Delaware Senator William Roth
2. Established in 1997
3. Represent only 9% of total IRA assets
4. An individual retirement plan made with "after tax dollars" (this is important and different from traditional IRAs)
   i. Question to a 17 or 18-year old student: *What is your tax rate today?*

And why are we asking

5. In 2017, an individual may make an annual contribution of up to $5,500 to a Roth IRA.
6. Required minimum distributions don't apply
7. Can pass on assets to heirs upon death.
8. At any time you may withdraw "contributions" both tax and penalty free - *This is important.*
   i. A conversation to have when talking about *"Emergency Funds"*.
9. Anyone who has taxable income can contribute to a Roth IRA, as long as certain requirements are met.
   i. Must have eligible income to contribute *(classroom teaching tool and source of inspiration)*.

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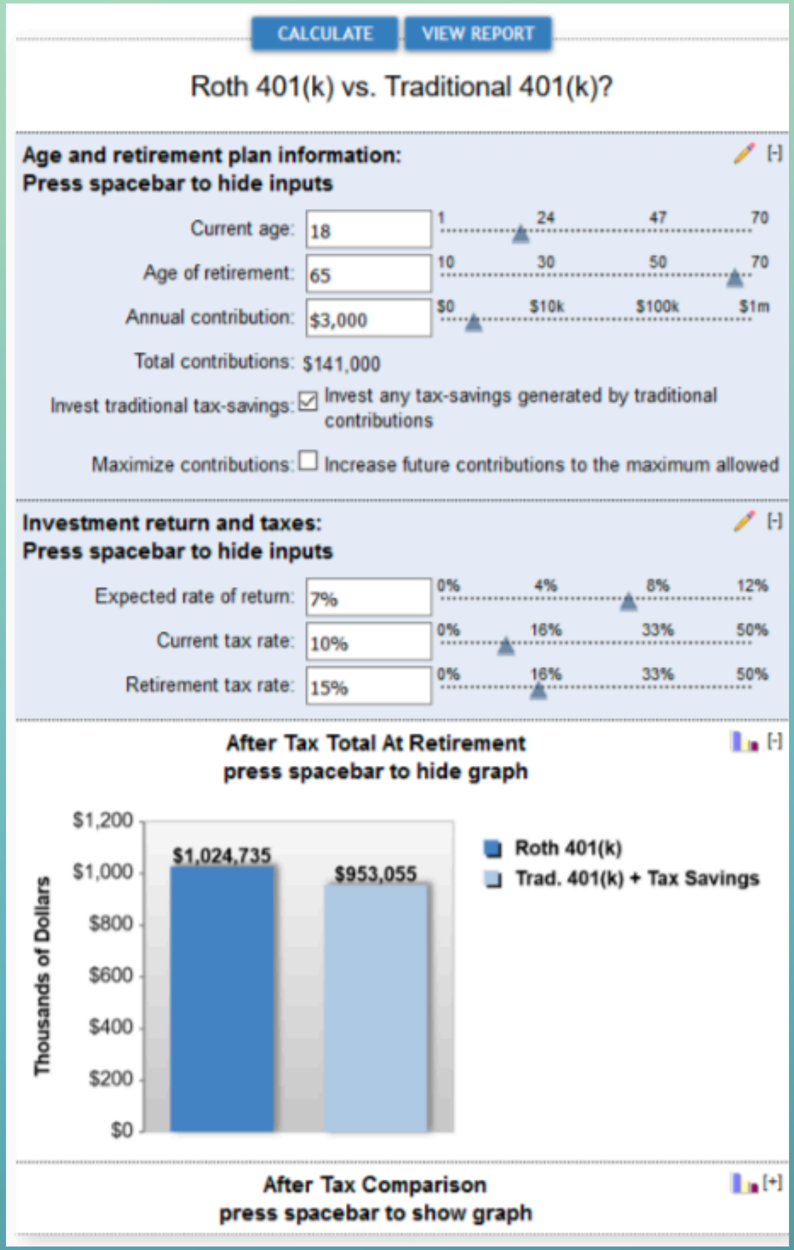
Classroom Tool - A helpful Retirement Calculator:

But note the calculation is for a point in time, and does not factor in the "uncertainty" of your future tax rate.



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Let's talk about the

Roth IRA

Nine compelling reasons to consider a ROTH IRA

- Nine compelling reasons to consider a ROTH IRA
- No minimum required distributions
- Tax-free Money for heirs
- No age limit for Contributions, if You're working
- Limit impact of new Medicare surfax
- Hedge against future tax hikes
- Use Contributions Any time
- Tax flexibility In retirement
- If you are young, your income is likely to rise

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Let’s talk about the

Roth IRA

1. Money may grow tax free; withdrawals are tax free, too.
2. There are no minimum required distributions.
3. Leave tax-free money to heirs.
4. Tax flexibility in retirement.
5. Help reduce or even avoid the Medicare surtax.
6. Hedge against future tax hikes.
7. Use your contributions at any time.
8. If you’re older, you can continue to contribute as long as you work.
9. If you're young, your income is likely to rise.

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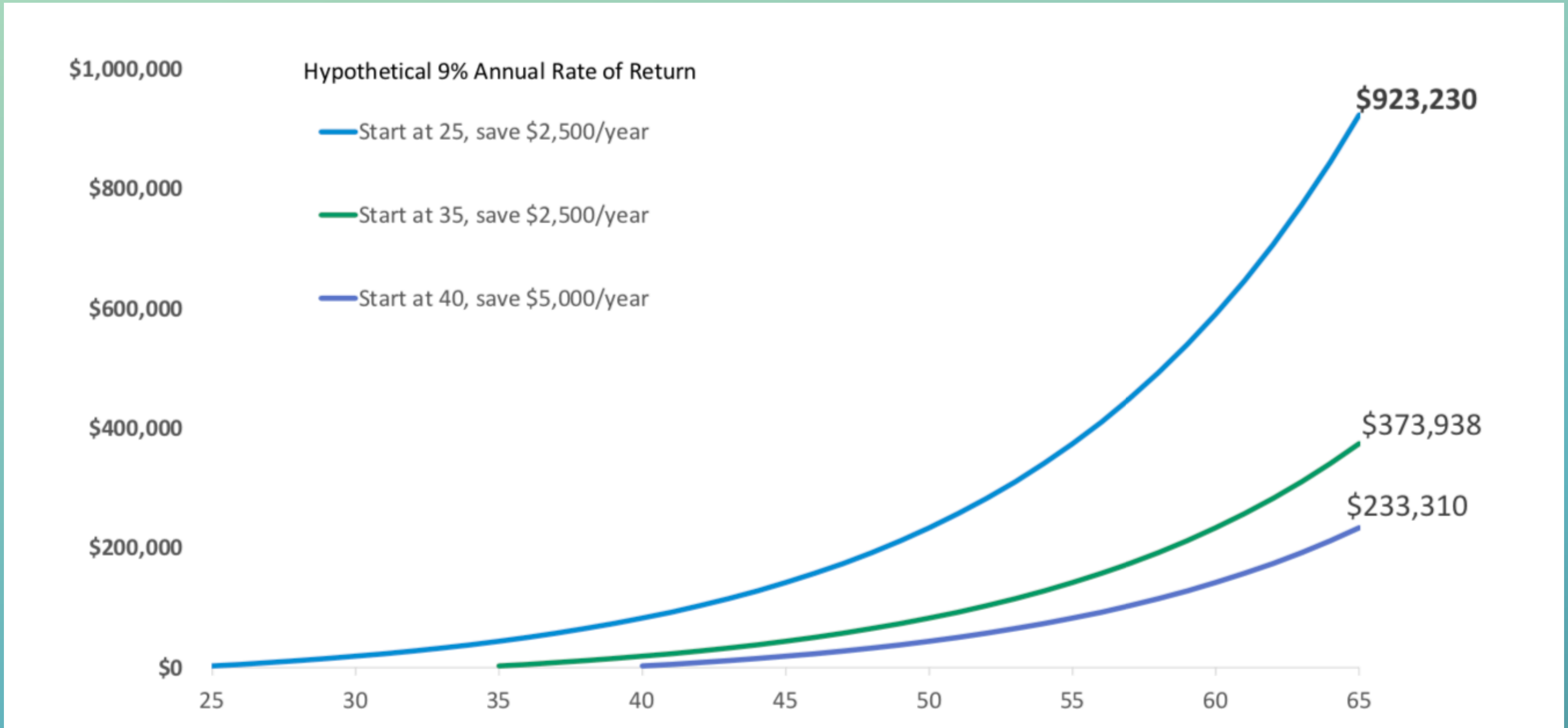
Let's talk about the

Roth IRA



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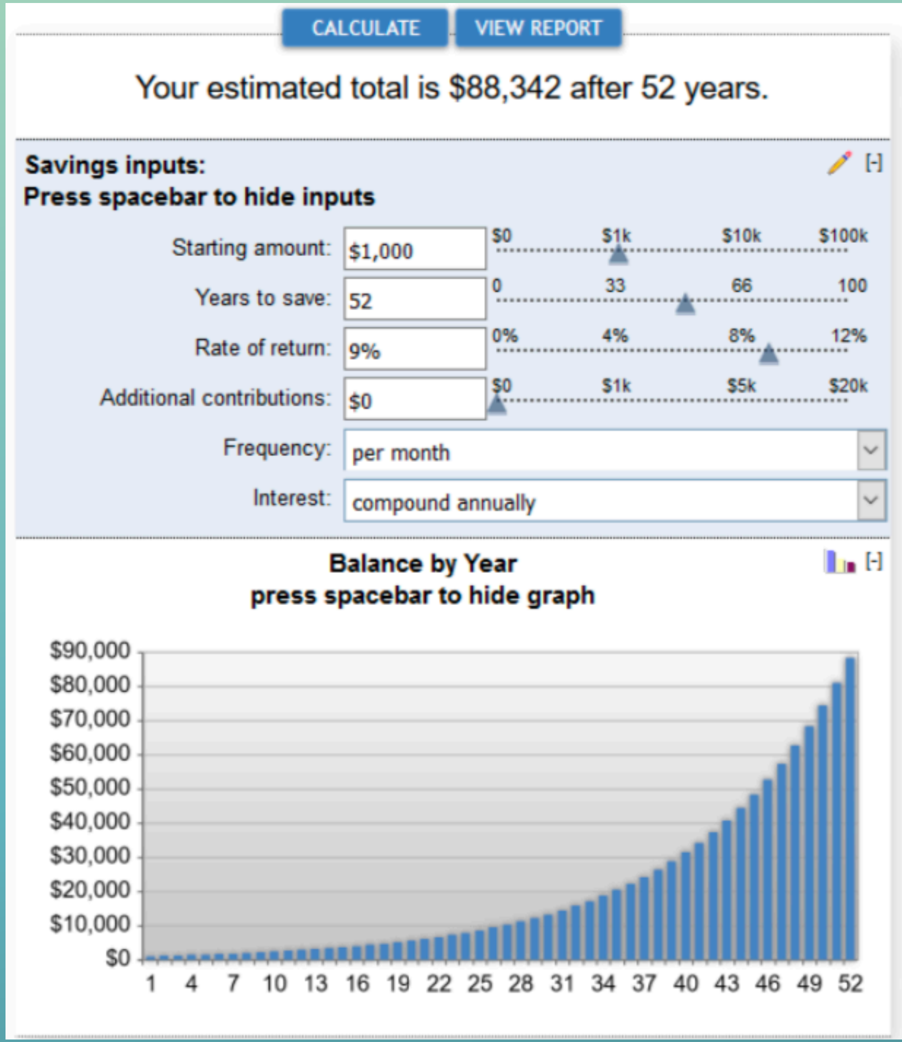
Classroom Tool - A helpful Compound Interest Calculator:

And remember, with a Roth IRA, the initial contribution is made “after-tax” so the money at the time of retirement is ALL yours (i.e. reducing uncertainty).

Initial Contribution:	$1000
Additional Contribution(s):	None
Assumed Rate of Return:	9% annually
Retirement Age:	70 years old
Savings at Retirement:	$88,342



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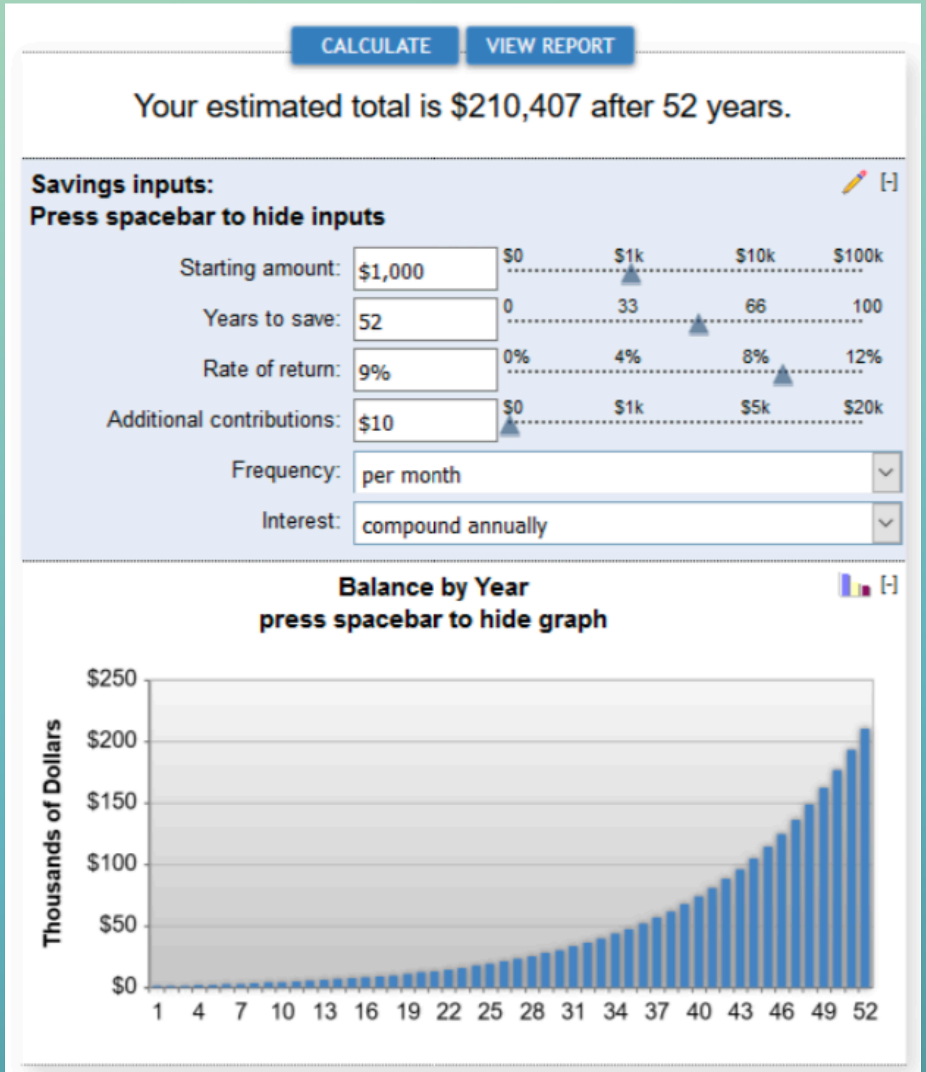
Classroom Tool - A helpful Compound Interest Calculator:

And remember, with a Roth IRA, the initial contribution is made "after-tax" so the money at the time of retirement is ALL yours (i.e. reducing uncertainty).

Initial Contribution:	$1000
Additional Contribution(s):	$10/month
Assumed Rate of Return:	9% annually
Retirement Age:	70 years old
Savings at Retirement:	$210,407

A great example of a "little bit" turning into "A LOT"!



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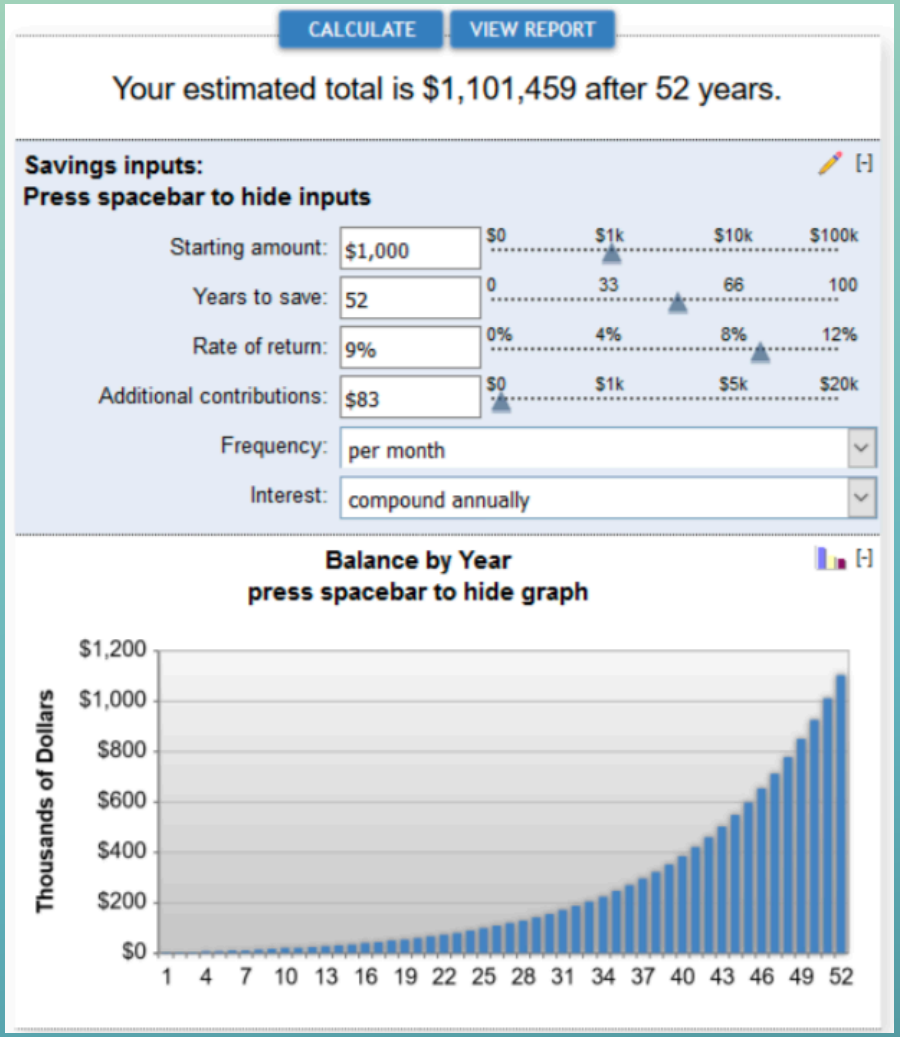
Classroom Tool - A helpful Compound Interest Calculator:

And remember, with a Roth IRA, the initial contribution is made "after-tax" so the money at the time of retirement is ALL yours
(i.e. reducing uncertainty).

Initial Contribution:	$1000
Additional Contribution(s):	$83/month = to $1000/year
Assumed Rate of Return:	9% annually
Retirement Age:	70 years old
Savings at Retirement:	$1,101,459



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Classroom Assignment: Get your phones out!

Have students create a list of questions they have about how to start a Roth IRA, what it is, etc. and then pick 3 volunteers, put a phone on speaker, and ask the prepared questions.

Vanguard:

https://investor.vanguard.com

https://www.fidelity.com/

Charles Schwab:

https://www.schwab.com/

THERE ARE MANY OTHER OPTIONS: Financial Advisors, Banks, Friends, Family.

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Remember: Our choices have consequences? And there is an "opportunity cost" to those choices. Which Path will your students Choose?

Accepts Part-Time Job

Purchased Used Car

Accepts First Full Time Job

Regaularly Makes Extra Student Loan Payments

Strong Credit Score Great on Mortgage

Student Loans Fully Paid Off!

Has Career & Lifestyle Flexibility

GRADUATION 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029

UN-EMPLOYED

Defers Payment on Student Loans

Accepts First Full-Time Job Ignores 410(k)

Excessive House Purchase

Borrows More Money

Housing Market Decline – Underwater Mortgage

Living Paycheck to Paycheck

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Example: The "Opportunity Cost" of our choices

A blue truck is being sold for $15,000? BUT, what will you pay?

Interest Rate	Monthly Payment	Total Payment	Difference
0%	$250.00	$15,000.00	-
3%	$270.00	$16,170.00	$1,170.00
5%	$283.00	$16,985.00	$1,985.00
7%	$297.00	$17,821.00	$2,821.00
10%	$319.00	$19,122.00	$4,122.00

Chart from The Missing Semester (Natali, Kabala) www.themissingsemester.com

A good credit score is as good as a raise!

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Two Conclusions

1. Age is an opportunity – powerful enough to transform the lives of a generation.

2. The Cardinal Rule: Let your Savings dictate your spending, not the opposite.

Thank you