Investing Strategies & Retirement Plans

Module 4

Created By: NEBRASKA COUNCIL ON NCE ECONOMIC EDUC

Here are the key points we will cover in Module 4:

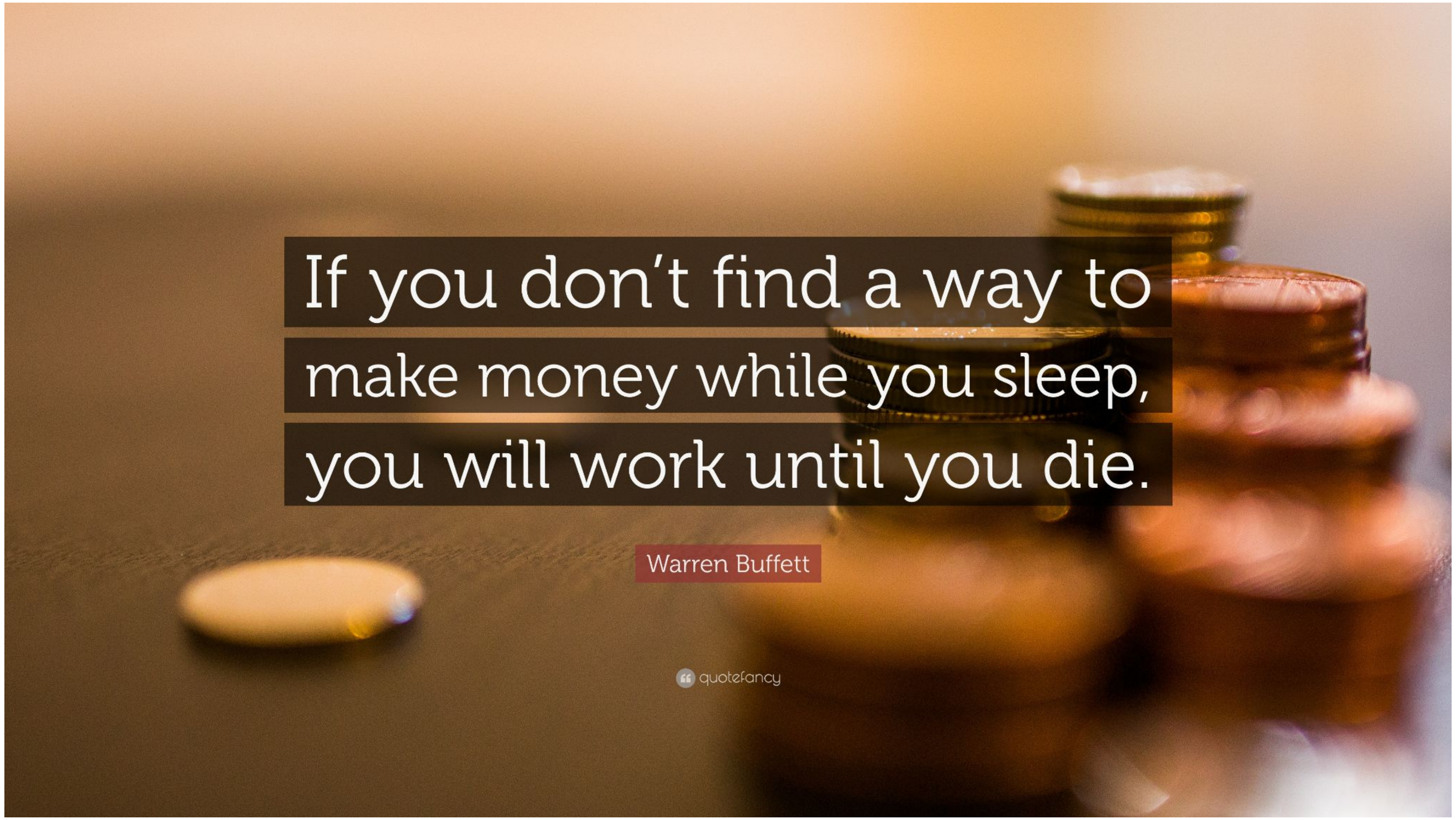
1. **Investing - Making Money While You Sleep**
   a. Types of investments
   b. Compound interest & time value of money
   c. Risk vs. reward
   d. Diversification
   e. Working with an advisor
   f. Advice from TikTok

2. **Investing for Retirement**
   a. Employer provided options
   b. Personal retirement accounts
   c. How taxes affect investments
   d. Beneficiary designation

01

Investing - Making Money While You Sleep!

In this section, you'll learn about types of investments, risk vs. reward, compound interest, time value of money, diversification, working with an advisor, and whether TikTok is good financial advice or not



WARREN BUFFETT

Investing Temperature Check

When you hear the word investing, what comes to mind first?

A) Something exciting — A chance to grow money
B) Something confusing — I don’t really get how it works
C) Something risky — I could lose money
D) Something boring — it doesn’t seem relevant to me yet

A Simple Introduction to Investing

This resource and questions are from NGPF's Lesson Why Should I Invest

Click the image to the left to view an infographic that clarifies the difference between saving and investing, and some basic tips on how to get started in the market. Consider these questions:

1. What is the advantage of starting to invest at a young age?
2. Why is investing a more powerful tool to build long-term wealth than saving?

A Simple Introduction to Investing....

Click here to view an infographic that clarifies the difference between saving and investing, and some basic tips on how to get started in the market.

Investing vs. Trading

Investing

- Long-term growth
- Hold for years (or decades)
- Goal: build wealth slowly
- Example: buying stock in Apple and holding it while it grows

Investing = planting a tree and letting it grow

Trading

- Short-term moves
- Buy & sell quickly (days, weeks, or months)
- Goal: make fast profits
- Example: buying Apple stock today and selling it next week for a quick gain

Trading = picking fruit fast and moving on

Why Should You Start Investing?

- Grow your money – make it work for you
- Time is your superpower – the earlier you start, the more it multiplies
- Beat rising prices – investing helps keep up with inflation
- Reach goals faster – car, college, or even future freedom
- Build smart money habits – practice with small amounts now
- Support what you believe in – own a piece of companies you like
- Stand out – most teens don’t invest… but you could

Thinking Prompt

After learning why investing matters and how it's different from trading, which approach do you think fits your personality better right now, and why?

Understanding Compounding

Small amounts today can turn into BIG amounts later

Compound interest is interest earned on your original money AND on the interest it already earned. This allows your money to grow faster and faster over time.

The earlier you start, the more time your money has to multiply.

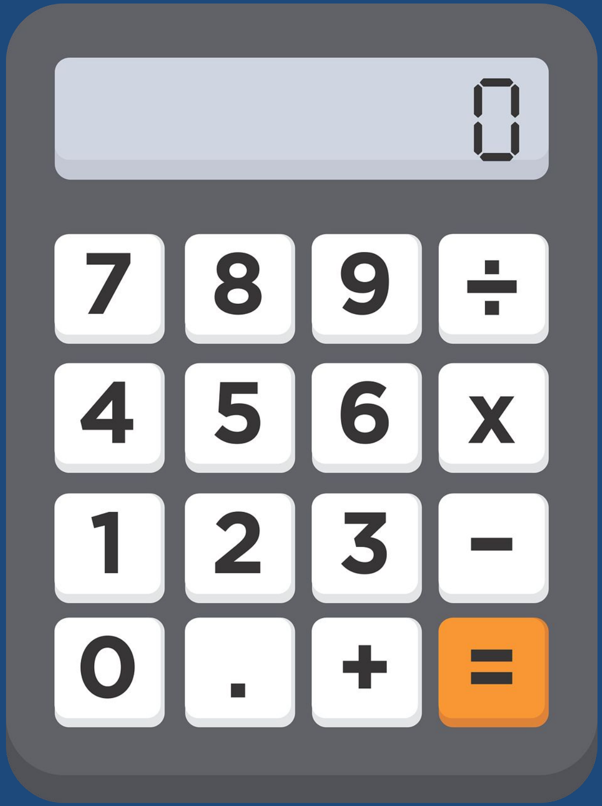
If you invest $1,000 at 8% yearly return:

- After 10 years → about $2,159
- After 20 years → about $4,661
- After 30 years → about $10,063

Think of it like:
Simple interest = straight line
Compound interest = a snowball rolling downhill

How Compound Interest Works

Use the calculator site linked below to put in the different scenarios to see how much was or could have been saved. Use 10-15% for your rate of return. Who saved more between Jackson & Connor?

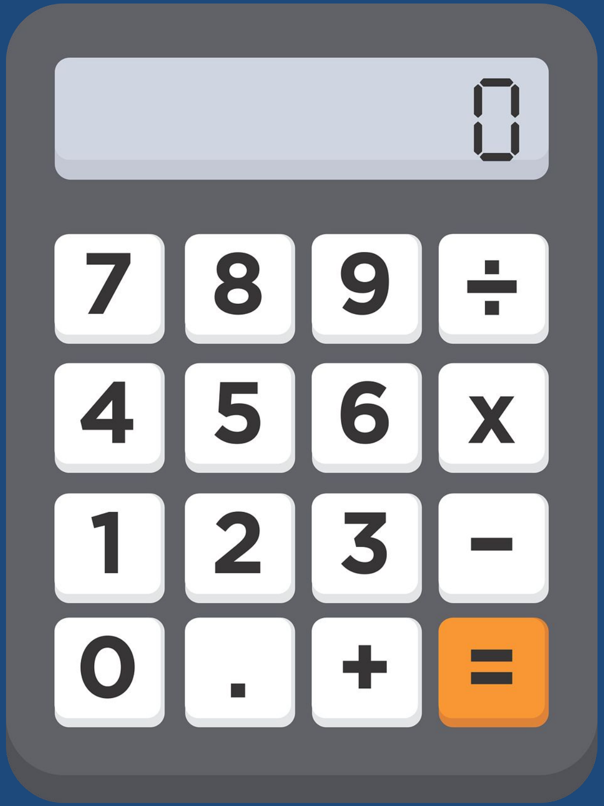


Scenario 1: Jackson had never considered investing until he finished graduate school. He wanted to focus on paying loans and saving his money before investing. He began investing at age 27. He invested $10,000 and follows by adding $5,000 each year until age 60.

Scenario 2: Connor began investing right after his undergraduate degree at age 22. He knew investing would be good to begin right away. He invested $7,000 right away and follows by adding $3,500 each year until age 60.

How Compound Interest Works

Use the calculator site linked below to put in the different scenarios to see how much was or could have been saved. Use 10-15% for your rate of return. Who saved more between Chloe and Samuel?

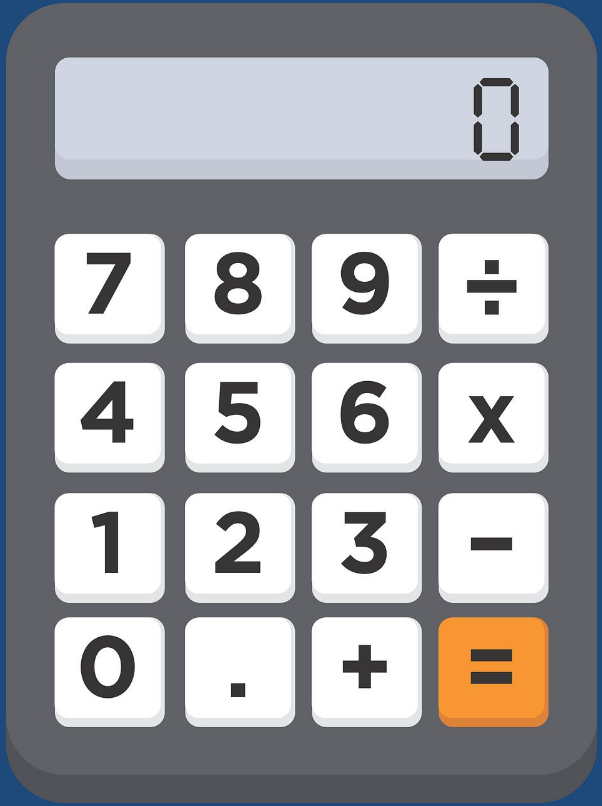


Scenario 3: Chloe took a personal finance class in high school and she learned about investing. When she turned 18, she invested $1,000 of her graduation money and continued to add $2,000 each year until the age of 60.

Scenario 4: Samuel was hesitant to invest because he was wanting to buy a newer, expensive car and house right out of college. He did not consider investing until age 45 where he invested $20,000 and follows by adding $10,000 each year until age 60.

How Compound Interest Works

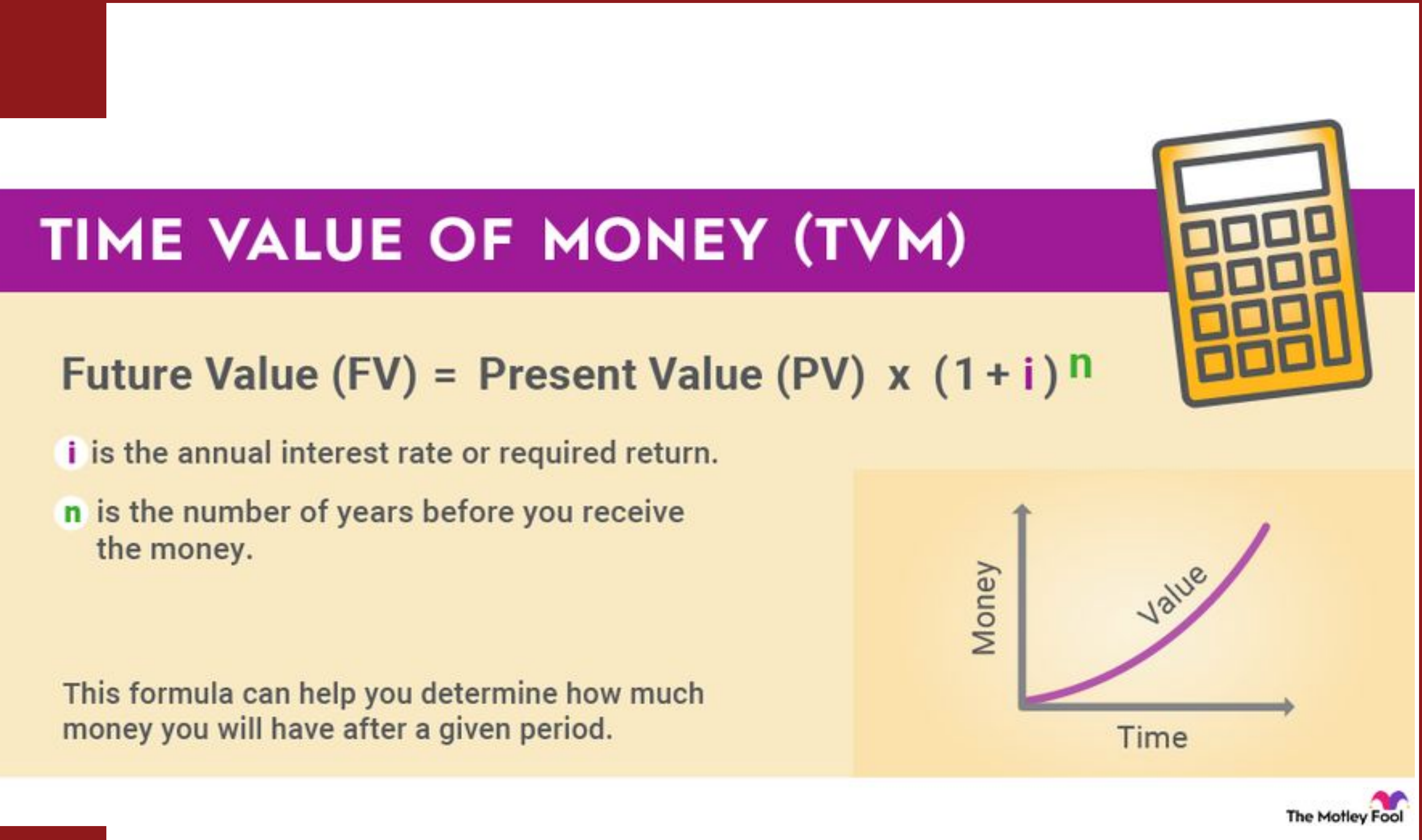
Use the calculator site linked below to put in the different scenarios to see how much was or could have been saved. Use 10-15% for your rate of return. Who saved more between Shelby and Austin?



Scenario 5: Shelby was a collegiate athlete at Creighton University. Following college, she had a hard time finding a job and had no money saved. She then started a family. She waited awhile to invest until age 35 and began by investing $12,000, followed by $6,000 each year until the age of 65.

Scenario 6: Austin decided not to attend college right away and worked in his hometown. He invested $4,000 from money he had saved right after high school at age 19. He then invested $3,000 each year after that until the age of 65.

Time Value of Money



TVM means that a dollar today is worth more than a dollar in the future. Why?

1. Earning potential - money today can be invested to earn interest or grow
2. Inflation - prices rise over time, so your money buys less later
3. Opportunity cost - having money now gives you choices you won’t have if you wait.

Ex: If you get $100 today and invest it at 8%: In 10 years → about $216. If you wait 10 years to get that $100, you missed out on the growth

Activity Option

NGPF INTERACTIVE: Invest with Stax!

So far you've learned the basics of what investing is and its benefits. Now, you'll try your hand at making a variety of investment decisions in the interactive simulation, STAX. Follow the directions on the worksheet to complete the activity.

This activity is NGPF's INTERACTIVE: Invest with Stax!

The Stock Market Explained

This resource and questions are from NGPF's Lesson What is the Stock Market

You've probably heard about the stock market, but what is it and how does it work?

Watch the video on the left. As you're watching, think about this question:

How do investors decide if a stock is worth investing in?

This **infographic** also helps explain it.

Trends in the Stock Market

Understanding trends will help!

If you want to invest, you'll need to understand big-picture stock market trends, which are oftentimes referred to as bull and bear markets. Watch **this Edpuzzle video** to learn about these trends. Then, answer the questions throughout.

This resource and questions are from NGPF's Lesson What is the Stock Market

Activity Option

INTERACTIVE: Can You Beat The Market?

In the previous video, we learned that it can be difficult to predict trends in the stock market. You'll now have the opportunity to see why. Play this interactive game, which simulates investing in the stock market over 10 years. Your job is to SELL when you think you should take your money out of the market. Then, BUY back into the market when you think it's the right time. (Note: You can only sell and buy ONCE.)

Game Reflection Prompt

After you play the game once:

a. Did you beat the market?
b. How much did your $10,000 turn into?
c. If you hadn't made any trades at all, how much money would you have had?

Play the game a second time if you have time:

a. Did you beat the market?
b. Did you alter your strategy? Why or why not?

The Stock Market

And its historical performance over the years

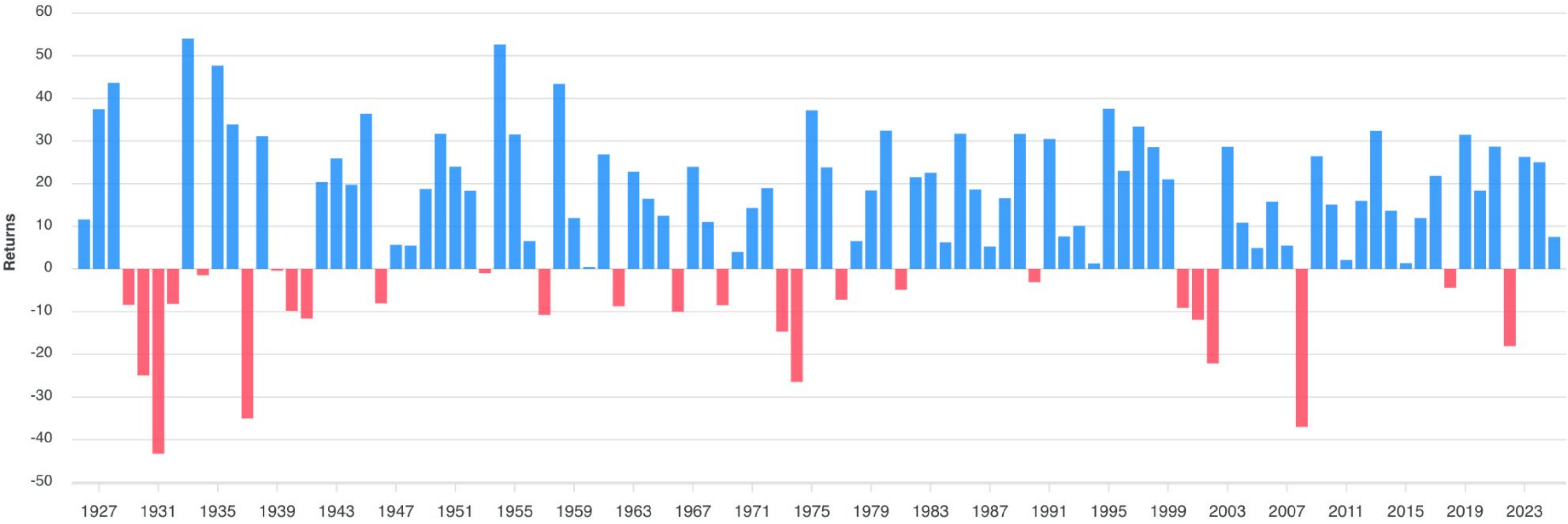
- Over the long term, the stock market has gone up despite ups and downs
- Average return: about 7-10% per year (after inflation)
- Short-term drops (recessions, crashes) are normal
- Long-term growth rewards those who stay invested!

On the next slide, you'll see a graphic of the S&P 500 total returns from 1926 - 2025 to visualize the ups and downs – and the overall upward trend!

S&P 500 Index Total Returns | January 1926 - July 2025

S&P 500 Total Returns

The total returns of the S&P 500 index are listed by year. Total returns include two components: the return generated by dividends and the return generated by price changes in the index. While most individuals focus only on the price returns of the index, dividends play an important role in overall investment returns.



Thinking Prompt

If you invested $1,000 in Netflix (NFLX) stock in July of 2015, what was it worth July of 2025?

A. $3,098
B. $7,543
C. $13,877
D. $18,608

This question is inspired by NGPF's Lesson What is a Stock?

Answer:
$13,877

Source: Stock Return Calculator

NFLX • NetFlix Inc • NASDAQ • **Dividends Reinvested** • 2015-07-07 - 2025-07-03 • Data from Tiingo

Final Value ($): 13,877.61 **Annual Return (%):** 30.1

Thinking Prompt Reflection

1. How would you describe the trend in Netflix stock prices over time?
2. What factors might have caused significant changes to Netflix's stock price?
3. Do you think as an investor it would have been easy to buy Netflix stock 10 years ago and hold it over this time period? Explain your answer.

This question is inspired by NGPF's Lesson What is a Stock?

What is a Stock?

- A stock is a small piece of ownership in a company
- When you buy a stock, you become a shareholder - you own a tiny part of that business
- Bought and sold on stock exchanges (ex: NYSE, NASDAQ)
- You usually invest through a brokerage account or app

Think of it like buying a slice of a pizza – if the pizza (company) grows in value, so does your slice (stock).

How do you make money from stocks?

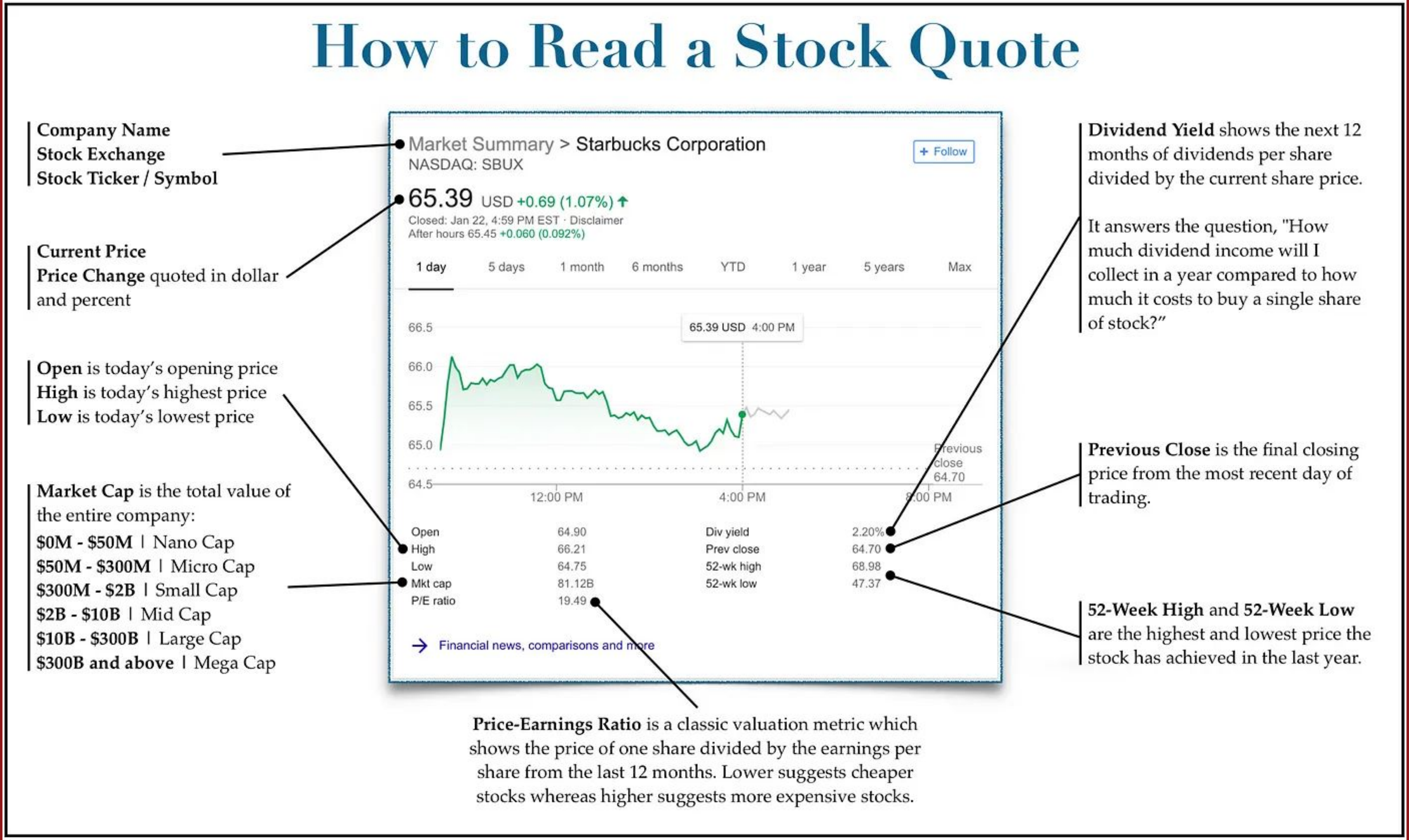
- Price appreciation: if the stock price goes up, you can sell it for a profit (Buy at $50 → Sell at $70 = $20 profit)
- Dividends: some companies pay a portion of their profits to shareholders (usually every quarter)

Thinking Prompt

Imagine this… You buy 1 share of Nike at $50. Over time, Nike's value grows, and the stock rises to $70. Nike also pays you a $2 dividend every quarter (4x per year).

How much money could you make in one year if you hold the stock and then sell it? What factors might make you decide to sell or to hold on longer?

How to Read a Stock Quote



This resource is from NGPF's Lesson What is a Stock?

A stock quote shows key information about a company's stock: price, changes, highs/lows, etc.

Learning how to read a quote helps you decide if a stock might be a good investment.

Click the article link to the left to learn how to read a stock quote.

Then think about this: Why is it more useful to look at the percent change in a stock's price, instead of just the dollar change?

Understanding Nike Stock Further…

This resource and questions are from NGPF's Lesson What is a Stock?

Click the image to the left to select the Nike Inc Google Finance site.

Look at the stock performance for Nike. Describe the trend in stock prices over the last year. What about the last 5 years?

Is Nike a small, medium, or large cap company? How do you know?

If you were considering buying a stock, which time frame would you use to analyze its price history (1-day, 5-day, 1-month, etc)? Why?

Activity Option

PROJECT: 5 Stocks on Your Birthday

You've learned a lot about what stocks are and how to evaluate their performance. Now, let's put it all together. Follow the direction on the worksheet linked in the notes to complete the activity.

This activity is from NGPF's Lesson What is a Stock?

Thinking Prompt

Your friend wants to buy a car but doesn’t have enough cash. They ask to borrow $100 from you today and promise to pay you back in one year plus $5 extra as a thank you.

Would you lend the money? Why or why not? What risks would you think about before saying yes?

What are Bonds?

- A bond is a loan you give to a company or government
- When you buy a bond, you're lending your money – and in return, you're promised to be paid interest over time, plus your full amount back later.

Think of it like being the bank – you're the lender, not the borrower.

How do you make money from bonds?

- Interest payments: bonds pay you regular income, usually every 6 months
- Face value repayment: at the end of the term (called maturity), you get back the original amount you invested.
- Ex: Buy a $1,000 bond at 4% interest → you earn $40/year until it matures

Main Types of Bonds

1 Government Bonds

Issued by the U.S. govt. (ex: Treasury bonds)

Very low risk, lower return

Used to fund govt. spending

2 Municipal Bonds

Issued by states, cities, or towns

Help pay for schools, roads, parks, etc.

Often tax advantages for investors

3 Corporate Bonds

Issued by companies to raise money

Higher risk than govt bonds, but usually higher return

Risk depends on company's financial health

Understanding Yield and the Effects of Rising Rates

This resource and questions are from NGPF's Lesson What is a Bond?

If you buy a bond and hold it through its maturity date, the ups and downs of the bond market will not impact your investment. However, if you decide to sell a bond before its maturity date, you need to understand how the current market interest rates impact the price of your bond. Watch the video to the left to learn more about this relationship.

Then, explain why someone who is not interested in selling their bond before its maturity date does not have to worry about the current bond market and its impact on the price of their bond.

Individual Bonds vs. Bond Funds - The Difference

Individual Bonds

- You buy one bond from a company or government
- You know the interest rate and maturity date
- You hold it until it matures

You are the lender directly.

Ex: You buy a $1,000 U.S. Treasury bond at 3% for 10 years. You get $30/year and your $1,000 back at maturity.

Bond Funds

- You buy a bundle of bonds managed by a fund company
- You earn interest from a pool of different bonds
- You can buy or sell shares of the fund anytime

Ex: You invest $1,000 in a mutual fund or ETF that holds hundreds of bonds. The interest rate varies over time, and you can cash out whenever you want - but you could gain or lose value based on market rates.

Individual Bonds vs. Bond Funds - Pros & Cons

Individual Bonds

- Lower risk level if held to maturity
- Fixed income (you know how much and when)
- Low diversification (unless you buy many bonds yourself)
- Less liquid (you may need to sell early)

Bond Funds

- Slightly higher risk due to price changes & manager choices
- Income varies based on fund performance and bond mix
- High diversification (exposure to many issuers and sectors)
- More liquid (easy to trade like a stock)

Thinking Prompt

Would you rather earn a guaranteed $30/year for 10 years, or invest in a fund that might pay more (or less) but you can sell anytime?

Activity Option

NGPF FINE PRINT: Bond Mutual Fund Fact Sheet

When selecting a bond fund to invest in, it’s important to analyze its fund fact sheet. In the activity, you’ll practice reading a bond mutual fund fact sheet. Follow the directions on the worksheet linked to complete the activity.

This activity is from NGPF’s Lesson What is a Bond?

All About Index Funds

Why pick stocks when you can pick an index?

On the next slides, you'll have the chance to learn about the difference between mutual funds and index funds.

What does the research say about investors who try to pick the best-performing individual stocks? How do index funds perform compared to actively managed mutual funds?


PBS
what the HECK
is a MUTUAL
FUND?


PBS
WHAT THE HECK IS AN
INDEX
FUND?

Thinking Prompt

Hypothetical scenario: Your teacher rolls a 20-sided die. You have the opportunity to receive a specific amount of money if you correctly guess which number is rolled. Which option would you pick and why?

- Guess the number exactly: $500
- Guess even or odd: $50
- Guess it will fall between 1 and 19: $5

Learning from the Industry

Learn from an expert in the industry, Jeremy Armagost! Jeremy is a Certified Financial Planner at WealthPlan Partners in Kearney, NE. He has a Master's degree in Financial Planning.

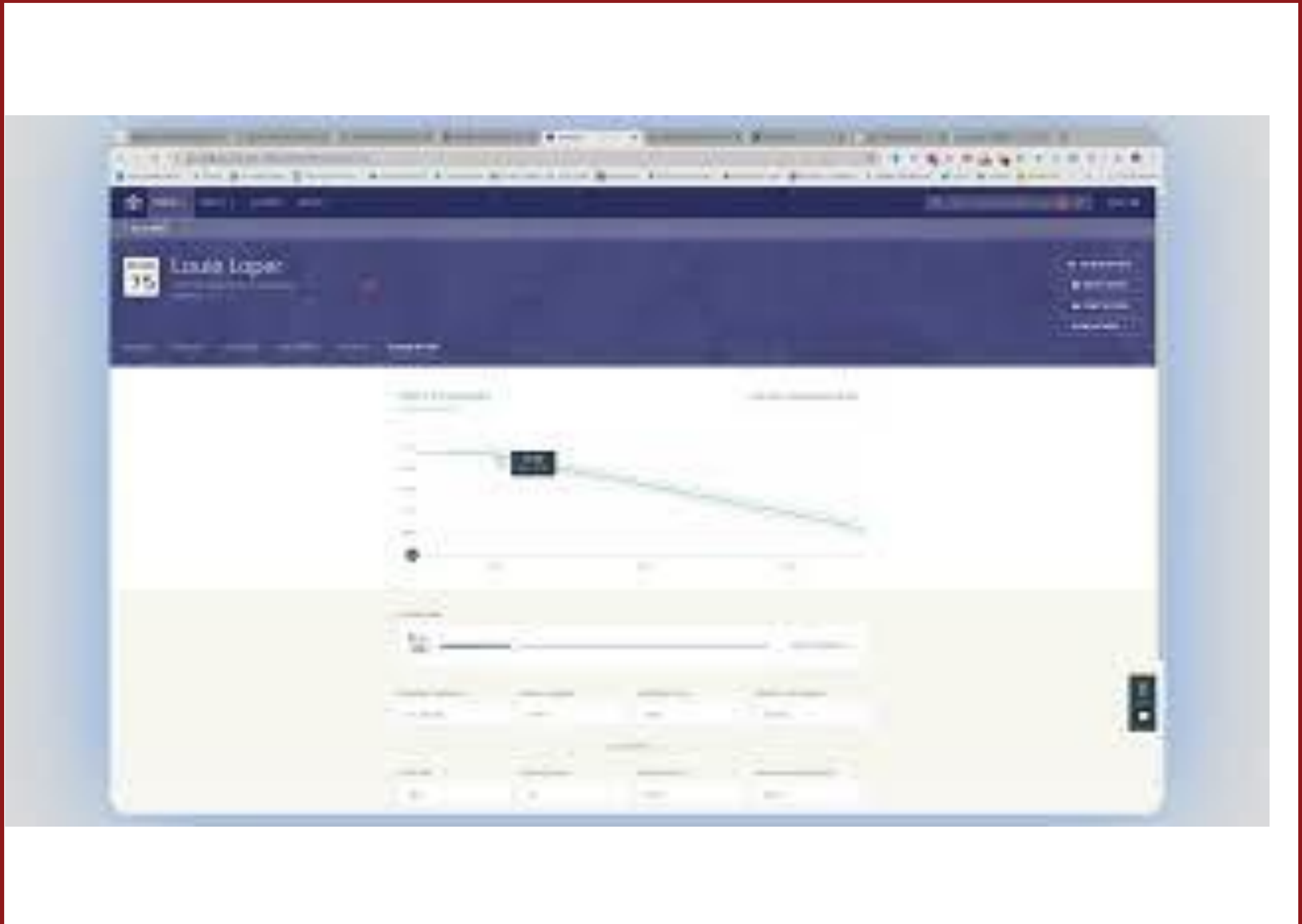
He also earned the RICP® which is an advanced designation dealing with retirement income planning and the WMCP® which is a specialized designation dealing with advanced wealth management topics.

How Are Investments Taxed?

Not all money you earn from investing is "free money"—you may owe taxes on your profits.How long you hold an investment matters. Keeping track of your gains and losses is important when filing your taxes.Watch the video to the left to learn about how the different investment options are taxed.

Why might some investors hold their investments longer than a year before selling them?

What is an Investment Risk?



In the previous prompt, your decision was likely influenced by how much risk you were willing to take. Learning to manage your risk is an important part of creating an investing strategy that works for you. Watch the video to the left to learn about risk vs. return

Even though risk seems like a bad thing, why is that not always the case with investing?

Do You Know Your Risk Capacity?

Here's how to determine yours. Click the article linked in the image to the left to help you understand your risk capacity.

Consider your current goals and circumstances as they pertain to your time horizon for investing. What is your current risk capacity based on the CNBC article?

Weighing Gambling Risks vs. Investment Risks

- Investing involves: research, diversification, compound growth, long-term goals
- Gambling involves: chance, instant results, odds set to favor “the house”

Both investing and gambling involve risk, but they are fundamentally different in design and purpose!

	Investing	**Gambling**
Goal	Long-term growth	Instant gain
Risk level	Managed through diversification	Typically high, with fixed odds
Research-based	Yes - based on data and strategy	No - based on chance or personal prediction
Time horizon	Long-term	Short-term
Outcome control	Partial (research, timing, diversification)	None (random or house-controlled odds)

Activity Implementation: Weighing Gambling Risks from NCEE

- Risk tolerance is a key component of your investing life
    - Good financial planning will take risk into consideration when setting up your investment goals and products
- In this Beyond the Bet lesson, students are engaged in a game that has some HIGH risk investments.
- Is gambling an investment choice? Decide for yourself after you see the data and numbers associated with winning in the gambling area.
- How much risk are you willing to take to see your money grow? Are you willing to lose?

See notes below or Canvas for links.

The Power of Diversification

Watch the video to the left to learn about the difference between diversifying by asset class and diversifying across investments.

Why do you think spreading your money across different types of investments (stocks, bonds, real estate, etc.) can lower your risk?

If you only invested in one company's stock, what could go wrong? How would diversification help in that situation?

Activity Option

NGPF DATA CRUNCH: How Does Your Asset Mix Impact Your Returns?

Continue exploring the strategy of diversification by taking a look at how it can affect the returns on your investment. Analyze the data and answer the questions on the worksheet linked to complete the Data Crunch.

This activity is from NGPF's Lesson Managing Risk

"When selecting and working with a financial advisor, do your research and find the right person to help you meet your financial goals.

From the Industry

Paul Downey
Wealth Advisor
Bluestone Wealth Advisors, Kearney NE
pdowney@bswadvisors.com | 308-233-3263

Finding a Financial Advisor

Watch the video to the left to learn about what a financial advisor is, what they do, the difference between a fiduciary and non-fiduciary, and where do you find out information about individuals.

After watching the video, what are 3 takeaways you learned from the video Paul shared about finding a financial advisor, or any of the topics he touched on?

Financial Advice from TikTok

Just because you're hearing financial advice doesn't mean it's correct or verified.

This activity is inspired by NGPF's On Demand Training [TikTok and Investing]

Poll!

Take you best guess… What percent of Gen Z'ers (born after 1997) turned to TikTok for investment information in 2024?

- 15%
- 24%
- 36%
- 49%

This activity is inspired by NGPF's On Demand Training TikTok and Investing

Investors Seek Advice.. But How?

Recent surveys indicate that Gen Z increasingly relies on social media platforms for financial guidance:

- YouTube: 71%
- Instagram: 50%
- TikTok: 49%

It's important to note that 25% of Gen Z individuals have reported being scammed by someone posing as a financial advisor on social media.

This activity is inspired by NGPF's On Demand Training TikTok and Investing

Keep in mind, not every source is reliable!

Did you know?

TikTok is now a Global Learning Platform?... and is full of educational content. The #LearnOnTikTok hashtag alone has clocked up more than 1.29 billion views.

There are also tons of videos on financial advice, with the #finance tag accumulating 35.9 billion views. This type of content can be easily accessed by you!

This activity is inspired by NGPF's On Demand Training TikTok and Investing

But is it reliable?

The influencers of TikTok’s financial corner (often dubbed "StockTok") offer useful tips for wealth management, but some have attracted criticism for prioritizing entertainment and popularity over reliability and trustworthiness.

Videos that encourage risky, over-simplified, and impulsive financial decisions without appropriate disclaimers can mislead you, damaging your finances as a result.

But just how much of TikTok’s financial content could mislead in this way?

This activity is inspired by NGPF’s On Demand Training TikTok and Investing

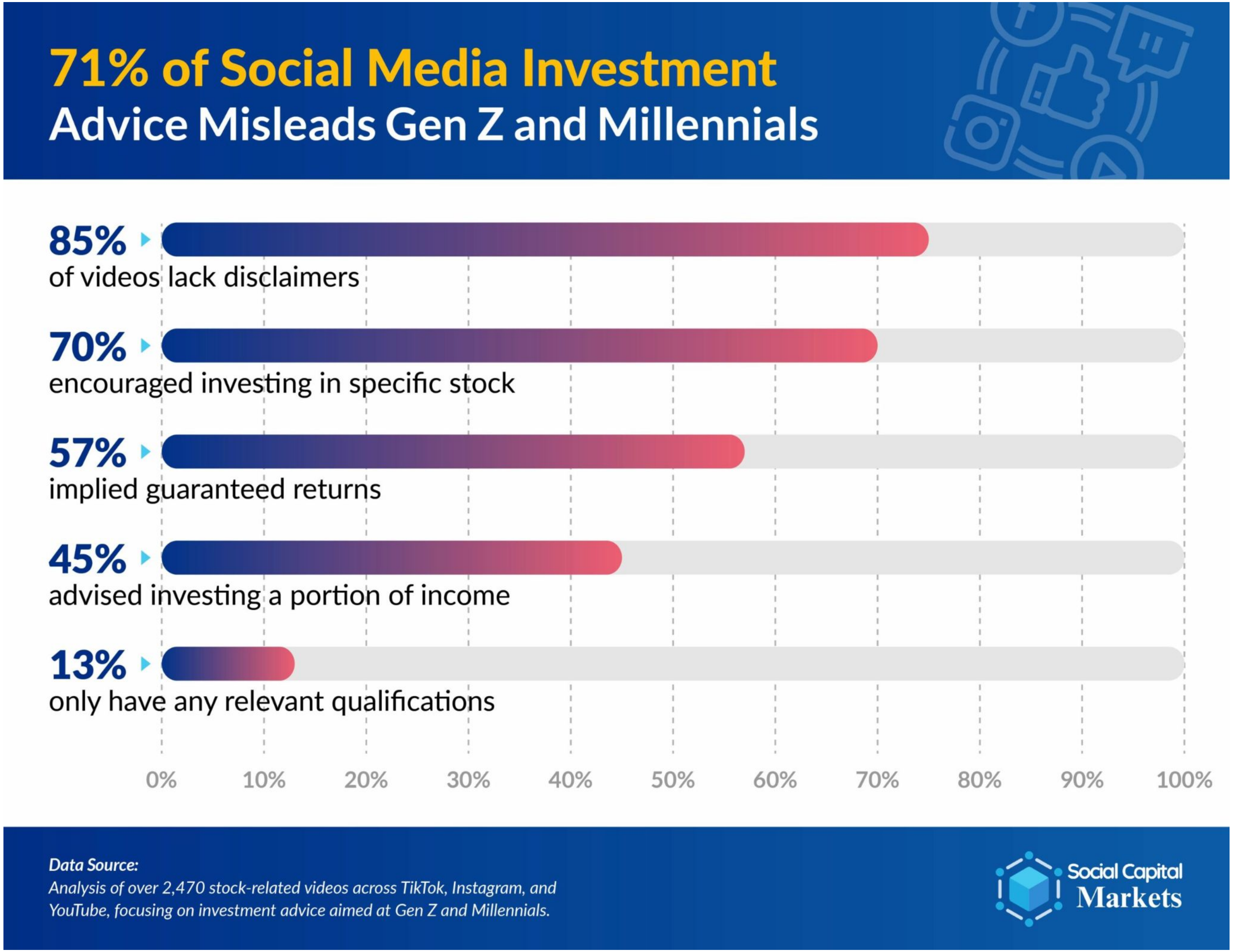
Are the videos misleading?

Videos are misleading if they don't include a disclaimer* and encourage people to do at least one of the following:

- invest in specific stocks, shares or other assets
- make an investment with the implication that it will make them more money
- invest a particular amount of their savings or income

*A disclaimer either on the video or in the TikTok influencer's bio would inform viewers that the content is opinion not advice, or to do their own research, or to seek further professional advice, or that past market performance is not an indicator of future returns.

This activity is inspired by NGPF's On Demand Training TikTok and Investing



This activity is inspired by NGPF's On Demand Training [TikTok and Investing]

TikTok is Riskiest Platform Overall

Videos that lacked disclaimers	91%
Encouraged viewers to invest in specific stock assets	70%
Videos that implied guaranteed returns	65%

This activity is inspired by NGPF's On Demand Training TikTok and Investing

Thinking Prompt

There’s a big difference between using TikTok to budget better and using it to invest large sums of money.

So knowing what you know about TikTok advice, what steps or precautions could you take to make sure you aren’t being misled by the content you are viewing?

This activity is inspired by NGPF’s On Demand Training TikTok and Investing

02

Investing for Retirement

In this section, you'll learn more about employer provided retirement options, personal retirement accounts, projecting now for future needs, beneficiary designations, and how taxes affect investments.

What is Retirement?

Retirement is the stage of life when you stop working full-time and live off your savings, investments, and retirement income.

Most people retire in their 60s and 70s, but planning starts much earlier.

Money for retirement usually comes from:

- Personal savings and investments
- Retirement accounts (401k, IRA, pensions)
- Social security benefits from the government

Goal: have enough money to cover living expenses, healthcare, and enjoy life without needing a paycheck.

You’ve Made the Decision..

How much savings do you need to retire?

You’ve decided you want to start investing for retirement. Awesome! But, how much money do you anticipate you’ll need for retirement? What’s your goal? The answers to those questions depend on a variety of factors and personal preferences. Watch **this Edpuzzle video** to understand how you can determine how much you might need and answer the questions throughout.

This resource is from NGPF’s lesson The Importance of Investing for Retirement

Activity Option

NGPF CALCULATE: Retirement Savings Goals

As you saw in the previous video, having a realistic goal for how much you might need in retirement can help you better plan for your future. Let's now take a look at how your savings rate, the age you start investing, and other factors can impact your ability to meet you goal! Follow the directions on the worksheet linked to complete this activity.

Employer-Sponsored Plans

Key Takeaways

Employer-sponsored plans refer to employee benefits that are offered by an organization.

These plans are often tax-advantaged for employees.

Sponsorship does not mean that an employer contributes funds to the plans, though they may match certain employee contributions.

Employers install these benefit plans in order to attract and retain workers as well as receiving tax breaks and other incentives.

What is a 401(k)?

You may be wondering, “Where do I start if I want to invest for retirement?” A 401(k) is one of the most popular retirement investment accounts. Watch the video to learn more.

Pension Characteristics to Consider

In the article linked to the left, you'll learn what a pension plan is and how it differs from a 401(k).

Is a pension plan enough? What are the limitations of a pension plan?

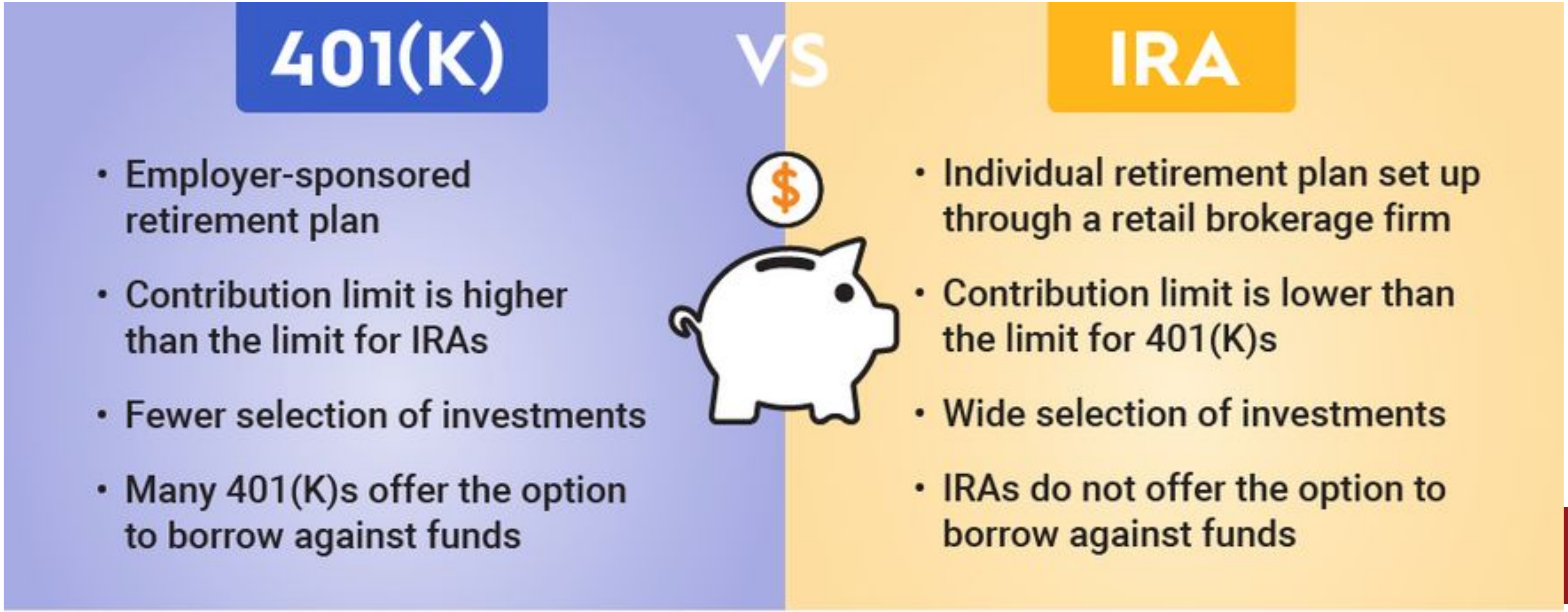
401(K) VS PENSION

401(K)	PENSION
Contributions are up to the employee and employer	Contributions are decided by the employer
The employee controls the investments	The employer controls the investments
Contributions still belong to the employee after leaving a job	Pension benefits are based on salary and tenure
If a company fails, an employee's 401(k) money is safe	If a company fails, employees may not get full benefits

The Motley Fool

Personal Retirement Account Options

If your employer doesn't offer a 401(k), you have other options! Anyone can open a personal retirement account, called an IRA, to get many of the same benefits as a 401(k).



Personal Retirement Account Options

- IRA = Individual Retirement Account
- Two main types: Traditional and Roth

You can open an IRA through a bank, brokerage, or investment app – even as a teen with earned income.

Examples:

- Traditional IRA: You contribute $2,000 now and skip paying taxes on it. When you withdraw $2,000+ earnings at age 65, you'll pay taxes then.
- Roth IRA: You contribute $2,000 today (after tax). When you withdraw it and the growth at age 65, it's all tax-free

Traditional vs. Roth IRAs

Feature	Traditional IRA	Roth IRA
When You Pay Taxes	Later (when you withdraw in retirement)	Now (contributions are taxed upfront)
Contributions	May be tax-deductible now	Not tax-deductible
Withdrawals	Taxed as income in retirement	Tax-free in retirement (if conditions are met)
Age Restrictions	Must start withdrawals at age 73 (RMDs)	No required minimum distributions
Best For	Those expecting to be in a lower tax bracket later	Those expecting to be in a higher tax bracket later

Comparing whether you should choose a Roth IRA or Roth 401k using a nurse as the example

ROTH IRA

Income Limits: Roth IRAs have income limits. If the nurse's income exceeds a certain amount, they may not be eligible to contribute directly to a Roth IRA.

Contribution Limits: For 2024, the contribution limit for a Roth IRA is $6,500 (or $7,500 if you're 50 or older).

Flexibility: Roth IRAs generally offer more investment options, such as individual stocks, bonds, and mutual funds. You also have control over where you open the account (any brokerage or bank).

Withdrawals: Contributions can be withdrawn tax-free at any time, and earnings can be withdrawn tax-free after age 59½, as long as the account has been open for at least five years.

ROTH 401K

Employer-Sponsored: Roth 401(k)s are employer-sponsored, so a nurse would need to check if their employer offers one.

Higher Contribution Limits: Roth 401(k)s allow for higher contributions—$23,000 in 2024 (or $30,000 if you're 50 or older).

Employer Match: A significant advantage of the Roth 401(k) is the possibility of employer matching. Any employer contributions would go into a traditional 401(k) account and would be taxed upon withdrawal.

Required Minimum Distributions (RMDs): Roth 401(k)s require minimum distributions at age 73, while Roth IRAs do not.

Summary:

- **Best for Control and Flexibility**: A **Roth IRA** is ideal if the nurse wants more control over their investments and does not have an employer match.
- **Best for Employer Matching and Higher Contributions**: A **Roth 401(k)** may be better if the nurse's employer offers matching contributions and they want to contribute more annually.

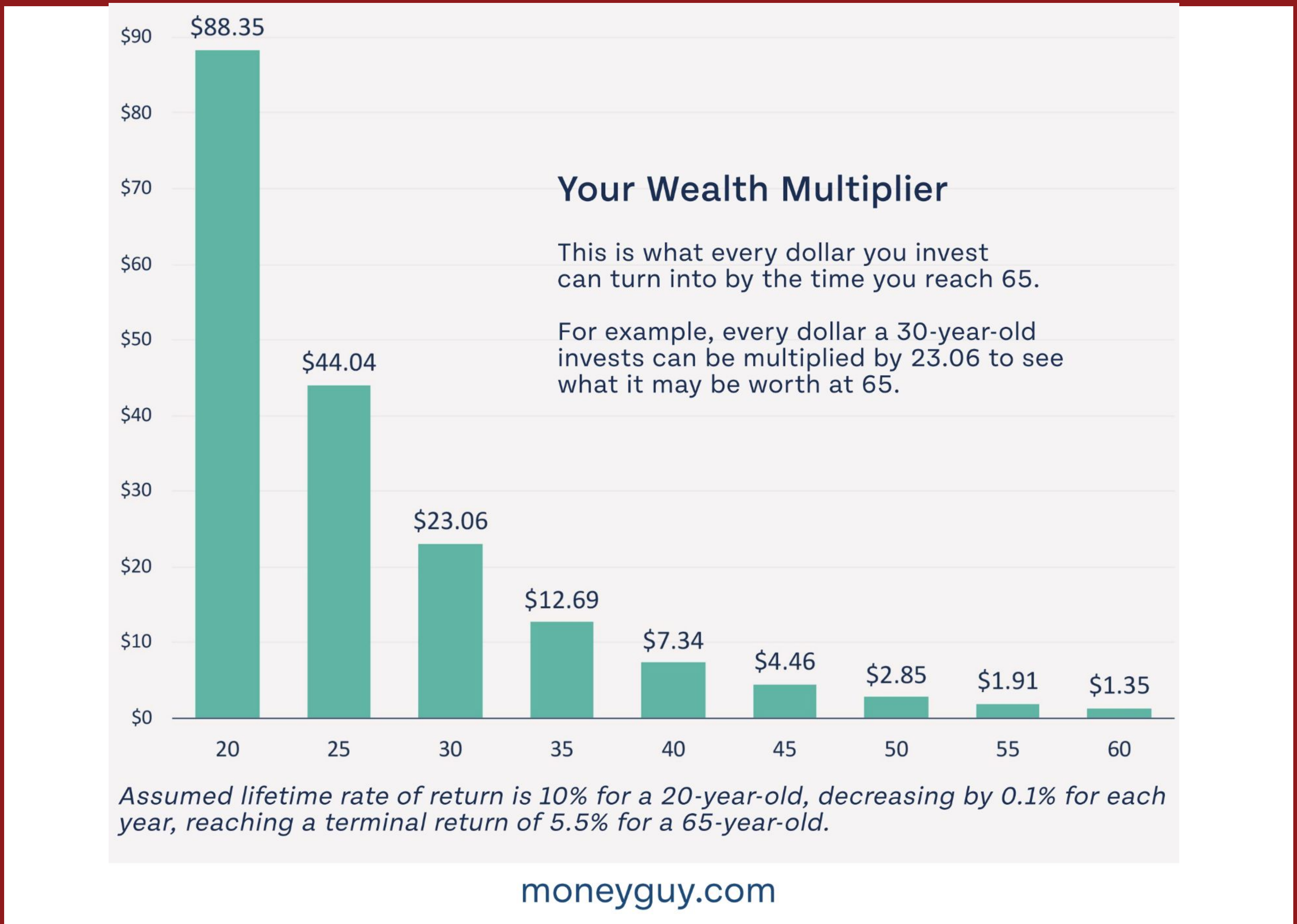
Activity Option

NGPF COMPARE: Types of Retirement Accounts

Let's dive deeper into the different types of investment accounts you can have, including pensions, traditional 401(k)s, Traditional IRAs, and Roth IRAs. In the activity, you'll compare the features of each type of account. Follow the instructions on the worksheet linked to complete the activity.

This activity is from NGPF's COMPARE: Types of Retirement Accounts

Planning for Retirement



Using the wealth multiplier from The Money Guy Show linked to the left, see how much money you would have to save per month to retire with $1 million 65 years if you start at 20 years old.

Will Social Security Be Around for Younger Generations?

This resource is from NGPF's lesson [The Importance of Investing for Retirement]

Many people rely on Social Security in retirement. However, you may have heard repeatedly from the media that Social Security may not be around for much longer (like 2034 is when it could run out).

Why are people worried about the future of Social Security?

While it benefits millions of Americans, the system is not perfect. In what ways in inequality built into the Social Security system?

Tax Implications of Retirement Accounts

TAXABLE ACCOUNTS Ideal for:	TAX-ADVANTAGED ACCOUNTS* Ideal for:
Individual stocks you plan to hold for more than one year	Individual stocks you plan to hold for more than one year
Tax-managed stock funds, index funds, exchange-traded funds (ETFs), low-turnover stock funds	Actively managed funds that may generate significant short-term capital gains
Stocks or mutual funds that pay qualified dividends	Taxable bond funds, zero-coupon bonds, inflation-protected bonds or high-yield bond funds
Municipal bonds, I bonds (savings bonds)	Real estate investment trusts

Pay Now vs. Pay Later....

As you continue to find the right retirement account(s) for you, you need to make sure to understand how each account is taxed.

Read the article linked to the left to determine the differences of tax deferred and tax exempt retirement accounts.

Common Retirement Pitfalls

Don’t make the same mistakes as many before you!

Take into consideration the following mistakes to avoid:

1. Not having a plan.
2. Spending instead of rolling over retirement accounts.
3. Not taking advantage of tax-deferred savings plans.
4. Failing to diversify their retirement portfolio.
5. Not taking charge of their retirement investments.

Many people are unaware that who you choose to receive your money as a beneficiary takes precedence over all other written documents, including a will and a trust.

Brian Ursu, CFP

How would you feel if you died and your ex, who you intended to get nothing further after your recent divorce, was allowed to collect all your company pension benefits and the proceeds from your company-provided life insurance? Probably not very good if you wanted your son and daughter from an earlier marriage to get the money. Unfortunately, the dad in this case failed to change the beneficiary designations for his pension benefits and life insurance after the divorce, so his ex-wife remained the named beneficiary. Two months later, dad was killed in a car crash. The Supreme Court ruled that the beneficiary designations trumped state law that would have automatically disinherited the ex. So the ex got the money, and the kids got the bills for an expensive and unsuccessful legal fight

Horror Story #1

In yet another real-life case, an ex-wife collected $400,000 from her ex-husband's company savings and investment plan even though the ex-wife had specifically waived any interest in the plan under the divorce agreement. Believing the divorce agreement was the last word on the subject, the ex-husband failed to turn in the form required to officially change the plan beneficiary from his ex-wife to his daughter. He died seven years after the divorce. The plan document stipulated that beneficiaries could only be changed by submitting the form. The Supreme Court ruled that the hideously out-of-date beneficiary designation trumped the divorce agreement. So the ex-wife got the $400,000 and the daughter got stiffed. Source: Kennedy Estate v. Plan Administrator for the DuPont Saving and Investment Plan, Supreme Court 2008.

Horror Story #2

END OF MODULE 4