



Wealth Building and Planning for Retirement

Instructor Guide

(Updated June 2025)

Lesson: *Wealth Building and Planning for Retirement*

This course is expected to take approximately two hours to teach. The learners are presented with information about wealth building and planning for retirement through a series of PowerPoint slides. They will learn the fundamentals of saving and investing, the types of saving and investing accounts, and important considerations for retirement planning, including military retirement plans.

Learning Objectives

At the conclusion of this course, learners should be able to:

- Understand the fundamentals of saving and investing.
- Understand various types of savings and investing accounts and identify the use case for each type of account.
- Understand the factors to consider when planning for retirement.
- Understand the Legacy and Blended Retirement Systems and potential benefits applicable to their situation.

Learning Activities

This lesson contains the following activities:

- What would you do with an extra \$50 per week?
- Investing key terms
- Calculate compound interest
- Estimate your retirement needs

Content Outline

1. Welcome and Introduction (5 minutes)
 - Welcome
 - Facilitator Introduction
 - Agenda

Wealth Building and Planning for Retirement

- Activity: What Would You Do with an Extra \$50 per Week?
- 2. Fundamentals of Saving and Investing (15 Minutes)
 - Savings Versus Investing
 - Types of Savings Accounts
 - Savings Deposit Accounts
 - Money Market Savings Accounts
 - Certificates of Deposit (CDs)
- 3. Investing Concepts (15 minutes)
 - Activity: Investing Terms
 - Compound Interest Overview
 - Activity: Calculate Compound Interest
 - Types of Investments:
 - Stocks
 - Bonds
 - Mutual Funds and Exchange-Traded Funds
- 4. Investment Account Types (5 minutes)
 - Nonqualified
 - Qualified
- 5. Account Types and Financial Goals (10 minutes)
 - Proven Negotiating Tips
- 6. Planning for Retirement (20 minutes)
 - Types of Retirement Accounts
 - Contributions, Withdrawals, and Taxes
 - Activity: Estimate Your Retirement Needs
 - Sources of Retirement Income
- 7. Military Retirement Plans (15 minutes)
 - Blended Retirement System
 - Legacy Retirement System
- 8. Resources (10 minutes)
- 9. Conclusion (5 minutes)

Training Materials

- *Wealth Building and Planning for Retirement* Instructor Guide

- *Wealth Building and Planning for Retirement* PowerPoint Presentation
- *Basic Investing* Handout
- *Military Retirement System* Handout

Using This Instructor Guide

Presenter preparation is the most important part of delivering information. Make sure to familiarize yourself with the content of the lesson so that you can effectively discuss each key point during the training session. Review the material and practice delivering the content ahead of time to feel comfortable covering the material in your own words.

To use this Instructor Guide, review its various parts and components below.

The **Discussion Points** section contains the key points you must present in the training. The information should be presented in the order provided. Use the discussion points as a lesson outline. Avoid reading it word-for-word.

An **Instructor Note** provides guidance for the instructor in presenting the discussion points. This section also includes specific instructions on using the media, activities for learners, and references to any other documents or content.



This symbol indicates a handout is associated with the content.



This symbol indicates a discussion activity is associated with the content.

Course Preparation

Being prepared for training promotes organization, projects a positive image, and reduces stress. To ensure you are prepared, review the following:

- *Wealth Building and Retirement Planning* PowerPoint Presentation
- References:
 - DoD Instruction 1322.34, *Financial Readiness of Service Members*
 - DoD Instruction 1342.22, *Military Family Readiness*
- Resources:
 - The DoD Office of Financial Readiness (FINRED) – Retirement Saving - <https://finred.usalearning.gov/Saving>
 - FINRED – Sen\$e App - <https://finred.usalearning.gov/ToolsAndAddRes/SenSe#gsc.tab=0>
 - FINRED – Investing Microlearning Videos - <https://finred.usalearning.gov/Saving/InvestingMicrolearning>
 - U.S. Securities and Exchange Commission (SEC) – Free Financial Planning Tools - <https://www.investor.gov/free-financial-planning-tools>
 - SEC Compound Interest Calculator - <https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>
 - FINRED – Nest Egg Calculator - <https://finred.usalearning.gov/ToolsAndAddRes/Calculators/Retirement>
 - Thrift Savings Plan - <https://www.tsp.gov/>

- Social Security Administration - <https://www.ssa.gov/>
- Survivor Benefit Program - <https://militarypay.defense.gov/benefits/survivor-benefit-program/>

Instructor Note: The handouts contain additional information and resources. A digital version may be provided to learners via email before or after the course; printed copies are not required. Ensure you are familiar with resources available in the area. Be prepared to share that information with the learners.

Personalize your lesson. Use the white space on the left side of the page to add your notes and prompts for discussions.

You can fill it with:

- Subject matter
- Detailed/technical information
- Instructional strategies and methods
- Personal experiences
- Examples and analogies

Discussion Points



Slide 1

1. Welcome and Introduction

Instructor Note: Display slide 1 and welcome learners to the *Wealth Building and Retirement Planning* lesson.

Say: Welcome to today's lesson on wealth building and retirement planning. The purpose of today's course is to equip you with knowledge and tools to make informed decisions about saving, investing, and planning for retirement. Whether you're just starting your military career or nearing retirement, understanding these concepts is crucial for securing your financial future. We'll explore how you can build wealth and prepare for the next chapter of your life.

Facilitator Introduction

Introduce yourself by providing:

- Your name
- Your experience with the lesson topic, financial counseling experience, and/or professional/educational background

Gain learner attention and interest:

- Share a short story about the lesson's topic.
- Share a surprising fact about the lesson's topic.
- Ask learners to write down one thing they hope to learn from attending today's training.

Instructor Note: Read the disclaimer to the group.

Disclaimer: *The information presented in this lesson does not constitute legal, tax, investment, financial, or other advice. This lesson is intended as an informational resource to assist you in identifying or exploring resources and options for managing your personal financial situation.*



Slide 2

2. Agenda

Instructor Note: Display slide 2. Briefly introduce the lesson topics.

Say: In this lesson, we will cover the following topics:

- Fundamentals of Saving and Investing
- Types of Accounts and Considerations for Usage
- Planning for Retirement
- Military Retirement Plans



Slide 3

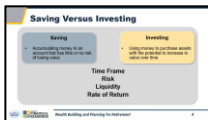


3. Activity – What Would You Do with an Extra \$50 per Week?

Instructor Note: Display slide 3. The goal of this discussion is to engage learners in the session by asking them what they would do if they unexpectedly had an extra \$50 each week.

Activity: Ask learners what they would do with an extra \$50 of income each week. Would they save it, invest it, or spend it, and why? Allow learners time to share their ideas and reasons.

Say: As you can see, we each have our own personal goals and priorities on how we would use the additional income. If you choose to save or invest the \$50, think about how a small, consistent savings habit can grow into significant wealth over time. The habit of regularly saving is as important as the amount being saved because it can help you build financial security. Over time, even small contributions can grow significantly, thanks to compound interest. We'll cover compound interest in detail later in the lesson.



Slide 4

4. Saving Versus Investing

Instructor Note: Display slide 4.

Say: You may think saving and investing are the same thing, but they are not. Knowing the differences between them can assist you in making financial decisions that can help you meet your needs and goals. Key differences include time frames, risks, liquidity, and returns. Key differences include time frames, risks, liquidity, and returns.

Time frame means when you expect to need or use the money you are saving or investing. Investment risk is the potential of your money to lose value. Liquidity refers to how quickly you can access your money without penalties and fees. Lastly, return is the potential gain or loss of value. With these terms in mind, let's review the differences.



Saving

- Refers to the act of accumulating money in an account that has little or no risk of losing value.
- A secure way to accumulate money for short-term goals or expenses.
- Funds are easily liquidated, meaning you can withdraw money from the account quickly and without fees or penalties.
- Rate of return, also called yield, is typically low.

Investing

- Refers to the process of using money to purchase assets with the potential to increase in value over time.
- A way to take advantage of compound interest and time to accumulate money for long-term goals.
- Provides the potential to earn greater returns compared to keeping money in safer accounts.
- Potential for higher returns comes with the risk of losing money invested.
- Funds can be liquidated, but it may take some time and there could be associated taxes, fees, and/or penalties.



Slide 5

5. Types of Savings Accounts

Instructor Note: Display slide 5.

Say: When deciding which type of account will meet your saving goals, you want to evaluate the options by considering three primary factors: safety or risk, liquidity, and rate of return or yield.

We will cover three types of savings accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) Share Insurance Fund up to \$250,000 per depositor, per insured bank or credit union, per each account ownership category.

Savings deposit accounts are usually held at banks or credit unions. This is likely the most common type of deposit account used to save money.

- Risk – Generally insured by the FDIC or NCUA Share Insurance Fund.
- Liquidity – Funds can be withdrawn at any time.
- Rate of return – Usually pay low interest.

Money market savings accounts are offered by most banks and credit unions.

- Risk – Generally insured by the FDIC or NCUA Share Insurance Fund.
- Liquidity – May permit electronic funds transfer and check writing and allow easy access to money but the number of withdrawals per month may be limited.
- Rate of return – Often offer a higher interest rate than savings deposit accounts but a minimum balance requirement may apply; in some cases, the account could stop earning interest or be charged a fee if the balance drops below the minimum.

Certificates of Deposit (CDs) are savings certificates that banks and credit unions may issue. A minimum deposit amount may be required.

- Risk – CDs issued by insured banks and credit unions are covered by FDIC or NCUA insurance.
- Liquidity – Fixed maturity date often ranging from one month to five years after it is first issued.
- Rate of return – Generally, higher than deposit or money market accounts because the money is inaccessible for a specified time; usually pay a fixed rate of interest until the maturity date, some offer a variable rate; generally the longer the term, the higher the yield; at maturity you receive the amount deposited plus interest; typically pay early withdrawal penalty or may not receive a portion of the interest earned if cashed out before the maturity date.



Slide 6



6. Key Investing Terms

Instructor Note: Display slide 6 and distribute the *Basic Investing* Handout. Click through the slide and cover the terms one at a time. Ask learners what they know about each term, then provide the definition. Refer to the handout for more on each term.

Let's take a few minutes and cover some key investing terms. The world of investing has its own language and understanding these terms will help you make informed decisions about your investments. Think of this section as your foundation so you can feel more confident and prepared to understand how investing works, what the risks are, and how to put your money to work.

Common Investing Terms:

Compound interest: This is the cycle of earning interest on interest or earnings on earnings.

Inflation: The rising cost of goods and services over time.

Equities: Also known as stock, represents ownership in a company, and when you purchase it, you become a shareholder in the company. Companies sell stock to raise money to fund their business. However, the value of the company may change, affecting the stock price.

Bonds: A bond represents a loan made by an investor to a borrower, typically a business or government entity. The borrower promises the debt will be paid back with interest at a specific time.

Mutual funds: A mutual fund is made up of money collected from many investors to purchase investments like cash, bonds, stocks, and other assets. They are operated by professional money managers who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors.

Dollar-cost averaging: This strategy consists of investing a set amount of money on a regular basis, whether the market is moving up or down. It spreads risk over time because when prices are high you buy fewer shares, and when prices are low you buy more shares.

Diversification: In basic terms, this strategy means, “Don’t put all of your eggs in one basket.” Investing in a wide variety of unrelated investments can reduce risk overall because the rate of return is an average of the return of all choices, not just one investment.



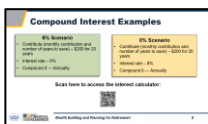
Slide 7

7. Compound Interest and Inflation Overview

Instructor Note: Display slide 7.

Say: In the previous section, we reviewed the definitions of compound interest and inflation. In this section, we’ll see firsthand how they work, and why they are a game changer when it comes to saving, investing, and future purchasing power. Albert Einstein once called compound interest the eighth wonder of the world and for good reason. It allows your money to grow exponentially over time, essentially making your money work for you. Inflation, on the other hand, shrinks your buying capacity. It is why bread used to cost about \$0.12 in 1950 and now, in 2025, it costs over \$3.

Activity: To help you grasp this concept, we’ll illustrate how it works in the following example.



Slide 8



8. Compound Interest Examples

Instructor Note: Display slide 8. Ask learners to recall the earlier activity on what they would do with \$50 extra dollars per week.

Let’s demonstrate the power of compound interest with the following example. Recall the activity at the beginning of this course. Let’s see how \$50 per week or \$200 per month can grow at two rates of return: 6% and 8%. The SEC Compound Interest

Calculator can be found at <https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>.

Scan the QR code on the slide and follow along.

6% Example

- Contribute \$200 per month for 20 years
- Interest rate – 6%
- Compound it – Annually

8% Example

- Contribute \$200 per month for 20 years
- Interest rate – 8%
- Compound it – Annually



Slide 9



9. Scenarios in Action

Instructor Note: Display slide 9.

Say: If you set aside \$200 a month for 20 years, you'd have \$48,000 saved, as shown by the black line (click animation).

Next, we'll use the same contribution amount in two separate examples with different annual rates of return. (Click to show animation.) The blue line demonstrates your \$200 monthly contribution growing at a 6% rate of return. This results in a total account value of \$88,285 even though you only contributed \$48,000. Your investment has nearly doubled.

(Click to show animation.)

The green line demonstrates your \$200 monthly contribution growing at an 8% rate of return. This results in a total account value of \$109,829 - over \$21,544 MORE!

Compound interest is most powerful when you maximize the rate of return, contribution amount, and time. But even if you can't change all three, adjusting just one, like increasing your contributions or extending your time horizon can make a big difference in reaching your financial goals. Do you have access

to an account where you can take advantage of compound interest? For more information on compound interest, visit the Sen\$e app.

Channel your inner Einstein and get compound interest to work for you!

Ask: Remember, Einstein said, “Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn’t, pays it.” What does he mean by, “he who doesn’t, pays it”?

Address quick discussion about compound interest and its role in debt, specifically mention revolving credit card debt.

What else can influence your retirement bottom line? (Pause for response.)

Thank you for your responses. Inflation is one of many potential factors that can affect retirement.



Slide 10

10. Inflation Example

Instructor Note: Display slide 10. The CPI Inflation Calculator can be found at https://www.bls.gov/data/inflation_calculator.htm. Direct learners to scan the QR code on the slide.

Say: Let’s look at a simple example of inflation, based on data from the Bureau of Labor Statistics. The purchasing power of \$100 in January 2000 equates to \$182.71 in January 2024. That means, you needed an additional \$82.71 to buy the same things in 2024 that you could buy for \$100 in 2000.

Now, let’s use your current living expenses as an example. Imagine what you’ll need in 30 to 40 years to maintain your current lifestyle and spending habits. To make the most of your buying power, you need to overcome inflation. One way to do that is to take advantage of compound interest. Compound

interest magnifies your rate of return because it allows your earnings to generate more earnings over time.



Slide 11

11. Types of Investments

Instructor Note: Display slide 11.

Say: Now that you know some key investing terms, let's dive into three common types of investments. Whether you're looking for steady growth or willing to take on more risk for potentially higher returns, understanding your options is essential for informed decision-making. In this section, we'll cover stocks, bonds, and mutual funds, exploring the risks, liquidity, and potential returns of each. While we'll focus on these foundational types, keep in mind that there are many others, like digital assets (such as cryptocurrency and non-fungible tokens), real estate, and precious metals. Let's start with the basics.



Slide 12

12. Stocks

Instructor Note: Display slide 12.

Say: Another term for stocks is equities. When you purchase stock in a company, you are buying a part of ownership in that company. As the value of the company changes, the value of the stock moves accordingly.

Risk

- Stock ownership does not guarantee you will make money.
- If the company does poorly and the stock price falls, you may lose some or all of the investment.

Liquidity

- You can sell stocks at any time.

Rate of Return

- If a company does well, you may be able to sell stock for a profit.



Slide 13

- Some stocks pay a dividend, which is a periodic distribution of some profits to shareholders.
- There is no guarantee that your investment will gain value or earnings. Stocks are not insured by the FDIC or NCUA.

13. Bonds

Instructor Note: Display slide 13.

Say: When you purchase a bond from an issuer, you are loaning money to a company or government entity in return for being paid interest for their use of your money during a specified time. The timeframe can be from a few months to 30 years. Companies issue bonds to raise money to support and grow the business. Federal, state, and local governments may issue bonds to fund public works projects or programs.

Risk

- Government bonds are considered low risk since they're backed by the full faith and credit of the U.S. government.
- Municipal bonds are backed by the taxing authority of the underlying municipality.
- Corporate bonds are higher risk than government bonds because there is a greater level of risk that the company issuing the bond may be unable to make interest payments or repay the principal, resulting in default on the bond.

Liquidity

- You can sell bonds before their maturity date, but they might sell at a gain or loss, depending on current interest rates and market conditions.
- The U.S. sells two types of savings bonds: EE and I series. Visit <https://treasurydirect.gov/> for more information on when they can be cashed and the impact on interest earnings.

Rate of Return:

- If held to maturity, the issuer guarantees the original purchase amount plus interest.
- Corporate bonds tend to pay a higher interest rate than government bonds. Companies are more likely to face financial challenges than government entities, so they compensate investors with better returns.



Slide 14

14. Investment Funds

Instructor Note: Display slide 14.

Say: Mutual funds and exchange-traded funds (ETFs) are two types of pooled investment funds, meaning the fund brings together money from many investors to purchase stocks, bonds, or other assets. Mutual funds are operated by professional money managers with the goal of achieving specified investment objectives. Mutual fund managers do the following:

- Research and pick investments
- Make day-to-day decisions aligned with the fund's stated investment objective
- Spread risk through diversification by investing in multiple individual investments

Most ETFs track a particular set of investments, like the S&P 500® index.

The bundle of investments within the fund is called the portfolio. Compared to buying individual stocks, pooled investment funds are diversified with multiple assets, which can lower the risk of loss. You can select a fund that best matches your long-term goals and risk tolerance. A minimum deposit may be required.

Risk

- Considered lower risk than individual stocks because of diversification
- Level of risk aligns with the fund's stated objectives



Liquidity

- Shares can be sold at any time

Rate of Return

- Rate of return depends on how the positions in the fund perform
- No guarantee of your investment or earnings
- Potentially higher returns are associated with higher-risk funds



Slide 15

15. Investment Accounts

Instructor Note: Display slide 15.

Say: Now that we have a good understanding of the common types of investments, let's review the types of investment accounts that stocks, bonds, mutual funds, and ETFs can be held in and the fundamentals of how they operate.

Investment accounts can be classified as **qualified** or **nonqualified**. Key differences between the two are the tax treatment and availability to employees.

In a **qualified account**, the money invested receives preferential tax treatment.

- Traditional contributions are made with pretax dollars and the earnings grow tax-deferred until withdrawn. Roth contributions are made with after-tax dollars and the earnings are tax-exempt.
- The IRS limits the amount of money you can invest, determines if or when required minimum distributions (RMDs) apply, and can enforce penalties for early withdrawals, with some exceptions. These and other IRS regulations will be discussed in more detail later in the course.

An example of a qualified account is the military's Thrift Savings Plan (TSP) that you have access to. In the civilian sector, similar employer-sponsored options include 401(k) or 403(b) plans.

In a **nonqualified account**, money invested does not receive preferential tax treatment.

- Unlimited contributions can be made with after-tax money, and you pay taxes on the earnings when you sell.
- Tax treatment of withdrawals depends on how long you hold the shares (short-term versus long-term capital gain).



Slide 16

16. Your Financial Goals and Account Considerations

Instructor Note: Display slide 16.

Say: Just as no two snowflakes are exactly alike, no two wealth building strategies will be alike. Whatever your strategy, align it with your financial goals. Whether your goals are short term, long term, somewhere in between or both, the type of account you choose can help you achieve your objectives in an efficient manner.

Short-term goals and emergency savings

For goals that need to be met within a few months to a few years, you may want to prioritize liquidity and low risk in savings deposit accounts. These accounts are designed to give you easy access to your funds while offering a modest return. Short-term goals like saving for a vacation or a car down payment are a couple of examples.

High-yield savings accounts and money market deposit accounts are good options for emergency funds. Financial experts recommend having three to six months of living expenses saved in an emergency fund. These accounts may offer high interest rates compared to traditional savings accounts and keep your funds easily accessible.

Long-term goals and retirement savings

Long-term financial goals like saving for retirement, higher education, and building wealth may point to the need for investment strategies that focus on growth over an extended period. Consider focusing on accounts that offer higher potential returns over the long term. These types of investment accounts typically come with some level of risk but provide opportunities for substantial growth. Employer-sponsored retirement accounts, like the Thrift Savings Plan, can help you save for retirement whether you serve for few years or a full career.

When deciding on the right account type based on your unique financial goals, consider the following:

- Risk tolerance: Are you comfortable with the potential for loss in exchange for higher returns, or do you prefer investments with a lower potential risk of loss?
- Liquidity: How easily can you access your money when needed?
- Time horizon: When do you need access to your funds? Remember, short-term goals require more accessible accounts, while long-term goals benefit from accounts that may offer greater growth potential.

Instructor Note: Please take a 10-minute break.



Slide 17



17. Activity – Building your Retirement Vision

Instructor Note: Display slide 17. The objective is to encourage learners to identify and discuss key factors they need to consider when developing a retirement plan. Divide students in small groups and provide a flip chart and markers to jot down ideas.

Say: Before the break, we discussed setting goals. One key long-term goal is retirement. I want each of you to imagine planning for retirement starting today. As a group, discuss and write down your thoughts on the following topics: retirement vision,

family factors, and expenses to account for during retirement. Each group will present their retirement vision and factors you have identified.

Instructor Note: After the activity, ask learners if they were surprised or hadn't thought of a retirement consideration. Highlight that time is the most powerful asset when saving for retirement. Encourage learners to act today, no matter how small, to secure their future.



Slide 18

18. Employer-sponsored Retirement Plans

Instructor Note: Display slide 18.

Say: Planning for retirement is one of the most important financial steps you'll take in your lifetime and knowing what plans you have access to is a crucial part of that process. There are many factors that contribute to your planning, not only how much you expect to need but also what you want to use that money for. In this section of the course, we'll cover common retirement accounts and benefits.

Retirement accounts are designed to help you build and preserve wealth for your later years by offering tax advantages and structured ways to save. The key is to start early. We will discuss the two basic types of retirement accounts: employer retirement plans and individual retirement accounts. Each has its own rules and contribution limits, withdrawals, and taxation. The IRS determines these requirements, and they may change yearly; visit <https://www.irs.gov> for more information. In this section, we'll cover the details of employer retirement plans so you can make informed decisions and make the most of your retirement savings.

Employer retirement plans are offered through employers, such as 401(k)s for civilian employers and the Thrift Savings Plan (TSP) for certain government workers including military personnel. These plans are classified as "defined contribution plans" because the amount contributed is defined by the employee. Employers may make pretax contributions to an



eligible employee's Traditional account, usually by matching up to a specific percentage of the employee's contribution.

Contributions:

- Contributions are not mandatory, and the employee can control how much they contribute, up to the IRS' limit.
- Catch-up contributions are available starting at age 50, up to the IRS limit.

Withdrawals:

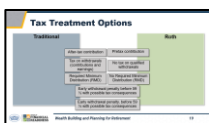
Rules vary based on Traditional or Roth employer-sponsored accounts.

- Traditional account:
 - Earnings and dollars contributed on a pretax basis are subject to tax when withdrawn.
 - Withdrawals before age 59½ may be subject to a 10% federal penalty.
 - IRS RMDs begin at age 73.
- Roth account:
 - Qualified withdrawals are tax-free if the account has been open for at least five years and it was opened before the age of 59½.
 - Early withdrawals of earnings before age 59½ may be subject to a 10% federal penalty and ordinary income taxes.
 - The IRS does not require minimum distributions.

Portability:

After you leave an employer, you have options on what to do with your account. You can:

1. Leave it with your previous employer and continue to manage it, but you cannot make contributions.
2. Move it to your new employer's retirement plan, if eligible.
3. Roll it to an Individual Retirement Account (IRA).
4. Cash it out; taxes and penalties may apply.



Slide 19



Slide 20

19. Tax Treatment Options

Instructor Note: Display slide 19. Click the slide to see the animations for each option as you ask which options belong under Traditional or Roth.

Say: One of the choices you may make is the tax treatment of the contributions you make to your retirement account. In this activity, we will review the tax treatment options for Traditional and Roth accounts. Let's discuss which features belong under each tax treatment category.

20. Thrift Savings Plan

Instructor Note: Display slide 20. Share with learners that TSP will be covered in detail later in the course.

Say: The TSP is the military's defined contribution plan and is like a civilian 401(k). It follows the same rules as other employer-sponsored retirement plans that we discussed previously. Traditional or Roth contributions, or a combination of both, can be made and invested in a variety of mutual funds. Go to the TSP website at www.tsp.gov for more information.

Annual contributions:

- The TSP is subject to the IRS' annual contribution limit for employer-sponsored plans, and they may be changed each year.
- Contributions can go to a Traditional or Roth account or a combination of both.
- Your service makes an automatic contribution to your TSP account equal to 1% of your basic pay after 60 days of service and continues this contribution monthly until you leave service or reach 26 years of service.
- You are eligible to receive matching service contributions up to 4% (for a total of 5% when combined with the 1% service automatic contributions) of basic pay until you leave service or reach 26 years of service.

- Automatic and matching contributions are deposited into your Traditional TSP account.

Withdrawals:

Similar to other employer sponsored plans, you have options when you take withdrawals, depending on whether you have a Traditional or Roth TSP account. Since the TSP is a qualified, employer-sponsored plan, the same withdrawal rules apply that were covered a few minutes ago.

Portability:

You have options on what to do with your TSP account when you leave the military. You will not be able to make contributions, but you can change your investment mix and transfer eligible money into your account. To continue accumulating funds for retirement, you may have access to a civilian employer-sponsored plan like a 401(k) or contribute to an IRA. You may be able to roll these different accounts into your TSP. You can also roll your TSP balance into another employer-sponsored plan if the plan permits it.

National Guard and Reserve Considerations

If you contribute to more than one employer-sponsored plan, such as TSP (civilian and military), or TSP and a civilian employer-sponsored plan, your total combined contribution cannot exceed the IRS annual contribution limit.



Slide 21

21. TSP – Investment Options

Instructor Note: Display slide 21. Refer to tsp.gov for more details.

Say: Your TSP account can be invested in a variety of mutual funds. We'll cover high-level details now. Visit www.tsp.gov and select "Fund options" then "Investment options" for comprehensive information.

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Accessing your TSP

(Web) Paying and Grant Award Direct Access

 - Update and receive percentage of pay contribution
 - Update (Practitioner - Info)
 - Update salaries

TSPs and TSP app

 - View portfolio
 - Manage investments
 - Change investment allocation
 - Review and update beneficiary
 - Look up employee/pension number in passport



Health Building and Planning for Retirement

Instructor Note: Display slide 22.

Slide 22

- **myPay and Direct Access:** To start, stop, or change contributions to your TSP, log into myPay at <https://mypay.dfas.mil/>. For Coast Guard, log into Direct Access at <https://hcm.direct-access.uscg.mil>. Review and update the percentage you are contributing, type of contribution (Traditional or Roth), and type of pay (basic, special, bonus, or incentive). Also, verify and update your address. The TSP uses your address listed in your pay system to send you account information. Please note, you must go to the TSP section of myPay to change your TSP address.

- **TSP.gov and TSP app:** To access and manage your TSP account, you'll need to visit <https://www.tsp.gov> and log into My Account. You can also download the official TSP app from your app store. On both platforms, you can view your portfolio, manage your investments, change your future allocations, and designate or update beneficiaries. If you have misplaced or lost your account number or password, you may be able to retrieve your account information online. Visit <https://www.tsp.gov/access-your-account/> for instructions. Be sure to verify and update your mailing address in myPay or Direct Access, if necessary.



Slide 23

23. Types of Individual Retirement Accounts (IRA)

Instructor Note: Display slide 23.

Another way to save for retirement is to contribute to an IRA. This is separate from an employer-sponsored retirement plan, like the TSP, and an IRA has different contribution and withdrawal rules. Contributions limits are lower than an employer-sponsored plan. For those in the class who are married, your spouse can also contribute earned income to a spousal IRA, up to the annual contribution limit. Consider an IRA as another way to save. If you have maxed out your TSP or if you are a member of the National Guard or Reserve and have maxed out your civilian employer-sponsored plan, remember you can save more for the future in an IRA. Visit www.irs.gov for details.

Traditional IRA

A Traditional IRA offers immediate tax advantages. When certain qualifications are met, contributions are tax-deductible, which means you don't pay taxes on the money you contribute, thus reducing current federal income taxes. You must have earned income to contribute, and it must be held in your name. Withdrawals in retirement are taxed as ordinary income. Refer

to [irs.gov](https://www.irs.gov) for specific rules regarding qualified withdrawals and tax treatment.

Roth IRA

With a Roth IRA, you contribute after-tax dollars, so there is no immediate tax benefit. However, qualified withdrawals in retirement are tax-free, including both contributions and earnings. This is especially advantageous if you expect to be in a higher tax bracket during retirement.

The annual contribution and withdrawal rules for Roth IRAs are the same as Traditional IRAs.



Slide 24

24. Sources of Retirement Income

Instructor Note: Display slide 24. Ask learners what they expect their sources of income to be during retirement.

Say: The previous activity helped you to understand how to plan for retirement using your personal goals and values. You can see that planning for retirement isn't just about saving money, it's about creating a vision for the lifestyle you want in retirement. Now, let's turn our attention to income sources that are available to help support your retirement. When planning for retirement, it's important to identify all the potential sources of income that will support your lifestyle in your later years. Three main places your retirement income might come from are: Social Security, pensions, and savings and investments. By understanding the various income streams, you can better estimate how much money you'll have available each year and plan accordingly. Let's go over the three common sources of retirement income.

- **Social Security:** This is a federal program that provides monthly income to retired workers based on their earnings history. It's funded through Social Security taxes withheld from our paychecks, plus an equal amount paid

in by our employers. Eligibility requirements are subject to Congressional action, so as you get older, check when benefits will be available for you. Social Security is one of the most common sources of income for retirees in the United States. However, it may not be enough to fully fund your retirement, so it's important to supplement it with other sources of income. Learn more about retirement benefits at <https://www.ssa.gov/retirement>. You can get an estimate based on your earnings history by creating an account and logging in at <https://www.ssa.gov/prepare/plan-retirement>.

- **Pension plans:** These employer-sponsored retirement plans are also called “defined-benefit” plans. Your employer provides a fixed monthly benefit based on your salary and years of service. Pensions are becoming less common in the private sector but are still a significant source of income for many public sector employees, including the military. Service members may be eligible for a pension under the Legacy Retirement System or the BRS. Benefits vary under each system, and we will discuss the different features of each system in the next section.
- **Savings and investment income:** Distributions from employer defined-contribution plans like the TSP or 401(k)s and income from taxable accounts that generate earnings from stock dividends, interest from bonds, or capital gains, can provide a steady stream of income in retirement. Start saving today for a stable and reliable financial foundation for your retirement years.



Slide 25

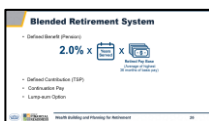
25. Military Retirement Overview

Instructor Note: Display slide 25.

Say: The military offers retirement benefits, including the Thrift Savings Plan (TSP) and a pension if you complete a qualifying term of service. The exact benefit you'll receive from each of

these programs depends on whether you're covered under the Blended Retirement System (BRS) or the Legacy "High 3" Retirement System.

Instructor Note: Ask learners if they are covered under the BRS or the Legacy Retirement System and gauge their understanding of each. If none of the learners are covered under Legacy, you can skip the section on Legacy components.



Slide 26

26. Blended Retirement System

Instructor Note: Display slide 26. Refer learners to the *Military Retirement* Handout for additional information.

Say: Let's examine the components of the BRS. This retirement plan was implemented on Jan. 1, 2018, and automatically covers Service members who entered on or after that day. Some Service members who joined before Jan. 1, 2018 had the choice to opt-in to the BRS. Depending on when you joined, your individual contribution default level may differ. The primary takeaway is that the BRS offers more flexibility in retirement planning for Service members at every stage of their career. The BRS components include a defined benefit or pension, defined contributions (individual, automatic, and matching), a Lump-sum Option at retirement, and Continuation Pay. Let's cover each component:

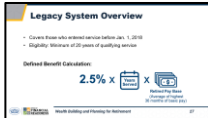
- Defined benefit calculation: The formula for the BRS pension calculation is –
Average of highest 36 months of base pay x 2.0% x Years of service
- Eligibility: Service members are eligible for a pension after completing 20 years of qualifying active-duty service.
- COLA adjustments: Pensions are adjusted for inflation through the COLA, ensuring the purchasing power of your benefit is maintained over time.
- TSP: Automatic and Matching contributions are a key component of the BRS.

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- After 60 days of service, your service automatically contributes the equivalent of 1% of your base pay to your TSP account, regardless of whether you contribute or not.
 - Under the BRS, you may receive up to 4% of your basic pay in service-matching contributions at the beginning of your 25th month of service.
 - The contribution level you are automatically enrolled in may differ, depending on when you joined the military. For most of you, it will be 5%. You can choose to change your contribution amount at any time.
- Continuation Pay: This is a one-time mid-career payment in exchange for additional service; like a civilian bonus. Continuation Pay is typically offered between seven and no more than 12 years of service. Each service determines their pay-rate multiplier and timing annually based on their needs.
 - Lump-sum Option: Upon retirement, you can elect to receive a portion of your retirement pay in the form of a lump-sum payment equal to 25% or 50% of the present value of your future retirement pay up front. In exchange, your monthly retirement pay will be reduced until you reach the Social Security full retirement age, which is 67 for most people.

The Legacy System offers a pension, but no automatic or matching TSP contributions. The BRS offers a pension paired with automatic and matching TSP contributions, a Lump Sum Option, and Continuation Pay. Understanding the components of the system you are covered under can help you plan for your long-term financial future.

Instructor Note: Skip to slide 28 if no one in class is covered by Legacy.



Slide 27

27. Legacy System Overview

Instructor Note: Display slide 27. If none of the learners are covered under Legacy, you can skip this slide.

Say: Let's discuss the Legacy Retirement System.

The **Legacy Retirement System**, often referred to as the "High-3" system, covers those who entered service before Jan. 1, 2018 and Service members who did not opt in to the BRS. It offers a pension based on years of service and average pay at the end of one's military career. Major features include:

- Retirement pay calculation: The defined benefit formula is based on your highest 36 months of base pay and total years of service –
Average of highest 36 months of base pay x 2.5% x Years of service
- Eligibility: Minimum of 20 years of qualifying service



Slide 28

28. Survivor Benefit Plan

Instructor Note: Display slide 28.

Say: The SBP is a program to consider when planning for retirement, especially if you retire after 20 or more years of military service. It is a Department of Defense program that provides monthly payments to eligible beneficiaries of Service members who die in the line of duty and eligible beneficiaries of military retirees who elect and pay for SBP coverage. When serving on Active or Reserve/Guard duty, Service members are automatically covered at no cost to the member. If retirees choose to participate in SBP, a monthly premium is deducted from retired pay. Learn more at

<https://militarypay.defense.gov/benefits/survivor-benefit-program/>.



Slide 29

29. Additional Support and Assistance

Instructor Note: Display slide 29.

Say: Building wealth and planning for retirement may seem like distant goals, but the choices you make now can have a big impact later. It takes the right tools and knowledge to achieve long-term financial goals and the content from today's course can help you get started. Know that support is available to you along your financial journey to build wealth and save for retirement. Military financial resources include:

- Personal Financial Managers, Personal Financial Counselors, or Financial Readiness Program Specialists at your local military and family support center
- Command/Unit Financial Specialist (for Navy, Marine Corps, and Coast Guard)
- Installation legal office
- Military aid and relief societies



Slide 30

30. Conclusion

Instructor Note: Display slide 30.

Say: We explored the key components of wealth building and retirement planning. We started with the fundamentals of saving and investing, highlighting the differences between the two. We also discussed types of savings and investing accounts and how to choose the right account based on financial goals.

Next, we focused on retirement planning. This section of the course described types of accounts, discussed strategies to estimate your needs, reviewed sources of income, and covered military retirement.

Taking small steps now can help you build wealth and save for the future. Based on what you have learned today, take an active role as you plan and define your short and long-term financial goals. With careful planning and a commitment to financial

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discipline, you can achieve your wealth-building and retirement goals.

Follow up with your financial resources if you need additional information or support.

Does anyone have any final questions about the information we covered today?

Thank you for your participation!