UVAHR

UVA For Your Benefit: Retirement

Transcript of Podcast

SPEAKERS
Nathan Moore, Elizabeth Feola, Dave King, Jay Colligan

00:00
Nathan Moore: Elizabeth! Hey, how's it going?

Elizabeth Feola: I have been looking at my retirement accounts today. Boy, it is very interesting what the markets doing.

Nathan Moore: I don't honestly know about that. I figure, I've got at least another 20 years of working or so here. so I'll take a look later.

Elizabeth Feola: Well, it's definitely something that you need to check into. Because the earlier you start looking at those, the better. I'm going to help you log in right now, and we are going to get to the bottom of this.

intro music

00:27
Nathan Moore: Welcome to UVA For Your Benefit. It's that time when we ask you to think about your benefits, and today we're talking about retirement. It's easy to get overwhelmed, but investing a little time now can have a huge impact on how much money you have when you're ready to retire.

Elizabeth Feola: To help us dice through all of this, we are joined today by Dave King. He is a Benefit Specialist with UVA Human Resources. We also have Jay Colligan with us. He's a financial advisor with TIAA.

Nathan Moore: Well, let's start off with some important definitions of what we're talking about.

transition music

01:01
Nathan Moore: I want to talk about the mandatory retirement plans. There's three that are out there. Tell me, what's the VRS retirement plan for UVA employees?

Dave King: Sure, the VRS plan stands for Virginia retirement system. And that is the state- run benefit that's provided to typically the employees working for the Academic Division. Your date of hire will typically also drive the plan that you're enrolled in with VRS. So, some of our longer tenured employees will have what's called VRS plan one, some employees will have what's called VRS plan two, and then our newer employees those hired in 2014 and later are in the newer VRS plan which is called the VRS hybrid plan so, all employees of the academic institution have the option for VRS. The other mandatory plans you have the Optional Retirement Plan, which is also called the ORP. That plan is available to certain employees of the Academic Division. Medical Center employees have the third mandatory plan, the Medical Center Retirement Plan or the MCRP.

Elizabeth Feola: And Dave, just to clarify, people do not have a choice in what mandatory plan they can take, correct?

Dave King: Not exactly. Some of our population at UVA can choose between VRS and ORP. All academic employees are offered VRS and then some are also offered the ORP plan.

02:34
Nathan Moore: Well, there's also, then, voluntary retirement plans, and so these are kind of like additional retirement funds that employees can sock away. I want to bring in Jay here. Jay Colligan is with TIAA, a financial advisor over there, which is one of the contractors that handles UVA employee investments. Jay, tell me, what is a 401k? And UVA doesn't have one but I still kind of want to know what it is.

03:00
Jay Colligan: The 401k is for a for-profit association. And the IRS calls a 401a, generally speaking, for a nonprofit corporation. Other than that, they're structurally very similar. And then at UVA, you have access also to a 403b. 403b is a great plan because it's all voluntary money, and it has very high limits. In many cases, it's more than most people can afford to put away at least, you know, depending on where they are in their work life. And as long as you're putting at least $80 a month into your 403b. on the Academic side, UVA will put $40 a month into a cash match plan for you. It's a little bit different on the Medical side, it's a percentage rather than a dollar amount. If you're putting in 4%, they will match up to 2%. But as long as you're putting at least that 2%, $80 a month into your 403b, you'll get the cash match which you should do because it adds up and it compounds and it turns into a good deal of money if you're working at UVA for a while.

04:00
Nathan Moore: What does that mean, that compounding interest?

Jay Colligan: If you put $100 away and you invested, and if next year it makes 5%, you've got $105 next year. Then, instead of having $100 that will continue to grow, now you have $105 that will continue to grow. And this adds on top of each other on top of each other. I think it was Albert Einstein, who was a TIAA participant, said that compound interest is the most powerful force in the universe.

Nathan Moore: You've used that line before by Albert Einstein.

Jay Colligan: Why would I not? It's a fabulous line, and it's true!

Nathan Moore: So 403b is what you call a Tax Advantage Plan. What does that mean?

Jay: It just means the money goes in. It grows without taxes. So typically, if you invested some money and you made a little money, the IRS will take some of that in taxes. If it's inside a retirement plan, there won't be any tax on the growth. You can choose between A traditional IRA or a Roth IRA to how to set up this plan. Do you want to take the taxes out up front, which is a Roth plan, or you want to have the money go in without taxes taken out and then grow tax free and you get taxed on the back end when you're retired?

Dave King: We get a lot of questions about well, should I do Roth or should I do pretax? How would I ever make that decision?

Nathan Moore: Yeah, that's a good question that I have. I don't even know what those things mean, really.

Jay: Well, here's the philosophy of it. Let's say, you know, married couple in their 40s and 50s. They both have fabulous jobs, and they're in sort of a pretty decent tax bracket, a fairly high tax bracket. You're thinking okay, well, why would I want to do a Roth contribution and pay taxes now, when theoretically when I retire, I will be making less money, probably, and therefore, potentially be in a lower tax bracket? The other, and a perfectly valid, Bud Riddle talks about this, Dave King. He talks to people all the time, and he says if you are starting out, his opinion is, it's really good thinking, just do the Roth contribution. Because if you start out doing it with a Roth, you'll see the taxes come out. You just budget what you get. You're paying the taxes up front. You never have to pay taxes on that money again, and you don't notice the difference. This is why we have meetings. It's why we sit down with people because there's a lot to think about with this.

Nathan Moore: So one other plan I want to talk about, Jay, is the 457, which is different from 403b’s, but how?

Jay Colligan: 457 is a state plan. It is also a great extra place to save. ICMA are the people who sort of administer it. And again, for some people who are looking to save even more, 457 plan is available, and it's a state plan that functions similarly to a 403b.

06:49
Nathan Moore: All right, we're going to take a short break so I can go check and see if I ever got around to setting up my 403b. Hey, in just a moment, we're going to dive into some UVA employee situations that may sound like your own.

07:00
Nathan Moore: Stay with us.

transition music

07:07
Nathan Moore: You're listening to UVA For Your Benefit, a service of the University of Virginia and podcasting at WTJU, Virginia's audio collective. To find out more about anything you hear in this episode, please visit hr.virginia.edu. Listening to this podcast is great and all, but you'll need to visit that site to set up what you need for happy retirement. That's hr.virginia.edu.

07:35
Nathan Moore: And we're back with UVA Benefits Specialist Dave King and TIAA financial advisor Jay Colligan. I'm Nathan Moore with Elizabeth Feola.

Elizabeth Feola: So a lot of you UVA employees don't actually realize that they have access to free financial advising. Dave and Jay are going to talk us through a typical meeting with three example UVA employees.

08:00
Nathan Moore: So here's kind of a case study one for you, Dave and Jay. Let's just say we've got somebody named Bailey who just graduated from college, they have started their first full time job at UVA's IT department. They're making $35,000 a year, they've got about $20,000 in student loans, and they want to get some help setting up their first ever retirement account and deciding how much to contribute to it. What is your advice to Bailey?

08:22
Jay Colligan: Anybody who's enrolled with a plan should meet with their rep on Grounds, I don't know, five or six times a month. Make an appointment. It's really easy to do. And everybody's scenario is going to be a little bit different. But, generally speaking, and this is a hugely broad generalization. If Bailey's in his 20s and is going to be working for 40 odd years, that is an immense amount of time to be investing. And he shouldn't concern himself too much with what the stock market is doing on a day to day basis for about another 30 years. Generally speaking, the younger you are, the more aggressive you can be because you're spreading your risk out over a longer period of time, if that makes any sense.

Nathan Moore: I mean, as far as financial management goes, that's part of this picture, too. If you've got somebody with a bunch of student loans to pay off, do you suggest they pay those off first before putting a bunch in retirement? Or how? I mean, how does this go?

Jay Colligan: I hate to give this answer, but it's almost always the right answer. It depends. What's the interest rate on the loan? Do you have any other debt? How much are you putting away for retirement? Are you married? Are you single? Do you have kids? It's more about prioritizing your individual needs than it is about a formula, hey this is what you should do first no matter what. And not all debt is necessarily bad debt. You know, if you if you get student debt, it's allowed you to, to get this education, and it's given you the tools to go forward in life and hopefully land a fabulous job. I hate to sound wishy washy and say it depends, but this is why we encourage everybody to sit down, have a meeting, and let's get into the weeds in terms of specifics.

10:00
Dave King: I think the one thing we can probably agree on, Jay, is that everyone should, at least if they can, at a minimum, put the money in to maximize the cash match. So, on the Academic side, carve out that $80 a month to get the $40 match. If you're in the Medical Center Retirement Plan, carve out that 4% to get to 2% match.

Jay Colligan: I completely agree - it is it is effectively free money. And then we get back to that compounding we talked about before.

Elizabeth Feola: Our second person's name is Jamie. She came to UVA 10 years ago after working a few years in a different state. She makes $55,000 a year, she has a mortgage, and she is trying to save to help pay for college for her two kids. She hasn't changed her retirement plan since starting her job at UVA. She wants to make sure that they're taking full advantage of retirement benefits. So, Dave, do you want to start with that one too?

11:00
Dave King: So every employee at UVA can verify their mandatory retirement plan in Workday. They then can go to that vendor and look at their online statement and check on the progress and see where things are at. And then again, we look at the voluntary plan, do you have a 403b? Do you have a 457? And hopefully the answer is yes. And if it is yes, are you at least doing the contribution to get the cash match? Those are review questions that UVA HR can help direct you to, and then for more specific financial guidance, someone like Jay or TIAA, our consultants with Fidelity or ICMA, or VRS can get into more detail on the particular accounts.

Jay Colligan: There are a lot of different ways to pay for college. There are college cost projectors that are terribly depressing. They're all over the place online. There are a lot of good 529 plans out there; TIAA happens to have one. They're basically ways to prepay for college. I'm a big fan of 529 plans, but they are by no means the only way to save for college. But it sure is an advantage if you start thinking about it when your kid is two or three rather when they're 14 or 15.

12:07
Dave King: One other thing we would tell someone like Jamie, who maybe has been

here 10 years, it's probably a good time to look at their asset allocation. So when they started, you know, if they were in their 20s or 30s, they may have defaulted into a target date fund, which will adjust as you age and move you along a glide path with a mix of stocks and bonds. However, if Jamie took a very aggressive approach when she started 10 years ago, it may be time to look at that asset allocation and potentially readjust either given the market conditions or age or their investment timeline.

Elizabeth Feola: Can Jamie do that any time of year, or does it have to be during Open Enrollment?

Dave King: The employee always has full control over the assets in their account, so any money with TIAA, Fidelity, ICMA, the employee is always in charge of those investments and can move those funds at any time.

13:00
Jay Colligan: It may be a very elementary question for you, Nathan and Elizabeth, but what what's the difference between a stock and a bond?

Nathan Moore: A stock is a portion of a corporation. A bond is a promise to usually a government agency.

Jay Colligan: That's a good answer as I've ever heard. That's exactly it. If you have stock, you own something. And if you own bonds, you're lending somebody money. And the way both of those sort of work and behave is probably the most important thing over the long term for what your accounts are going to look like and managing it as you go through your whole work life.

Nathan Moore I want to get into a sort of a third case study. This person's name is Terry, and Terry has spent the last five years of their 40-year career at UVA. Terry makes about $68,000 a year and just paid off their mortgage. They're going to turn 62 in a few months, and they're trying to decide when to retire and kind of make that plan. What what's your advice for Terry?

14:00
Jay Colligan: There are some key dates that Terry is right about at and needs to think about. 62 is the earliest you can start taking Social Security. Full retirement age is about 67, so we're in the 67 area. And full retirement age just means that that's sort of your baseline age for Social Security. If you retire sooner, you can take Social Security, but they will give you less money. If you retire later, you can delay social security and you get about an 8% raise per year. It's not compounded, but you can delay it until 70 and you get more. Whatever your full retirement age is one big date. 62 if you're trying to retire early is a big one. 65 is maybe the most important one because that's the date for Medicare. And if you retire early, you have to find some way to pay for your medical insurance for those three years if Terry decides to retire at 62. And you know what, I don't know what their medical insurance costs will be. It's not unreasonable to think well, you know, where are you going to come up with $1,100 dollars a month for the next three years. And that is another factor in deciding when are you leaving.

Dave King: 30 years is the magic number for VRS 1. VRS 2 plans is a combination of age and service. The hybrid plan will follow a similar rule to that. So yes, the bigger part is knowing when your normal retirement age and knowing when your earliest unreduced retirement age would be. If you're in the ORP or the MCRP plan, there is no reduction for early retirement. It really comes down to is your balance great enough. Do you have enough assets and are you prepared financially to be able to fund your retirement?
Jay: So there we go again, Nathan. It depends, and Terry should have a meeting.

Nathan Moore: *laughs*

transition music

16:02
Nathan Moore: All right, well, welcome back to UVA For Your Benefit, a service of the University of Virginia and podcasting on the Virginia Audio Collective from WTJU 91.1. FM community radio here in Charlottesville at the university. Elizabeth, let's check the voicemail.

Caller 1: How often and when can I change my 403b contribution? Can I take a loan from my 403b? Dave: So the 403b is a self-service event in Workday, and an employee can go in and make that change at any time.

Elizabeth Feola: And the change you're talking about is how much money the employees sending from a paycheck?

Dave King: Correct. So UVA is where you would specify how much per pay do you want taken from your check? Do you want that taken pretax or do you want it taken Roth after tax? And do you want that money to go to TIAA or Fidelity? So you make those decisions through the Workday application. Then, when the money goes to the vendor, when it goes to TIAA or Fidelity, that's where you make your investment choices and move the money.

17:00
Nathan Moore: If you don't have a 403b set up yet, how do you set it up in the first place? Dave: Again, that'd be done in Workday. So if you're making your initial election, you'd go to Workday in the Self Service feature. And you would walk through the steps to enroll in the 403b You do the same thing. How much per pay do you want withheld? Which vendor do you want it to go to? And do you want that to go as pretax or Roth after tax?

Jay Colligan: If you take a loan from the 403b plan, you have to also plan on not getting necessarily as much growth as you would have gotten had that money stayed in there. So there are a lot of sort of moving parts with that loan. But yes, it's available. Yes, people have made great use of them and paid them back. And it's just sort of another benefit of that plan.

17:42
Nathan Moore: Jay, thanks. Let's check in on the next voicemail.

Caller 2: So I'm looking at retiring in the next few years. After I retire, can I continue to work?

Dave King: Yes, you're able to work after retirement. There are some specific rules particularly on the VRS end. If you're going to come back to work in a state position, whether that's UVA or another state agency, you do have to have a break in service, and upon your return, you need to make sure you're in a part time position that's not paying into VRS again. You could certainly be in VRS, retire from UVA, and then go work private industry. Not a problem and but the ORP in the Med Center plans, you have that same flexibility of retiring, and then again, being able to work in another position and supplement your income through some part time employment or full time elsewhere.

Nathan Moore: Well, let's go back to the voicemail here. We got a couple more. Boy, it's been a hot voicemail session here.

Caller 3: The stock market just crashed. Should I take all my money out? I'm super worried about how things are going.

Jay Colligan: That's going to be my stock answer of it depends. You know, are you 30 and you're just getting started? Heck, no, you're still putting money in, you're still saving money, and now the price of everything that you're investing in is lower, which in the long term will benefit you. If you are six months from retirement and we experience you know, a 2008. If you were trying to retire in, in January 2009, you probably had to make another plan. But, you also, if you are six months out from retirement, probably don't still want to be 80% in the stock market. You will have been more conservative so you will have less exposure to the stock market regardless of what it does. That's why diversification is so important and having different income streams in retirement is so important. You can be patient. You can wait for it to recover, which it always has. So far, we've been looking at it for 100 odd years, and it's always recovered. If I knew when to get in and when to get out on any particular dip, we'd be having this remote call from my hollowed-out volcano somewhere in the South Pacific today.

20:00
Nathan Moore: Jay, it's nice that you'd still be part of this podcast even from yourself Pacific Island.

Jay Colligan: Yes, exactly.

Elizabeth Feola: It would be tough to get you a microphone.

20:06
Jay Colligan: I will probably have one there, I'd have a whole setup.

20:10
Nathan Moore: All right, let's go to our last voicemail here.

Caller 4: How do I set up an individual appointment to learn more and do some financial planning? Dave: You'd go to hr.virginia.edu. And if you go to the 403b link at the bottom under Fidelity, under TIAA, under ICMA, there is a link where you can select that says ‘meet a representative’ and that'll take you right to the scheduling system for the financial consultant at each firm.

Jay Colligan: You can do a phone review as well. It doesn't have to be face-to-face or Zoom

Dave King: The financial consultants can do the same thing through the 800 numbers at both TIAA and Fidelity. And when you do that, you'll get matched up with someone like Jay and then any appointment. I guess, Jay, what are some things people should be prepared to have to make that time efficient?

21:00
Jay Colligan: We can work with just about anything, but a pay stub is nice. If you have outside accounts, bring your latest statement - that helps a lot. If there's something specific you want to address or talk about, bringing a statement regarding that. You can go to tiaa.org/schedulenow is really easy. We have an 800 number 800-732-8353. You can make an appointment right then, and like you said, Dave, all my appointments recently have been by phone and they've been working great. Virtual meetings are great, too. And we're all sort of figuring that out and have over the last three months as we go. But we're all already really good at talking on the phone. But I'm looking forward to getting back on Grounds. I really am. I wonder when that's going happen.

Dave King: But I think the biggest thing we'd probably say is don't wait, especially on the investment part. Just start, just put the money in. It'll invest in target date funds, and that'll get you started, but don't wait. Start early, and just have a plan, and it doesn't have to be time consuming. You have people that can help you. But what you can't get back is the time if you've not taken any action.

Nathan Moore: Well, gentlemen, thanks so much for taking the time today and explaining all this to us. I really think personally, I need to go set up a 403b.

Jay Colligan: Do that today, Nathan. Set up that 403b today.

22:20
Nathan Moore: I've actually got the URL pulled up right now.
Well, many thanks to our guest today, UVA Benefits Specialist Dave King and TIAA financial advisor Jay Colligan.

Elizabeth Feola: This episode was produced by Mary Garner McGee, and I'm Elizabeth Feola.

Nathan Moore: And I'm Nathan Moore. Go to hr.virginia.edu to schedule an appointment with any of these gentlemen or other advisors here at the university. In fact, pretty much everything you need to find out about from this is at hr.virginia.edu. Thanks so much for listening, and retire happy.

closing music