HORIZONS

savingsplus
CALIFORNIA STATE EMPLOYEE 401(k) & 457(b) PLANS

IN THIS EDITION

Make financial literacy a family commitment

Learning about money is a lifelong journey, and it's never too early or too late to start. Whether you're a preschooler or a retiree, there are always ways to improve your financial literacy. Financial literacy is a skill that takes time and practice to develop. By taking small steps every day, you can improve your financial know-how and help your loved ones do the same.

Here are some steps that you and your family can take to improve your financial know-how:

Preschoolers

- Make basic money concepts fun. Use play to start introducing younger children to basic money concepts with books, games and imaginative play.
- Start a coin jar. A coin jar can demonstrate how money accumulates. You can also use the coins to work on counting and the difference between coin values.
- Use errands as context. Visits to the grocery store can be an opportunity to discuss how money is earned and used to purchase items your family needs.

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Elementary schoolers

- **Share your thought process for purchases.** This can be how you weigh the purchase's value against its price and other factors that influence your decision such as coupons or discounts.
- **Introduce simple banking concepts.** This can include the concept of making a deposit or withdrawal.
- **Start building budgeting skills.** If you choose to introduce a small allowance, this can also help them learn how to budget and make their own purchasing decisions.

Middle schoolers

- **Encourage stronger saving skills.** Introduce the concept of longer-term saving and budgeting, such as saving for a car or for college.
- **Build banking experience.** Help your child gain more experience with banks, including tools such as banking and budgeting apps. Setting up custodial accounts can allow them to learn while maintaining guardrails.
- **Consider allowing small loans.** This helps introduce the concept of debt and how to get out of debt.

High schoolers

- **Discuss expectations for large purchases.** Discuss who will pay for items such as a car or college. You can also encourage them to research and apply for scholarships.
- **Help them navigate peer pressure.** While peer pressure can motivate purchases at this age, it's important for them to flex their budgeting skills and stay on track.
- **Consider a part-time job.** Working part-time or during the summer can help them build their savings and gain valuable insights.

College students and early career

- **Continue to build budgeting skills.** With independence comes more expenses. Continue to build and refine your budgeting skills to ensure that you balance these expenses with your savings goals.
- **Build an emergency fund.** Experts recommend having an emergency fund that can cover 3 to 6 months of expenses.[1]
- **Start thinking about saving for the future.** Starting to save for retirement early can help down the road, even if you start small. At this age, time and compounding interest can help you get a head start on your retirement goals, even if retirement feels far away.

[1] Emergency Fund Calculator – Forbes Advisor forbes.com/advisor/banking/emergency-fund-calculator/

[2] Here's What Happens When You Don't Have an Emergency Fund After You Retire (fool.com) fool.com/the-ascent/banks/articles/heres-what-happens-when-you-dont-have-an-emergency-fund-after-you-retire/

Midcareer

- **Continue to flex your budgeting skills.** At this point in your career, your expenses could change. Take time to review and refine your budget to stay on track for your goals.
- **Stay on top of your savings options.** Over time, the saving and investment options that your employer offers can change. Continue to learn about the options available to you and evaluate whether they're appropriate for you.
- **Continue to evaluate and set financial goals.** Whether you're saving for retirement, building an emergency fund or saving for a purchase, it's important to track your progress and ensure that the goal still meets your needs.

Nearing retirement

- **Start planning your budget in retirement.** In retirement, your income and expenses can change. Take time to begin planning your budget for life in retirement so there are no surprises. My Interactive Retirement Planner's Detailed Income View can also help you plan your withdrawal strategy based on the retirement benefits that will be available to you, including your pension, retirement savings, and Social Security (if applicable).
- **Build an emergency savings fund for retirement.** Experts recommend that retirees have an emergency fund that can cover 1 to 2 years of expenses.[2]
- **Work with a Personal Retirement Consultant (PRC).** PRCs can help you plan for factors that will affect you in retirement. Savings Plus offers licensed and noncommissioned PRCs at no cost.

Retirees

- **Maintain your budget.** Once you retire, take the time to adjust your budget based on your fixed income. Tweak your withdrawal strategy based on your financial needs. My Interactive Retirement Planner's Detailed Income View can help you project how factors such as delaying Social Security or increasing distributions could affect your retirement income down the road.
- **Continue learning about legislative changes.** In some cases, changing legislation can affect you even after you're retired. Stay informed by reading articles, attending webinars, and working with a financial professional or Savings Plus PRC.
- **Begin estate planning.** Getting ahead on estate planning can give you more control over the process and more peace of mind. Consider creating a plan so your assets can be distributed according to your wishes and your loved ones can be taken care of once you pass away. For more information, review our article on estate planning.

Smart resources that everyone in the family can use and enjoy. This April, Savings Plus is celebrating National Financial Literacy Month by offering resources to help you and your family members better understand how to manage a budget, make good spending and saving decisions, and grow wealth. For more resources, visit our Financial Literacy Month page.

How to heal your personal finances

Many economists believe that as the year continues, inflation and interest rates will continue to fall. Market fluctuations are always possible, and there's always a chance for economic downturns. But as your personal financial situation allows, consider flexing your budgeting skills to lean further into saving and even allow for more entertainment.

Saving is important for your present and future financial situations. However, as your situation allows, it's also valuable to balance saving and expenses with activities and small splurges that can bring motivation and fun into your everyday life.

Here are five steps you can take to heal your personal finances:

1. **Allow for more fun and entertainment in your budget.** When you need your dollar to stretch to cover necessities and essential expenses, fun and entertainment are typically the first items that experts recommend cutting back on. However, as your financial situation allows, you can work more fun and entertainment back into your budget. To learn how to balance entertainment with your savings goals and expenses, review our budgeting article and worksheet.

2. **Keep emotions in check as you make investing decisions.** Sometimes, our emotions — whether positive or negative — may attempt to influence our investing decisions. However, investing emotionally may not mesh well with your longer-term goals. Instead, keep your goals and investment strategy a priority. For more information, review our resources on how to avoid emotional investing.

3. **Build an emergency fund.** Between the pandemic and the economic conditions over the past few years, many Americans have depleted their emergency funds. As your personal situation allows, take steps to bulk up your emergency fund. Experts typically recommend having an emergency fund that can cover 3 to 6 months' worth of expenses.

4. **Invest in your financial education.** Take the time to learn more about economic and market conditions that can affect your day-to-day life and investments. Savings Plus offers free webinars and on-demand resources to help you learn more about personal finances and investing.

5. **Pay your future self.** As your situation allows, give your future self a raise. Consider saving more for future needs such as retirement. To project how a contribution increase to your Savings Plus retirement savings plan could affect your income in retirement, log in to your account and use our My Interactive Retirement Planner℠ tool.

Celebrate 50 years with us

Savings Plus turns 50 this year! We're inviting you to celebrate your own retirement savings journey with us.

Whether you're just getting started ...

As you start your journey, retirement can feel far off. But you don't have to have everything figured out to start saving. Take it step by step. We're here to help support you with tools, resources and expertise.

... or you're celebrating your own milestone

It's important to take the time to celebrate your accomplishments, and it's no different with saving for retirement. From reaching your personal finance goals to reaching retirement, we're here to celebrate with you.

YOUR ADVENTURE AWAITS WITH SAVINGS PLUS.
HERE'S TO THE NEXT 50 YEARS.

DID YOU KNOW?

Savings Plus offers on-site visits and workshops. Reach out to SPPoutreach@calhr.ca.gov for more information.

What will my money look like in 30 years?

Two of the most important factors in retirement savings are time and ongoing contributions. The more of each that you have, the more likely it is that you can achieve your goals for retirement income.

But there's one more factor to consider: inflation. Even a low rate of inflation will have a noticeable effect on your spending power over time. For example, if you have annual expenses of $50,000 today and the economy averages 2.5% inflation over the next 20 years, you will need roughly $82,000 then to match your purchasing power.[1]

Inflation is likely to continue through retirement when you will be relying on nearly fixed income from your pension and any Social Security benefit you may qualify for. That's why building regular increases into your retirement plan contributions may be a wise decision. Even a small increase each year could make a significant difference in retirement.

The My Interactive Retirement Planner tool℠ on the Savings Plus website can help you check progress toward your goals and work "what-if" scenarios, which may help you decide whether you should adjust your contribution amount. It's a good idea to do both at least once a year.

To increase your contribution amount or lock in increases at regular intervals, log in to your Savings Plus retirement account.

[1] "How to Account for Inflation in Retirement Planning," SmartAsset (October 27, 2023).

Find your adventure in California's parks

With spring in full swing, now is a time to consider activities that not only let you get outdoors, but also allow you to keep your financial wellness and retirement goals in mind. Few states offer a greater array of free and budget-friendly destinations.

California offers several annual state park passes for different uses. The Annual Day Use State Parks Pass program, a partnership between California State Parks and the California State Library, allows Californians to explore the diversity of our outdoor adventures while gaining the benefits of what our parks have to offer. And remember, fourth graders and their families can visit 19 state parks for free using the Adventure Pass.

It's blooming season, and California's national parks are great places to witness the magic of the season. In addition, our state is home to some of the world's best wineries. In the springtime, the vineyards are beautiful places to walk around and explore.

Before you go, be sure to create a budget for your trip and stick to it. Doing so will help you keep your finances and retirement planning on track.

Now may be a good time for retirees to review their withdrawal strategy

A strategy for withdrawing from your retirement accounts can help ensure that you have enough money to meet your needs throughout retirement. There are many methods for withdrawing retirement savings. On the Savings Plus website, you can learn about 7 commonly used strategies and consider which may fit your needs best.

Various sources for retirement income may have different timelines for taking optimal or required distributions. For example, if you qualify for a Social Security retirement benefit, you could apply for the benefit at age 62, but you would receive less monthly income than you would by maximizing your benefit at age 70. But maximizing your benefit amount may not be your optimal choice when you consider all your income sources.

Also, your strategy should not be a "set it and forget it" proposition. As with most things in personal finance, regular reviews and adjustments are important to help meet your needs throughout retirement.

The idea of developing and maintaining withdrawal and retirement income strategies might seem overwhelming. That's why Savings Plus offers advanced, holistic retirement assessments from Personal Retirement Consultants (PRC). Savings Plus PRCs leverage modern financial modeling tools and one-on-one guidance to help retirees and near-retirees make informed decisions about their withdrawal and retirement income strategies.

PRC services remain available to Savings Plus participants for as long as you remain in the Plan, even through retirement.

Seven hobbies to help you stay active in retirement

As you transition from the day-to-day pace of a working career into the suddenly unscheduled life of retirement, you may find yourself facing a new experience: what to do with yourself.

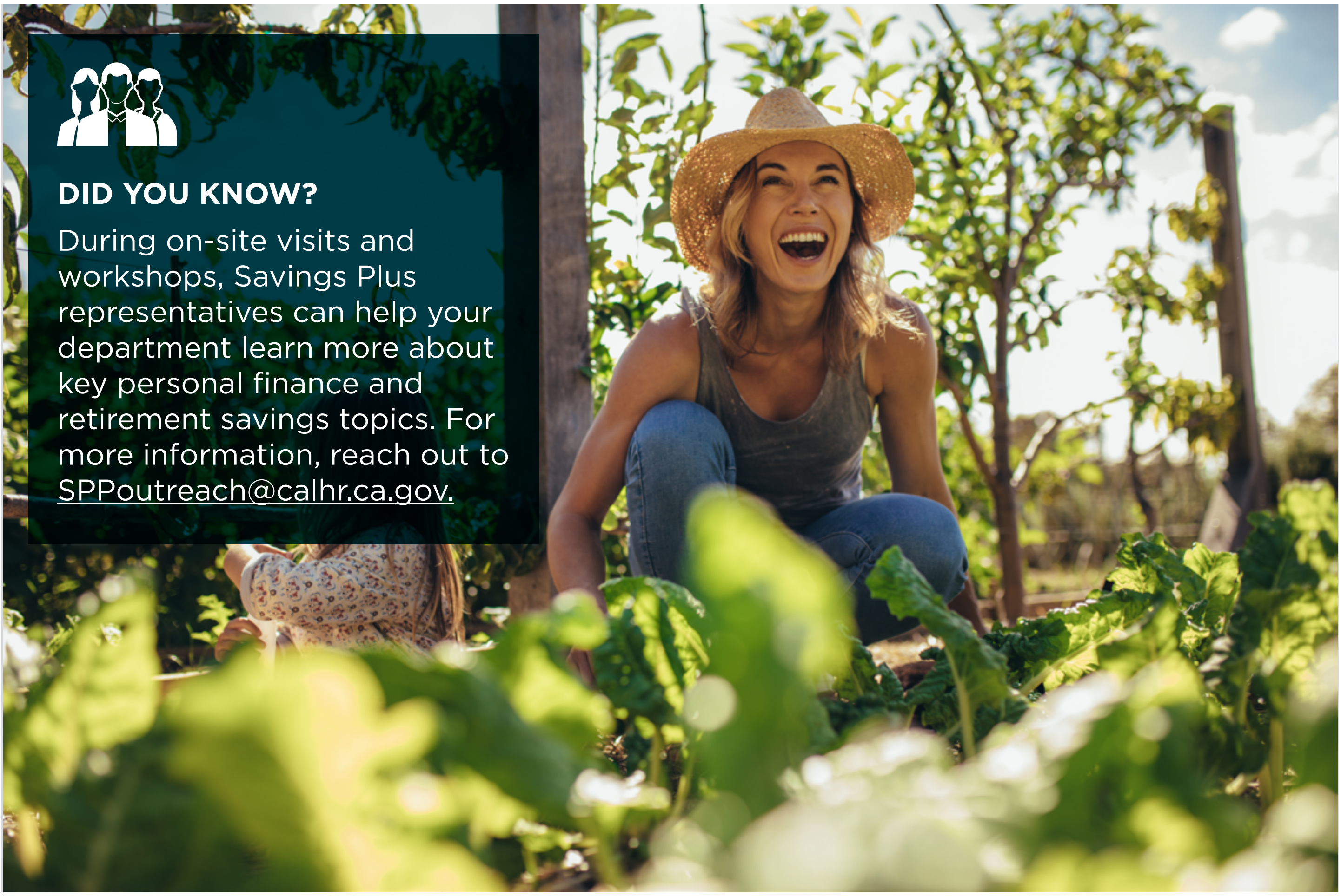
That's why psychologists and experts who work with senior citizens often recommend that retirees consider taking on one or more hobbies. Doing so could give you an opportunity to socialize, provide stress relief, improve your overall well-being and increase your life span, help decrease cognitive decline and support mobility.

While there's a whole world of hobbies that you could explore, here are seven to consider:

1. Learning a new language
2. Gardening
3. Writing
4. Painting
5. Woodcrafting
6. Camping
7. Playing a musical instrument

Professionals who work with aging Americans recommend that retirees find ways to keep their minds and bodies active. Hobbies such as the seven above can help keep your brain sharp as you exercise your muscles and sharpen your skills.

You can learn more information about these and other hobbies at your local library, where you may even find a community bulletin board with announcements about local hobby clubs.



DID YOU KNOW?

During on-site visits and workshops, Savings Plus representatives can help your department learn more about key personal finance and retirement savings topics. For more information, reach out to SPPoutreach@calhr.ca.gov.

Roth assets are no longer included in RMD calculations

Thanks to a provision in the SECURE Act 2.0, effective January 1, 2024, only pre-tax funds will count toward your annual required minimum distribution (RMD) calculation. Beginning in 2024, your RMD calculation will be based on the pre-tax balance of your account as of December 31 of the prior year. Also, this new RMD provision is specific to non-beneficiary assets.

As always, Savings Plus will automatically calculate and send your RMD each year for as long as you remain a participant in the Plan. To see your RMD for 2024, log in to your account at savingsplusnow.com or call us at 1-855-616-4776.

WEBINAR SPOTLIGHT

Own Your Financial Future

May 2, 1 - 2 p.m. PT

Enhance your financial journey with valuable insights! Join us to explore market dynamics, investment approaches, financial tools, contribution strategies and distribution options.

STAY TUNED

New adventures are coming soon! Visit savingsplusnow.com or follow us on social media to stay up to date.

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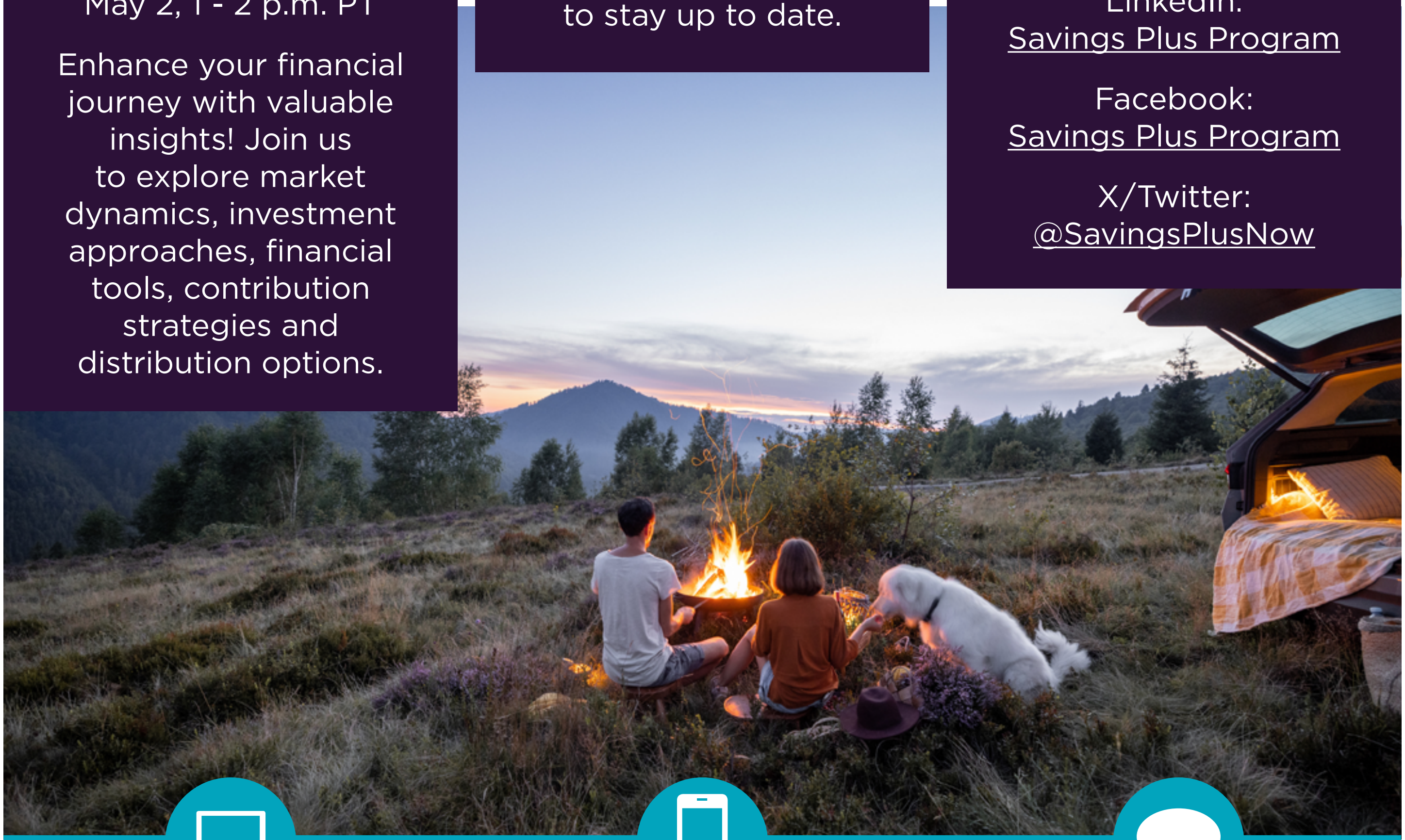

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