

Retire Explanation

There are 3 files to this buyout information package: *This "retire explanation" file... a "retire example" file...and a "retire worksheet" file.*

For those considering accepting the district's resignation incentive...this spreadsheet compares take home pay: "*if you continue working for the TSD*" as compared to "*if you take the resignation incentive*". This example WILL NOT give you an exact comparison. It is just a rough idea of how the two choices "continuing to work" and "retirement" are related to each other. You can take the resignation incentive without retiring, but this example is assuming you are retiring. This is just an estimate that might prove to be helpful to prospective retirees. Each person has his/her own individual considerations and is responsible to take all things into consideration.

Some potential retirees make the mistake of comparing their total pay (\$100,000) to their pension (\$45,000) and react that they can't live on that income, but you have to consider all factors. In retirement, you pay less taxes, have an extra \$50,000 resignation incentive, can add social security at 62, and may have less expenses. In retirement, your take home pay may equal or be greater than, if you continue to work.

Example: This fictitious retiring teacher...

His object is to have about the same amount of take-home pay in retirement as he would if still working...at least for the next few years.

He is in the MIP

He has been putting 10,000 each year into a retirement account.

He selected the 75% survivor option for his spouse. You can select straight life, 100%, 75% or 50%. All 4 amounts can be compared in "miAccount" on the ORS website.

He is planning on making 5000 with a part time job OR taking 5000 from a retirement account, but only for two years.

He is 60 years old and wants to supplement his income for the first two years until he is able to collect social security. So, he is going to use 20% each year (about 13,400) of the severance/buyout package for the first two years. You will only have access to 20% of the package each year for 5 years. The severance is about 17,000, the buyout is 50000. So, 67,000 divided by 5 years is about 13,400 per year. *Note that the severance amount of about 17,000 assumes 90 days of accumulated sick leave. Not everyone will have accumulated 90 days.

Once he is eligible for social security, he won't need to use any more of the buyout package. The remainder of the buyout funds will remain in a retirement account. (You receive updated account information from the Social Security Administration every year. Check that

info or call the administration to get your exact social security amount. This retiree can expect about 1700/month or about 20,000/year.)

In two years, at age 62, even if he discontinues taking funds from the buyout package and funds from a retirement account, and also discontinues working the part time job, he will still have more take home pay being retired than working.

He no longer needs to pay a cleaning lady every two weeks, so will save \$3000/yr. You might have other savings associated with no longer working. If you live 25 miles from work, which is 50 miles per day. At 25 mpg, you use 2 gallons per day, 10 gallons per week, about 400 gallons per school year. $400 \text{ gallons} \times \$3 \text{ per gal} = \$1200/\text{yr}$.

He won't have any "insurance" payment, because they will use his wife's insurance. If you will use the ORS insurance, the amount you will pay is available through "miAccount" on the website.

He has worked it out so that his take home pay while retired will be about the same as if he was working.

Check his example in the "[retire example](#)" file, then use the "[retire worksheet](#)" file to try your own numbers.

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