

Financial Education

TRS Today Transcript

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Interviewer: Rhonda Price

Guest: Brian Guthrie

Rhonda: Hello and welcome to TRS today. A communications initiative of the Teacher Retirement System of Texas. I am your host, Rhonda Price and our guest is TRS Executive Director, Brian Guthrie. Brian, thanks for being with us.

Brian: It's my pleasure, thank you.

Rhonda: Our topic today is financial awareness. And Brian, last year a TRS news article described the various types of professionals who can assist our members when making important financial decisions. What role do you see TRS playing and not playing when it comes to financial awareness?

Brian: Will that is a very good question, Rhonda. It's been a subject of some debate over the years about what role TRS should play in helping our members understand what is ahead when it comes to retirement and helping them with their planning for their retirement. We try to draw a line between not giving advice, not telling our members what specific stocks to invest in or what specific strategies to pursue when they are looking at alternatives to the annuity they receive from TRS. But that being said, I do think that we have a very important role to help our members understand that there are a number of issues that they need to be thinking about as they approach retirement and whether or not they're going to have enough money when they retire, what their expenses will be and how they can start planning for it early in their career so they are ready when they ultimately do retire.

Rhonda: What advantages to TRS members have over those who are not participating in a defined benefit plan, to what extent is a defined benefit plan sufficient to meet retirement needs?

Brian: Well, those are really two separate questions. Our members do have an advantage because with a defined benefit annuity they know ahead of time with some predictability what their annuity will be when they retire. The calculation that we perform to come up with what a member's annuity is, is fairly straightforward. It can be found on the website, it depends on your years of service and when you started your career with TRS. There's a

number of factors that go into it but the bottom line is there is a way for you to calculate it. So when you are beginning to think about retirement, you can look and you can see how much you're going to receive on an estimated basis once you retire. When you have that information at hand then you can start working backwards and say, okay, I know I am at least going to receive this much on a monthly basis when I retire. What are my expenses going to be? And then they can start thinking through some of those questions because their expenses now may not be the same as their expenses will be when they retire so there is a number of questions that they can ask themselves and then they can start identifying whether or not that annuity is going to be sufficient or not. That second question that you ask is a bit harder to answer on a general basis. It really depends on the individual member. For some members if they don't have a lot of expenses, the annuity they receive can be more than sufficient. In other situations, it may not be. It all depends on their individual needs and on un-anticipated needs. They may, for example, when they retire no longer have to pay a mortgage but they may have other expenses either putting children through college or perhaps medical expenses or other things that will come up that they need to plan for. So it's a very personal calculation that needs to take place on whether the TRS annuity is going to be sufficient or not.

Rhonda: Well I understand that we are going to be launching a new financial awareness program. What can you tell us about that?

Brian: Well I'm really excited about it, Rhonda. Because again, there's been a long lengthy debate whether TRS should get in the business of helping our members understand what is ahead in terms of retirement and I believe that we do have a role. It's a role of making the members aware of the issues and pointing them in the right direction for additional information. So we don't cross the line of actually advising them or telling them what to do but we at least tell them what questions they should be asking themselves so they can get a better handle on what they need once they retire. So we will be looking at things like estimating your TRS annuity and just providing that baseline of understanding, this is how much I'm going to get, how much more do I need to or not need? Will my TRS pension be enough? That's again asking that question. Social Security plays a role. Not all of our members participate in Social Security because their school districts don't participate in Social Security but some do. And they may also be eligible for Social Security through their spouse. And so there is a number of issues there that are actually somewhat confusing because there is a myriad of rules and regulations associated with that and so I think we can help them navigate that and understand whether they need to think about that or not. Just understanding in general the theory of compound interest. It's much better to start saving early in your career and letting that amount increase over time than it is to start saving later in your career and hoping that you can generate a return sufficient to have enough funding to supplement whatever your annuity is. So compound interest is another important concept. The earlier you start, the better off you are. And then we'll also be providing information about our 403(b) Program. That is not something we administer but we do have an oversight function where we actually certify the financial advisors who participate in the program and those advisors may or may not

be available in your area. It's very employer specific about what advisors may be available in a specific area that our members can go to them and have the assurance that TRS has certified they can provide advice to our members and then they can work with them about what savings may be appropriate, what is available to them and what different strategies they can pursue to try and supplement their retirement.

Rhonda: Ok. I understand many of the topics you are talking about will be shown in videos.

Brian: Yes. We are trying to figure out a new way of presenting this information. I mean, as much as I love our TRS Today segments, they're not for everybody. And the different forms of communication we have of getting information out about this may not always reach the members who need it most. Because really when you are early in your career, you may not be thinking about these issues quite frankly. You have other concerns, you have other things going on in your life and so it is not at the forefront of your concern. But we are hoping that through these videos that we are going to present the information in a fun way and in an engaging way and hopefully capture member's interest and get them thinking about some of these important questions.

Rhonda: Ok. Well that sounds wonderful. So besides these ways that you mentioned, are there any other ways that members can best stay informed of all the developments at TRS?

Brian: Well, we have a variety of ways for our members to contact us. We are big in the social media so folks can go to our website and get information there. They can go to our Facebook page and get information there. They can go to YouTube and see these videos. They can check out our Twitter feed. We have a Twitter handle that provides updates during board meetings and other important events of what is happening at TRS. And then if they don't want to go that route, they can also look for our newsletter which will appear in the mail on a routine basis and they can always call us and get information from a live person. So we try to make it as easy as possible for our members to come to us and get the information they need.

Rhonda: Brian, thank you so much for joining us.

Brian: It's my pleasure.

Brian: And thank you very much for watching this edition of TRS Today.