



PEI

PROFESSIONAL EDUCATORS OF IOWA

April 9, 2015

New PEI Benefit? *Financial Advice!*

Do you ever find yourself in a quandary needing a financial question answered but just not certain who to turn to? We'd like to introduce you to another PEI member who wants to help!

Mike Johnson is a high school social studies teacher at Southeast Polk. He teaches Economics, AP Macroeconomics, and personal finance. In addition to his teaching duties, he is a financial planner at AO Wealth Advisory in Urbandale, IA. His mission in both roles is to equip those around him with the skills and information to make sound financial decisions. Mike is a member of the Financial Planning Association of Iowa and the Iowa Jump\$tart Coalition. He is also a proud member of PEI for over 10 years.



Once a month Mike will address questions in a newsletter type of article. You can contact Mike directly at the address listed at the bottom of this article.

Q - What should teachers know about planning for retirement?

A- There are two things I would want to get across to teachers about retirement planning:

1. You should feel blessed to have IPERS.
2. IPERS probably isn't enough.

Guaranteed retirement income is difficult to come by these days. Access to traditional pension plans will continue to decrease over the years for workers. If you are included in IPERS or some other pension system at your school district you should feel very fortunate. Don't underestimate the value of this future stream of income - it is considerable! This guaranteed income lowers the probability of outliving your retirement savings significantly!

Yet, IPERS may not be enough. Unfortunately, your IPERS retirement benefit is not adjusted for inflation. Your monthly pension income will stay the same over the years. For example, my mother retired from teaching a couple of years ago with an annual IPERS income of around \$40,000/year. Each year, as prices increase, the purchasing power of her income will decrease. In 10 years, her \$40,000 income will only buy the equivalent of \$29,764 in today's dollars (assuming 3% annual inflation). And it will purchase only \$25,674 in 15 years. This example shows that if your goal is to keep your current standard of living in retirement, relying on IPERS alone might be a problem. I encourage my teacher colleagues to put additional money away for retirement in order to prepare for this inflation gap.

Another issue is the potential of leaving the teaching profession. If you are a seasoned veteran and have taught for 25 years this might not be that relevant, but if you are just beginning or are midway through your career, this should be a consideration. You never know what the future may hold. I am sure we all have friends who have left the teaching profession for various reasons; many of them would not have predicted it three years beforehand. If you leave IPERS covered employment early, the retirement benefit becomes less impressive. By investing in another retirement account you can protect yourself, just in case.

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If you are looking to save in addition to your pension, generally a Roth IRA is the first place to start. Why? Because Roths are awesome! Once you place money into a Roth IRA, it is never taxed again! In 2015, a worker can contribute up to \$5,500 into a Roth IRA (\$6,500 if age 50 or older). If you save enough to max out the Roth, the next place to invest would be your district's 403b plan.

Because there are a number of factors that should be considered when making these important financial decisions, I encourage you to consult your financial advisor so that your specific situation can be examined.

**GOT QUESTIONS?
Ask Mike!**

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PEI Freezes Dues for the 2015-2016 School Year!

This is a GREAT time to announce to our membership and to teachers statewide that Professional Educators of Iowa will freeze the dues rate for the upcoming year! The PEI Board is committed to maintaining an affordable dues rate for educators. The Board also understands the economic challenges facing the entire educational community and this freeze demonstrates our good faith effort to support our members at a time when budget cuts and increased costs are prevalent.

PEI will continue to offer current members \$20 for every new Professional membership they bring into PEI.

Above the Call of Duty
(or more commonly called)
What Teachers Do

We received a flurry of emails from members a week ago after asking for stories about teachers who go above and beyond their contract. We have decided to run little snippets of what teachers do. This article is dedicated to all those who became teachers so they could make a difference in the lives of students, who refuse to give up even though there are easier careers. This series is in honor of those who have been "called."

An Iowa teacher became instinctively aware that one of their students was homeless. This educator made arrangements to meet this young man prior to the start of the school day so he could shower, do laundry, and then helped in finding him a safe place to stay.

Thank you!

Do you have an example of someone who has gone above the call of duty? Send us your story! (Names and districts will be withheld to protect the teacher and the students.)



5 Tips To Bump Up Your Credit Score

If you are going to buy something like a car or a house and plan to utilize credit, your credit score is of utmost importance. Credit scores range between 0-850 with the average American scoring around 678. To get the best interest rates, you need to have a score of at least 720. If your credit score was 720, your interest on a car loan would be half of what it would be if your credit score was 620, so improving your credit score equals money saved!

Here are 5 simple tips to bump up your credit score.

- 1.** Pay your bills on time. One late payment can drop your credit score by 50-100 points.
- 2.** Keep your balances below 30% of their credit limit. For instance, if the credit limit is \$5000, maintain a balance below \$1500.
- 3.** Use older accounts and do not open a lot of new ones. An older, more established credit history usually results in a higher score.
- 4.** Avoid creating over two "inquiries" (a lender checking out your credit information) per year. Multiple inquiries from auto, mortgage or student loan lenders within a short period of time are typically treated as a single inquiry and will not hurt your score. Also, pulling your own credit report will not hurt your score.
- 5.** If you pay off your account balances each month (and you should), wait until your payment is recorded and the account is showing a zero balance before applying for the loan. Otherwise, it may look like you carry over your balances.

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The information on this site should be understood to be a general discussion of the subject matter and DOES NOT constitute a legal opinion about the situation. For further information please consult a qualified attorney.

Only 5 Seats left!

Thursday, June 25

Join fellow PEI members, family, and friends for a great day of baseball, fun and fellowship at Wrigley Field. The bus will be stopping in Iowa City and the Quad Cities to pick up members! Call the PEI office at 515-221-2330 for reservations!



ONLY \$99!

Click [HERE](#) for more information.

Or go to <http://bit.ly/2015cubs-dodgers>.



STAY CONNECTED!

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