Lesson 5.5: Escape Employment and Retire

FRE | FEDERAL RESERVE EDUCATION

Lesson Author

Meaghan Vitale, Federal Reserve Bank of Philadelphia

Standards and Benchmarks

See page 4.

Lesson Description

In this lesson, students learn about planning for retirement through an escape room. Students read a Page One Economics article, calculate retirement contributions after employer match, and consider the differences between Roth and traditional individual retirement plans in the escape room. Finally, students create an informational poster that provides a roadmap to retirement. To obtain answer keys for the handouts and assessment in this lesson, create an account on FederalReserveEducation.org.

Concepts

Defined-benefits plan
Defined-contributions plan
Roth retirement plan
Social Security
Traditional retirement plan

Objectives

Students will be able to:

- identify common sources of retirement income
- explain the differences between Roth and traditional retirement accounts
- develop a tentative retirement plan

Compelling Question

How do individuals plan for retirement?

Time Required

45 minutes

Materials

- Handout 5.5.1: Escape Room Maze, one maze for each group of 2-3 students

- Handout 5.5.2: Escape Employment Guided Notes, one copy for each student
- Handout 5.5.3: Roadmap to Retirement Assessment, one copy for each student and one copy per student for teacher
- Answer Key 5.5, one copy for teacher
- Internet access

Preparation

- Make a copy of the escape room to your own Google Drive https://docs.google.com/forms/d/175GZSst8IRCkhEs-_ZxfD_8NCwzByAI0yPwEq_XqUQ4/copy

Procedure

1. Ask students:

    a. At what age do you want to retire? (*Answers will vary.*)

    b. How much money do you think you would want to save before you retire? (*Answers will vary*.)

2. Tell students that to learn about planning for retirement, they will work in groups to escape employment. There will be a combination of readings, problems, and puzzles they must complete to successfully retire.

3. Distribute Handout 5.5.2: Escape Employment Guided Notes to each student. Explain that as they move through the virtual escape room in their groups, they should each take notes and answer the questions on Handout 5.5.2.

4. Put students into groups of 2-3 for the escape room and share your escape room form.

    NOTE: The form was designed to be submitted as a group, but you can have each student submit their own form as they work through the escape room.

5. Allow students time to complete the escape room and fill out their guided notes. A teacher's guide for the escape room with answers and explanations can be found in Answer Key 5.5.

6. As students complete the escape room, they should hand in their guided notes for you to review.

Closure

7. Review the important points of the lesson by asking students:

    a. What are some sources of retirement income? (*Social security, individual retirement accounts, defined-benefits plans, and defined-contribution plans*)

b. Why is it suggested that employees maximize the match for their employer-sponsored retirement accounts? (*It boosts retirement savings without any additional cost to them*.)

c. What is the main difference between Roth and traditional accounts? (*When the contributions are taxed. Roth accounts are funded using post-tax dollars whereas traditional accounts are funded using pre-tax dollars.*)

Assessment

8. Distribute Handout 5.5.3: Roadmap to Retirement Roadmap Assessment. (See *Answer Key 5.5* for detailed grading guidance.)

Standards and Benchmarks

National Standards for Personal Financial Education

Standard 1: Earning Income

Most people earn wage and salary income in return for working, and they can also earn income from interest, dividends, rents, entrepreneurship, business profits, or increases in the value of investments. Employee compensation may also include access to employee benefits such as retirement plans and health insurance. Employers generally pay higher wages and salaries to more educated, skilled, and productive workers. The decision to invest in additional education or training can be made by weighing the benefit of increased income-earning and career potential against the opportunity costs in the form of time, effort, and money. Spendable income is lower than gross income due to taxes assessed on income by federal, state, and local governments.

Benchmarks: Grade 12

10. Retirement income typically comes from some combination of continued employment earnings, Social Security, employer-sponsored retirement plans, and personal investments.
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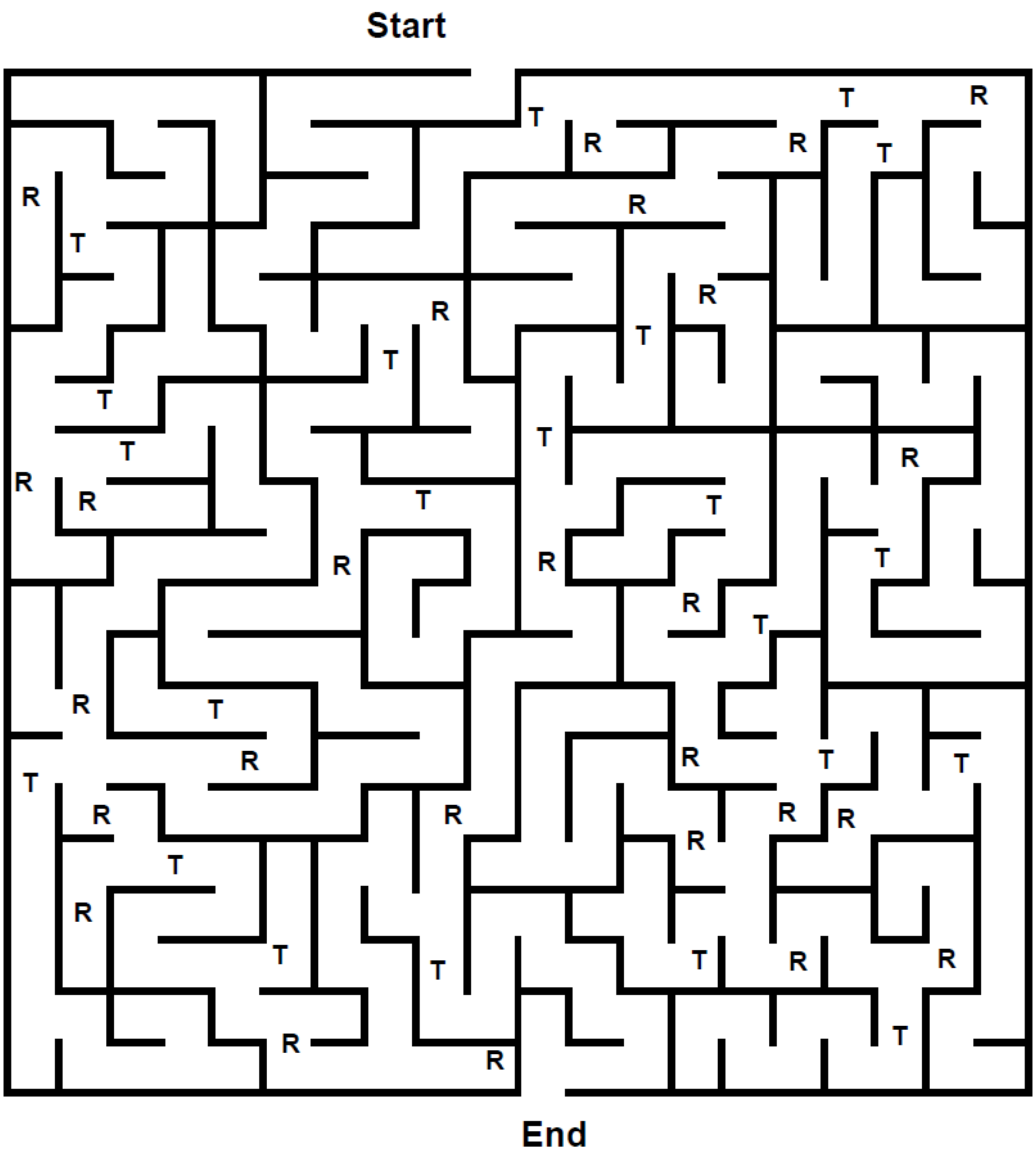
Standard 3: Saving

People who have sufficient income can choose to save some of it for future uses such as emergencies or later purchases. Savings decisions depend on individual preferences and circumstances. Funds needed for transactions, bill-paying, or purchases, are commonly held in federally insured checking or savings accounts at financial institutions because these accounts offer easy access to their money and low risk. Interest rates, fees, and other account features vary by type of account and among financial institutions, with higher rates resulting in greater compound interest earned by savers.

Benchmarks: Grade 12

7. Employer defined contribution retirement plans and health savings accounts can provide incentives for employees to save.

Handout 5.5.1: Escape Room Maze



Handout 5.5.2: Escape Employment and Retire: Guided Notes (page 1 of 2)

As you try to escape employment, gather information to help you learn about what it will take to plan for your real retirement.

Sources of Retirement Income

Source	Definition
Defined-Benefit Plan	
Defined-Contribution Plan	
Roth Retirement Account	
Social Security	
Traditional Retirement Account	

Employer Matching

Why is it suggested that employees maximize the match?

Handout 5.5.2: Escape Employment and Retire: Guided Notes (page 2 of 2)

Roth vs. Traditional Accounts
Does the statement refer to a Roth IRA or a traditional IRA?

	• Contributions are made with pre-tax dollars. This means your taxable income will be lower in the years you make contributions.
	• Contributions are made with post-tax dollars.
	• Contributions can be withdrawn tax-free.
	• Contributions and earnings are taxed upon withdrawal.
	• Earnings are taxed if withdrawn before the age of 59 ½ and you do not meet the conditions for early withdrawal.
	• You must start making minimum withdrawals from your retirement fund by the age of 73 or else you will face a penalty.

If you expect to be in a higher tax bracket when you retire, should you contribute to a Roth or traditional account now? Why?

Rules of Thumb

1. Start saving for retirement __________.
2. _____________ the match.
3. As you get older, your investment portfolio will change. When you are younger, your portfolio should be more aggressive, or include ____________ investments, whereas when you are older, your portfolio should be more __________________________.
4. Financial professionals suggest that when creating your savings goals for retirement, you should plan to spend ___% of your pre-retirement income annually.
5. If you withdraw ___% of your portfolio's value annually, your money can last for 30 years.

Handout 5.5.3: Roadmap to Retirement Assessment

Create a one-page informational poster that presents a roadmap to retirement. Consider including potential sources of retirement income, differences between Roth accounts and traditional accounts, and rules of thumb in your poster.

	Exceeds Expectations	**Meets Expectations**	**Satisfactory**	**Does Not Meet Expectations**
Information about retirement planning (e.g. sources of retirement income, differences between Roth and traditional accounts, rules of thumb)	Presentation of information is clear, accurate, and relevant. Thoroughly explains a roadmap for retirement.	Presentation of information is mostly accurate and relevant. Adequately addresses a roadmap for retirement.	Presentation of information is somewhat inaccurate or lacks relevance. A roadmap for retirement is only partially addressed.	Presentation of information is significantly inaccurate or irrelevant. Does not adequately address a roadmap for retirement
Visual presentation	Poster design is visually appealing with a balance of text, visuals, etc. High-quality images, graphics, charts, etc. are used effectively.	Poster is visually appealing, though some areas could improve in balance or visual quality. Visuals support the content adequately.	Poster is somewhat visually appealing but may have clutter, poor balance, or low-quality visuals.	Poster lacks visual appeal or is cluttered and poorly decisions. Visuals are minimal or irrelevant.
Mechanics	No grammatical, spelling, or punctation errors.	Almost no grammatical, spelling, or punctation errors.	A few grammatical, spelling, or punctuation errors.	Many grammatical, spelling, or punctuation errors.