



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Money Tip for Students, August 2020

Now is the time to start planning for retirement

Retirement may be a distant concern for students still in school, but it's never too early to start thinking about it, according to the Kentucky Higher Education Assistance Authority (KHEAA).

“When it comes to planning for their retirement years, today’s students should hope for the best but prepare for the worst,” said Lt. Gov. Jacqueline Coleman. “Investing early and wisely could serve them well, as they may not be able to rely on Social Security and pensions as their grandparents could to provide for their future financial needs.”

Two options for members of tomorrow’s workforce are a 401(k) savings account and an individual retirement account (IRA).

Employers may offer their workers a 401(k), which allows an employee to have a certain percentage of their wages deducted and deposited in a tax-deferred account. Some employers may match a percentage of what employees contribute. Most contributions are invested in mutual funds.

IRAs come in several forms, but perhaps the most popular are the traditional IRA and the Roth IRA. Both types are held by a custodian, usually a bank or a brokerage firm. IRA contributions can be invested in stocks, bonds, certificates of deposits and even real estate.

In a traditional IRA, the contributions are made before taxes. The account owners pay taxes on the funds they withdraw. With a Roth IRA, the contributions come from after-tax money, which means that withdrawals are tax free.

KHEAA is the agency that administers the state’s grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides financial literacy videos at <http://itsmoney.kheaa.com> and free copies of “It’s Money, Baby,” a guide to financial literacy, to Kentucky schools and residents upon request at publications@kheaa.com.

Many of KHEAA’s student aid programs are funded by Kentucky Lottery receipts.

For more information about Kentucky scholarships and grants, visit kheaa.com; write to KHEAA at P.O. Box 798, Frankfort, KY 40602; or call 800-928-8926, ext. 6-7214.

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