



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Money Tip for Students, February 2022

Now is the time to start planning for retirement

FRANKFORT, Ky. (Feb. 3, 2022) — Retirement may be a distant concern for high school and college students, but they might want to start thinking about it now, according to the Kentucky Higher Education Assistance Authority (KHEAA).

“The best time to start planning for your future retirement is when you’re young,” said Gov. Andy Beshear. “You should research your options for investing early so money you invest now has more time to grow and help you when you get older.”

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

Many employers offer their workers a 401(k) option. With a 401(k), the employee has a percentage of their wages deducted and deposited into a tax-deferred account. Most contributions are invested in mutual funds. Some employers may wholly or partially match what an employee contributes.

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.

Keep in mind that the federal government can change the rules about retirement accounts at any time. You should consult a trained professional to make sure you choose the best plan for you.

KHEAA is the agency that administers the state's educational grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides 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, P.O. Box 798, Frankfort, KY 40602; or call 800-928-8926.