Retirement Planning for Postdocs…
The What, Where and How of Investigating Your Options

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In a 2004 national survey of postdoctoral scholars, Sigma Xi reported that more than half of all respondents did not have access to a retirement plan sponsored by their home institution or did not know whether they had access to such a plan. When asked to identify the benefit they would most like to have or see improved, the top choice was a retirement plan. When considering long-term financial planning, postdoctoral scholars and/or early-career scientists may feel that they don't earn enough to afford retirement contributions. However, even the smallest contributions will grow exponentially over the course of 30 or 40 years. Postdocs should take the time to investigate all of their retirement planning options to ensure that their financial security is not jeopardized by the extended period of training they must complete.

For women embarking on a career in the sciences, planning for retirement may be even more important and challenging. According to a white paper by Cindey Hounsell, J.D., Executive Director of the Women's Institute for a Secure Retirement (WISER)**,** women face "greater economic vulnerability than men," due in part to women spending less time in the workforce accumulating retirement benefits and Social Security. The paper also states that women live longer than men and may at some time in their lives find themselves giving up their income stream, either for raising a family, or to take care of an ailing or aging family member. Whatever the reason, there's a possibility that women may not be adequately prepared for their retirement.

For postdocs and early career scientists, there is a good possibility that your institution offers either a 401(k) or a 403(b), the latter generally offered at non-profit educational institutions. Both of these plans are considered qualified plans, allowing pre-tax contributions to accumulate through the convenience of payroll deduction, with stiff penalties for early withdrawal (prior to age 59 ½). This type of retirement vehicle generally provides the investor with several diversified funds from which to choose to strategize risk. As of 2007, the maximum allowed contribution (referred to as deferral limit) is $15,500. If your institution offers such a plan, you may be able to participate by stipulating a pre-tax percentage of your salary (not to exceed the deferral limit) to be deducted from your payroll and regularly deposited into this retirement savings plan.

The key to accessing such a retirement vehicle, if it is indeed offered by your institution, is whether you are classified as an 'employed' postdoc. If you are considered employed, you would then be a working part of the faculty or staff and may be allowed access. As a postdoc, this would generally mean you have been hired by your principal investigator on a research grant. Please be advised that some institutions classify postdocs as temporary employees who are not eligible for the same retirement benefits offered to permanent employees. Furthermore, if you have a type of fellowship for which you have been granted the research funds directly (such as a National Research Service Award), you are most likely not considered an actual employee of the institution, and therefore would not be eligible to participate in the 401(k) or 403(b). This stipulation is a requirement of these plans to due IRS and ERISA (Employee Retirement Income Security Act) compliance. Some research institutions have established retirement annuities for postdocs supported on fellowships so that they may contribute funds regardless of their employment status.

The National Postdoctoral Association's Institutional Policy Database provides an overview of the retirement benefit policies of various research institutions. Graduate students considering a postdoctoral appointment should inquire about retirement benefits prior to accepting an offer. If no such benefit is available, postdocs should consider the relative economic advantages and disadvantages of working at that institution versus those that do provide such benefits. Many postdoctoral associations are working to address the issue of retirement benefits and some institutions are responding with more progressive policies. If you don't ask for access to a retirement plan, you are unlikely to receive such benefits.

Even if your institution does not offer any direct retirement contributions, it may offer other financial planning services. For example, some institutions are providing financial seminars to non-employed postdocs on campus to assist postdocs in the world of investment strategies and retirement. Mary Anne Timmins, Administrative Director, Biomedical Postdoctoral Programs at the University of Pennsylvania has developed such a program through the professional assistance of Ameriprise Financial. Financial consultants visit the campus offering a program known as 'Financial Planning 101' to Penn's postdoc community, educating postdocs on topics which include not only retirement planning, but estate and investment planning as well.

If you do not have access to a campus program, there are other plans available that can allow you to prepare for your retirement that you may seek from an investment firm, insurance company or bank. Some of those are:

- The Individual Retirement Account: Known as an IRA, this account allows an unmarried individual under age 50 with earned income the ability to contribute up to $4,000 for 2007 and if married, $8,000. Penalties apply to withdrawal prior to age 59 ½. Contributions are fully tax deductible if you, or your spouse, do not participate in a retirement plan sponsored by your employer.

  The key to whether or not you are eligible for this plan is the definition of 'earned income'. If you are on a fellowship, it would be necessary for a qualified accountant to determine if your stipend qualifies as earned income.

- The Roth IRA: Similar in concept to the traditional IRA, however this investment vehicle allows after tax contributions, earnings grow tax-free and contributions are not tax deductible. Maximum allowable contribution amounts are the same as for the traditional IRA. The investment must be held for at least five years before any withdrawals are made from either contributions or earnings, otherwise penalties may apply. Again, earned income is necessary for eligibility.

- Annuities: An annuity allows you to invest without the complication of maximum contribution amounts and allows your contributions to earn tax-deferred income. There are different types of annuities: Variable, fixed, and single premium to name a few. Factors such as when you begin to invest and the amount of income stream you wish to achieve at retirement will determine the best type of annuity to fit your needs.

The most critical part of any retirement plan is to start as early as possible. You may view a chart which demonstrates the need to begin early at the MassMutual Financial Group website at www.massmutual.com/mmfg/prepare/forwomen/lifeevents.html.

This article is for informational purposes only and does not constitute any financial advice or counsel. Please seek the advice of a financial professional.

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Excerpts from Sigma Xi survey:

Which of the following benefits are available to you at your institution?

Retirement plan

Sampling: Asked of ~1 in 2 respondents

	All Results	
1 = Available	40.4%	(1711 / 4240)
2 = Not available	39.3%	(1668 / 4240)
3 = Don't know	20.3%	(861 / 4240)

From the list below, please select your top choices for benefits that you would like to see implemented or improved.

Sampling: Asked of ~1 in 2 respondents

Check at most 3 items.

	All Results	
8 = Retirement plan	33.0%	(1416 / 4291)
3 = Dental insurance	32.1%	(1377 / 4291)
9 = Child care	24.0%	(1031 / 4291)
1 = Health insurance for yourself	23.7%	(1019 / 4291)
2 = Health insurance for your family	23.5%	(1009 / 4291)
17 = Subsidized housing	22.7%	(972 / 4291)
4 = Vision insurance	18.0%	(774 / 4291)
12 = Parking	16.1%	(690 / 4291)
16 = Voluntary tax-deferred savings plan (403b/401k)	15.3%	(655 / 4291)
10 = Family leave (maternity/paternity)	10.8%	(462 / 4291)