TEACHERS'
PATH FINANCIAL PLANNING

The 5 Retirement Decisions the Standard Playbook Gets Wrong for Teachers

A short guide to the planning decisions a pension doesn't make for you

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Educational guide · Not individualized advice

Why this guide exists

The pension is the foundation, not the finish line

Most retirement planning advice was built around a private-sector worker with a 401(k) and no pension. For a teacher with a defined-benefit pension, that framework leaves systematic gaps — not because the advice is low quality, but because it was built for a different set of facts.

This is the contractor problem. A good contractor's value isn't that they're smarter than everyone else; it's that they've seen your specific kind of house enough times to know which questions to ask before you find out the hard way you asked the wrong ones. The planning decisions in this guide are the ones a standard playbook — built for someone without a pension — can miss. Several of them are difficult or impossible to reverse once made.

A quick, honest caveat before we start: this is a general educational guide, not a plan. Every decision here depends on your state's pension system, your household's specific numbers, current tax law, and factors no guide can know. The point is to help you ask better questions — not to answer them for your situation. That's what a conversation is for.

DECISION 1

How you treat the pension in your portfolio

The standard playbook: Looks at your investable accounts (403(b), 457(b), IRAs) in isolation and applies an age-based stock/bond mix — often steering you more conservative as you age.

What it can miss for a teacher: A defined-benefit pension behaves like a large bond-equivalent in your household balance sheet. If your pension already covers most of your income floor, counting only your investable accounts can leave you over-allocated to fixed income overall — potentially underweighting growth you may actually be positioned to hold.

The trade-off (both sides): Recognizing the pension's bond-like role may support a higher equity allocation in the investable portfolio for some households — but a higher equity allocation also means larger swings and larger potential losses, including loss of principal, especially in down markets. Whether that trade is appropriate depends entirely on your income needs, timeline, and comfort with volatility. It is not automatically right for every teacher.

Underlying risk: sequence-of-returns risk — how portfolio withdrawals in early retirement interact with pension timing.

DECISION 2

Whether you plan around COLA erosion

The standard playbook: Treats "you have a pension" as the end of the inflation conversation.

What it can miss for a teacher: Many teacher pensions have a partial cost-of-living adjustment, a capped one, or none at all — and the rules vary sharply by state. When a COLA is capped or frozen, the real purchasing power of a fixed pension payment can erode across a 25–30 year retirement.

- New York (NYSTRS): COLA applies to roughly the first $18,000 of the benefit only — so higher benefits see a smaller effective adjustment on the whole payment.
- New Jersey (TPAF): COLA has been suspended since 2011, tied to the fund reaching a target funded ratio that, as of recent reporting, it had not yet reached.
- Pennsylvania (PSERS) & Massachusetts (MTRS): No Social Security coverage for most members and limited or ad-hoc COLA — a different inflation picture than a Social-Security-covered teacher.

The trade-off (both sides): Planning for COLA erosion typically means leaning on supplemental savings to carry the inflation load the pension may not — which requires saving discipline during working years and carries its own market risk once invested. There is no free adjustment; the question is where the inflation protection comes from.

Underlying risk: inflation risk. State figures below are general and subject to change by each pension system and state legislature.

DECISION 3

Whether you use the Roth conversion window

The standard playbook: Often either ignores Roth conversions or applies a generic "convert every year" rule of thumb.

What it can miss for a teacher: For many teacher households, there can be a specific, time-limited window — often in the years after the pension begins but before Medicare and Social Security start — when taxable income may be temporarily lower and there may be room to convert pre-tax 403(b)/457(b) savings at a lower rate. Miss it and the window may close.

The trade-off (both sides): A Roth conversion means paying tax now in exchange for potential tax-free growth later — a bet that may not pay off if your later tax rate is lower than expected, and one that uses cash today. It also interacts with Medicare: because Medicare premiums use a two-year-prior income lookback, a large conversion in one year can raise your Part B premium two years later. More conversion is not automatically better; the amount and timing matter, and they depend on your state's tax treatment and your specific income.

Underlying risk: the compounding, cross-linked nature of these decisions — one year's move affects a later year's cost.

Teachers' Path does not offer tax or accounting advice; coordinate any conversion strategy with a qualified tax professional.

DECISION 4

How you fund the healthcare gap before Medicare

The standard playbook: Assumes employer coverage continues to 65, or treats pre-Medicare coverage as an afterthought.

What it can miss for a teacher: If you retire before 65, there can be a coverage gap between your last day of work and Medicare eligibility that has to be funded from somewhere. The cost varies enormously by state and by whether you have retiree coverage.

- Unsubsidized ACA marketplace coverage for a couple in their early 60s can run in the neighborhood of a few thousand dollars a month, depending heavily on state, plan, and income.
- Some states offer retiree health programs (for example, a NYSHIP-style plan) at a substantially lower per-person cost — but availability and district participation vary.

The trade-off (both sides): Retiring earlier buys you time but lengthens the gap you have to self-fund; working longer shortens the gap but costs you years of retirement. Neither is automatically the right call — it depends on your coverage options, your health, and your household's numbers.

Underlying risk: healthcare risk — the pre-Medicare bridge. All cost figures are general illustrations and vary widely; they are not quotes or projections for any individual.

DECISION 5

Whether you make a plan for long-term care

The standard playbook: Often skips long-term care entirely, or defaults to "buy a policy" without weighing the alternatives.

What it can miss for a teacher: Long-term care is one of the larger open-ended risks in any retirement, and there is rarely one right answer. There are generally three lanes — self-funding, insurance or hybrid products, and Medicaid planning — and each carries very different costs, trade-offs, and eligibility rules.

The trade-off (both sides): Self-funding preserves flexibility but leaves you exposed to an open-ended cost. Insurance and hybrid products transfer some of that risk but carry premiums and product-specific limitations, and are not appropriate for everyone. Medicaid planning has strict eligibility and asset rules with long lookback periods. A plan reduces uncertainty; it does not eliminate the cost.

Underlying risk: longevity risk and policy/benefit risk combined — including the fact that some elections (like a pension survivor benefit) are permanent once made.

Teachers' Path is product-agnostic and does not offer legal advice; long-term care and estate strategies should be coordinated with qualified legal and tax professionals. Insurance products, where appropriate, are offered through Forthright Capital Partners, LLC.

What to do with this

These five decisions aren't meant to be solved from a guide. They're the questions a plan built for teachers asks on purpose — and the ones a plan built for someone else can skip.

If you'd like to talk through how these apply to your own situation — your state, your pension, your numbers — you're welcome to schedule a complimentary consultation. It's a conversation, not a commitment.

Want to talk it through?

Schedule a complimentary consultation at calendly.com/ncarswell-forthrightcps/new-meeting

This guide is adapted from The Pension Is Not the Plan: Retirement Planning Designed for Teachers, Not Repurposed for Them by Nathaniel Carswell, CFP®, CIMA®.

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