



DON'T WORRY, RETIRE HAPPY

Getting Ready to Retire and Take Income



Iowa
Retirement Investors' Club (RIC)
Look forward to retirement!



Iowa Department of
Administrative Services
Empowering People
Collaboration
Customer Service

- **Program Review**
- **Contributions/roll-ins**
- **Investments**
- **In retirement**
- **Taxes**



Program review

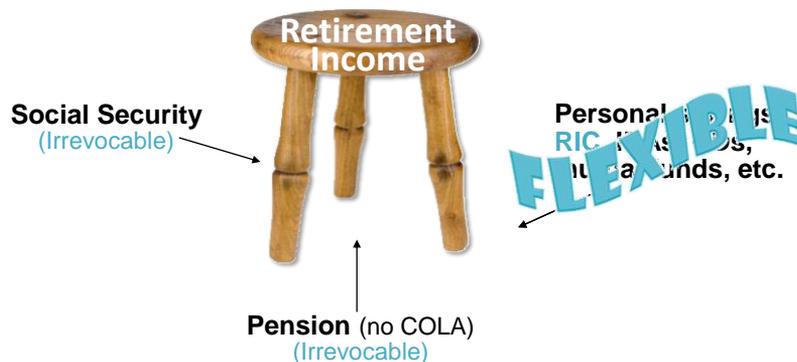
The Iowa **Retirement Investors' Club (RIC)** is administered for the exclusive benefit of all participants and beneficiaries.

Participants enjoy:

- Tax advantages
- Employer match
- Diversified no-cost/low-cost investment options with no penalties or restrictions
- Flexible distribution options

Program review

In retirement, RIC is the your flexible source of income.



Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account

Pretax & Roth



	Pretax	Post-tax Roth*
Tax treatment of <i>deductions</i>	No withholding	Regular income tax withholding
Immediate tax benefit	Lower taxable income reported	None
Tax treatment of <i>earnings</i>	Tax-deferred until withdrawn as cash	Tax-free for qualified distributions

*This is not a Roth IRA

Do I have to open a new 457 for Roth contributions?

Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account
- **401a plan** employer contribution only account

Employer match contributions of **up to \$75/month** are deposited to your 401a plan



Pretax only

Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account
- **401a plan** employer contribution only account



No vesting requirements!

Program review



No vesting requirements!

Once you leave employment, your RIC deferred compensation assets are yours!

RIC plans provide great benefits throughout your retirement years!

Being familiar with your RIC plan benefits can help you make informed decisions about your income and investments.

Contributions (limits)



The total of all contributions (pretax and/or post-tax) made to the 457 account in a tax year must not exceed the IRS annual maximum limits.

IRS 457 Maximum Contribution Limits		2023	2024
Regular	100% of compensation up to:	\$22,500	\$23,000
Age 50+	Regular limit + \$7,500	\$30,000	\$30,500

What if I want to put away more?

Contributions (limits)

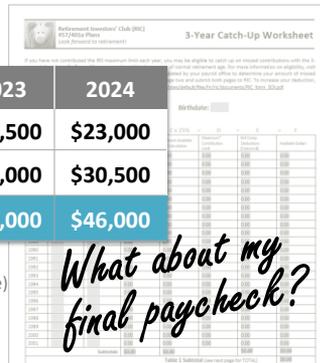


3-Year Catch-Up (3YCU)

- Have “catch-up” contributions
- 4 years from normal retirement*
- Available for 3 consecutive years
- 3YCU Worksheet required

IRS 457 Maximum Contribution Limits		2023	2024
Regular	100% of compensation up to:	\$22,500	\$23,000
Age 50+	Regular limit + \$7,500	\$30,000	\$30,500
3-Year Catch-up	Up to twice the regular limit	\$45,000	\$46,000

* Rule of 88, Rule of 62/20, or age 65 (POR- Age 55 & 22 years of service)



Contributions (final pay)

Final pay

You may defer all or a portion of your final pay to RIC (within IRS annual maximum limits).



All 457 assets are available at retirement.

Contributions (change request)

Changes to deductions –

- **Final paycheck**
Submit a *Special Deduction Request form* by last day of employment.
- **Regular 457 deduction elections** are made in *Workday*.

See [457 payroll deductions](#)

Roll-ins

Outside retirement plan assets may be rolled into and out of RIC at any time. This is a non-taxable transfer.



**IRA (non-Roth),
401k, 403b
(TSA), 457, 401a**

Consider RIC benefits of penalty-free competitive fixed rate accounts, no-load/low-cost mutual funds, expert advisors, etc. for your outside retirement assets.

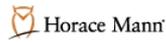
Investments (selection)

Provider products are competitively bid and must meet the RIC investment policy standards and annual review requirements.

Here are a few things you can expect:

- Diversified, competitive fund line-up
- No sales charges or transfers between funds
- 24/7 internet/phone account access
- No restrictions or fees for eligible distributions
- Flexible payment options at separation from employment
- Investment planning tools and advisors to help you plan

Investments



Investment options include index and target date funds from various investment managers, fixed rate accounts, and self-directed brokerage accounts.

Bond (Income)

- Fixed Rate (safety)
- Inter-Term High-Quality Core Bond
- High-Yield Bond
- TIPS (Treasury Inflation-Protected Securities)
- Global Bond

Stock/Bond (Balanced)

- Traditional Balanced
- Lifecycle (target date)

Stock (Growth)

- Large Capital Stock Index
- Large Capital Value Stock
- Large Capital Growth Stock
- Mid-Capital Stock Index
- Mid-Capital Value Stock
- Mid-Capital Growth Stock
- Small Capital Stock Index
- Small Capital Value Stock
- Small Capital Growth Stock
- Total US Stock Mkt Index

International

- Int'l Developed Mkts
- Int'l Emerging Mkts
- World

Alternative

- Real Estate
- Socially Responsible
- Self-Directed Brokerage Account (SDBA)

Investments



All options fall into 2 main categories

Fixed Rate



- Declared rate-fixed period
- No market risk
- No restrictions/maturities
- No fees

Mutual Funds



- Variable Rate
- Degrees of market risk
- No restrictions/maturities
- No sales charges or loads

Total fee range (as of 4/2023) = .18% - 1.03%

Investments

Investment options for retirees

Each investor has different needs and goals as they approach retirement.



Help from local advisor at no additional cost



No-load growth funds & auto-rebalancing



Fixed rates, no market risk, fees, or restrictions



Manage my own stocks & bonds online



Target-date funds to provide income in 10 yrs.

Bottom line...**You have choices!**

Investments

No-cost advisor services

RIC provider representatives can evaluate your investment mix, suggest changes (if needed), and explain risks associated with each investment.



Investments

Access to provider websites, quarterly fund performance, advisor listings, fixed rates, etc. are easily accessed from the [RIC website](#).



In retirement

At separation from employment

You do not have to take RIC money out until you want it or reach your IRS required beginning date.

Distribution requests are made directly to your provider. State authorization is not required.



Consider what's most important to you...

[IRS required beginning date](#)

In retirement

Make a list of what's important

- Supplement SS and pension income
- Projected date of income need
- Health insurance needs
- Death benefits (beneficiaries, spouse's income)
- Lifestyle in retirement (hobbies, travel, purchases, clubs, etc.)
- Investment goals (safety, income, growth)
- Need for liquid cash (emergencies, extra income)
- Whatever else comes to mind...



Everyone has different income needs.

In retirement

Retiree income needs differ. RIC options include:



Stay invested & defer taxes until my RMD



Partial lump sums as I need them



Guaranteed income for my lifetime



Lump sum for new business & monthly income



Periodic payments I can change

Bottom line...You have choices!

In retirement



- Stay invested in RIC
- Take income
- Roll out of RIC
- Purchase pension credits

In retirement (stay invested)

Staying invested in RIC

- *No future contributions allowed*
- Assets remain invested and tax-advantaged
- Investments remain liquid with no surrender fees
- Change investments/providers at any time. (If a new provider becomes available, you may take advantage of the new offerings)
- Account access is available 24/7.
- Advisors at no additional cost
- Roll-ins are accepted at anytime



In retirement (stay invested)

Staying invested in RIC

IRS Required Minimum Distributions (RMD)

Generally, you must begin taking **annual RMDs** no later than April 1 following the later of the calendar year in which you:

- reach age 72 (73 if you reach age 72 after Dec. 31, 2022), or
- retire and have left employment.
- Failure to begin distributions, or if the distributions aren't large enough, you may have to pay a 50% excise tax on the amount not distributed as required.
- Unused assets remain invested and available for additional distributions unless you annuitize.



In retirement (take income)

Once you leave employment, you may take income at any time without product restrictions or fees.

Cash may be taken:

- **As you need it** (flexible)
- **As lifetime income** (irrevocable)
- **Any combination**



In retirement (take income)

As you need it **FLEXIBLE**

- Lump sum payments (no maximum limits)
- Periodic payments
 - You choose payment amount and frequency. (fixed dollar amount, percentage, even distribution , etc.)
 - Increase, decrease, stop, as income needs change.
 - Unused assets remain invested and available for additional distributions unless you annuitize.

In retirement (take income)

Lifetime Income ~~**FLEXIBLE**~~

You **purchase** a lifetime income annuity with all or a portion of your RIC assets.

- Payments continue for your lifetime even if you exhaust your purchase amount.
- Payments are irrevocable.
- No access to unused purchase balance for investment selections or additional distributions.
- No transfer of assets to beneficiaries.

In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

Calculation options

Single life

(your lifetime only)



Joint life

(your lifetime and that of 1 survivor)



May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

In retirement (take income)

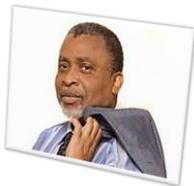
Lifetime Income ~~FLEXIBLE~~

Single life example

Example

Invested amount: \$100,000

Life expectancy: 18 years (life expectancy predicted to be age 83)



Income Benefit: **\$9,006.00/yr**

May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

Single life example

Lives to be age **95**?
Lifetime benefit=
\$270,180.00 (\$9006 x 30 years)



Lives to be age **70**?
Lifetime benefit=
\$45,030.00 (\$9006 x 5 years)

His balance of more than
\$55,000 goes to the
insurance company.

May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

Joint life example

Provides income for the participant's lifetime and his designated survivor's lifetime in the manner he elects.

Example

Invested amount: \$100,000

Combined life expectancy: 27 years

Income Benefit: **\$7,600.00/yr**



If the participant's survivor dies before him, he continues to receive the joint benefit amount. Upon his death, the unused portion of his account will go to the insurance company.

In retirement (rollover)

Rollover to an outside retirement plan*

“Should I move to an IRA?”

IRAs have similar investment risks and may be more costly or restrictive than your RIC accounts.



Be ready to compare...

*If rolled to outside plan, an IRS 10% penalty may apply to taxable distributions prior to age 59 ½.

In retirement (rollover)

You may hear...

What you know...

“Investment selection is limited in RIC.”

RIC has fixed rate options (no fees) plus over 125 mutual funds managed by top-performing investment managers at low cost.

“IRAs are safe.”

IRA investments have the same risks as all investments and should not be thought of as safe investments in general.

“You’re paying too much in RIC.”

RIC has no annual contract, M&E, or surrender fees, and no to low administrative fees. Many RIC fund shares are lower cost than retail shares due to economies of scale.

“IRAs have more payment options.”

RIC accounts have no restrictions, surrender penalties, maturities, etc. Your money is always liquid. Payment options are numerous. No withdrawal penalty prior to age 59 ½ for 457.

“I can’t help you if you stay in RIC.”

They can tell you if the investments you hold in RIC complement what they manage. In many cases they can represent an RIC provider.

“I don’t get paid if you stay in RIC.”

Low RIC fees are part of the plan design and may not pay the advisor as much as retail investments in IRAs.

They’re looking for you



In retirement (IPERS purchase)

Service Credit Purchase

Once you file for IPERS benefits, you may purchase service credits with both pretax 457 and 401a match assets.



Rollovers are non-taxable. Roth assets cannot purchase service credits.

Taxes

Taxable distributions - taxed as ordinary income and reported on IRS 1099R, however...

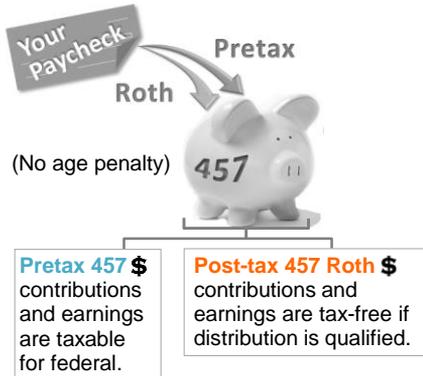


Mandatory withholding -
minimum income tax
withholding of 20% federal
and 5% state*
state taxes may vary

* Exceptions on request: Reside outside of Iowa (Iowa tax exemption), RMD; annuitization; irrevocable equal payments for 10+ years

Taxes

Tax treatment of distributions differs depending on the taxation of contributions.



Qualified Roth Distribution:

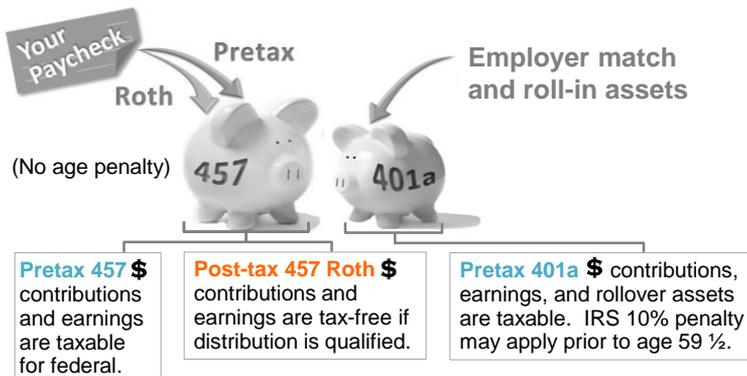
Roth earnings are tax-free if:

- Distributable event occurs;
- Roth account open for 5+ years;
- You are age 59 ½+ or disabled

Non-qualified Roth distributions subject to taxation of earnings portion of the distributed amount.

Taxes

Tax treatment of distributions differs depending on the taxation of contributions.



That covers it!



**It's not too late
to enroll!**



Benefits for all ages

Even if you are less than 5 years from retirement...

- Enrollment is year-round
- Employer match up to \$75/month
- Automatic savings
- Tax benefits-lower taxes now or no taxes later (Roth)
- Fixed interest rate accounts (no maturities or fees)
- No-load, low-cost mutual funds (through retirement)
- Advisor services at no additional cost
- No surrender penalties or distribution fees
- No vesting requirements
- No age penalty for eligible 457 plan withdrawals

Get started today!

Resources

- Call your provider if you have any questions about reviewing your statements.
- Access your account online.
- Review the RIC website.
(<https://das.iowa.gov/RIC>)
- Contact us if you need help.
Robbie Stoecker
515-601-2382
robbie.stoecker@iowa.gov



Iowa
Retirement Investors' Club (RIC)
Look forward to retirement!

Contributions (tax benefits)

Roth 457 vs. Roth IRA

	Type of Roth	Funding Source	Income Limits	Contribution Limits	RMD at 70 ½
Employer-sponsored plan		Payroll deductions only	None	\$23,000 \$30,500 \$46,000	Yes
Individual retirement account		Checking, savings, etc.	Yes	\$6,500 \$7,500	No