



Iowa
Retirement Investors' Club
Look forward to retirement!



An introduction to deferred compensation



Introduction



Investment Providers



Your \$



TEST EGG

Your employer chose The Retirement Investors' Club (RIC) to administer and provide investment options in your 457/401a supplemental retirement savings plan as of July 2012.

RIC is dedicated to giving plan participants access to attractive investment options and services at low cost due to economies of scale.

Participants choose how much to save and how they will invest their savings dollars among the variety of funds offered by RIC's active providers.



Introduction

There is a large array of voluntary retirement savings plans available to investors today.

As a public sector employee, you have the option to save through your employer's 457/401a plans.



Introduction

The tax treatment of both individual and employer-sponsored retirement savings plans are regulated by the IRS and differ in terms of eligibility, tax advantages, contribution limits, etc.



Introduction

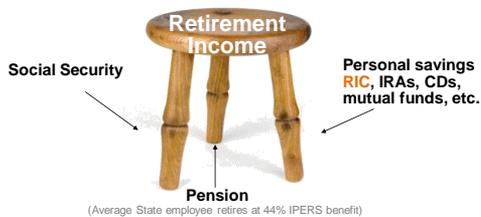
Your participation in RIC gives you the opportunity to:

- Automatically save through payroll deduction
- Increase your retirement income
- Receive tax advantages
 - Pre & post-tax deductions
 - Tax-deferred/free earnings
 - Tax credit (must qualify)
- Invest competitively at little to no cost
- Consolidate retirement assets



Introduction

RIC is a critical part of your income at retirement.



Introduction

Think about it...

Supplemental retirement savings plans are



One part of your future you CAN control!



Introduction

Future uncertainties you CAN'T control:

- Social Security income replacement
- Pension income replacement
- Healthcare costs
- Inflation
- Taxes
- Health
- Employment
- Death



Introduction

You CAN control *how you prepare* to handle these things.

Supplemental retirement savings plans give you the opportunity to personally and positively affect your options at retirement.

Retirement income planning can seem overwhelming but *saving* for retirement doesn't have to be.



Now that you see the basic purpose and function of your retirement savings plan, it's time to take control!



RIC participants enjoy control over

- Contributions/Roll-ins
- Investment mix
- Distributions
- Enrollment/Changes



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Contributions



As a participant in the RIC 457/401a program, you choose to have a portion of your **wages automatically deducted from your paycheck** to save for future income needs.



Contributions (deductions)



Deductions are deposited into your selection of RIC investments in a 457 account (minimum of \$25/mo).

Deductions are taken from all paychecks (26).

You may change or stop deductions at any time.



Contributions (limits)



Annual limits

All contributions made to a 457 account in a calendar year must not exceed the IRS annual limits.

IRS Annual Maximum Contribution Limits		2012
Regular	100% of compensation up to:	\$17,000
Age 50+	The regular limit + \$5,500:	\$22,500
3-Year Catch-up	Up to twice the regular limit	\$34,000



Contributions (catch-up limit)



3-Year Catch-Up qualifications:

- You have not contributed the IRS maximum every in the past
- You are within 4 years of normal retirement (IPERS - Rule of 88, Rule of 62/20 or age 65).

This is a 3 consecutive year benefit.

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457 contributions do not reduce Social Security & IPERS benefits.

Contributions (tax benefits)



Tax benefits differ depending on the taxation of deductions.

You have the choice to have your payroll deductions taken on a **pretax and/or post-tax** Roth basis.

[Roth Summary](#)

Contributions (tax benefits)



Pretax 457 contributions are deducted **before** state/federal tax withholding. You receive the immediate tax benefit of lower taxable income for the year.

Pretax contributions grow **tax-deferred** until you take payment. (Your tax rate may be lower in retirement.)

Example

2012 wages:	\$38,000
RIC <i>pretax</i> contributions:	\$3,000
Taxable income of:	\$35,000

457 contributions do not reduce Social Security & IPERS benefits.

Contributions (tax benefits)



Post-tax Roth 457 contributions are deducted *after* state and federal income tax withholding. There is no immediate tax benefit.

Roth contributions grow **tax-free** for qualified distributions. (Your tax rate may be higher in retirement.)

Example

2012 wages:	\$38,000
RIC <i>post-tax</i> contributions:	\$3,000
Taxable income of:	\$38,000

Roth 457 qualified distributions require a distributable event, an established account for 5+ years, and condition of age 59 ½, disability, or death.

Contributions (tax benefits)



Roth 457 vs. Roth IRA

How does the Roth 457 differ from a Roth IRA?

The Roth 457

- Funded by payroll deductions
- No income limit requirements
- Higher contribution limits
- Requires IRS required minimum distributions at age 70 ½ for terminated employees

[Roth Summary](#)

Contributions (tax benefits)

Paycheck example - pretax vs. post-tax Roth deductions



	Saving pretax	Saving post-tax
Gross income	\$ 1,730	\$ 1,730
RIC contribution (pretax)	\$ -\$100	\$ 0
Taxable income	\$ 1,630	\$ 1,730
Federal tax*	\$ -245	\$ -260
State Income tax*	\$ -82	\$ -87
FICA	\$ -132	\$ -132
Income after taxes	\$ 1,171	\$ 1,251
RIC Roth contribution (after-tax)	\$ 0	\$ -100
Take-home pay	\$ 1,171	\$ 1,151

*Assumes tax rate of 15% federal & 5% state

Contributions (tax benefits)

Which option is right for me?

The answer is different for everyone. A number of factors may influence what is right for you such as:

- Age/years to retirement
- Current tax rate/need for current tax relief
- Projected tax rate at retirement
- Possibility of fewer tax deductions in retirement yes
- Projected earnings no
- maybe



Contributions (tax benefits)

Which option is right for me?

Basically, you must answer the question of whether you want to pay taxes on your savings dollars now or later.

If you aren't sure which option is best suited to meet your savings goals, schedule a meeting with your financial advisor or tax professional.



Contributions (tax benefits)

Savers Tax Credit

You may be saying **"I can't afford to save!"**. Consider the benefit of the Savers Tax Credit designed to help low-to-middle income earners save for their retirement.



You may be qualified to receive up to a \$2,000 credit against taxes owed if your adjusted gross income does not exceed limits shown here.

	2012
Filing jointly	\$57,500
Filing single	\$28,750
Filing Head of household	\$43,125



Contributions (roll-ins)

Outside retirement plan assets may be rolled into RIC at anytime. Assets rolled into RIC may be rolled out without restrictions.

457 assets from previous government employer plans may be rolled into your RIC 457



IRA, 401k, 403b, etc. assets may be rolled into your RIC 401a account

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

 Roth IRAs are not eligible for roll-in to RIC.

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RIC participants enjoy control over

- Contributions/Roll-ins
- Investment mix
- Distributions
- Enrollment/Changes



Please Note:

- Provider representatives are your best source of information about the investments being offered.
- The State of Iowa does not give investment advice.
- Examples used in this presentation are for illustrative purposes only.
- All investments involve some degree of risk; ask your providers what risk is associated with the investments in your portfolio.



Investments

Selection process

RIC conducts a public competitive bid on behalf of participants to determine which providers will offer investment products and services.

Providers must meet minimum standards:

- Well-diversified, competitive fund line-up
- Restriction-free and penalty-free investments
- Flexible distribution options
- 24/7 internet and phone account access
- Investment planning tools
- Low costs
- And more



Investments (providers)

Successful bidders are referred to as RIC “active” providers. All funds must meet investment policy standards and undergo annual reviews.

Each RIC provider offers 25+ diversified investments. Investment advisors are available to explain the options at no additional cost!



Investments (fund categories)

Providers offer investments in all these categories to help investors diversify to spread risk and maximize return-choose one or many.

Bond (Income)

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

Stock (Growth)

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

International

- Intern'l Developed Mkts
- Intern'l Emerging Mkts
- World

Alternative

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

Stock/Bond (Balanced)

- Traditional Balanced
- Lifecycle (target date)



Investments (fund types)

Providers offer fixed rate and variable rate funds.

 Fixed rate accounts are composed of a variety of debt investments that earn an average rate (say 5.50%). Provider expenses are paid and you receive a declared portion of that rate (say 3%) for fixed period of time. Your principal amount does not fluctuate. Rates are guaranteed by the provider. There are no fees.

 Variable rate "mutual" funds are professionally managed pools of investments. Values fluctuate with the performance of the investments held in the funds. Principal and earnings are not guaranteed. Fund management fees apply.



Investments (fund managers)

Variable rate investments (mutual funds) are professionally managed by top-performing investment managers such as:



Total variable rate fund fees in the Iowa RIC plans range from .06% - 1.59%. RIC fixed rate accounts have no fees.



Investments (provider summary)

Additional information is available on the [RIC website](#).



All funds are listed for you on the [RIC At-A-Glance](#).



Investments

How do I invest?

Everyone is different. Your investment mix and potential for earnings largely depends on your:

- Risk tolerance
- Retirement goals
- Timeframe for investment



Provider representatives can help you determine what type of investor you are.

Investments

How do I invest?

Your risk tolerance and savings goals will likely change over time and so can your investment mix. Ask an investment advisor to help you.



Growth portfolio

Income portfolio

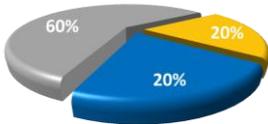
Investments (investor styles)

- Concerned with preserving original value
- Unable to tolerate more than minimum risk
- May have a short time until retirement
- No ability to weather short-term market setbacks



Investments (investor styles)

Portfolio example



- Fixed income accounts
- Short-term bond funds
- Balanced funds



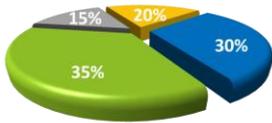
Investments (investor styles)

- Concerned with steady investment growth
- Able to tolerate moderate amount of risk
- Retirement time horizon of 10-15 years
- Some ability to weather short-term market setbacks



Investments (investor styles)

Portfolio example



- Fixed income accounts
- Short/intermediate-term bond funds
- Balanced funds
- Large company stock funds



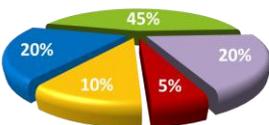
Investments (investor styles)

- Concerned with maximum growth
- Able to tolerate a substantial amount of risk
- May have longer retirement time horizon
- Ability to weather short-term market setbacks



Investments (investor styles)

Portfolio example



- Long-term bond funds
- Balanced funds
- Stock blend funds
- International funds
- Sector funds



Investments (risk)

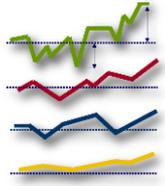
Be aware of the risks associated with all investments. Ask your provider to explain them.

Mid-small co stock funds,
international and sector funds

Lg co stock, growth & income funds

Corp bond, income, balanced funds

US gov't bond and money market
funds, fixed rate accounts



US treasury bonds, CD's or money markets at an FDIC insured bank, savings bonds, savings, checking are not available in RIC



Investments

Total portfolio

Be sure to let your advisor know if you have other investments so that your RIC funds complement what you already have.

- Money market at bank
- Credit Union savings account
- CD at bank
- Savings bonds/safety deposit box
- Annuity with insurance company
- RIC account
- IRAs
- Spouse's 401(k)
- Stocks in a brokerage account
- Mutual funds at investment firm



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Distributions (in-service)

Distributions while employed:

- Unforeseeable Emergency
 - Must meet strict federal guidelines
 - Funds available from your 457 account only
- Eligible cash out provision
 - Total 457 balance must be \$5,000 or less
 - No contributions in the previous 24 months
- Age 70½
- Service credit purchase (pretax 457 assets only)

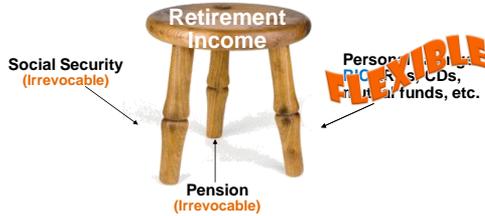


[Distributions while employed](#)

Distributions

At separation from employment

RIC is the flexible part of your income.



Distributions

At separation from employment

You choose how much and when you want your money.

- Leave assets invested*
- Take taxable distributions
 - Lump sums (total or partial)
 - Flexible periodic payments
 - Lifetime payments
 - Any combination



- Roll to an IRA or employer plan

Distributions requests are made directly to your provider.
RIC authorization is not required.

*IRS minimum distributions must begin at age 70 ½ or retirement, whichever is later.

Taxes

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



Pretax 457 contributions and earnings are taxable.

Post-tax 457 Roth contributions and earnings are tax-free if distribution is qualified.

Qualified distribution:

- A distributable event has occurred (leave employment, turn age 70%, qualify for cash out);
- Roth account has been open for 5+ years; **and**
- You are age 59 ½+ or disabled

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

Taxes

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



Pretax 457 contributions and earnings are taxable.

Post-tax 457 Roth contributions and earnings are tax-free if distribution is qualified.

Pretax 401a rollover assets are taxable. IRS 10% penalty may apply prior to age 59 ½.

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Enrollment

Enrollment is always open!

Beginning July 1, 2012, all contributions will be directed to established accounts with the new RIC 457 plan provider products.

RIC providers supply everything you need to open your accounts and begin payroll deductions. Ask the provider to help you through the process.



Enrollment

3 options for enrollment

- Request a **meeting** with a provider (recommended).
- Request an enrollment kit by **mail**.
- Access provider forms **online** (if available).

4 steps to enroll:

Choose a provider



Choose an amount



Choose investments



Complete applications



Enrollment (choose a provider)

Choose a provider

RIC providers meet bid requirements, undergo annual investment reviews, and offer:

- Guaranteed rate accounts
- 25+ mutual funds
- Target Date/Lifestage funds
- Investment planning tools
- Investment advisors
- Online account access
- Self-Directed Brokerage Option*



*\$50 annual fee and possible transaction costs. May buy & sell individual securities.

Changes (terminated plan)

Assets in GRMCs terminated 457 plan must be moved out by June 30, 2013. You may choose to:

- Roll your assets into a new RIC 457 account
- Take assets as cash (taxable)
- Roll your assets to another retirement plan



Changes (payroll deductions)

Payroll deduction change requests are made by completing the *RIC Account Form* and submitting it by fax or mail to your payroll office.

[RIC Account Form](#)



Changes

All other changes are made directly with the providers

- Fund elections for existing assets
- Direction of future contributions
- Beneficiaries
- Investment advisors
- Name and address
- Providers (to a different active provider)
- Various distribution options at termination from employment



Your plan details

You may access your plan's RIC Account Form, Plan Summary, provider information, etc. on the GRMC webpage. **Click next when you are finished.**

Web Object Placeholder
Address:http://ric.iowa.gov/457/index_GRMC.html
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RIC participants can now do more

ENROLL TODAY!

- Enrollment
- Distributions
- Enrollment/Changes

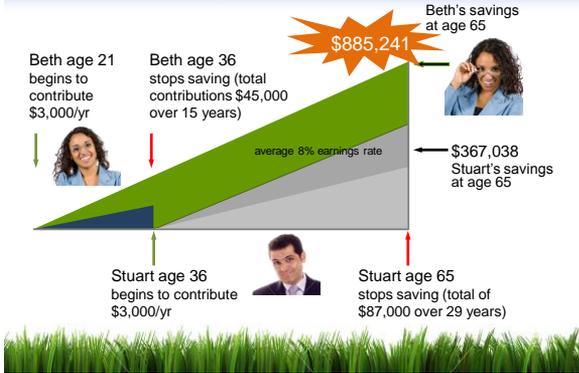


Take charge of your future

TIME IS MONEY



Time is money



ENROLL TODAY!

 **800-528-9009**

 **800-555-1970**



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