DON'T WORRY, RETIRE HAPPY

Getting Ready to Retire and Take Income

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

Department of Administrative Services
Empowering People
Collaboration
Customer Service

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

Program review

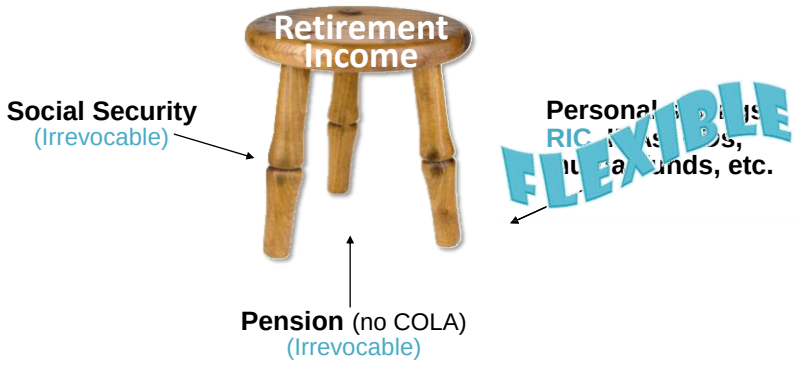
The Iowa **Retirement Investors' Club (RIC)** is administered for the exclusive benefit of all participants and beneficiaries.

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 *deductions*	No withholding	Regular income tax withholding
Immediate tax benefit	Lower taxable income reported	None
Tax treatment of *earnings*	Tax-deferred until withdrawn as cash	Tax-free for qualified distributions

Don't need new account for Roth

*This is not a Roth IRA

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

Once you leave employment, your RIC deferred compensation assets are yours! There are no product restrictions or surrender penalties.

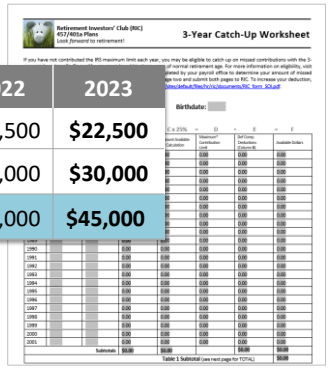
RIC plans provide great benefits throughout your retirement years!

It's important to be familiar with your RIC plan benefits so you can make informed decisions about your income and investments.

Contributions (limits)

3-Year Catch-Up (3YCU)

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


Retirement Inventors' Club (RIC)
457/401a Plans
Look forward to retirement!

3-Year Catch-Up Worksheet

If you have not contributed the IRS maximum limit each year, you may be eligible to catch up on missed contributions with the 3-
of normal retirement age. For more information on eligibility, visit
ned by your payroll office to determine your amount of missed
ge box and submit both pages to RIC. To increase your deduction,
tent/Sites/default/files/fy15/documents/RIC_form_3CU.pdf

Birthdate:

| | | |

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.

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

corebridge financial (formerly AIG) | EMPOWER RETIREMENT | Horace Mann | VOYA FINANCIAL

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)
- Interm-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

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All options fall into 2 main categories

Fixed Rate

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

Mutual Funds

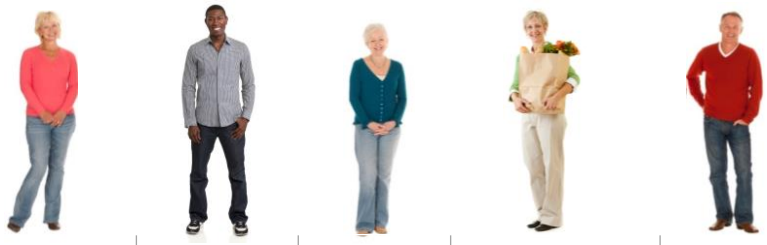
- Variable Rate
- Degrees of market risk
- No restrictions/maturities
- No sales charges or loads

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

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

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!**

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 your money out until you want it or turn age 72*, whichever is first.

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

You choose how much and when and how you take your money.

Consider what's most important to you…

*Required Minimum Distribution - IRS requires annual minimum distributions begin no later than April of the year following the year you attain age 72 or retire, whichever is later.

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.
- Eligible roll-ins are accepted at anytime.

In retirement (stay invested)

Staying invested in RIC

IRS Required Minimum Distributions (RMD)

- You are required to take minimum annual distributions when you reach your IRS required beginning date and have left employment.
- Failure to begin distributions on time may result in an IRS penalty on the RMD amount.
- Unused assets remain invested and available for additional distributions unless you annuitize.

In retirement (take income)

Once you leave employment, you may take cash 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)

They're looking for you

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.

In retirement (IPERS purchase)

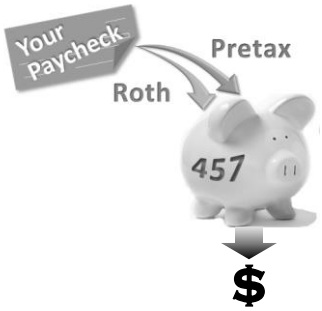
Service Credit Purchase

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

Rollover is non-taxable. Roth assets are not available for service credit purchases.

Taxes

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

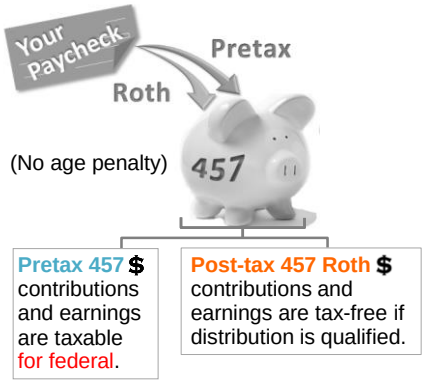


Mandatory withholding - minimum income tax withholding of 20% federal and 5% state*

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

Taxes

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



Qualified Roth Distribution:

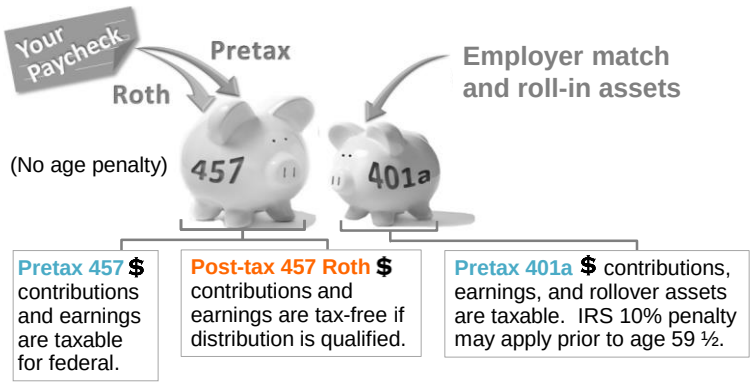
Roth earnings are tax-free if:

- 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.



Benefits for all ages

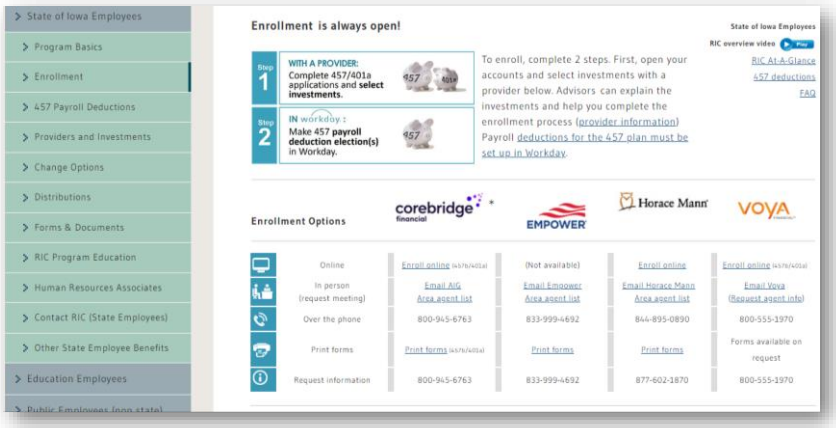
Even if you are less than 5 years from retirement…

- 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!

Enrollment

Enrollment is always open



View RIC Enrollment and Providers & Investments for additional information.

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.
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