

457

*Are taxes stunting your growth?*

Do you suffer from a “wait” problem?

# Invest in Your Future with City of Tampa Deferred Compensation



# It's long term

You may access your money upon...

- Retirement
- Leaving employment
- Death (Proceeds payable to your Designated Beneficiary)
- Unforeseeable financial emergency

Withdrawals will be taxed at ordinary income tax rates.

# Catch-up

- Increase your deferral using the Catch-up provisions
- Two ways to catch-up, but you can only use one at a time
  - Age 50+
  - 3 years prior to normal retirement age
- Must be at maximum to use
- Allows large annual contributions

# Traditional 3-year catch-up

- Actual limit based on under-utilized deferrals from previous years
- Can be used in each of the three years prior to normal retirement age

Calendar year	Normal maximum allowable	Catch-up maximum allowable	Total maximum allowable
2009	\$16,500	\$16,500	\$33,000

# 50+ Catch-up

- For those 50 years of age and older
- Cannot be used with Traditional catch-up

Calendar year	Normal maximum allowable	50+ additional catch-up amount	Total maximum allowable
2009	\$16,500	\$5,500	\$22,000

# DROP At Retirement

- Money in the DROP can be paid as a lump sum (partial or full) or it can be:
- Rolled into your 457 plan
  - Creates a sub-account
  - Treated the same as other rollover vehicles, such as 401(k), 403(b), IRA, etc...

# Distribution decisions

When must I begin receiving the money?

- You must begin payment after you reach age 70½ if you are no longer employed

# Income option a.:

## Future payout election date

- Defer withdrawing your funds: dollars in the plan continue to work for you
- Good legacy planning for family, charity
- Above all, enjoy retirement!



### **CAUTION: RMD applies!**

Begins at age 70-1/2; 50% penalty if amount withdrawn is less than required

# Income option b.:

## Lump-sum withdrawal

- Receive the value of your account as a lump sum
- Opt for initial, partial lump-sum and receive the remainder as a stream of regular payments



**CAUTION!** Taxes are paid on whatever is not rolled into another qualified account; large-sum withdrawals may throw you into a higher tax bracket!

# Income option c.:

## Systematic withdrawal

- Regular income and opportunity to invest to beat inflation
- Money has the opportunity to grow tax-deferred
- Ability to select investments
- Remaining balance can be left to designated beneficiaries
- Taxes paid only on what is withdrawn as it is withdrawn



**Caution!**

Chance you could run out of money!

# Income option d.: Annuitization

## Annuity

- An insurance contract
- Provides periodic income at regular intervals for a defined period of time
- Guaranteed lifetime income\* with some options
- Tax-deferral on growth of undistributed assets



**Caution!** Limited access to your money!  
Once chosen, this option cannot be changed!

\*Guarantees are subject to the claims-paying ability of the issuing insurer

# Need help?

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**Thank you for attending this  
workshop today.**

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