

Understanding Your Distribution Options

Wisconsin Deferred Compensation (WDC) Program



WHEN YOU BECOME ELIGIBLE FOR A DISTRIBUTION YOU GENERALLY HAVE THESE OPTIONS:

1. Leave your money in your WDC account
2. Take a distribution
3. Roll over to your new employer's plan or an individual retirement account

More detailed information about these options is available on the other side of this page

The most important decision to consider is whether to leave your money in a tax-deferred account until retirement or take it out and pay the income taxes.

For example, if a 45 year-old participant leaves a balance of \$50,000 in a tax-deferred account with a hypothetical 8% average rate of return per year until age 65, that participant would have \$233,048 when he or she retires.¹ While you may have good intentions of investing your retirement money after taking a distribution, the fact is that most people spend it.

The table to the right shows the potential growth that could be missed if a participant cashed out all of his or her retirement plan account balance at age 45.

Potential Growth Rates Compounded Annually¹

Age	Account balance assuming a 4% rate of return	Account balance assuming a 8% rate of return
45	\$50,000	\$50,000
55	\$74,012	\$107,946
65	\$109,556	\$233,048

Now let's look at what could happen to that \$50,000 if the participant took a full or lump-sum distribution.

A mandatory 20% of the distribution, or \$10,000 would be withheld to "pre-pay" the federal income tax. However, more or less than 20% may be owed, depending on the participant's specific tax situation. Let's say he or she is in the 25% tax bracket. The participant will owe an additional 5%, or \$2,500, as illustrated to the left. Your distribution is also subject to state income taxes, which are not included in this calculation.

The Impact of Taxes	
Gross Distribution	\$50,000
Federal Income Tax (Mandatory Withholding of 20%)	(\$10,000)
Federal Income Tax (Additional 5% Assuming 25% tax bracket)	(\$2,500)
Net Distribution	\$37,500

¹ For illustrative purposes only. This hypothetical illustration assumes 4% and 8% average annual return and reinvestment of earnings, with no withdrawals. It does not depict the performance of any particular security and is not intended to predict or project future investment results. Withdrawals of tax-deferred accumulation are subject to ordinary income tax. Taxes have not been calculated in this illustration. This illustration does not include any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.



Understand the Impact of Your Decision

Before taking a distribution, consider some pros and cons of each option.

Call (877) 457-WDCP (9327), option 2, to speak with a representative who can help you sort out your options!²

Option	Tax Consequence	Pros	Cons
Leave your money in the WDC.	None until distributed from the WDC.	<ul style="list-style-type: none"> • Money is tax-deferred. • You can access your account balance at any time. • Plan may offer diverse selection of investment options. 	<ul style="list-style-type: none"> • Contributions cannot be made to the WDC after severance of employment.
Take a distribution	<ul style="list-style-type: none"> • A mandatory 20% federal withholding tax applies directly to distributions taken that could be eligible for rollover.³ • Distributions are taxed as ordinary income in the year received unless rolled into a new employer's plan or an IRA within 60 days of the distribution. 	<ul style="list-style-type: none"> • Money less taxes will be available immediately. • You can still elect to roll over into a new employer's plan or an IRA within 60 days.⁴ • Flexible distributions options including periodic payments and partial lump-sum. They are only taxed as distributed, and you can change payments as needed. • No early withdrawal penalty prior to age 59½. 	<ul style="list-style-type: none"> • Withdrawals are subject to ordinary income tax in the year of distribution. • A mandatory 20% federal withholding tax applies to distributions taken that are eligible for rollover.³ • No opportunity for further growth if money is not reinvested elsewhere.
Direct rollover to your new employer's plan or an IRA.	None until distributed from the new plan or IRA.	<ul style="list-style-type: none"> • Money is tax-deferred. • Plan or IRA may offer a diverse selection of investment options. • In an IRA and most plans, you control access to your savings. • Loans may be available from your new employer's plan. 	<ul style="list-style-type: none"> • A 10% early withdrawal penalty applies if you take a distribution from the new Plan or IRA prior to age 59½.⁵

² Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

³ Withdrawals are subject to ordinary income tax.

⁴ If you elect to roll over within 60 days, you will be responsible for replacing the 20% withholding.

⁵ The 10% early withdrawal penalty does not apply to 457 plan withdrawals.