



*Wisconsin Deferred Compensation Program*

## ***Ready to Retire?***

### *Understanding Your Distribution Options*

September, 2010



*Wisconsin Deferred Compensation Program*

## *Great-West Retirement Services®*

- Business unit of Great-West Life & Annuity Insurance Company
- Represents nearly 4.2 million participant accounts as of December 31, 2009
- Provides administrative, education and communication services
- Helps you understand and evaluate your financial situation
- Provides information to help you make financial decisions



## *Objective*

- Determine your retirement needs
- Learn what options are available
- Quick review of the WDC Program
- Determine tax consequences of various options
- Explore techniques to turn your investments into income



## *Determine Your Financial Needs*

- Shift from primarily saving and investing to ensuring that your money lasts
- Many people live 18 years or more in retirement <sup>1</sup>
- The number of people 65 and older will nearly double by 2034<sup>1</sup>
- We're leading more active lives than previous generations
- Costs are rising



<sup>1</sup> Social Security Administration, February 2009



## What Are Your Retirement Savings Goals?

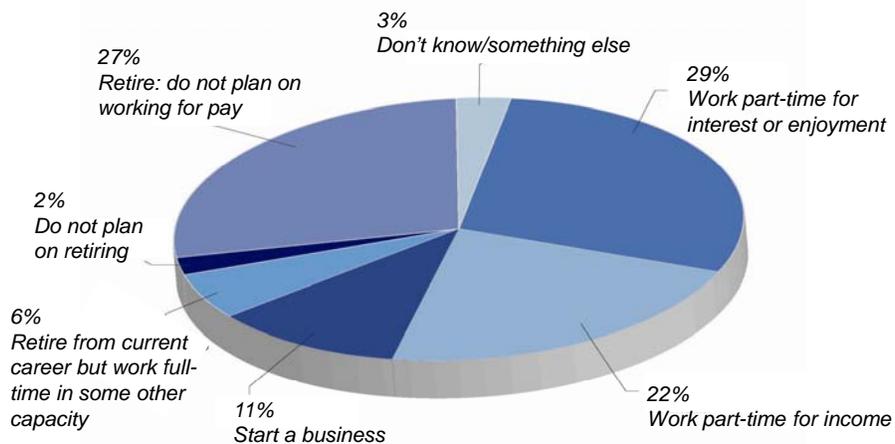
You may need about 70% of your current income in retirement <sup>1</sup>

- Will you continue to work part time?
- What expenses will be reduced or eliminated?
- Will you travel more or less?
- What about healthcare expenses?

<sup>1</sup> Source: <https://www.socialsecurity.gov/planners/morecalculators.htm>



## What Will Life in Retirement Mean to You?



Source: *Staying Ahead of the Curve*, September 2008



## Determine Expenses

- Mortgage or rent
- Transportation
- Food
- Utilities
- Taxes
  - ✓ Income
  - ✓ Property
- Insurance
  - ✓ Health
  - ✓ Auto
  - ✓ Home
  - ✓ Life
  - ✓ Long-Term Care
- Medical
- Travel/entertainment



## Medical Expenses

- They can vary widely depending on your health
- Determine your employer's retirement health insurance benefits
- Check out health insurance plans
- Check out long-term care insurance





## *Where Will Your Retirement Income Come From?*

- Pension plan(s)
- Social Security benefits
- Personal savings
- WDC program
- Plans from previous employers and/or spouse's retirement account(s)
- Individual Retirement Accounts (IRAs)
- Any other savings (bank accounts, CDs<sup>1</sup>, etc.)

<sup>1</sup> Certificates of deposit are insured by the FDIC for up to \$250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions



## *Closing the Gap*

You can:

- Delay retirement
- Put more into your retirement account
- Retire, but continue working
- Trade larger home for smaller one
- Refinance





## *Need to Catch Up Before You Retire?*

You can now contribute

- Up to \$16,500 in 2010

### Age 50+ Catch-Up

- Additional \$5,500 in 2010 if you're age 50 or older during a calendar year

### Standard 457 Catch-Up Contribution

- Within three years of normal retirement age
- Didn't contribute maximum amount in prior years of eligibility
- Can contribute up to double normal limit in each of last three years before normal retirement age, if eligible

*\* You can not use both Age 50+ and Standard Catch-up provisions in the same year*



## *Enroll in the WDC . . . it's never too late!*

- A tax-deferred savings plan
- Convenient payroll deduction
- No minimum amount to contribute
- Wide array of investment options
- Convenient account management
- No early withdrawal penalty
- Professional service

*Withdrawals are subject to ordinary income tax*



## Investing During Retirement<sup>1</sup>

### Consider your time horizon

- How long until you will want/need to retire?
- How long until you plan to start taking withdrawals?

### Some suggestions

- Think conservatively, but still consider investing in stocks
- Search for investments that provide income **and** keep ahead of inflation
- Maintain sufficient cash equivalents to support two to three years of living expenses



<sup>1</sup> This is not intended as financial advice. 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.



## Taking a Distribution





## Qualifying Distribution Events

- Retirement <sup>1</sup>
- Severance of employment <sup>2</sup>
- Attainment of age 70½ <sup>2</sup>
- Death (upon which your beneficiary receives your benefits)
- Unforeseeable emergency <sup>1,2</sup>
- Transfer to purchase service credit
- No early withdrawal penalty for distributions *upon severance of employment* prior to age 59½

*Each distribution is subject to ordinary income tax except for an in-service transfer to purchase service credit*

<sup>1</sup> Withdrawals are subject to ordinary income tax.  
<sup>2</sup> As defined and allowed by your Plan and the Internal Revenue Code.



## When you leave service you can

- Leave your money in the WDC
- Take a distribution<sup>1</sup>
- Roll over or transfer into new employer's plan or to an IRA

<sup>1</sup> Withdrawals are subject to ordinary income tax. Amounts withdrawn prior to age 59½ may be subject to a 10% penalty tax. The 10% early withdrawal penalty does not apply to 457 plan withdrawals.



## Leave Money in the WDC

- Can leave it until age 70½ or retirement, whichever comes later
- Wide array of investment options
- Transfer among options and use advisory services
- Web site, education
- Establish withdrawal strategy and adjust it to your needs



## Impact of Tax Deferral

Annual Growth: Potential Growth Rates Compounded Annually		
Age	5%	8%
55	\$50,000	\$50,000
65	\$82,350	\$110,982
70	\$105,685	\$165,346

FOR ILLUSTRATIVE PURPOSES ONLY. This illustration is hypothetical and does not represent the performance of any investment options. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The accumulations shown above would be reduced if these fees had been deducted. This hypothetical illustration is assuming a \$50,000 starting balance and a 5% annual rate of return or 8% annual rate of return respectively, compounded monthly, and with no withdrawals.



## Distribution Options<sup>1</sup>

- Lump-sum distribution
- Partial lump-sum distribution, then stream of payments
- Periodic payments
- Required minimum distributions
- Roll over to another eligible plan or to an IRA

<sup>1</sup> Withdrawals are subject to ordinary income tax.



## Lump-Sum Distribution

- Mandatory 20% deducted for federal income tax
- May owe more, depending on tax bracket
- Investments and any earnings are no longer tax-deferred
- Money is available (less taxes and any applicable penalties)

Account Balance	\$50,000
Mandatory 20% Federal Income Tax Withholding	\$10,000
Potential 5% additional tax owed	\$2,500
What's Left	\$37,500

FOR ILLUSTRATIVE PURPOSES ONLY.  
Assumes a \$50,000 account balance, Age below 59 1/2 and a 25% federal income tax bracket



## *Partial Lump-Sum Distribution*

- Take portion of balance as distribution
- Single check
- Fully taxable that year



## *Periodic Payments*

### Equal amounts

- Select dollar amount
- Select how often
- Payments continue until money is gone
- Number of payments varies

### Specified period

- Select how often
- Payment amount varies (depending upon length of time, periodic basis and rate of return)

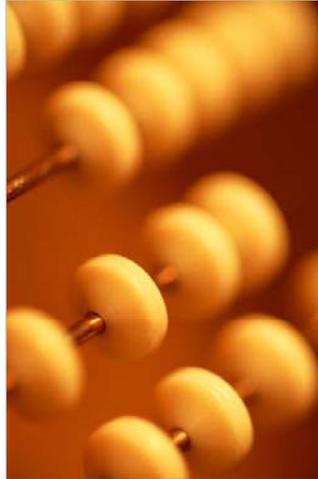
### Taxable payments





## *Periodic Payments*

- Withhold federal income tax
- Any earnings that remain in the WDC continue to be tax-deferred
- Continue to transfer money among options
- Retain access to services provided by the WDC
- May change election
- Can take a partial lump-sum withdrawal at any time



## *Required Minimum Distribution*

- Must be taken by April 1 of the year after the later of the year you turn 70½ or the year after you retire
- After that, at least once a year - on or before December 31
- Excise tax—50% of difference between what was taken and what should have been taken
- We can calculate for you and send your payment





## Rollover or Transfer

- To new employer's eligible plan (if allowed)
- To IRA
  - May incur higher fees and/or have limited investment selection
  - Evaluate investment choices and fees
- Roll in from previous employer's plan(s) and/or IRA at any time
- Contact us at:
  - [www.wdc457.org](http://www.wdc457.org) or
  - (608) 241-6604



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## Take Advantage of All WDC Benefits

- Increased contribution limits and catch-up opportunities
- Your local representative
- Group and one-on-one meetings at work locations
- Quarterly statements
- Advisory Services
- The WDC's Website:
  - ✓ DreamTracker<sup>SM</sup> calculator
  - ✓ Dollar Cost Averaging<sup>1</sup> on-line
  - ✓ Rebalancer<sup>2</sup>
  - ✓ Reality Investing Advisory Services
  - ✓ Retiree Resources tab on website
- Rollover other retirement accounts

<sup>1</sup> Dollar cost averaging does not ensure a profit and does not protect against loss in declining markets. Investors should consider their financial ability to continue a dollar cost averaging plan during periods of fluctuating price levels.

<sup>2</sup> Rebalancing does not ensure a profit and does not protect against loss in declining markets.



WDC Wisconsin Deferred Compensation Program

## Contact Us

### WDC Web site<sup>1</sup>

- [www.wdc457.org](http://www.wdc457.org)

### KeyTalk<sup>®1</sup>

- (877) 457-9327, Option 0
  - To make changes to your account and/or obtain a PIN for the website

### Madison office

- (877) 457-9327, Option 2
  - Discuss payout options
  - Complete paperwork
  - Update beneficiary information

### Local registered representative

- (877) 457-9327, Option 2



<sup>1</sup> Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.



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# Thank you!

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