WDC

Wisconsin Deferred Compensation Program

Retirement Planning: An Action Plan

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GREAT·WEST FINANCIAL

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Retirement: Long-Sought Goal or Looming Crisis?

- Employer-provided retirement plans are available to 65% of workers, yet only 48% choose to participate [1]
- Approximately 60% of workers indicate they have less than $25,000 in savings[2]
- 42% of workers often guess at how much they will need to accumulate for retirement, instead of doing a retirement needs calculation [2]

1 http://www.bls.gov/ncs/ebs/benefits/2012/ebbl0050.pdf, National Compensation Survey: Employee Benefits in the United States, March 2012
2 EBRI 2012 Retirement Confidence Survey, March 2012

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Defined Benefit Plans Are on the Wane

- The 2012 National Compensation Survey benefits data show that 19% of private industry workers had access to a defined benefit plan and 17% participated in a defined benefit plan [1]
- One-fourth of all private industry workers participating in a defined benefit plan are affected by a freeze of funds [1]
- Of all private industry workers participating in a frozen defined benefit plan, roughly 21% had a new defined benefit plan made available to them [1]

1 http://www.bls.gov/ncs/ebs/benefits/2012/ebbl0050.pdf, National Compensation Survey: Employee Benefits in the United States, March 2012

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Social Security Provides Only a Fraction of Retirement Income

Estimate of what a 50-year-old today, retiring at age 67, might expect in Social Security benefits, based on annual pay

Average Annual Pay	% of Annual Pay Replaced by Social Security	Estimated Monthly Benefit
$20,000	56%	$ 937
$40,000	42%	$1,416
$60,000	38%	$1,896
$80,000	33%	$2,167
$100,000	29%	$2,392

Source: Social Security Administration (www.socialsecurity.gov/OACT/quickcalc/index.html), November 2012. FOR ILLUSTRATIVE PURPOSES ONLY. This assumption is based on current age of 50 and retirement at age 67. This example assumes no future increases in prices or earnings.

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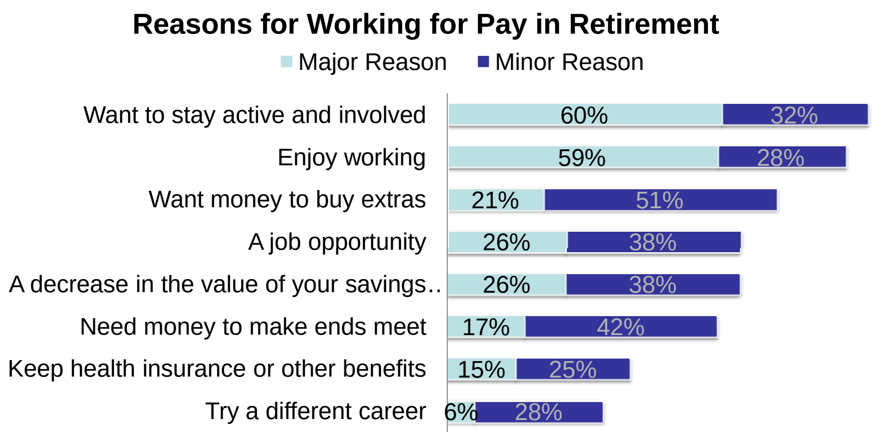
Will You Work in Retirement?

- 70% of workers plan to work for pay in retirement
- 27% of retirees report that they currently work in retirement



Source: EBRI, The 2012 Retirement Confidence Survey: Job Insecurity, Debt Weigh on Retirement Confidence, Savings; March 2012

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Is There Any Good News?

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Where Will Your Retirement Income Come From?

- Pension plan(s)
- Social Security benefits
- Personal savings
- The WDC
- Any other savings (bank accounts, CDs[1], etc.)
- Plans from previous employers
- Individual Retirement Accounts (IRAs)

1 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.

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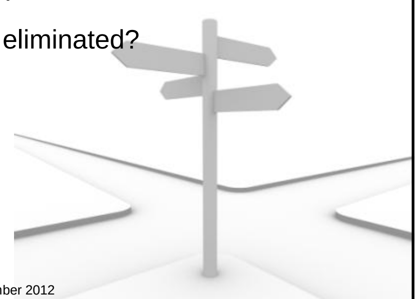
What Are Your Retirement Savings Goals?

Most financial planners say you'll need about 70% of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.[1]

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



1 Source: http://www.socialsecurity.gov/planners/benefitcalculators.htm#ht=1, November 2012

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Three Proven Strategies for Boosting Retirement Income

Introducing the “No-Duh” Strategy for Increasing Retirement Income

- Save more
  - Add more to your retirement income while you’re still working
- Spend less
  - Reduce expenses before and after retirement
- Make more
  - Consider postponing retirement, or work part time after retirement

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Add Some “Catch Up” to Your Retirement Savings Strategy

- If you are 50 or older, you may be eligible to make “catch-up” contributions
- Catch-up contributions allow you to continue to make additional contributions to your Plan beyond the annual contribution limit

Evaluate Your Investment Options

- As you get closer to retirement age, you may want to reduce the amount of riskier investments you carry in your portfolio
- The investment options with the highest return potential may not be the smartest options

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Keep Your Eye on the Prize

- Avoid unnecessary expenses
  - Convertible?
  - Fancy Vacation?
  - New Home?
- Plan for some initial pent-up retirement-related spending
  - You could actually spend more than you expect when you first retire

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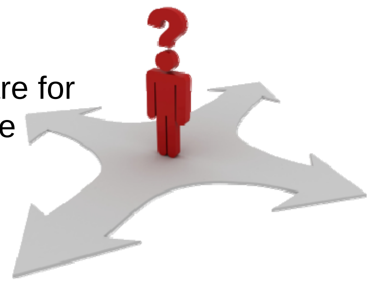
The Advantages of Staying Put

- By keeping your assets with the WDC, you have access to:
  - The same investment options
  - The same account management tools
  - The same planning tools
  - Flexible withdrawal options
  - Competitive fees
- The plan that helped you prepare for retirement can help you manage retirement



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Why Are We Here?

- Often, employees and retirees are approached by brokers or financial planners offering to manage their investments post-retirement
- Why?
  - Your WDC account balance is an attractive target for brokers
  - Brokers have tremendous incentive to move your retirement assets to their company
  - The bigger your account, the bigger a broker’s commission
  - Some brokers claim the change won’t cost you anything
  - Whose best interest does the broker have in mind?

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Protect Your Retirement Savings

- Your nest egg represents years of planning and saving
- Unfortunately, you may not be the only one who's interested in the income it can provide

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Has a Broker/Advisor Shown Interest?

Here are some suggestions and sample questions you should consider asking:

- Proceed with caution
- Ask the tough questions
- Why is a broker/company suddenly interested in me?
- Who benefits when I make a change?
- What happens when I make a withdrawal?
- What's the impact on my beneficiaries?

These are just a sample of questions you should consider asking

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Broker/Advisor Fees

These are some potential fees when utilizing a broker/advisor to manage your retirement account. Please ask about these fees before making an investment decision.

- **Administrative Fee:** covers the cost of managing an account
- **Investment Management Fee:** an expense that varies by investment option, which covers the cost of managing the fund, including trading and administrative costs
- **Commission (or Sales Costs):** fees paid to an investment provider or third party (investment advisor) to purchase, or exit, an investment
- **Contract Maintenance Charge:** a fee associated with insurance company annuity products
- **Account Management Fee:** typically charged for discretionary accounts, where the broker/advisor has permission to direct trades without your specific direction
- **Withdrawal/Surrender Charges:** 403(b) contracts can be written with back-end loads, resulting in potential penalties for withdrawals

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WDC Fees

- The WDC offers a competitive fee structure
- Very competitive administrative fees: $0-$66 per year
- No commissions or front-end loads
  - *WDC representatives do not receive commissions on your account*
- Strength in numbers
  - *Economies of scale help keep fees very competitive*
- Competitive fees could make the WDC a good option for consolidating retirement assets
- Other fees may apply for optional services (e.g. Reality Investing)
- Fund management and operating expenses vary by investment option

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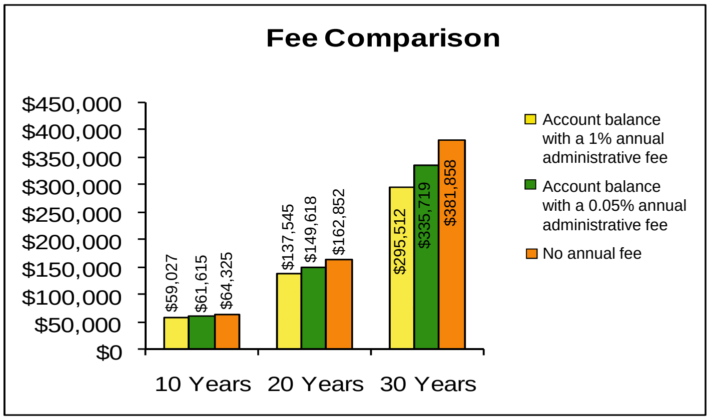
Fees: Even Small Differences Can Erode Your Gains



Source: Great-West Retirement Services®, 2012
FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes a beginning account balance of $20,000, contributions of $50 every two weeks, a hypothetical 8% annual rate of return, reinvestment of earnings, and no withdrawals. Rates of return may vary. The illustration only reflects hypothetical administrative fees and does not account for other 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.

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Make a Plan Comparison

Fee Type	WDC Program	Alternative
Annual Administrative Fee	$0-$66	?
Contract Maintenance Fee Mortality Back-End Sales Charge Front-End Sales Charge	$0	?
Withdrawal Fees	$0	?
Fund Management / Operating Expenses	Varies depending on investment option – most priced as institutional (lower cost)	?

Taxes and Penalties

- With an IRA, 401(k) or 403(b) plan, you face a 10% federal tax penalty for certain withdrawals prior to age 59½
- With the WDC, your governmental 457(b) Plan, you can withdraw 457(b) contributions and earnings at any time after you leave employment without incurring a 10% federal tax penalty (ordinary income taxes still apply)
- Consider a rollover to another qualified plan to avoid penalties and current taxes

Accountability: Who Chooses and Monitors Investment Options?

With the WDC:

- Your assets are held in trust for the exclusive benefit of WDC participants
- All investment options offered by the WDC are monitored quarterly by the WDC Board with assistance from an independent investment consulting firm
- They are responsible for ensuring that the WDC makes available a variety of appropriate and cost-effective investment choices

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Do Your Research

- A little research can save you a lot of money
- Common sense is still your best ally
- A real deal will still be there tomorrow
- Ask tough questions, and demand up-front answers.
- Be wary of individuals who call themselves "senior specialists"
- The WDC is there to serve you—even after you retire
- The same plan that helped you build your nest egg can help you manage it in retirement

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Important Decisions

- When do I start taking my distributions?
  - When I retire?
  - At a later date?
- Which distribution option will best meet my retirement needs?

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Distribution Options[1]

- Lump-sum distribution
  - Cash
  - Roll over to another eligible plan or to an IRA
- Partial lump-sum distribution
- Periodic payments
- Combination

1 Withdrawals are subject to ordinary income tax. A 10% early withdrawal penalty may apply to withdrawals made prior to age 59½.

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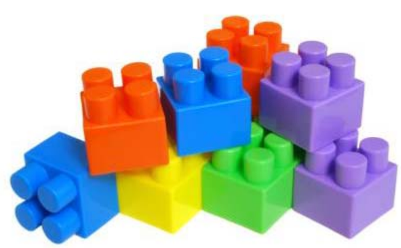
Lump-Sum Distribution

- 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)



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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

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Combination Payment Options

- Partial lump sum plus periodic payment
- Keep remaining funds in the WDC

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Partial Lump-Sum Distribution

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

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Required Minimum Distribution

- Must be taken by April 1 of the year after the year you turn 70½
- After that, at least once a year—on or before December 31
- If you don’t withdraw, there is an excise tax—50% of the required distribution that you didn't take
- Visit irs.gov for more about minimum distributions

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Remember:

- By keeping your assets in your WDC account, you have access to:
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  - The same account management tools
  - The same planning tools
  - Flexible withdrawal options
  - Competitive fees

- The plan that helped you prepare for retirement can help you manage retirement

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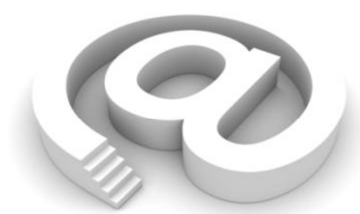
Manage Your Account



- Online at www.wdc457.org[1]
  - Retirement Planner
  - Dollar Cost Averaging[2]
  - Rebalancer[2]
  - Reality Investing® Advisory Services
- By phone at (877) 457-9327[1]
- Quarterly statements
- Local representatives

1 Access to the voice response system and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website or the voice response system received on business days prior to close of the New York Stock Exchange (4:00 p.m. Eastern Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

2 Dollar Cost Averaging and Rebalancer do not ensure a profit and do 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.

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Thank You For Watching