

# FIRST FINANCIAL GROUP OF AMERICA

## *Financial Awareness & Retirement Planning*

**IT'S ABOUT CHOICE.**

d

c

b

a

A hand in a light blue shirt is pointing towards a target icon labeled 'a'. The target icon consists of three concentric circles in shades of blue and yellow, with the letter 'a' in the center. Dashed white lines connect the target icon to the letters 'a', 'b', 'c', and 'd'.

I CHOOSE TO HAVE THE  
CHOICE OF HOW I RETIRE

*Retirement Planning*

# RETIREMENT PLANNING

*The Need*

# TRS – THE BASE REVIEW

*<https://www.trs.texas.gov/>*

TRS – <https://www.trs.texas.gov/>

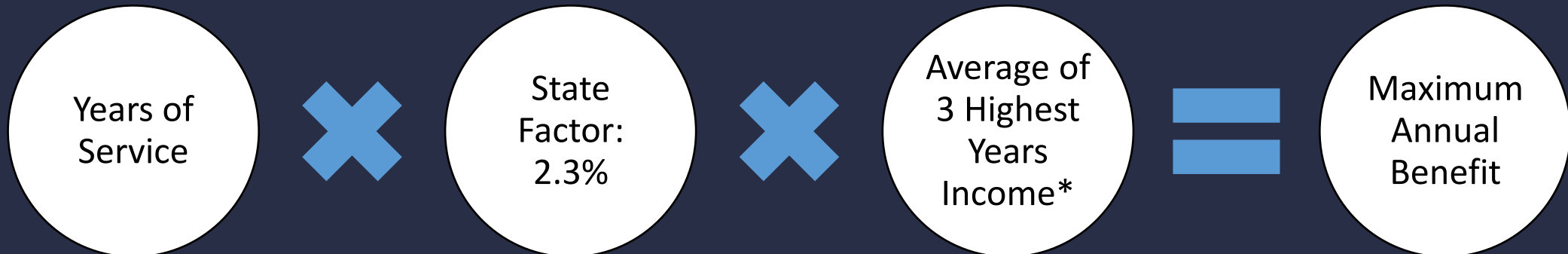
**TRS retirement values are determined by many factors:**

- When you became eligible for TRS Service Credit
- Your years of Service
- Your Age
- Your Income for those years

*For your individual status, contact TRS directly.*

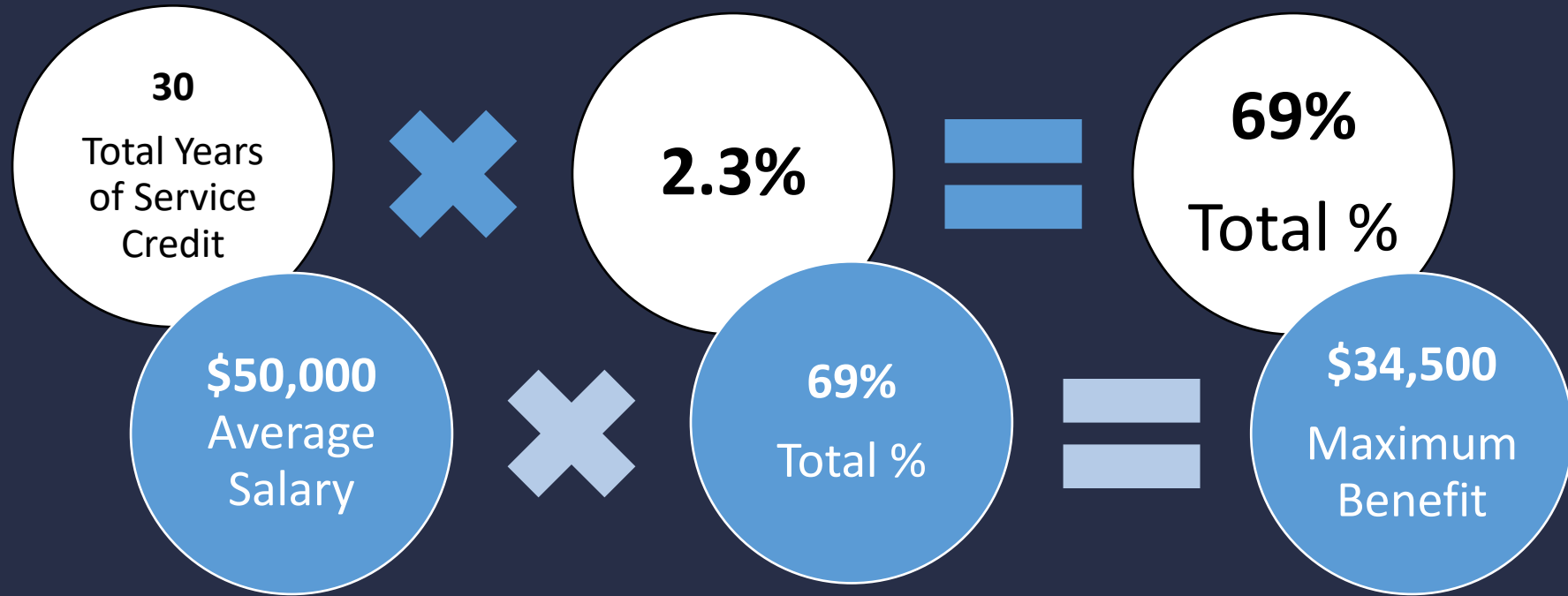
# Texas Teacher Retirement System

## STANDARD ANNUITY RETIREMENT FORMULA:



*\*Some employees must use 5 year average*

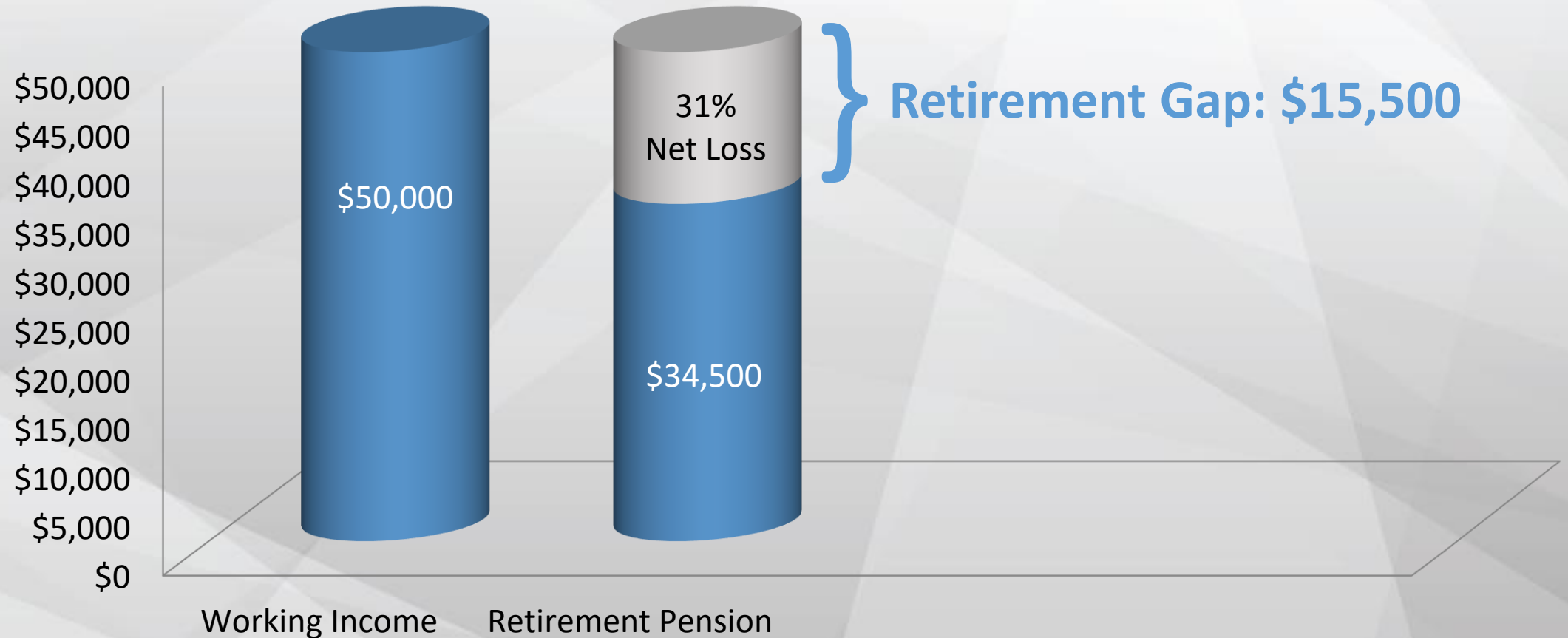
# Retirement Gap



**AVAILABLE RETIREMENT INCOME: \$34,500**

- Monthly Pension = \$2,875
- Pre Retirement Monthly Salary = \$4,167

# Retirement Gap Example:





# Helpful Links

Register or login to MyTRS

[https://www.trs.texas.gov/Pages/active\\_member\\_mytrs.aspx](https://www.trs.texas.gov/Pages/active_member_mytrs.aspx)

TRS Financial Awareness Video Series

[https://www.trs.texas.gov/Pages/403b\\_active\\_awareness\\_videos.aspx](https://www.trs.texas.gov/Pages/403b_active_awareness_videos.aspx)

Windfall Elimination Provision (WEP)

<https://www.ssa.gov/benefits/retirement/planner/wep.html>

I CHOOSE TO HAVE THE  
CHOICE OF MY FUTURE

*Bridging the retirement gap*

# BRIDGING THE RETIREMENT GAP

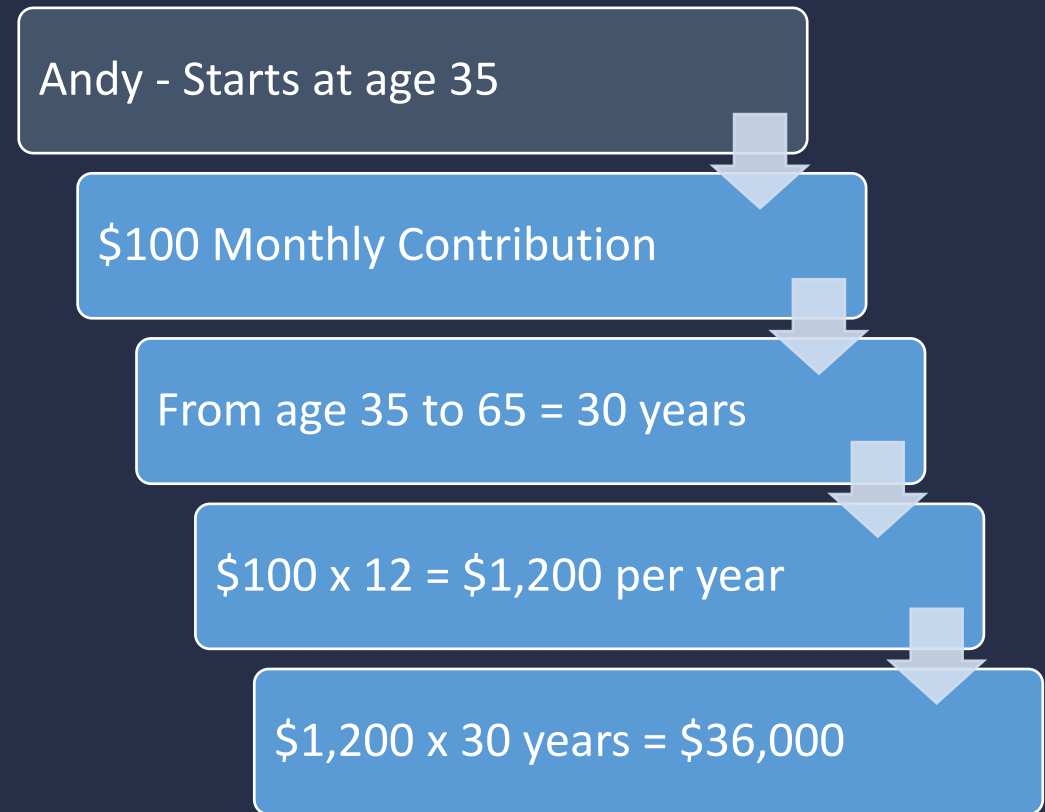
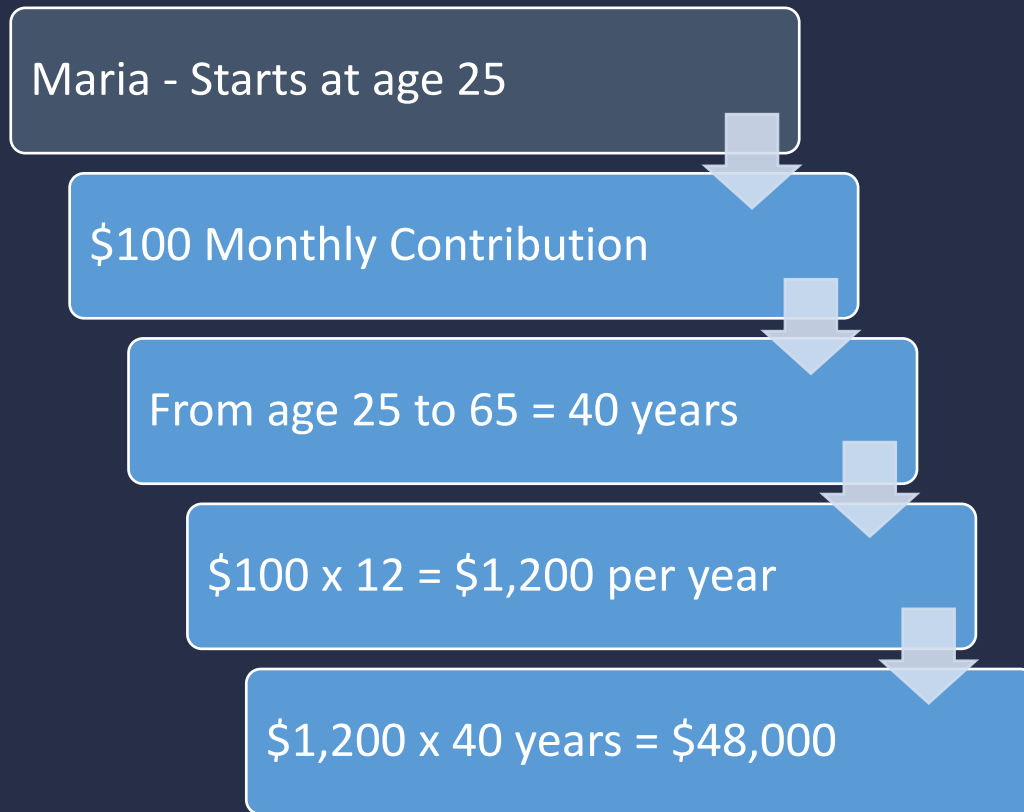
## *A Savings/Investment plan to supplement TRS retirement:*

- A Cookie Jar
- Bank/Credit Union Savings Account
- CD's, IRA, ROTH IRA
- IRS Tax Favored Retirement Plans
  - Payroll Deduction:
    - Most Effective
    - Painless

# HOW IT WORKS

*The math*

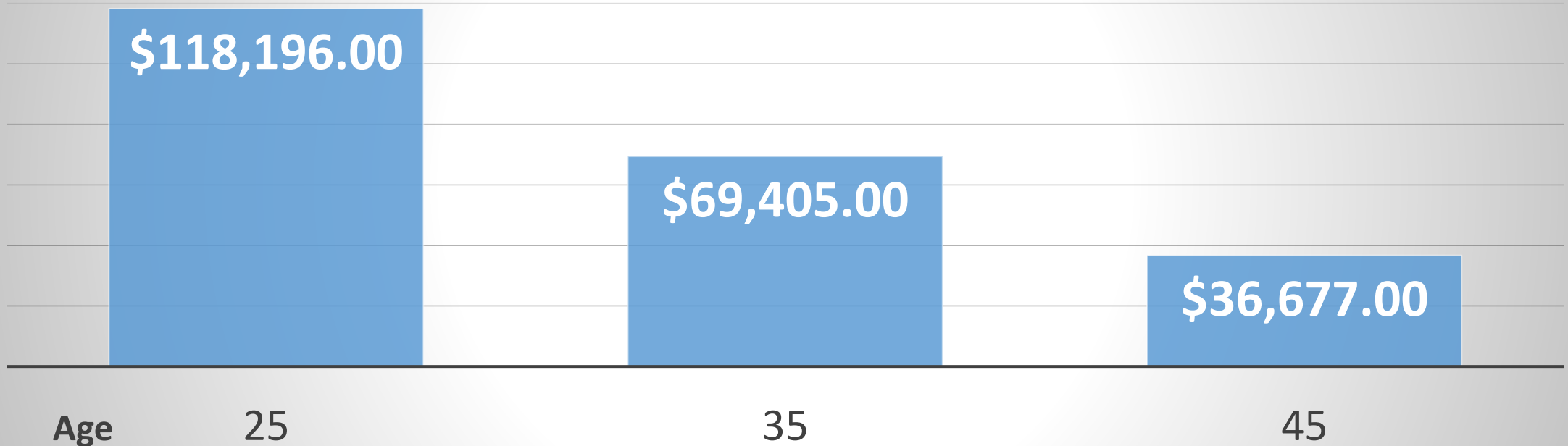
# Example: \$100 Monthly Saving Plan



# The HIGH cost of waiting!

*Maria has a gain of \$70,196 from the \$48,000 she invested. Andy's gain is \$33,405. By starting 10 years earlier, Maria has \$36,791 more than Andy. Start saving today! You cannot afford to wait!*

**\$100/month savings up to age 65 at 4% rate of return\***



*For illustration purposes only.*

*\*All investments involve some degree of risk. Annuities and mutual funds are offered by prospectus, which contains more complete information regarding the investment objectives, risks, charges and expenses associated with an investment in the fund. Please be sure and review the prospectus before deciding to invest.*

# 403(b) & 457 Savings Advantages

- Federal income tax deferred until savings distributed as income.
- Allows savings to grow tax deferred.
- Diversification during volatile times.
- Having a 403(b) and a 457 account allows the best of both worlds – different pots of money used different ways.

**Save Some Beans**

Go for a medium daily coffee instead of a large and the money you save could be better served towards your retirement fund. For example, downsize to invest \$40 a month in your retirement plan and you could have an extra \$41,000 by the time you retire!

Size Down

Save Big

\*Assumes 7% rate of return, a 2.5% inflation rate and 25 years to retirement.

# Q: HOW DOES A 403(B) COMPARE TO A 457 PLAN?

## 403(b) Plan

- Individual retirement plan
- 10% IRS penalty if withdrawn prior to age 59 1/2
- Multiple Investment options limited by TRS in Texas
- Investment choices vary depending on the company you elect.

## 457 Plan

- Employer sponsored plan
- No IRS penalty for withdrawals at separation from service from employer, regardless of age.
- Multiple investment options covering all asset classes
- Fixed and variable sub-accounts, and mutual funds



# What Questions Should I Ask?

- What are the fees associated with the account?
  - Annual administration charge? Market fees? Expense Ratios?
- Is there a surrender schedule?
- When I withdraw funds, am I charged a fee or penalty?
- If I take out a loan, what are the charges/fees?
- What are my distribution options when I retire?

# FAQ's

*Frequently Asked Questions*

# Q. HOW MUCH CAN I SAVE?

*You determine the amount!*

## 2022 IRS Limit:

- Maximum: \$20,500 per tax year
- Age 50 or older can save up to an additional \$6,500 year

# Q: I am close to retirement. *What can I do to make up for lost time?*

## 50+ Catch-up Opportunities


### Additional limits

<u>Year</u>	<u>Extra</u>
2022	\$6500

## Final 3 year Catch-up

### 3 Years prior to retirement

- Lesser of 100% of compensation or 200% of normal limit
- Cannot be used in addition to 50+ Catch-up
- Consult your agent



*Catch Up!*

If you are over 50 and maxing out your 401(k) contributions, fully contributing "Catch Up" amounts between now and retirement may allow you to save an additional \$159,400.

\*Assumes annual catch up contribution of \$6,000, 7% rate of return, and 15 years to retirement.

# Q: WHEN CAN I TAKE MY MONEY OUT?

A: Taking money out is called a “Distribution”

IRS regulations govern the rules for Distributions for both 403(b) and 457 plans.

Generally, Distributions are allowed for:

- Retirement/Separation from Service
- Financial Hardship/Unforeseen Emergency
- Permanent Disability
- Death

# Q: IS THE MONEY/DISTRIBUTION TAXABLE?

A: Yes, Ordinary Income Tax for both 403(b) and 457 plans.

- For 403(b) plans there is a penalty tax for distributions prior to age 59 ½, in addition to ordinary income tax.
- For 457 plans there is no age restriction for distributions once you are separated from service.

# Q: IS THERE ANY OTHER WAY TO ACCESS MY MONEY?

A: Yes.

Both 403(b) and 457 plan IRS regulations allow Loans

The availability of Loans depend on:

- The District's Plan Document governing 403(b) plans & The Company you select for your 403(b) plan.
- The District's Plan Document for 457 plans governs loans on the 457 plan.

*Ask your representative for details*

# Q: IF I LEAVE, CAN I TAKE MY PLAN WITH ME? IS IT PORTABLE?

A: The money in your plan is vested....it belongs to you, wherever you are employed. You may transfer/rollover OR use funds to ***purchase service credit from TRS.***

[https://www.trs.texas.gov/TRS%20Documents/brochure\\_texas\\_service\\_credit.pdf](https://www.trs.texas.gov/TRS%20Documents/brochure_texas_service_credit.pdf)

## Q: CAN I CONTINUE TO CONTRIBUTE TO MY PLAN?

A: In some cases, yes.

The ability to continue to contribute to your plan is governed by State and Federal Regulations and your new employer's plan documents governing their plans.

*Ask your representative for details*



*What's Next?*

***GET STARTED TODAY!***

Pay yourself first.

Request additional information and/or  
schedule an individual appointment

THANK YOU!