

# What to Consider When Making Your RCAB Pension Plan Choice

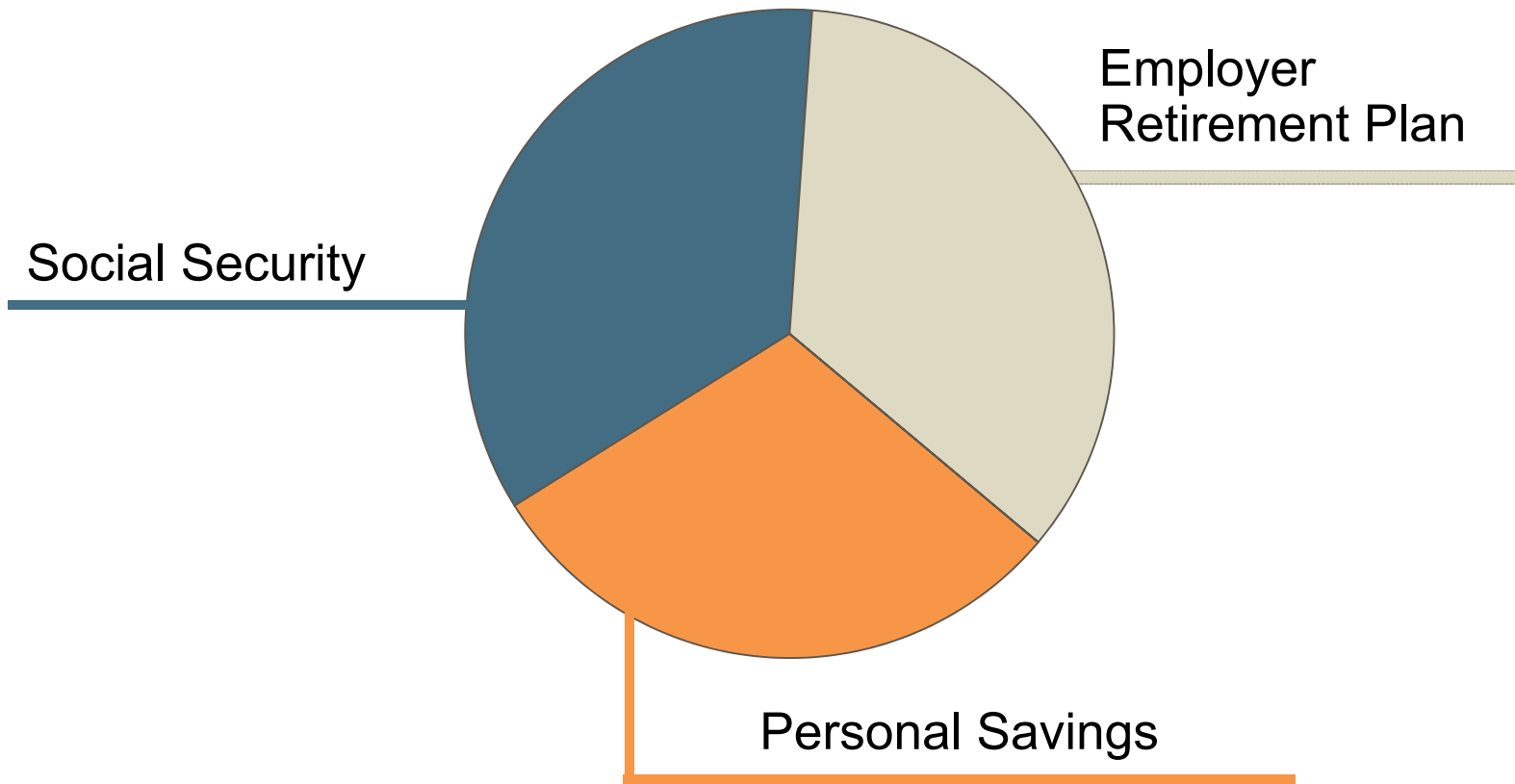
Presented by:



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# What Are My Sources of Retirement Income?



# Lump Sum or Annuity?



## Factors to consider . . .

1. Married or single?
2. Life expectancy?
3. Want to be able to designate someone other than a spouse as a beneficiary?
4. Have other sources of retirement income (i.e., spouse's retirement plans other employer plan, etc.)?
5. Have stable expenses in the near term?
6. Have stable expenses in the long term?
7. Own a home?

# Lump Sum or Annuity?



## Factors to consider . . .

8. How many years until planned retirement?

9. Would have difficulty managing expenses without a regular monthly check?

10. Have adequate insurance to protect assets and income in the event of death or disability?

11. Have an investment vehicle that will earn an appropriate rate of return for your lifestyle? Ex – annuities, mutual funds, other investment accounts?

12. Have the ability to treat a lump sum distribution as retirement savings, not a source for impulse spending?

# Money Management Factors To Consider



Do You...	Yes	No
1. Maintain a budget and live within it?	<input type="checkbox"/>	<input type="checkbox"/>
2. Review your tax status on a regular basis and minimize tax consequences where possible?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have enough money available to handle emergencies?	<input type="checkbox"/>	<input type="checkbox"/>
4. Have the discipline to reduce and eliminate debt?	<input type="checkbox"/>	<input type="checkbox"/>

# Which Is Best For You?

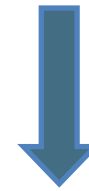


## Annuity



- Need a steady stream of income – now or in retirement

## Lump Sum



- Need money now
- OR
- Will allow money to grow tax-deferred for retirement in:
  - 403(b); or
  - IRA; or
  - Other qualified plan

# If Electing An In-Service or Immediate Annuity...



Monthly payments beginning **April 2018**

## For all RCAB Pension Annuities:

- Payment amount is fixed at time of election
  - **If under age 65, reduced for age and Plan funded percentage**
- Payments are considered taxable income (Federal and State) – 1099-R issued every year
  - **No 10% penalty if under age 59½ - life annuity exemption**
- Joint & Survivor *or* Single Life Annuity
- Tax withholding is not mandatory, but suggested

# For Those Electing A Lump Sum...



## Lump Sum

**Direct Transfer**

or

**Distribution**



**403(b) Plan, IRA or other  
Qualified Plan**

- Tax Deferred
- No Penalty



**Payable to the Individual**

- Federal Tax (mandatory 20% withholding)
- State Tax
- 10% Penalty if Under 59½\*



# Rollovers to RCAB 401(k) vs. IRA vs. Another Qualified Plan



	RCAB 401(k) Plan (if eligible)	Rollover IRA	Other Qualified Plan*
<b>Tax Status</b>	Tax Deferred	Tax Deferred	Tax Deferred
<b>Loans</b>	Available “Pay yourself back”	Not Available	May be available
<b>Withdrawal of rollover money</b> <i>Taxes and Penalties may apply</i>	Any time	Any time	Depends on plan design
<b>Investments</b>	See Investment Option List	Wide variety	Depends on plan selection

\* Plan rules vary

# RCAB 401(k)



- No maximum limit on rollover amount
- *Does not* affect annual contribution limit for 2018: **\$18,500 (\$24,500 if age 50 or older)**
- Can also roll over vested balances from other qualified plans
- Investment options selected by independent fiduciary to the Plan; options monitored and changed based on performance to benchmarks
- Can make choices among investment options, which can be changed over time
- One-on-one financial counseling sessions are available with TIAA

# Rollover IRA



- No maximum limit on rollover amount
- *Does not* affect regular IRA contribution limit for 2018: **\$5,500 (\$6,500 if age 50 or older)**
- Okay to co-mingle with other rollover money from qualified plans including:
  - **Pensions / 401(k) Plans / 403(b) or (TSAs)**
- Full investment options; some investment expenses may be higher than in employer-sponsored 401(k) or 403(b) plans
- Investment education usually not included in IRA fees

# Balancing Investments with Needs and Goals



Needs/Goals	Investment Type
Immediate	Cash
Short Term	Mix of Cash and Bonds
Intermediate	Balanced mix of Cash, Bonds and Stocks
Long Term	Mix of Cash, Bonds and Stocks based on risk tolerance



# Questions?