FUND YOUR FUTURE

THE BASICS OF YOUR RETIREMENT PLAN
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CREATE A FOUNDATION FOR YOUR FINANCIAL FUTURE

POTENTIAL BENEFITS INCLUDE:

- Tax-deferred investments
- Reduced current taxable income
- Employer matching contributions (if offered by your plan)
- Automatic payroll deductions

To maintain the quality of life you enjoy while working, it’s commonly estimated you will need at least 80% of your final salary once you start drawing annual income in retirement.

THE EARLY BIRD GETS THE WORM

Consider this scenario: A 21-year-old contributes $130 per month for 44 years ($68,640) and earns an average of 6% investment growth annually. At 65, the account balance is $337,634.

Getting a later start, a 35-year-old contributes $130 per month for 30 years ($46,800) with the same 6% annual growth. At age 65, the account balance is $131,240.

The 21-year-old contributed a modest $22,000 more and ends up with $206,394 in additional assets.

This example is hypothetical and does not represent the performance of any particular investment fund or product. Regular investing does not guarantee a profit or protect.

Source: bankrate.com/calculators
INVESTING FOR RETIREMENT

We understand. Kids, mortgages, credit card debt, unforeseen medical bills — there are many factors that affect your ability to save for retirement. However, if possible, strive to contribute at least 10% of your paycheck to take advantage of tax-deferred growth and the power of compounding interest.

HOW A RETIREMENT PLAN CAN WORK FOR YOU

Traditional retirement plans allow employees to invest for retirement on a tax-deferred basis by having contributions to their employer-sponsored plan deducted directly from their pay before taxes. Although you don’t typically pay taxes up front on the contributions you make to your retirement plan, the taxes are generally due when you withdraw your assets.

When retirement plan contributions are deducted before taxes, you typically only pay federal income taxes on the amount of your income remaining after the deductions. This reduces your overall taxable income, which may reduce your federal income taxes.¹

REDUCTION IN PAID INCOME TAXES ¹²

<table>
<thead>
<tr>
<th></th>
<th>EMPLOYEE 1 - NOT CONTRIBUTING</th>
<th>EMPLOYEE 2 - CONTRIBUTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual salary (Gross income)</td>
<td>$35,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>Plan contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3% deferral of eligible compensation)</td>
<td>$0</td>
<td>$1,050</td>
</tr>
<tr>
<td>Gross income less plan contributions</td>
<td>$35,000</td>
<td>$33,950</td>
</tr>
<tr>
<td>Federal income tax³</td>
<td></td>
<td></td>
</tr>
<tr>
<td>($437.50 plus 15% of amount over $10,425)</td>
<td>-$4,124</td>
<td>-$3,966</td>
</tr>
<tr>
<td>Summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total retirement contributions</td>
<td>$0</td>
<td>$1,050</td>
</tr>
<tr>
<td>Total reduction in paid income tax</td>
<td>$0</td>
<td>$158</td>
</tr>
</tbody>
</table>

This chart is for illustrative purposes only, and your circumstances may differ from this example.

Your contributions are then placed into the investment choices⁴ that you select and accumulate tax-deferred until they are withdrawn.

¹ Transamerica and its agents and representatives do not provide tax or legal advice. This material is for informational purposes and should not be construed as legal or tax advice. For legal or tax advice concerning your situation, please consult your attorney or professional tax advisor.

² The example in this chart was created using the following assumptions: (a) current gross annual pay is $35,000; (b) files as head of household; (c) has no other source of income; (d) 15% federal income tax bracket.

³ This example does not include FICA, Medicare, Social Security, and other pretax deductions.

⁴ All investments involve risk, including loss of principal, and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing.
MAKING CATCH-UP CONTRIBUTIONS

The IRS sets retirement plan contribution limits each year. If you are age 50 or older, you may be able to make additional “catch-up” contributions beyond the standard IRS limits. Making the maximum catch-up contribution every year could add significantly to your retirement account balance.

THE SAVER’S CREDIT

The Saver’s Credit is a federal government incentive to help you save for retirement. If you make eligible contributions to a retirement plan, you may be allowed to take this credit. The amount of the credit is determined by your filing status, your adjusted gross income, and your retirement contributions. This tax credit is only useful to tax filers who owe federal income tax, since no refund of excess credit is allowed.

To qualify for the Saver’s Credit you must meet these requirements:

- Age 18 or older
- Not a full-time student
- Cannot be claimed as a dependent on another person’s tax return
- Adjusted gross income (AGI) is at or below levels that are set by the IRS*
- Made eligible contributions to a qualified retirement plan, such as a 401(k) plan or an IRA

ACCESSING YOUR RETIREMENT ASSETS

Depending on your age and eligibility, the money in your retirement account may be available for withdrawal,** or you can leave it in the account and allow your assets to potentially grow. If your employer makes matching contributions to your retirement account, these matching funds may be subject to a vesting schedule. This means ownership of the matching contributions becomes yours over time with continued service to your employer.

BORROWING AGAINST YOUR RETIREMENT PLAN ACCOUNT

Though it’s not generally recommended, your plan may allow you to borrow from your account.**

Like a bank loan, the IRS requires you to pay interest on the money you borrow. However, the interest is credited back to your account. In other words, you pay it to yourself. Loan payments may be deducted from your paycheck, making it easy to manage. If your plan allows loans, and you are eligible to take a loan from your plan, you should consult your financial professional to determine if a loan is right for you.

* Visit IRS.gov for current AGI limits.

** Subject to legal and plan restrictions. See your plan documents for more details.

Plan loans and/or in-service withdrawals are subject to plan restrictions. You may have to provide documentation in order to qualify for certain plan loans or in-service withdrawals.
MAKING A HARDSHIP WITHDRAWAL

Your retirement plan may allow you to access your account if you experience a personal hardship, subject to IRS restrictions.* You must have exhausted all resources available to meet the need. Some reasons for a hardship withdrawal may also apply to immediate family members or primary beneficiaries, so check with your employer, or visit the IRS website (irs.gov) for current rules and restrictions.

The hardship must be a qualified “immediate and heavy financial need,” such as one of the following:

- Excessive medical expenses
- Purchase of a principal residence
- Prevention of eviction or foreclosure
- College tuition
- Certain expenses to repair damage to a principal residence
- Funeral expenses

Before making a hardship withdrawal, check with your employer and keep in mind the stringent IRS rules about this type of withdrawal. Still, this option may be available to you.

A hardship withdrawal is a distribution, so taxes are typically due in the year you receive the money. If you’re under age 59½, a 10% IRS early withdrawal penalty may also apply.

As with loans, hardship withdrawals should not be taken lightly. Saving for retirement requires a long-term commitment, and the IRS imposes some restrictions that may offset certain tax advantages.

* Subject to legal and plan restrictions. See your plan documents for more details.
Plan loans and/or in-service withdrawals are subject to plan restrictions. You may have to provide documentation in order to qualify for certain plan loans or in-service withdrawals.
WHAT HAPPENS IF I CHANGE EMPLOYERS OR RETIRE?

When you leave your employer due to retirement or for any other reason, you have several options:

- Roll your retirement account balance into your new employer’s plan, if your new employer’s plan permits rollover contributions
- Roll it over to an individual retirement account (IRA)
- Leave your retirement assets with your old employer’s plan (subject to certain restrictions)
- Take the money in a lump-sum distribution

If you transfer your retirement account balance into a new employer’s plan or into an IRA, you may be able to avoid any immediate taxation or tax penalties, and maintain control and flexibility of your investments.\(^1\)

Leaving your retirement assets with your old employer’s plan might be the easiest choice, but it may be subject to certain limitations.

If you decide to take a lump-sum distribution from your account, keep in mind that income taxes are typically due on this amount.

As you can see, there are many elements to a retirement plan, and Transamerica is committed to providing help every step of the way.

Whatever your age, income, and vision of retirement may be, we want to help you live better today, so you can worry less about tomorrow.

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\(^1\) Employer-sponsored retirement plans may have features that you may find beneficial such as access to institutional funds, fiduciary selected investments, and other ERISA protections not afforded other investors. In deciding whether to do a rollover from a retirement plan, be sure to consider whether the asset transfer changes any features or benefits that may be important to you. Review the fees and expenses you pay to see if rolling over into an IRA could help reduce your costs.
When it comes to preparing for retirement, there’s no time like the present.
Reach out to learn more.

Visit: Transamerica.com/portal/home