



I am Nearing Retirement. Now What?

Managing Your ICMA-RC Retirement Accounts



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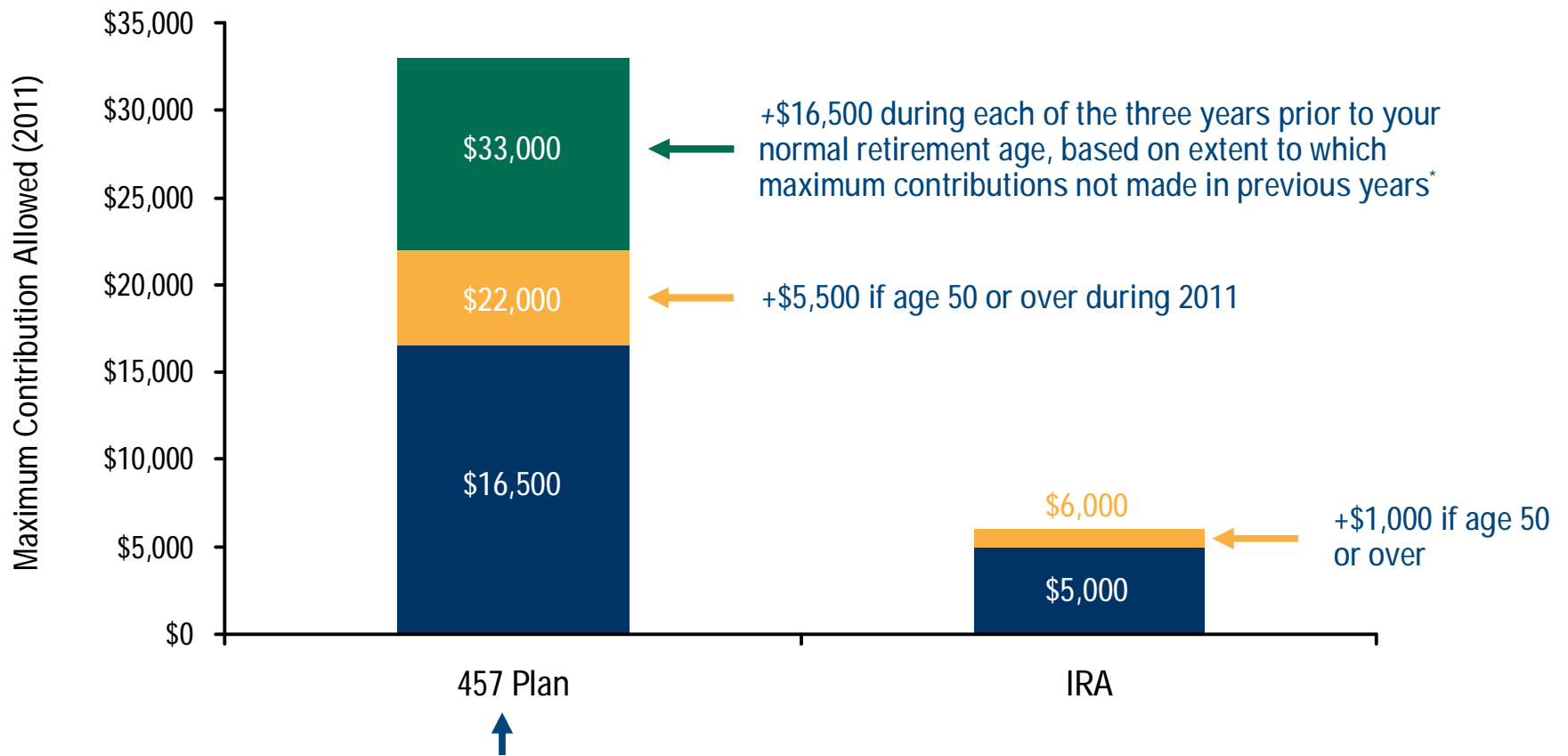
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Your Retirement Money: Competing Goals

- Cover ongoing expenses, emergencies, major purchases
...and...
- Make money last entire lifetime
...and...
- Provide for spouse and loved ones
...but...
- Don't spend so little that you fail to enjoy retirement

Maximize Late-Career Contributions



Reminder: you can contribute accrued sick and vacation leave!

* "Normal retirement age," as defined in the plan. If you elect the "pre-retirement" catch-up, you cannot also elect the "age 50" catch-up.

You Can Withdraw Upon Separation

Flexible withdrawal options

Can be
revised
any time



- Single payments – all or part of your balance
- Installment payments
 - Specified amount
 - Specified time period
 - COLA option
- Lifetime income payments in the form of guaranteed withdrawals
- Guaranteed lifetime income payments – immediate annuities

But You Don't *Have* to Withdraw

You *can* continue to

- Allow your funds to grow
- Manage the investments
- Receive tax advantages



In Fact, You Can Consolidate Accounts with ICMA-RC

Simplify Your Finances

- Easier to manage
 - 3 “Know what you own, why you own it”
- Reduced paperwork
 - 3 Statements
 - 3 Tax forms
 - 3 Beneficiary designations
 - 3 Powers of attorney



What Can You Consolidate?

- Former employer retirement plans
- IRAs
- Lump-sum pension, DROP payouts

Remember these ICMA-RC Benefits

Throughout your working *and* retirement years

- ▶ We understand the public sector
 - We serve the public sector *only*; our mission since 1972
- ▶ Competitive fees
 - No surrender charges or transaction fees
 - No sales commissions off your investments
- ▶ Low or no cost financial plans
- ▶ Roth and Traditional IRAs for additional options

Rolling Over Retirement Plans

- **Rollover tax-free**
 - 3 Among employer retirement plans
 - 3 Traditional, SEP, or “Rollover” IRAs
 - Including ICMA-RC Vantagepoint IRAs
- **Convert to Roth**
 - 3 Amount transferred (“converted”) subject to tax but future earnings may be tax-free

Rollover Reminders

- 457 plan assets rolled to non-457 plans may incur 10% penalty tax if then withdrawn before age 59½

Rollover Pitfalls: Does New Account Have...

Higher fees and restrictions?

- Commissions
- Insurance, administrative
- Expense ratios
- Transactions
- Withdrawals: how much, for how long



Challenges: How to Invest, How Much to Withdraw

Too much
investment risk



Exposed to
market downturns

Too little
investment risk



Insufficient
lifetime income

Withdraw
too much



Outlive assets

Withdraw
too little



Undesirable
standard of
living

Your Plan's Options

Consider these general approaches

May make sense to combine in varying proportions

- 1 Individual Stock, Fixed-Income Funds
- 2 Target-Date, Target-Risk Funds
- 3 Guaranteed Lifetime Income Fund
- 4 Immediate Annuity

They address investment and withdrawal challenges in different ways...

1. Individual Funds – Build Your Own Portfolio

- **Stock** funds
 - 3 U.S. vs. International
 - 3 Large- vs. Mid- vs. Small-Cap
 - 3 Growth vs. Value
- **Fixed-Income** funds
 - 3 Bonds
 - 3 Stable Value
 - 3 Money Market, Cash Management
- **Balanced** funds that combine stocks and fixed-income



Assessing Individual Funds

How You Invest	How You Withdraw
High level of control Ability to minimize fees Selecting funds, maintaining ideal risk level may be complex	Selecting and following a strategy may be complex Not guaranteed to last – risks of market downturn, long life

- ▶ Highest level of control and customization
- ▶ Most complex to manage

2. Target Funds – Simplify Investment Decisions

- **Target-Date¹**
 - 3 Based on expected retirement/withdrawal age
 - 3 Seek to reduce risk over time
- **Target-Risk**
 - 3 Based on level of risk tolerance
 - 3 Seek to maintain ongoing range of risk

¹ The share values of target-date funds are not guaranteed at any time, including at or after each fund's target date, which is the date when investors are expected to begin making gradual withdrawals, typically at or after retirement. Target-date funds' asset allocations change over time, as described in their current prospectus.

Assessing Target Funds

How You Invest	How You Withdraw
Diversified for you – invested <i>in</i> several funds	Selecting and following a strategy may be complex
Automatic rebalancing – risk level adjusted regularly	Not guaranteed to last – risks of market downturn, long life
Better returns not assured	
Additional fees	

- p** Simplifies investment decisions
- p** Same withdrawal challenges as “individual” funds

3. Guaranteed Income Fund – for Lifetime Income

VantageTrust Retirement Income Advantage Fund

- Guaranteed lifetime income
 - ⌘ Market downside retirement income protection
 - ⌘ Market upside potential
- You retain ownership, control, and access
- Option for spousal lifetime income guarantee

See disclosure on following slide

Income Advantage Fund Disclosure

- *The VantageTrust Retirement Income Advantage Fund is offered through VantageTrust, a group trust sponsored by the VantageTrust Company, a New Hampshire institution. It invests in a separate account under a group variable annuity issued by Prudential Retirement Insurance and Annuity Company (“Prudential”), Hartford, CT.*
- *Neither Prudential nor ICMA-RC guarantees investment performance or return on contributions to Prudential’s separate account. Carefully consider the objectives, risks, charges, expenses and underlying guarantee features before purchase. Like all variable investments, this Fund may lose value.*
- *Availability and terms may vary by jurisdiction; subject to regulatory approvals. Annuity contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Guarantees are based on Prudential’s claims-paying ability. This annuity is issued under Contract form # GA-2020-TGWB4-0805-RC. ICMA-RC is a Delaware non-profit organization and registered investment adviser that provides recordkeeping services to your Plan and is the investment manager of the underlying Prudential separate account. Prudential or its affiliates may compensate ICMA-RC for providing these and related administrative services in connection with the Fund.*
- *Before electing the Spousal Benefit (if available) on behalf of any beneficiary not recognized as the participant’s spouse under Federal law, participants should consult with a tax or legal advisor as provisions of your Plan or the Internal Revenue Code might prevent, limit or otherwise affect the ability of the beneficiary to receive the Spousal Benefit.*
- *Please review Making Sound Investment Decisions: A Retirement Investment Guide – VantageTrust Retirement Income Advantage Fund and the VantageTrust Retirement Income Advantage Fund Important Considerations, available online or by contacting ICMA-RC.*
- *Prudential, the Prudential logo, and the Rock symbol are service marks of the Prudential Insurance Company of America, Newark, NJ, and its related entities, registered in many jurisdictions worldwide.*

Assessing the Income Advantage Fund

How You Invest	How You Withdraw
Diversified for you – invested <i>in</i> several funds	Payments guaranteed for life, with upside potential
Automatic rebalancing – risk level adjusted regularly	Excess withdrawals reduce future guarantees
Better returns <i>not</i> assured	Guarantees may not be portable
Additional fees	

- b** Pre-packaged investment, withdrawal solutions
- b** Subject to Prudential's claims-paying ability
- p** Additional fees and restrictions

4. Immediate Annuity – for Lifetime Income

Income for Life Program

- Guaranteed lifetime income, with spousal income option
- Generally higher initial payouts
- You no longer retain ownership or access to assets

ICMA-RC partners with select insurance companies that make annuities available and that compensate ICMA-RC for providing administrative services in support. Fees are an annual rate of 80 basis points (0.80%) of the purchase amount of the annuity for a period of five years. Please consult *Income for Life Annuity Program: Immediate Annuities for Retirement Income*, available by calling Investor Services at 800-669-7400, prior to purchase.

Assessing Income for Life Program

How You Invest	How You Withdraw
Not applicable – annuity provider controls assets	Payments guaranteed for life Payment amounts cannot be changed Payments to heirs limited

- b Higher guaranteed lifetime income
- b Subject to insurer's claims-paying ability
- b You forfeit personal control

Plan for Taxes

- Withdrawals taxed as ordinary income, except
 - 3 Roth contributions, qualified Roth distributions
 - 3 After-tax contributions made to 401 plans
- Penalty taxes
 - 3 Don't apply, regardless of age, to 457 plans*
 - 3 May apply to 401 plans prior to age 55 or 59½**
 - 3 May apply to IRAs prior to age 59½**

Withdraw 457 assets first, tax-free Roth assets last?

- 457: if would be subject otherwise to penalty taxes
- Roth: if wish to maximize tax-free growth, expect tax bracket to increase

* Non-457 plan assets rolled in to a 457 plan and subsequently withdrawn prior to age 59½ may be subject to a 10% penalty tax.

** Unless exceptions apply. See IRS Form 5329 instructions.

Note: ICMA-RC does not offer specific tax or legal advice.

Plan for RMDs – When You *Must* Withdraw

Once You Reach Age 70½, IRS Required Minimum Distribution (RMD) Rules Apply

- Must take yearly, taxable withdrawals
- Employer Plans, *non-Roth* IRAs
 - ⌚ If still working, can delay for that Employer's plan until retired
- Amount based on account value, age
 - ⌚ Initially about 3.6% of account value*
 - ⌚ Rises yearly: 5.3% age 80; 8.8% age 90*

Why is it important?

- If fail to take, subject to 50% penalty
- Plan for the tax bill!

* Slightly lower percentages apply for individuals with spouses more than 10 years younger.

We Are Here to Help!



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Investor Services

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Online Account Access

- 3 www.icmarc.org

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