Deferred Compensation – Early thru Mid-Career

Understanding Supplemental Savings Plans
Today’s Objectives

Through this workshop, we will help you:

• See why a 401(k), 457(b) or 403(b) plan is an important part of your overall retirement plan

• Determine how you want to live beyond your career years

• Understand the basics of retirement investing

• Get the info necessary to enroll in your employer’s plan
Investing involves market risk, including possible loss of principal. There is no guarantee that fund, investment option or portfolio objectives will be met nor that any investment strategy, including asset allocation and diversification, will generate a profit or avoid losses, especially in a down market. Actual investment results will vary, depending on your investment and market experience.

Savings Plus Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, member FINRA. Neither Nationwide nor any of its representatives give investment, legal or tax advice. Please consult your own counsel before making decisions about retirement plan participation.

Target date funds are managed to become more conservative as the year in the fund’s name approaches. There is no guarantee that lifestyle or target date fund objectives will be met or provide enough income at or through retirement. These funds invest in other funds; therefore, in addition to the fund’s charges and expenses, an investor indirectly pays a proportionate share of the underlying funds’ charges and expenses.

The Schwab Personal Choice Retirement Account® (PCRA) self-directed brokerage window is offered for an additional fee by Charles Schwab & Co., Inc, member SIPC, which is not affiliated with Savings Plus or Nationwide.

Nationwide ProAccount® is the managed account solution for Savings Plus participants and available for a fee. Investment advice for Nationwide ProAccount is provided by Nationwide Investment Advisors, LLC (NIA), which has retained Wilshire® as Independent Financial Expert for Nationwide ProAccount. NIA exercises discretionary authority to allocate and rebalance a participant’s account to implement the advice Wilshire provides. Wilshire is a service mark of Wilshire Associates, Inc., which is not affiliated with Savings Plus, Nationwide or NIA.

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How Much Income Will You Need In Retirement?

Retirement income
75-90%

This percentage may be higher depending on your lifestyle.
How Much Can You Expect?

• The average new state employee receives around 40%-50% of their final pay from pension alone\(^1\)

• 64\% of all CalPERS service retirees receive less than $3,000 per month\(^2\)

• The average Social Security recipient receives $1,341 per month\(^3\)

• The average CA state retiree has at least three years between retirement and Social Security eligibility\(^4\)

• The average annual inflation rate is 3.22\% which doesn't sound too bad until we realize that at that rate prices will double every 20 years

\(^1\)The average state retiree has 23.2 years of service credit at retirement-FY2015-2016 CalPERS Facts at a Glance
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\(^5\)https://inflationdata.com/inflation/inflation_rate/long_term_inflation.asp
Which Plan Is Right For You?

<table>
<thead>
<tr>
<th>Plan types</th>
<th>401(k) Plan/403(b)</th>
<th>457(b) Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penalty-free withdrawals</td>
<td>Age 59½ or upon separation from service at age 55 or older</td>
<td>Upon separation from service at any age</td>
</tr>
<tr>
<td>In-service withdrawals</td>
<td>Hardship* Plan loan</td>
<td>Unforeseeable Emergency* Plan loan</td>
</tr>
<tr>
<td>Pre-tax and Roth contributions</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>available</td>
<td></td>
</tr>
</tbody>
</table>

*As defined in the Plan Document.

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### Which Plan Is Right For You?

Current 401(k) and 457(b) plan contribution limits

<table>
<thead>
<tr>
<th></th>
<th>Maximum contribution limit</th>
<th>Contribution limit plus Age-Based Catch-Up</th>
<th>Traditional 457(b) Catch-Up Contribution limit¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>This year, if you are…</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>…less than age 50</td>
<td>$19,000</td>
<td>$25,000</td>
<td>$25,000 (use Age-Based Catch-Up)</td>
</tr>
<tr>
<td>401(k) Pre-tax/401(k)Roth</td>
<td>$19,000</td>
<td>$25,000</td>
<td></td>
</tr>
<tr>
<td>457(b) Pre-tax/457 (b) Roth</td>
<td>$19,000</td>
<td>$25,000</td>
<td>$38,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$38,000</td>
<td>$50,000</td>
<td>$63,000</td>
</tr>
</tbody>
</table>

Note: The combined 401(k) and 403(b) contributions can not exceed 19,000 and 25,000 respectively.

Source: IRS.gov

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If you are age 50 or over and retire or separate from service while still a public safety employee, you are exempt from the additional 10% early withdrawal tax on your 401(k).

- Applies to distributions from any qualified defined contribution plan
- Does not apply to IRA money rolled into a Savings Plus account

How to take advantage of this benefit:

- Contact your HR department to confirm your classification
- Check the appropriate box on the Benefit Payment booklet to ensure the distribution is classified correctly
Pre-tax 401(k)/403(b) – contributes pre-tax dollars, allows for in-service withdrawals under certain conditions, must wait until age 59½ to avoid 10% early withdrawal tax (some exceptions apply).

Roth 401(k)/403(b) – contributes after-tax dollars for tax-free growth potential when certain conditions are met. Same contribution limits as 401(k) pre-tax.

Pre-tax 457(b) – contributes pre-tax dollars and has no 10% early withdrawal tax regardless of age, but cannot take a withdrawal while still employed with the State (except for Unforeseeable Emergencies).

Roth 457(b) – contributes after-tax dollars for tax-free growth potential when certain conditions are met. Roth 457(b) has same contribution limits as 457(b) pre-tax.

Note: Savings Plus offers Pre-tax 401(k), Roth 401(k), Pre-tax 457(b), and Roth 457(b)
Which Plan Is Right For You?

Pre-tax or Roth after-tax?

You may want to consider making Roth contributions if you:

• Desire tax free income in retirement
• Need tax planning flexibility in retirement
• Think your taxes will be higher in retirement than they are now
• Are looking for an estate planning tool
• Are unable to contribute to a Roth IRA because of your income
Small Increases Can Make A Difference.

Regularly increasing contributions to your Savings Plus account can help you feel confident that what you’re doing now can positively impact your longer-term goals. You may want to consider your planned lifestyle in retirement, inflation, rising healthcare costs, and longevity as factors to help you make your decision to increase.

The illustration is a hypothetical example that reflects allowable contributions over a 30-year period and assumes 12 pay periods per year. The nominal annual rate of return is 7% compounded monthly. Investment returns are not guaranteed and will vary depending on investments and market experience. If fees, taxes and expenses were reflected, the hypothetical returns would be less.
How Do You Want To Build Your Portfolio?

Consider these three approaches:

- Do it for me
- Manage it for me
- Do it myself
Select a Target Date Fund closest to the year you plan to start taking withdrawals.

- Target Date Fund – 2065
- Target Date Fund – 2060
- Target Date Fund – 2055
- Target Date Fund – 2050
- Target Date Fund – 2045
- Target Date Fund – 2040
- Target Date Fund – 2035
- Target Date Fund – 2030
- Target Date Fund – 2025
- Target Date Fund – 2020
- Target Date Fund – Income

Target Date Funds invest in a wide variety of underlying investment options to help reduce investment risk. Their expense ratio represents a weighted average of the expense ratios and any fees charged by the underlying investment options in which the Funds invest.

Target Date Funds are designed for people who plan to withdraw funds during or near a specific year. Like other funds, target date funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at or after the target date. There is no guarantee that target date funds will provide enough income for retirement.

Redemption Fees may apply to these funds. See the Transfer Restrictions and Redemptions Fees document and the Fund Factsheets on SavingsPlusNow.com for more information.

Before investing, carefully consider each fund’s investment objectives, risks, charges and expenses. The fund fact sheet contains this and other important information. Fund fact sheets may be downloaded from savingsplusnow.com or requested by calling (855) 616-4776.
How A Target Date Fund Works

- Diversified mix of investments
- Becomes more conservative as the fund approaches a specific target date

Principal value in the fund is not guaranteed at any time, including the target date.
Manage It For Me.

Consider **Nationwide ProAccount®**, our professional managed account solution.

- Portfolios developed and managed by Wilshire Associates, the Independent Financial Expert hired by NIA

- Professional investment management based on your age and risk profile

- Periodic portfolio adjustments as market conditions change

- An annual program fee based on assets managed is assessed for this service

**Sign up for ProAccount at savingsplusnow.com or ask your Retirement Specialist for an application**

Nationwide ProAccount is the managed account solution, available to participants for a fee. Investment advice for Nationwide ProAccount is provided by Nationwide Investment Advisors, LLC (NIA), which has retained Wilshire® as Independent Financial Expert for Nationwide ProAccount. NIA exercises discretionary authority to allocate and rebalance a participant’s account to implement the advice Wilshire provides. Because investing involves market risk, there is no guarantee that Nationwide ProAccount will achieve an investor’s objectives. Wilshire is a service mark of Wilshire Associates, Inc., which is not affiliated with Savings Plus, Nationwide or NIA. Nationwide ProAccount is a service mark of Nationwide Mutual Insurance Company.
### Do It Myself

Mix and match from our Core Investment Fund Options.

<table>
<thead>
<tr>
<th>Core Investment Funds</th>
<th>Core Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Funds (Active Management)</td>
<td>Index Funds (Passive Management)</td>
</tr>
<tr>
<td><strong>Short-Term Investments</strong></td>
<td></td>
</tr>
<tr>
<td>Short-Term Investments Fund-Cash</td>
<td></td>
</tr>
<tr>
<td>Short-Term Investments Fund</td>
<td></td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td></td>
</tr>
<tr>
<td>Bond Fund</td>
<td>Bond Index Fund</td>
</tr>
<tr>
<td><strong>Diversified Real Return</strong></td>
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</tr>
<tr>
<td>Diversified Real Return Fund</td>
<td></td>
</tr>
<tr>
<td><strong>Balanced Fund</strong></td>
<td></td>
</tr>
<tr>
<td>Socially Responsible Fund</td>
<td></td>
</tr>
<tr>
<td><strong>Stocks</strong></td>
<td></td>
</tr>
<tr>
<td>Large Cap Fund</td>
<td>Large Cap Index Fund</td>
</tr>
<tr>
<td>Mid Cap Fund</td>
<td>Mid Cap Index Fund</td>
</tr>
<tr>
<td>International Fund</td>
<td>International Index Fund</td>
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<tr>
<td>Small Cap Fund</td>
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</tr>
</tbody>
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International investing involves additional risks including currency fluctuations, political instability and foreign regulations.

Small company funds involve increased risk and volatility.

Bond funds are subject to the same credit, inflation and interest rate risk as the underlying bonds.

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3 Key principles when investing for the long term:

1. Have a plan. It’s easier to take a long-term view if you understand where you want to go.

2. Know your investment style and determine the asset allocation that is right for you. How comfortable are you with seeing your portfolio go up and down.

3. Contribute regularly and stay cool when markets become volatile. Making investment decisions based on hunches or trying to time the market often leads to dollar losses and missed opportunities.
Act Now!

- It’s never too early, it’s never too late.
- Set up your 401(k), 403(b) or 457(b) account right away.
- If you’ve already waited “too long” then make a commitment today, don’t wait any longer.

Note: Savings Plus only offers the 401(k) and 457(b)
Act Now!

- Start with a comfortable amount then opt for “auto-increase”.
- Get a raise recently - spend it on yourself.
- No one ever complained that they had too much saved for retirement.
- Take control of your financial future today.
Questions?

Call Savings Plus at (855) 616-4776

Log in to your account at SavingsPlusNow.com

Reach out to your plan provider or personnel office for more info on your employer’s 401(k), 457(b), or 403(b) plan

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