



Tax Sheltered Annuity Plan
for
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Everyone these days is concerned about retirement. Will there be enough money there when it's time? Will I have to work more years than I want to? Will I run out of money if I live too long?

You have a unique opportunity to lessen these concerns and perhaps, in the long run, eliminate them entirely. The U.S. government has permitted certain institutions to offer a special, tax-favored retirement plan called a Tax Sheltered Annuity Plan (also known as a TSA or "403(b) plan" after the section of the tax code that authorizes it).

Since your employer is an eligible institution and has elected to offer a TSA, you may make pre-tax contributions to this plan that go into a special account in your name. Contributions count as reductions in your taxable income, so that the more you contribute (within certain limits), the lower your federal income taxes will be. This is true regardless of whether you itemize deductions or not!

Furthermore, your account grows on a tax-deferred basis. In effect, you earn interest on your tax savings. Eventually, when you retire and withdraw your funds, the money is taxable income. But you may be in a lower tax bracket by then. And in any event, you have had the extra earnings on the tax savings for all those years in between.

How much money do you need at retirement? Will you have enough if you don't maximize your savings now?

Of course, there is no way to be certain. Unless you can predict how long you will live, what will happen to your health and that of your family, what will happen to interest rates and tax rates and inflation rates, it all comes down to guesswork. But at least the guess can be an educated one, and you can come up with an idea of how much you need in order to put yourself in the right ballpark.

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Your household's current annual income	\$70,000
Number of years to retirement	14 yr.
Estimated rate of annual salary increase	2.5%
Estimated final pre-retirement household income (in 2017)	\$98,908
Percent of pre-retirement income needed to retire	75%
Annual retirement income needed	\$74,181
Currently available sources of retirement income:	
Social Security (estimated)	\$20,865
Pension from this employer	25,000
Pension(s) from other employer(s)	0
Earnings on current savings of \$50,000 (at 8%*)	11,749
Annual retirement income already provided for	\$57,614
Annual additional retirement income you may need	\$16,567
Assuming an annual average rate of return of 8% *	
Amount of additional funds you may need at retirement	\$207,092
Amount you need to be saving monthly	\$683

* This hypothetical annual rate of return you selected is used only for purposes of estimating retirement needs. This rate of return is neither guaranteed nor projected, and is not intended to represent the future performance of any actual financial product.

Saving \$683 a month might seem like too much. That's why a Tax Sheltered Annuity Plan is such a big advantage.

By authorizing your employer to take the plan contributions out of your salary, you reduce your taxes. Why? Because the tax code says that the voluntary contributions you make to this plan (up to certain limits) represent non-taxable income. The more you contribute, the lower your taxes.*

Assuming that your combined federal and state taxes eat up about 32% of any increment in your salary, your new monthly contribution of \$683 into a tax-deferred plan will reduce your taxes by \$219. This means:

A net reduction in your take-home pay of only \$465.

With a Tax Sheltered Annuity Plan contribution, your \$683 starts growing immediately, earning tax-deferred income for you, with a net out-of-pocket cost of only \$465. What better way could there be to secure your retirement?

* Tax Sheltered Annuity Plan contributions are subject to specific limitations under sections 403(b), 415, and 402(g) of the Internal Revenue Code. Your "403(b) Contribution Report," which is attached to this presentation, indicates your maximum permissible contribution for the tax year in question. This amount may be more or less than the amount you need to set aside for retirement. If you need to save more, we can discuss additional opportunities that would be suited to your needs.

There are many reasons why a Tax Sheltered Annuity Plan is a uniquely favorable opportunity for retirement savings. No other plan, including 401(k) plans, other tax-qualified plans, or other saving or investment plans can offer this combination of advantages:

- ✍ Tax-deferred contributions.
- ✍ Tax-deferred earnings until retirement.
- ✍ Special “catch-up” provisions that may let you exceed the normal contribution limits as you get nearer to retirement.
- ✍ Tax-advantaged funds deposited into the product you choose from the financial institution you choose.
- ✍ Portability — when you leave your job, whether at retirement or before, your funds go with you; neither an employer nor a trustee has control of them.
- ✍ The convenience of direct deposit by your employer into your tax-sheltered account.

Explanatory Notes

The first step in calculating your retirement needs is to estimate your income immediately prior to retirement. This is based on your current household income, entered as \$70,000; inflating this figure at 2.5% for 14 years increases the estimated pre-retirement income to \$98,908. Retirement planning experts usually estimate that post-retirement expenses will be only 70-85% of pre-retirement income. Your post-retirement income needs are being estimated at 75% of your final household income, or \$74,181.

Retirement expenses may be met from a variety of sources, of course. A conservative estimate of your Social Security benefit has been calculated assuming no further inflation in salary or Social Security benefit levels. You may also obtain an estimate of your benefit directly from the Social Security Administration. At retirement, your benefit for purposes of this calculation is assumed to be \$20,865. Normally, we would inflate this figure at 2.5% before retirement; in this case, however, a different amount (\$25,000 a year at retirement) has been entered onto the screen. Personal savings of \$50,000 are assumed to grow at 8% until they are worth \$146,860 at retirement. At this interest rate, these savings would generate \$11,749 during the first year of retirement. With a total of \$57,614 accounted for, the additional income needed at retirement is \$16,567.

Since neither income nor expenses are assumed to change during retirement, and since we are assuming that you wish to conserve your new savings and use up only the earnings they generate, the amount of additional savings you need to accumulate by retirement age equals the additional income you need (\$16,567) divided by the assumed annual rate of interest (8%), for a total of \$207,092. In order to accumulate this amount, you need to start saving \$683 per month, assuming level savings between now and retirement.

This analysis is relatively simplified, however, and it may not have identified all the factors relevant to your situation. Furthermore, your situation is likely to change over time; it should be monitored periodically to help assure your financial security. Neither the assumptions nor the results of these calculations are guaranteed in any way. Any rates of return used in the calculations are for illustration purposes only and do not necessarily reflect the performance of any actual product.

These projections are for illustrative purposes only, and they are hypothetical in nature. Higher rate of return involves a higher degree of risk. Rate of return will vary over time, particularly in long-term investments. Past performance does not guarantee future results. For complete details regarding legal or tax considerations of any information discussed or presented in this report, please consult your tax advisor.