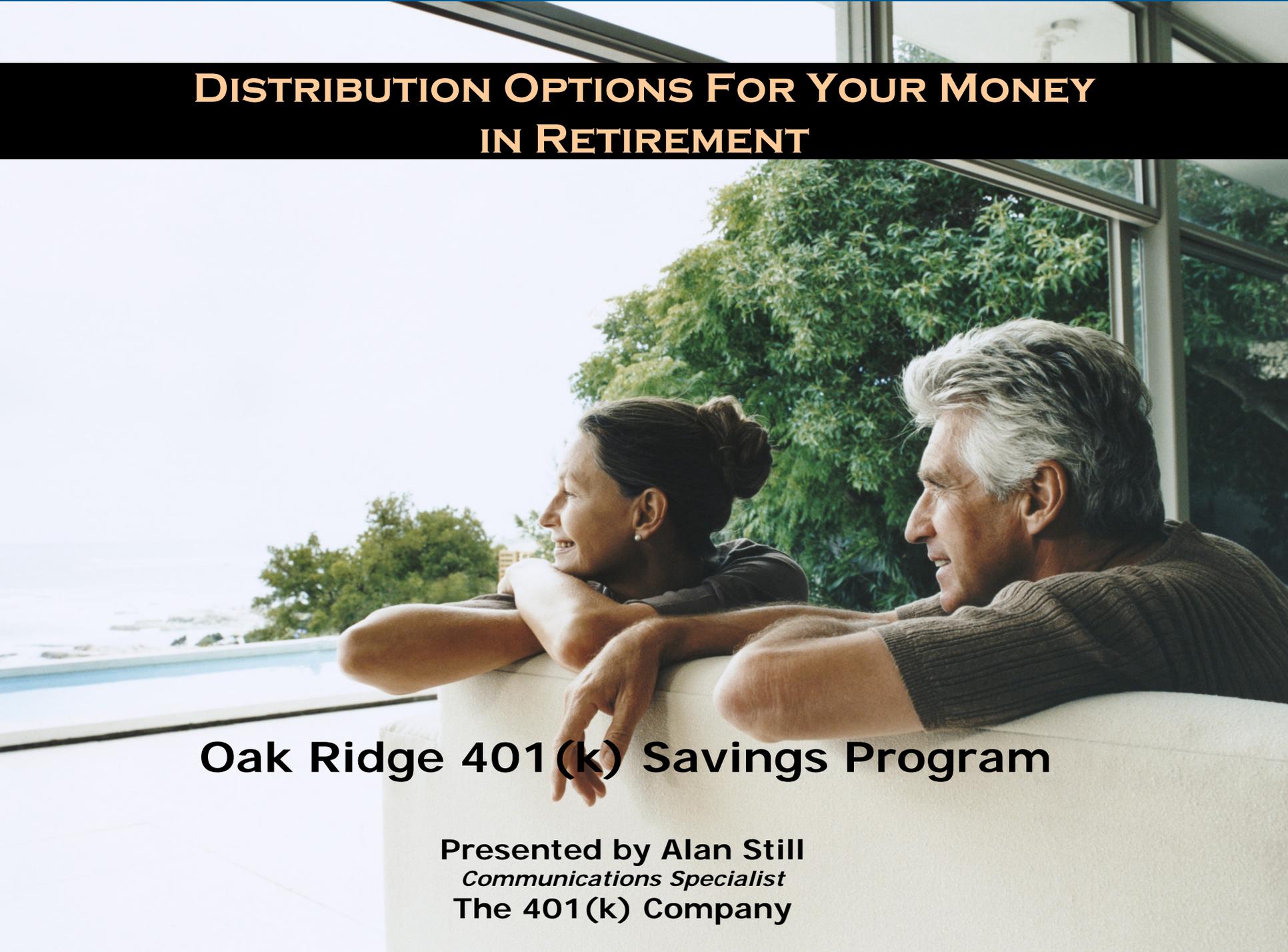


# DISTRIBUTION OPTIONS FOR YOUR MONEY IN RETIREMENT

A photograph of an older man and woman sitting on a white balcony railing. They are both smiling and looking out towards a view that includes a swimming pool, lush green trees, and a bright sky. The man is on the right, wearing a dark sweater, and the woman is on the left, wearing a dark top. The scene is bright and sunny, suggesting a pleasant retirement lifestyle.

## Oak Ridge 401 (k) Savings Program

Presented by Alan Still  
*Communications Specialist*  
The 401 (k) Company

**WHAT WE'LL DISCUSS TODAY:**

- **Estimating Retirement Income Needed, Cash Flow Planning, Creating Income From Savings and Distribution Strategy**
- **Online Tools: Calculators for Retirement Planning**
- **Retirement Income Milestones and Annual Earnings Limits**
- **Distribution Options**
- **IRA and Rollovers**
- **Rollover Rules**
- **Calculating your Minimum Required Distribution (MRD)**
- **Annuities**
- **Asset Allocation by Age in Retirement**
- **Estate Planning**
- **Beneficiary Rules**

## **Define Needs & Goals – Set Priorities**

- Determine sources and timing of income
- Determine projected expenses & cash flow needs
- Identify gaps
- Adjust planning as needed

## **You may also want to:**

- Meet with an attorney to discuss:
  - ✓ Updating wills
  - ✓ Power of Attorney
- Meet with a Financial Planner to discuss:
  - ✓ Savings plan
  - ✓ Tax status after retirement

## Estimating Income Needs

- Home – mortgage/rent, property taxes, insurance, maintenance and utility bills
- Insurance – long-term care
- Medical expenses – Insurance costs, supplemental expenses like prescriptions, home care, etc.
- Inflation
- Travel and entertainment
- Gifts and charitable contributions

## Cash Flow Planning

1. Estimate what you need monthly
2. Identify all sources of income
3. Plan a strategy for drawing down your investment accounts
4. Organize your monthly income
5. Set up an automated system for moving money

# Online Tools: Calculators for Retirement Planning

https://www.401kaccess.com/parts/m\_star/sandp\_content\_frame.cfm - Microsoft Internet Explorer provided by Charles Schwab

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**Account**  
access

Account Investments Transactions Tools/Reference Access

Retirement and Financial Planning

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- ▶ Calculators
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  - > Credit Card Payoff
  - > Monthly Spending Plan
  - > Budget/Cash Flow
  - > Retirement Budget
  - > Net Worth Calculator
- ▶ Articles
- ▶ Education

## Budget and Cash Flow

This tool will help you develop a budget by analyzing your cash flow.

It makes good financial sense to create a budget each year and live within that budget. This tool will help you track your cash flow, develop your budget, and measure your progress against your budget. Enter your actual income and expenses in the cash flow column to see whether you have a surplus or deficit. Use the budget column to create an income/expense plan that will maximize your surplus or reduce your deficit. Each month, track your progress against your budget using this tool and the Monthly Spending Plan worksheet.

Enter your information below and press "Calculate" to see your results.

### Budget and Cash Flow Worksheet

Annual Income	Cash Flow	Budget
Your Wages or Salary	\$ 0	\$ 0
Spouse's Wages or Salary	\$ 0	\$ 0
Dividend and Interest Income	\$ 0	\$ 0
Child Support/Alimony Payments	\$ 0	\$ 0
Pension Payments	\$ 0	\$ 0
Social Security Income	\$ 0	\$ 0
Rental Income	\$ 0	\$ 0
Other Income	\$ 0	\$ 0
<b>Total Income</b>		
Annual Taxes	Cash Flow	Budget
Income Tax:		
Federal, State, & Local--You	\$ 0	\$ 0
Federal, State, & Local--Spouse	\$ 0	\$ 0
Social Security & Medicare Tax:		
You	\$ 0	\$ 0
Spouse	\$ 0	\$ 0
Property Tax	\$ 0	\$ 0
Other Taxes	\$ 0	\$ 0
<b>Total Taxes</b>		
Annual Expenses	Cash Flow	Budget
Housing:		
Mortgage Payments or Rent	\$ n	\$ n

Go to

[www.401kaccess.com/oakridge](http://www.401kaccess.com/oakridge)

Enter your Account Number and Password

Click on Tools/References

Select Retirement and Financial Planning

Click on Calculators

Select **Budget and Cash Flow Calculator**

# Online Tools: Calculators for Retirement Planning

https://www.401kaccess.com/parts/m\_star/sandp\_content\_frame.cfm - Microsoft Internet Explorer provided by Charles Schwab

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- Articles
- Education

## Net Worth Calculator

This tool will help you understand and control your finances by analyzing your net worth.

Your net worth is the value of all of your assets, less the total of all of your liabilities. In other words, your net worth is the difference between what you own and what you owe. If you owe more than you own, you will have a negative net worth. If you own more than you owe you will have a positive net worth.

Enter your asset/liability information and click the "Calculate" button to estimate your current net worth.

**Input - Assets and Liabilities**

Assets		Liabilities	
<b>Real Estate</b>		Automobile Loans:	\$ <input type="text"/>
Primary Residence:	\$ <input type="text"/>	Mortgage:	\$ <input type="text"/>
Vacation Home:	\$ <input type="text"/>	Other Mortgages:	\$ <input type="text"/>
Rental Property:	\$ <input type="text"/>	Revolving Credit:	\$ <input type="text"/>
<b>Personal Property</b>		Secured Loans:	\$ <input type="text"/>
Furnishings:	\$ <input type="text"/>	Student Loans:	\$ <input type="text"/>
Jewelry:	\$ <input type="text"/>	Personal Loans:	\$ <input type="text"/>
Art:	\$ <input type="text"/>	Other:	\$ <input type="text"/>
Automobiles:	\$ <input type="text"/>		
Household Items:	\$ <input type="text"/>		
Other Luxury Goods:	\$ <input type="text"/>		
<b>Investments</b>			
401K:	\$ <input type="text"/>		
Pension:	\$ <input type="text"/>		
IRA or KEOGH:	\$ <input type="text"/>		
Mutual Funds:	\$ <input type="text"/>		
Stocks:	\$ <input type="text"/>		
Bonds:	\$ <input type="text"/>		
Life Insurance:	\$ <input type="text"/>		
Other Investments:	\$ <input type="text"/>		
<b>Cash Accounts</b>			

Go to

[www.401kaccess.com/oakridge](https://www.401kaccess.com/oakridge)

Enter your Account Number and Password

Click on Tools/References

Select Retirement and Financial Planning

Click on Calculators

Select **Net Worth Calculator**

# Online Tools: Calculators for Retirement Planning

The screenshot shows a Microsoft Internet Explorer browser window displaying the Charles Schwab website. The address bar shows the URL: [https://www.401kaccess.com/parts/m\\_star/sandp\\_content\\_frame.cfm](https://www.401kaccess.com/parts/m_star/sandp_content_frame.cfm). The website header includes the 'Account access' logo and navigation links for 'home', 'contact us', 'site map', and 'log off'. Below the header, there are tabs for 'Account', 'Investments', 'Transactions', 'Tools/Reference', and 'Access'. The main content area is titled 'Retirement and Financial Planning' and features a left-hand navigation menu with options like 'Library Home', 'Retirement Income Strategy', 'Calculators', 'Articles', and 'Education'. The 'Calculators' section is expanded, showing various tools such as 'College Planner', 'Depletion Calculator', 'Gap Analysis', 'Plan Loan Calculator', 'IRA Analyzer', 'IRA Comparison', 'Req Min Distribution', 'Social Security Calculator', 'Savings Goal Calculator', 'Credit Card Payoff', 'Monthly Spending Plan', 'Budget/Cash Flow', 'Retirement Budget', and 'Net Worth Calculator'. The 'Monthly Spending Plan' tool is selected and highlighted. The tool's description states: 'This tool will help you develop a monthly spending plan. This tool should be used in conjunction with the Budget/Cash Flow worksheet. The Monthly Spending Plan is used to track your spending on a monthly basis. Enter your budgeted and actual amounts in the columns below. The variance column shows the difference between your budgeted amount and your actual income or expense. Each month, you will encounter differences between your budget and actual cash flows. The important thing is to review and adjust them periodically to ensure that you achieve your spending and savings goals.' Below the description, there is a form titled 'Monthly Spending Plan Worksheet' with columns for 'Monthly Income', 'Budgeted Amounts', 'Percent', 'Actual Amounts', and 'Variance'. The form includes input fields for various income sources like 'Your Wages or Salary', 'Spouse's Wages or Salary', 'Dividend and Interest Income', 'Child Support/Alimony Payments', 'Pension Payments', 'Social Security Income', 'Rental Income', and 'Other Income'. There is also a section for 'Monthly Taxes' with input fields for 'Income Tax: Federal, State, & Local--You', 'Income Tax: Federal, State, & Local--Spouse', 'Social Security & Medicare Tax: You', 'Social Security & Medicare Tax: Spouse', 'Property Tax', and 'Other Taxes'. The 'Total Income' and 'Total Taxes' sections are also visible at the bottom of the form.

Retirement and Financial Planning

- Library Home
- Retirement Income Strategy
- Calculators
  - College Planner
  - Depletion Calculator
  - Gap Analysis
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## Monthly Spending Plan

This tool will help you develop a monthly spending plan.

This tool should be used in conjunction with the Budget/Cash Flow worksheet. The Monthly Spending Plan is used to track your spending on a monthly basis. Enter your budgeted and actual amounts in the columns below. The variance column shows the difference between your budgeted amount and your actual income or expense. Each month, you will encounter differences between your budget and actual cash flows. The important thing is to review and adjust them periodically to ensure that you achieve your spending and savings goals.

Enter your information below and press "Calculate" to see your results.

### Monthly Spending Plan Worksheet

Monthly Income	Budgeted Amounts	Percent	Actual Amounts	Variance
Your Wages or Salary	\$ 0		\$ 0	
Spouse's Wages or Salary	\$ 0		\$ 0	
Dividend and Interest Income	\$ 0		\$ 0	
Child Support/Alimony Payments	\$ 0		\$ 0	
Pension Payments	\$ 0		\$ 0	
Social Security Income	\$ 0		\$ 0	
Rental Income	\$ 0		\$ 0	
Other Income	\$ 0		\$ 0	
<b>Total Income</b>				
Monthly Taxes	Budgeted Amounts	Percent	Actual Amounts	Variance
Income Tax:				
Federal, State, & Local--You	\$ 0		\$ 0	
Federal, State, & Local--Spouse	\$ 0		\$ 0	
Social Security & Medicare Tax:				
You	\$ 0		\$ 0	
Spouse	\$ 0		\$ 0	
Property Tax	\$ 0		\$ 0	
Other Taxes	\$ 0		\$ 0	
<b>Total Taxes</b>				

Go to  
[www.401kaccess.com/oakridge](https://www.401kaccess.com/oakridge)

Enter your Account Number and Password

Click on Tools/References

Select Retirement and Financial Planning

Click on Calculators

Select **Monthly Spending Calculator**

## Strategies to Consider to Get on Track for Retirement

- Step up savings
- Diversify investments
- Postpone or work in retirement
- Minimize retirement expenses
- Supplement retirement income with other tax-deferred alternatives
  - » IRA, Roth IRA, Annuities

## Creating Income from Savings

- Annual income depends on portfolio allocation and time horizon
- Draw down range: 3% to 5.5% annually
- Adjust to market conditions
  - » Withdrawals early in retirement impact future growth
  - » Reduce discretionary spending in bear markets
  - » Stay flexible

## Sources of Retirement Income

Income Source	Timing	Amounts	Taxation
Pension Plan	Upon retirement or age 70½. Cannot return to work at Company for more than 7 days per month	Fixed amount, similar to an annuity, with options for life & survivor	Taxable as income
Social Security	Age 62, full SS retirement age - based on formula, or age 70	Amount depends on when benefits start. Also may be limited by any earned income	Taxable as income
Savings Plan (401(k))	Age 59½, special provisions for early retirement, minimum required distributions at 70½	Numerous options	Taxable as income, 20% withheld, 10% penalty may apply
Personal Savings & Investments	Depends on type of account	Numerous options	Depends on type of account
Earned Income	Per pay period	Based on salary	Taxable as income



**Pensions\*,  
annuities,  
401(k)  
and assets  
generate  
**32.9%**  
of income  
for those  
65+**

*Income of the Elderly Population Age 65 and Over,  
EBRI, 2005*

\*The Pension Plan generates 40% income!

## Retirement Income Milestones

Age	Retirement Income Milestones
55	Penalty Free Withdrawals if you separate from service in the year in which you turn 55 or later
59½	Penalty Free Withdrawals
62	Social Security (Early)
65	Medicare
70	Social Security (Late)
70½	Required Withdrawals
75	Last Call for 403(b)s

# Online Tools: Calculators for Retirement Planning

Go to  
[www.401kaccess.com/oakridge](https://www.401kaccess.com/oakridge)

Enter your Account Number and  
 Password

Click on Tools/References

Select Retirement and Financial  
 Planning

Click on Calculators

Select **Social Security  
 Calculator**

The screenshot shows a web browser window with the URL [https://www.401kaccess.com/parts/m\\_star/sandp\\_content\\_frame.cfm](https://www.401kaccess.com/parts/m_star/sandp_content_frame.cfm). The page title is "Account access" and the navigation menu includes "Account", "Investments", "Transactions", "Tools/Reference", and "Access". The "Tools/Reference" menu is expanded, showing "Retirement and Financial Planning". Under this menu, "Calculators" is selected, and the "Social Security Calculator" is highlighted. The calculator interface includes a description: "This calculator will estimate your Social Security benefit." and "Social Security can be an important component of your retirement income. As you near retirement, you can get an accurate benefit projection from the Social Security Administration. However, for others, this tool can generate a ballpark benefit estimate based upon your existing salary and the assumption that you will continue working to your retirement age. Use this estimate as part of your retirement income planning process." Below the description is a form titled "Input - Personal Information" with the following fields: "What is your current age?" (0), "At what age do you plan to retire?" (65), "At what age do you plan to start receiving Social Security benefits?" (65), "What is your current income?" (\$ 0), and "What do you expect in annual salary increases?" (0 %). A "Calculate" button is located at the bottom right of the form. A disclaimer at the bottom of the page states: "The calculators provide hypothetical examples and are not intended to represent past or future performance of a specific investment which cannot be predicted or guaranteed, or to provide specific advice to any individual. Rates of return will vary over time. Those investments offering a higher rate of return also involve a higher degree of risk. There is no guarantee similar results can be achieved."

## Annual Earning Limits Defined by Congress

Refer to your Pension Plan and Savings Program benefits booklets online for more information.

Your age	Maximum Earnings for Full Benefit*
Under full retirement age	\$13,560
The year you reach full retirement age (until the month you reach full retirement age)	\$36,120
The month you reach full retirement age and thereafter	NO LIMIT

\*Please keep in mind these limits are effective for 2008, and will be adjusted annually.

**Note: Pension limit** - if you retire and draw your pension, you cannot return to work as a "casual" employee and work more than 7 shifts per month and still draw your pension. Certain restrictions apply if you retire – see your HR representative for details.

A construction worker wearing a red jacket and a white hard hat is working on a large, curved structure, possibly part of a ship or a large industrial building. The worker is looking upwards and to the right, with their hands raised as if holding or adjusting a component. The background shows a complex network of metal beams and structural elements.

**For average  
Americans, earning  
from work  
represents**

**24.8%**

**of income  
for those 65+**

## Distribution Strategy

- The two big decisions you have to make are the timetable for taking money from your tax-deferred retirement account and the amount you should take at each withdrawal.

The questions are:

- » Should you begin when you retire or should you postpone withdrawals until they're required?
- » Will your money last your lifetime?

## **Distributions Made Across All Sources**

Distributions are paid out first based on the account source hierarchy then pro-rata by fund and are not fund-specific directed.

- Pre-87 After-tax Basis
- Post-86 After-Tax Basis & Earnings
- After-tax Rollover Basis & Earnings
- Pre-87 After-tax Earnings
- After-tax Match Basis & Earnings
- Pre-tax Contributions Basis & Earnings
- Pre-tax Catch-up Basis & Earnings
- Pre-tax Match Basis & Earnings
- Pre-tax Rollover Basis & Earnings
- Roth 401(k) Rollover Basis & Earnings
- Roth 401(k) Basis & Earnings
- Roth 401(k) Catch-up Basis & Earnings

If you have separate elections for pre-tax, Roth 401(k), and after-tax contributions, the following hierarchy will be used for match allocation: 1) pre-tax, 2) Roth 401(k), 3) after-tax.

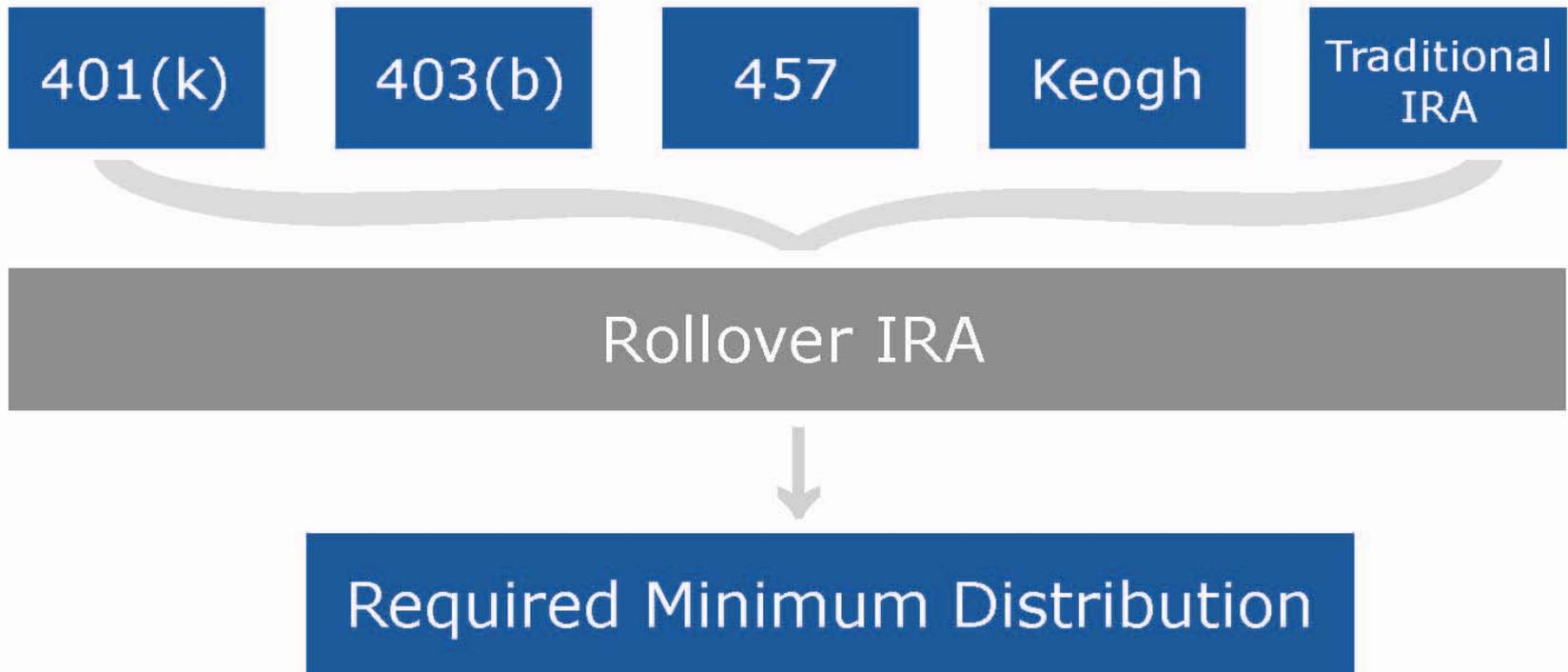
## Plan a Drawdown Distribution Strategy

- Taxable accounts
- Tax-deferred accounts\*
  - » Annuity
  - » Roth IRA
  - » IRA
  - » 401(k) & Roth 401(k)

\*Distributions are required at age 70½ for IRAs and 401(k)s; there are no distribution requirements for Annuities or Roth IRAs.

## Streamline Your Accounts

Your accounts may have come from previous employers.



## Upon Retiring From Oak Ridge:

- **Keep your money in the Savings Program**
- **Roll your money into an IRA or another qualified retirement plan**
- **Request a lump sum, installments or take a partial distribution**

Whatever you decide, you should consult with a qualified tax advisor to see which option might be best for your situation.

## Leave Your Money in the Savings Program

You may leave your money right where it is! Your pre-tax savings will remain tax-deferred. You'll continue to enjoy the many benefits the Savings Program offers. Benefits include:

- Cost effective and efficient investment options
- Continued tax-deferred compounding of your account
- Easy web access and educational tools
- Online advice from Morningstar<sup>®</sup> Retirement Manager<sup>™</sup>

IMPORTANT: The projections or other information generated by the Morningstar<sup>®</sup> Retirement Manager<sup>™</sup> regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

At age 70½, you will be required to take a minimum required distribution.

## **Roll Over Your Money into an IRA or Another Qualified Retirement Plan**

You may choose to transfer your retirement account directly to a rollover Individual Retirement Account (IRA) or another qualified retirement plan. Benefits include:

- Maintain tax-deferred status
- Variety of investments
- Simplify distribution of your funds
- Consolidate accounts, reduce paperwork
- Professional advice on your investments

## Rollover Rules

Primary purpose of rollovers is to defer taxation and avoid early distribution penalty.

- Securities in the Savings Program will be liquidated and cash will be rolled over.
- Direct rollovers avoid 20% mandatory withholding.
- Indirect rollovers (participant receives the money) are subject to 20% withholding and must be completed within 60 days.
- Hardship distributions may not be rolled over.
- Required Minimum Distributions may not be rolled over.
- Distributions that are part of a series of payments based on your life expectancy (72-T distribution) may not be rolled over.

## Employer's Plan or Rollover IRA

	Employer's Plan	Rollover IRA
<ul style="list-style-type: none"> <li>• Growth is tax-deferred</li> <li>• No penalties for direct rollover</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>
<ul style="list-style-type: none"> <li>• Protection from creditors</li> <li>• Early retirement withdrawals</li> <li>• Access to loans</li> <li>• Special tax treatments</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul> <p>Some if eligible</p>	
<ul style="list-style-type: none"> <li>• Greater control over management</li> <li>• Access to wider choice of investments</li> <li>• Maximum flexibility for later conversion</li> <li>• At retirement, simplifies distributions</li> </ul>		<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>

# Online Tools: Calculators for Retirement Planning

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## IRA Comparison

**This calculator helps to determine which type of IRA contribution is appropriate for you given your personal financial information, rate of return and years until retirement.**

After you've entered your information below, click the "Calculate" button to determine which IRA type is best for you.

### Input - Personal Information

What will your tax filing status be?	Married, Filing Jointly
Did you live with your spouse at any time during the year?	<input type="radio"/> Yes <input checked="" type="radio"/> No
Do you participate in an employer-sponsored retirement plan <sup>1</sup> ?	<input type="radio"/> Yes <input checked="" type="radio"/> No
Does your spouse participate in an employer-sponsored retirement plan <sup>1</sup> ?	<input type="radio"/> Yes <input checked="" type="radio"/> No
What is your estimated Modified Adjusted Gross Income (MAGI) <sup>2</sup> ?	\$ 0
What percentage of your contribution is deductible?	0 %
How much will you contribute each year?	\$
<input type="radio"/> Planned annual contribution amount	
<input checked="" type="radio"/> Use maximum annual contributions	
What is your current income tax rate?	Federal: 0% State: 0%
What is your expected income tax rate at retirement?	0% 0%
What is your date of birth?	01/01/0001
At what age do you plan to retire?	65
What average rate of return do you expect to earn on your IRA investment <sup>3</sup> ?	0%

<sup>1</sup>Employer-sponsored retirement plans include 401(k) and 403(b) plans.  
<sup>2</sup>Your MAGI is your adjusted gross income as figured on your federal income tax return, with certain deductions and exclusions added back.  
<sup>3</sup>Use an average rate of return that's appropriate for the mix of investments in your portfolio.

The calculators provide hypothetical examples and are not intended to represent past or future performance of a specific investment which cannot be predicted or guaranteed, or to provide specific advice to any individual. Rates of return will vary over time. Those investments offering a

Go to

[www.401kaccess.com/oakridge](https://www.401kaccess.com/oakridge)

Enter your Account Number and Password

Click on Tools/References

Select Retirement and Financial Planning

Click on Calculators

Select **IRA Comparison Calculator**

## Opting for an IRA

You will need to consult with a tax advisor to determine if this option may be right for you.

To initiate a rollover on your own, contact Participant Services at 1-800-777-401k. Representatives are available Monday through Friday, 8 a.m. to 10 p.m. Eastern time.

## Taking a Qualified Distribution

- Attainment of age 59½
- Retirement upon total and permanent disability
  - Phase 1 – Disability does not qualify you for a qualified distribution
  - Phase 2 – Disability does qualify you for a qualified distribution (after 24 months)
- Termination of service (vested balance)
- Paid to your beneficiary on account of your death

Distributions are subject to ordinary income taxes. They may also be subject to a 10% non-deductible tax penalty if you are under the age of 59½. There are exceptions to this penalty if separation from service at or after 55.

## Forms of Distributions for Retirees and for Disability

- Single lump sum payment
- Regular, fixed dollar amount
- Partial payment, provided remaining balance is at least \$10,000
- Monthly installment of fixed period 10, 15, or 20 years
- Monthly installment payment over a period equal to life expectancy, or the joint life expectancy of you & your spouse
- Monthly installment payment using the uniform life expectancy table

Note: Monthly installments can continue for your spouse for the joint life election, if your death occurs after monthly installments commence.

## Roth 401(k) and After-Tax Distributions

### Roth

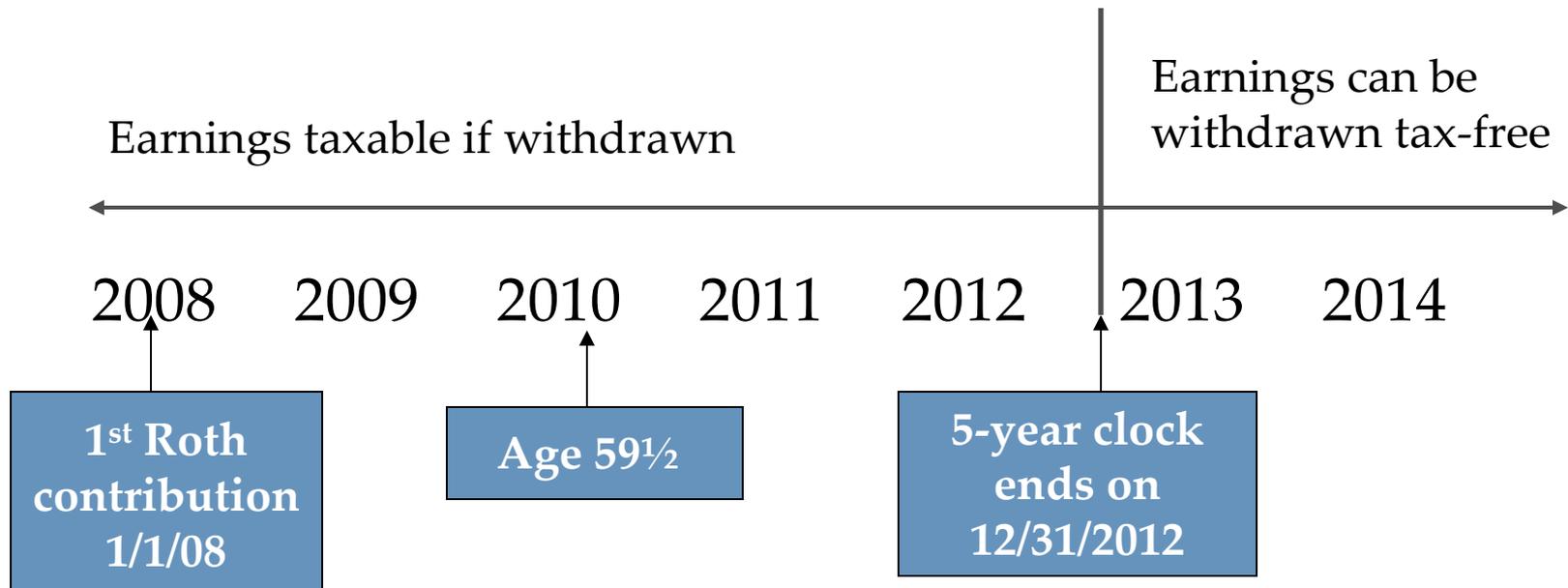
- Roth distributions are 100% tax-free as long as it's been at least 5 years from initial Roth 401(k) contribution and either attainment of age 59½, death or disability
- If Roth distribution does not meet above qualification then the contribution portion is distributed tax-free but any earnings are subject to income taxes and perhaps the 10% early withdrawal penalty

### After-tax

- After-tax contributions may be withdrawn tax-free; however earnings are subject to income taxes and the 10% early withdrawal penalty

## Roth 401(k) Five Year Example

Pat turns 57 in 2008.



## Death Distributions to Spousal Beneficiaries

- Lump sum payment
- May be rolled to spousal IRA
- Monthly installment payments over a five-year period (if you were eligible to retire at the time of your death)

## Death Distributions to Non-Spousal Beneficiaries:

- Lump sum payment
- May be rolled to “inherited” IRA

## Taxation of Distributions

Consider these consequences of taking a cash distribution:

- Distributions trigger an automatic federal income-tax withholding rate of 20%.
- A 10% early withdrawal penalty tax generally applies if you are younger than 59½.
- Taxes are withheld and paid at a 20% rate. Taxes are paid at your tax bracket rate. Depending on your tax bracket rate, you may have to pay additional federal income taxes.
- Based on your amount of investment income, you may need to factor in the **Tennessee “Hall” tax**. This tax is levied on dividends and bond interest received by individuals or other entities, including partnerships and trusts. Tax is 6% of interest and dividends. All persons living in or companies doing business in Tennessee for more than 6 months must pay this tax. Visit [www.tennessee.gov/ecd/bizserv\\_personal](http://www.tennessee.gov/ecd/bizserv_personal) for more information.

## Partial Distributions

One way to receive income from a 401(k) plan or **individual retirement account (IRA)** is to arrange for a systematic withdrawal, sometimes called a periodic or partial withdrawal.

You can generally choose to receive one of the following options:

- A regular, fixed dollar amount on a specific schedule – **not locked in to this option.**

If you elect to take a partial distribution (for those eligible), you may be required to pay a 20% Federal withholding and any mandatory state tax withholding. In addition, if you are Under 59½, you may also have to pay an additional 10% excise tax for an early withdrawal.

Pros	Cons
Flexibility	Chance of depleting retirement assets too rapidly if schedule is too aggressive
Adjust to schedule	
Amount or stop altogether	
Easier to budget in retirement	

# Online Tools: Calculators for Retirement Planning

The screenshot shows a Microsoft Internet Explorer browser window displaying the website [https://www.401kaccess.com/parts/m\\_star/sandp\\_content\\_frame.cfm](https://www.401kaccess.com/parts/m_star/sandp_content_frame.cfm). The website header includes the "Account access" logo and navigation links for "home", "contact us", "site map", and "log off". A menu bar contains "Account", "Investments", "Transactions", "Tools/Reference", and "Access". The main content area is titled "Retirement and Financial Planning" and features a left-hand navigation menu with categories like "Library Home", "Retirement Income Strategy", "Calculators", "Articles", and "Education". The "Calculators" section is expanded, listing various tools such as "College Planner", "Depletion Calculator", "Gap Analysis", "Plan Loan Calculator", "IRA Analyzer", "IRA Comparison", "Req Min Distribution", "Social Security Calculator", "Savings Goal Calculator", "Credit Card Payoff", "Monthly Spending Plan", "Budget/Cash Flow", "Retirement Budget", and "Net Worth Calculator". The "Depletion Calculator" is selected and highlighted. Below the navigation menu, the "Depletion Calculator" section is displayed, featuring the heading "Depletion Calculator" and the sub-heading "Input - How much money do I need?". The calculator form includes the following fields and instructions:

- How many years in retirement do you need to fund?\*
- \*Click on the calculator icon to estimate your years in retirement using IRS life expectancy tables.
- How much do you expect to need each year in retirement? \$
- What rate of return do you expect on your savings in retirement?  %
- What rate of inflation do you expect during your retirement?  %

A blue "Calculate" button is located at the bottom right of the form. Below the form, a text instruction reads: "Click the 'Calculate' button to determine your estimated amounts." A disclaimer at the bottom of the page states: "The calculators provide hypothetical examples and are not intended to represent past or future performance of a specific investment which cannot be predicted or guaranteed, or to provide specific advice to any individual. Rates of return will vary over time. Those investments offering a higher rate of return also involve a higher degree of risk. There is no guarantee similar results can be achieved."

Go to

[www.401kaccess.com/oakridge](https://www.401kaccess.com/oakridge)

Enter your Account Number and Password

Click on Tools/References

Select Retirement and Financial Planning

Click on Calculators

Select **Depletion Calculator**

## Minimum Required Distributions (MRDs)

- The law requires that you begin withdrawing money from your employer sponsored retirement account or traditional IRA by April 1 of the year following the year you turn 70½, whether you're retired or actively employed. Your age and your account balance will determine the amount you're required to withdraw.
- You can calculate the amount of your **minimum required distribution (MRD)** by dividing your account balance at the end of your plan's fiscal year—usually but not always December 31—by the distribution period assigned to someone your age. You find the number that corresponds to your age in the uniform lifetime table provided in Appendix C of IRS Publication 590.
- If you've left your money in your 401(k) or rolled it over to an **individual retirement account (IRA)**, the plan administrator or the IRA custodian will actually calculate the MRD amount for you. In some cases, it will be paid to you on a schedule you choose.
- New withdrawal rules finalized in 2002 increased the distribution period, thus reducing required withdrawals for everyone participating in a 401(k) or IRA.

Note: Married users whose sole primary beneficiary is a spouse more than 10 years younger must use the Joint Life Expectancy Table in *IRS Publication 590* to calculate your payout, which will generally produce lower required distributions (you can use an even longer period, reducing the required withdrawal even further).

# Online Tools: Calculators for Retirement Planning

https://www.401kaccess.com/parts/m\_star/sandp\_content\_frame.cfm - Microsoft Internet Explorer provided by Charles Schwab

https://www.401kaccess.com/parts/m\_star/sandp\_content\_frame.cfm

https://www.401kaccess.com/parts/m\_star/sandp\_co...

home contact us site map log off

## Account access

Account | Investments | Transactions | Tools/Reference | Access

### Retirement and Financial Planning

- ▶ Library Home
- ▶ Retirement Income Strategy
- ▼ Calculators
  - > College Planner
  - > Depletion Calculator
  - > Gap Analysis
  - > Plan Loan Calculator
  - > IRA Analyzer
  - > IRA Comparison
  - > Req Min Distribution
  - > Social Security Calculator
  - > Savings Goal Calculator
  - > Credit Card Payoff
  - > Monthly Spending Plan
  - > Budget/Cash Flow
  - > Retirement Budget
  - > Net Worth Calculator
- ▶ Articles
- ▶ Education

### Required Minimum Distribution

**This calculator determines the required minimum distribution amount needed to be distributed this year based on the Full Market Value (FMV) of the account.**

Consult a tax advisor for more information on your individual tax situation.

Click here for more information on the [required minimum distribution](#).

After you've entered / confirmed your information below, press "Calculate" to determine your required minimum distribution amount.

**Input - RMD Information**

Date of Birth:

Balance as of December 31:

Year-to-Date Distributions:

Outstanding Contributions\*:

Answer "Yes" below if one of the two following cases applies:

1. The account owner's spouse is the SOLE primary beneficiary AND he/she is more than ten years younger than the account owner.
2. The beneficiary is a QUALIFIED trust AND the account owner's spouse is the SOLE primary beneficiary of that trust AND he/she is more than ten years younger than the account owner.

No  Yes If Yes, please enter your spouse's birth date:

**Calculate**

\*An outstanding contribution pertains to multi-year rollovers, direct transfers and direct rollovers. You will need to increase the year-end balance (FMV) of your account by the amount received when you move tax free funds if the funds were received in the current year but distributed from the other plan or account in the previous year. This is true whether the transaction was a rollover from an IRA or qualified plan (such as a 401(k) and 403(b)), a direct transfer from another IRA, or a direct rollover from a qualified plan. In essence, you will need to increase your December 31 FMV by the amount that was transferred or rolled over and not included in the December 31 value of either account.

Click the "Calculate" button to determine your required minimum distribution amount.

The calculators provide hypothetical examples and are not intended to represent past or future performance of a specific investment which cannot be predicted or guaranteed, or to provide specific advice to any individual. Rates of return will vary over time. Those investments offering a higher rate of return also involve a higher degree of risk. There is no guarantee similar results can be achieved.

Go to

[www.401kaccess.com/oakridge](https://www.401kaccess.com/oakridge)

Enter your Account Number and Password

Click on Tools/References

Select Retirement and Financial Planning

Click on Calculators

Select **Required Minimum Distribution Calculator**

## Distribution Periods

Life expectancy tables:

- Uniform lifetime table
- Single life expectancy table
- Joint and Last survivor table

Available at [www.irs.gov](http://www.irs.gov) – click on Retirement Plans Community, click on EP Forms/Pubs/Products and scroll down to select *IRS Publication 590*

## To Request a Distribution

- Log on to the Savings Program's website at [www.401kaccess.com/oakridge](http://www.401kaccess.com/oakridge) — Account Number or Web ID and web password required.
- Call the 24-hour Voice Response Unit at 1-800-777-401k – Account Number or VRU ID and Personal Identification Number (PIN) required.
- Contact Participant Services at 1-800-777-401k. Representatives are available Monday through Friday 8 a.m. to 10 p.m. Eastern time – PIN and one of the following required: Account Number, Web ID or VRU ID.

## Annuities

You may be offered the option of liquidating the assets in your 401(k) plan and purchasing a lifetime annuity. The annuity pays you income for your lifetime or for the joint lifetimes of two people—you and the person you name.

You may be able to choose between a fixed annuity and a variable annuity. With a variable annuity, your income depends on the investment performance of the funds you select from among those offered by the annuity company. A fixed annuity provides the security of guaranteed fixed income but exposes you to inflation risk. A variable annuity offers the possibility of larger payments in the future, but carries the risk that your payments could shrink.

**Another Annuity Choice** - You can rollover your 401(k) and buy an individual retirement annuity. For people who want to make sure they have income for life this may seem like a good option. However, before investing, you may want to consider their fees, lack of flexibility for making unscheduled withdrawals, and the overall financial health of the insurance companies that stand behind them.

**Note:** Mortality and expense fees will apply.

## Withdrawing from Your 401(k)

- **Leave your money in the Savings Program (you must begin MRDs at 70½)**
  - Pro: Stay with investments you are comfortable with
  - Con: Limited investment choices;
  
- **Lump-sum Cashout**
  - Pro: Funds are liquid
  
  - Con: Expensive; you'll have to pay potentially 20% in taxes and taxes are due all at once; you are more likely to spend all of it.
  
- **Lump-sum IRA**
  - Pro: Flexibility; you can control where your money is invested.

Source: AARP's *Segunda Juventud*

## Withdrawing from Your 401(k)

- **Converting to an Annuity**

Pro: Guaranteed income for the rest of your life and keeps you from having to manage investments

Con: Require careful study. Watch for those that offer lifetime coverage vs. specified number of years. Also make sure they cover a surviving spouse.

- **Taking your money in installments**

Pro: Steady stream of income and not locked into rules of annuity

Con: Fewer investment choices and less flexibility

- **Mix and match**

Pro: You are given complete control of your investments; lock in guaranteed income for essentials such as housing, utilities and medical care (through Social Security or an annuity)

Con: Can be complicated and involves research, planning and arranging.



Only

**18%**

of retirees  
*strongly agree*  
they are  
knowledgeable  
about  
investment  
strategies

## Retirement Allocation by Age

- Ibbotson Asset Allocation Models: Summary Glide Path Allocations recommended by Ibbotson.

Ibbotson Standard Allocations	AGE					
	55	60	65	70	75	80
Equity	70%	60%	50%	42%	37%	35%
Fixed Income	27%	35%	42%	47%	50%	50%
Cash	3%	5%	8%	11%	13%	15%
	100%	100%	100%	100%	100%	100%
	Working	Working	Retired	Retired	Retired	Retired



Of late career  
workers, only

**32%**

are discussing  
retirement *a great  
deal* with their  
spouse

International Foundation for Retirement Education (InFRE),  
*Retirement Readiness Profile, 2007*

## Estate Planning

- Shelter the maximum amount of your assets from taxes
- Ensure your instructions are carried out as you intended
- Plan for some liquidity; your heirs will need cash for estate and inheritance taxes, funeral expenses, legal fees, medical expenses for your final illness.
- Review your estate plan periodically, especially if your personal or financial life has changed
- Make sure your assets are titled properly; name the benefactors on all of your accounts, including your 401(k) account (update Beneficiary Form); retitle assets in trust.

## Estate Planning

Hire an expert to help you with your estate planning:

- ✓ Attorney
- ✓ Accountant
- ✓ Trust officer
- ✓ Certified Financial Planner
- ✓ Life Insurance Underwriter



## 401(k) Beneficiary Rules

- If you have been lawfully married to your surviving spouse for at least one year at your time of death, the beneficiary shall be your surviving spouse unless the spouse consents in writing before a notary to the designation of some other person.
- If you are not lawfully married at your time of death or have not been lawfully married for at least one year, the beneficiary shall be the person or persons designated by you.
- If no beneficiary survives you or the beneficiary cannot be located and no claim is submitted within 12 months of death, then the beneficiary will be your personal representative.

## Pension Rules

If you have been lawfully married to your surviving spouse for at least one year at your time of death, your surviving spouse has survivor benefits.

## Ways to Access Your Account Ongoing:

- **Website:** You may access and make changes to your account 24/7 via [www.401kaccess.com/oakridge](http://www.401kaccess.com/oakridge). You'll need your Account Number or Web ID and web password.
- **Voice Response Unit:** Available 24 hours a day at 1-800-777-401k. You'll need your Account Number or VRU ID and Personal Identification Number [PIN].
- **Participant Services Representatives:** Personal assistance is available by calling 1-800-777-401k, from 8 a.m. to 10 p.m. Eastern time, Monday through Friday.
- Easy to understand **Quarterly Participant Statements.**