DEFERRED COMPENSATION PLAN

Supplemental Benefit

DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

DEFERRED COMPENSATION PLAN NEWS

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A quick look at required minimum distributions

Did you know that if you're happy with your retirement plan, you can keep your funds in your account after you retire? It's true. You can keep your account where it is and continue to access all the features and investment options you've used all along.[1]

However, you can't keep all the funds in your account indefinitely. The IRS requires that you start making withdrawals at some point. These mandatory annual withdrawals are known as required minimum distributions, or RMDs. Following are a few things to know about RMDs:

- **The rules recently changed** – If your 70th birthday was before July 1, 2019, you had to begin taking RMDs from your account when you reached age 70½. For those who reach age 70 on or after July 1, 2019, the rules recently changed. People in this category don't have to begin taking RMDs until they reach age 72.

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How an emergency fund can support your retirement savings goals

Is saving for an emergency part of your monthly budget? A recent study by the Federal Reserve found that nearly 40% of American adults wouldn't be able to cover a $400 emergency with cash, savings, or a credit-card charge that they could quickly pay off.[1] How ready are you for a financial emergency?

Financial gurus like Dave Ramsey and Suze Orman talk frequently about the importance of having an emergency fund. And if there's anything we've all learned in the last year, it's that the unexpected can pop up at any time — and it can have an impact on our future retirement finances.

But in addition to helping you weather a short-term financial challenge, an emergency fund may also help you keep your retirement saving goals on course. How? Without an emergency fund, you may be tempted to reduce or even stop regular contributions to your account to increase your take-home pay.

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A quick look at required minimum distributions (continued)

- **Be aware of your beginning date for RMDs** – In general, you must begin taking RMDs by April 1 following the calendar year in which you reach age 72 (or age 70½ if you were born before July 1, 1949) or the year you retire (whichever is later).
- **The amount varies by person** – There's no fixed amount for an RMD. It depends on your account balance and the formula on the calculation worksheets the IRS provides.
- **There are penalties for not taking your RMD** – If you fail to take your RMD, you could face a strict penalty. The amount not withdrawn could be taxed at 50%.

At first glance, RMDs can be a little confusing. The IRS provides an online FAQ that can answer questions you may have. You can also contact your deferred comp specialist with any questions at **1.800.633.5461, option 1**.

1 Plan provisions may provide for the automatic distribution of small balances.

How an emergency fund can support your retirement savings goals (continued)

When you do either of these, you're missing out on the potential for compound growth — where any earnings your contributions generate get reinvested in your account and can generate additional earnings on their own. Also, your plan allows you to save on a tax-advantaged basis, where your initial contributions and any earnings from them aren't taxed until you make a withdrawal. So, the money you would have paid initially in taxes gets invested in your chosen investment options. With Roth contributions, your taxes come out of your initial contribution, but future withdrawals aren't taxed.[2]

The bottom line: An emergency fund is a smart idea for the here and now, and it can help you stick to your plans for the future.

1 abcnews.go.com, 40% of Americans don't have $400 in the bank for emergency expenses: Federal Reserve, May 24, 2019.

2 Earnings on Roth contributions will be taxed unless withdrawals are a qualified distribution as defined by the IRS.

2021 contribution limits

Maximum

If you are not eligible for one of the special catch-up provisions, you may contribute a maximum $19,500 or 100% of your compensation, whichever is less.

Special catch-up provisions:

- If you are age 50 or older, you can make additional contributions, up to an additional $6,500 for a maximum of $26,000 for 2021.
- If you are within three years of the SERS retirement age for your SERS plan and/or class of service, you may be able to contribute up to $39,000 in 2021.

Only one catch-up provision may be used in any one tax year, and the amounts you may contribute are based on the amounts you were eligible to contribute to the plan in previous years but did not.

Minimum

The minimum contribution election is $5 each pay period or 0.5% of pay each pay period (the latter may be increased in 0.5% increments).

For more information, talk with a deferred comp specialist at **1.800.633.5461, option 1**.

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