<u>RETIREMENT 101 AND BEYOND</u>

Common questions:

1) Do employers have to provide a defined contribution plan?

<u>No.</u> Collective Bargaining requires them to contribute to a plan for Union workers.

2) What are the benefits of a defined contribution plan?

There are several good reasons for having a defined contribution plan:

- You can have money regularly deducted from your pay, making it easier to save more.
- You can postpone paying taxes on some or all of the money in your account.
- You're allowed to make choices how your money is invested.
- You'll be able to take most (if not all) of the money saved with you when you change jobs.

3) How can I save taxes by contributing to a defined contribution plan?

With a traditional defined contribution plan, you don't have to pay income tax upfront on the money you and/or your employer put into your retirement savings account interest or other investment returns on the money add up tax-free. You postpone paying taxes until you start taking money out of your account and only income tax on the amount you take out.

4) Can you change your mind about putting money in the plan and how much?

<u>Yes.</u> You always have the right to change your mind and notify your payroll department to stop the deduction. If you want to revise the deduction, that opportunity is available to you on a quarterly basis.

5) When can I get my money?

If you terminate before your normal retirement age, there is a one (1) year waiting period. If you are of retirement age, the wait is ninety (90) days.

6) When do I pay taxes on the money in my account and how much?

Federal Income Taxes are withheld at 20% when the money is withdrawn from your account and will be included in your income tax return. In addition, you may have to pay a 10% penalty for early withdrawals unless you meet one of the exceptions. State Income Tax may also be due on the withdrawn money.