


# **TRG Retirement/Transition Guide**

A red Adirondack chair is positioned on a wooden deck, with a body of water in the background. The chair is made of red-painted wood and has a classic slatted design. The water is calm with some ripples, and the sky is not visible.

**Updated  
For CARES &  
SECURE Act**

# Introduction

For more information on SECURE and CARES ACT, see pages 4 & 5

The Retirement Group was founded with the goal of assisting corporate employees in every aspect of their financial lives as they transition into retirement. Over time we began to focus on Fortune 500 companies. We provide the most personal service available, thus earning a reputation for excellence in our industry. For each of our clients we strive to help create financial stability and security to provide financial independence.

Our staff consists of experienced professionals who know retirement benefits and provide a "hands on" approach to financial guidance. Our experience working with employees from Fortune 500 companies is unparalleled and our advisors have an excellent understanding of our client's specific plans. Not only do our clients find our team members knowledgeable, but they also discover that our staff truly cares about making their dreams a reality. We do everything in our power to keep our clients focused on where they want to go, advise them on how to get there, and continually remind them of the importance of maintaining a disciplined approach to pursue their goals.

Our company is based on the principle that education and understanding of one's current financial situation is vital to successfully make prudent decisions concerning one's financial future.

**Learn more by visiting:**

[www.theretirementgroup.com](http://www.theretirementgroup.com)

As you transition from employment in the energy sector, we want to share information to help you make important decisions that affect you and your family's well-being.

This guide tells you about energy benefits, steps to take, and where to find resources that will help you get the most from your retirement benefits.

Please note: This guide lists the actions you must take to access your retirement benefits. Read the Tips on Using This Guide section for more information and refer to your company's Summary Plan Description for a full description[4].

**Disclosure:** The Retirement Group is not affiliated with your company.





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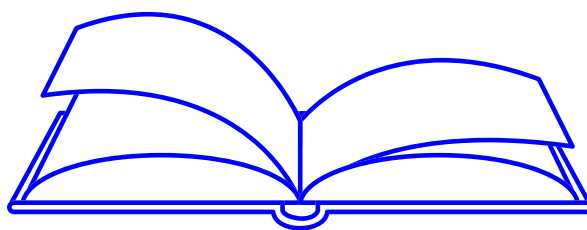
# Stages of Retirement

This specially designed guide offers a summarized list of steps to simplify your transition into retirement. We provide links to websites and other resources you will need to help you get the most from your retirement benefits.

**Please note:** This guide is a summary of the actions you must take to access your retirement benefits. For full details, you should review your company's summary plan descriptions (SPD) (4) that apply to your retirement benefits. For health and welfare benefits, if you are still an active employee, call your company's Benefits Center and request the applicable SPDs(4). This is a summary of steps to take before and after leaving your company. The official plan documents are the final authority on the terms of the plans.

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## Stages of Retirement

Retirement planning, whether you are 20 or 60, is something we must actively plan towards annually. Unfortunately, numerous polls and experts say the majority of Americans don't know how much to save or the income they will need.

### Getting started... Your 20's and early 30's

Everyone knows it's critical to start in your 20's and early 30's. Many suffer from impending anxiety from not saving enough, while others are grateful they feel secure.

TIME... It is the one advantage you will never get again. As some of you may know, compounding has significant impacts on future savings. Starting early matters and the key is to increase/maximize your 401(k) contributions.

# Stages of Retirement

Say you open a tax-deductible Individual Retirement Account (IRA) at age 25 and invest \$100 a month until age 65. If the account earns 8% a year, you could amass \$349,100 by age 65. If you wait until age 35 to start saving the same \$100 a month, you could end up with \$149,035 when you are 65. Waiting 10 years to start saving and investing could cost you substantially.

There are three primary reasons why a 401(k) is such a popular retirement savings vehicle: **matching contributions, tax benefits, and compound growth.**

Matching contributions is what it sounds like: It's when your employer matches your own 401(k) contributions with company money. If your employer matches, they'll typically match up to a certain percent of the amount you put in.

Let's say that your employer matches up to 3% of your contributions to the plan, dollar for dollar. If you contribute 2% of your salary to your plan, your total 401(k) contribution will be 4% of your salary each month after the employer match is added. If you bump up your contribution by just 1% (so you're putting in 3% of your salary), your total contribution is now 6% with the employer match.

Unfortunately, many workers don't take full advantage of the employer match because they're not putting in enough themselves. A recent study revealed that employees who don't maximize the company match typically leave \$1,336 of potential extra retirement money on the table each year. (23)

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# Stages of Retirement

## **Working on it... Your 30's through your 40's.**

At this stage, you're likely full stride into your career and your income probably reflects that. The challenges to saving for retirement at this stage come from large competing expenses: a mortgage, raising children and saving for their college. Try investing a minimum of 10% of your salary towards retirement. Always, maximize your company's contribution match.

One of the classic conflicts is saving for retirement versus saving for college. Most financial planners will tell you that retirement should be your top priority because your child can usually find support from financial aid whereas you'll be on your own to fund your retirement.

## **The home stretch... Your 50's and 60's.**

Ideally, you're at your peak earning years and some of the major household expenses, such as a mortgage or child-rearing, are behind you, or soon will be. Now, it's time boost your retirement savings goal to 20% or more of your income as it's the last opportunity to stash away funds.

Workers age 50 or older, in 2020, can invest up to \$19,500 into their retirement plan/401(k). Once they meet this limit they can add an additional \$6,500 in catch up contributions. These limits are adjusted annually for inflation. If you are over 50, you may be eligible to use a catch-up contribution within your IRA.

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# New Legislation (SECURE Act)

## The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act)

- If you turn 70 ½ after the end of 2019 you will not be required to begin required minimum distributions until the age of 72.
- You may now continue to contribute to an IRA after you turn 70 ½ if you are still employed.
- If you have student loans, you are now allowed to withdraw up to \$10,000 annually from a 529 account to pay down debt.
- You are permitted to withdraw up to \$5,000, penalty-free, to assist with the cost of adopting or having a new child.
- Inherited IRAs given to non-spousal beneficiaries must now withdraw the balance of the account within 10 years of the death of the original account holder, thus eliminating a strategy known as a stretch IRA.
- Created more options for lifetime payout benefits from employer sponsored retirement savings plans.

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receive financial updates!**

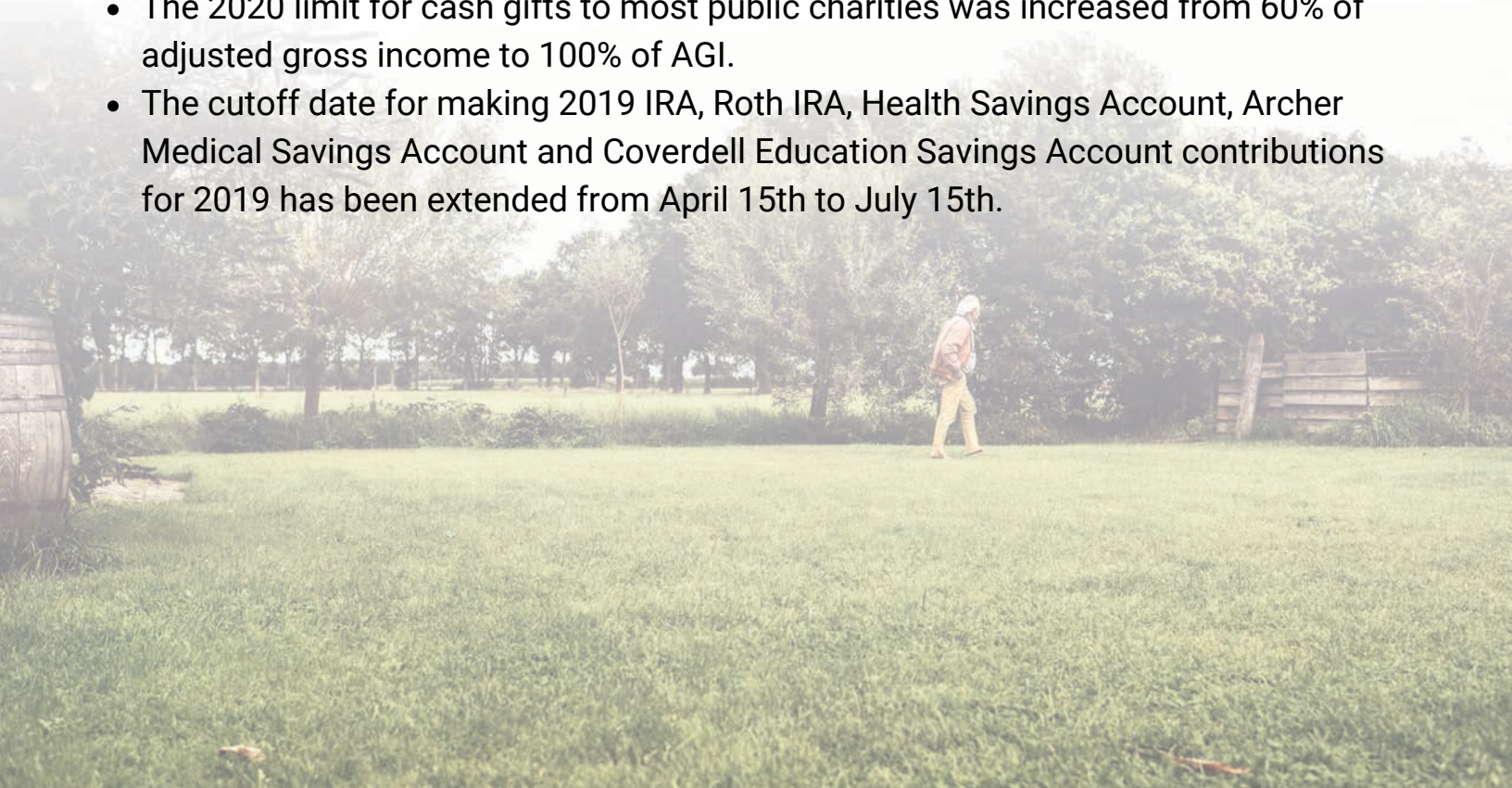
**TRG Blog**



# New Legislation (CARES Act)

## The Coronavirus Aid, Relief and and Economic Security Act of 2020 (CARES Act)

- Required minimum distributions (RMDs) from IRAs, Inherited IRAs, 401(k)s, 403(b)s, 457(b)s and other retirement plans have been suspended for 2020.
- For 2020, you can withdraw up to \$100,000, penalty-free, from retirement accounts such as a 401(k) or an IRA account if you qualify under one of two categories:
  - You, your spouse or a dependent is diagnosed with COVID-19.
  - You have suffered financial consequences as a result of the pandemic.
- The maximum amount that can be borrowed from a 401(k), for loans made between March 27, 2020 and September 22, 2020, was increased from the lesser of \$50,000 or 50% of the plan participant's account balance to the lesser of \$100,000 or 100% of the participant's balance if you meet one the above qualifications.
- You may now qualify for a new above-the-line tax deduction of \$300 for charitable contributions. The new deduction allows those who do not itemize their tax deductions to receive a tax credit of up to \$300 per individual from donating cash to a charity in 2020.
  - The new above-the-line \$300 deduction for cash gifts cannot be given to donor-advised funds (DAFs) or supporting organizations (SOs).
- The 2020 limit for cash gifts to most public charities was increased from 60% of adjusted gross income to 100% of AGI.
- The cutoff date for making 2019 IRA, Roth IRA, Health Savings Account, Archer Medical Savings Account and Coverdell Education Savings Account contributions for 2019 has been extended from April 15th to July 15th.





# Your Pension Plan

Whether you're changing jobs or retiring, knowing what to do with your hard-earned retirement savings can be difficult. An employer-sponsored plan, such as a Pension & 401(k), may make up the majority of your retirement savings, but how much do you really know about that plan and how it works? There are seemingly endless rules that vary from one retirement plan to the next, early out offers, interest rate impacts, age penalties and complex tax impacts.

Increasing your investment balance and reducing taxes is the key to a successful retirement plan spending strategy. Our advisors at The Retirement Group can help you understand how your retirement 401(k) fits into your overall financial picture and how to make that plan work for you.



"Workers are far more likely to rely on their workplace defined contribution (DC) retirement plans as a source of income. 8 in 10 believe this will be a major or minor source of income in retirement. 3 in 4 expect income to come from their personal retirement savings or investments."

- Employee Benefit Research Institute

**As of March 2019, 71% of full-time private-sector American workers had access to an employer retirement plan, but only 56% chose to participate. Regardless of what you choose to do with the funds from your employer retirement plan, you're already ahead of 44% of all workers.(1)**

Let's review some typical company retirement plans.

# Your Pension Plan

## Sample Retirement Plan

Whether you work for a large oil company like ExxonMobil or a large telecom company like AT&T, each company has a unique plan. These plans are often complex so it is important to work with an advisor who understands your plan. Regardless of which company you work for, your company plan is complicated and difficult to understand. To better understand your plan let's look at a few examples from AT&T, Shell, ExxonMobil, and Chevron and see how they compare to other Fortune 500 companies.

- Perhaps your company is among those following a similar model to Shell, where the company determines the contribution percentage by looking at specific factors related to each employee.
  - In the Shell Retirement Plan, the company's annual contribution is tier based, with higher contributions coming once an employee has passed a years of service threshold.
  - After completing... Company contribution is...of annual pay

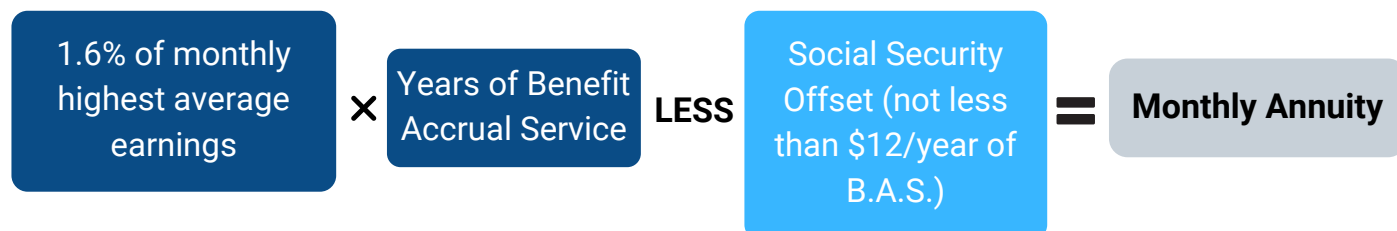
▪ 1 year of accredited service	2.5%
▪ 6 years of accredited service	5%
▪ 9 years of accredited service	10%
- On the other hand, it's possible your company determines its contribution based on a combination of specific factors, like ExxonMobil.
  - ExxonMobil basic pension benefit is determined by:
    - $\text{Final Average Pensionable Pay} \times \text{Years of Service} \times 1.6\% = \text{Final Average Pensionable Pay subtotal}$
    - $\text{Primary Social Security} \times \text{Years of Service} \times 1.5\% = \text{Social Security offset}$
    - $\text{Final Average Pensionable Pay subtotal} - \text{Social Security offset} = \text{Basic Pension Monthly Benefit}$
  - ExxonMobil is just one of many companies using a Social Security offset when calculating Pension Benefits. Various energy companies calculate the offset formula differently, which is why it's important to contact and advisor who knows your specific plan.

\*Source: RDS SPD and XOM SPD

# Your Pension Plan

Your company may use a more complex formula, like Chevron.

Chevron calculates an employee's monthly annuity through the Legacy Chevron retirement plan by taking 1.6% of monthly highest average earnings, times by years of BAS minus their Social Security Offset.



Highest Average Earnings is the monthly average of your regular earnings for the 36 consecutive months in which they're the highest. In most cases, this will be the sum of your last 36 months divided by 36.

The applicable interest rate is a separate average of each of the three segment rates for the fifth, fourth and third months preceding your annuity start date. The three segment rates are calculated by the IRS according to regulations that are also part of the Pension Protection Act of 2006 and reflect the yields of short-, mid-, and long-term corporate bonds. (**Note:** Chevron also has Legacy Unocal and Legacy Texaco Retirement Plans)

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# Your Pension Plan

Similar to Chevron, AT&T has many different plans available. With AT&T, they have different pension plan formulas for management & non-management. Lets look at a sample non-management plan.

AT&T non-management employees have their own Craft/non-management pension plan. Let's take a look at a pension example for a gentleman by the name of Joe Smith who is hourly and using the Craft/non-management pension plan.

In 1990, Joe is hired by AT&T and participates in the Craft Pension Plan:

## Craft Pension Plan

- Craft has a defined benefit plan that uses pension bands.
  - A pension band determines your benefits based on your job title/grade level/occupation.
    - Joe will receive a monthly dollar amount into his account for each year of service.
    - Joe's benefit (pension band may change yearly).

Let's assume Joe is working as a Cable Splicing Technician and is in Pension Band 120. He is interested in retiring this year, in 2021 and wants to calculate his Craft Pension benefit.

$$\text{Monthly Benefit} \times \text{Years of Service} = \text{Monthly Pension Benefit}$$

Pension Band 120 Monthly Benefit for 2021= \$71.75

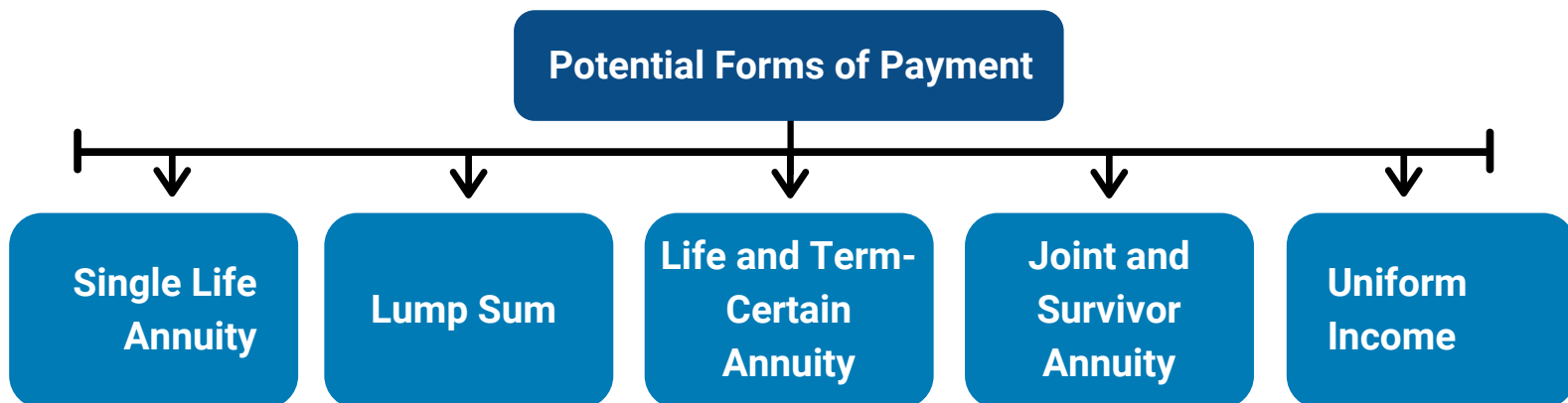
Years of Service= 31 (1990-2021)

$$\$71.75 \times 31 = \$2224.25$$

While this formula calculates a monthly pension benefit, you can determine the lump sum equivalent by using the annuity to lump sum conversion table on Fidleity's website.

# Your Pension Plan: Payment Options

If a Pension is offered, your company's retirement plan will generally allow for different forms of payment.



## Single Life Annuity\*

- The monthly Single Life Annuity is the benefit from which all of the optional forms of payment under the plan are derived.
- Pays a fixed amount each month for retiree's lifetime.
- A death benefit may be payable to your beneficiary.
- A death benefit is payable if vested and employee dies before employment ends or start of receiving benefits.

## Lump-Sum Option (Most Companies Offer a Lump Sum)\*

- Lump-sum payment is actuarially equivalent to the total annuity you would have received as a Single Life Annuity during your lifetime.
- Calculated using actuarial factors based on your age and the interest rate in effect on your annuity starting date.
- No death benefits are payable.

**NOTE: Lump-Sum vs. Annuity** - With decreasing interest rates, your lump-sum payout will increase.

## Life & Term-Certain Annuity Option\*

- Smaller than the Single Life Annuity.
- 5, 10, or 15 year period certain.
- If you have multiple beneficiaries or if your beneficiary is your estate or trust, remaining payments converted actuarially to a lump-sum.
- No death benefits are payable.

# Your Pension Plan: Payment Options

## Joint & Survivor Annuity\*

- Upon your death, a percentage of your monthly benefit is paid to your joint annuitant for his or her lifetime.
- Reduction factors may apply depending on your company's policy.

## Uniform Income\*

- Receive same level of income before and after receiving Social Security benefits.
- The level of income may change at a certain age. For example in the Chevron Uniform Income policy:
  - Before age 62, employees receive a larger monthly annuity from the plan.
  - After age 62, when Social Security benefit is available, employees receive a smaller monthly annuity from the plan.
- Each company has varying rules in regards to Uniform Income, review your company's SPD or talk to an advisor to find out the rules for your specific plan.

\*These are examples and your company plan may be different.

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# Your Pension Plan

At this time in the economic cycle, there is serious interest rate risk. Keep in mind, annuities typically do not have inflation protection, however some employees want the security of the monthly benefit. A strategy to compensate for not electing the lump-sum implements electing the single annuity option and buying a life insurance policy (protection for spouse, children) to maximize your pension benefit.

If you are thinking about what to do with your pension, you can discuss with a TRG advisor if you should take the Lump Sum or Annuity. When should you take it? What is best for you and your family?

You should routinely use the tools and resources found on The Retirement Group's E-Book library, such as the [Retirekit](#)(17), to model your pension benefit in retirement and the pension payment options that will be available to you.

You can also contact an energy focused advisor at The Retirement Group at (800)-900-5867. We will get you in front of an advisor dedicated to oil companies to help you start the retirement process and tell you about your payment.

**Note:** We recommend you read your company's Summary Plan Description. The Retirement Group is not affiliated with CVX, XOM, AT&T or RDS.

## Next Step:

- Determine if you should take your Pension as a Lump Sum or Annuity.
- How do interest rates affect your decision?
- Use the "[Retirekit](#)" (17) to understand cash flow, interest rates, and explore which pension option might be the best fit for you during retirement.
- As you get closer to your retirement date, contact an energy focused advisor at The Retirement Group and also read the applicable SPD Summary(4) to start your retirement process.
- Your employer will need you to provide documents that show proof of birth, marriage, divorce, Social Security number, etc., for you and your spouse/legally recognized partner.
- Your company may have a Beneficiary Designation online where you can make updates to your beneficiary designations if applicable to your pension program. Please read your SPD for more details(4).

# Your Pension Plan

## Lump-Sum vs. Annuity

Retirees who are eligible for a pension are often offered the choice of whether to actually take the pension payments for life, or receive a lump-sum dollar amount for the “equivalent” value of the pension – with the idea that you could then take the money (rolling it over to an IRA), invest it, and generate your own cash flows by taking systematic withdrawals throughout retirement.

The upside of keeping the pension itself is that the payments are guaranteed to continue for life (at least to the extent that the pension plan itself remains in place and solvent and doesn’t default). Thus, whether you live 10, 20, or 30 (or more!) years in retirement, you don’t have to worry about the risk of outliving the money.

In contrast, selecting the lump-sum gives you the potential to invest, earn more growth, and potentially generate even greater retirement cash flow. Additionally, if something happens to you, any unused account balance will be available to a surviving spouse or heirs. However, if you fail to invest the funds for sufficient growth, there’s a danger that the money could run out altogether and you may regret not having held onto the pension’s “income for life” guarantee.

Ultimately, the “risk” assessment that should be done to determine whether or not you should take the lump sum or the guaranteed lifetime payments that the pension offers depends on what kind of return must be generated on that lump-sum to replicate the payments of the annuity. After all, if it would only take a return of 1% to 2% on that lump-sum to create the same pension cash flows for a lifetime, there is little risk that you will outlive the lump-sum even if you withdraw from it for life(10). However, if the pension payments can only be replaced with a higher and much riskier rate of return, there is, in turn, a greater risk those returns won’t manifest and you could run out of money.



**For more information on  
lump sum vs. annuity,  
read our ebook**

**"Lump Sum vs. Annuity"**

# Your Pension Plan

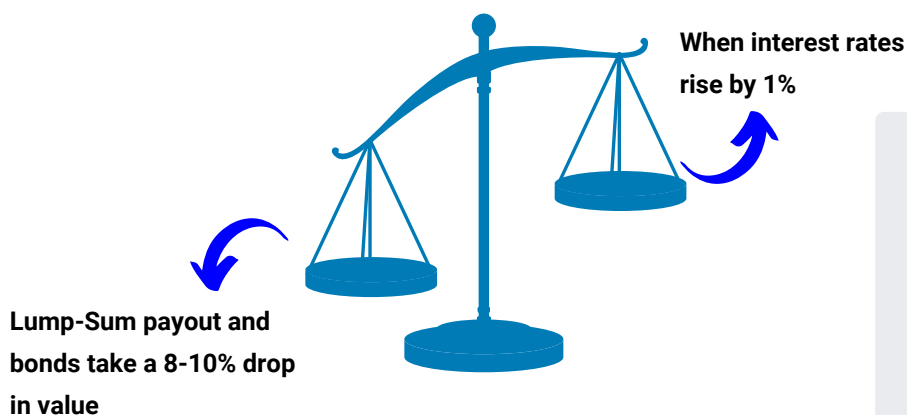
## Interest Rates and Life Expectancy

In many defined benefit plans, like the ExxonMobil pension plan, current and future retirees are offered a lump-sum payout or a monthly pension benefit. Sometimes these plans have billions of dollars worth of unfunded pension liabilities, and in order to get the liability off the books, they offer a lump-sum.

Depending on life expectancy, the initial lump-sum is typically less money than regular pension payments over a normal retirement time frame. However, most individuals that opt for the lump-sum plan to invest the majority of the proceeds, as most of the funds aren't needed immediately after retirement.

Something else to keep in mind is that current interest rates, as well as your life expectancy at retirement, have an impact on lump-sum payout options of defined benefit pension plans. Lump-sum payouts are typically higher in a low interest rate environment, but be careful because lump-sums decrease in a rising interest rate environment.

Additionally, projected pension lump-sum benefits for active employees will often decrease as an employee ages and their life expectancy decreases. This can potentially be a detriment of continuing to work, so it is important that you run your pension numbers often and thoroughly understand the impact that timing has on your benefit. Other factors such as income needs, need for survivor benefits, and tax liabilities often dictate the decision to take the lump-sum over the annuity option on the pension.



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rising interest rates,  
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# Your 401(k) Plan

When is the last time you reviewed your 401(k) plan account or made any changes to it? If it's been a while, you're not alone. 73% of plan participants spend less than five hours researching their 401(k) investment choices each year, and when it comes to making account changes, the story is even worse.

When faced with a problem or challenge, many of us are programmed to try to figure it out on our own rather than ask for help. The Christmas Eve ritual of assembling toys without looking at the instructions and that road trip when we refused to stop to ask for directions come to mind. But when we're talking about 401(k) investing, choosing to go at it alone rather than get help can hurt.

When you retire, if you have balances in your 401(k) plan, you will receive a Participant Distribution Notice in the mail. This notice will show the current value that you are eligible to receive from each plan and explain your distribution options. It will also tell you what you need to do to receive your final distribution. Please call The Retirement Group at (800)-900-5867 for more information and we can get you in front of a TRG advisor.

## Next Step:

- Watch for your Participant Distribution Notice and Special Tax Notice Regarding Plan Payments. These notices will help explain your options and what the federal tax implications may be for your vested account balance.
- "[What has Worked in Investing](#)"(18) & "[8 Tenets when picking a Mutual Fund](#)"(7).
- To learn about your distribution options, call The Retirement Group at (800)-900-5867. Click our E-Book for more information on "[Rollover Strategies for 401\(k\)s](#)"(14).
- You may be able to use your company's Online Beneficiary Designation to make updates to your beneficiary designations, if needed.

**Note:** If you voluntarily terminate your employment, you may not be eligible to receive the annual contribution.



# Your 401(k) Plan

Over half of plan participants admit they don't have the time, interest or knowledge needed to manage their 401(k) portfolio, but the benefits of getting help go beyond convenience. Studies like this one, from Charles Schwab, show those plan participants who get help with their investments tend to have portfolios that perform better. The annual performance gap between those who get help and those who do not is 3.32% net of fees. This means a 45-year-old participant could see a 79% boost in wealth at age 65 simply by contacting an advisor. That's a pretty big difference.

Getting help can be the key to better results across the 401(k) board. A Charles Schwab study found several positive outcomes common to those using independent professional advice. They include:

- **Improved savings rates** – 70% of participants who used 401(k) advice increased their contributions.
- **Increased diversification** – Participants who managed their own portfolios invested in an average of just under four asset classes, while participants in advice-based portfolios invested in a minimum of eight asset classes.
- **Increased likelihood of staying the course** – Getting advice increased the chances of participants staying true to their investment objectives, making them less reactive during volatile market conditions and more likely to remain in their original 401(k) investments during a downturn. Don't try to do it alone.

Get help with your 401(k) investments. Your nest egg will thank you.

The benefits  
of getting help  
with your 401(k)  
investments ➤



= **79% more wealth**

Source: 26

# Your 401(k) Plan

## In-Service Withdrawals

**General Rules:** You may withdraw amounts from your account while still employed by an employer under the circumstances described. Certain withdrawals are subject to regular federal income tax and if you are under age 59  $\frac{1}{2}$  you may also be subject to an additional 10% penalty tax. You can determine whether you are eligible for a withdrawal, and request one, via internet access.

## Rolling Over Your 401(k)

As long as the participant is younger than age 72, an in-service distribution can be rolled over to an IRA. A direct rollover would avoid the 10% early withdrawal penalty as well as the mandatory 20% tax withholding. Refer to your SPD for more information & possible restrictions on rollovers/withdrawals.

Because a withdrawal permanently reduces your retirement savings and is subject to tax, you should always consider taking a loan from the plan instead of a withdrawal to meet your financial needs. Unlike withdrawals, loans must be repaid, and are not taxable (unless you fail to repay them). In some cases, as with hardship withdrawals, you are not allowed to make a withdrawal unless you have also taken out the maximum available plan loan.

**Note:** The Plan Administrator reserves the right to modify the rules regarding withdrawals at any time, and may further restrict or limit the availability of withdrawals for administrative or other reasons, in its sole discretion. All participants will be advised of any such restrictions, which will apply equally to all employees.

**For more information about  
401(k) savings plans,  
read our e-book**

**"A Look at 401(k) Plan Fees"**

# Your 401(k) Plan

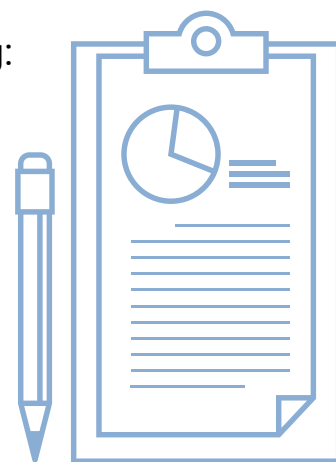
## Borrowing from your 401(k)

**Should you borrow from your 401(k)?** Maybe you lose your job, have a serious health emergency, or face some other reason that you need a lot of cash. Banks make you jump through too many hoops for a personal loan, credit cards charge too much interest ... and suddenly, you start looking at your 401(k) account and doing some quick calculations about pushing your retirement off a few years to make up for taking some money out.

It's your money, and you need it now. But take a second to see how this could adversely affect your retirement plans.

**Remember:** Borrowing from your 401(k) may result in the following:

- **Losing growth potential on the money you borrowed.**
- **Losing out on contributions.**
- **Repayment and tax issues, if you leave your employer.**



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on our Retirekit,  
click here**

**"Retirekit"**



# Your 401(k) Plan

## Net Unrealized Appreciation (NUA)

When you qualify for a distribution you have three options:

- Roll-over your qualified plan to an IRA and continue deferring taxes.
- Take a distribution and pay ordinary income tax on the full amount.
- Take advantage of NUA and reap the benefits of a more favorable tax structure on gains.



## How does Net Unrealized Appreciation work?

First an employee must be eligible for a distribution from their qualified plan; generally at retirement or age 59 1/2, the employee takes a "lump-sum" distribution from the plan, distributing all assets from the plan during a 1 year period. The portion of the plan that is made up of mutual funds and other investments can be rolled into an IRA for further tax deferral. The highly appreciated company stock is then transferred to a non-retirement account.

The tax benefit comes when you transfer the company stock from a tax-deferred account to a taxable account. At this time you apply NUA and you incur an ordinary income tax liability on only the cost basis of your stock. The appreciated value of the stock above its basis is not taxed at the higher ordinary income tax but at the lower long-term capital gains rate, currently 15%. This could mean a potential savings of over 30%. Let's take a look at an example.

**For more information about  
Net Unrealized Appreciation,  
read our e-book**

**"Net Unrealized Appreciation"**

# Your 401(k) Plan

## Net Unrealized Appreciation Example

Let's assume the value of your company's stock within your account is \$500,000. The price you paid for the stock is \$75,000. If you roll the entire amount to an IRA you will owe nothing in taxes presently. Over time if you were in the 24% federal tax bracket you will pay \$120,000 in taxes for distributions.

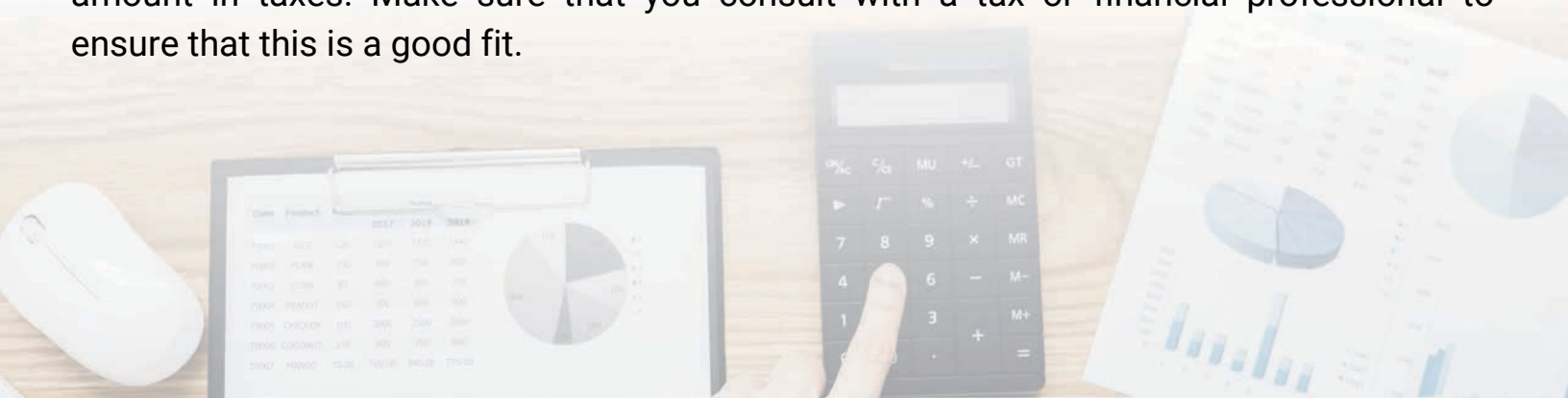
If you were to take advantage of NUA you will pay ordinary income tax on the cost basis at the time of distribution. This totals \$18,000 in taxes today. The tax on the Net Unrealized Appreciation would be 15% of the gain, or \$63,750. Your total tax liability is \$81,750.

In this example, NUA saved almost \$40,000 in taxes!

### A few things to keep in mind:

- Some companies may have a penalty for taking a distribution prior to age 59  $\frac{1}{2}$ . Talk to a TRG advisor about your options.
- NUA makes more sense when employees have a low cost basis.
- It is important to take advantage of NUA prior to a rollover. Once you roll retirement assets to an IRA it is too late to take advantage of the potential savings. To qualify, you must be eligible for a lump-sum distribution of your entire qualified account.
- Stock shares must transfer in-kind to a taxable account. This means that the shares must not sell but must move from your qualified account into your new taxable account.

Net Unrealized Appreciation can be used in certain circumstances to save a substantial amount in taxes. Make sure that you consult with a tax or financial professional to ensure that this is a good fit.



# Your 401(k) Plan

## IRA Withdrawal



**What is the most efficient way to take my retirement income?** Your retirement assets may consist of several retirement accounts — IRAs, 401(k)s, taxable accounts, and others. You may want to consider meeting your income needs in retirement by first drawing down taxable accounts rather than tax-deferred accounts. This may help your retirement assets last longer as they continue to potentially grow tax deferred. You will also need to plan to take the required minimum distributions (RMDs) from any employer-sponsored retirement plans and traditional or Rollover IRA accounts. That's because the IRS requires that you begin taking distributions from these types of accounts when you reach age 72 as for 2020. If you do not, the IRS may assess a 50% penalty on the amount you should have taken.

**Note:** New legislation allows individuals who did not turn 70 1/2 by the end of 2019 to take RMDs on April 1 of the year in which you turn age 72.

## Two flexible distribution options for your IRA

When you need to draw on your IRA for income or take your RMDs, you will find two flexible options. Please note that distributions from your IRA are subject to income taxes and may be subject to penalties and other conditions if you are under 59 1/2.

- Partial withdrawals: Withdraw any amount from your IRA at any time. If you are age 72 or over, you will have to take at least enough from one or more IRAs to meet your annual RMD.
- Systematic withdrawal plans: Structure regular, automatic withdrawals from your IRA; choose the amount and frequency to meet your retirement income needs. If you are under age 59 1/2, you may be subject to a 10% early withdrawal penalty unless your withdrawal plan meets Code Section 72(t) rules discussed[20].

**Note:** New legislation allows individuals who did not turn 70 1/2 by the end of 2019 to take RMDs on April 1 of the year in which you turn age 72.

Your tax advisor can help you understand distribution options, determine RMD requirements, calculate RMDs, and set up a systematic withdrawal plan. Neither FSC nor its representatives provide tax or legal advice. Please consult your attorney or tax advisor for answers to your specific questions. Remember, The Retirement Group is not affiliated with CVX, XOM, AT&T, or RDS.

# Your Benefits

## Company Benefits Annual Enrollment

Annual enrollment for your company benefits usually occurs each fall. Before it begins, you will be mailed enrollment materials and an upfront confirmation statement reflecting your benefit coverage to the address on file. You'll find enrollment instructions and information about your benefit options and contribution amounts. You will have the option to keep the benefit coverage shown on your upfront confirmation statement or select benefits that better support your needs. You may be able to choose to enroll in eBenefits and receive this information via email instead.

### Next Step:

- Watch for your annual enrollment information in the September/November time frame.
- Review your benefits information and utilize the tools and resources available on your company's Benefits Center website.
- Enroll in eBenefits.

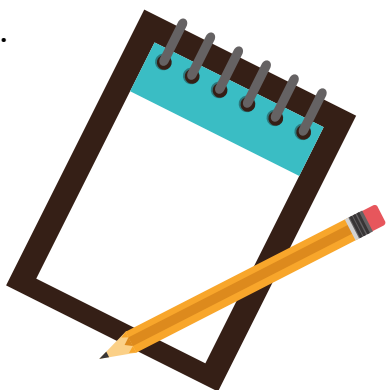
### Things to keep in mind :

- 47% of Americans cite healthcare as their greatest economic concern.(27)
- Medical bills are the No. 1 cause of bankruptcy in the United States. (28)
- For older Americans, healthcare costs represent the second-largest expense, behind housing.(29)

## Short-Term & Long-Term Disability

Short-Term: Depending on your plan, you may have access to short-term disability (STD) benefits.

Long-Term: Your plan's long-term disability (LTD) benefits are designed to provide you with income if you are absent from work for six consecutive months or longer due to an eligible illness or injury.



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# Your Benefits

## What Happens If Your Employment Ends

Your life insurance coverage and any optional coverage you purchase for your spouse/domestic partner and/or children ends on the date your employment ends, unless your employment ends due to disability. If you die within 31 days of your termination date, benefits are paid to your beneficiary for your basic life insurance, as well as any additional life insurance coverage you elected.

### Note:

- You may have the option to convert your life insurance to an individual policy or elect portability on any optional coverage.
- If you stop paying supplementary contributions, your coverage will end.
- If you are at least 65 and you pay for supplemental life insurance, you should receive information in the mail from the insurance company that explains your options.
- Make sure to update your beneficiaries. See your company's SPD for more details.

**If you aren't sure about finances  
after a job loss, read our e-book**

**"How to Survive Financially  
after a Job Loss"**



## Beneficiary Designations

As part of your retirement and estate planning, it's important to name someone to receive the proceeds of your benefits programs in the event of your death. That's how your employer will know whom to send your final compensation and benefits. This can include life insurance payouts and any pension or savings balances you may have.

### Next Step:

When you retire, make sure that you update your beneficiaries. Your company may have an Online Beneficiary Designation form for events such as death, marriage, divorce, child birth, adoptions, etc.

# Social Security

Identifying optimal ways to claim Social Security is essential to your retirement income planning. For many retirees, understanding and claiming Social Security can be difficult. Social Security benefits are not designed to be the sole source of your retirement income, but rather a part of your overall withdrawal strategy. Knowing the foundation of Social Security and using this knowledge to your advantage can help you claim your maximum benefit.

It is your responsibility to enroll in Medicare parts A and B when you first become eligible — and you must stay enrolled to have coverage for Medicare-eligible expenses. This applies to your Medicare eligible dependents as well.

You should know how your retiree medical plan choices or Medicare eligibility impact your plan options. Before you retire, click on our E-Book "[Social Security](#)" (11) for more information, contact the U.S. Social Security Administration directly at (800) 772-1213, call your local Social Security Office or visit [ssa.gov](#). They can help determine your eligibility, get you and/or your eligible dependents enrolled in Medicare or provide you with other government program information.

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960+	67

**For more information on social security, read our e-book**

**"Social Security"**

**Next Step:** 

Check the status of your Social Security benefits before you retire. Contact the U.S. Social Security Administration by calling 800-772-1213. You can also call your local Social Security office or visit [ssa.gov](#). Also review The Retirement Group E-Book on [Social Security](#)(11).

# Social Security: Medicare

If you or your dependents are currently or will become eligible for Medicare after you retire, Medicare generally becomes the primary coverage for you or any of your dependents as soon as the individual becomes eligible. This will affect your company-provided medical benefits. You and your Medicare-eligible dependents must enroll in Medicare Parts A and B when you first become eligible. Medical and MH/SA benefits payable under the company-sponsored plan will be reduced by the amounts Medicare Parts A and B would have paid whether you actually enroll in them or not. For details on coordination of benefits, refer to your summary plan description (SPD).

If you or your eligible dependent do not enroll in Medicare Parts A and B, your provider can bill you for the amounts that are not paid by Medicare or your company medical plan, making your out-of-pocket expenses significantly higher.

According to the Employee Benefit Research Institute (EBRI), Medicare will only cover about 60% of an individual's medical expenses. This means a 65-year-old couple, with average prescription-drug expenses for their age, will need \$259,000 in savings to have a 90% chance of covering their healthcare expenses. A single male will need \$124,000 and a single female, thanks to her longer life expectancy, will need \$140,000.

Projected annual Medicare costs for an individual: Part B and Part D premiums<sup>23</sup> >

Year	Age	Part B	Part D	Annual B+D
2020	65	\$1,725	\$871	\$2,596
2030	75	\$3,238	\$1,636	\$4,874
2040	85	\$6,078	\$3,070	\$9,148

## Next Step:



Get Medicare prescription drug information by visiting [medicare.gov](https://www.medicare.gov).

Check your SPD Summary to see if you're eligible to enroll in Medicare Parts A and B (4). If you become Medicare eligible for reasons other than age, you must contact your company's Benefits Center about your status.

How we can help:	Time to Retirement		
	Several Years	2 Years or Less	In Retirement
Familiarize you with individual healthcare plans	✓	✓	✓
Estimate your healthcare costs in retirement	✓	✓	✓
Design an overall retirement plan for you	✓	✓	✓
Incorporate healthcare costs into your plan	✓	✓	✓
Manage your plan to help you achieve your goals	✓	✓	✓
Explain the basics of Medicare		✓	✓
Familiarize you with the Medicare enrollment process			✓
Help you avoid coverage delays and possible penalties			✓

# Divorced or Divorcing?

## Divorce

Are you divorced or in the process of divorcing? Your former spouse(s) may have an interest in a portion of your retirement benefits.

"Happily ever after" and "until death do us part" won't happen for 28% of couples over the age of 50.3. Most couples saved together for decades, assuming they would retire together. After a divorce, they face the expenses of a pre- or post-retirement life, but with half their savings.(33)

## What's required?

Before you can start your pension—and for each former spouse who may have an interest—you'll need to provide your company with the following documentation:

- A copy of the court-filed Judgment of Dissolution or Judgment of Divorce along with any Marital Settlement Agreement (MSA).
- A copy of the court-filed Qualified Domestic Relations Order (QDRO).

You'll need to submit this documentation to your company's online Pension Center regardless of how old the divorce or how short the marriage.

**IMPORTANT:** If you don't provide your employer with the required documentation, your pension benefit could be delayed or suspended.

**For more information on strategies  
for divorce individuals,  
read our e-book**

**"Strategies for Divorced Individuals"**



# Divorced or Divorcing?

## Social Security and Divorce

You can apply for a divorced spouse's benefit if the following criteria are met:

- You are at least 62 years of age.
- You were married for at least 10 years prior to the divorce.
- You are currently unmarried.
- Your ex-spouse is entitled to Social Security benefits.
- Your own Social Security benefit amount is less than your spousal benefit amount, which is equal to one-half of what your ex's full benefit amount would be if claimed at Full Retirement Age (FRA).

Unlike with a married couple, your ex-spouse doesn't have to have filed for Social Security before you can apply for your divorced spouse's benefit, but this only applies if you've been divorced for at least two years and your ex is at least 62 years of age. If the divorce was less than two years ago, your ex must already be receiving benefits before you can file as a divorced spouse.

Divorce doesn't even disqualify you from survivor benefits. You can claim a divorced spouse's survivor benefit if the following are true:

- Your ex-spouse is deceased.
- You are at least 60 years of age.
- You were married for at least 10 years prior to the divorce.
- You are single (or you remarried after age 60).



## In the process of divorcing?

If your divorce isn't final before your retirement date, you're still considered married. You have two options:

- Retire before your divorce is final and elect a joint pension of at least 50% with your spouse—or get your spouse's signed, notarized consent to a different election or lump sum.
- Delay your retirement until after your divorce is final and you can provide the required divorce documentation.

# Survivor Checklist

## What your survivor needs to do

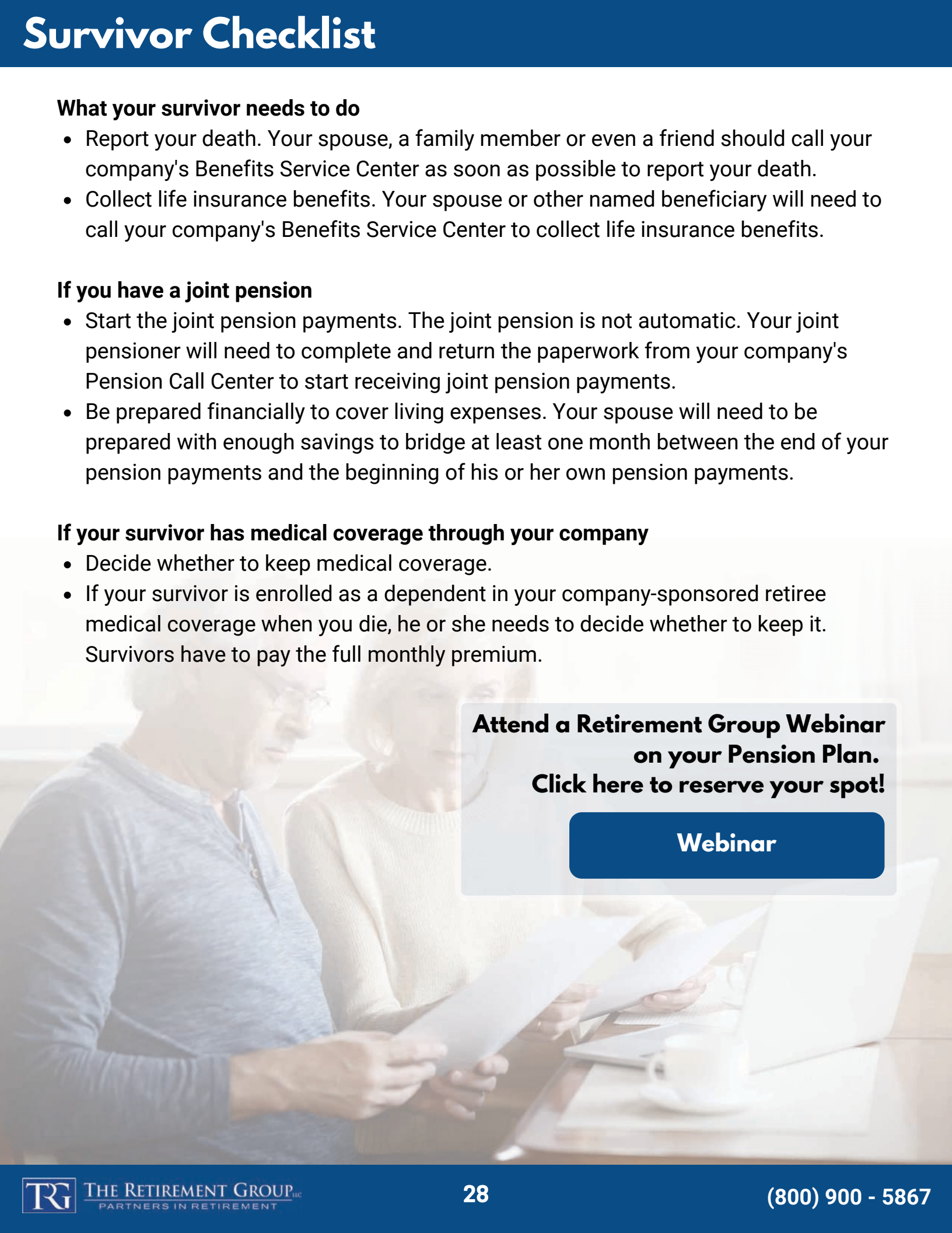
- Report your death. Your spouse, a family member or even a friend should call your company's Benefits Service Center as soon as possible to report your death.
- Collect life insurance benefits. Your spouse or other named beneficiary will need to call your company's Benefits Service Center to collect life insurance benefits.

## If you have a joint pension

- Start the joint pension payments. The joint pension is not automatic. Your joint pensioner will need to complete and return the paperwork from your company's Pension Call Center to start receiving joint pension payments.
- Be prepared financially to cover living expenses. Your spouse will need to be prepared with enough savings to bridge at least one month between the end of your pension payments and the beginning of his or her own pension payments.

## If your survivor has medical coverage through your company

- Decide whether to keep medical coverage.
- If your survivor is enrolled as a dependent in your company-sponsored retiree medical coverage when you die, he or she needs to decide whether to keep it. Survivors have to pay the full monthly premium.



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# Life after Employment-- Why would I work?

## FINANCIALLY: BENEFITS OF WORKING

### Make up for Decreased Value of Savings or Investments.

Low interest rates have made it great for lump-sums but harder to generate portfolio income. Some people continue to work to make up for poor performance of their savings and investments.

### Maybe you took an offer & left earlier than you wanted and have less retirement savings than you need.

Instead of drawing down savings, some decide to work a little longer to pay for extras you've always denied yourself in the past. See our E-Book "[Early Retirement Offers](#)" (9) for more information.

### Meet Financial Requirements of day-to-day living.

Expenses can increase during retirement and working can be a logical and effective solution to this problem.

### Keep Insurance or Benefits

You may choose to continue working in order to keep your insurance or other benefits. Many employers offer free to low cost health insurance, for part-time workers.

## EMOTIONALLY: BENEFITS OF WORKING

### Staying Active and Involved

Retaining employment, even if it's just part-time, can be a great way to use the skills you've worked so hard to build over the years and keep up with friends and colleagues.

### Enjoy Yourself at Work.

Just because the government has set a retirement age with its Social Security program doesn't mean you have to schedule your own life in such a manner. Many people genuinely enjoy their employment and continue working because their jobs enrich their lives.

### A New Job Opportunity comes along.

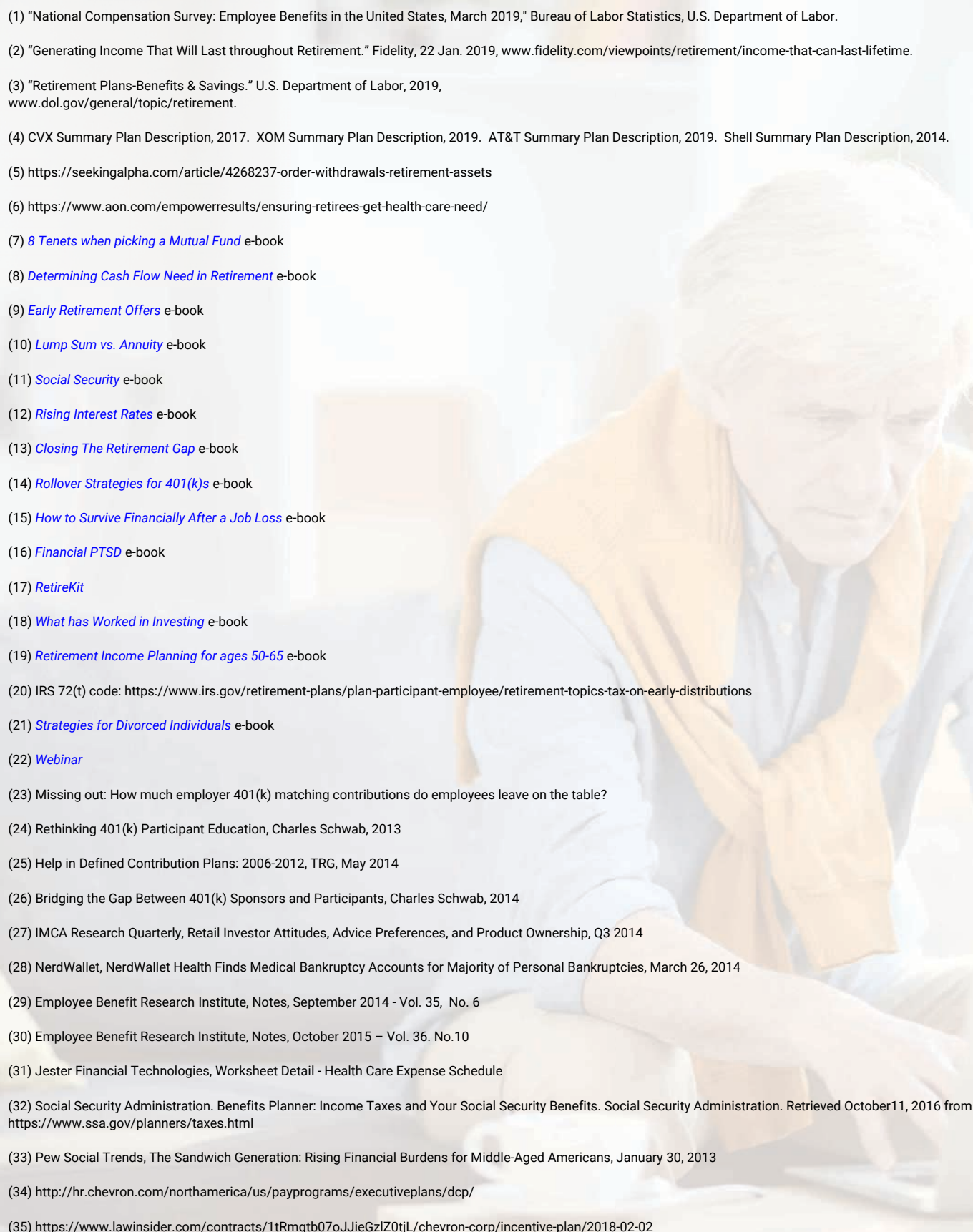
You might find yourself with very tempting job opportunities at a time when you thought you'd be withdrawing from the workforce.

#### A PAYCHECK PAYS OFF

Part-time work can really boost the odds of your nest egg being sufficient.



Notes: Assumes assets are 60% in stocks and 40% in bonds and withdrawals increase each year with inflation. Source: David Blanchett, Morningstar

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  - (14) [\*Rollover Strategies for 401\(k\)s\*](#) e-book
  - (15) [\*How to Survive Financially After a Job Loss\*](#) e-book
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  - (17) [\*RetireKit\*](#)
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# For more resources

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(Bishop Ranch 3)  
San Ramon, CA 94583  
Phone: 1-800-900-5867

Mid-Atlantic Regional Office  
933 Pickering Drive  
Yardley, PA 19067  
Phone: 1-281-241-9886

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