

# smart

SAVE MONEY AND RETIRE TOMORROW

PARTICIPATE

## Massachusetts Deferred Compensation SMART Plan



Office of the State Treasurer and Receiver General

## In This Seminar, We Will...

- Discuss some of the do's and don'ts when planning for your retirement
- Explain some of the features and benefits of the SMART Plan
- Answer questions about your SMART Plan

# Reality: People Are Living Longer

65

Expected retirement age<sup>1</sup>

average  
life expectancy<sup>2</sup>



after age 65

<sup>1</sup> Source: Employee Benefit Research Institute, Retirement Confidence Survey, March 2018

<sup>2</sup> Source: Social Security Administration, Benefits Planner, December 2018

# Don't Overestimate Your Savings

Most financial advisors say you'll need about 70% of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.<sup>1</sup>

A large, three-dimensional graphic of the number '70%' in a vibrant blue color. The characters are thick and blocky, with a slight shadow underneath, giving it a 3D effect. The percentage sign is also rendered in the same style.

<sup>1</sup> Source: Social Security Administration, Benefits Planner, October 2018

# Do Consider the Impact of Inflation

Whatever your goals are today, they'll probably cost more in the future.

Item	Typical Cost in 2018	Estimated Cost in 2038
New American home	\$388,400 <sup>1</sup>	\$701,493
Gallon of gasoline	\$2.86 <sup>2</sup>	\$5.17
Pound of coffee	\$4.29 <sup>2</sup>	\$7.75
New light vehicle	\$35,742 <sup>3</sup>	\$64,554

FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration assumes a 3% rate of inflation for 20 years.

1 Source: Census.gov, Median and Average Sales Prices of New Homes Sold in United States, August 2018

2 Source: Bureau of Labor Statistics, August 2018

3 Source: MarketWatch, Average New-Car Prices Rise, October 2018

# Don't Rely on Your Pension Alone

- The average annual benefit for a retiree/beneficiary of State Employees' Retirement System (MSERS) as of July 2018 is **\$34,884<sup>1</sup>**
- Life expectancies are dropping but still averaging 78.6 years<sup>2</sup>
- Additionally, Social Security may not be enough
- Don't forget about inflation

*Please also be aware that State employees may not qualify for a Social Security benefit or your benefit may be reduced due to the Windfall Elimination Provision. The Windfall Elimination Provision affects how the retirement benefit is calculated if you receive a pension from work where Social Security taxes were not taken out of your pay. You can find out more about this at [www.ssa.gov](http://www.ssa.gov) (Search "WEP").*

<sup>1</sup> Source: Massachusetts State Retirement Board, Fact Sheet, July 2018

<sup>2</sup> Source: CNN.com, U.S. Life expectancy drops, December 2017

# Do Create Income Through Savings

- Today's retirees have greater responsibility for creating their own retirement income through personal savings and investments
- Where is one of the first places to consider putting money away for retirement?

# SMART Plan Overview

- A tax-deferred, or after-tax Roth, retirement savings program for Commonwealth of Massachusetts employees and participating governmental entities
- Operates in accordance with Section 457 of the Internal Revenue Code
- Participation does not reduce pension/  
Social Security benefits<sup>1</sup>



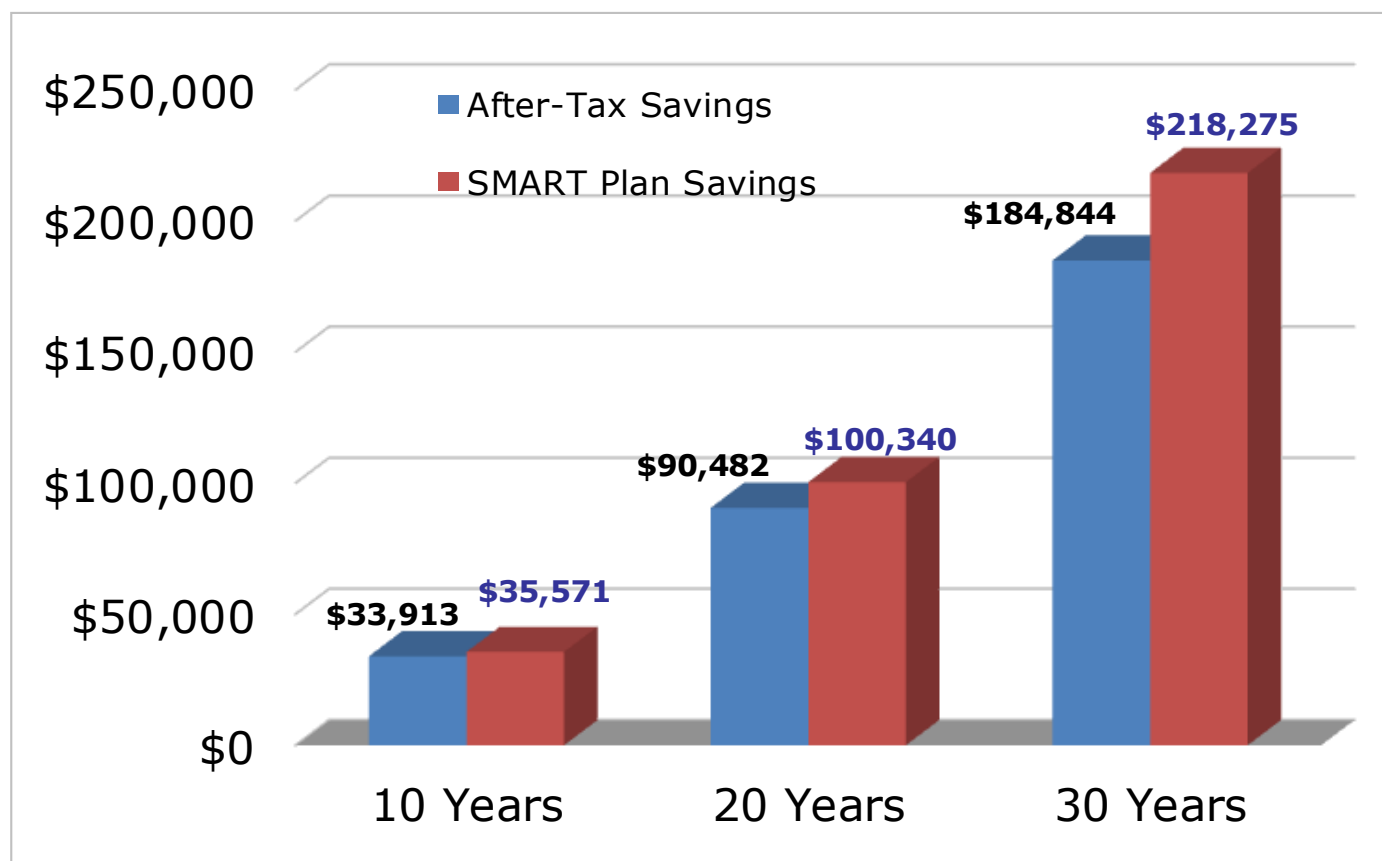
<sup>1</sup> Participants in the SMART OBRA Plans may be affected; see Social Security Administration Windfall Elimination Provision brochure, 2018



# The Power of Before-Tax Saving

- Pretax contributions reduce your current taxable income
- The money you would have paid in taxes can be invested for potential growth to help you build a retirement nest egg
- Contributions and any potential earnings are not taxed until you withdraw them (e.g., during retirement)

# The Power of Before-Tax Saving



FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not reflect a particular investment or performance. It assumes a 6% annual rate of return over 30 years, a 15% federal tax bracket and reinvestment of earnings with no withdrawals. The assumed rate of return is not guaranteed. This illustration assumes the taxable account does not hold any investment for more than 12 months and does not reflect capital loss tax deductions. If held longer than 12 months, the account may qualify for lower capital gains and/or qualified dividend tax rates which, along with any reflected capital loss carryovers or other tax deductions, would make the return on the taxable investment more favorable. Ordinary income tax and/or a tax penalty may apply to distributions from a tax-deferred account. This illustration does not reflect taxes that may be due at the end of an investment period or after an early withdrawal. It also does not reflect any charges, expenses or fees. Investing involves risk, including possible loss of principal. Investors should consider their current and anticipated investment horizon and tax bracket when making investment decisions.

# Making the Best Choice for You

- **Before-Tax Traditional 457**
  - Suitable for lower tax bracket at retirement
- **After-Tax Roth 457**
  - Locks in today's tax rates on all contributions
  - Suitable for higher tax bracket at retirement



# How Much Can You Contribute?

- **Minimum contribution amount:**
  - 1% of your gross income or \$10 per pay period, whichever is less
  - You must be a full-time employee and work at least 20 hours a week
- **Maximum contribution amount :**

	Annual Limit	Age 50+ Catch-Up <sup>1</sup> for participants age 50 and older	Three-Year Catch-Up
2019	\$19,000	\$25,000	\$38,000
2020 and later	Expected to be adjusted for the cost of living		

<sup>1</sup> The Three-Year and Age 50+ Catch-Up provisions cannot be used in the same year.

# Auto-Deferral Increases

- The SMART Plan offers auto-deferral increases through:
  - the website at [www.mass-smart.com](http://www.mass-smart.com)  
(click on *My Accounts*, then > *My contributions*  
under *Paycheck Contributions*)
  - by calling **877-457-1900**
- This allows you to increase your payroll deferrals automatically, on an annual basis. For example:

2018 = 3% contribution

2019 = 4% contribution

2020 = 5% contribution

**OR**

2018 = \$50 contribution

2019 = \$75 contribution

2020 = \$100 contribution

# Other Benefits of the SMART Plan

- *Convenient*: Payroll deductions are automatic.
- *Flexible*: Change your contribution amounts and investment choices.
- *Ongoing*: At retirement/separation from service, rollovers out of the SMART Plan are allowed if the other retirement plan permits rollovers.<sup>1</sup>
  - You are not required to move your account from the SMART Plan. Keep your funds in the Plan for access to all the benefits associated with the Plan.
  - Your SMART Plan accepts rollovers from your other retirement accounts—e.g., 401(k), 403(b), 457(b), IRA<sup>1</sup>.
  - Consolidate and monitor your retirement assets through one statement and one online account.
  - As with any financial decision, you are encouraged to discuss moving money between accounts, including rollovers, with a financial advisor and to consider costs, risks, investment options and limitations prior to investing.

<sup>1</sup> Money from other types of plans or accounts that are rolled over into a governmental 457 plan may still be subject to the 10% federal early withdrawal penalty upon distribution from the 457 account prior to the investor reaching age 59½.

<sup>2</sup> Governmental 457 dollars rolled over to another type of plan or account may be subject to the 10% federal early withdrawal penalty upon distribution from the non-457 account prior to the investor reaching age 59½.

# The Rollover Process

- Contact the previous provider(s) to obtain necessary withdrawal/rollover paperwork
- Call a SMART Plan representative to complete the incoming rollover form
- Work with our Retirement Education & Solution Center at **888-737-4480**

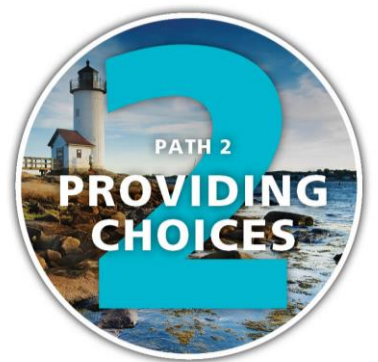
# Two Paths to Investing for Retirement



## Path 1:

### SMARTPath Retirement Funds

- Generally, the asset allocation of each target date fund will gradually become more conservative as the fund nears the target retirement date. The date in a target date fund's name is the approximate date when investors are expected to start withdrawing their money (generally assumed to be at age 65). The principal value of the fund(s) is not guaranteed at any time, including at the time of the target date and/or withdrawal.



## Path 2:

- Empower Retirement Advisory Services, a suite of services offered by Advised Assets Group, LLC, a registered investment adviser
- Build & monitor your own investment portfolio

There is no guarantee provided by any party that participation in any of the Advisory Services will result in a profit.



# Prospectus Offer

*Carefully consider the investment objectives, risks, fees and expenses of the annuity and/or the investment options. Contact us for a prospectus, a summary prospectus and disclosure document, as available, containing this information. Read them carefully before investing .*

*For prospectuses related to investments in the Self-Directed Brokerage Account (SDBA), contact TD Ameritrade at 866-766-4015. Read them carefully before investing.*

# Empower Retirement Advisory Services

	Online Advice	My Total Retirement™
Annual Cost	\$0	Up to \$100k = 0.45%
		Next \$150k = 0.35%
		Next \$150k = 0.25%
		Greater than \$400k = 0.15%
Service	Provides fund-specific recommendations for you	Provides a personalized retirement strategy based on your financial picture

Online Advice and My Total Retirement™ are part of the Empower Retirement Advisory Services suite of services offered by Advised Assets Group, LLC, a registered investment adviser.

# Advisory Services

## Spend-Down Advice Feature

- Spend-down advice can help you manage your financial assets during retirement.
  - It takes into consideration all your income sources and determines how much can be spent every year.
  - It illustrates how long your desired income will last in retirement.
  - It determines how much sustainable income you can spend throughout retirement based on your account balance, distributions, investment performance, wealth, your spouse's wealth and each of your respective retirement time horizons.



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# Are You Retirement Ready?

As a participant in Advisory Services, you can take advantage of a personalized review, available at no additional cost to you from your local SMART Plan Retirement Plan Advisor, to help you determine:

- How your assets are allocated
- Your savings rate
- Your planned retirement age
- The amount or percentage of your pre-retirement income you may need to replace
- Your retirement readiness

**Schedule your no-cost Retirement Readiness Review today by calling **877-457-1900****

# Your SMART Plan Account Home Page

Massachusetts Deferred Compensation SMART Plan

Home My Accounts Me & My Money Guidance

Retirement income How do I compare

58% of my goal

My estimated retirement income

JANE DOE

Employer contributions	Other assets
\$100	\$708

\$2,734

My savings	Social Security	Income gap
\$341	\$1,585	\$2,016

View details

\$51,401.07 Total account balance

Massachusetts Deferred Compensation SMART Plan

Plan savings

Massachusetts Deferred Compensation SMART Plan

BEFORE TAX CONTRIBUTION RATE: 0%

0%

RETIRESMENT AGE: 65

65

INVESTMENTS: Do it for me Help me do it

Enroll in Managed Account service

Let us professionally manage your account and take the worry out of investing. [Learn more](#)

There is no guarantee that participation in any of the advisory services will result in a profit, that the account will outperform a self-managed portfolio or that an investor will achieve their financial goals.

Remember to return often to check your progress.

Plan Messaging

April 25, 2016

Update Your Beneficiary

Update Your Beneficiary

Go to the My Profile tile and select the Beneficiary link.

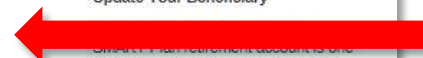
If you would prefer to complete a Beneficiary Designation form, [click here](#).

Model different savings scenarios



Increase savings with one click

Estimated monthly retirement income



Get next steps to boost retirement income

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# Managing Your Retirement Assets

- Your retirement nest egg represents many years of planning and saving. Protect and manage your assets.
- You may find that brokers are interested in your savings. You may be approached by an individual broker or advisor because of the potential income your account represents for him or her.
- When researching retirement options, be sure to ask the tough questions:
  - Who benefits when I make a change, the broker or me?
  - What are the advantages/disadvantages of taking a withdrawal, rolling over my balance to an IRA, or maintaining my SMART Plan account?
  - What is the potential impact on my beneficiaries?
  - What are the fees and how do they compare?

# Distribution Considerations

- Other savings plans
- Withdrawals with the SMART Plan
  - With the pretax option:
    - Anytime after leaving employment
  - With the Roth option:
    - Attainment of age 59½
    - Death
    - Disability
- Most plans require a minimum distribution at age 70½

You must otherwise be eligible for a distribution under the terms of your 457 plan to take a distribution of your Roth contributions.

# Retirement Plan Fees

- **Administrative:** Covers the cost of managing your Plan
- **Investment Management Fee:** Covers the cost of managing the fund, including trading and administrative costs. Varies by investment option.
- **Commission (or Sales Cost):** Fee paid to an investment provider or third party (investment advisor) to purchase, or exit, an investment
- **Contract Maintenance Charge:** A fee associated with insurance company annuity products
- **Withdrawal surrender charges:** Typically, 403(b) contracts and some other investments may be written with back-end loads, or contingent deferred sales charges, so that withdrawals can only be taken from the account without penalty at certain times.



# Fee Structure

- Recordkeeping and Communications Fee
  - \$10 annually per account (on accounts over \$1,000)
  - 0.07% fee on total assets in account
  - Capped at \$350 annually
- Administrative Fee
  - 0.0075% on total assets in account
- Both fees are deducted monthly
- Individual investment option operating expenses may apply\*

\* Individual investment options may have operating expenses that will vary depending on the investment option you select.

# Plan Fees

- Each investment option offered through the SMART Plan also has operating expenses that are deducted from each fund's assets before the share/unit price is calculated.
  - Each fund's expenses differ.
  - Listed on your SMART Plan's Fund Performance document or disclosure documents.<sup>1</sup>
- Competitive fees could make the SMART Plan a good option for consolidating retirement assets.

<sup>1</sup> Funds may impose redemption fees and/or transfer restrictions if assets are held for less than the published holding period.

# Access to Your Benefits

- Separation From Service
- Death
  - Designated beneficiaries have access to benefits upon the death of a SMART Plan participant
- Unforeseeable Emergency
  - As defined by the Internal Revenue Code
- \$5,000 In-Service Distributions
  - Available in limited circumstances under the terms of the Plan

## You Should Also Know...

- The 457(b) annual contribution limit is no longer reduced for deferrals to 403(b) and 401(k) plans.
- You may defer sick, vacation and back pay.
  - Retiring employees may defer sick, vacation and/or back pay into their SMART Plan account.
  - Participants separating from service may defer vacation and/or back pay.
- You can purchase creditable service with the State Board of Retirement using assets from your SMART Plan account.

# Service and Support

- Local Retirement Plan Advisors
- Offices and appointment locations statewide
- Account information 24/7
  - SMART Plan Service Center:  
**(877) 457-1900**
  - Website: **[www.mass-smart.com](http://www.mass-smart.com)**
  - Mobile devices
- Financial education service
- Online planning tools and calculators



# What's Next?

- Not enrolled?
  - We can help you enroll today!
- Already enrolled?
  - Schedule a meeting with your local SMART Plan Retirement Plan Advisor to review your retirement strategy
  - For more information, call **877-457-1900**.

What are?  
your Goals?

# The Attorneys Say...

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