

457 Plan Solution Foothill-De Anza Employees

Presented by

Tax Deferred Services, Inc.

Plan Administrator

457/403(b) Plans

Why was the 457 Plan Federally Approved?

Baby Boomers & Retirement

The Problems of The Sandwich Generation

Consider these facts:

- Many will spend as much time in retirement as we will in the workforce
- Medical Care Cost
- Nursing Home Cost

Employees' Problems

- The average district has less than 15% of employees contributing to 403(b) plans
- 6 out of 10 save zero
- 7 out of 10 have no retirement plan other than STRS or PERS
- 75% have no understanding how to create a retirement paycheck

Employees' Problems

- Certificated employees suffer from social security offsets that can further reduce retirement income

Windfall Elimination Provision

Government Pension Offset

The 457 Plan Helps Solve the

Top 3 Reasons Why People Don't Save for Retirement

According to Wall Street Journal Survey

3 Reasons

1. Can't Afford to Save
2. Retirement Accounts Restricted Until Age 59 1/2
3. Un-informed about Retirement Savings Through Employer

Paycheck Analyzed

| PAYCHECK ANALYSIS | | | | |
|----------------------------|-----------------|-----------------|-----------------|--|
| | | | | |
| Gross Income | 3,500.00 | | | |
| | | | | |
| PERS | (245.00) | | | |
| | | | | |
| 457 Plan | - | (125.00) | (200.00) | |
| Taxable Income | 3,255.00 | | | |
| | | | | |
| Fed Income Tax | (524.64) | | | |
| State Income Tax | (59.36) | | | |
| Social Security Tax | (217.00) | | | |
| Medicare Tax | (50.75) | | | |
| Total Deductions | (851.75) | (735.81) | (706.82) | |
| | | | | |
| Net Paycheck | 2,403.25 | 2,394.19 | 2,348.18 | |
| | | | | |
| | | (9.06) | (55.07) | |

403(b) Qualified Plan vs 457 Eligible Plan

- Under the IRS 59 ½ rule

- Otherwise penalties of:

Federal Excise Tax – 10%

State Excise Tax – 2.5%

Plus Ordinary Taxes

- Distribution upon separation of service or a Leave of Service

- Liquidity at any age

- Only Ordinary Taxes

Use Funds At Anytime

Tax free use of funds through loans:

- NO qualifying
- 5 to 30 year terms
- 2% to 2.5% interest difference
- Not considered a debt w/ other lenders

No Loans Offered in 2004

Tax Deferral Limits - 2004

403(b)

13,000

3,000

Over age 50

16,000

3,000

Catch up option

19,000

457 Plan

13,000

3,000

16,000

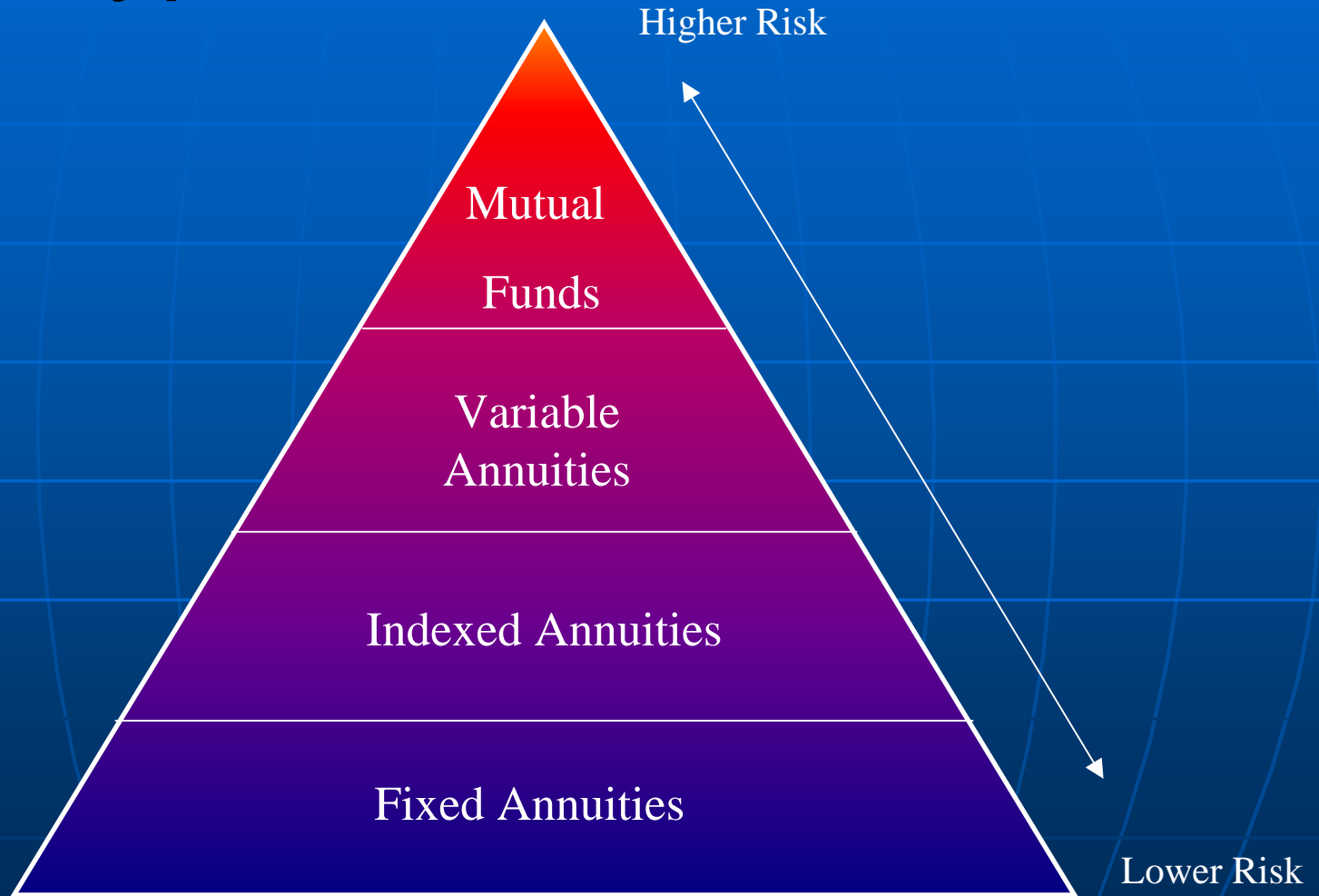
200% of present year

26,000

Investment Choices:

- Mutual Funds
- Variable Annuities
- Special Indexed Annuities
- Fixed Accounts

Types of Investments



Mutual Funds

TDS is offering:

1. 800+ mutual funds, with no loads
2. Utilizes an online service, convenient for transferring from one fund to another
3. *NO fees* when transferring funds
4. Tax free loans

Variable Annuities

TDS is offering:

1. Allow you to invest in the Stock Market with a variety of funds/sub-account to choose from
2. All variable annuities charge an expense and mortality fee to guarantee the death benefit
3. Free of surrender charges upon separation of service (see prospectus for details.)
4. Tax Free Loans

Special Indexed Annuities

TDS is offering:

1. Allow you to participate in the Stock Market Growth without Stock Market risk, principal and interest *GUARANTEED.*
2. NO fees.
3. Tax Free Loans

Fixed Guaranteed Annuities

TDS is offering:

1. Provide guaranteed interest rates
2. Safe investments because the company guarantees the principal and interest.
3. NO fees.
4. Tax Free Loans

Other Employee Services

TDS is offering:

- Understanding Social Security Offsets

 - Windfall Elimination Provision

 - Government Pension Offset

- STRS/PERS Income Counseling

 - Buying Permissive Years of Service

 - Buying Non-qualified/Airtime

 - How to Maximize Income

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