

AIG / VALIC Retirement Services
Present 403b Retirement Plan Services for

Foothill – De Anza Community College District

Agenda

403(b) Background

403(b) Plan Details

Examples

Questions and Answers

EGTRRA

- **Economic Growth and Tax Relief Reconciliation Act of 2001**
- **Significant pension reform**
- **Focused on individual income and estate tax provisions and retirement plan and IRA provisions**

EGTRRA

- **Most provisions effective 2002 or later**
- **Unless Congress acts, all provisions “sunset” on December 31, 2010**

EGTRRA -- Pension Plan Summary

- **403(b) limits increased -- Lesser of 100% of salary or \$13,000 in 2004, \$14,000 in 2005, and \$15,000 in 2006**
- **Cap Expansion retained**
- **Age-based Catch-up for participants age 50 and older -- \$3,000 in 2004, \$4,000 in 2005, and \$5,000 in 2006**

Eligible Employees

All Employees are eligible

Benefits to Employees

- **Contributions made on a “Pre-Tax” basis**
- **Defer current income taxation on contributions and earnings**
- **Salary Reduction -- Easy to participate!**

403(b) Withdrawal Restrictions

- **Availability of funds generally subject to:**
 - ◆ **Separation from service**
 - ◆ **Age 59½**
 - ◆ **Disability**
 - ◆ **Death**
 - ◆ **Hardship**

403(b) Tax Penalties on Early Withdrawals

- **Withdrawals prior to age 59½ generally subject to 10% federal tax penalty except:**
 - ◆ Separation from service at age 55+
 - ◆ Separation and selection of substantially equal periodic payments over the life expectancy of the participant, or the joint life expectancy of the participant and a beneficiary, for five years or until the participant attains age 59½, whichever is later.

403(b) Tax Penalties on Early Withdrawals

- **Withdrawals prior to age 59½ generally subject to 10% federal tax penalty except:**
 - ◆ **Death**
 - ◆ **Disability**
 - ◆ **Tax-Deductible Medical Expenses**
 - ◆ **Qualified domestic relations order (QDRO)**
 - ◆ **Payment to IRS on account of federal tax levy**

403(b) Taxability

- Pre-tax contributions
- Tax-deferred earnings
- Taxed as ordinary income when withdrawn*
- Subject to minimum distribution rules at age 70½

403(b) Minimum Distribution

- Distributions must be taken beginning the year of attaining age 70½ or actual retirement, whichever is later
- Initial distribution must be made by April 1 following such year; subsequent distributions must be made by December 31 of each following year*
- Amount determined by dividing previous year's account balance by your life expectancy or the joint life expectancy of you and your beneficiary

Other Plan Features

- **Loans are available**
- **Portable to 403(b), 401(k) or IRAs at separation from service**

Other Plan Features

- **Enrollment : enter into agreement with respect to compensation not yet earned**
- **Contribution may be changed or modified in each subsequent calendar month**

403b Contribution Example

- Employees less than 50 years old: \$13,000
- Employees age 50+: $\$13,000 + \$3,000 = \$16,000$
- Employees age 50+ with 15 years of service that qualify for cap expansion: $\$13,000 + \$3,000 + \$3,000 = \$19,000$

Selecting a Retirement Plan Provider

- **Company Ratings**
- **Expenses -- Fund Expenses, Charges, Fees**
- **Service**
- **Investment Choices -- Mutual Funds & Annuities**
- **Flexibility**
- **Experience**
- **Reputation**

Questions and Answers

Thank You!

Investment values will fluctuate and there is no assurance that the objective of any fund will be achieved. The original investment may be worth more or less than the original cost.

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