

## Wishin' and Hopin' and Plannin'



Have you been daydreaming about the moment you stop working and begin the next phase of life — retirement? While it's pleasant to think about relaxing and traveling, make sure you also think about how you'll manage your retirement income. Giving yourself plenty of time to prepare may help the transition from saving for retirement to spending in retirement.

### Lookin' Ahead

It's probably a good idea to plan for a long retirement. Depending on your age at retirement and how healthy you are, you could be retired for more than 30 years. Keep in mind that inflation during retirement will have an impact on the buying power of your retirement assets. Over a long retirement, even a low inflation rate can erode the value of your savings.

### Meetin' Current Needs

You'll need enough income to cover your basic expenses — housing, food, health insurance, transportation, etc. — plus the “extras” you'll need money for in retirement. Review any sources of regular retirement income you expect to have, such as annuity or pension payments and Social Security. Then you can estimate how much you can afford to take from your savings and investments to spend each year. These calculations are important since you don't want to take out too much and put yourself at risk of running out of retirement funds in the future.

### Investin' During Retirement

While you'll withdraw from your retirement savings to pay for current expenses, a large portion of your money will probably stay invested. Before retiring, you may want to shift some of your stock holdings into fixed income investments to help preserve the value of your assets. But you also may want to keep a portion of your portfolio in stocks\* during retirement because of their potential to produce higher, inflation-beating returns.

Your financial professional can help you prepare a plan to manage your retirement income. Talk to your financial professional well before you retire and get a head start on your planning.

\* Stock investing involves a high degree of risk. Stock prices fluctuate and investors may lose money.

### Knox County Retirement & Pension Board

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# It'll Cost You!



If you change jobs or retire early what should you do with the money in your retirement plan account? If you're considering cashing out your account to pay down debt or pay other expenses you may want to reconsider. Cashing out your account has significant drawbacks.

## Think About Taxes

Taking a distribution from your retirement savings plan generally means paying taxes on the distribution at your ordinary income-tax rate. Before you get the money your employer is required to withhold 20% of your distribution and send it to the IRS as a prepayment of your income-tax liability for the year.\* In addition to regular taxes you also may have to pay a 10% early withdrawal penalty on the distribution if you haven't reached age 59½. (Exceptions apply.) Added together taxes and

the penalty could result in your receiving a lot less money than you had anticipated.

You can avoid a current tax bill by leaving the money in your retirement savings plan account (if allowed) or having the plan transfer the distribution directly into an individual retirement account (IRA) or other qualified retirement plan that accepts rollovers. Either strategy will allow your savings to continue to grow tax deferred.

\* If your total tax payments (withholding and estimated tax) are more than your tax liability you may request a refund. If your tax liability is more than your tax payments you'll owe the difference.

## Taxes Take Their Toll

If you cash out a \$50,000 retirement savings plan account when you switch jobs, you'll receive a lot less than \$50,000 after taxes take their toll.

\$17,500 State and federal taxes

\$5,000 10% early withdrawal tax penalty

\$27,500 Cash remaining

This is a hypothetical example used for illustrative purposes only. It assumes a combined federal and state income-tax rate of 35%. Your tax rate may be different, and you may be eligible for an exception to the 10% penalty. Source: DST

**Asset Accumulation Program Account Access**  
**Voice Response System: 1-800-828-4224**  
**Online: [www.usicg.com](http://www.usicg.com)**

If you are enrolled in a 457 plan other than the Knox County Voluntary 457 Plan, please contact your Plan Provider for your contributions and account balance.

*Note:* All 457 matches are deposited into your 401(a) Plan.

## Reminder

Reduce clutter and save time by taking advantage of online account statements. To stop receiving paper statements, call 866.305.8846 (enter plan code 524) and ask that your account be updated to paperless only.

Securities offered to the Plan through USI Securities, Inc. Member FINRA/SIPC.  
95 Glastonbury Blvd., Glastonbury, CT 06033 (860) 652-3239 USI Securities, Inc. is a wholly owned subsidiary of USI Consulting Group.

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