

# I'm Retiring

## Deferred Compensation Plan 101



modeferredcomp.org | 800-392-0925

The MO Deferred Comp Plan is a retirement savings plan for state of Missouri employees, including faculty and staff at 10 state universities. Money invested in deferred comp is designed to provide additional monthly income in retirement to supplement your pension and social security benefits.

### Plan Benefits

#### The Basics

There are many advantages to saving for retirement with MO Deferred Comp. The plan:

- Helps you accumulate additional savings to supplement your defined benefit pension and social security in retirement.
- Allows you to save with both pre-tax and Roth contributions, as well as rollover and consolidate retirement savings plans from previous employers.
- Provides access to a simplified, low-cost, professionally managed investment lineup.
- Allows you to withdraw your 457(b) savings, penalty-free, at any age after you leave employment with the state.
- Offers free and fee-only financial planning to help you address financial concerns and achieve financial goals.
- Conducts seminars and individual consultations throughout the state for current and retired employees.

#### Purchasing Prior Service Credit

Your MO Deferred Comp 457(b) & 401(a) funds are available to purchase service (including Military) with MOSERS and MPERS. Unlike pre-tax 457 assets, Roth 457 assets **cannot** be used to purchase service credit. Please contact your retirement system to determine eligibility and receive a cost estimate.

### Accessing Your Savings

<b>Account Distributions</b>	Withdrawals can be made once notification of your termination or retirement date is received. This typically occurs <u>2-3 weeks after your last day of employment</u> . <b>Roth:</b> Distributions of Roth assets are tax-free, if five years have passed since January 1 of the year of your first Roth contribution (including rollovers) <b>AND</b> you are at least 59 ½. There can be exceptions for disability or death.
<b>Payment Options</b>	<b>Lump Sum</b> — You can elect to receive a one-time distribution for the entire available account balance. <b>Partial-Lump Sum</b> — You can elect to receive a partial distribution of your available account balance. <b>Installments</b> — You may schedule reoccurring payments to occur on any day of the month and on a frequency of your choice (monthly, quarterly, semi-annual, or annually). Installments must be made at least annually. View the <b>Distributions Options Guide</b> for a full list of withdrawal options.
<b>Payment Flexibility</b>	Reoccurring distributions can start and stop as you like, withdrawal amounts and frequency can change as often as needed, and additional withdrawals can be made at any time without interruption of regular payments.
<b>Requesting a Withdrawal</b>	Distribution requests can be made online within <b>Account Access</b> by selecting <b>Access My Accounts</b> from the menu, choosing <b>Withdrawals</b> on the left-hand side of the page, and clicking the <b>Make a Withdrawal Request</b> button. You may also request a distribution by calling <b>800-392-0925</b> or stopping by the local plan office.
<b>Receiving a Distribution</b>	Withdrawals can be received via direct deposit or check. Direct deposits can be set up online or over the phone at the time of the payment request.

### Contributions to MO Deferred Comp

#### Separate Fund Sources

Your retirement savings may exist in two separate accounts within MO Deferred Comp:

1. **457(b)** - Both pre-tax and Roth contributions from your paycheck and/or annual leave payouts
  - Annual leave contributions must stay within the yearly IRS limits for the given tax year.
2. **401(a)** - Rollovers from IRAs, 401(k) and 403(b) plans, State of Missouri BackDROP, and/or employer matching contributions (received before March 2010)

#### BackDROP

You do **NOT** need to be a deferred comp participant to roll your BackDROP into the plan. BackDROP funds will be deposited the last business day of the month you retire.

#### 2019 IRS Contribution Limits

Maximum Annual Deferral – under age 50	\$19,000
Age 50 and Over Catch-up Provision Limit	\$25,000
Pre-Retirement Catch-up Provision Limit	\$38,000

## Accessing Your Savings - Continued

### Tax Consequences & Penalties

All taxable withdrawals are taxed as ordinary income in the tax year distributions are taken. Distributions from deferred comp, with the exception of a rollover to another eligible retirement plan, and excluding some Roth 457(b) contributions, will be subject to federal and state income taxes. Your IRS 1099-R form will be sent the last business day of January.

Distributions made prior to age 59½ from your 401(a) state incentive account, may be subject to a 10% early withdrawal penalty, as the 401(a) plan is considered a “qualified” retirement plan under Internal Revenue Code rules. **Keep in mind, there is no early withdrawal penalty associated with the 457(b) component of the MO Deferred Comp Plan.**

<b>Federal Tax</b>	All withdrawals are subject to a 20% federal-tax withholding. However, there are exceptions: Unforeseen Emergency Withdrawals (UEWs), direct rollovers, Required Minimum Distributions (RMDs), and payments exceeding 10 years.
<b>State Tax</b>	State of Missouri tax withholding is <b>not</b> mandatory, but you may elect to withhold them from your distribution.

### Required Minimum Distributions

IRS Required Minimum Distribution (RMD) rules dictate that you must begin taking distributions from deferred comp no later than April 1 following the year you reach age 70½, if you are no longer employed by the state. You can defer your first RMD until April 1st after the year in which you turn 70½, however, the IRS requires you to satisfy two RMDs that year. RMDs cannot be rolled over and there is a penalty of 50% of the amount if the RMD is not taken.

IRS Uniform Lifetime Table III ( <a href="http://www.irs.gov">www.irs.gov</a> )								
Age	70	71	72	73	74	75	76	77
Distribution Period	27.4	26.5	25.6	24.7	23.8	22.9	22.0	21.2

**Example:** If you're age 71 in 2019, and your account balance is \$50,000 as of 12/31/2018 — you would divide \$50,000 by 26.5 to see how much you must withdraw per year (\$1,886.79 payment).

### Rollovers

You may roll assets from Traditional IRAs, 401(k) and 403(b) plans, other 457(b) plans, and BackDROP into your MO Deferred Comp account — even after you retire. Once separated from service, you may roll your savings – tax and penalty-free – out of the deferred comp plan into a tax-qualified plan. However, there are many benefits to keeping your money in deferred comp, such as:

- Penalty-free access to your savings before age 59 ½
- Low-cost, custom investment options
- Convenient online account access
- Dependable customer service

Review the **Considering a Rollover? Questions You Should Ask** publication on [moderredcomp.org](http://moderredcomp.org) before rolling your money out of the deferred comp plan.

## Take Action

### Online Tools & Materials

- **Newsletters:** The quarterly *Simply Put* newsletter tackles investment concepts, as well as everyday financial topics, to help you become a more informed saver.
- **Videos:** The deferred comp video library is full of educational and entertaining videos highlighting the latest plan news, as well as helpful information for savers and retirees.
- **Calculators:** The plan offers numerous calculators on [www.moderredcomp.org](http://www.moderredcomp.org) to help with any realm of personal finance.
- **Financial Planning:** MO Deferred Comp offers three levels of financial planning designed to help you address financial concerns and achieve financial goals.

### Access Your Account

- **Log in to Account Access** via [www.moderredcomp.org](http://www.moderredcomp.org) or the Employee Self-Service (ESS) Portal at <https://ess.mo.gov>
- **Call 800-392-0925** to speak with a Participant Service Representative
- **Visit the Local Office** at 3349 American Ave., Suite A, Jefferson City, MO 65109
- **Download the MO Deferred Comp Mobile App** from iTunes & Google Play
- **Sign up for TextAccess** within **Account Access** to receive account information directly on your mobile device

### Update Your Beneficiaries

You need to designate beneficiaries for **BOTH** your 457(b) and 401(a) accounts. You may change these at any time by logging into your account or calling **800-392-0925**. If you're married and wish to name someone other than your spouse as your primary beneficiary, your spouse must sign a spousal consent form.

Text **MODC** to **31996** to enroll in deferred comp's Mobile Alerts!