



Financial Independence:
Improve your retirement outcome

We deliver long-term investment and benefit solutions that provide peace of mind.

~TCG Mission Statement

- Fee-Only Investment Advisory Firm
- Privately held
- Fiduciary Commitment to Clients
- Administration & Compliance Provider

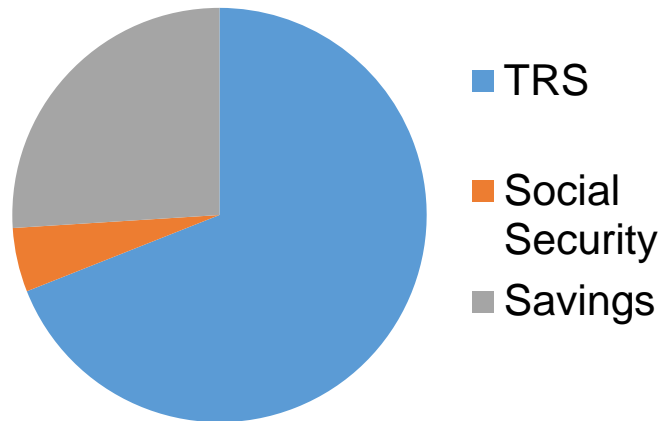


The Retirement Income Gap

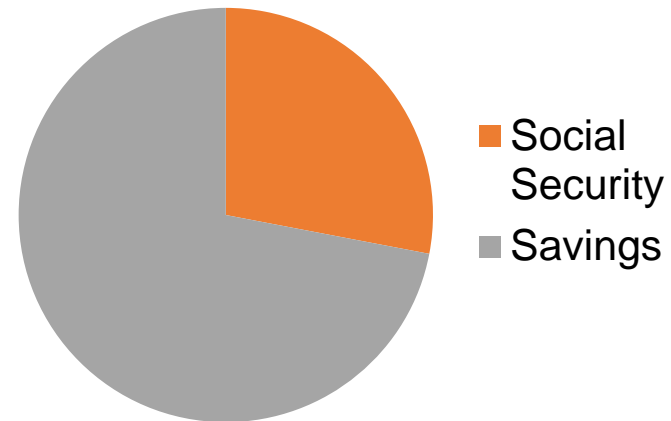
TRS Retirement vs. Corporate Retirement

- Income in retirement is very different for Texas teachers than it is for their spouses and neighbors (and financial advisors)

TEACHERS



NEIGHBORS



- **TRS** has begun an initiative focused on Financial Awareness for educators
- Topics include
 - **What you have**
 - Your TRS defined benefit plan
 - **What you need**
 - To save more
 - **How to get it**
 - By saving smart



- Rule of 80
 - Year of Service + Age
- Exceptions
 - Minimum Age 60
 - Entered TRS after September 1, 2007, AND have at least 5 years of TRS Credit as of August 31, 2014
 - Minimum Age 62
 - Do not have at least five years of TRS credit as of August, 31 2014
- Benefit reduced 5% for each year under the relevant age.
- There is no Rule of 90 for full retirement
 - Only for Partial Lump Sum Option.

Vesting Schedule

<u>Years of Service</u>	<u>Age</u>
5	65
20	60
30	50

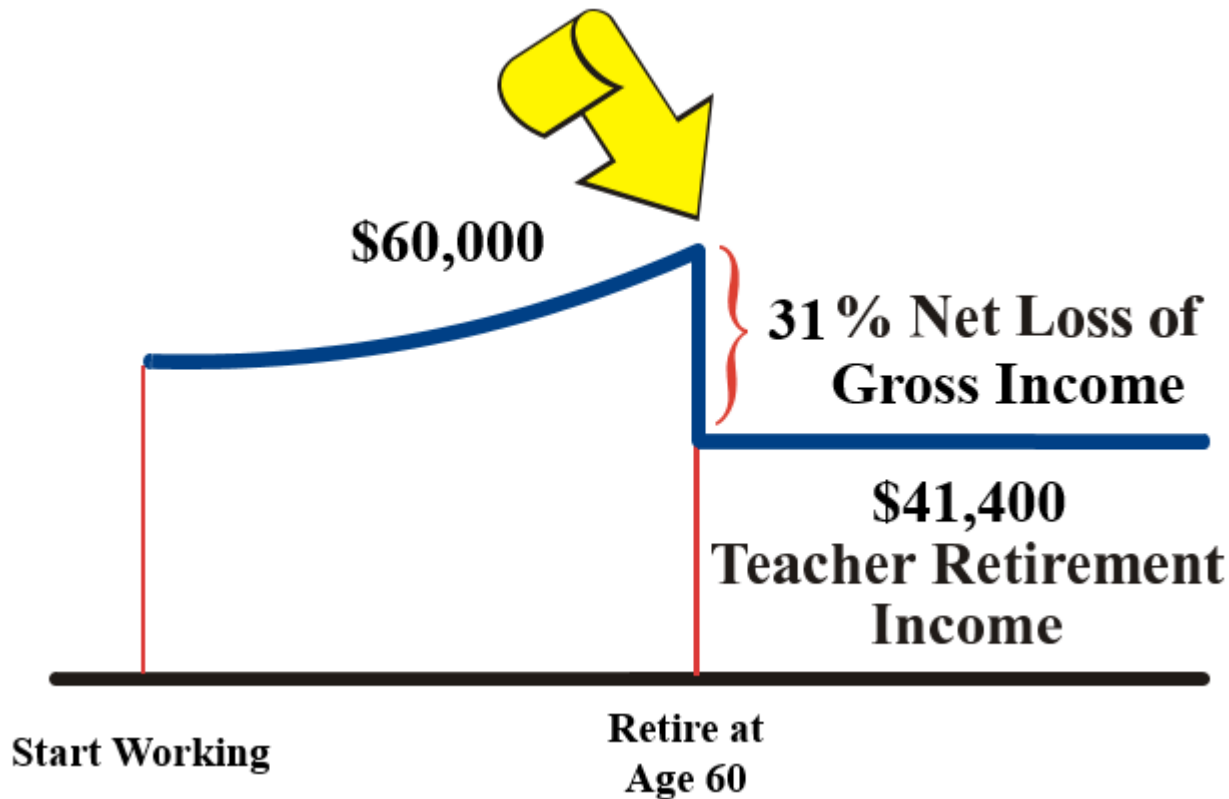
- *TRS Members after 9/1/2007 — Minimum age 60 to retire and receive unreduced benefits*
- *UPDATE: Current Members as of 8/31/2014 — If you are not vested (5 years) — Minimum age 62 to retire and receive unreduced benefits*

***Years of Service (x) State Factor 2.3% (x)
Average 3/5 Highest Years of Income***

Years of Service:	30
State Multiplier (2.3%):	69 %
<u>Average Income:</u>	<u>\$60,000</u>
Maximum Benefit:	\$41,400

TRS Retirement Formula

Retirement Age: 60 Service: 30 Years
Last Year / High 3 Yr. Salary: \$60,000
(Full TRS benefit with 2.3 Multiplier with no survivor benefit)



Investment Needed to Replace Difference of

\$18,600 Annually

(TRS Benefit vs. Pre-Retirement Income):

\$300,224*



*Assumptions include a lump sum invested at 5% interest, with annual amount paid at beginning of each year for 30 years. This rate is assumed for illustration purposes only and is not guaranteed.

- Tax deferred savings plans
- Employer sponsored plan types
 - 403(b)
 - 457(b)
- Individual plan types
 - Traditional IRA
 - ROTH IRA

Important: All investments involve risk. Evaluate every investment carefully before you invest your money.

Comparison of 403(b) & 457(b)

Feature	403(b)	457(b)
Individual vs Group Plan	Most have higher fees, pay commissions/ sales loads. Limited number of no commission options	Low fees relative to most 403(b) plans; no commissions; full disclosure of fees
Penalty to withdraw funds (+ income tax)	10% (Goes away at age 59½ or age 55 and retired)	None
Investment Options	Fixed / Variable interest annuities or Mutual Fund / Custodial accounts	Risk-Based portfolios or Self-directed mutual funds
Access to Funds	Termination of employment, Death, Disability, Retirement, Age 59½ (even if still employed), Hardship or Loan	Termination of employment, Death, Disability, Retirement, Unforeseen Emergency (no access at age 59½), Loans
Investment Committee / Advisor Oversight	No	Limited
Contribution Limits (can contribute to both plan types)	2017: \$18,000; \$24,000 age 50+	2017: \$18,000; \$24,000 age 50+

What is ROTH?

- ROTH is a distinctive retirement program and refers to the tax treatment of employee's contributions, growth, and distributions
 - **Common perception is that it's an IRA only**
 - Can be used for 403(b), 457(b), 401(k)
 - **Not eligible in all plans, must check employer availability**

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Market Movement — Good or Bad?



Investing \$200/mo

Month	\$/Share	# Shares
Jan	10	20.0
Feb	10.5	19.05
Mar	11	18.18
Apr	11.5	17.39
May	12	16.67
Jun	12.5	16.0
Jul	13	15.38
Aug	13.5	14.81
Sep	14	14.29
Oct	14.5	13.79
Nov	15	13.33

Total Shares Owned 178.90 / Total Account Value \$2,683.48

Important: All investments involve risk. Evaluate every investment carefully before you invest your money.

Market Movement — Good or Bad?



Investing \$200/mo

Month	\$/Share	# Shares
Jan	10	20.00
Feb	9	22.22
Mar	8	25.00
Apr	7	28.57
May	6	33.33
Jun	5	40.00
Jul	6	33.33
Aug	7	28.57
Sep	8	25.00
Oct	9	22.22
Nov	10	20.00

Total Shares Owned 298.25 Total Account Value \$2,982.54
11.14% Increase in Account Value

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Watch Out For Your Best Interest!

- Life Insurance as an Investment
- Pension Maximization
- Annuity Riders
- Take Lump Sum, Invest, and Beat the State Retirement System

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• Possible Reasons to Do

- Poor Health
- Estate and Critical Need for Heirs (e.g., disabled child)
- Other Estate Needs — Guarantees money to heirs instead of reversion to retirement system at death
- No Savings Going into Retirement

• Reasons Not to Do

- You will not be able to invest the money and beat the Retirement System
 - Pay Actuarial Cost for funds; Usually have to earn minimum Net 11.00% if try to match State — Can you do this with no risk??
- You have not planned for inflation and budget in retirement so your income runs short later
- You will be tempted (and give in) to spend the money you planned to save

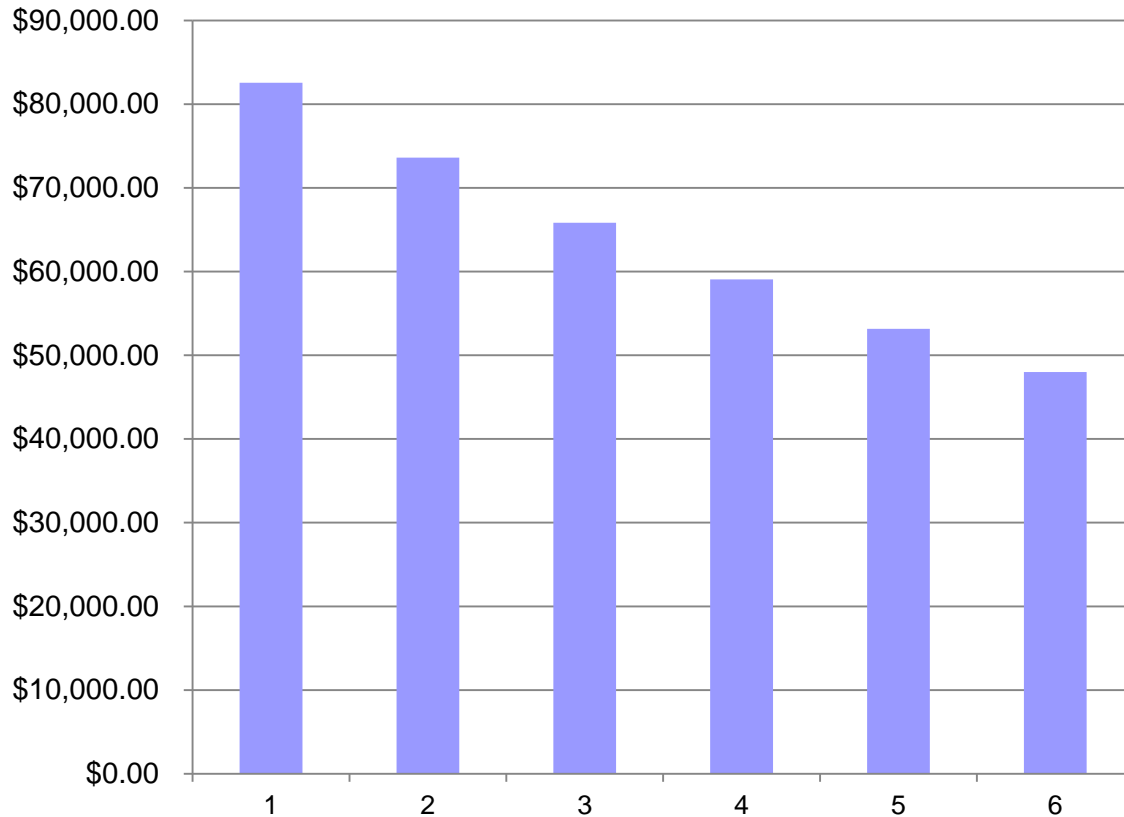
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- SEC Snoozed as “Shadow Marketers” Skimmed Billions From Retirement Plans
 - Forbes Magazine, Feb. 3rd, 2011, Author: Edward Siedle
- Nationwide Financial Services and National Association of Counties
 - Nationwide disclosed on website it was paying NACo \$7.3M in 2007 to push products
 - Exec Dir said relationship went back to early 1980s
- ING and NYSUT (teachers union)
 - Marketing to 50,000 teachers making payments up to \$3M to union
- Nationwide Retirement Solutions (NRS) and Alabama state employees association
 - 2010 NRS entered into settlement of \$16M
 - Paid association \$11.8M in fees and commissions, including trips

- **12b-1 Fee**
 - Generally allows distributors to compensate broker/dealers and representatives for selling their funds. It also can be a charge to cover marketing and distribution costs of the investment.
- **Withdrawal Charge (a.k.a. Surrender Charge)**
 - A fee charged by some annuities and funds when an investor takes money out of his or her account.
- **Mortality and Expense Fee (M&E)**
 - This applies to some types of annuities and covers insurance related costs.
- **Transfer Fee**
 - This is an amount charged by a fund to transfer either within the fund family or to another company.

- **Expense Deductions**
 - Charges for investment management, administration and distribution services.
- **Management Fee**
 - Also called the investment advisory fee, this represents the company's cost for managing the money in the fund.
- **Wrap Account Fee**
 - Charged by some types of funds for fund management, this is an annual percentage of the investor's assets in the account.
- **Custodial Fee**
 - The charge for safekeeping or physically holding the securities in the fund.

The Fee Effect



Annual Fee	Balance
1%	\$82,549.26
2%	\$73,599.44
3%	\$65,824.55
4%	\$59,057.63
5%	\$53,156.51
6%	\$48,000.00

Balance based on 6% earning net of fees with \$200 monthly contributions for 20 years at the beginning of the month. Actual rate of return is not guaranteed, for illustrations purposes only.

Important: All investments involve risk. Evaluate every investment carefully before you invest your money.

TRS Annuity Options

- Standard Annuity
 - Maximum benefit for retiree's life only
- Option 1: 100% Joint Survivor
 - Reduced annuity, payable for retiree's life with continuous payments for beneficiary's life. If beneficiary pre-deceases, retiree's annuity is increased to standard annuity amount
 - Most common, typically 8-13% reduction from Standard Annuity
- Option 2: 50% Joint Survivor
 - Reductions range from 4-8% based on same age beneficiary
- Option 3: 60 Month Period Certain
 - Reduced annuity, payable for retiree's life with annuity payments guaranteed for a minimum of 60 months
 - If retiree dies before 60th payment, beneficiary will receive the remaining payments
 - Typically 1-2% reduction from Standard Annuity
- Option 4: 120 Month Period Certain
 - Typically 1-4% reduction from Standard Annuity
- Option 5: 75% Joint Survivor
 - Reductions range from 6-12% based on same age beneficiary

Social Security Issues

**Remember: Your TRS
Annuity is never reduced by
Social Security!**

- 2 Regulations
- Windfall Elimination Provision (WEP)
 - Applies to member's OWN Social Security benefits
 - (SSA Pub No. 05-10045)
- Government Pension Offset (GPO)
 - Applies to member's SPOUSAL Social Security benefits
 - (SSA Pub No. 05-1007)
- www.ssa.gov
- Periodically bills are filed to repeal GPO and WEP at Federal level — very costly to repeal

**Remember: Your TRS
Annuity is never reduced by
Social Security!**

- The “LOOP-HOLE” closed July 1, 2004
- Old Law Exemption: You were employed by an SS-covered District on your last day of employment
- Current Law Exemption: You have to be employed by a SS-covered District for your last 60 months to be eligible
- This law uses a two-thirds offset rule
- Two-thirds of your TRS Annuity benefit will be subtracted from your spousal SS benefit
- Does NOT reduce TRS Pension Benefit

**Remember: Your TRS
Annuity is never reduced by
Social Security!**

Government Pension Offset — SPOUSAL BENEFIT



- TRS Pension - \$2,100
- Spousal SS Benefit - \$1,000
- Subtract $\frac{2}{3}$ of TRS benefit from eligible SS benefit

SS Benefit	\$1,000
— ($\frac{2}{3}$ of \$2,100)	- \$1,400
=	- \$ 400

TRS Member is not eligible for spousal benefit, but receives full TRS annuity

- TRS Pension - \$2,100
- Spousal SS Benefit - \$1,600
- Subtract $\frac{2}{3}$ of TRS benefit from eligible SS benefit

SS Benefit	\$1,600
— ($\frac{2}{3}$ of \$2,100)	- \$1,400
=	\$ 200

TRS Member is eligible for spousal benefit of \$200 plus full TRS annuity

**Remember: Your TRS
Annuity is never reduced by
Social Security!**

- Does NOT reduce TRS Pension Benefit
- Affects employees who are eligible for their OWN government/state pension and Social Security
- Uses a factor to calculate your SS benefit income based on ‘Years of Substantial Earnings’
- Different than ‘Service Credits’ under SS

**Remember: Your TRS
Annuity is never reduced by
Social Security!**

SS Service Credits vs. Years of Substantial Earnings



- Service Credits under Social Security (SS)
 - Eligible for 4 credits per year
 - Total of 40 credits to qualify for a benefit
 - For 2017, received 4 credits if earned \$5,200
- Year of Substantial Earnings
 - Higher income number
- May accumulate all Service Credits under SS without earning Years of Substantial Earnings

**Remember: Your TRS
Annuity is never reduced by
Social Security!**

Windfall Elimination Provision — YOUR BENEFIT



Year Substantial earnings

1968–1971 \$1,950
 1972 \$2,250
 1973 \$2,700
 1974 \$3,300
 1975 \$3,525
 1976 \$3,825
 1977 \$4,125
 1978 \$4,425
 1979 \$4,725
 1980 \$5,100
 1981 \$5,550
 1982 \$6,075
 1983 \$6,675
 1984 \$7,050
 1985 \$7,425

1986 \$7,875	2003 \$16,125
1987 \$8,175	2004 \$16,275
1988 \$8,400	2005 \$16,725
1989 \$8,925	2006 \$17,475
1990 \$9,525	2007 \$18,150
1991 \$9,900	2008 \$18,975
1992 \$10,350	2009 \$19,800
1993 \$10,725	2010 \$19,800
1994 \$11,250	2011 \$19,800
1995 \$11,325	2012 \$20,475
1996 \$11,625	2013 \$21,075
1997 \$12,150	2014 \$21,750
1998 \$12,675	2015 \$22,050
1999 \$13,425	2016 \$22,050
2000 \$14,175	
2001 \$14,925	
2002 \$15,750	

Years of substantial earnings Percentage

30 or more 90 percent
 29 - 85 percent
 28 - 80 percent
 27 - 75 percent
 26 - 70 percent
 25 - 65 percent
 24 - 60 percent
 23 - 55 percent
 22 - 50 percent
 21 - 45 percent
 20 or less 40 percent*

*Actual Reduction cannot be greater than 50% and maximum amount of reduction is \$428 for 2016

Your District's Retirement Savings Plans

Not just your Retirement Account.....



- Potential Uses

- Meets every quarter to review investments and all matters of the plan
- Made up of superintendents and CBOs from participating districts
- TCG Advisors does research for and gives suggestions to the IAC
- **Underperforming funds are put on “Watch List”**
- The IAC has authority to replace underperforming investments

403(b) Tax-Deferred Savings Plan



- Voluntary, pretax deferrals from paycheck
- Multi-vendor plan
 - Approximately 50 investment providers
- District has contracted with ESC Region 10 to provide administration

Approved 403(b) Vendors



403(b) Tax-Deferred Savings Plan



- Third Party Administrator is TCG Administrators
- Conduct business related to your 403(b) account
 - Enroll
 - Make changes (contribution amount or vendor)
 - Obtain approval for distributions

www.region10rams.org

(800) 943-9179

403b@region10rams.org

***Important:** All investments involve risk. Evaluate every investment carefully before you invest your money.*

457(b) Retirement Savings Plan



- Providers selected through a competitive process
- High quality **no-load** and **load-waived** mutual funds
- Education provided by a financial advisor
- Full disclosure of fees
- **No surrender charges, commissions** or other penalties to transfer funds
- Fiduciary protection
- Managed portfolio or self-directed investment options

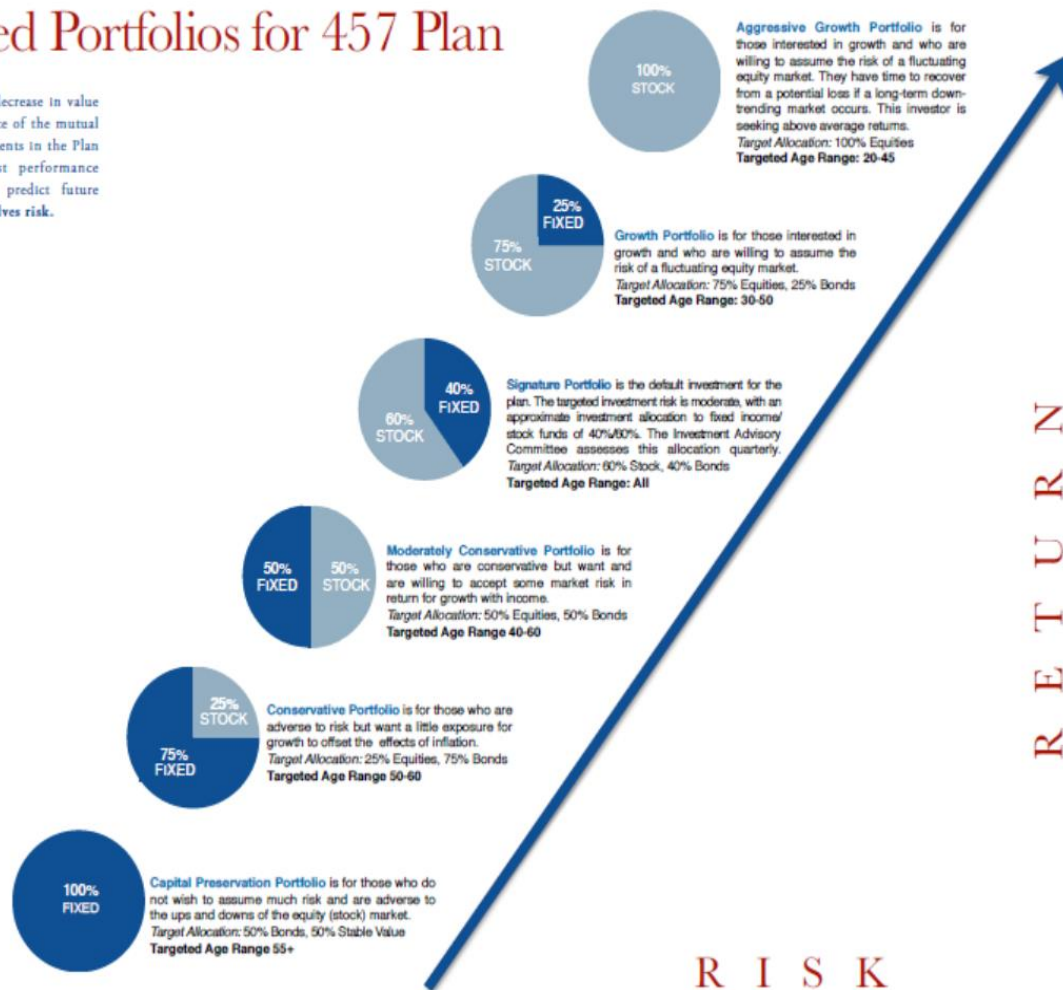
***Important:** All investments involve risk. Evaluate every investment carefully before you invest your money.*

- 15+ Mutual Funds: Choose own allocation
 - High Quality, No-Load and Load-Waived
 - Low Cost Funds
- 6 Model Portfolios — ***No Additional Fees***
 - Preservation
 - Conservative
 - Moderately Conservative
 - **Signature Portfolio**
 - Growth
 - Aggressive Growth

Important: All investments involve risk. Evaluate every investment carefully before you invest your money.

Managed Portfolios for 457 Plan

Investments increase and decrease in value according to the share price of the mutual funds in the Plan. Investments in the Plan are not guaranteed. Past performance cannot be relied on to predict future returns. All investing involves risk.



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Retirement Needs Assessment

Captures participant outside assets

Data pulled from record-keeper dynamically

Interactive applications capture participant choices

Risk Profile Questionnaire

- Guided questionnaires for participants
- Interactive screens will capture choices

Important: All investments involve risk. Evaluate every investment carefully before you invest your money.

Investment Choices

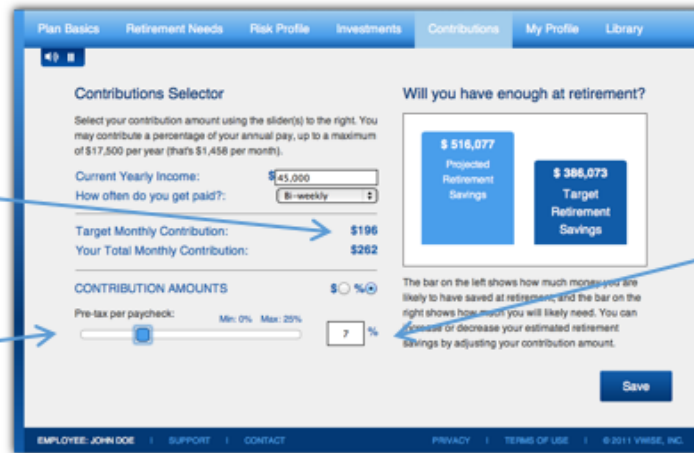
- Participants will have the ability to select different choices on allocations and portfolios



Contribution Choices

Results of SmartPlan choices so far

Interactive applications capture participant choices



Data pulled from record-keeper dynamically

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Starting a 403(b) or 457(b) — Expectations!



403(b)

- 1) Review list of approved investment providers
- 2) Contact the investment provider to open a 403(b) account
- 3) After your account has been opened, visit the www.region10rams.org website to enroll in your employer's 403(b) plan
- 4) Establish your payroll deduction to fund your 403(b) account

457(b)

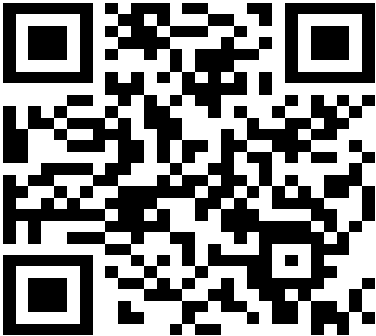
- 1) Visit the www.region10rams.org
- 2) In a single session you will
 - 1) Open your account
 - 2) Select your beneficiary
 - 3) Choose your contribution amount
 - 4) Choose your investment allocation

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457(b) Fast Track Enrollment



- **FAST TRACK** enroll into the 457(b) plan quickly.
- Improve your retirement outcome by starting the road to Financial Independence.
- Or use your phone’s QR code reader to scan the code:



- Or in your phone’s internet browser type

bit.do/rams457

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Improving Your Savings Rate

Financial planning professionals recommendation saving **10% - 15%** of your income for retirement

- Your TRS contribution = **7.7%** (fiscal Year 2016-2017)
- Your 403(b) and/or 457(b) contribution = **3%**
- **Total savings rate = 10.7%**
- **Increase contribution rate:**
 - Annually with pay increase (1% on \$60,000 salary = \$600 annually or \$50 per month)
 - During benefits open enrollment
- ***Running a Marathon; no one runs 26.2 mile on first attempt***



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4 Easy Steps to Start Saving

1. Choose a plan (403(b), 457(b), or both)
2. Choose how much you want to save
3. Choose your investment election
4. Enroll in a plan
 - a) Go to www.region10rams.org
 - b) Contact a TCG representative for help

***Important:** All investments involve risk. Evaluate every investment carefully before you invest your money.*



Steps to Success!!!

- Know your goals!
 - How much will I need?
 - Who do I need to provide for?
 - Spouse, Children, Parents, Charities, etc.
 - Any other quantifiable goals?
- Choose portfolio allocation designed to achieve investment return needed
 - Only take the risk you need to meet the goal
- Choose investments to meet goals!
- Retirement planning is a process not an event!

Important: All investments involve risk. Evaluate every investment carefully before you invest your money.



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