We’re here to help YOU plan for the future

Annuity Fund of the International Union of Operating Engineers, Local Union 94-94A-94B, AFL-CIO

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Agenda

- Why it’s important to plan
- Know what you have
- Plan for what you need
- Elements of successful investing
- Accessing your assets
- Additional resources
Why it’s important to plan
Pre-retirees face numerous risks

Withdrawals
- What rate is sustainable?
- Managing Required Minimum Distributions

Market volatility
- Uncertain returns and income
- Impact of point in time
- Asset allocation and location

Retiree spending
- Replacement ratio
- Essential versus lifestyle expenses
- Medical expenses

Inflation
- Erodes the value of savings and reduces returns
- Health-care inflation 3.7%

Longevity
- Long retirement horizons — a couple aged 65 has 25% chance of a survivor living to age 96

Solvency
- Social Security and Medicare

Savings
- Under-funded defined contribution accounts
- Most Americans have an enormous savings gap

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Know what you have
How much is enough?

Estimate your retirement income

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Screenshot is for illustration only. All calculations are estimates and cannot be guaranteed. When using the calculator, all investments offering the potential for higher rates of return also involve a higher degree of risk to principal.
Your life now and in retirement

Do what you want

- Spend time with family
- Hobbies
- Travel
- Volunteer work
- Full retirement
Plan for what you may need

- Track monthly expenses
- Estimate realistically
- How might ongoing expenses change... up or down?
How long will your retirement last?

- Plan for longevity
  - You need your money to last as long as you live

- How much will your investments need to earn?
  - Balance potential for return and risk
Retirement facts

- The average female in the United States lives 85 years
- The average male in the United States lives 83 years
- Only 44% of people saving for retirement have ever calculated how much they will need\(^1\)
- % of workers expecting to retire before age 65 has decreased, from 50 percent in 1991 to 27 percent in 2014\(^2\)

Source Social Security Administration, Life Expectancy (http://ssa.gov/planners/lifeexpectancy.htm
\(^1\) http://www.usatoday.com/story/money/personalfinance/2014/03/18/retirement-confidence-survey-savings/6432241/
Possible sources of retirement income

- Pension
  - Central Pension Fund
- Social Security
- Retirement Plan
  - Annuity Fund of the International Union of Operating Engineers, Local Union 94-94A-94B, AFL CIO
  - (Total Benefit Statement May mailing)
- Individual Retirement Accounts (IRAs)
- Personal Savings
- Household Income
- Other Investments
Adjust your plan

- Move to less expensive location
  - Now or in retirement
- Delay taking Social Security
  - Impact on Social Security benefits
  - Penalties for earnings above $41,880* until the month you reach full retirement age

* 2016 tax year numbers.
Elements of successful investing
Why is this important to me?

Three key questions

- What are your goals?
- When do you plan to retire?
- How much risk are you willing to take?
As market conditions change, so may the risk/return potential of these investment types.
Asset allocation

- Process of dividing your assets among stocks, bonds and cash investments
- Combine into one portfolio
- Monitor and rebalance annually

or

- Consider using a Target Date Fund
- Utilize the free Morningstar Advice Service
- J.W. Thompson Investments at 888.453.1869, John@jwti.com or Jay@jwti.com

Advice and guidance are powered by Morningstar® Retirement Manager℠

Asset allocation, diversification, and rebalancing do not guarantee a profit or assure against market loss.
Your investing toolkit

**Just one fund can help put you on track toward retirement**

- One easy step
- Diversified portfolio
- Automatically rebalanced
The “target date” in a target date fund is the approximate date an investor plans to start withdrawing money.

Because target date funds are managed to specific retirement dates, investors may be taking on greater risk if the actual year of retirement differs dramatically from the original estimated date.

Target date funds generally shift to a more conservative investment mix over time. While this may help to manage risk, it does not guarantee earnings growth nor is the fund’s principal value guaranteed at any time including at the target date.

You do not have the ability to actively manage the investments within target date funds. The portfolio managers control security selection and asset allocation. Target date funds allocate their investments among multiple asset classes which can include U.S. and foreign equity and fixed income securities.
Past performance is no guarantee of future results. Diversification does not eliminate the risk of experiencing investment losses. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2014 Morningstar. All Rights Reserved.
Please refer to Investment Disclosure Handout.

All mutual funds are subject to market risk and will fluctuate in value.
Accessing your assets
Keep your money working for you

Keep your money in a tax-advantaged account!

- Annuity Fund of the International Union of Operating Engineers, Local Union 94-94A-94B, AFL CIO
- An Individual Retirement Account
Withdrawal options

Withdrawals*

- Retirement (In Plan)
  - Annuity payments
    - Joint & Survivor
  - Annual payments
  - Quarterly payments
  - Monthly payments
- Lump Sum
- Partial Lump Sum

* Ordinary income taxes due upon withdrawal. Withdrawals before the age of 59 1/2 may be subject to an early distribution penalty of 10%.
**DISTRIBUTION OPTIONS**

**Leave your savings in your current plan**

### Advantages

- Continued potential tax-deferred growth
- Delay paying income taxes and avoid possible early withdrawal penalties
- Potential for special penalty-free distributions<sup>1</sup>
- Assets may continue to receive protection from creditors
- Institutional Investment Share Classes have lower expense ratios
- Can continue to pay off any outstanding loans
- Flexible Distribution Options
- Access to a Stable Value Fund
- Professionally managed Retirement Fund

### Disadvantages

- Limited investment options
- Limited withdrawal options available to beneficiaries
- May be difficult to maintain a cohesive retirement planning strategy

<sup>1</sup> Must have separated from employment in the year you reach age 55 or older.
## DISTRIBUTION OPTIONS

### Rollover to an IRA

#### Advantages

- Continued potential tax-deferred growth
- Avoid paying income taxes and possible early withdrawal penalties
- Larger selection of investment choices
- Certain distribution penalty exceptions available only with IRAs
- Possible conversion to a Roth IRA
- Potential for increased options for beneficiaries
- More likely to work with financial professional
- Continued potential tax-deferred growth

#### Disadvantages

- Institutional Share Classes not available
- No Stable Value Fund is available\(^1\)
- There may be additional fees
- Possible decreased protection of assets from creditors

\(^1\) Money Market Fund may be available.
DISTRIBUTION OPTIONS

Take your distribution in cash

Advantages

- Immediate, unrestricted use of your retirement savings
- Individuals born prior to January 1, 1936 have the potential to use special tax treatments

Disadvantages

- 10% early distribution penalty (if under age 59½)\(^1\)
- Distribution may move you to a higher tax bracket
- Will have to pay federal and possibly state and local taxes
- Savings no longer grow tax-deferred

\(^1\) Unless certain conditions are met, please consult with a tax professional
ACCESSING YOUR ASSETS

Required minimum distributions and withdrawals

**RMD**

- When and how much you must withdraw from a plan
- April 1 following year when you turn $70\frac{1}{2}$
- If you don’t take the RMD, a penalty would apply on the amount that is not withdrawn
MAKING A PLAN

Considering risk - withdrawal

High Withdrawal Rates Will Quickly Deplete Your Assets
Simulated portfolio values (90% confidence level)

Did you know…

- By withdrawing too much too soon, you run the risk of outliving your savings
- A 1% difference in your withdrawal rate can impact on how quickly your assets are depleted
- Required Minimum Distributions (RMDs) begin at age 70½
  - Watch for double taxes that year
  - An RMD penalty may apply to the amount if not withdrawn
- If you are worried about taxable income, consider drawing on ROTH/after-tax first

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Additional resources

OnDemand Workshops (budgeting, investing)
- Visit the learning center on mylife.jhrps.com

Want to talk to someone?
- Give us a call at 800.294.3575. (Representatives are available from 8 a.m. to 10 p.m. Eastern time on New York Stock Exchange business days. For your protection all calls to representatives are recorded)
- J.W. Thompson Investments – for information about investing, retirement savings, and the investment funds offered, the Plan offers personalized investment advice through J.W. Thompson Investments at 888.453.1869, John@jwti.com or Jay@jwti.com.

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Social Security
- www.ssa.gov
- 1-800-772-1213

Medicare
- www.medicare.gov
MyLifeNow Mobile App
iOS or Android

- View account balances and personal rate of return
- Review your investments by asset class
Thank you
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