

Investing for Your Retirement: Tax Now or Tax Later?

The SDRS Supplemental Retirement Plan (SDRS-SRP) offers both traditional pre-tax and Roth after-tax savings options to give participants the opportunity to choose when they want their contributions, earnings, and retirement income taxed. Both savings options have tax advantages to consider.

Traditional Pre-Tax Retirement Savings

With pre-tax retirement savings, contributions are made before federal income tax is calculated. This offers the participant the advantage of higher take-home pay than if the contributions were made on an after-tax basis. Contributions made on a pre-tax basis and associated earnings grow tax-deferred until withdrawn. Pre-tax retirement savings gives the participant the opportunity to postpone taxation until retirement, at which time the participant may be in a lower tax bracket.

Roth After-Tax Retirement Savings

The SDRS Roth 457 Option allows contributions to be made after federal income tax is calculated. This may be advantageous for a participant who is currently in a lower tax bracket. Another advantage of the Roth option is that any earnings on contributions are tax-free if taken as a qualified distribution. To qualify for a tax-free distribution, certain requirements must be met:

- A 5-year holding period must be satisfied; and
- The distribution must be made after age 59½ or for death, disability, or rollover to a Roth IRA.

Diversify Your Investment Portfolio

Income taxes in retirement can be significant. Pensions, such as SDRS, Social Security, and other pre-tax investments will be subject to Federal income taxation as they are withdrawn in retirement. For tax purposes, you may want to consider designating some or all of your SDRS-SRP contributions as Roth 457 contributions to provide you with a source of tax-free retirement income.

For more information, please contact the SDRS-SRP office.

 **Call: 605-224-2230 (Pierre)**

 **Click: www.srp457.com**

 **Visit: 222 E Capitol, Suite 8, Pierre, SD**



Online Security Features to See Enhancements

To enhance your online SDRS-SRP account security, Nationwide will be adding new protection features to the secure side of the SDRS-SRP website, www.srp457.com, including:

- New username and password requirements
- Required confirmation of your email address for account recovery purposes, such as:
 - Forgotten username
 - Forgotten password
- New security questions
- A more robust password reset process

As these new online security features are added, you will be prompted to take action when you sign into your online SDRS-SRP account. These new measures will provide another layer of protection to your SDRS-SRP account.

Practice Makes Perfect: Try “Retirement” Now

For retirement planning purposes, SDRS recommends planning to replace 85 percent of your pre-retirement income. Some will need more and some will need less depending on lifestyle, health, and other factors. Transitioning to a “retirement” income can be a shock for some new retirees; however, planning well in advance of retirement can help make that step easier. In your retirement planning efforts, you may want to practice living on a retirement income by adjusting your spending to your anticipated retirement income level. For example, try to cut back your spending by 10-20 percent for a few months.

It is best to enter retirement prepared. This exercise may help you discover financial shortfalls that can be remedied by reducing expenses and increasing retirement savings now. Reducing your expenses by even 10 percent frees up funds that you can instead put aside for your retirement. Even a small increase in your SDRS-SRP contributions can make a significant difference over

time. SDRS-SRP Retirement Specialists are available to help you achieve your retirement goals. Call the SDRS-SRP office in Pierre at 605-224-2230.

The SDRS-SRP offers a retirement income analysis to help you evaluate your retirement goals. By completing a questionnaire, an SDRS-SRP Retirement Specialist can provide you with an extensive assessment designed to provide you with valuable information you can use in your retirement planning. All SDRS members are encouraged to utilize this no-cost retirement planning tool. For more information on the SDRS-SRP Retirement Income Analysis, please contact the SDRS-SRP office in Pierre at 605-224-2230.



New feature allows for automatic contribution increases

During the 2015 South Dakota Legislative Session, a new law was enacted that allows for automatic contribution increases for automatic enrollees of the SDRS Supplemental Retirement Plan (SRP). The new automatic increase feature enhances the SDRS-SRP automatic enrollment feature and is available to all SDRS employers. If an employer chooses to adopt these features for its employees, then employer’s auto-enrollees will have the option to automatically

increase their monthly SDRS-SRP contributions on an annual basis. The increase amount is established at an additional \$10 contribution per month; however, an auto-enrollee may opt-out of that year’s increase. Details are currently being discussed to offer a voluntary automatic increase feature to all SDRS-SRP participants. For additional information, please contact the SDRS-SRP office in Pierre at 605-224-2230.

Contact us

SDRS Supplemental Retirement Plan

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In Pierre 605-224-2230
www.srp457.com

The SDRS Supplemental Retirement Plan is a deferred compensation plan regulated by Section 457 of the Internal Revenue Code and offered by the South Dakota Retirement System (SDRS). Plan administration and enrollment services are provided by Nationwide Retirement Solutions.

Contract #: GA-00619

SDRS-SRP Retirement Specialists are Registered Representatives of Nationwide Investment Services Corporation, member FINRA.

Neither Nationwide nor any of its representatives give investment, legal or tax advice. For such guidance, you should consult your own counsel.

Prudential Guaranteed Interest Account*

Prudential has announced a **3.00%** annual effective yield for the third quarter of 2015.

Guarantees and protections are based on the claims paying ability of the underwriting insurance company.

**Available option within the SDRS Supplemental Retirement Plan*

Payout Changes

Note: If you are receiving distributions from the Plan, you may be able to change your payout decisions. Call the SDRS Supplemental Retirement Plan office at 605-224-2230 or call 800-959-4457 to review your account and/or payout options.