



## Planning for Retirement



### Transferring and Withdrawing Money — You've Earned It; Now Let's Understand It

Whether you're still working or preparing to retire, you may have the option to defer a lump sum of money owed to you by your employer. For example, this could be for unused sick or vacation time at the end of the year, known as "leave cash-out."

Ohio DC must receive your request at least **31 days** before the payout date of your lump sum. You must also be enrolled in Ohio DC before your last day of work.

If your leave cash-out is due to termination (ending employment or retiring), the IRS requires the deferred cash-out to be made within 75 days of your termination date or within the same calendar year in which you terminate, whichever is longer. The request to defer your termination cash-out must also be completed one month prior to that pay date.

#### What can you do with your money?

**2021 Annual Deferral Limits — Normal:** \$19,500; **50-Plus:** \$26,000

If your leave cash-out will be more than one of these limits, discover whether you qualify for the 2021 Annual Catch-Up Limit of \$39,000 under Eligibility for Catch-Up.

#### MY CHECKLIST:

Pay date of my cash-out:

Amount of my cash-out:

Anticipated retirement date:

Deadline for deferring leave:

(The catch-up application must be completed prior to last day of employment.)

#### Catch-up and my leave cash-out

Many employees use the catch-up option to invest their sick and vacation leave cash-out at termination. If you expect a large leave payment (more than the normal deferral limit) and don't need the funds right now, you might qualify to invest a large lump sum.

#### Eligibility for catch-up

If you are within three years of normal retirement age, and if you have not contributed the maximum amount in the past, you might be able to defer up to two times the normal contribution limit. For example, this calendar year, you might be able to contribute \$39,000. The catch-up option serves as a one-time opportunity that may last up to three consecutive years, as long as you are employed.

#### MY CHECKLIST:

Contact Ohio DC to determine how many years of W-2s are needed.

*W-2's needed:*

Gather W-2s and submit to Ohio DC.



877-644-6457



# Considering a rollover?

## More convenient. Less hassle. And all you have to do is roll over.

Have you thought about the advantages of rolling over your **PLOP, DROP**, Traditional IRA, 401(k), 401(a) or 403(b) account into Ohio Deferred Compensation? We'll help you!

### Why rolling over your outside retirement accounts makes sense:

- Manage your retirement investments with one program
- Select and diversify your investments
- Get flexible access to your funds as you need them for emergencies, a major purchase, a vacation — you decide
- Potentially grow your account until you need your funds
- Simplify your retirement funds with one consolidated statement
- Access a nonprofit program with low fees to eliminate unnecessary costs

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. Investors should discuss their specific situation with their financial professional.

## Have questions?

We'll answer your personal retirement questions.

### Get an analysis from your Retirement Planning Specialists.

As credentialed, experienced professionals, we want to inform you about how to prepare for retirement. We have a variety of tools to help you:

- Determine your retirement income needs
- Defer sick and vacation leave pay from your final paycheck
- Gain education on your current financial picture
- Simplify by combining all your assets into one program
- Choose the distribution option most suitable for you

An appointment with a Retirement Planning Specialist is a benefit provided to you at no additional charge. If you can't come to our Service Center in Columbus, Ohio, you can schedule a phone conference.

# Withdrawing your money

Withdrawal requests should be made one month in advance of establishing or changing a payment.

- Your first withdrawal can begin about **two months after separation from employment** but is not required until you reach the required minimum distribution (RMD) age as defined by the IRS.
- Withdrawals can be **random or systematic** in frequency.
- You can **change your withdrawal choice any time**.
- Please **plan ahead by one month** for withdrawal changes.
- Payments are made to you on the **7th of the month**.
- **Withdrawals from your pretax account are considered taxable income.** Taxes can be withheld on your behalf, and tax withholding may be required depending on the type of withdrawal selected.
- For Roth contributions, qualified withdrawals that include earnings are tax-free. Withdrawals from the Roth account will be subject to tax on earnings for non-qualified withdrawals. Please review the Roth brochure for additional information on specific rules for your Roth account.
- You may select any of the following payment frequencies: **annually, semiannually, quarterly or monthly**, with a minimum payment of \$250.
- For your convenience and security, **payments are made by direct deposit**.
- **If you have money in more than one investment option**, you may select to have payments withdrawn proportionally from each of your investment options, or you may designate payments to be withdrawn from only one investment option.
- **If you leave your job for any reason**, distributions may qualify under federal laws for rollover to other plan types. Please contact us for rollover eligibility.
- **Upon separation from employment**, there will be no charges or penalties assessed on withdrawals from your account.
- **Distributions before age 59½** from a rollover account, such as a 401(k), might be subject to early withdrawal penalties.

## Did you know?

If your Withdrawal Form is received by the 22nd day of the month, your payment will be on the 7th of the next month.



# Taxes

## Required withholding (pretax account)

Ohio DC is required to withhold 20% federal tax if you select a partial lump sum or a lump sum (required minimum distribution payments excluded). Additionally, the same 20% is required if you select a systematic payment option that is projected to exhaust your account in 10 years or less.

## Optional tax withholding (pretax account)

Ohio DC is not required to withhold State of Ohio income tax from your payment. However, you may choose to have tax withheld for this purpose. If you have selected a systematic option that is projected to last longer than 10 years, you will choose the amount to withhold for federal tax. You can choose more than 20%, less than 20%, or have no federal tax withheld.

## Roth account tax withholding

No taxes will be withheld on qualified Roth withdrawals. For non-qualified Roth withdrawals, 20% federal tax will be withheld on earnings. For Ohio residents, we will withhold assuming one exemption. No state tax will be withheld for non-Ohio residents.

## Things to consider

We are here to help you decide how to structure withdrawals from your account. Decide how your account can best serve you:

- Events such as trips, home remodeling projects, etc.
- Monthly payments to supplement your pension income
- Income until your Social Security or pension benefits start
- Final mortgage payment
- Payments that will allow your account to last throughout your retirement years

## Payment options

### *Systematic withdrawals*

- **Dollar amount** — Payments of a specified dollar amount until your account is exhausted
- **Time period** — Payments for the number of years you choose; you may select any whole number of years
- **Annual percentage** — Payments based on the percentage you choose and your account balance; the annual percentage will be paid over the frequency you select (e.g., a 12% annual withdrawal would be paid as 1% monthly)

**NOTE:** Your account value and payments (or period) will fluctuate based on the performance of your investment options.

### *Discretionary withdrawals*

- **Partial lump sum** — A single lump-sum payment of a portion of your account value; to select another payment option after the partial lump sum, a new Withdrawal Form must be completed
- **Full lump sum** — The withdrawal of your full account value in a single payment; to protect your investment from immediate taxation, you might want to consider other payment options; please consult with your tax professional when considering large withdrawals

# Are you subject to a required minimum distribution?

## Required minimum distribution (RMD)

- Your RMD typically, but not always, increases as you get older.
- Your first RMD is approximately 3.9% of your account balance as of December 31st of the previous year.
- The amount is approximately:
  - > 4% at age 73
  - > 5% at age 78
  - > 10% at age 92

This table is the current standard for calculating RMD. Future law changes could change the distribution period values shown to the right.

\* For participants born before July 1, 1949, the minimum distribution rules will be different. Please contact us at 877-644-6457 for more information.

If you are separated from employment and 72 or older before the end of this calendar year, the Internal Revenue Service (IRS) requires you to take a distribution from your Ohio Deferred Compensation account. This **required minimum distribution (RMD)** is necessary in all of your tax sheltered retirement plans, including traditional IRA, 401(k), 403(b), 401(a), 457(b) and Roth 457(b) accounts.

RMDs cannot be combined from different account types. For example, an RMD from a 457 account cannot be taken to fulfill an RMD from a 401(k) rollover account with Ohio DC.

To calculate your required distribution, just follow these three simple steps.

- 1 Find your account balance** as of December 31 of the previous year. You can do this by looking at your fourth-quarter or first-quarter statement.
- 2 Look up the distribution period number** that corresponds with your age as of December 31st of this year in the chart below.
- 3 Divide the value of your account** as of December 31 of the previous year by the distribution period number you took from the chart. The result is your RMD.

**Example:** A participant with an account balance last December 31 of \$50,000, who will turn age 72 by the end of this year, would be subject to the following RMD:









$$\mathbf{\$50,000/25.6 = \$1,953.13}$$

Age	Distribution Period	Age	Distribution Period
70	27.4	87	13.4
71	26.5	88	12.7
72	25.6	89	12.0
73	24.7	90	11.4
74	23.8	91	10.8
75	22.9	92	10.2
76	22.0	93	9.6
77	21.2	94	9.1
78	20.3	95	8.6
79	19.5	96	8.1
80	18.7	97	7.6
81	17.9	98	7.1
82	17.1	99	6.7
83	16.3	100	6.3
84	15.5	101	5.9
85	14.8	102	5.5
86	14.1	103	5.2

# Are you returning to work?

## Re-Enrollment

You are eligible to defer income to Ohio Deferred Compensation if you return to public employment. However, you must re-enroll in Ohio DC at your new place of employment or with your same employer, if rehired. You must re-enroll 31 days prior to your first pay date. If you plan to continue public employment, **call us at 877-644-6457** to set up an account so you may continue contributing to the plan.

We're here to help	
 Phone appointments: 877-644-6457	 My Interactive Retirement Planner <sup>SM</sup>
 In-person appointments with a Retirement Planning Specialist	 Withdrawal calculators
 Webinars/field presentations	 Newsletters
 Website: <a href="http://Ohio457.org">Ohio457.org</a>	 257 E. Town St., Ste. 457 Columbus, Ohio 43215

My Interactive Retirement Planner is a service mark of Nationwide Life Insurance Company.

Information provided by Retirement Planning Specialists and Account Executives is for educational purposes only and is not intended as investment advice.

Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds without penalty. Assets rolled over from your account(s) might be subject to surrender charges or other fees from your current provider. There might also be a 10% tax penalty assessed by the IRS if withdrawn before age 59½ for outside accounts rolled into this plan. Ohio DC 457 accounts do not have age requirements or early withdrawal penalties. You should consider all factors before making a decision.

Investing involves market risk, including possible loss of principal.

Retirement Planning Specialists and Account Executives are Registered Representatives of Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio.

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