



10 reasons to get started!

Whether retirement is four years away or 40, it's important to plan a financial strategy now to help you work toward your retirement objectives. While you may have retirement income from your VRS pension and Social Security, that may not be enough. That's where the 457 Deferred Compensation Plan comes into play. Here are a few reasons why you shouldn't wait to get started.

When was your password mailed?

- If you were hired before January 1, 2009, ING, the Plan record keeper, mailed you a new password in January 2009.
- If you were hired after January 1, 2009, ING mailed your password shortly after your hire date.

By contributing before-tax in this Plan, Sarah has **\$21 more** to spend (or save) each month – **\$252 more** per year.

1 It's easy to enroll.

Online: Go to www.varetire.org and select "Commonwealth of Virginia 457 Deferred Compensation Plan" under the **Defined Contribution Plans** tab. Select "Account Log-In" to enroll online. The password you need to enroll was sent to you by mail. If you lost or forgot your password, select "Forgot your password" under the user login screen.

By phone: Call 1-VRS-DC-PLAN1 (1-877-327-5261), select option 1.

By mail: Complete an Enrollment form available online at www.varetire.org and select "Commonwealth of Virginia 457 Deferred Compensation Plan" under the **Defined Contribution Plans** tab, then "Forms". Or call 1-877-327-5261, option 1 to request a form be sent to you.

2 It's flexible.

You choose the amount of pay you would like to contribute and you can change the amount or stop at any time.

3 It's pre-tax, lowering your current income tax.

457 Plan contributions are made on a pre-tax basis (before taxes are taken out of your paycheck). Every dollar you save reduces your taxable income by a dollar, which means you pay less in current taxes. The amount you save may be more than the amount your pay is reduced.

Consider this: Sarah earns \$2,000 a month and wants to save \$100 a month in the 457 Plan. Compare how much she would save before tax with the 457 Plan versus after tax (through a bank savings account, for example).

	Contributing to DCP before tax	Contributing after tax
Gross Pay	\$2,000	\$2,000
Before-Tax Contributions to Plan	- 100	0
Taxable Pay	\$1,900	\$2,000
Estimated Income Tax Withholding from Pay	- 214	- 235
FICA & Medicare	- 153	- 153
Take-Home Pay	\$1,533	\$1,612
After-Tax Contributions to other Accounts	0	- 100
Spendable Pay	\$1,533	\$1,512
Before-Tax Advantage	\$21	None

This hypothetical illustration assumes federal tax withholding of 25 percent, state & local tax withholding of four percent.

4 It's tax-deferred.

The money you invest in your 457 Plan account grows tax deferred so you don't pay taxes on any investment earnings until you withdraw the money. This means 100% of your earnings go to work for you immediately.

Consider this: You invest **\$50 per pay period** in a tax-deferred account like the 457 Plan and invest the same amount in a taxable account. Both accounts earn an annual average return of six percent. **After 30 years, you have nearly \$15,000 more in your 457 Plan** account because you don't pay taxes until you start withdrawing money. Earnings in your taxable account are taxed annually reducing your investment amount. If you factor in the cash match you receive, you'd have almost \$30,000 more!



5 It only takes a small amount to make a big difference.

You can contribute as little as \$10 per pay date; the maximum annual contribution amount is \$16,500 for 2011. If you think you can't afford to save for retirement, you may be eligible for special Saver's Credit and receive money back when you file your tax return. Call the Plan Information Line or visit the Plan Web site for more information on the Saver's Credit.

Consider this: If you contribute as little as \$2 each day (average of \$62 per month) to a 457 Plan account today, that money may grow to more than \$62,000 in 30 years! If you save \$4 per day (average of \$122 per month), your savings may be even greater.

Amount Saved Per Day	At 10 Years	At 20 Years	At 30 Years
\$2	\$10,211	\$28,790	\$62,591
\$4	\$20,093	\$56,651	\$123,164

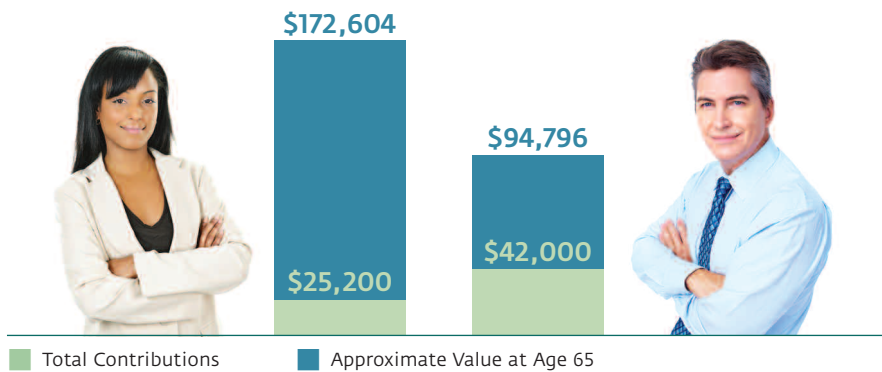
This illustration assumes a \$62 or \$122 contribution per month that earns interest at 6%. The returns are hypothetical and do not reflect the past or future performance of any specific investment option. Payment of income taxes is not reflected. Systematic investing does not ensure a profit or protect against loss. You should consider your ability to invest consistently in up- and down-markets.

6 It's important to start early.

By starting contributions to a 457 Plan today, your money has more time to work for you. Any gains on your investments go back into your account where it can earn more in the future.

Consider this: The power of time vs. the cost of waiting – who wins?

Jen starts saving at age 25 and stops saving at 40. She contributes for 15 years. **Michael** starts saving at age 40 and stops saving at 65. He contributes for 25 years.



■ Total Contributions

■ Approximate Value at Age 65

Assumptions: Individuals make a total \$100 monthly contribution, and receive an employer match of \$40 per month, earning an six percent annually compounded return. Contributions are made at the beginning and in the middle of each month. This example is not intended to guarantee an actual rate of return. Actual returns may be more or less, depending on your investments.

7 It offers a simplified approach to investing.

The Plan offers a variety of investment options ranging from Asset Allocation funds with a pre-set mix of investments to a Self-Directed Brokerage Account for more experience investors. Local representatives can help you evaluate your tolerance for risk and choose the options that are right for you. If you want more help understanding the investment options, attend a free workshop available online or in person. To access the seminar schedule, go to www.varetire.org, and select "Commonwealth of Virginia 457 Deferred Compensation Plan" under the **Defined Contribution Plans** tab, then "Participant Education".

8 It allows you to save more near retirement.

As you approach retirement, you may be able to make additional catch-up contributions to your 457 Plan. Participants ages 50 and older can contribute an additional \$5,500; those within three years of their normal retirement can make standard catch-up contributions of twice the maximum annual deferral amount. The Standard Catch-up cannot be used in the same tax year as the Age 50 Catch-up.

9 It's easy to manage and access your account.

Access and manage your 457 Plan account online at www.varetire.org by selecting the 457 Plan under the **Defined Contribution Plans** tab or by calling **1-VRS-DC-PLAN1 (1-877-327-5261)**, option 1. You can monitor your account balance, change your investments or contributions or update your personal information.

Local registered representatives are available to speak with you about your account. Call **1-VRS-DC-PLAN1 (1-877-327-5261)**, option 2, weekdays 8:30 a.m. to 5 p.m. Or stop by the Virginia Service Center at 919 E. Main Street, Suite 1604 (SunTrust Building) in Richmond, weekdays, 8:30 a.m. to 5 p.m.

10 It's Your Money.

When you terminate employment with an employer that sponsors the 457 Plan, you can keep your money in the Plan (subject to required minimum distribution rules)*. If you need to take a distribution from your account, you have a number of options, including:

- A total or partial lump sum
- Periodic payments
- Annuity payments
- Partial lump sum with remainder paid as a periodic payment or annuity

You also may roll your 457 Plan account balance into an eligible retirement plan such as a 401(a), 401(k), 403(b), governmental 457(b), traditional IRA or Federal Employees Thrift Savings Plan that accepts rollovers.

* You are required by law to begin annual withdrawals from your retirement accounts in the year you reach 70½, or in the year you retire, whichever is later.



Call the Plan
Information Line at
1-VRS-DC-PLAN1 or
visit the Plan Web site
at www.varetire.org
for more information.