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# 401(k) PLAN FOR YOUR FUTURE

The Investment Advantage

PAYCHEX®

# 401(k)
# Plan for Your Future

Congratulations! You are eligible to participate in your company's retirement plan. This means that you now have the opportunity to begin contributing to your retirement account and enjoying the tax advantage benefit of a 401(k) plan. To enroll in the plan and begin contributing to your plan, follow the steps below.

1. Refer to the enclosed information on how to enroll and the accompanying 401(k) Plan Enrollment Worksheet.

2. Complete the 401(k) Plan Enrollment Worksheet.

   **Note:** If you will be participating in a Profit Sharing or Money Purchase Plan, enter zero (Ø) for your salary deferral percentage.

3. Enroll by accessing your account online through the Paychex Online Retirement Services Web site at **https://benefits.paychex.com** or call Paychex Employee Services at 1-877-244-1771, prior to your company's open enrollment effective date.

After completing the above steps, you will be enrolled in your company's retirement plan. We wish you the best in saving for your future.

More and more, employees realize that they must save money on their own for a sound retirement. Employer-provided retirement plans, such as 401(k) plans, can help meet their financial goals.

## Social Security Isn't Enough

- Social security is meant only as a supplement to other retirement income.
- For most people, retirement income is less than that received before retiring.
- By the year 2027, the age required for all retirees born on or after 1960 to receive full social security benefits will be 67.
- The responsibility for obtaining sufficient retirement income is yours.
- A 401(k) retirement plan provides one of the most popular forms of retirement planning.

## You'll Need More Than You Think

You will need more money for retirement than you think. Every year things cost a little more due to inflation. For retirees on a fixed income, this means the money they've put aside has less buying power each year. The following chart shows the decreasing buying power of $1,000 at an inflation rate of 3% (assumes no growth through investing).

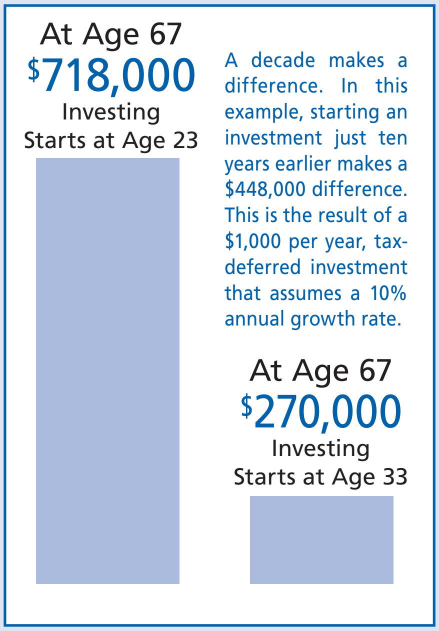
The Decreasing Value of $1,000

| NUMBER OF YEARS | 3% INFLATION |
|---|---|
| 5 | $863 |
| 10 | $744 |
| 15 | $642 |
| 20 | $554 |
| 25 | $478 |

*The information herein is not intended to provide legal or accounting advice. It is meant to be used with the Retirement Services Administrative Guidebook. The legally binding operation of the plan is controlled by the Adoption Agreement and the Basic Plan Document.*

## Your Tomorrow Starts Today

Investing early pays off. The example below shows the difference a ten-year head start can make.




It's never too late. You may need to invest more if you are closer to retirement. The important thing is to get started today.

## A Tax Advantage Today, for a Better Tomorrow

- Your pretax 401(k) investments and earnings are not taxable until you withdraw the money.
- Your pretax 401(k) payroll deductions decrease your taxable income. This reduces your federal and state income taxes (only federal in some states).

Here's an example of the take-home advantage with pretax 401(k) contributions.

**The Take-Home Advantage**

| | WITHOUT 401(K) | WITH PRETAX 401(K) |
|---|---|---|
| ANNUALIZED GROSS PAY | $35,000 | $35,000 |
| 401(k) | 0 | -1,750 |
| Taxable Pay | 35,000 | 33,250 |
| Federal Income Tax (27%) | -9,450 | -8,978 |
| FICA (7.65%) | -2,678 | -2,678 |
| Conventional Savings Account | -1,750 | 0 |
| NET TAKE-HOME PAY | $21,122 | $21,594 |
| ANNUALIZED SAVINGS | | $472 |

# The Investment Advantage

## You Control Your 401(k) Investment

- You decide how much to invest.
- You pick which plan investments you want, and you may change your selections at any time.
- You may qualify to take a loan from your account. Refer to the Frequently Asked Questions section for information on loan conditions.
- You may be able to consolidate investments in your 401(k) plan if you have money in a previous tax-qualified plan.

## It's Easy

Convenient payroll deductions make investing easy and consistent.  By using the Paychex Online Retirement Services Web site, or calling Paychex Employee Services, you can easily check your account, make investment changes, and request a loan.

## What You Invest In

The contributions to the 401(k) plan are invested in mutual funds by a professional money manager. A mutual fund is a security that gives smaller investors access to a well-diversified portfolio of equities, bonds, and other securities. This diversification is intended to provide a lower risk investment than investing in one individual stock. If you purchased stock in a single company and the stock went down, the value of your investment would decrease proportionately. With mutual funds, a drop in the value of one security (or several securities) may be offset by the rise in the value of other securities.

Past performance neither predicts nor guarantees future performance. However, the long-term history of the U.S. stock market has always been positive. Therefore, most investment professionals agree that certain strategies minimize risk and maximize returns for retirement. These strategies include:

- Starting now. Don't wait to start investing for your future. Just a few years can make a big difference in what you can build for retirement.
- Investing for the long term (10 years or more). You can do this even if you are close to retirement because it's not mandatory that you start withdrawing income until you are 70 (or older if you are still working).
- Diversifying your investments.
- Keeping your retirement assets strictly for retirement.
- Educating yourself about investing, establishing financial goals, and sticking to your plan.

## Roth 401(k)*

Roth 401(k) contributions are a type of salary deferral administered like conventional 401(k) deferals with one major difference, they are made on a post-tax basis. That means you pay taxes now and receive tax-free distributions (similar to a Roth IRA).

As a general rule, Roth 401(k) contributions are a good fit if you're in a lower tax bracket today than you expect to be when you retire. This may be especially true for younger workers.

Similar to a Roth IRA, Roth 401(k) contributions can be distributed to beneficiaries tax free. As a result, Roth 401(k) contributions can be an exceptional estate-planning tool.

If making post-tax retirement plan contributions now for tax-free distributions later sounds appealing, Roth 401(k) contributions may be right for you.

**Contact your employer to determine if this feature is available in your plan.*

## How to Enroll

Complete the 401(k) Enrollment Worksheet prior to enrolling. Determine what percentage of your gross pay you want to invest in your 401(k) account. Then, decide how you would like your investments divided among the funds offered.

When you are ready to enroll, log onto **https://benefits.paychex.com**. You will be required to register and create a personal account password. Or, you can enroll by calling Paychex Employee Services at 1-877-244-1771, and you will be guided through the necessary steps. Contact your company's plan administrator if you have any enrollment questions or need additional information.

## Managing Your Account Online or by Phone

Once you are enrolled in your company's 401(k) plan, managing your account is easy. Log onto Paychex Online Retirement Services at **https://benefits.paychex.com**, or using a touch-tone phone call Paychex Employee Services at 1-877-244-1771 to access your account information 24 hours a day. With these automated features, you have access to do the following:

- Check the total value of your retirement plan
- Check balances and shares by fund
- Transfer money to different funds
- Verify or change the percentage of pay you contribute
- Calculate loan payments or loan terms
- Request a loan
- Obtain price and historical yield information by fund
- Request a statement of your account
- Request a prospectus for investment provider funds

It is easy to keep track of your retirement account. Paychex Online Retirement Services and Paychex Employee Services give you control over your retirement plan(s). All you need is Internet access or a touch-tone phone and you can make most inquiries and changes in just minutes.

# Frequently Asked Questions

## Your Contributions and Vesting

**Q:** *Are the contributions from my pay always 100% vested?*

**A:** Yes. Any money you contribute is always 100% vested – meaning it is always yours. This includes any earnings on your contributions.

**Q:** *Are employers required to contribute to employee accounts?*

**A:** Generally, no. Under certain circumstances, some plans require an employer contribution.

**Q:** *If my employer contributes to the plan, when is that amount completely mine?*

**A:** It depends on the plan's vesting schedule offered by the company. Ask your employer for your plan's vesting schedule.

**Q:** *When can I make changes to the amount I contribute to the plan?*

**A:** This percentage may be changed by using the Web site, or by calling Paychex Employee Services. Each system will tell you on what date the changes will take effect.

**Q:** *When can I make changes to my investment selection allocations?*

**A:** You can do this anytime by logging onto the Web site or by calling Paychex Employee Services.

**Q:** *I currently have an IRA. May I still contribute to it if I participate in the 401(k) plan?*

**A:** Yes. However, participation in a 401(k) plan may affect the amount that may be deducted for the IRA. Consult with your tax advisor for guidance.

## 401(k) Plan Loans

**Q:** *What are the specific rules regarding loan from the 401(k) plan?*

**A:** Plan provisions have the following loan rules:

- You may have only one outstanding loan at a time.
- Loans may not be taken from Roth balances.
- The minimum amount you may borrow is $1,000.
- The maximum amount of an outstanding loan cannot exceed the lesser of 95% of the total vested account balance excluding the Roth elective deferral or 95% of one-half the vested account balance, not to exceed $50,000.

**Q:** *How do I get a loan from my account?*

**A:** If you have a vested account balance of at least $2,000, a loan may be initiated by logging onto the Web site or by calling Paychex Employee Services. You can find out the amount you are eligible to borrow, the current interest rate, and submit your request for the loan online or by phone. You may "model" the loan as well, which lets you experiment with different loan amounts and repayment periods.

**Q:** *What happens after I submit a loan request online or by telephone?*

**A:** If you request a loan through the Web site, or by calling Paychex Employee Services, there is no paperwork to complete. Once authorized, it takes approximately two weeks to process the loan and receive the requested loan amount.

If the loan is being requested for the purchase of a primary residence, additional paperwork is required.

Deductions for repayment of the loan will begin on the date specified in the 401(k) agreement.

**Q:** *How long do I have to repay my loan?*

**A:** You will be allowed to model and create a loan for a minimum repayment period of one year and a maximum repayment period of four and one-half years (54 months). All loan repayments will be made through payroll deductions on a per-pay-period basis. The repayment period can be extended up to ten years (120 months) for loans used to purchase a primary residence.

**Q:** *What fees are associated with loans?*

**A:** Paychex will collect a processing fee for each loan that is issued to you. This fee is collected when the loan is initiated and will be deducted from the requested loan amount.

# Frequently Asked Questions

**Q:** *Can I repay a current loan by taking a new loan against my account (refinance the loan)?*

**A:** This repayment option is not available. In order to take another loan from your account, you must repay the outstanding balance on your current loan with a certified check or money order. Once you have confirmed your loan balance is zero, you may initiate a new loan from your account using the Web site or by calling Paychex Employee Services.

## Distributions

**Q:** *When may I take a distribution from my account balance?*

**A:** Generally, you may request a distribution only when one of the following events occurs:

- you terminate your employment with the company,
- you reach age 59½,
- you become disabled, or
- the plan is terminated.

Once the money is distributed from the account, pretax contributions to the plan are subject to income taxes.

The qualified distribution rule determines when the earnings on Roth 401(k) contributions will be distributed as tax-free. The portion of the account that consists of your contribution is always tax-free. A distribution is qualified if the following events occur:

1. The distribution occurs after a five-taxable year ("five year") period of participation (for example, five years after the first Roth 401(k) contribution is made)

   **and**

2. At least one of the following events has occured:
   - you reach age 59½,
   - you become disabled, or
   - you are deceased.

**Q:** *What happens to my retirement account if I leave the company?*

**A:** If you leave the company, you have the following options:

1. The funds may be rolled into your new company's eligible retirement plan or an individual retirement account (IRA). Roth 401(k) contributions can only be rolled into a Roth IRA or another eligible retirement plan that accepts Roth 401(k).
2. The vested account balance may be distributed to you. However, once the account is distributed, the plan administrator is required to withhold federal income taxes equal to 20% of the amount distributed (does not apply to qualified Roth 401(k) distributions). In addition, most distributions made to employees under the age of 59½ will incur an additional 10% early withdrawal penalty unless rolled into an IRA or other eligible retirement plan. The taxable earnings portion of a non-qualified Roth 401(k) distribution is subject to the 10% early withdrawal penalty, unless those funds are rolled into a Roth IRA or other eligible retirement plan that accepts Roth rollovers.
3. If your vested account balance (employee and employer contributions) is more than $5,000, you can leave the funds invested in the plan.

## Your Beneficiary

**Q:** *What is a beneficiary?*

**A:** A beneficiary is the person or persons to whom the plan will pay your vested 401(k) account balance in the event of your death. This person is identified by you on the Beneficiary Designation Form which is provided to your employer. Paychex does not require a copy of this form. If you are single, you may designate anyone you wish as a beneficiary. If you are married, you must name your spouse as your primary beneficiary with a 100% share, unless your spouse waives this right by signing the spousal waiver section of the form. The signature must be notarized.

**Q:** *What is a secondary beneficiary?*

**A:** The secondary beneficiary is the person or persons you would like to receive your plan benefit in the event that no primary beneficiary is surviving at the time of your death.

**Q:** *How do I change the beneficiary I have designated for my 401(k) account?*

**A:** You may do so at any time by completing a new Beneficiary Designation Form.

**Paychex Online Retirement Services**
**https://benefits.paychex.com**

**Paychex Employee Services**

# 1-877-244-1771

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