



## Investing for Your Future



Whether you are actively employed, approaching retirement or enjoying your golden years, you are investing in your future through the DAP. As a low cost 401(k) plan, the DAP provides a wide array of investment options. There is a description and fact sheet for each investment at [www.dapretirement.com](http://www.dapretirement.com) under the Resources & Planning tab. There is also an archive of all past Heads Up newsletters under the Knowledge Center tab.

This newsletter includes a **Saving for Your Future** article for the actively employed participants. On page two there is a **Required Minimum Distribution** article for the participants who are required by the IRS to take mandatory distributions. The DAP makes the accumulation and distribution phases of retirement easy to manage. If you have any questions or concerns, we would love to hear from you! Please call Michelle Silberberg at (314) 739-7373.

### Saving for your future

A fascinating retirement savings article was published on the foxbusiness.com website this week, "Retirement crisis: Most Americans aren't saving enough, are you?", by Brittany De Lea. The author cites a study from researchers at the Stanford Center of Longevity, which estimated that the majority of American workers are not on the path to be able to sustain a full-time retirement by age 65. The article includes a formula that helps people determine how much to save based on your age in order to reach a salary replacement rate of 70% by the age of 65. Here is the Boston College Center for Retirement Research's formula:<sup>1</sup>

**Individuals need to contribute 17% of income - including employer contributions - to retirement plans in order to retire around 65.**

**Begin saving at 25: Stash away 10% of income**

**Begin saving at 35: Stash away 15% of income**

**Begin saving at 45: Stash away 27% of income**

#### Can I save in the double-digits?

If you stick with your auto-enrollment savings plan then the answer is yes, you are saving 12% of your salary. A healthy 86% of the CommunityAmerica Credit Union and TruHome Solutions employees are saving in the double-digits. Your company's automatic enrollment feature is an excellent employee benefit because you start saving immediately upon employment and you receive the 100% company match or a bonus of 6%.<sup>2</sup>

Most employees stay the course with their auto-enrollment feature. Some are saving even more. There are 279 employees saving over 13% and 74 employees are hitting Boston College Center for Retirement Research's target 17+% savings rate.

Adding 5% to your auto-enrollment savings rate will get you to this target. For an individual earning \$50,000 a year, that is \$96 dollars per paycheck or \$7 dollars a day. Every dollar contributed to your

401(k) reduces your taxable salary, which means reduced taxes and money back in your pocket. In addition, your savings are not taxed until you start taking distributions. Your tax bracket is typically lower in retirement, when you replace your monthly paycheck with a monthly 401(k) distribution check.

#### Calculators to Model Savings Rates

- Vanguard offers a powerful calculator to model your savings rate.  
<https://vanguard.newkirkone.com/plansavings/>
- Empower developed the retirement income tool available on your DAP personal account home page at [www.dap401k.com](http://www.dap401k.com).

You are able to take immediate action on [www.dap401k.com](http://www.dap401k.com) to improve your retirement outcome. If you are able to increase your savings rate, then lock in your contribution rate on your personal web experience. If you cannot afford to make a change, then at least you have a picture of where you need to be so you can set new goals and hopefully get there later.

#### IRS Contribution Limits & 401(k) Consolidation

The Internal Revenue Service increased the 401(k) contribution limits in 2019. The new limits are \$19,000 for an individual and an extra \$6,000 or a total of \$25,000 if you are age 50 or older. Also, remember you can rollover previous employer 401(k) assets and IRA's into the DAP to manage all of your retirement savings in one place.

Once you start modeling your future retirement paycheck, you will see how even stepping up your savings rate by one percent can make a big difference. Take time this weekend to check out these excellent tools and prepare for your golden years!

<sup>1</sup> <https://www.foxbusiness.com/personal-finance/retirement-crisis-most-americans-arent-saving-enough-are-you>

<sup>2</sup> auto-enrollment: 6% employer pre-tax deferral rate, 100% employer matching contribution up to a total of 6%, auto-escalation of the employee pre-tax deferral rate at 1% every year capping at a 9% pre-tax deferral rate. A vesting schedule applies to the employer match (25% vested after year 1, 50% vested after year 2, 75% vested after year 3 and 100% vested after year 4).

## Retiree Corner managing your required minimum distribution

### What are Required Minimum Distributions (RMDs)?

Required Minimum Distributions (RMDs) are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 70 ½ years of age.

### When must I receive my first RMD?

You must take your first required minimum distribution for the year in which you turn age 70 ½. However, the first payment can be delayed until April 1 of the year following the year in which you turn 70 ½. For all subsequent years, including the year in which you were paid the first RMD by April 1, you must take the RMD by December 31 of the year.

### How is the RMD calculated?

The three IRS life expectancy tables determine your distribution period - Uniform Lifetime (Table III), Joint Life and Last Survivor Expectancy (Table II), or Single Life Expectancy (Table I). The DAP's original account holders use either Table II (if spouse is more than 10 years younger) or Table III. The beneficiaries use Table I. There is a life expectancy factor that corresponds to each age on the table. The RMD is calculated by dividing the prior December 31 balance by the life expectancy factor.

### Who calculates the amount of the RMD and what happens if I fail to withdraw an RMD?

According to the IRS, although the IRA or 401(k) may calculate the RMD, the retirement plan account owner is ultimately responsible for calculating the amount of the RMD. If an account owner fails to withdraw a RMD, fails to withdraw the full amount of the RMD, or fails to withdraw the RMD by the applicable deadline, the amount not withdrawn is taxed at 50%. The [irs.gov](http://irs.gov) website and your tax advisor will have more detailed information on how the RMD is calculated and how to address a missed RMD.

The DAP calculates the RMD for the original account holders and their beneficiaries. They will receive a RMD shortage distribution in the middle of December if necessary. Always double check your RMD amount in December and let us know if you have questions or concern by calling 314-739-7373.

**The DAP does not automatically distribute an RMD shortage to QDRO and trust account holders. These participants must consult a tax advisor and call the DAP at 314-739-7373 by December each year to take the RMD distribution.**

### Can an account owner just take a RMD from one account instead of separately from each account?

The DAP is a 401(k) Plan and RMDs are required to be taken separately from each 401(k) plan account. The IRS has a different set of rules for an IRA owner. The total RMD calculation for all of their IRA's may be taken from one or more of the IRAs. The 401(k) accounts cannot be combined into this calculation.

### How do I take distributions as a former TWA Pilot or a beneficiary of a former TWA Pilot?

One option is to set up an Auto-RMD. You specify the timing, distribution date, tax withholdings and bank account. The DAP will calculate and distribute your RMD according to your specifications until you decide to make a change or stop your Auto-RMD. Another option is to establish a Periodic Payment (PPAY) where you tell DAP your payment amount, timing, distribution date, tax withholdings and bank account. In this case, you may go over your RMD but if you go under your RMD, the shortage amount is automatically distributed to you in December. A third option is to not establish any payment. Under this option, you may call for partial payments when you are in need and your RMD shortage is automatically distributed to you in December. Please call Michelle for assistance with your retirement distributions at 314-739-7373.

### Phone Numbers

The DAP's recordkeeper, Empower Retirement has a dedicated team of customer service representatives available to you at (844)-861-4327 Monday - Friday between 7 a.m. - 9 p.m. Central time, and Saturdays between 8 a.m. - 4:30 p.m. Central time. It is important to say "representative" clearly and slowly two times after you hear the DAP greeting. You will be transferred to a friendly person that can help you with most of your questions and requests. For required minimum distributions (RMDs), payment changes or questions or concerns about your DAP account, please contact Michelle at (314) 739-7373.

Directed Account Plan  
12400 Olive Blvd.  
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St. Louis, MO 63141  
(P) 314-739-7373  
(F) 314-739-7978

Informational Web Site:  
[www.dapretirement.com](http://www.dapretirement.com)

Personal Account Web Site:  
[www.dap401k.com](http://www.dap401k.com)

The intent of this communication is to provide useful information, not investment advice. Each participant in the Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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