This project has been supported by an American Council on Education – Alfred P. Sloan Foundation Faculty Retirement Transition award to San José State University
Financial Literacy
Module IV – Supplemental Savings Programs
Before We Start

• Please, remember Module I and the fact that time is on your side, start saving early
• If you are in a position to set money aside, please, consider the supplemental / optional programs discussed in this Module IV
• There are plan charges, fees, penalties and variety of investment options
• There is no matching by SJSU for these supplemental plans
• There is no guarantee for positive investment returns because the market constantly fluctuates
Overview

- CSU 403(b) TSA program
  - Tax Sheltered Annuity overview
- Savings Plus Program
  - 401(k) plan
  - 457 plan
- Comparison 457 and 401(k)
- Traditional v. Roth Programs
CSU 403(b) TSA Program

- Tax Sheltered Annuity Overview
  - Only 501(c)(3) organization employees, public state universities and K-12 employees are eligible for this program
  - Contribution of Maximum of $17,500 per year
  - Contribution is with pre-tax dollars
  - Funds withdrawal between 59 ½ and 70 ½ otherwise penalties
  - No Roth option available
CSU 403(b) TSA Program (Cont’d)

- TSAs Sponsors
  - AIG Retirement
  - Fidelity Investments
  - ING
  - MetLife
  - TIAA-Cref
- For more information:
  - https://www.calstate.edu/benefits/retirement/tsa.page.shtml
Savings Plus Program

- The Savings Plus Program for CSU employees administers both the 401(k) and the 457 plans.
- The webpage is: [https://www.savingsplusnow.com/](https://www.savingsplusnow.com/)
- You can have both the 401(k) and the 457 plan for a maximum contribution per year of $35,000.
- Roth option available.
Savings Plus Program Offerings

- Small Cap Fund
- Small Cap Index Fund
- International Fund
- International Index Fund
- Mid Cap Fund
- Mid Cap Index Fund
- Large Cap Fund
- Large Cap Index Fund
- Diversified Real Return Fund
- Bond Fund
- Bond Index Fund
- Short Term Investment Fund
- Short Term Investment Fund – Cash
- Socially Responsible Fund

For more information on funds’ performance and costs: https://www.savingsplusnow.com/assets/pdfs/CaliforniaIPR.pdf
## Savings Plus Program Target Date Funds

<table>
<thead>
<tr>
<th>If you were born between…</th>
<th>You might choose this fund (assumes a withdrawal age of 62)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950 or earlier</td>
<td>Target Date Fund–Income</td>
</tr>
<tr>
<td>1951–1955</td>
<td>Target Date Fund–2015</td>
</tr>
<tr>
<td>1956–1960</td>
<td>Target Date Fund–2020</td>
</tr>
<tr>
<td>1961–1965</td>
<td>Target Date Fund–2025</td>
</tr>
<tr>
<td>1966–1970</td>
<td>Target Date Fund–2030</td>
</tr>
<tr>
<td>1971–1975</td>
<td>Target Date Fund–2035</td>
</tr>
<tr>
<td>1976–1980</td>
<td>Target Date Fund–2040</td>
</tr>
<tr>
<td>1981–1985</td>
<td>Target Date Fund–2045</td>
</tr>
<tr>
<td>1986–1990</td>
<td>Target Date Fund–2050</td>
</tr>
<tr>
<td>1991–1995</td>
<td>Target Date Fund–2055</td>
</tr>
<tr>
<td>1996–2000</td>
<td>Target Date Fund–2060</td>
</tr>
</tbody>
</table>
401(k) Plan

- Available to all employees with some exceptions for government employees
- Contribution of Maximum of $17,500 per year
- Contribution is with pre-tax dollars
- Funds withdrawal between 59 ½ and 70 ½ otherwise penalties
- Taxes are paid at time of withdrawal
- Roth option available
- The webpage is: https://www.savingsplusnow.com/
457 Plan

- Available to government employees and some non-profits (not to all employees in the US)
- Contribution of Maximum of $17,500 per year
- Contribution is with pre-tax dollars
- Funds withdrawal between 59 ½ and 70 ½ otherwise penalties
- Taxes are paid at time of withdrawal
- Roth option available
- The webpage is: https://www.savingsplusnow.com/
Comparison 401(k) v. 457

- The comparison chart is available at the following website: https://www.savingsplusnow.com/401k457/plans/comparison_chart.html
- Age-based deferral available but catch-up provision is not available for the 401(k) Plan
- Both age-based deferral and catch-up available for the 457 Plan
Comparison 401(k) v. 457 (cont’d)

• In both plans age-based deferral is available for employees 50 or older in the amount of $5,500 in addition to the $17,500

• However, for the 457 if the employee elects the catch-up provision, the employee cannot elect the age-based deferral

• Catch-up provision available in the 457 and the age-based deferral available in the 401(k) for a total of $58,000 per year in both if the employee is 50 or older
## Traditional v. Roth Programs

### At time of contribution

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax Rate 30%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pre-Tax Dollars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Annual Salary</strong></td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td><strong>Annual Contribution</strong></td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>40,000*0.3=$12,000</td>
<td>50,000*0.3=$15,000</td>
</tr>
<tr>
<td><strong>After Tax Income</strong></td>
<td>$38,000</td>
<td>$35,000</td>
</tr>
<tr>
<td><strong>Available Funds</strong></td>
<td>$28,000</td>
<td>$25,000</td>
</tr>
<tr>
<td><strong>Retirement Funds</strong></td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Tax Savings</strong></td>
<td>$3,000</td>
<td>$0</td>
</tr>
</tbody>
</table>
Traditional v. Roth Programs (Cont’d)

- At Time of Retirement

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Additional Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds in Retirement Account</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Taxes (30%)</td>
<td>10,000*0.3=$3,000</td>
<td>$0</td>
</tr>
<tr>
<td>After Tax Income</td>
<td>$7,000</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

- Taxes now v. taxes later
- Consumption now v. consumption later
- Expectations of future tax rates
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