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American Council on Education –
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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>
 - https://www.calstate.edu/benefits/carrier.materials/TSABrochure_New%20Participant.pdf

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/>
- 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

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

401(k) Plan

- 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

- 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

Tax Rate 30%	Traditional	Roth
	Pre-Tax Dollars	After-Tax Dollars
Gross Annual Salary	\$50,000	\$50,000
Annual Contribution	\$10,000	\$10,000
Taxes	$40,000 * 0.3 = \$12,000$	$50,000 * 0.3 = \$15,000$
After Tax Income	\$38,000	\$35,000
Available Funds	\$28,000	\$25,000
Retirement Funds	\$10,000	\$10,000
Tax Savings	\$3,000	\$0

Traditional v. Roth Programs (Cont'd)

- At Time of Retirement

No Growth		
No Additional Contributions		
	Traditional	Roth
Funds in Retirement Account	\$10,000	\$10,000
Taxes (30%)	$10,000 * 0.3 = \$3,000$	\$0
After Tax Income	\$7,000	\$10,000

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



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