

OMNI Updates

3rd Quarter 2017

Providing a Better Understanding of Your Tax Deferred Retirement Benefit

How does your money grow?

Funds contributed to your 403(b) or 457(b) account are invested in a fixed annuity, fixed index annuity, variable annuity, investment advisory services or mutual funds. There are numerous investment vehicles that are available in these plans, ranging from funds focused on specific industries to mutual funds that encompass a large variety of different businesses around the world.

Let's assume you invested \$10,000 in your plan, and experienced market performance of 10% - leaving you with an investment worth \$11,000. Any further growth in the value of your shares will include the \$1,000 you just earned. Over time, this compounding interest can make a big difference in your retirement.



Example: A one-time contribution of \$10,000 compounding for a period of 50 years.

Value of \$10,000 invested in a 403(b) or 457(b)

| Number of years | 3% rate of return | 5% rate of return | 10% rate of return | 12% rate of return |
|-----------------|-------------------|-------------------|--------------------|--------------------|
| 10 Years | \$13,439 | \$16,289 | \$25,937 | \$31,058 |
| 20 Years | \$18,061 | \$26,533 | \$67,275 | \$96,463 |
| 30 Years | \$24,272 | \$43,219 | \$174,494 | \$299,599 |
| 40 Years | \$32,620 | \$70,399 | \$452,592 | \$930,510 |
| 50 Years | \$43,839 | \$114,674 | \$1,173,908 | \$2,890,022 |

While this chart assumes no further contributions, in practice, most employees continue contributing for most of their career. While it is impossible to make any guarantees about how your specific investments will perform, it is usually assumed that over time the value of your account will increase significantly and those increases will become even greater when accounting for compound interest and more efficient processing.

Common 403(b)/457(b) Terms

403(b) Tax Sheltered Annuity (TSA)

A retirement plan designed for employees of certain tax-exempt organizations; it is similar to a 401(k) plan offered by for-profit entities. Employees can elect to contribute through payroll deduction by opening an account with an approved service provider under your employer's plan.

457 Deferred Compensation

A non-qualified tax deferred retirement plan designed specifically for state and local government, as well as certain tax-exempt organizations. The 457(b) is also funded through payroll deduction but differs from a 403(b) in regards to distribution rules, catch-up provisions and unforeseeable emergency requests. If an employer offers both a 403(b) and 457(b) plan an employee can elect to make payroll deductions to both plans.

Service Providers

Companies that offer 403(b) and/or 457(b) investments; also commonly referred to as a "fund company" or "vendor."

Investment Vehicles

Each service provider offers numerous investment types designed to meet the needs of investors. Investment vehicles may include fixed annuities, fixed index annuities, variable annuities, and mutual funds.

Fund Performance

Describes how the funds you have invested in your account have grown within a certain period of time. Fund performance is normally expressed as a percentage and sometimes referred to as a "rate of return".

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HARDSHIP DISTRIBUTIONS

Your 403(b) plan may permit a hardship withdrawal that allows you to withdraw funds in the event of an immediate and heavy financial need. **The IRS has defined an “immediate and heavy financial need” as follows:**

1. Medical expenses for the employee or his/her spouse or dependents
2. Payments necessary to prevent eviction from or foreclosure on a primary residence
3. Burial or funeral expenses for the employee's parent, spouse, or dependents
4. Repair of damage to the employee's principal residence
5. Costs for the purchase of a principal residence*
6. Tuition and related educational expenses for the employee or his/her spouse or dependents*

*403(b) hardships only. 457(b) plans have a similar option called an unforeseeable emergency distribution. The eligibility criteria to receive the unforeseeable emergency distribution, however, are more restrictive and only permitted for circumstances that are set forth in 1-4 above.

Participants seeking approval by OMNI for a hardship withdrawal must complete the online hardship withdrawal request form available on your organization's plan details page on the OMNI website. Participants must also submit supporting documentation of their hardship circumstance by uploading the documents through our website, faxing or emailing the documents to our Service Provider Team, or mailing the documents to our office. Once these materials are received in good order, OMNI's Service Provider Team will reach out to the provider to confirm that the amount requested is available in the account, determines eligibility under IRS regulations, and issues approval to the participant and/or financial advisor via email.

Other requirements particular to hardship and unforeseeable emergency distributions are:

- > The amount of the withdrawal cannot exceed the amount of the immediate and heavy financial need.
- > Hardship distributions can only be made from employee contributions and not from earnings on those contributions or from employer-paid contributions.
- > You cannot contribute to your 403(b) and/or 457(b) account for six months after a hardship distribution is approved. Your contributions will be stopped immediately upon approval of your hardship distribution and will automatically resume after the six-month period has ended. You are not required to resume contributions and may submit a Salary Reduction Agreement form at any time to stop further deferrals.
- > A Hardship and/or unforeseeable emergency distribution may not be rolled over into another retirement plan or IRA.

Midwest City-Del City I.S.D. No. 52

New accounts may be opened with the following approved service providers:

AFTER TAX PRE-ROTH - AMERICAN FIDELITY
AMERICAN FIDELITY ASSURANCE CO.
GREAT AMERICAN INSURANCE GROUP
HORACE MANN LIFE INS. CO.
NATIONAL LIFE GROUP (LSW)
ROTH - HORACE MANN LIFE INS. CO.
ROTH - NATIONAL LIFE GROUP (LSW)
ROTH - SECURITY BENEFIT
ROTH - VOYA FINANCIAL (RELIASTAR)
ROTH - VOYA FINANCIAL (VRIAC)
SECURITY BENEFIT
TEACHERS RETIREMENT SYSTEM OF OKLAHOMA
VOYA FINANCIAL (RELIASTAR)
VOYA FINANCIAL (VRIAC)
TEACHERS RETIREMENT SYST.OF OKLAHOMA-457

To learn more contact **U.S. OMNI**, M-F 7:30am - 8:00pm EST, 877.544.6664
or visit www.omni403b.com