

Save Smart! – Save Early! Through the UW Tax-Sheltered Annuity 403(b) Program

Imagine! Some day you will want to retire. To live comfortably, you'll probably need at least 75% of your pre-retirement income. It takes years of preparation to reach this goal. That's why it's important to make sure that *every year* of your working life builds retirement assets:

- Social Security benefits
- Wisconsin Retirement System (WRS) pension benefits
- Personal Savings
 - 403(b) Tax-deferred and/or Roth After-tax Investments
 - Taxable Investments

As a UW employee, you have an opportunity to invest for retirement right from your pay check through the UW Tax-Sheltered Annuity (TSA) 403(b) Program. **That's saving smart.**

Save Smart!

Your contribution automatically comes out of your paycheck, so you probably won't miss it.

With a pre-tax 403(b) account, your contributions reduce your current taxable income. Both your principal and your earnings grow on a tax-deferred basis.

**In 2014,
9,436 UW employees
put aside over \$69 Million in
the UW TSA 403(b) Program.**

In a Roth after-tax 403(b), account contributions are included in taxable income in the year they are made, but the account balance and earnings are not taxed when distributed (subject to certain restrictions).

If you contribute pre-tax, your tax liabilities during your earning years can be substantially reduced.

For example:

An annual-basis employee who earns \$42,000, is married, and has two deductions can save \$2,400 in the TSA Plan at a cost of just \$1,853.

Here's how it works on a monthly basis:

	Pre-tax TSA	No TSA
Earnings	\$3500.00	\$3500.00
TSA Deferral	(200.00)	0
Fed & St Tax	(435.60)	(481.20)
Social Sec	(267.75)	(267.75)
Take-Home Pay	\$2596.65	\$2751.05

The TSA participant in this example pays \$45.60 per month less in taxes than the non-participating employee and accumulates \$200 per month for retirement at an out-of-pocket cost of \$154.40.

If you buy shares of a mutual fund with *non-403(b)* dollars, you owe taxes each year on the dividends and capital gains your fund realizes. If you sell one fund and buy another, you owe taxes on the profit.

In a *403(b)* investment, you get to keep and invest the tax money you would otherwise owe each year. The extra dollars produce more earnings. You can shift your money among funds without incurring fees or capital gains taxes. Though you must pay income tax on the money you withdraw from your TSA *pre-tax* account, your net return will be higher than with a *taxable* account earning the same return. A qualified distribution from a Roth *after-tax* account is tax-free.

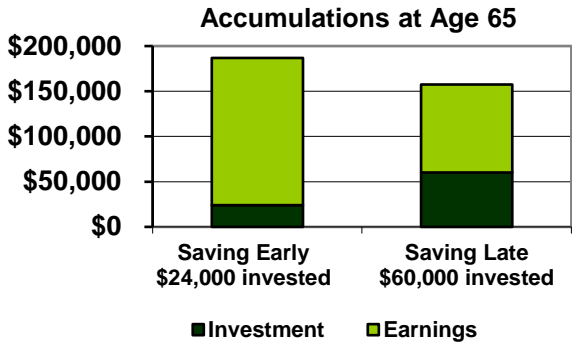
The TSA plan is a long-term savings vehicle to be used for retirement. IRS regulations limit the access you have to your savings. You may withdraw your contributions only when you leave employment with the UW System, reach age 59 ½, or become disabled. Withdrawals before age 59 ½ may result in tax penalties.

Make Time your ally: Save Early!

If you have time on your side, even a small investment is worth a lot. A modest investment made early can be worth more than a larger sum invested later. Here's an illustration:

If you invest \$200 per month between the ages of 30 and 40 (10 years) at a 7% growth rate, then simply let the earnings compound until you reach age 65, your \$24,000 will grow to \$186,725.

But suppose you wait until age 40 to begin saving: \$200 per month for 25 years, from age 40 to age 65, at 7%, will accumulate to only \$157,494, even though you invested \$60,000 – \$36,000 more than in the previous example.



The earlier you start, the greater impact compounding will have on your investment.

With as little as \$20 per month or \$8 per biweekly payroll, you can invest in a mutual fund or insurance annuity product authorized by the TSA Review Committee.

The easiest way to increase your savings is to let time work. Time is a precious resource that

can never be replenished. Put time on your side by saving early!

TSA Investment Opportunities

The UW TSA 403(b) Program offers investments through two no-load mutual fund companies, TIAA-CREF, which has no-load mutual funds as well as insurance products, and two insurance companies that sell their products through agents. See below. There are over 300 investment options available to you, ranging from conservative to aggressive. You can invest in one or several according to your time frame, your risk tolerance, and your financial goals.

How to Get Started

■ **Learn more about the Program.** The *UW TSA Question and Answer Guide* and a complete list of investment returns are available on our website at www.wisconsin.edu/ohrwd/benefits/ret/tsa or from your campus benefits office. Benefits staff can answer your questions about how much you can contribute.

- **Enroll with a company and choose your investments.** Decide to invest with one or more authorized companies, listed below. The companies can explain their products and help you decide what's right for you. The enroll web page www.wisconsin.edu/ohrwd/benefits/ret/tsa/#enrollment has easy to follow instructions and links to online enrollment with our investment companies, or you can call the company and request a UW 403(b) enrollment kit.
- **Sign up with the UW.** Once you have enrolled with a company, file a Salary Reduction Agreement www.wisconsin.edu/ohrwd/benefits/ret/tsa/sra with your benefits staff. This tells the University how much money you'd like to contribute each pay period and where you'd like it sent. You can change or discontinue your participation at any time by filing a new SRA. ■

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UWS-33 07/2017

UW TSA 403(b) Program Investment Company Contacts & Fees

	UNIVERSITY FEE:	Beginning in 2014 – No Fee.		
	COMPANY FEES	ANNUAL FEE	SURRENDER/REDEMPTION CHARGE	MORTALITY/RISK CHARGE
Mutual Fund Companies	Fidelity 800-343-0860 plan.fidelity.com/uofw	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	–
	T.Rowe Price 800-922-9945 rps.troweprice.com/wisconsin	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	–
Insurance Companies	TIAA-CREF 800-842-2776 www.tiaa-cref.org/uwsa	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	.005% (Included in the expense ratio)
	Lincoln National Life 608-231-2231 or 800-967-2046 www.lfg.com	None	Contracts issued after 1-1-2008 have no surrender charge. Old Contract: 8% for 5 years; then 4% for 3 yrs; then 0% New Contract: 6% yrs 1-3, declining 1% per year to 0% in yr 9.	1.002%
	Ameriprise/RiverSource 888-947-2872 888-WISC-TSA www.ameriprise.com/uw403b	None	Contracts issued after 1-1-2008 have no surrender charge. RAVA contracts: 7% years 1-3, thereafter 0%.	2012 contracts .95% 2008 contract 1.25% RAVA contracts 1.10%

All companies offer the pre-tax option.
Fidelity, T. Rowe Price, TIAA-CREF and Lincoln also offer the Roth after-tax option.