



Save for a Better Tomorrow

UNDERSTANDING HOW YOUR STATE PENSION PLAN WORKS



Texas

Products issued by
Life Insurance Company of the Southwest®

ESTABLISH A CLEAR PICTURE

One of the most important, but often overlooked steps in preparing for retirement is to visualize what you want it to look like and to prioritize your life goals.

- What is my retirement date?
- Calculate how much income you need to live during retirement.
- Create a retirement income strategy that incorporates all of your anticipated sources of retirement income.

Experts say you'll need 70% to 80% of your pre-retirement income to cover expenses each year in retirement.

Are you one of the...

44% of Americans who worry they'll never be able to retire – an all-time high.²

23% of Americans who don't have any kind of retirement plan.³

25% of Americans in their 60s who could not last more than 3 months off of their savings – an all-time high.³

Picture Your Retirement

One of the most important, but often overlooked steps in preparing for retirement is to visualize what you want it to look like and to prioritize your life goals.

Build Towards Your Goals

Estimate your total retirement income

It's fine to use a percentage of your current income as a benchmark, but it's worth going through all of your current expenses in detail. Your next step is to assess how prepared you are to meet your needs over time as your transition to retirement.

What sources of retirement income will be available to you?

- Lifetime income: annuities, social security and pensions
- Savings: IRAs, CDs
- Earnings: full or part-time job
- Other assets: real estate and equity in your home

The biggest concern retirees have is running out of money.

There's no way to predict how long you'll actually live, but with life expectancies on the rise, it's probably best to assume you'll live longer than you expect. And, you may even run the risk of outliving your savings and other income sources.

Plan To Live Longer Than You Think

When you reach age 65...your lifespan could look like this:



65 Year-old Male



65 Year-old Female

Age	Probability	Age	Probability
70	91%	70	94.2%
75	79%	75	85.52%
85	43%	85	55.13%
95	7.29%	95	13.93%

Source: Finder.com, "Your Odds of Dying by Age and Gender" May 2019.

49%
of workers fear outliving their savings/investments.¹

38%
of Americans fail to save because they have too many other expenses.

58%
of Americans rated their retirement savings' adequacy C or lower.

YOUR STATE PENSION PLAN

How the Plan Works

Let's take a look at the program your state has in place today and how your benefit is calculated. Many states are considering changes to their retirement programs, so please read all communications from your state pension, so you can prepare for a successful retirement. Texas State Teachers Retirement System (TRS) benefit Tiers are based on when you were hired and your years of service. Whichever one of the six Tiers you place in will determine your payout at retirement. However, regardless of Tier, you must meet certain requirements in order to receive a lifetime benefit (normal or early age). For more information about the Texas State Teachers Retirement System (TRS) go to www.trs.state.tx.us.

You must:

- Have at least five years of service
- Meet age and service eligibility requirements
- Terminate employment
- Apply for the benefit
- Complete a one month break in service

How to Calculate Your Standard Monthly Benefit

1. Based on your Tier, determine Average Salary (see page 6)
2. Multiply your total years of service by 2.3 percent to get your payout factor
3. Multiply Average Salary by Total Percentage to get annual payment
4. Divide annual payment by 12 to get monthly payment

This is a 35% reduction of income per month from what is being earned today!

Examples of Standard Annuity Calculation:

Assume that the following facts apply when a TRS member applies for retirement:

Age: 60

Years of Service Credit: 30

Highest Annual Salary Average: \$36,000

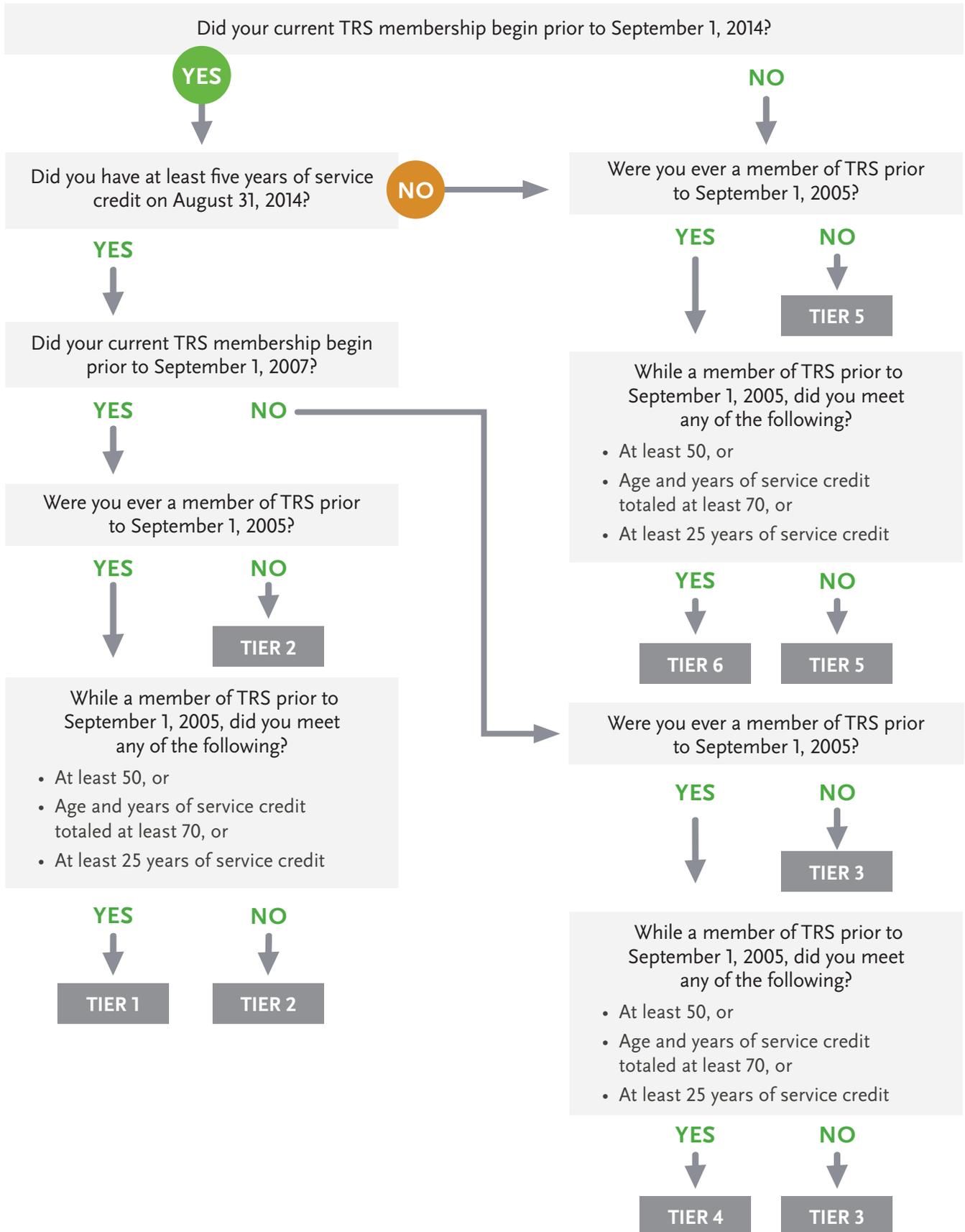
The member's standard annuity would be calculated as follows:

1. **\$36,000** — Average of Highest Annual Salaries (using creditable compensation for three or five years, according to your Tier)

2. 30 Total Years of Service Credit	X 2.3% (.023) Multiplier	= 69% (.69) Total %
3. 69 (.69) Total %	X \$36,000 Average Salary	X \$24,840 Annual Annuity
4. X \$24,840 Annual Annuity	÷ 12	X \$2,070 Monthly Standard Annuity



Tier Placement Map⁴



Your State Pension Plan

	Normal Retirement Age Eligibility	Average Salary Calculation	Early Age Retirement Eligibility ⁵	Partial Lumpsum (PLSO) Eligibility
TIER 1	65 with 5 years of service, or age plus years of service equal 80	Highest three annual salaries	55 with 5 years of service, or 30 years of service credit	Eligible for normal age retirement, not in DROP, not under proportional retirement law
TIER 2	65 with 5 years of service, or age plus years of service equal 80	Highest five annual salaries	55 with 5 years of service, or 30 years of service credit	Eligible for service retirement, age plus years of service equals 90, not in DROP, not under proportional retirement law
TIER 3	65 with 5 years of service, or at least age 60 and age plus years of service equal 80 with a minimum of five years of service	Highest five annual salaries	55 with 5 years of service, or 30 years of service credit, or age and years of service equals at least 80	Eligible for service retirement, age plus years of service equals 90, not in DROP, not under proportional retirement law
TIER 4	65 with 5 years of service, or age plus years of service equal 80 at least age 60 and have at least 25 years of service	Highest three annual salaries	55 with five or more years of service, or have at least 30 years of service, or are less than 60 years old but age plus years of service equals 80	Eligible for normal age retirement, not in DROP, not under proportional retirement law
TIER 5	65 with 5 years of service, or age 62 and age plus years of service equal 80 with a minimum of 5 years of service.	Highest five annual salaries	55 with 5 years of service and do not meet rule of 80, or 30 years of service and are under 62 or do not meet rule of 80, or age plus years of service equals 80 and are under 62	Eligible for service retirement, age and years of service total 90, not participating in DROP, not retiring under the proportionate retirement law.
TIER 6	65 with 5 years or service, or age 62 and age and years of service equal 80 and have at least 5 years of service	Highest three annual salaries	55 with 5 years of service and do not meet rule of 80, or 30 years of service and are under 62 or do not meet rule of 80, or age plus years of service equals 80 and are under 62	Age 65 with 5 years of service or meet rule of 80 with 5 years of service, not participating in DROP, not retiring under the proportionate retirement law

Payment Options

Texas provides six different payout options from which you can choose. These options allow you to choose to receive payments for your life only, you and your spouse's life, or payments for a specified period of time. Election of an option may result in reduced monthly income. The options are as follows:

- **Standard Payout** – level payments for life
- **Option 1** – 100% joint and survivor
- **Option 2** – 50% joint and survivor
- **Option 3** – 60 monthly payments
- **Option 4** – 120 monthly payments
- **Option 5** – 75% joint and survivor

Partial Lump Sum Option (PLSO)

Qualified participants can take a lump-sum distribution from TRS at retirement. There are three options available:

1. Payment equal to 12 months of their standard payment, or
2. 24 months of standard payment, or
3. 36 months of standard payment.

If you elect a PLSO option, your monthly income will be actuarially reduced. A PLSO distribution is taxable as ordinary income. These taxes can be deferred if the distribution is rolled over into a qualified retirement account such as an IRA.

Buying Years of Service

If you will not have sufficient years of service at retirement to retire with full benefits, you are permitted to buy years of service from TRS. It typically costs less if you purchase service credit earlier in your career rather than later. If you will need to buy years of service, please contact TRS for more information.

Deferred Retirement Option Plan (DROP)

The TRS plan permitted eligible members to participate in a Deferred Retirement Option Plan (DROP) by enrolling no later than December 31, 2005. DROP participants continued employment while accumulating a portion of their standard retirement annuity in a special account that is disbursed beginning at the time of their retirement or death. Any eligible member who wanted to participate in DROP must have done so by Dec. 31, 2005. If you are a DROP participant, you can obtain more information through the DROP "FAQs" on the TRS website (www.trs.texas.gov). At retirement you will receive information about your distribution options in your retirement packet. Upon retirement, DROP accounts may be disbursed in a lump sum or in yearly or monthly payments over a five or 10-year period. Distribution of the DROP has tax consequences. Lump sum distributions or periodic payments for less than 10 years are eligible for rollover tax treatment. For more information, please refer to the Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas form included with your retirement forms. TRS encourages you to consult with a professional tax advisor if you have any questions.

Interest on your DROP account balance is currently computed at the rate of two percent per year beginning September 1, 2014. If you began receiving your DROP distribution before that date, your future distributions are adjusted to reflect the decrease in interest.



You Have Questions, We Have Answers

Your representative is available to assist you in reaching your retirement dreams and to answer any questions you may have, like:

What retirement benefits will I get ?

You can obtain a personalized retirement benefit estimate by going to your online account. Your representative will use this information to help you see your overall retirement income picture and to identify any gap between your estimated retirement funds and your savings needs.

How much can I contribute to a supplemental retirement account?

The amount you can contribute to a retirement account depends on your earnings, your age, and other factors. Your representative will determine your appropriate contribution limit and can set up a customized savings program that works for you.

What happens if I change jobs?

You have control of your supplemental retirement account. The portability feature allows you to roll over the funds in this account into another retirement plan you may have. Or, you can leave your account in place and any balance has the potential to continue to grow tax-deferred.

What if I need money before I retire?

Your plan may contain provisions for loans and hardship distributions, and you may access your funds if you meet certain conditions. Taking an early distribution from your account should be considered carefully since taxes and fees may be imposed.

What product is right for me?

Your financial professional will determine which of the many savings vehicles are appropriate for meeting your current situation and future needs.

Make Savings Your Top Priority

- 1 Are you saving enough for your tomorrow?
- 2 Will your retirement money outlive you?
- 3 What percentage of your final salary will you be living on?
- 4 Do You Have a Retirement Gap? Is there a gap between the amount you've saved for retirement and the amount that you want and need?

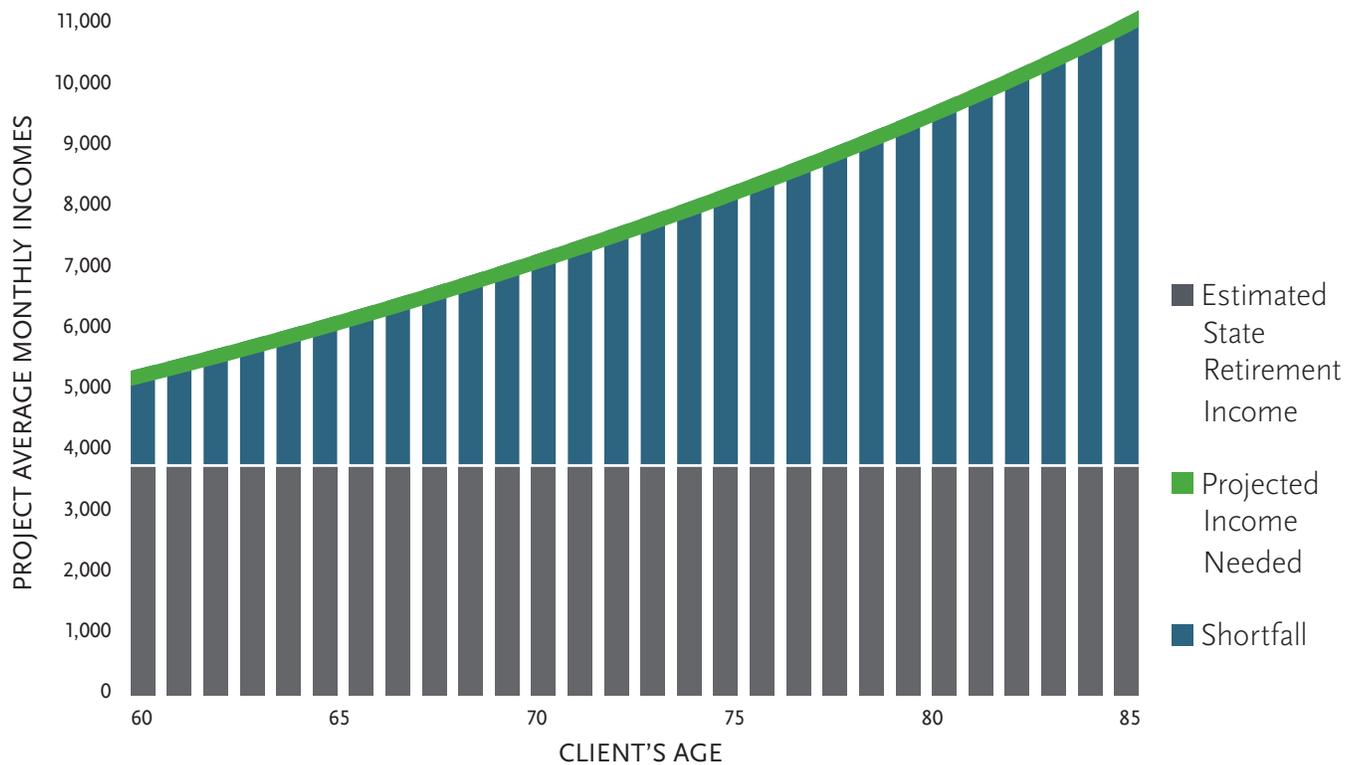
Step One: Evaluate how much money you would need in order to retire at the age you desire and live the lifestyle you want.

Step Two: If there is a gap between your predicted needs and your predicted savings (and most people do have a gap), determine what you can do to get more money into your retirement savings. That's generally going to happen in two ways: save more or create a savings strategy geared toward your earnings goal.

Identifying the amount you're short is the first step in fixing the problem.

Sample Gap Analysis Report – Prepared for Valued Policy Owner

Retirement Years



Source: The Retirement Analysis Kit (TRAK) Software by TrustBuilders, Inc. 2012 Version. www.tbinc.com. For illustrative purposes only.

ACT...

You have gathered information about retirement. You have taken the time to evaluate your needs. You are now ready for an action plan! With the efforts you have made over the years, you will deserve to fully enjoy what life has to offer.

Accumulating funds for retirement can sometimes seem impossible.

First, find simple ways to save. Small contributions to your retirement plan can add up to big savings over time.		In 20 years you'd have	In 30 years you'd have	In 40 years you'd have
\$5 (7/month)  Lottery Ticket	\$35 per month	\$13,506	\$25,437	\$43,099
\$3.45 (30/month)  Specialty Coffee	\$105 per month	\$38,328	\$72,189	\$122,311
\$4.95 (30/month)  Take-Out Lunch	\$150 per month	\$54,754	\$103,127	\$174,729

This is a hypothetical example for illustrative purposes only - not representative of any particular investment. All figures assume a 4% annual rate of return compounded monthly and do not include any matching contributions made by an employer which are available in some qualified retirement plans.

Make Savings Your Top Priority

Save Regularly.

Make sure to set up systematic payroll contributions to help you get you closer to your goals. You not only defer taxes on the money you contribute, any earnings on your savings also have the potential to compound tax deferred until withdrawal.

Here is a pre-tax savings example for you:

	Post-tax	Pre-tax
Gross Income per Paycheck	\$4,500	\$4,500
Pre-tax contributions	\$0	\$266.66 ⁶
Standard tax deductions	\$686.33	\$619.67
Post-tax retirement contributions	\$200	\$0
Take-home pay	\$3,613.67	\$3,613.67

This hypothetical example is for illustrative purposes only. This example is based on a teacher claiming single and zero allowances and in the 25% tax bracket not considering state or local taxes. Taxes are due at time withdrawals are made from your plan.

Ensuring you have enough income to support the retirement you envision requires an ongoing plan that you put in place well before you retire.

ENJOY...

Make Savings Your Top Priority

What's your tomorrow?

Do you dream about being able to pursue hobbies?

Is there a dream vacation you have always envisioned?

1. Follow your dreams...
2. Now is the time to put your retirement income strategy in place
3. Experience the financial security and retirement lifestyle you have always dreamed of.

We can help you get there...We are the right choice for retirement income.

National Life Group offers excellent 403(b) annuities through Life Insurance Company of the Southwest. We have helped thousands of people working in the education field save money for their futures.

Your retirement dreams
are just that; yours.

MAKE THEM HAPPEN.

Talk to your financial professional today.

Our flexible fixed indexed annuities provide safety, guarantees and income for life and allow you to:

- Contribute to your employer sponsored savings plan with the peace of mind that the money will be there when you need it.
- Receive a guaranteed⁶ stream of income for life without giving up control of your money.
- Leave any balance in your annuity to your loved ones.

DID YOU KNOW...

indexed annuities offer protection, safety, guarantees and income?



A person wearing a blue long-sleeved shirt is seen from the side, looking out a window. The background outside the window is heavily blurred, showing what appears to be a building facade with a wooden pillar. The overall tone is professional and aspirational.

DREAM, PLAN, ACT,

Call your financial professional today!



ENJOY...



1 "Saving for Retirement: The Quest for Success" February 03, 2022, <https://www.investopedia.com/articles/retirement/05/061305.asp>

2 "Retirement Confidence Index" January 18, 2021, <https://www.simplywise.com/blog/retirement-confidence-index/>

3 "This is the No. 1 Fear of Americans Facing Retirement" January 19, 2021, <https://401kspecialistmag.com/this-is-the-no-1-fear-of-americans-facing-retirement/>

4 "31+ Retirement Statistics You Need to Know in 2022" February 08, 2021, <https://legaljobs.io/blog/retirement-statistics/>

5 Projection is for the Standard Payout. Elections with survivorship options will reduce income.

6 Taxes are due when amounts are withdrawn. All withdrawals made from annuities with pre-tax contributions are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% Federal Tax Penalty.

7 Guarantees are dependent on the claims paying ability of the issuing company.

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