Just One Percent More

Even small increases in your workplace retirement plan contributions can make a big difference in the size of your nest egg. Compare the savings outcomes of the following three hypothetical investors, assuming that each receives a 3% annual raise on an initial $60,000 salary.*

Investor	Monthly contribution	Account value after 25 years
Susan	5%	$259,406
Jennifer	6%	$311,287
Robert	7%	$363,169

*FOR ILLUSTRATIVE PURPOSES ONLY. Does not represent the performance of any investment options. Assumes 7% annual rate of return, reinvestment of earnings, with no withdrawals. Rates of return may vary. Does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.

Have Questions? Need More Information?

457 Web site*:	www.vermont457.com
403(b) Web site*:	www.VSTRS403b.com
KeyTalk®*:	800-457-1028

Please note: This newsletter does not constitute investment or financial-planning advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

*Access to KeyTalk® and the Web site may be limited or unavailable during periods of peak demand, market volatility or systems upgrades/maintenance or for other reasons.

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STATE OF VERMONT

WINTER 2011

FINANCIAL Footnotes

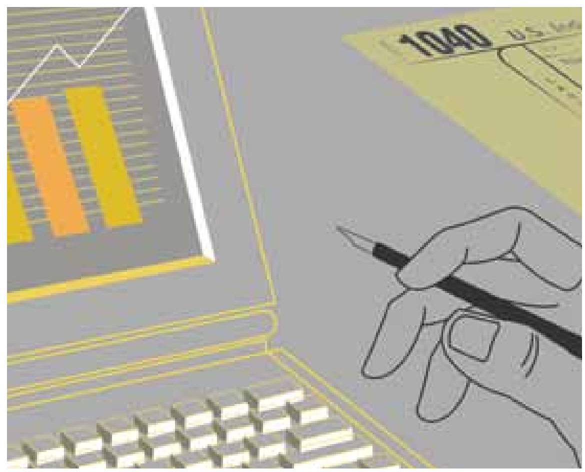
A retirement-planning newsletter brought to you by Great-West Retirement Services®

Tax-Smart Saving

Make the most of your retirement plan

Whether or not this year's changes in the tax laws affect you, there's one thing that remains constant: the benefits of investing in a workplace retirement savings account.

Continued inside



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Tax-Smart Saving

Continued from cover

The pre-tax advantage

Workplace retirement accounts generally are effective long-term savings tools. One reason is their ability to shelter money from taxes: You aren't taxed on the dollars you contribute to the plan—or on any money your investments earn—until you start making withdrawals.[1] What's more, you can reinvest every penny of your investment earnings, rather than paying a portion of them to Uncle Sam. Over time, these returns potentially can generate more returns—a phenomenon known as compounding.

Give it a boost

Strive to save as close to the maximum allowed in your plan. The IRS limit for most plan contributions is $16,500 for 2011, and even more if you're age 50 or older or meet other criteria in your plan.[2] (See "A Helping Hand" on page 3.) You may not be able to afford contributing that much now, but you can make it a goal—gradually increasing the percentage you defer from your salary each year. Many plans allow you to do this automatically.

If your employer matches a portion of your contributions, be sure to contribute enough to qualify for that match. For example, an employer might match 50% of a worker's contributions, up to 6% of his or her salary.

Your workplace retirement account is the cornerstone of your financial future. By maximizing its benefits, you'll have a better chance of reaching your goals.

1. Withdrawals are subject to ordinary income tax. A 10% penalty may apply to early withdrawals made prior to age 59½; this does not apply to 457 plans.

2. irs.gov.

A Helping Hand

Test your knowledge about catch-up contributions

Once you reach age 50, you can contribute even more than the maximum allowed to most retirement savings plans. How much do you know about catch-up contributions?

True or False?

1. In 2011 you can make catch-up contributions of $5,500 to a workplace retirement plan and $1,000 to an IRA.

T ☐ F ☐

2. Making catch-up contributions won't have much of an impact on your account if you're already contributing the maximum.

T ☐ F ☐

THE ANSWERS

1. T. If you're age 50 or older, the maximum catch-up contribution would bring your total contribution to $22,000 in most workplace plans and $6,000 in an IRA. Some plans have additional catch-up provisions.

2. F. Let's say you and a friend each have $150,000 in your workplace accounts at age 50 and already contribute $16,500 annually. If your friend makes catch-up contributions of $5,500 each year and you don't, she could accumulate $987,438—or $143,396 more than you—by age 65, assuming a 7% annual return on your investments.

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