MoneyTalks

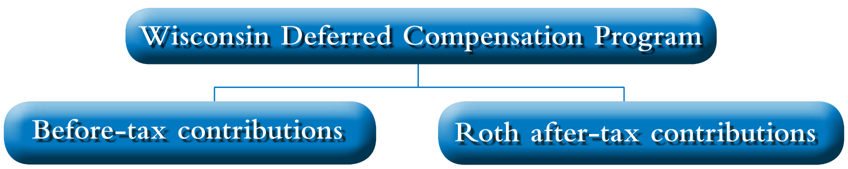
Wisconsin Deferred Compensation (WDC) Program

WDC Roth Option Now Available

Now you can make WDC contributions with after-tax dollars, as opposed to just pre-tax dollars.

What is the WDC Roth feature?

The WDC Roth option allows you to contribute to your WDC account with after-tax dollars. No taxes are withheld from your Roth contributions or their earnings when you take a qualifying Roth distribution. You may designate all or a portion of your WDC contributions as a Roth deferral.



How do I know which deferral option is right for me?

The WDC Roth deferral allows you to pay taxes on your contributions when they are contributed. The WDC Roth deferral essentially "locks in" today's tax rates on your contributions. If you expect to be in a higher tax bracket when you retire, Roth contributions may also make sense.[1]

(continued on page 3)

In-Plan Roth Conversion Option Now Available

The Deferred Compensation Board approved a change to the Plan and Trust document in May 2011, which will permit in-plan Roth conversions. In essence, this means that you have the option of converting all or some of your WDC assets to a Roth account option ***after*** you have separated/retired from service.

How is a Roth account different? When you contribute to a Roth, you pay taxes up front for your contribution. The Roth option allows your earnings to grow tax-free, and you pay no taxes on your earnings for qualified distributions. (See Roth article above.)[2]

If after you separate or retire from service and you decide to make an in-plan Roth conversion, you will be responsible for paying ordinary income tax on the amount you roll over to a Roth in the year you make the Roth rollover request. Deciding how to allocate your resources between a traditional and Roth account is a complex decision that will likely be faced by many contemplating retirement. If you have any questions related to the in-plan Roth conversion option, please contact a WDC representative at **wdcprogram@gwrs.com** or **(877) 457-9327**.

Find out more about this change and other WDC statutes by reviewing the revised Plan and Trust document on **www.wdc457.org**.[1,3]

In This Issue:

FDIC Insured Bank Option: M&I Bank has declared an annualized interest rate of 0.27% for the second quarter 2011.

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Stick with the Program

You can keep your money in your WDC account after you leave public employment.

When you separate from service from a participating employer of the Wisconsin Deferred Compensation (WDC) Program, you have a number of options to manage your account. Keeping your money in the WDC may provide you with better retirement opportunities than other financial industry options. Consider all of your options carefully and ask questions before you hand over your hard-earned money. After all, it's your money.

Reasons to keep your money in the WDC:

1 *You might pay less in fees if you stay in the WDC.*

If you're approached about moving your account to a broker's company, be sure to compare the current WDC fee structure with the broker's fee structure. If the expenses are higher with the alternative, what is the incentive to move your money? Who will it benefit? The WDC has low administrative fees.

2 *Low-cost investment options.*

The WDC offers investment options that are competitively priced, especially when compared to many other mutual funds. Low mutual fund expenses (fees) continue to keep more of your retirement money working for you in your portfolio.

3 *You retain distribution flexibility with a variety of payout options.*

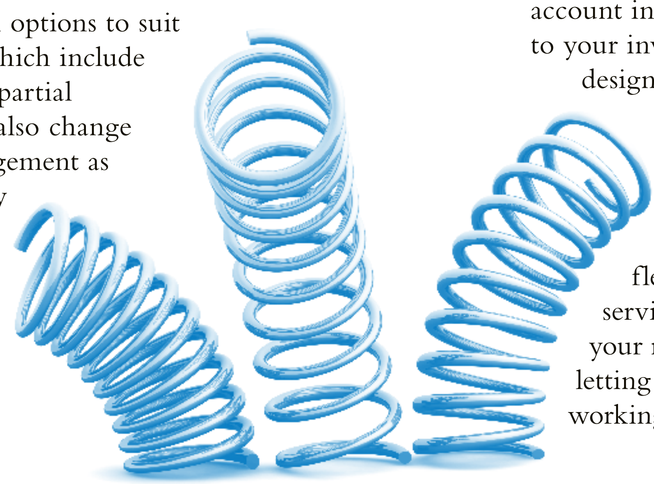
You can keep your money in the WDC—even if you retire or leave your job—and you may choose from a variety of distribution options to suit your financial needs, which include periodic payments and partial withdrawals. You may also change your distribution arrangement as many times as necessary to meet your needs as long as you begin receiving payments by the time you reach age 70½.

4 *Quick and easy transfers among investment options.*

By keeping your money in your WDC account, there is no paperwork to transfer your assets among investment options. Transfers made online or by phone are processed within 24 hours.[3]

5 *Flexible, easy account management.*

You may continue to call the WDC at **(877) 457-9327** to speak with a representative about WDC-specific questions.[1] The WDC website, **www.wdc457.org**, allows you to log in to your account to manage your retirement savings and access financial education information that can help you effectively prepare for retirement. You have access to both the voice response system and the website at any time for account information or to make changes to your investments or beneficiary designations.[3]



The WDC offers tax-deferred growth and flexible distribution options—with added benefits like low costs, flexibility, and access to valuable services. You've worked hard for your retirement savings. Consider letting your WDC account keep working for you! ■

Give Yourself Credit

Tax credits reduce the amount you owe by the dollar amount of the credit. Of the handful of tax credits you may be able to take advantage of this year, consider making the Saver's Credit (formally known as the Retirement Savings Contributions Credit) a top priority.

According to the IRS, for tax year 2011, the Saver's Credit is available to taxpayers who contribute to a new or existing employer-sponsored retirement plan account by December 31, 2011 (or to an IRA by April 15, 2012), and who have a modified adjusted gross income (MAGI) that meets these limits, depending on their tax-filing status:

- Up to $56,500
  for married couples filing jointly
- Up to $42,375
  for heads of household
- Up to $28,250
  for singles or married individuals filing separately

To be eligible, you must be at least 18 years old, you must not be a full-time student and you must not be claimed as a dependent on someone else's tax return.

For each year you contribute to the WDC or an IRA, you can qualify for the credit, which you can claim by filing Form 8880 with your tax return. The maximum credit is $1,000 ($2,000 if filing jointly). The credit is a percentage of the first $2,000 of each person's contribution—ranging from $200 to $1,000 for singles, $400 to $2,000 for married couples. The highest rate applies to people with the lowest income. The WDC is not able to provide any legal or tax advice. Contact a tax professional if you have any questions regarding if you qualify for this or any other tax credits. ■

Source: IRS Publication 4703

WDC Roth Option Now Available *(continued)*

How much can I contribute via the Roth deferral option?

You may contribute a maximum of $16,500[4] to your WDC account. That includes both before- and after-tax contributions. Employees 50 years of age or older may contribute up to $22,000.[4]

Are there additional fees to use the Roth deferral?

No. You only pay one administrative fee to participate in the WDC. Below is the fee structure:

Account Balance	Monthly Fee	Annual Fee
$0–$5,000	$0	$0
$5,001 to $25,000	$1	$12
$25,001 to $50,000	$2	$24
$50,001 to $100,000	$4	$48
$100,001 and higher	$5.50	$66

Examples:

Fred has $10,000 in his traditional before-tax WDC account and $10,000 in his after-tax WDC Roth account. His total annual fee would be $12.

Sarah has $50,000 in her traditional before-tax WDC account and $40,000 in her after-tax WDC Roth account. Her total annual fee would be $48.

Can I roll over other Roth accounts to my WDC 457 Roth account?

Yes, the WDC accepts rollovers from other designated Roth 401(k), Roth 457 or Roth 403(b) plan accounts.

How long may I leave my money in my WDC Roth account?

Until you reach age 70½, when you must begin to take your Required Minimum Distribution (RMD). The government requires that you begin taking an RMD (unless you are still working for a participating agency).

When can I take my Roth money out of my WDC account tax-free?

You can take your Roth account funds after the Roth account has been established for at least five tax years, you have a distributable event under the WDC Program, and you either:

- reach age 59½,
- become disabled or
- die (your beneficiaries receive the distribution).

If you take a distribution before you've held the Roth monies for five years and one of the above reasons, your account earnings are subject to ordinary income tax (state and federal).

Can I withdraw the principal of my after-tax contributions without a qualifying event?

No, you must meet a distribution reason under the WDC Program to withdraw your money.

If you have more questions or would like additional information about the WDC Roth feature, please contact the WDC at **(877) 457-9327**, option 0, to speak to a WDC representative. ■

Tax-Smart Saving

It may be a good idea to fully fund your tax-advantaged WDC retirement account before funding an individual retirement account (IRA). Here's how you can make the most of these accounts.

WDC benefits

In 2011, you may save up to $16,500 pre-tax in the WDC—$22,000 if you're age 50 or older.[5] You won't pay taxes on your contributions or earnings until you withdraw the money in retirement, at which time most investors are in a lower income tax bracket than they were when they were working.

IRA benefits

Like your WDC contributions, your IRA contributions can grow federally tax-deferred or tax-free (depending on whether you have a traditional or Roth IRA, respectively), allowing any earnings in the account to compound more quickly than those in taxable accounts.[6]

Which type of IRA is best for you?

If you're able to save the maximum allowed by the WDC and still have funds to invest, consider either a traditional IRA or a Roth IRA, both of which offer a wide variety of investment choices.

- **Traditional IRAs:** Contributions to a traditional IRA may be tax-deductible, depending on your income amount.[7] But even if your contributions are not tax-deductible, your assets can grow tax-deferred until you start taking required minimum distributions (RMDs) at age 70½. This can be valuable if you expect to be in the same or a lower income tax bracket in retirement. At that point, you'll pay taxes on your withdrawals.
- **Roth IRAs:** Contributions are not tax-deductible; however, qualified withdrawals will be tax-free—a plus if you expect your income level to rise. Note: The amount you can contribute to a Roth IRA, and whether you can contribute at all, depends on your income amount.[6] Another advantage: Generally, you don't have to take distributions at age 70½ as you must with a traditional IRA. That means your Roth IRA can continue to grow tax-free well into your later years. Roth IRAs are complex investments, and they're not for everyone. Consult a financial professional before opting for a Roth. ■

WDC Program Contact Information

Phone Number:
(877) 457-WDCP (9327)

Call Center Hours:
7:00 a.m.-7:00 p.m.
Monday-Friday

WDC Program Office Address:
5325 Wall Street, Suite 2755
Madison, WI 53718

WDC Program Office Hours:
8:00 a.m.-4:30 p.m.
Monday-Friday

WDC Program Website:
www.wdc457.org

WDC Program E-mail:
wdcprogram@gwrs.com

1 Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.
2 Each in-plan Roth conversion is subject to a 5-year Roth holding period.
3 Access to the voice response system and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website or voice response system received on business days prior to close of the New York Stock Exchange (3:00 p.m. Central Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.
4 Contribution limits subject to increase annually according to the IRS.
5 Participants may be able to use the Standard 457 Catch-up and contribute up $33,000 in the three calendar years prior to normal retirement age, if eligible. Standard 457 Catch-up and age 50 + catch-up cannot be used in the same calendar year.
6 You have until April 15, 2012, to make your 2011 IRA contribution of up to $5,000; up to $6,000 if you're age 50 or older.
7 See Publication 590 at irs.gov for income eligibility rules on tax-deductible contributions to traditional IRAs and on contributions to Roth IRAs.
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