

# **Financial Education Workshop:**

## Basics and Beyond



# Your Plan, Your Future



## Nevada Public Employees Deferred Compensation Program (NDC)

*We are located in the*

### **Nevada State Library and Archives Building**

100 North Stewart Street, Suite 100 | Carson City, Nevada 89701

 **Phone:** (775) 684-3397 or (775) 684-3398

 **Fax:** (775) 684-3399

 **Email:** [deferredcomp@defcomp.nv.gov](mailto:deferredcomp@defcomp.nv.gov)  
[or rboehmer@defcomp.nv.gov](mailto:rboehmer@defcomp.nv.gov)

 **Website:** <http://defcomp.nv.gov>



# What is the NDC Program?



- The Nevada Public Employees Deferred Compensation Program (NDC Program), is a voluntary tax-deferred supplemental retirement savings plan
  - Created pursuant to section **457(b)** of the Internal Revenue Code.
  - Provides participants and their beneficiaries with a supplement to their PERS Pension.
  - Is one of the most valuable **Voluntary Benefits** offered through the State of Nevada.
  - A ***supplemental retirement savings*** plan that will help you save in the amount of income tax you pay bi-weekly, annually, and when you retire.

# Who Governs our Program??? NDC Committee



**Steve Woodbury**  
Governor's Office of Economic Development

**Mark Stevens, Chair**  
Retiree Representative

**Todd Myler**  
Aging and Disability Services

**Kent Ervin, Vice Chair**  
Nevada System of Higher Education

**Karen Oliver**  
Gaming Control Board

*Five members appointed by the Governor pursuant to NRS 287.325:*

# NDC Plan Design and Oversight

- Meet quarterly or more frequently as necessary to review investment options, ensure Plan compliance according to state and federal guidelines, establish and maintain operational goals, and develop outreach efforts to various employees and retirees.
- Contract with an outside Investment Consultant to provide professional assistance with investment review, selection, and compliance audits.
- Contract with an outside accounting firm to conduct periodic financial audits of the Plan investments to ensure accuracy.
- Contracts with Recordkeeper(s) to assist the program with Plan administration, participant services, and custodial trustee services.



# NDC Administrative Staff



- One full-time Executive Officer - Rob Boehmer
- Administrative Assistant - Micah Salerno
- Maintain Plan website – <http://defcomp.nv.gov>
  - Account Login/Online Enrollment Portal
  - Get Advice
  - Investment and Fee Information
  - Forms
  - Governing Documents- Rules and Regulations of the Plan
    - Plan Document & Administrative Manual
    - Educational Materials, Tutorials, & Plan Newsletters
- Streamline program facilitation to participants
- Provide participant education - workshops, etc.
- Provide all of the day-to-day administration of the Agency
  - Monitor & evaluate contractor performance

# Recordkeeper



- Contracted Recordkeeper\*
- Voya Financial® (formerly ING U.S.)



- All program expenses are paid by the plan participants which are subsidized through a portion of the fund expenses of individual investment options, and in 2018 will be additionally subsidized through a per account administrative fee on all accounts with a balance of over \$1000 on January 1<sup>st</sup> of each year.

**NOTE:** We are mandated through Statute to go out to bid for our Recordkeeper contract every five years

*\* In January 2015, we moved from having two Record-keepers to a single Record-keeper providing the Program's sole Record-keeping*

# Contribution Limits & Options



- Minimum contribution is **\$12.50** per paycheck
- Maximum contribution is **\$18,000** in **2017**
  - Equals \$692.30 per bi-weekly paycheck (26 pay periods)
- Age 50+ Catch-Up
  - If you reach age 50 before the end of 2017, you can contribute an additional \$6,000 for a maximum contribution of \$24,000
- Special Pre-Retirement 3-Year Catch-Up
  - Available in the three years prior to your normal retirement age, maximum is \$36,000 in 2017. However, participants cannot use both Catch-Up provisions in same year (\*\*Participants must qualify through the Recordkeeper, and complete and submit a 457b Special Catch-Up Calculation Worksheet)

# How Much Will I Need to Retire?



Experts agree you should prepare to have 70% to 90% of your current income.

70%

to

90%



# Financial Wellness may not cost as much as you think...



|   | Without NDC | With NDC   |
|---|-------------|------------|
| Bi-Weekly Salary                          | \$1,970.00  | \$1,970.00 |
| NDC Contribution                          | \$0.00      | <\$100.00> |
| Net Taxable Income                        | \$1,970.00  | \$1,870.00 |
| Federal Income Tax<br>(28% tax bracket)** | \$552.00    | \$524.00   |
| Take Home Pay                             | \$1,418.00  | \$1,346.00 |
| Reduction in Take Home Pay                | N/A         | \$72       |

*\*\*Assumes Employee is claiming 4 exemptions*



**Bottom Line:**  
**\$100 in retirement savings only costs you \$72**

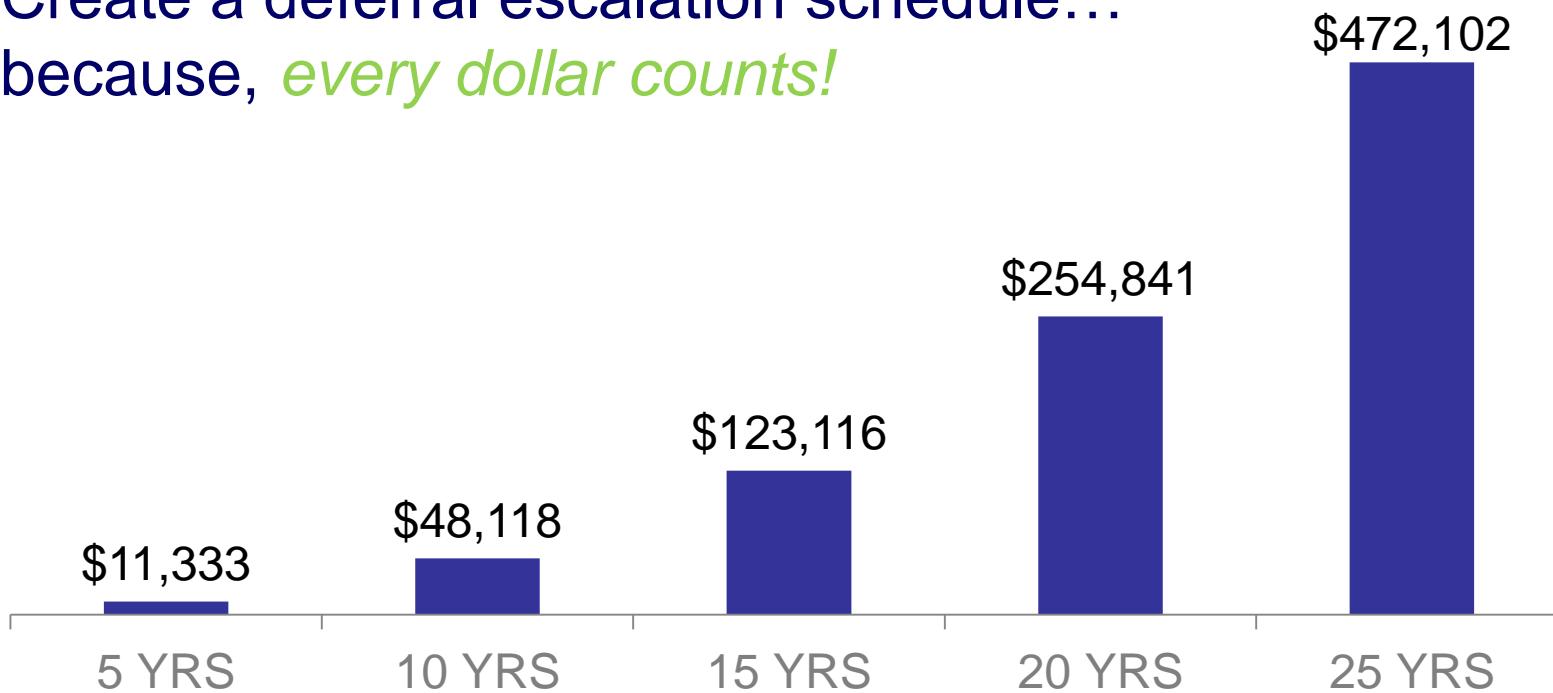
*\*\*Based on 28% Tax bracket 2016 tax table \*\**

# Every Dollar Counts!



The chart below assumes you start contributing **\$25** per check and each year increase this amount by **\$25**.

Create a deferral escalation schedule...  
because, *every dollar counts!*



*Chart assumes a hypothetical 8% return on your account*

# Paycheck Comparison\*



|   | Before Raise      | After Raise       |
|---|-------------------|-------------------|
| Gross Pay                                   | \$2,000.00        | \$2,080.00        |
| Minus Contributions to Plan<br>(Before Tax) | -\$50.00          | -\$100.00         |
| <b>Taxable Pay</b>                          | <b>\$1,950.00</b> | <b>\$1,980.00</b> |
| Minus Estimated Tax Withheld                | -\$293            | -\$297            |
| <b>NET or Spendable Pay</b>                 | <b>\$1,657.00</b> | <b>\$1,683.00</b> |

\* For illustrative purposes only.  
Assumes federal income tax  
withholding of 15% and does not  
account for Social Security or  
Medicare taxes.



It's a **Win-Win**: You're getting **\$26** more per month and you're contributing **\$50** more a month for retirement -- which you haven't seen yet!

# How Much Should You Save?

- Saving for retirement can be overwhelming and frustrating
- Here's a simple “rule of thumb” according to financial planners in the industry:
  - In your 20s, save 7% of your salary
  - In your 30s, save 10% of your salary
  - In your 40s, save 15% of your salary
  - In your 50s, save 20% of your salary



**The important thing  
is to pay yourself  
first and start saving  
as much as you  
can right now!**



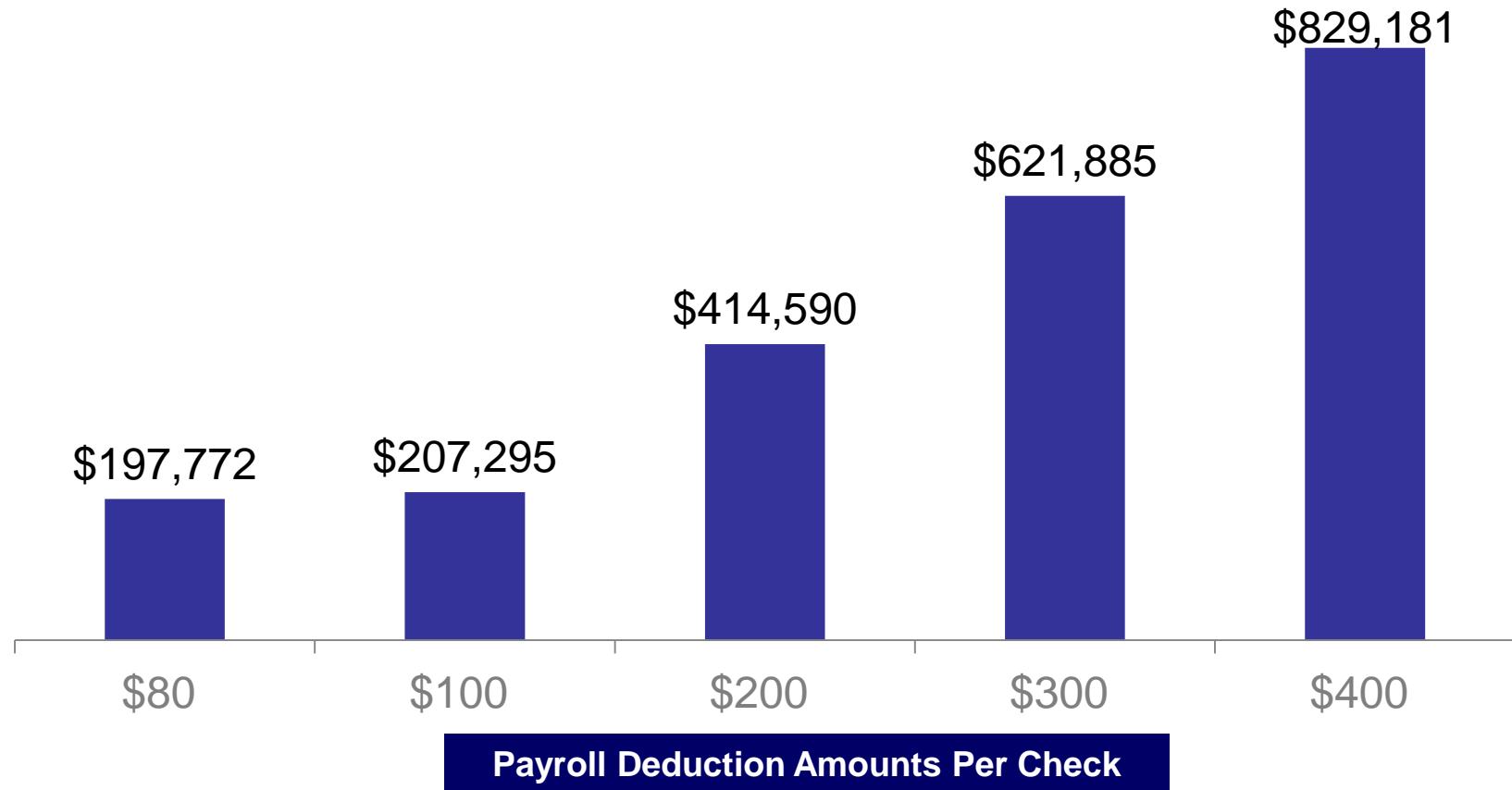
# How Do You Compare?



| Age Range        | # of Peers Participating in NDC | NDC Average Account Value | Avg. Paycheck Contribution Bi-Weekly |
|------------------|---------------------------------|---------------------------|--------------------------------------|
| Age 30 and Under | 1,592**                         | \$4,270**                 | \$71**                               |
| Ages 31 – 40     | 2,110**                         | \$12,633**                | \$125**                              |
| Ages 41 – 50     | 3,999**                         | \$30,606**                | \$160**                              |
| Ages 51 – 60     | 4,501**                         | \$51,568**                | \$250**                              |
| Over age 60      | 3,286**                         | \$95,729**                | \$312**                              |

\*\* Eligible Employees as of 9/30/2016

# What Does NDC Contributions Look Like Over 25 Years???



*Chart assumes a hypothetical 8% return on your account*

# Access to my NDC Account



- May start withdrawing upon separation of Govt. Service (regardless of age)
- At age 70½ (even if still employed)
- For an approved unforeseen financial emergency\*
- Cash out provision for a small inactive account
  - If you have not contributed for 2 or more years and have less than \$5,000 in your account
- For beneficiaries at your death
- For service credit purchase (if qualified)
  - If you have verified with NVPERS the cost of your additional years of service, you may use pretax NDC money to purchase these additional years of service credit - this is a considered a rollover and is nontaxable

*\* Participants must qualify through their Record-keeper and are subject to IRS guidelines outlined in the NDC Plan Document)*

# Enrollment is a Cinch

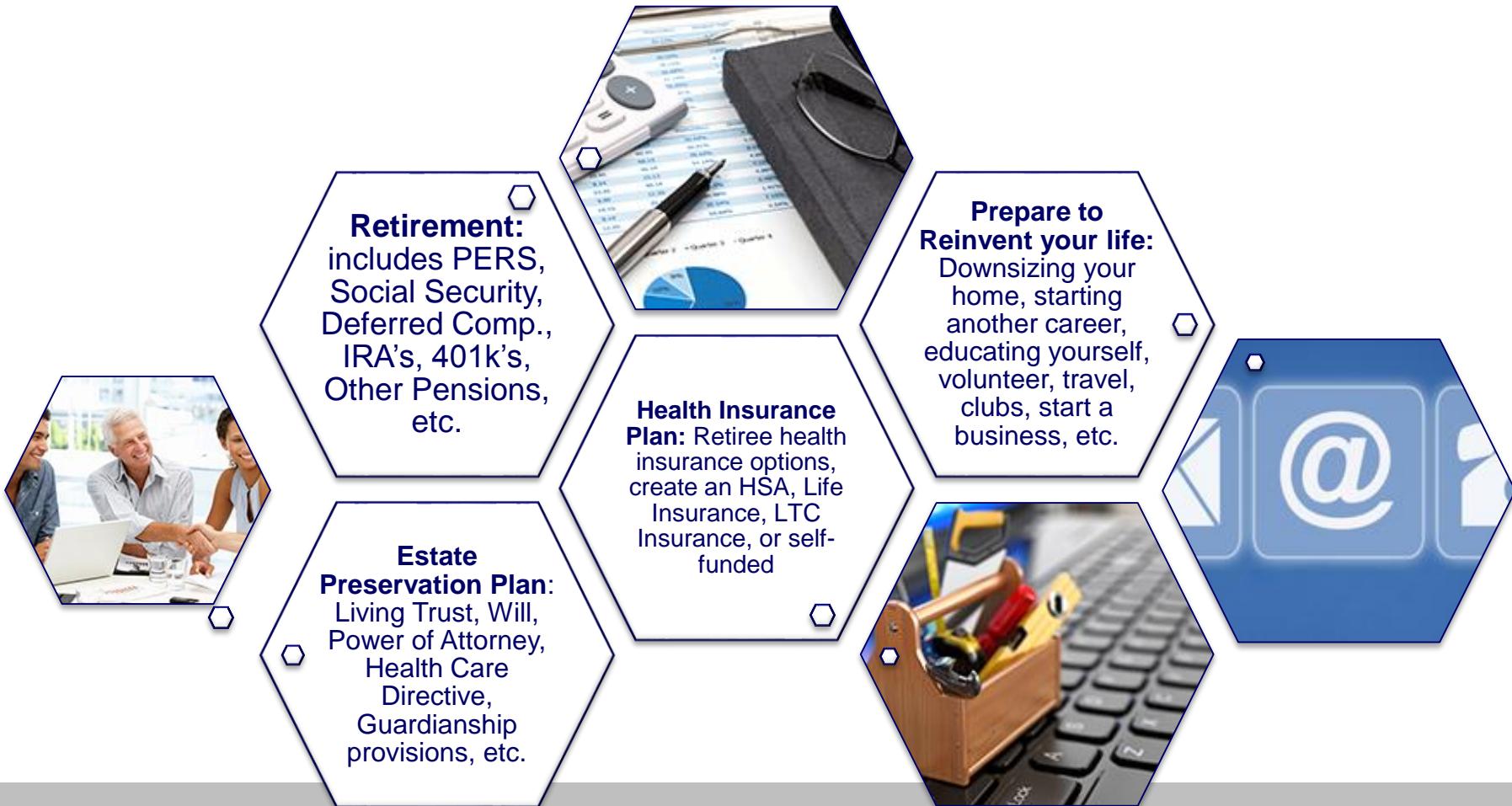


- 3 Ways to Enroll in the Program-
  1. Use the EZ Enrollment Form on the NDC website <http://defcomp.nv.gov>
  2. You may enroll online <https://nevada.beready2retire.com/>
  3. Meet one-on-one with an Financial Education Representative
- You may change the following at any time:
  - Payroll deduction amount
  - Investment options
  - Personal/Beneficiary Information



# Take a Holistic Approach to Achieving Financial Wellness

Participants should look at the big picture when developing Financial Wellness. Retirement isn't all about financial decisions: Consider looking at Retirement and overall Financial Wellness Holistically:



# What Happens When I Retire or Leave???



**You Don't Have to Transfer Out of the Plan....**

## ***It Pays to Stay Invested in NDC***

- Take advantage of the institutional pricing of a \$700 Million Dollar Program
- Contributions and earnings stay tax deferred- Don't pay tax on money you are not using
- Changes in investments can be made at any time
- Assets remain liquid with no restrictions or fees for distributions
- You don't have to pay excessive administration cost or commissions to Agents or Financial Planners
- Rollovers into NDC are allowed at any time
- NDC's Investment Consultant will continue to provide continuing oversight on all of the investment options in the NDC Core Line-up

# Contact Information



## **NDC Administration Office**

100 N. Stewart Street, Suite 100  
Carson City, NV 89701  
**Phone:** (775) 684-3398 or 3397  
**Fax:** (775) 684-3399

### **Email:**

[deferredcomp@defcomp.nv.gov](mailto:deferredcomp@defcomp.nv.gov)

**Website:** [www.defcomp.nv.gov](http://www.defcomp.nv.gov)

## **Voya Financial®**

844 West Nye Lane, Suite 101  
Carson City, NV 89703  
(775) 886-2400 | (866) 464-6832  
Fax: (775) 882-9758

3960 Howard Hughes Pkwy, 5th Fl.  
Las Vegas, NV 89169  
(702) 990-3720  
Fax: (702) 990-3721  
(By Appointment ONLY)

**Email:** [NDC@Voya.com](mailto:NDC@Voya.com)

**Website:** <https://nevada.beready2retire.com>

# Now is the Time!

- **Enrolling is easy** – use the EZ Enrollment Form, enroll online, or enroll with a representative
- **Increase or change** your contribution – use the NDC Payroll Contribution Form
- **Do it TODAY!** Don't procrastinate



# RETIREMENT & FINANCIAL WELLNESS CHECKLIST



## 10-30 years out from retirement

- Set-up an online user account or Pension Review with NVPERS- Review your estimated pension benefit
- Set-up online Social Security Account- determine what your estimated benefit may be (if applicable)
- Determine what your estimated combined income replacement would be from PERS and Social Security
- With the above data, determine what percentage of replacement income you need to retire
  - ***What would you like to have? Regularly review throughout your career; it may change.***
- Using the Data collected above, review your current NV Deferred Compensation Plan(NDC) participation
  - ***Develop Income Replacement Goals and Benchmarks in your Financial Wellness Plan/Road Map***
- Get Investment advice or professional management- (Use NDC or your Employee Assistance Program)
- Create an Estate Preservation Plan (Living Trust/Last Will and Testament/Durable POA's etc.)
- Create Goals and Benchmarks to develop a sustainable Health Care Plan (HSA's, Deferred Comp., LTC.).
- Create a College Saving Plan while in your career if applicable to your personal situation
- Create and use an individual and family budget
- After creating your Financial Wellness Plan/Road Map, re-evaluate goals & objectives annually.
- Monitor your Debt/Income Ratio- Develop a Debt reduction Plan if Necessary.

## 5-10 years out from retirement

- Re-evaluate your current NDC contribution amount
- Review and verify current Beneficiary declarations; are they in line with your Estate Preservation Plan.
- Take advantage of the 50+ Special Catch-up Provision if you qualify
- Utilize the contracted NDC Retirement Education Representatives to ensure your current goals are in-line with your current personal risk tolerance; Re-balance your investment choices if necessary.
- Review your current Debt/Income ratio
  - Determine if your estimated income replacement will be able to cover your future debt obligations
  - Develop & implement a 5 year Debt Reduction Plan into your Financial Wellness Plan/Road Map

## 1-3 years out from retirement

- Re-evaluate your current NDC contribution amount to ensure they meet your income replacement goals
- Take advantage of the 50+ Special Catch-up Provision and/or initiate the Special 457b Catch-Up Provision
  - Complete the Special 457b Catch-up Worksheet with the NDC contracted recordkeeper**
- Meet with an NDC Retirement Education Representative annually until you retire- make sure your investments are in-line with your current risk tolerance; Re-balance your investments as necessary
- Review & Reevaluate your Debt Reduction Plan

## 6 months out from retirement

- Notify NV PERS of your intended Retirement date; Get a retirement estimate and PERS Application packet
- Review your Debt Reduction Plan Progress

## 1 month out from retirement

- Complete and submit a NDC Payroll Contribution Change form to reflect the deferral of your final payout of your accrued sick time, annual, time, comp. time etc. to your designated payroll center
- Meet with an NDC Financial Education Representative to discuss distribution options of your NDC assets
- YOU DO NOT HAVE TO TRANSFER YOUR NDC ASSETS OUT OF THE PLAN WHEN YOU RETIRE!!!!** Prepare for outside Financial Rep's and/or Ins. Agents to encourage you to transfer your NDC assets outside the Plan.
  - Utilize the NDC "**To Roll or Not to Roll; That is the Question**" worksheet below or at: [defcomp.nv.gov](http://defcomp.nv.gov)
- Take advantage of the 50+ Special Catch-up Provision and/or the Pre-Retirement Catch-Up Provision
  - Make sure that the Pre-Retirement Catch-up worksheet is on file with your payroll center and prepare for your final pay

# To roll or not to roll; that is the question!



| Questions to Ask Broker/Insurance Agent   | NDC Answer  | Broker/Agent Answer |
|---|---|---------------------|
| What is the recordkeeping/annual administrative fees?   | .15 bps   |                     |
| What are the fund management/operating expenses?  | Varies on invest. – 0.00% to 1.32% -<br>Median is 23bps |                     |
| Is there a contract maintenance fee?  | NO  |                     |
| Is there a withdrawal/surrender fee?  | NO  |                     |
| Do the available investments represent a broad array of asset allocation categories?  | YES   |                     |
| Does your proposed rollover account include the services of a licensed financial guidance professional without additional cost? | YES   |                     |
| Would the proposed rollover account be at risk if your company went bankrupt or became insolvent?                               | NO  |                     |
| Can my money be accessed at any age without penalty, fee or cost after retirement or termination from the State?                | YES   |                     |
| Are there commissions to be paid on the new investments? If so, what are they?  | NO  |                     |
| Are there commissions I do not see, such as on investment products like annuities and back-end loaded funds?                    | NO  |                     |
| Is there an investment option that offers an interest guarantee? If so what is the guaranteed rate?                             | YES- 2.75% per annum                                    |                     |