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Your Retirement. Your Way.

Congratulations, Jane Sample, on making the decision to save in your retirement plan. By doing so, you're accumulating the money you need to fund your future. But at some point in your life, you will be faced with another decision — how to take money out of your plan.

A distribution decision is usually made when you retire or terminate from service. Even if you don't expect to take a distribution in the near future, taking a moment to study your options now can be helpful for future distribution decisions. To be prepared, you can:

- Understand your distribution options
- Make a plan now
- Ask for help by calling 1-800-XXX-XXXX

Some popular distribution choices are explained in more detail on the following pages. No matter what you decide to do, Our Institution can help make it easier for you to retire your way.

**Important
information
about Jane
Sample's
distribution
options**





You Decide Where Your Money Should Go

If you change jobs or retire, it's up to you to decide on the best place for your retirement money. Do it carefully, because it could be one of the most important choices you make about your retirement account. What follows are a few of the most common distribution options, along with some advantages and disadvantages of each:

The Choice is Yours!

- Keep your money in your current plan.
- Roll your funds into an IRA.
- Have the money paid directly to you.

Keep your money in your current plan

If you have a balance over \$5,000 and you like the investment choices available to you in your plan, then leaving your money in your current plan could be the right option for you.

Advantages of keeping money in your current plan:

- You retain the same investments.
- You preserve the tax-deferred status of your investments.
- You keep the current professional management of your retirement money.

Disadvantages of keeping money in your current plan:

- Your balance must generally remain over \$5,000.
- Your investments are limited to those offered in the plan.

Roll your funds into an IRA

Rolling your funds from your former employer's plan into an IRA (Individual Retirement Account) lets you keep the special tax benefits you have with your plan. Many institutions offer IRAs, but if you choose an institution IRA, you may be able to roll money from your plan into it without paying additional fees. An IRA may also allow you to invest in additional investments not offered through your existing plan.

Advantages of rolling your money into an IRA:

- Your investments remain in a tax-deferred account until you withdraw them.
- You can make additional investments outside of your plan.
- You may be able to avoid fees if you roll your money into an IRA.
- You can often keep the same investments you had in your plan.

Disadvantages of rolling your money into an IRA:

- You may pay a 10% early withdrawal penalty if you take money out of an IRA before you reach age 59½.
- You need to deposit the entire amount in a new IRA or plan account within 60 days in order to avoid tax consequences. The best way to do this is through a direct rollover. You can get the forms you need through a Web or VRU number.

Have the money paid directly to you

When it comes time to take a distribution, you'll be offered the choice of taking the entire balance as a lump sum. This can be a costly choice. You may pay penalties, and the amount of the distribution will be added to your current year income, which could have a big impact at tax time. Taking a lump-sum distribution could hurt you over the long run, as well. The chart below shows how.

Your Lump-sum Withdrawal Example*

Lump-sum withdrawal	\$17,000
10% penalty	- \$1,700
20% withholding	- \$3,400
Net distribution	\$11,900
Value in 40 years if left in account	\$369,317

* This example may not represent the actual value of the account today. It reflects money in your retirement account as of 12/31/2005.

Jane, let's say you decide to leave your job at age 30 and cash out the \$17,000 in your retirement account. After taxes and a 10% early withdrawal penalty, your \$17,000 lump sum may shrink to \$12,000.** If you had kept your money invested, after 40 years you may have had more than \$369,000.*** So whether you keep your money in your plan or roll it over into an IRA, it's usually better to keep your retirement money tax-deferred and working for you as long as you can.

A lump-sum distribution isn't usually the first choice for most people. Turn to the next page for a list of advantages and disadvantages.

** Based on 10% penalty for early withdrawal and 20% federal income-tax withholding. Actual end-of-taxes amount will vary with your taxable income.
*** Assumes 8% average annual return net of fees.



Prepare Now For a Distribution!

- Study your options.
- Make a decision now.
- Ask for help, call:
1-800-XXX-XXXX.



Have the money paid directly to you (cont.)

Advantage of a lump-sum distribution:

- You get the bulk of your money all at once.

Disadvantages of a lump-sum distribution:

- You have to pay taxes on the money the year you take it.
- Your plan will withhold 20% of your money and send it to the IRS. That 20% will be credited toward your current year's taxes.
- Your money may lose the chance to continue to grow tax deferred.
- Portfolio management is left to you.
- The effective rate of return of a tax-deferred account may be difficult to match with taxable investments.
- You may need to pay a 10% penalty tax on money withdrawn before age 59½.

Consolidation is easier than ever

Thanks to new tax laws that took effect in 2001, workers who change jobs may have even more rollover options than they had before.

Previously, rollovers and account transfers between different types of plans were limited.

Consolidating a previous retirement savings plan into an existing plan account offers the convenience of one statement, helping you keep better tabs on your investments. To consolidate your rollover today, call **1-800-XXX-XXXX**.

Call for distribution help

Our Institution can help you explore any of your distribution options. Whether you are preparing for retirement, changing jobs, or just thinking ahead, Our Institution can provide assistance with planning and help you through the process step by step. Call **1-800-XXX-XXXX**.

When you face a distribution decision and decide to roll over your account, fill out a simple form found at www.ourinstitution.com. Or ask your human resources representative for a form, and your money will be rolled over. If you have money in other retirement accounts, you can use the same form to consolidate your savings.