National Life Group®

403(b) Solutions for YOU

Enjoy Life and Have a Bright Financial Future!

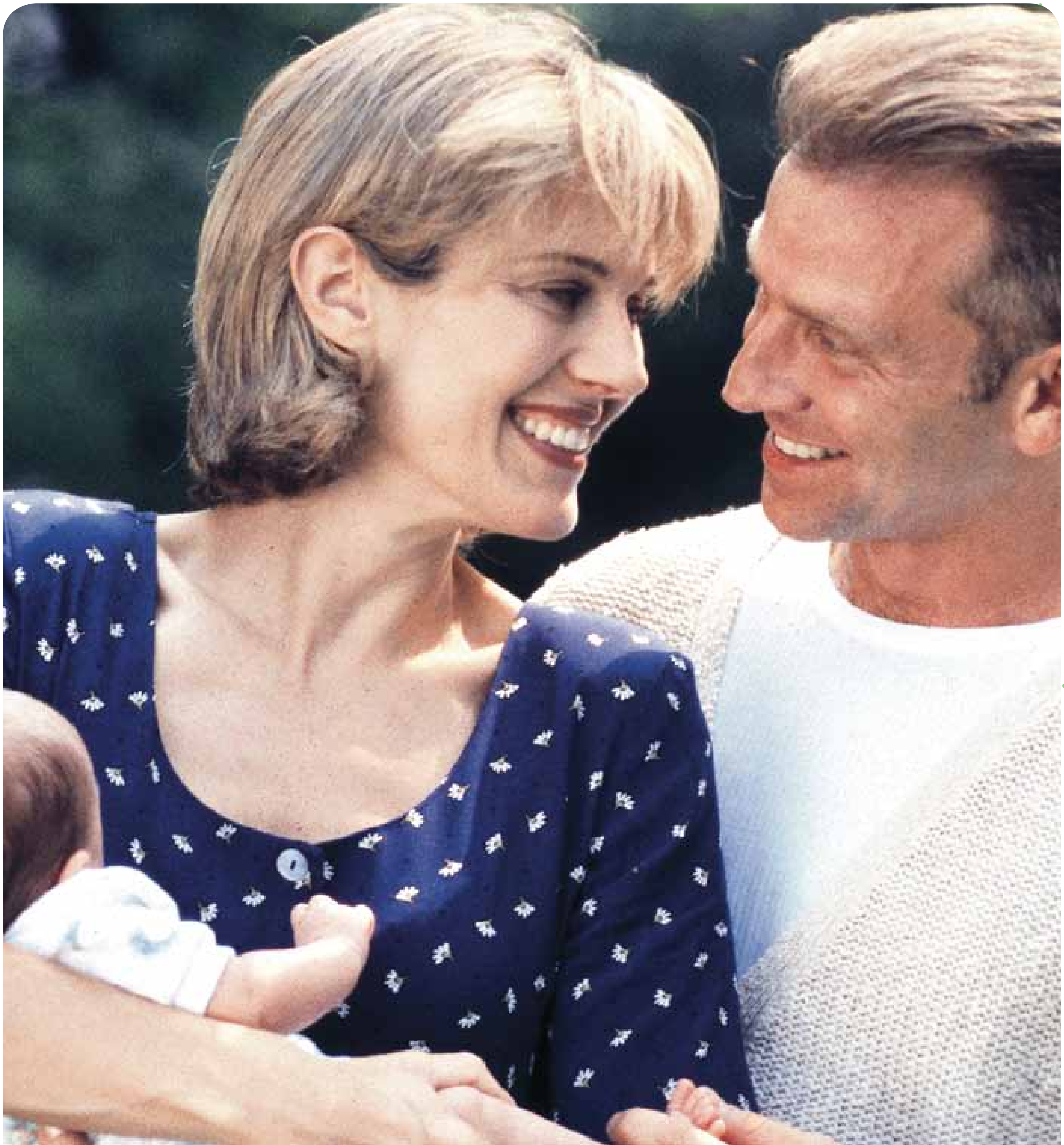
Life Insurance Company of the Southwest™

Form No. 5782(0911); LR 10606(1009); Cat. No. 100109

Experience Life®

We Can Help You Have a Bright Financial FUTURE

You spend much of your life thinking and worrying about daily issues and situations. Your work and family activities typically dominate your days. When you are in your 20s and 30s, the days and weeks seem long. As you reach middle age, life seems to accelerate. Years go by fast. Suddenly, you are thinking of events that happened 20 years ago. Your children are leaving your home for college or to go out on their own. Now, you and your spouse are faced with the next step in life — retirement.



For those who took the time to plan for their financial future, retirement will give them an opportunity to do what they have always wanted to do. For others it may mean working during their golden years, cutting back on their lifestyles and spending, or even relying on family members to help take care of them.

National Life Group offers excellent 403(b) annuities through our insurance company, Life Insurance Company of the Southwest (LSW). We have helped thousands of people working in the education field save money for their futures and for their retirement. We currently work with more than 7,000 school districts nationwide – some of which are the largest and smallest in the United States.

The financial professionals who represent our company help school employees focus on their financial futures. They help them understand the value of saving more now! Why? Studies show that many school educators and administrators will experience a 40 to 50 percent drop in income when they retire, even though they may have been covered under a pension plan[1].

To help bridge the gap, the U.S. Government since 1958 has provided employees of educational institutions and certain nonprofit organizations[2] a tax-advantaged incentive to save money for retirement: the 403(b) retirement plan[3], so-called because it is established by Section 403(b) of the Internal Revenue Code.

What is a Tax-Sheltered Annuity?

A Tax-Sheltered Annuity or TSA is a 403(b) retirement plan and an excellent savings alternative that can enhance your retirement security. It is an employer-sponsored retirement savings program for employees of public educational organizations and nonprofit organizations. The majority of people who participate are teachers and administrators in public schools, colleges, and universities.

If you purchase a Tax-Sheltered Annuity, your contributions and the interest growth accumulate with taxes deferred until you withdraw funds, usually at retirement, at which time they are taxed only as withdrawn and generally taxed as ordinary income. You also may be in a lower tax bracket at retirement than you are during your working years[4].

You can make contributions to a Tax-Sheltered Annuity only by a payroll reduction agreement with your employer, which your agent can help you establish. He or she can also help you determine the maximum you can contribute each calendar year.

Your contributions or paid premiums are called an elective deferral. These will be deducted from your paycheck before taxes are taken out by your employer. The money is forwarded to us. You sign a salary reduction agreement, giving your employer the authority to make the paycheck reduction and remit it to us.

1 National Conference of State Legislatures, Teachers' Pension Plans, March 2006.

2 See section 501(c)(3) of the Internal Revenue Code.

3 IRS Publication 571 provides details on the 403(b) for those interested in further research.

4 Please Note: Neither LSW nor any of its agents or representatives give legal, tax, or accounting advice. The information provided here is a summary of our understanding of the current tax laws and regulations as they relate to annuities. Law and regulation regarding these plans may change from time to time. All prospective purchasers and owners should consult with their own attorneys, accountants, and tax advisors.

Start Planning NOW

What Are the Advantages of Participating in a TSA?

Congress recognized the importance to our society of certain professions, including teaching, and the important role played by nonprofit organizations. Therefore, a tax break was granted in the form of a special retirement plan – a 403(b) plan.

The employer must sponsor a 403(b) plan, but installing and maintaining a typical TSA program is relatively simple and straightforward compared to other types of retirement plans. As the name Tax-Sheltered Annuity implies, contributions made on your behalf are not currently taxed, with income tax deferred until the monies are withdrawn at retirement.

To illustrate the tax advantage of a 403(b) plan, suppose you are a teacher earning $35,000 this year. If you elect to put $5,000 in a TSA through a salary reduction agreement, you will pay income tax on only $30,000, with the tax on the $5,000 contribution deferred until you withdraw the money. Both your contributions and the interest earned are tax deferred until withdrawn, compounding the powerful tax advantage of a TSA.

Why Should I Participate in a TSA?

While most state teacher retirement plans provide liberal retirement benefits, chances are your teacher retirement plan or other employer sponsored retirement program will not provide enough income at retirement to enable you to maintain your standard of living. A TSA permits you to accumulate money on a highly tax-favored basis, to supplement teacher retirement or another retirement plan.

The Longer You Defer Taxes...The Faster Your Money Grows

The powerful tax break granted by Congress, combined with the power of compound interest (the time value of money), permits large sums of money to be accumulated over a period of years. An intelligently planned and funded TSA, together with teacher retirement, can make the difference between a comfortable retirement and the unhappy alternative.

The chart above shows how $100,000 would grow over 20 years with and without the benefit of income tax deferral. As you can see, after 20 years, the tax-deferred amount has amassed $38,501 more than the currently taxable amount. Even after a person pays taxes on a lump-sum distribution, the tax deferral still delivers an after-tax advantage.

Assumptions: 4% annual growth rate, 25% Federal tax bracket for currently taxable, 30% Federal tax bracket for tax-deferred; no withdrawals.

After 20 years, the tax-deferred account produces a lump sum amount that is $2,768 greater than the currently taxable account.

The rate of return is hypothetical and should not be viewed as indicative of any specific results. The tax rates used in this chart are hypothetical tax rates as they might apply to a client's marginal taxable income after considering all taxes owed in a given year. A client's taxes in a given year may be higher or lower. They will vary from year-to-year depending on income level, sources and types of income, tax deductions, tax credits, state income taxes, applicability of Alternative Minimum Tax (AMT), and other causes that affect the tax rate. Tax laws are subject to change. The taxable portion of the distribution under annuities and qualified plans is taxed at ordinary income tax rates and a 10 percent penalty tax may apply to this portion if a client is under age 59½. Please check with a tax adviser for details specific to your situation.

May I Borrow Against the Money in My TSA for Emergencies?

Yes, if the employer's plan document allows for loans and hardship withdrawals. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) makes it possible for you to borrow from your TSA if your employer's plan allows for loans.

Generally, the law permits you to borrow 100% of the withdrawal value of your TSAs, if the loan does not exceed $10,000. If the amount borrowed exceeds $10,000, the maximum loan is 50% of the withdrawal value of your TSAs, not to exceed $50,000. TSA companies may have different rules that still fall within the Internal Revenue Code guidelines. Check with your TSA provider for their specific loan rules.

By law, the loan must be repaid in at least quarterly installments of principal and interest over a period not to exceed five years. If the purpose of the loan is to acquire a dwelling intended to be your principal residence within a reasonable time, the repayment period may be extended beyond five years with the agreement of the TSA company.

How Much May I Contribute to My TSA?

Effective January 1, 2012, you can contribute 100% of your compensation up to a maximum of $17,000. And, if you are age 50 or more, an additional $5,500 may be contributed in 2012.

When Can I Withdraw the Money in My 403(b)?

Under current law you may begin withdrawals at any time once you have attained age 59 ½. IRS penalties may apply on withdrawals prior to 59 ½. You are required by law to begin making withdrawals once you are 70 ½ if separated from service. If you separate from service with your employer prior to age 59 ½, but on or after age 55, the law permits you to withdraw your money from your TSA with no tax penalties or restrictions. If you separate from service prior to age 55 you are permitted restricted access to your values.

What type of annuities are available for 403(b) plans?

We offer both traditional fixed and indexed annuities in the 403(b) marketplace. Many of the products may vary by withdrawal charge periods, crediting options, and features. It is important to work with a trusted financial professional to determine which annuity is right for you.

At National Life Group we value integrity, honesty, and long-term relationships. These are the hallmarks of our company. The financial professionals who represent our company help school employees understand and utilize the 403(b) effectively. We can help you better understand how your 403(b) will work in conjunction with your state retirement benefits. We can provide a comprehensive paycheck analysis to maximize every retirement dollar.

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