

Payroll Deduction Plan and 403(b) Plans

The Payroll Deduction Plan (after tax) offered by Southwestern Community College enables participants (even part time employees) to utilize the American Funds Group (30 mutual funds from which to choose) for Roth IRA's, Deductible IRA's, Coverdell Education Savings Accounts (Education IRA's), and 529 College Savings Plans for themselves and others. Participation is strictly voluntary on the part of employees to include part timers. The minimum contribution is \$25 per month and contributions can be stopped, started, increased, or decreased at any time.

Successful retirement planning hinges on utilizing the tax code to one's advantage. For many years, pre-tax plans such as (401(k)'s, 403(b)'s, and 457's as well as deductible IRA's were the most efficient investment opportunities available. Recent changes to the tax code have made the Roth IRA much more appealing than these old standbys. The Roth IRA offers investors more efficiency, flexibility, and accessibility than do any of the previously mentioned alternatives.

From an efficiency standpoint, the Roth IRA (qualified withdrawals come out tax free) will produce more spendable retirement income for a greater number of retirees than will pre-tax plans. Clearly, it makes more sense to pay a little tax now so as to avoid a lot of tax later, rather than avoiding a little tax now so as to pay a lot of tax later.

Flexibility wise, the Roth IRA does not require mandatory distributions commencing at age 70 ½ as does the alternatives. Distributions are not required until the participant's death and then their beneficiary(ies) can take tax-free distributions from the account over their remaining life expectancies. Contribution limits for 2007 are \$4,000 for those under age 50 and \$5,000 for those ages 50 and above.

Accessibility wise, one's contributions to a Roth IRA can be withdrawn at any time completely free of taxes and penalties. Earnings can be withdrawn tax and penalty free after age 59 ½ and the account having been open for five years.

The 403(b) Plan offers mutual funds as well as annuities from a number of companies. Contributions are done on a pre-tax basis and grow tax deferred until distribution. Contribution limits for 2007 are \$15,500 for those under age 50 and \$20,500 for those ages 50 and over.

Jim also offers financial planning, insurance (life, health, dental, disability, and long term care) and advice on rollovers.

**Jim Fortune of Tax Deferred Services is available by appointment.
To arrange a meeting, just contact Jim to set up a time and place.**

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