

Cash It Out?

If you want to keep your money growing, there are two ways to do it:



1 Rollover

- >> As long as you're vested in your benefit, you can take your money with you when you leave.
- >> You can roll it over to an Individual Retirement Account (IRA), another qualified retirement plan, or to a 403(b) or 457 plan to keep your money invested and tax-free.

But even if you can take your money with you doesn't mean you *should*. There's another option to consider.

2 Stay in the Investment Plan

- >> You can keep your money in the Investment Plan even *after* you leave FRS employment.
- >> You'll no longer receive employer contributions, but you will still control your account.



>> Not sure what to do? Call the MyFRS Financial Guidance Line to have an experienced financial planner help you.

Important Considerations

While some people like having all their retirement savings in one place, there are certain advantages available through the FRS Investment Plan that may not be available elsewhere. Consider the following:

Fees	Flexible Payout Options	Ongoing Support
If you keep your money in the Investment Plan, you have low cost investment options to choose from.	If you roll your money over to another retirement plan, you'll probably have only one or two ways to receive your money.	All the comprehensive educational tools and support provided by the MyFRS Financial Guidance Program are still available to you, for as long as you maintain an account balance in the Investment Plan.
You could be paying a whole lot more in another plan and high fees can substantially reduce your earnings. Always compare fees.	The Investment Plan offers many flexible payment options (lump sum, fixed and variable annuities with payments for spouses and beneficiaries, as well as systematic withdrawals) – and you may use them in any combination. Visit Getting Your Benefit at MyFRS.com	You have a higher level of personal support under the Investment Plan as well as access to state-of-the-art online tools, compared to the services that are typically available under other plans (often more focused on sales than education).



©2003 MyFRS Financial Guidance Program — all rights reserved.



If You're *Going*, Keep It *Growing*



cash it out, roll it over, or keep it in the plan?



It's your *money*
your
future

If You're *Going* >> Keep It *Growing*



So now that you're *going*, what should you do with your Investment Plan benefit? Our best advice is to *keep it growing*. To see what we mean, read this pamphlet and then call the MyFRS Financial Guidance Line.

Leaving your employment under the Florida Retirement System (FRS) means that it's time to think about your *retirement benefit* under the FRS Investment Plan. You will need to decide whether to:

- Keep it in the plan,
- Roll it over, or
- Cash it out.

When you leave FRS employment:

- >> You'll no longer receive employer contributions to the plan.
- >> Your Investment Plan account will still be yours to keep **as long as** you have one year of FRS service as of your termination date (previous Pension Plan service transferred to the Investment Plan requires six years to vest).
- >> You may be eligible to withdraw some or all of your Investment Plan account balance (take a distribution) after one calendar month following your month of termination. For example, if you terminate on October 7, you would be eligible to take a distribution after November 30 if your employer has reported your termination date.
- >> To receive a distribution, you should call the FRS Investment Plan Administrator.
- >> If you do nothing, your Investment Plan account will remain invested, but you'll no longer receive employer contributions. You will have to pay investment fees and administrative charges.

Rollover or Stay in the Investment Plan?



>> You stand to lose a lot to penalties and taxes if you cash out your money.

Many people choose to cash out their retirement money and spend it on a special purchase, like a down payment for a house or on necessities like reducing debt. But cashing out may not be in your best interest. Here's why. Your Investment Plan benefit is for your retirement. If you spend this money now, nobody else will replace it for you later.

Penalties and Taxes

If you receive a distribution of any of your Investment Plan account balance:

- >> You're considered "retired" and will lose any account balance you may have had from previous FRS service that isn't vested and any past service credit associated with it.
- >> You will no longer be eligible for disability coverage within the FRS and won't ever be entitled to be a member of the Special Risk Class or eligible to participate in DROP if reemployed with an FRS employer.



>> **Do Yourself a Favor:** Even if you've already made tentative plans for your money, call the toll-free MyFRS Financial Guidance Line before making any final decision. Review your options with an experienced financial planner from Ernst & Young. **That conversation could save you money.** This pamphlet identifies some of the issues you'll want to discuss with them.

Call 1-866-44-MyFRS
(1-866-446-9377; or TTY:
1-888-429-2160).



If you withdraw your money now, there are tax consequences:

- >> You'll owe income taxes on your entire distribution in the year it's paid to you, if you don't roll it over to another qualified plan. If you're under age 59-1/2 when you receive a distribution, you'll owe an additional **10 percent federal tax penalty** on the taxable portion of your distribution.
- >> There will be a mandatory 20 percent federal withholding applied to all taxable withdrawals not directly rolled over to another tax-deferred retirement plan. If you eventually roll it over, you'll have to make up the difference from your own money to ensure you don't pay the 10 percent penalty described above.

Loss of Earnings

But the penalties are only part of the problem. The real money you lose would be the income you would have earned had you kept it invested — and that money adds up, thanks to compounding, or the snowballing effect of earnings on earnings.

Consider this:

	Start Investing Now	Begin Investing 5 Years From Now
Beginning balance	\$ 30,000	\$ 30,000
Annual rate of return	8%	8%
Balance after 20 years of investing	\$ 140,000	\$ 95,000

Keeping your money out of investments just for five years will cost you nearly \$45,000 — more than the amount you started with!