

# Income Tax Planning

*Smart Planning for Your Taxes*



## Florida Retirement System



*Successful retirement planning includes  
planning for all aspects of one's  
financial life.*



## The Reasons We Are Here!

- Review and understand federal tax form 1040
- Recognize opportunities to reduce and manage your taxes throughout the year
- Identify tax planning opportunities to help accomplish your financial goals
- Learn to use the tools and resources available to you
- Know which steps to take next



## Resources Available to You - FREE

### MyFRS Financial Guidance Program



MyFRS.com  
Advisor Service  
Choice Services  
FAQ's, Calculators



Toll-free MyFRS  
Financial Guidance Line,  
staffed by  
Ernst & Young financial  
planners and the Division  
of Retirement



Employee workshops:  
Visit MyFRS.com for an  
updated list of workshops,  
locations and dates



Print and e-mail  
communications

**All resources are available to  
FRS Pension and Investment Plan Members**



## How Can the Financial Guidance Line Help Me?



**Toll-free MyFRS Financial Guidance Line  
1-866-446-9377 (Option 2) - staffed by  
Ernst & Young financial planners**

- Am I in the right FRS Plan?
- How do I plan for my financial future?
- Where should I save for retirement– 403(b), Roth IRA, 457...?
- How can I reduce my taxes?
- How do I use the resources available on the MyFRS.com website?

**Action Step**

- See Appendix A to learn more about the MyFRS Financial Guidance Line.



## Personal Action Plan

<i>Action Steps</i>	<i>Done</i>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

**Action Step**

- See Appendix B to start your own Personal Action Plan



# Federal Tax Form 1040

**Action Step**  
• See Appendix C for form 1040



# Federal Tax Calculation Part 1

- Gross Income
- Adjustments

---

- = Adjusted Gross Income (AGI)
- Standard/Itemized Deductions
- Personal Exemptions

---

- = Taxable Income



## Federal Tax Calculation Part 2

$$\begin{array}{r} \text{Taxable Income} \\ \times \text{Tax Rates from Tables} \\ \hline = \text{Income Tax Due} \\ + \text{Other Taxes} \\ - \text{Tax Credits} \\ - \text{Withholdings/Estimated Payments} \\ \hline = \text{Net Tax Due/Income Tax Refund} \end{array}$$



## 2013 Standard Deductions

Filing Status	Standard Deduction
Single	\$6,100
Married Filing Jointly (MFJ)	\$12,200
Married Filing Separately (MFS)	\$6,100
Head of Household	\$8,950



## Itemized Deductions

- Mortgage interest expense
- State, local, and real estate taxes
- Charitable contributions
- Medical and dental expenses
- Investment interest expense

### Action Step

- See Appendix D for Schedule A



## 2013 Tax Rates

	Married Filing Jointly (MFJ)	Single
10%	\$0 - \$17,850	\$0 - \$8,925
15%	\$17,850 - \$72,500	\$8,925 - \$36,250
25%	\$72,500 - \$146,400	\$36,250 - \$87,850
28%	\$146,400 - \$223,050	\$87,850 - \$183,250
33%	\$223,050 - \$398,350	\$183,250 - \$398,350
35%	\$398,350 - \$450,000	\$398,350 - \$400,000
39.6%	\$450,000 +	\$400,000 +



## 2013 Tax Rates

Tax Year	Tax Rates						
2003-2012	10%	15%	25%	28%	33%	35%	-
2013+	10%	15%	25%	28%	33%	35%	39.6%

### Action Step

- Recognize your current and future potential marginal tax bracket when making financial planning decisions.

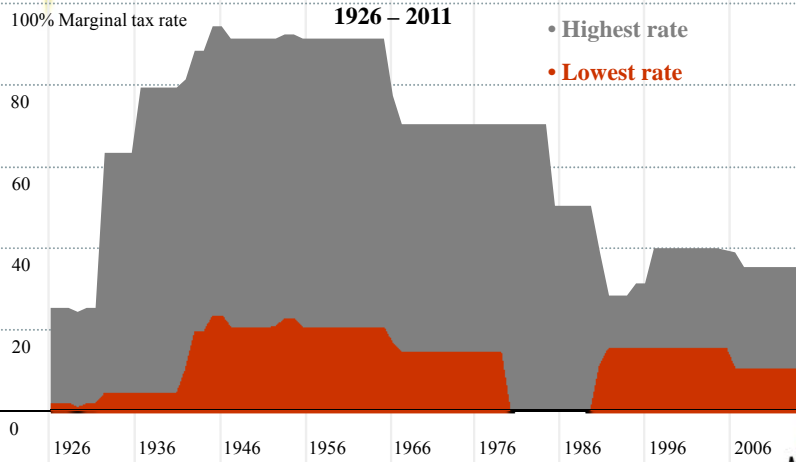
MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com



12



## Comparison of Highest and Lowest Marginal Tax Rates



13



## Which is Better?

A. \$500 Tax Deduction

B. \$500 Tax Credit



## Family Based Credits

- Child tax credit
  - \$1,000 credit per eligible child under age 17
  - Reduced if AGI (Adjusted Gross Income) is over a certain threshold\*

### Action Step

- See IRS Publication 972 for more information



## Family Based Credits (cont.)

- Dependent care tax credit
  - Credit ranges from 35% - 20% of AGI (Adjusted Gross Income)
  - When AGI  $\geq$  \$43,000  $\rightarrow$  20%
  - Maximum expenses considered:
    - \$3,000 (one child)
    - \$6,000 (two or more children)

### Action Step

- See IRS Publication 503 for more information



## Key Strategies in Tax Planning

Defer

Shift

Deduct

Exclude

Comply

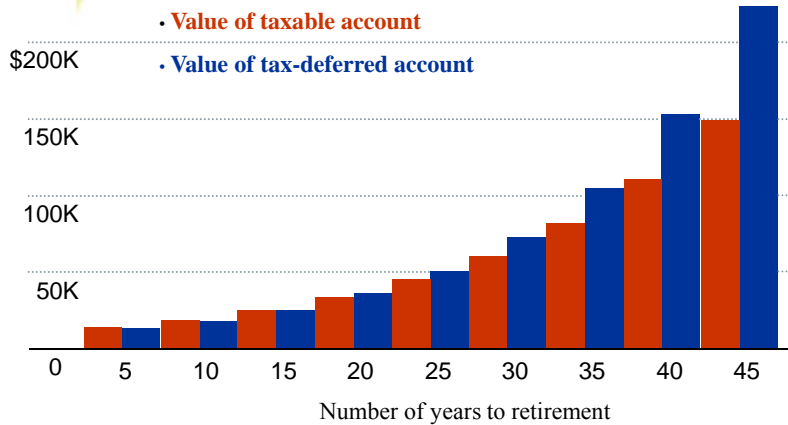


## Key Strategies in Tax Planning

- Defer
- Shift
- Deduct
- Exclude
- Comply



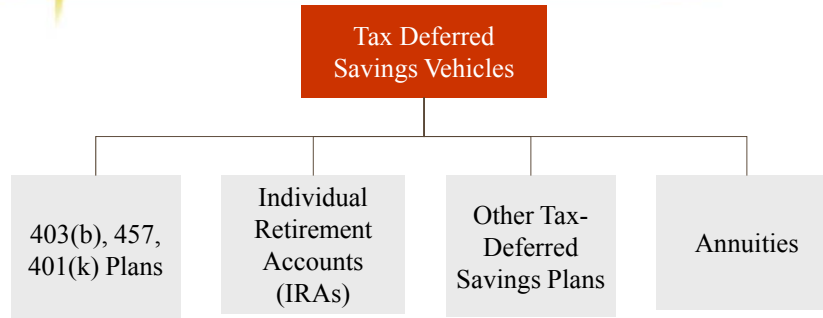
## Benefits of Deferring Taxes



Hypothetical value of \$10,000 invested in stocks. This example is for an investor in the 28% bracket using the 2012 tax code. Assumes an 8% annual total return. Estimates are not guaranteed. This is for illustrative purposes only and not indicative of any investment. © 2012 Morningstar, Inc. All rights reserved. 3/1/2012



## Tax Deferral Opportunities



### Action Step

- Call the MyFRS Financial Guidance Line to discuss retirement saving opportunities



## 2013 Maximum Contribution Limits (403(b), 457, 401(k))

	457 Plan – Deferred Comp	403(b) Plan – Tax Sheltered Annuity	401(k) Plan
<b>Contribution Limits</b>	\$17,500		
<b>Catch-Up Contributions</b>	Additional contributions allowed if you are 50 and older. Each plan has other “special catch-up” rules based on the time until retirement or length of service		\$5,500

### Action Step

- Contact your plan administrator to see if you qualify for special catch-up contributions



## Traditional IRA

- Tax-deferred growth
- Possible current deduction defers the tax on the contribution amount
- Deduction is taken on page one of the 1040 – no need to itemize
- Contributions can be made until April 15th of the following year
- 2013 contribution limits are \$5,500; \$6,500 if age 50 or older
- Income limits for deductibility



## 2013 Traditional IRA Deductibility of Contributions

If an Active Participant in a Retirement Plan,  
IRA Deductibility Depends on AGI

Single or  
Head of Household

Non-Deductible  
\$69,000



\$59,000  
Deductible

Married Filing Jointly  
(MFJ)\*

Non-Deductible  
\$115,000



\$95,000  
Deductible

*\*These MFJ limits apply when BOTH are  
active participants in a retirement plan.*



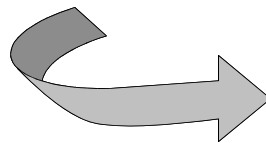
## Key Strategies in Tax Planning

- Defer
- Shift**
- Deduct
- Exclude
- Comply



## Taxable Income

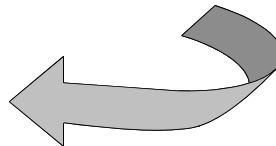
**Defer Income**



**Wednesday  
January 1,  
2014**

**Tuesday  
December 31,  
2013**

**Accelerate Deductions**



*Depending on the changing tax laws and your own situation, it may be more advantageous to accelerate income and defer deductions*



## Capital Gains

- Short Term
  - Investment held less than one year
  - Gain is taxed at ordinary income tax rates
- Long Term
  - Investment held one year or longer
  - Gain is taxed at lower capital gains rates (0%, 15%, or 20%)



## Key Strategies in Tax Planning

Defer

Shift

Deduct

Exclude

Comply



## Itemized Deductions: Mortgage Interest

- Interest is fully deductible on:
  - Mortgages prior to October 13, 1987
  - Mortgages after October 13, 1987 up to \$1,000,000
  - Home equity debt up to \$100,000
- Loan must be secured by a principal or second home owned by you
- Cannot be for more than the home's current fair market value
- Call the MyFRS Financial Guidance Line or see IRS Publication 936 for more information

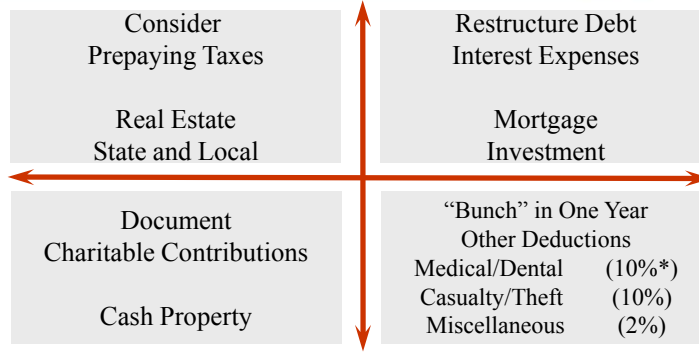


## Itemized Deductions: Taxes

- General rules for deducting taxes:
  - The tax must be imposed on you
  - The tax must be paid during your tax year
- State & local income taxes
  - Includes withholdings, estimated payments, refunds credited, and payments with your return
- Real estate taxes
  - Based on the assessed value of the real property
- Personal property taxes
  - Only if based on the value of the property



## Maximize Itemized Deductions



### Action Step

- Consider in which year it is better to pay your Real Estate Taxes
- Consider bunching expenses or donations into one year

\*7.5% if age 65 or older

MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com



## Key Strategies in Tax Planning

- Defer
- Shift
- Deduct
- Exclude**
- Comply

MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com





## Roth IRA

- Tax-free savings vehicle
  - Provides no tax deduction upon contribution
- Tax-free distributions
  - Account established for 5 tax years and,
    - First-time home purchase
    - Death or disability
    - After age 59½
- You can withdraw your contributed principal without tax or penalty at any time



## Roth IRA (continued)

- Eligibility Phase-Out
  - Single \$112,000 - \$127,000
  - MFJ \$178,000 - \$188,000
- Contributions can be made until April 15 of the following year
- 2013 contribution limits are \$5,500; \$6,500 if age 50 or older
- Call the MyFRS Financial Guidance Line or review IRS Publication 590 for more information



## Roth IRA Conversion

- As of 2010, conversion allowed regardless of AGI
- Ordinary income tax on pre-tax contributions and earnings
- Considerations:
  - Tax rate at time of conversion and at distribution
  - Ability to pay taxes from other sources
  - Other sources of retirement income
  - Number of years you will allow the Roth IRA to grow



## Coverdell Education Savings Account

- Tax-free savings vehicle for education
- Tax-free distributions for qualified higher education expenses
  - Tax and penalties apply if not used for qualified education expenses
- \$2,000 contribution limit per year per beneficiary
- Call the MyFRS Financial Guidance Line or review IRS Publication 970 for more information



## Section 529 Programs

- Contributions are after-tax
- Growth is tax-deferred
- Distributions are tax-free if used for college expenses
  - State tax-free status varies by state plan
- Donors not subject to income limitations
- Tax and penalties apply if not used for qualified higher education expenses
- In 2013, you can contribute up to \$28,000 (\$14,000 single) per beneficiary per year without triggering gift tax

### Action Step

- Visit [www.savingforcollege.com](http://www.savingforcollege.com) for more information on 529 plans



MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com

36



## Home Sale Exclusion

- Capital gains exclusion conditions:
  - Owned home two of last five years
  - Lived in home two of last five years
  - Have not used the exclusion in two-year period ending on sale date
- Exclusion Amount
  - Single \$250,000
  - Married \$500,000 (if both meet the “lived-in-it” and “have-not-used” requirements; otherwise \$250,000)



MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com

37



## Key Strategies in Tax Planning

Defer

Shift

Deduct

Exclude

Comply



## Complying: Documentation and Recordkeeping

Social Security Numbers for Dependents

Itemized Deductions

Cost Basis of Capital Assets

Non-Deductible IRAs

Withholding Requirement



## Pros and Cons of Receiving a Tax Refund

### Pros

- A method of forced saving
- Lump sum payment available for goals
  - Funding IRA
  - Vacation
- Makes you feel like you “did a good job” preparing your tax return

### Cons

- Reduces your monthly cash flow
- Could be used more effectively during the year
  - Pay down debts
- Lost opportunity to earn interest

#### Action Step

- Consider the size of the refund (if any) you would like to receive



## Withholdings Safe Harbor

- To avoid the underpayment penalty, you must withhold the lesser of:
  - 90% of the tax shown on the 2013 return
  - 100% of the tax shown on the 2012 tax return
    - 110% if 2012 AGI was over \$75,000 filing Single or \$150,000 Married Filing Jointly
  - Penalty does not apply if tax due is less than \$1,000



## How Do You Pay Your Taxes?

- W-4 withholdings
  - Withholding amount based on the W-4 you submit
- Mandatory withholdings
  - 20% on distributions from employer plans (IP, 403(b), 457, 401(k)..)
- Estimated quarterly payments
  - For those with income sources not subject to withholding, or who may be subject to the under payment penalty
- Balance due when filing tax return
  - Check / Credit Card



## What Determines W-4 Withholdings?

- Pay frequency
  - The less frequently you're paid, the more is withheld each pay period
- Filing status
  - Single has more withheld than head of household
  - Head of household has more withheld than married filing joint
- Allowances
  - More allowances means less withholding
  - Allowances for deductions, credits and dependency allowed
- Indication of any additional amount you wish to withhold



## Updating Your W-4

- Any time your filing status, dependency exemptions, deductions, or credits change
  - Marriage/divorce, birth/death
- Increase/decrease in income
- Contact your payroll department (or visit [www.irs.gov](http://www.irs.gov)) to obtain form W-4
- Worksheets available on the form to assist with appropriate withholding
- Submit your updated W-4 to your payroll department

### Action Step

- See Appendix E for W-4



## Additional Tax Considerations



## Tax Planning Techniques for Life Events

- Getting married or divorced:
  - New filing status
  - Phase-outs
  - Withholdings
- Gaining or losing dependents:
  - New filing status
  - Phase-outs
- Purchasing a home
  - Itemized deductions
  - Tax credits
  - Withholdings



## How do You Avoid the 10% Penalty on Retirement Plan Distributions?

Distributions From:	Some Exceptions to the 10% Penalty:
FRS Plans/403(b)/401(k) Plans	<ul style="list-style-type: none"> <li>• Separate from service in the year of or after turning age 55</li> </ul>
IRA	<ul style="list-style-type: none"> <li>• Qualified higher education expenses</li> <li>• Qualified first-time homebuyer distribution</li> </ul>
FRS Plans/403(b)/401(k) Plans or IRA	<ul style="list-style-type: none"> <li>• Distributions at or after age 59 1/2</li> <li>• Distributions because of:               <ul style="list-style-type: none"> <li>• Medical expenses (greater than 10% of AGI)</li> <li>• Disability</li> <li>• Death</li> </ul> </li> <li>• Distributions calculated by using Substantially Equal Periodic Payments</li> </ul>



## How Can the Financial Guidance Line Help Me?



**Toll-free MyFRS Financial Guidance Line  
1-866-446-9377 (Option 2) - staffed by  
Ernst & Young financial planners**

- Am I in the right FRS Plan?
- How do I plan for my financial future?
- Where should I save for retirement– 403(b), Roth IRA, 457...?
- How can I reduce my taxes?
- How do I use the resources available on the MyFRS.com website?

### Action Step

- See Appendix A to learn more about the MyFRS Financial Guidance Line.



## Personal Action Plan

Action Step	When	Done
<u>Determine your financial goals</u>	<u>7 days</u>	<input type="checkbox"/>
<u>Review your most recent tax returns</u>	<u>10 days</u>	<input type="checkbox"/>
<u>Identify opportunities to reduce your taxes that are in-line with your goals</u>	<u>14 days</u>	<input type="checkbox"/>
<u>Project your taxes and withhold properly</u>	<u>21 days</u>	<input type="checkbox"/>
<u>Call the FRS Financial Guidance Line</u>	<u>21 days</u>	<input type="checkbox"/>



## Questions?



**MyFRS**  
MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com

## Income Tax Planning

*Smart Planning for Your Taxes*



**MyFRS**  
Florida Retirement System



**YOUR Money**  
• • • **YOUR Choice**

**WORKSHOP APPENDICES**

# FRS Income Tax Planning Workshop

Appendix	Description	Page
<b>A</b>	<b>MyFRS Financial Guidance Line .....</b>	<b>1</b>
<b>B</b>	<b>Personal Action Plan.....</b>	<b>2</b>
<b>C</b>	<b>Federal Tax Form 1040 .....</b>	<b>3-4</b>
<b>D</b>	<b>Schedule A: Itemized Deductions .....</b>	<b>5</b>
<b>E</b>	<b>Form W-4.....</b>	<b>6-7</b>
<b>F</b>	<b>Disclosure Statements.....</b>	<b>8-12</b>

**MYFRS FINANCIAL GUIDANCE LINE**

**Call 1-866-446-9377, Option 2, for financial planning assistance from Ernst & Young financial planners.**

The Ernst & Young planners at the MyFRS Financial Guidance Line are available from 9:00am to 8:00pm ET, Monday through Friday, (except holidays).

When you call the Ernst & Young planners at the MyFRS Financial Guidance Line you are calling one of the largest fee-only personal financial planning counseling groups in the U.S. Ernst & Young is committed to providing you with the highest quality financial planning services.

You can feel confident that the information and guidance you receive is appropriate for your needs because Ernst & Young's financial planners are objective and independent.

**When you call the MyFRS Financial Guidance Line for financial planning assistance you should expect:**

- ✓ Confidential assistance from highly qualified planners, who average seven years of experience in the financial planning industry
- ✓ Phones that are answered promptly by experienced planners who will assist you with your personal financial planning needs. If you are prompted to leave a message, a planner will return your call as soon as possible
- ✓ Action-oriented guidance based on your personal information and goals
- ✓ Planners who are knowledgeable about FRS retirement plans
- ✓ An up-to-date record of prior interactions so that you are not starting each call from scratch
- ✓ The ability to ask for the same planner each time you call the MyFRS Financial Guidance Line

**What topics can you discuss with the financial planners at the MyFRS Financial Guidance Line?**

- ✓ Investment considerations and asset allocation
- ✓ Retirement planning and actions to get or stay on track
- ✓ FRS retirement plan information, projections and comparisons
- ✓ Ways to reduce debts and increase cash flow
- ✓ Tax planning and recent law changes

**The Financial Guidance Line pledge to you:** Your decisions are kept confidential and will not be made available to your employer or to any other organization or person outside of the Ernst & Young Employee Financial Education and Counseling practice. Calls are monitored for quality assurance purposes only.



For the year Jan. 1–Dec. 31, 2012, or other tax year beginning , 2012, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see instructions. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Foreign country name Foreign province/state/county Foreign postal code

Filing Status
1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child

Exemptions
6a Yourself. If someone can claim you as a dependent, do not check box 6a.
6b Spouse
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if child under age 17 qualifying for child tax credit (see instructions)
d Total number of exemptions claimed

Income
7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
8b Tax-exempt interest. Do not include on line 8a
9a Ordinary dividends. Attach Schedule B if required
9b Qualified dividends
10 Taxable refunds, credits, or offsets of state and local income taxes
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here
14 Other gains or (losses). Attach Form 4797
15a IRA distributions
15b Taxable amount
16a Pensions and annuities
16b Taxable amount
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits
20b Taxable amount
21 Other income. List type and amount
22 Combine the amounts in the far right column for lines 7 through 21. This is your total income

Adjusted Gross Income
23 Educator expenses
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ
25 Health savings account deduction. Attach Form 8889
26 Moving expenses. Attach Form 3903
27 Deductible part of self-employment tax. Attach Schedule SE
28 Self-employed SEP, SIMPLE, and qualified plans
29 Self-employed health insurance deduction
30 Penalty on early withdrawal of savings
31a Alimony paid b Recipient's SSN
32 IRA deduction
33 Student loan interest deduction
34 Tuition and fees. Attach Form 8917
35 Domestic production activities deduction. Attach Form 8903
36 Add lines 23 through 35
37 Subtract line 36 from line 22. This is your adjusted gross income

Tax and Credits

Standard Deduction for—

• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
• All others:
Single or Married filing separately, \$5,950
Married filing jointly or Qualifying widow(er), \$11,900
Head of household, \$8,700

38 Amount from line 37 (adjusted gross income)
39a Check [ ] You were born before January 2, 1948, [ ] Blind. Total boxes checked 39a
b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 Exemptions. Multiply \$3,800 by the number on line 6d.
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see instructions). Check if any from: a [ ] Form(s) 8814 b [ ] Form 4972 c [ ] 962 election
45 Alternative minimum tax (see instructions). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Education credits from Form 8863, line 19
50 Retirement savings contributions credit. Attach Form 8880
51 Child tax credit. Attach Schedule 8812, if required.
52 Residential energy credits. Attach Form 5695
53 Other credits from Form: a [ ] 3800 b [ ] 8801 c [ ]
54 Add lines 47 through 53. These are your total credits
55 Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-

Other Taxes

56 Self-employment tax. Attach Schedule SE
57 Unreported social security and Medicare tax from Form: a [ ] 4137 b [ ] 8919
58 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
59a Household employment taxes from Schedule H
b First-time homebuyer credit repayment. Attach Form 5405 if required
60 Other taxes. Enter code(s) from instructions
61 Add lines 55 through 60. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

62 Federal income tax withheld from Forms W-2 and 1099
63 2012 estimated tax payments and amount applied from 2011 return
64a Earned income credit (EIC)
b Nontaxable combat pay election 64b
65 Additional child tax credit. Attach Schedule 8812
66 American opportunity credit from Form 8863, line 8
67 Reserved
68 Amount paid with request for extension to file
69 Excess social security and tier 1 RRTA tax withheld
70 Credit for federal tax on fuels. Attach Form 4136
71 Credits from Form: a [ ] 2439 b [ ] Reserved c [ ] 8801 d [ ] 8885
72 Add lines 62, 63, 64a, and 65 through 71. These are your total payments

Refund

Direct deposit? See instructions.

73 If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid
74a Amount of line 73 you want refunded to you. If Form 8888 is attached, check here
b Routing number
c Type: [ ] Checking [ ] Savings
d Account number
75 Amount of line 73 you want applied to your 2013 estimated tax

Amount You Owe

76 Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions
77 Estimated tax penalty (see instructions)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? [ ] Yes. Complete below. [ ] No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name Preparer's signature Date Check [ ] if self-employed PTIN
Firm's name Firm's EIN
Firm's address Phone no.

**SCHEDULE A  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

Name(s) shown on Form 1040

**Itemized Deductions**

► Information about Schedule A and its separate instructions is at [www.irs.gov/form1040](http://www.irs.gov/form1040).  
► Attach to Form 1040.

OMB No. 1545-0074

**2012**

Attachment  
Sequence No. **07**

Your social security number

<b>Medical and Dental Expenses</b>	<b>Caution.</b> Do not include expenses reimbursed or paid by others.				
	<b>1</b>	Medical and dental expenses (see instructions) . . . . .			
	<b>2</b>	Enter amount from Form 1040, line 38 <input type="text" value="2"/>			
	<b>3</b>	Multiply line 2 by 7.5% (.075) . . . . .			
	<b>4</b>	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . . .			<b>4</b>
<b>Taxes You Paid</b>	<b>5</b> State and local (check only one box):				
	<b>a</b>	<input type="checkbox"/> Income taxes, or	}		
	<b>b</b>	<input type="checkbox"/> General sales taxes			
	<b>6</b>	Real estate taxes (see instructions) . . . . .			
	<b>7</b>	Personal property taxes . . . . .			
<b>8</b>	Other taxes. List type and amount ► _____				
	<b>9</b>	Add lines 5 through 8 . . . . .			<b>9</b>
<b>Interest You Paid</b>	<b>10</b>	Home mortgage interest and points reported to you on Form 1098			
	<b>11</b>	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ► _____			
	<b>12</b>	Points not reported to you on Form 1098. See instructions for special rules . . . . .			
	<b>13</b>	Mortgage insurance premiums (see instructions) . . . . .			
	<b>14</b>	Investment interest. Attach Form 4952 if required. (See instructions.)			
	<b>15</b>	Add lines 10 through 14 . . . . .			<b>15</b>
<b>Gifts to Charity</b>	<b>16</b>	Gifts by cash or check. If you made any gift of \$250 or more, see instructions . . . . .			
	<b>17</b>	Other than by cash or check. If any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500 . . . . .			
	<b>18</b>	Carryover from prior year . . . . .			
	<b>19</b>	Add lines 16 through 18 . . . . .			<b>19</b>
<b>Casualty and Theft Losses</b>	<b>20</b>	Casualty or theft loss(es). Attach Form 4684. (See instructions.) . . . . .			<b>20</b>
<b>Job Expenses and Certain Miscellaneous Deductions</b>	<b>21</b>	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ► _____			
	<b>22</b>	Tax preparation fees . . . . .			
	<b>23</b>	Other expenses—investment, safe deposit box, etc. List type and amount ► _____			
	<b>24</b>	Add lines 21 through 23 . . . . .			
	<b>25</b>	Enter amount from Form 1040, line 38 <input type="text" value="25"/>			
	<b>26</b>	Multiply line 25 by 2% (.02) . . . . .			
	<b>27</b>	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0- . . . . .			<b>27</b>
<b>Other Miscellaneous Deductions</b>	<b>28</b>	Other—from list in instructions. List type and amount ► _____			<b>28</b>
<b>Total Itemized Deductions</b>	<b>29</b>	Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40 . . . . .			<b>29</b>
	<b>30</b>	If you elect to itemize deductions even though they are less than your standard deduction, check here . . . . . <input type="checkbox"/>			

# Form W-4 (2013)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

**Exemption from withholding.** If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2013 expires February 17, 2014. See Pub. 505, Tax Withholding and Estimated Tax.

**Note.** If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$1,000 and includes more than \$350 of unearned income (for example, interest and dividends).

**Basic instructions.** If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

**Head of household.** Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity

income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

**Two earners or multiple jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

**Nonresident alien.** If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

**Check your withholding.** After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2013. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

**Future developments.** Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at [www.irs.gov/w4](http://www.irs.gov/w4).

## Personal Allowances Worksheet (Keep for your records.)

<b>A</b>	Enter "1" for <b>yourself</b> if no one else can claim you as a dependent . . . . .	<b>A</b>	
<b>B</b>	Enter "1" if: <ul style="list-style-type: none"> <li>• You are single and have only one job; or</li> <li>• You are married, have only one job, and your spouse does not work; or</li> <li>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.</li> </ul>	<b>B</b>	
<b>C</b>	Enter "1" for your <b>spouse</b> . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . .	<b>C</b>	
<b>D</b>	Enter number of <b>dependents</b> (other than your spouse or yourself) you will claim on your tax return . . . . .	<b>D</b>	
<b>E</b>	Enter "1" if you will file as <b>head of household</b> on your tax return (see conditions under <b>Head of household</b> above) . . . . .	<b>E</b>	
<b>F</b>	Enter "1" if you have at least \$1,900 of <b>child or dependent care expenses</b> for which you plan to claim a credit (Note. Do <b>not</b> include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.) . . . . .	<b>F</b>	
<b>G</b>	<b>Child Tax Credit</b> (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> <li>• If your total income will be less than \$65,000 (\$95,000 if married), enter "2" for each eligible child; then <b>less</b> "1" if you have three to six eligible children or <b>less</b> "2" if you have seven or more eligible children.</li> <li>• If your total income will be between \$65,000 and \$84,000 (\$95,000 and \$119,000 if married), enter "1" for each eligible child . . . . .</li> </ul>	<b>G</b>	
<b>H</b>	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ▶	<b>H</b>	

For accuracy, complete all worksheets that apply.   

- If you plan to **itemize** or **claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you are **single and have more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form <b>W-4</b> Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">Employee's Withholding Allowance Certificate</h2> <p style="margin: 0;">▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.</p>	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; margin: 5px 0;">2013</div>
1 Your first name and middle initial	Last name	2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5
6 Additional amount, if any, you want withheld from each paycheck . . . . .		6 \$
7 I claim exemption from withholding for 2013, and I certify that I meet <b>both</b> of the following conditions for exemption. <ul style="list-style-type: none"> <li>• Last year I had a right to a refund of <b>all</b> federal income tax withheld because I had <b>no</b> tax liability, <b>and</b></li> <li>• This year I expect a refund of <b>all</b> federal income tax withheld because I expect to have <b>no</b> tax liability.</li> </ul> If you meet both conditions, write "Exempt" here . . . . . ▶		7

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature (This form is not valid unless you sign it.) ▶	Date ▶	
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)

**Deductions and Adjustments Worksheet**

**Note.** Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

<b>1</b>	Enter an estimate of your 2013 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions . . . . .	<b>1</b>	\$ _____
<b>2</b>	Enter: { \$12,200 if married filing jointly or surviving spouse \$8,950 if head of household \$6,100 if single or married filing separately } . . . . .	<b>2</b>	\$ _____
<b>3</b>	<b>Subtract</b> line 2 from line 1. If zero or less, enter “-0-” . . . . .	<b>3</b>	\$ _____
<b>4</b>	Enter an estimate of your 2013 adjustments to income and any additional standard deduction (see Pub. 505)	<b>4</b>	\$ _____
<b>5</b>	<b>Add</b> lines 3 and 4 and enter the total. (Include any amount for credits from the <i>Converting Credits to Withholding Allowances for 2013 Form W-4</i> worksheet in Pub. 505.) . . . . .	<b>5</b>	\$ _____
<b>6</b>	Enter an estimate of your 2013 nonwage income (such as dividends or interest) . . . . .	<b>6</b>	\$ _____
<b>7</b>	<b>Subtract</b> line 6 from line 5. If zero or less, enter “-0-” . . . . .	<b>7</b>	\$ _____
<b>8</b>	<b>Divide</b> the amount on line 7 by \$3,900 and enter the result here. Drop any fraction . . . . .	<b>8</b>	_____
<b>9</b>	Enter the number from the <b>Personal Allowances Worksheet</b> , line H, page 1 . . . . .	<b>9</b>	_____
<b>10</b>	<b>Add</b> lines 8 and 9 and enter the total here. If you plan to use the <b>Two-Earners/Multiple Jobs Worksheet</b> , also enter this total on line 1 below. Otherwise, <b>stop here</b> and enter this total on Form W-4, line 5, page 1	<b>10</b>	_____

**Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)**

**Note.** Use this worksheet *only* if the instructions under line H on page 1 direct you here.

<b>1</b>	Enter the number from line H, page 1 (or from line 10 above if you used the <b>Deductions and Adjustments Worksheet</b> )	<b>1</b>	_____
<b>2</b>	Find the number in <b>Table 1</b> below that applies to the <b>LOWEST</b> paying job and enter it here. <b>However</b> , if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than “3” . . . . .	<b>2</b>	_____
<b>3</b>	If line 1 is <b>more than or equal to</b> line 2, subtract line 2 from line 1. Enter the result here (if zero, enter “-0-”) and on Form W-4, line 5, page 1. <b>Do not</b> use the rest of this worksheet . . . . .	<b>3</b>	_____
<b>Note.</b> If line 1 is <b>less than</b> line 2, enter “-0-” on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.			
<b>4</b>	Enter the number from line 2 of this worksheet . . . . .	<b>4</b>	_____
<b>5</b>	Enter the number from line 1 of this worksheet . . . . .	<b>5</b>	_____
<b>6</b>	<b>Subtract</b> line 5 from line 4 . . . . .	<b>6</b>	_____
<b>7</b>	Find the amount in <b>Table 2</b> below that applies to the <b>HIGHEST</b> paying job and enter it here . . . . .	<b>7</b>	\$ _____
<b>8</b>	<b>Multiply</b> line 7 by line 6 and enter the result here. This is the additional annual withholding needed . . . . .	<b>8</b>	\$ _____
<b>9</b>	Divide line 8 by the number of pay periods remaining in 2013. For example, divide by 25 if you are paid every two weeks and you complete this form on a date in January when there are 25 pay periods remaining in 2013. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	<b>9</b>	\$ _____

**Table 1**

Married Filing Jointly		All Others	
If wages from <b>LOWEST</b> paying job are—	Enter on line 2 above	If wages from <b>LOWEST</b> paying job are—	Enter on line 2 above
\$0 - \$5,000	0	\$0 - \$8,000	0
5,001 - 13,000	1	8,001 - 16,000	1
13,001 - 24,000	2	16,001 - 25,000	2
24,001 - 26,000	3	25,001 - 30,000	3
26,001 - 30,000	4	30,001 - 40,000	4
30,001 - 42,000	5	40,001 - 50,000	5
42,001 - 48,000	6	50,001 - 70,000	6
48,001 - 55,000	7	70,001 - 80,000	7
55,001 - 65,000	8	80,001 - 95,000	8
65,001 - 75,000	9	95,001 - 120,000	9
75,001 - 85,000	10	120,001 and over	10
85,001 - 97,000	11		
97,001 - 110,000	12		
110,001 - 120,000	13		
120,001 - 135,000	14		
135,001 and over	15		

**Table 2**

Married Filing Jointly		All Others	
If wages from <b>HIGHEST</b> paying job are—	Enter on line 7 above	If wages from <b>HIGHEST</b> paying job are—	Enter on line 7 above
\$0 - \$72,000	\$590	\$0 - \$37,000	\$590
72,001 - 130,000	980	37,001 - 80,000	980
130,001 - 200,000	1,090	80,001 - 175,000	1,090
200,001 - 345,000	1,290	175,001 - 385,000	1,290
345,001 - 385,000	1,370	385,001 and over	1,540
385,001 and over	1,540		

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation; to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

**NOTICE TO FRS EMPLOYEES**

Dear Employee:

The FRS has engaged Ernst & Young LLP to provide financial planning education workshops to its employees. We expect that you will find Ernst & Young's services to be valuable, but we think it is also important that you understand the scope of these services. The following explains what financial education workshops can and cannot do for you, particularly as regards investment planning.

**General Financial Planning Considerations**

Here are points to understand regarding your personal financial planning and your participation in financial planning workshops:

- Ernst & Young has prepared certain financial planning materials and is providing other services for your personal use as an employee of FRS.
- The financial education program includes historical financial information and well-accepted financial planning strategies. It may also include information on Social Security benefits and your company benefit plans. This information is based on sources that Ernst & Young believes to be reliable. However, Ernst & Young cannot guarantee its accuracy.
- Past performance, which may be referenced in the program, is not a guarantee or even necessarily an indication of future results.
- The financial planning materials you receive will not change or affect your rights under your company benefit plans. In all cases, the company's plans govern.
- As you plan your financial future, you will need to make assumptions about future financial trends (such as inflation and rates of return), laws and regulations, and apply these to your particular circumstances. Your results can be significantly affected by even small changes in your assumptions, your individual circumstances or laws and regulations, as well as the extent to which your assumptions ultimately vary from actual financial conditions. You may need to reevaluate your financial planning strategy and your decisions from time to time to determine if any changes have occurred that would necessitate amendments to your assumptions or plan.
- A financial education program provides only some of the resources for assisting you in preparing your financial planning strategies. Financial education does not provide accounting, tax or legal advice and does not involve recommendation of specific investments.
- You need to decide on your own whether to consult with a financial advisor or other professional regarding your personal circumstances. If you do, please be aware, you may incur additional costs.
- In providing financial education, Ernst & Young may help you decide on your asset allocation or help you make informed assumptions about rates of return and other investment issues. While Ernst & Young will help you understand what you need to do, you are responsible for making and acting on these decisions. Ernst & Young cannot provide you with all information that may be relevant nor can any materials provided address every possible scenario in connection with such decisions.
- Neither Ernst & Young nor your employer will make any financial planning decisions for you or assume any responsibility for decisions you make.
- Ernst & Young may provide audit or other accounting services to the investments or service providers discussed. The provision of other services will not be a determining factor whether to discuss or recommend an investment or service provider.

**Privacy of Information Provided to Ernst & Young**

In the event Ernst & Young collects nonpublic personal information about you from you or other sources authorized by you, Ernst & Young will not disclose such information to third parties, except as permitted by law or as otherwise authorized by you. Ernst & Young maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.

**Further Considerations**

All services are provided "as is," and there are no warranties of any kind or nature, whether express or implied, including but not limited to warranties of merchantability or fitness for a particular purpose or use. In addition, neither Ernst & Young nor its affiliates nor any of their partners, officers, directors or employees shall be liable to you for any services performed or omitted or for any errors of judgment, or for consequential, incidental, indirect, punitive or special damages in connection with providing the services described above. Federal securities laws impose liabilities under certain circumstances on certain persons, even those who act in good faith, and therefore nothing in this notice constitutes a waiver or limitation of any rights that you may have under these laws.

If you should have any kind of claim or dispute with Ernst & Young as a result of this program, these will be resolved in accordance with Ernst & Young's Alternative Dispute Resolution Procedures ("Procedures") in effect on the date of this notice. You may receive a copy of the Procedures by requesting them from the Compliance officer of Ernst & Young, at the following address:

200 Plaza Drive  
Suite 2222  
Secaucus, NJ 07094

\* \* \* \* \*

If, after considering the issues discussed above, you do not want to participate in financial education and counseling in conjunction with this program, please contact your Human Resource Professional for FRS, as soon as possible.

# FOR INFORMATIONAL PURPOSES ONLY

## DISCLOSURE STATEMENT

**Ernst & Young LLP  
Ernst & Young Investment Advisers LLP  
Employee Financial Services**

**Please note that this disclosure statement provides a summary of the investment advisory services provided by Ernst Young LLP. Please note that a full copy of ADV Part 2A can be located at this link [www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)<sup>1</sup>**

Ernst & Young LLP (“E&Y”), under the supervision of Ernst & Young Investment Advisers LLP (“EYIA”), provides Employee Financial Services (“EFS”), including investment education and counseling services to employees, members of associations, unions or other large groups (“Participants”) pursuant to engagements by corporate employers, pension plan trustees, or other entities formed for the benefit of such Participants (“Sponsors”). Such services are provided through E&Y’s Personal Financial Services Practice, a functional specialty within the firm’s Tax Department. EYIA is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”) and maintains its main office at 200 Plaza Drive, Suite 2222, Secaucus, NJ 07094 (telephone: 800-273-0588).

### **Employee Financial Services (“EFS”)**

E&Y’s services to Participants are rendered to such persons in a manner determined by their Sponsors. E&Y services to Participants may include some or all of the following:

1. Enabling Participants to access a toll-free “EY Financial Planner Line®”, staffed by E&Y planners or consultants, for assistance with personal financial planning matters.
2. Designing or presenting workshops for Participants concerning the financial planning process and alternatives available under the Sponsor’s benefit plans.
3. Providing access to a financial planning website (“EY Financial Planning Center”) for use by Participants.
4. Providing various personal finance and tax-related publications, in print form or by audio or other visual means.
5. Making available to Participants and survivors of Participants, financial education and counseling assistance with respect to retirement plan distributions; company benefit and compensation plans; estate settlements and planning; life insurance policies; and other related issues.
6. Providing in-person personal financial advisory services to Participants pursuant to an engagement by a Sponsor.

As part of the personal financial advisory services, both in-person and via the EY Financial Planner Line®, E&Y may prepare personal asset allocation targets (based on modern portfolio theory and using E&Y’s own or other approved financial planning tools) for such Participants after obtaining and evaluating information concerning their individual circumstances provided by each Participant in response to an E&Y questionnaire. Participant specific advice (i.e., personal asset allocation targets) will generally be confirmed in writing.

E&Y does not recommend, and should not be deemed to have recommended, any particular investment as an appropriate investment for the Participants and discussions of various investments should not be construed as such a recommendation.

---

<sup>1</sup> From this webpage follow these steps to view the most current Form ADV: a) select Firm, b) enter CRD #110921, c) click Investment Adviser Firm, d) click SEC, e) Brochure link is on the left under Part 2.

### **Appendix E (continued)**

E&Y's advisory services also may be offered by a Sponsor to Participants in tandem with the personal advisory services of another registered investment adviser designated by the Sponsor that is not affiliated with E&Y ("Other Adviser"). In some EFS engagements, the Sponsor contemplates that E&Y will refer individual Participants to the Other Adviser for specific recommendations and/or implementation of the Participant's investment decisions. Such referrals by E&Y do not constitute a recommendation of the Other Adviser by E&Y to Participants, and, in such cases, E&Y does not perform any quantitative or qualitative screening procedures with respect to the Other Adviser.

E&Y, in certain circumstances, is contracted solely to help train employees of financial institutions seeking to offer financial and tax planning services to clients. Such services do not involve E&Y providing advice directly to the clients of such financial institutions, but rather entails training a financial institution's counselors on financial and tax planning topics and such other support as is mutually agreed upon by E&Y and the financial institution.

#### **All Selections and Investments Are Made Solely by the Participating Employee**

E&Y's investment education and counseling does not include recommendations concerning the purchase or sale of particular investments or particular industry sectors. E&Y may provide counseling on the purchase or sale in the context of providing tax, compensation and benefits, or estate planning services, but that counseling does not reflect a view as to the intrinsic merits of the investment. All decisions to invest in or dispose of particular investments are made solely by the participating Participant in the exercise of his or her own discretion.

#### **Fees**

Fees for EFS Services generally are negotiated between E&Y and the Sponsors of such groups on a case-by-case basis. They usually are based upon (i) a "per capita" eligible employee or member amount, (ii) a "usage by Participants" amount, (iii) the volume of calls by Participants to the EY Financial Planner Line®, (iv) the number of workshops designed and presented by E&Y, or (v) other negotiated factors. E&Y's fees in such engagements may be paid wholly or partially either by the Sponsor or by Participants, whose payments for services received (if any) may be collected by the Sponsor through payroll deductions and remitted to E&Y. Participants also may incur expenses for fees to any other investment adviser they may consult and will be responsible for transaction charges imposed by broker-dealers through or with whom they effect transactions for their accounts. Generally E&Y's contracts with Sponsors for services to Participants are terminable by either party in accordance with a specified notice period. In addition, Participants receiving advisory services by E&Y (including a Participant who pays in whole or in part for the services rendered to such Participant) may terminate participation at any time. If such a contract or participation is terminated at a time other than the end of the quarter, a pro rata portion of any quarterly or other fee paid in advance is refunded.

#### **Investment Advisers**

All personal investment advice, and most impersonal investment advice, typically is given only by E&Y Financial Planners. Financial Planners are persons who spend all or substantial portions of their time on financial planning. Typically, all of these professionals have at least a degree from a four-year college or university and must meet such other standards as EYIA may establish from time to time. Those standards may include participation in continuing education programs each year and maintaining what E&Y regards as significant involvement in financial counseling engagements. Moreover, Financial Planners must satisfy applicable State investment adviser representative registration requirements or pass the Series 65 Uniform Investment Adviser Exam of the National Association of Securities Dealers, Inc. In some instances, E&Y may retain consultants to assist in providing workshops and staffing the EY Financial Planner Line®. Generally, consultants are subject to the same requirements as E&Y Financial Planners. However, consultants are not subject to the same public accounting independence requirements as E&Y Financial Planners and their continuing education programs differ in some respects.

#### **Monitoring, Reviews and Reports**

In the case of EFS engagements that extend beyond one year and involve the provision of personal advisory services to Participants, Participants are asked questions concerning any changes in their relevant individual circumstances. E&Y will take into account the changed circumstances of any Participant of which it has notice in the event that Participant seeks additional personal advisory services from E&Y.

**Appendix E (continued)**

**Miscellaneous**

Clients and prospective clients of E&Y also should be aware of the following additional information concerning E&Y and EYIA:

Custody of Securities or Funds. E&Y does not manage participant accounts on a discretionary basis and does not take custody of participant securities or participant funds.

Other Financial Industry Activities. As noted above, EYIA is responsible for supervising the investment advisory services provided by E&Y. E&Y and Ernst & Young (U.S.) are general partners of EYIA. In consideration of EYIA's supervising the rendering of investment planning services provided by E&Y, E&Y provides EYIA with office and filing space, staff and other assistance. All of EYIA's time is spent supervising the compliance and operations of the investment planning services provided by E&Y.

Other Business Activities. E&Y is a public accounting firm which spends substantially all of its time providing accounting, audit, tax, and business advisory services.

Education and Business Background. Below are the backgrounds and five year business histories of each EYIA Advisory Board member: (1) Name, (2) year of birth, (3) education and (4) business background for preceding five years of EYIA Advisory Board members:

1. Glenn H. Hascher – (Chair)/2. 1961
3. B.S., Economics, Rutgers University, New Brunswick, NJ
4. November 1988 to date, Ernst & Young LLP

1. R. Lynn Pettus/2. 1968
3. B.A., Accounting, Converse College, Spartanburg, SC
4. 1997 to date, Ernst & Young LLP

1. Kym M. Hubbard/2. 1957
3. B.A., Accounting, Bradley University, Peoria, IL
4. 2004-2007 Illinois State Board of Investment, 2007-2008 Illinois Finance Authority, 2008 to date, Ernst & Young LLP

1. Robert J. Porter/2. 1964
3. B.S., Siena College, Loudonville, NY
4. 1998 to date, Ernst & Young LLP

1. Greg Rosica/2. 1964
3. University of Florida, Gainesville, FL, BS Accounting with Honors 1986; University of Florida, Gainesville, FL, MS Accounting 1988
4. 2002 to date, Ernst & Young LLP; 1988 to 2002 Arthur Andersen LLP

1. James G. Wolf/2. 1955
3. University of Notre Dame, South Bend, IN, BBA Finance; University Of Texas, Austin, TX, MBA
4. 1985 to date, Ernst & Young LLP

1. David E. Boyle / 2. 1955
3. B.S., Georgetown University, 1977; The University of Michigan, MBA, 1979
4. November 1988 to date, Ernst & Young LLP

## MyFRS Financial Guidance Line Financial Planner Callback Request

---

If you would like to have an Ernst & Young financial planner call you, please fill out the following information and return it to the workshop presenter:

Name \_\_\_\_\_

Date of Birth \_\_\_\_\_

Phone# \_\_\_\_\_ Best time to call \_\_\_\_\_

Topic(s) you are interested in discussing:

---

---

---

---

---

---

---

---

---

---

The *MyFRS Financial Guidance Line* is open from 9:00am to 8:00pm ET, Monday through Friday, (except holidays). You can reach a planner at **1-866-446-9377**.

## MyFRS Financial Guidance Line Financial Planner Callback Request

---

If you would like to have an Ernst & Young financial planner call you, please fill out the following information and return it to the workshop presenter:

Name \_\_\_\_\_

Date of Birth \_\_\_\_\_

Phone# \_\_\_\_\_ Best time to call \_\_\_\_\_

Topic(s) you are interested in discussing:

---

---

---

---

---

---

---

---

---

---

The *MyFRS Financial Guidance Line* is open from 9:00am to 8:00pm ET, Monday through Friday, (except holidays). You can reach a planner at **1-866-446-9377**.