The Actuarial Foundation®
20 Years of Excellence 1994-2014
Preparing for Tomorrow's Possibilities *through Education*

Actuaries and Public Outreach

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Mission and Vision

To develop, fund and execute education, scholarship and research programs that serve the public and the profession by harnessing the talents and resources of actuaries.

* * *

An educated public in pursuit of a secure financial future.

Program Areas

- Youth Education
- Consumer Financial Education
- Scholarships & Reimbursement Programs
- Research, Awards & Prizes

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Why Youth Education?

- U.S. students don't have math skills
- Many schools don't have resources to teach what students need to know
- U.S ranks 26th among industrialized countries

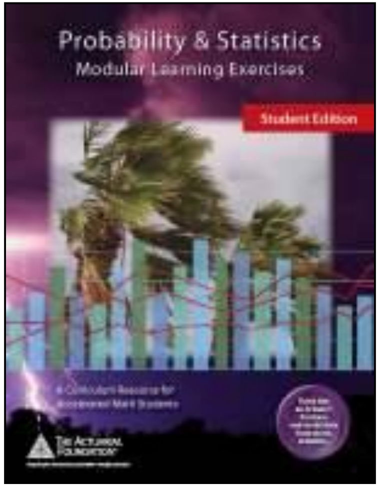


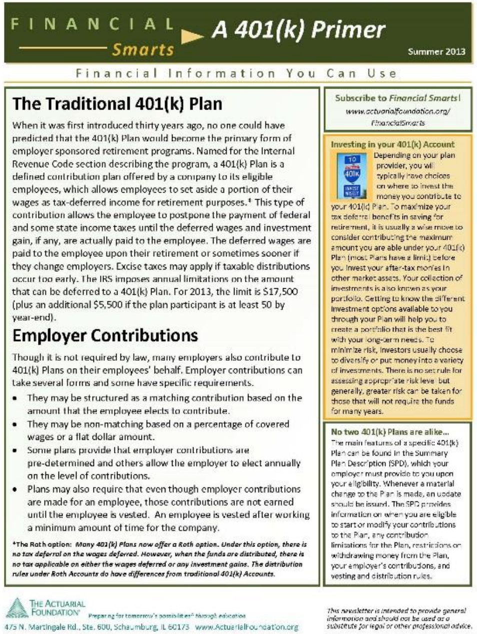

Why Consumer Financial Education?

- Financial decisions have serious impact
- Adult financial literacy is poor
  - 33% don't pay bills on time
  - $2.5B lost annually in scams
  - 39% don't pay credit cards in full each month

How Actuaries Help Through The Foundation

- Content Experts
- Reviewers
- Presenters
- Writers
- Mentors





FINANCIAL Smarts ▶ *A 401(k) Primer*

Summer 2013

Financial Information You Can Use

The Traditional 401(k) Plan

When it was first introduced thirty years ago, no one could have predicted that the 401(k) Plan would become the primary form of employer sponsored retirement programs. Named for the Internal Revenue Code section describing the program, a 401(k) Plan is a defined contribution plan offered by a company to its eligible employees, which allows employees to set aside a portion of their wages as tax-deferred income for retirement purposes.* This type of contribution allows the employee to postpone the payment of federal and some state income taxes until the deferred wages and investment gain, if any, are actually paid to the employee. The deferred wages are paid to the employee upon their retirement or sometimes sooner if they change employers. Excise taxes may apply if taxable distributions occur too early. The IRS imposes annual limitations on the amount that can be deferred to a 401(k) Plan. For 2013, the limit is $17,500 (plus an additional $5,500 if the plan participant is at least 50 by year-end).

Employer Contributions

Though it is not required by law, many employers also contribute to 401(k) Plans on their employees' behalf. Employer contributions can take several forms and some have specific requirements.

- They may be structured as a matching contribution based on the amount that the employee elects to contribute.
- They may be non-matching based on a percentage of covered wages or a flat dollar amount.
- Some plans provide that employer contributions are pre-determined and others allow the employer to elect annually on the level of contributions.
- Plans may also require that even though employer contributions are made for an employee, those contributions are not earned until the employee is vested. An employee is vested after working a minimum amount of time for the company.

***The Roth option:** *Many 401(k) Plans now offer a Roth option. Under this option, there is no tax deferral on the wages deferred. However, when the funds are distributed, there is no tax applicable on either the wages deferred or any investment gains. The distribution rules under Roth Accounts do have differences from traditional 401(k) Accounts.*

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Investing in your 401(k) Account

Depending on your plan provider, you will typically have choices on where to invest the money you contribute to your 401(k) Plan. To maximize your tax deferral benefits in saving for retirement, it is usually a wise move to consider contributing the maximum amount you are able under your 401(k) Plan (most Plans have a limit) before you invest your after-tax monies in other market assets. Your collection of investments is also known as your portfolio. Getting to know the different investment options available to you through your Plan will help you to create a portfolio that is the best fit with your long-term needs. To minimize risk, investors usually choose to diversify or put money into a variety of investments. There is no set rule for assessing appropriate risk level but generally, greater risk can be taken for those that will not require the funds for many years.

No two 401(k) Plans are alike...

The main features of a specific 401(k) Plan can be found in the Summary Plan Description (SPD), which your employer must provide to you upon your eligibility. Whenever a material change to the Plan is made, an update should be issued. The SPD provides information on when you are eligible to start or modify your contributions to the Plan, any contribution limitations for the Plan, restrictions on withdrawing money from the Plan, your employer's contributions, and vesting and distribution rules.

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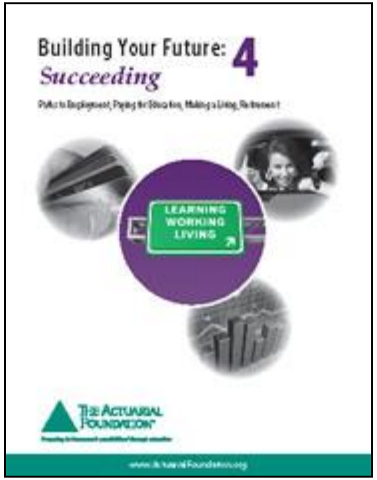
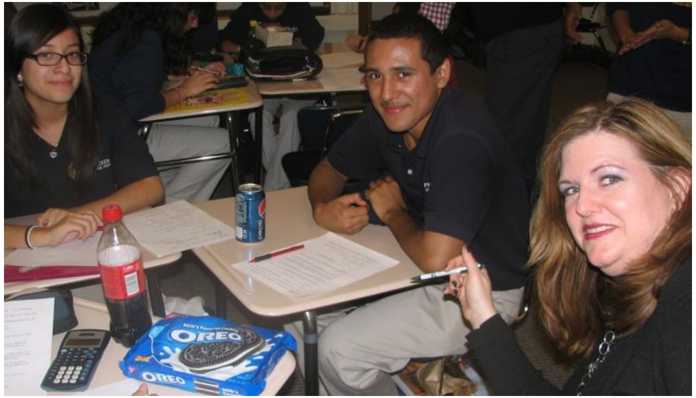
This newsletter is intended to provide general information and should not be used as a substitute for legal or other professional advice.



Advancing Student Achievement

- Actuaries serve as math mentors to students
- 66 *ASA* programs implemented in schools nationwide



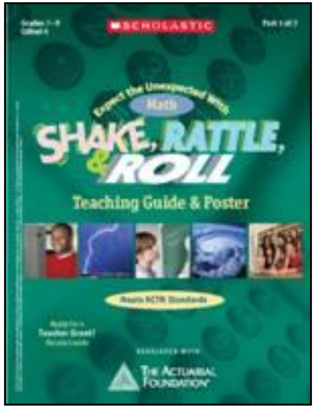
20 Years of Excellence 1994-2014

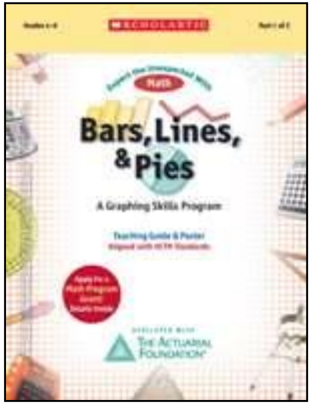
THE ACTUARIAL FOUNDATION®

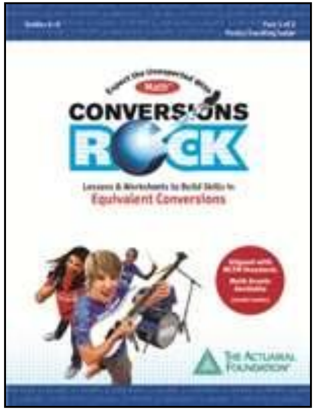
Preparing for Tomorrow's Possibilities *through* Education

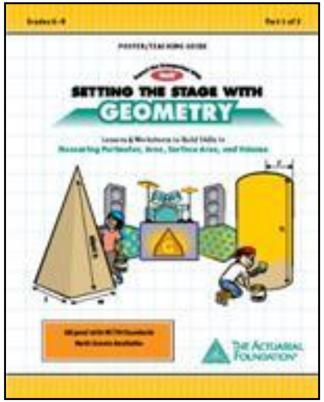
Expect the Unexpected with Math®

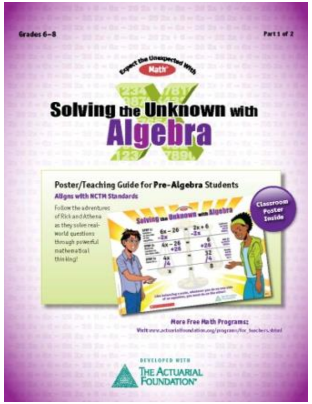
A strategic partnership has helped with the distribution of materials to teachers and schools nationwide

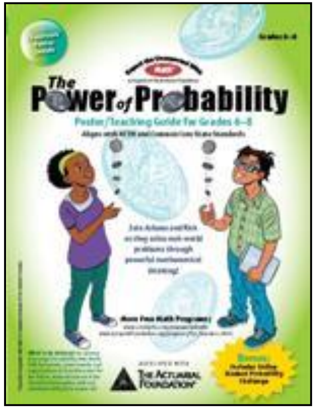


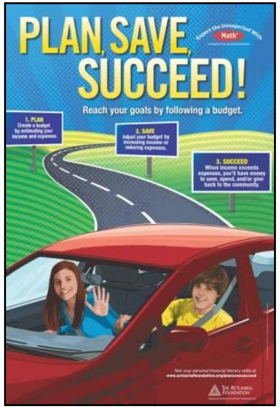


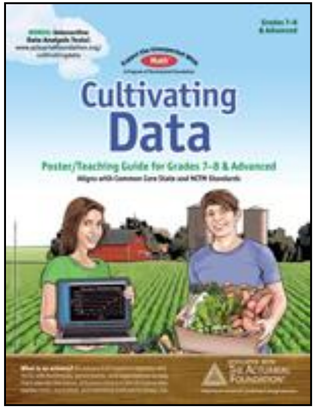








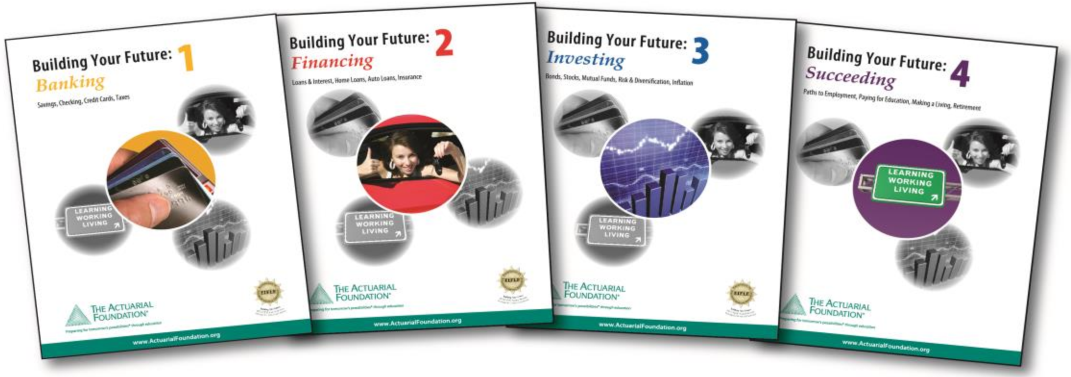




Building Your Future

Excellence In Financial Literacy Education
EIFLE™

Building Your Future
2010 EIFLE Award Winner
Institute for Financial Literacy



"I found these books easy to use and full of useful information for my students. I am confident that students this year and in years to come will greatly benefit from the information and activities in these books."
-Business and Technology Teacher, Maine

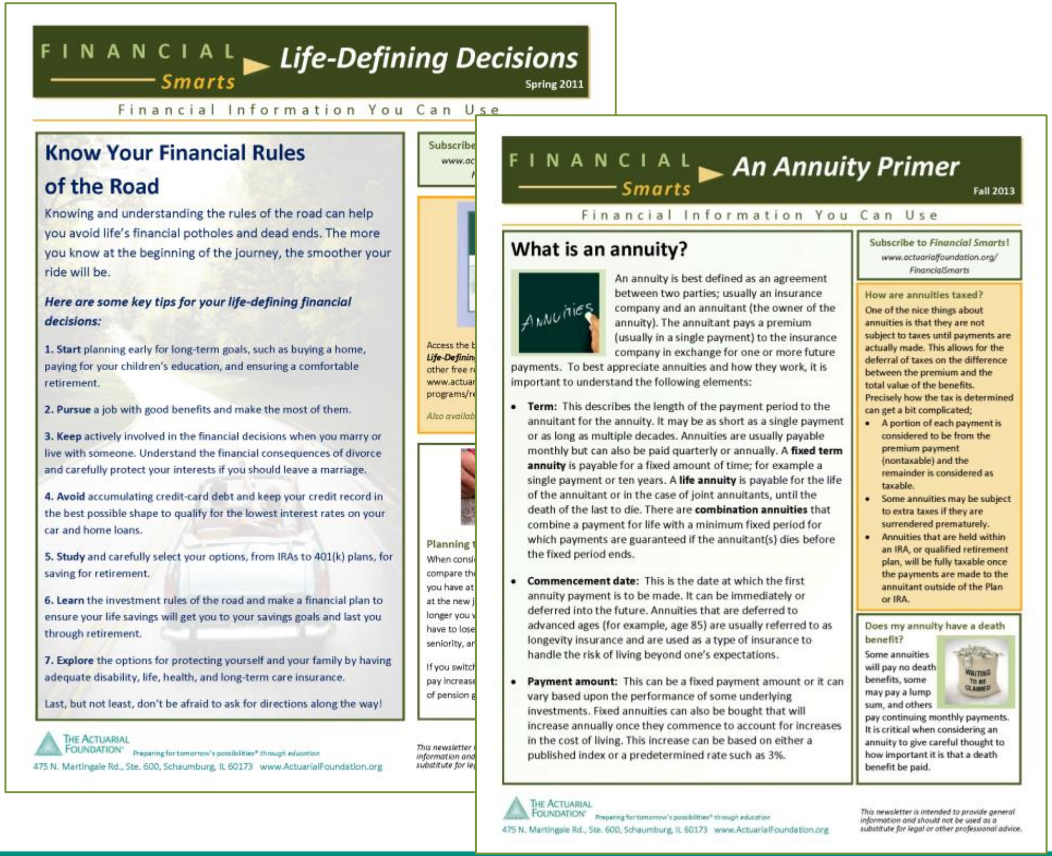
Mentoring

Actuaries mentor young students in the classroom or mentor college students

Igniting students' excitement about math through volunteerism

Consumer Financial Education Outreach

- *Financial Smarts* quarterly newsletter written by actuaries on topics requested by consumers
- Actuaries share *Financial Smarts* with local libraries


FINANCIAL Smarts
Life-Defining Decisions
Spring 2011
Financial Information You Can Use

Know Your Financial Rules of the Road

Knowing and understanding the rules of the road can help you avoid life's financial potholes and dead ends. The more you know at the beginning of the journey, the smoother your ride will be.

Here are some key tips for your life-defining financial decisions:

1. **Start** planning early for long-term goals, such as buying a home, paying for your children's education, and ensuring a comfortable retirement.
2. **Pursue** a job with good benefits and make the most of them.
3. **Keep** actively involved in the financial decisions when you marry or live with someone. Understand the financial consequences of divorce and carefully protect your interests if you should leave a marriage.
4. **Avoid** accumulating credit-card debt and keep your credit record in the best possible shape to qualify for the lowest interest rates on your car and home loans.
5. **Study** and carefully select your options, from IRAs to 401(k) plans, for saving for retirement.
6. **Learn** the investment rules of the road and make a financial plan to ensure your life savings will get you to your savings goals and last you through retirement.
7. **Explore** the options for protecting yourself and your family by having adequate disability, life, health, and long-term care insurance.

Last, but not least, don't be afraid to ask for directions along the way!

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FINANCIAL Smarts
An Annuity Primer
Fall 2013
Financial Information You Can Use

What is an annuity?

An annuity is best defined as an agreement between two parties; usually an insurance company and an annuitant (the owner of the annuity). The annuitant pays a premium (usually in a single payment) to the insurance company in exchange for one or more future payments. To best appreciate annuities and how they work, it is important to understand the following elements:

- **Term:** This describes the length of the payment period to the annuitant for the annuity. It may be as short as a single payment or as long as multiple decades. Annuities are usually payable monthly but can also be paid quarterly or annually. A **fixed term annuity** is payable for a fixed amount of time; for example a single payment or ten years. A **life annuity** is payable for the life of the annuitant or in the case of joint annuitants, until the death of the last to die. There are **combination annuities** that combine a payment for life with a minimum fixed period for which payments are guaranteed if the annuitant(s) dies before the fixed period ends.
- **Commencement date:** This is the date at which the first annuity payment is to be made. It can be immediately or deferred into the future. Annuities that are deferred to advanced ages (for example, age 85) are usually referred to as longevity insurance and are used as a type of insurance to handle the risk of living beyond one's expectations.
- **Payment amount:** This can be a fixed payment amount or it can vary based upon the performance of some underlying investments. Fixed annuities can also be bought that will increase annually once they commence to account for increases in the cost of living. This increase can be based on either a published index or a predetermined rate such as 3%.

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How are annuities taxed?
One of the nice things about annuities is that they are not subject to taxes until payments are actually made. This allows for the deferral of taxes on the difference between the premium and the total value of the benefits. Precisely how the tax is determined can get a bit complicated;
- A portion of each payment is considered to be from the premium payment (nontaxable) and the remainder is considered as taxable.
- Some annuities may be subject to extra taxes if they are surrendered prematurely.
- Annuities that are held within an IRA, or qualified retirement plan, will be fully taxable once the payments are made to the annuitant outside of the Plan or IRA.

Does my annuity have a death benefit?
Some annuities will pay no death benefits, some may pay a lump sum, and others pay continuing monthly payments. It is critical when considering an annuity to give careful thought to how important it is that a death benefit be paid.

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Thank You

Questions?