

FACTORS TO CONSIDER BEFORE PURCHASING A TAX-SHELTERED ANNUITY

➤ **REASONS TO PARTICIPATE IN TAX SHELTER ANNUITY (TSA) PLANS**

- ▶ **Pre-tax contributions.** If you participate in a tax-deferred plan, your contributions are deducted from your pay before tax withholdings. This enables you to reduce your current taxable income while you save for retirement.
- ▶ **Tax-deferred growth.** Taxes on all interest and earnings are deferred until withdrawal or annuity payments begin, usually at retirement. Prior to age 59 ½, a 10% penalty is applied towards early fund distributions.

➤ **ELECTIVE DEFERRAL LIMITATIONS**

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) added a number of provisions that enhance the benefits employees could receive from retirement and tax-deferred annuity plans as follows:

1. The elective deferral limit for this calendar year can be found at our main TSA website at: <http://www.mdc.edu/hr/Benefits/TSA/>
2. **“CATCH-UP” for plan participants age 50+ -** the dollar limitation for catch-up contributions for individuals over age 50 is \$5,500, for additional information please visit: <http://www.mdc.edu/hr/Benefits/TSA/>. Proof of birth is required (e.g. copy of driver’s license or birth certificate.)
3. In addition, a **special “Catch-Up”** provision allows employees who have been working full-time for the College for 15 years or more to participate in the 15-year rule calculation (catch-up), allowing employees to contribute up to an additional **\$3,000** per year, up to a maximum lifetime contribution of **\$17,000**. **Please contact your financial advisor to ensure that you are eligible to take advantage of this tax-deferred opportunity.**

➤ **ENROLLMENT MADE SIMPLE**

1. New employees can elect to enroll in a TSA plan upon their date of hire. Individuals interested in enrolling in a TSA account can visit our website at: <http://www.mdc.edu/hr/Benefits/TSA/>.
2. Click on MDC <http://www.mdc.edu/hr/OnlineForms/Benefits/TSAForm.pdf> for the FT enrollment form. The list of TSA providers is at: http://www.mdc.edu/hr/Benefits/TSA/TSA_Provider_List.pdf
3. Contact a TSA provider and complete an enrollment contract with the company.
4. Complete the TSA form and forward the original along with a copy of the TSA enrollment contract (#2) to the attention of Denise Diaz, Human Resources, KC Room 1010, within (30) thirty days of your hire date. Remember to send one form for each TSA account and keep a copy for your records. Forms received after the (30) thirty-day waiting period will be processed on the next enrollment quarter. Listed below is the schedule for the enrollment quarter deadline dates:

	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>
<i>Effective Date:</i>	<i>First paycheck of January</i>	<i>First paycheck of April</i>	<i>First paycheck of July</i>	<i>First paycheck of October</i>
<i>Enrollment Forms Due date:</i>	<i>December 1</i>	<i>March 1</i>	<i>June 1</i>	<i>September 1</i>

ALTHOUGH THE COLLEGE CONTINUES TO MONITOR TAX SHELTER ANNUITY DEDUCTIONS, IT IS THE RESPONSIBILITY OF EACH PARTICIPATING EMPLOYEE TO ENSURE THAT HE/SHE DOES NOT EXCEED THE IRS MAXIMUM CONTRIBUTION LIMITATIONS FOR TAX SHELTER ANNUITY PLANS.

The TSA deduction amounts appear in each check stub under deduction code TSA. For more IRS guidelines information, contact your Tax Shelter Plan Agent.

Participants who have established salary reduction agreements with other institutions, such as a 403(b) arrangement, a SIMPLE plan, or 401(k) plan must ensure that he/she does not exceed the limit in effect for the year under (i) Internal Revenue Code (“Code”) Section 402(g)(1) or 402(g)(7), if applicable, and (ii) Code Section 414(v), if applicable. Additional information is available at <http://www.irs.gov/retirement/index.html>

Should you have any questions regarding Tax Shelter Annuities, please feel free to contact Denise Diaz at ext. 7-0361, or e-mail ddiaz@mdc.edu