

Retirement Plan For Flight Attendants Of Aloha Airlines, Inc.



“Understanding Your Distribution Options”

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Agenda

- ✓ **Understanding Your Distribution Options**
- ✓ **Retirement Factors & Considerations**
- ✓ **Review of Fidelity NAV Rollover Option**
- ✓ **Review of Distribution Forms**
- ✓ **Wrap up - Q & A**



Distribution Options

- 1. Take a lump sum distribution**
- 2. Rollover to a new retirement plan**
- 3. Rollover to an IRA**
- 4. Combination rollover and direct distribution**
- 5. Various Annuity Options**

Take a Lump Sum Distribution

★ Pros:

- Immediate availability of net proceeds from distribution

★ Cons:

- Entire amount is subject to income tax
- 20% mandatory withholding
- 10% early withdrawal penalty if you are $<59\frac{1}{2}$ in most cases (some exceptions exist)
- Possible loss of favorable state tax treatment*
- Loss of future growth of assets to fund retirement
- Overall taxes and penalties could be as much as 40% or more of gross distribution amount depending on your individual tax situation

Take a Lump Sum Distribution

Example: 50 year old participant with \$50,000 balance

- ★ $\$50,000 \times 20\%$ withholding = \$10,000
- ★ $\$50,000 \times 10\%$ early withdrawal penalty = \$5,000
- ★ Total = \$35,000
- ★ **IMPORTANT**: If you are in a tax bracket that is >20% you will probably pay more taxes at the end of the year. Total of taxes and penalties can be as much as 40% or more of your total gross distribution depending on your individual tax situation.



Exceptions To 10% Penalty Tax

- ★ Made as part of a series of substantially equal periodic payments for the life expectancy of you and your designated beneficiary
- ★ Made because you are totally and permanently disabled
- ★ Made on or after the death of the plan participant
- ★ Made after separation from service in or after the year you reach age 55
- ★ To the extent you have deductible medical expenses (medical expenses that exceed 7.5% of your adjusted gross income), whether or not you itemize your deductions for the year.



Rollover to a New Retirement Plan

Pros:

- ★ Same investment options as your new contributions
- ★ Tax-deferral continues, no immediate taxes or penalties
- ★ Continued asset growth to fund retirement
- ★ Availability of loans (if plan allows)
- ★ Consolidation/coordination of retirement assets

Cons:

- ★ Limited Investment options
- ★ Limited control over distributions (timing/access)



Rollover to an IRA

Pros:

- ★ Continued taxed deferral, no immediate taxes or penalties
- ★ Wide range of available investment options
- ★ Greater control
- ★ Easily accessible
- ★ Continued asset growth to fund retirement

Cons:

- ★ Funds are not received immediately (can be subsequently withdrawn at any time but investment product withdrawal restrictions could exist depending on investment vehicle utilized within IRA)
- ★ No loan availability



Annuity Options*

- **Life Annuity** – provides monthly payments to you for your lifetime only.
- **Life Annuity with Payments for a Period Certain** – provides monthly payment for your lifetime, but if you die prior receiving 60, 120, or 180 payments (as elected), payments will continue to your beneficiary for the designated period, but in no event shall the guaranteed payments exceed your life expectancy.
- **Life Annuity with Social Security Adjustments** – provides monthly payments for your lifetime, however, payments will decrease once, at a date and by an amount that you specify. It is intended that the date and amount of reduction will be estimated so that you receive level income when estimated Social Security benefits and your monthly payments are combined.



Annuity Options*

- **Joint & Survivor** – provides monthly payment for your lifetime and after your death, to your surviving spouse for the remainder of his/her lifetime. Spouse's payment may be 50%, 66-2/3%, 75%, or 100% (as elected) of the payment you were receiving before your death.
- **Annuity Certain** – provides monthly payment for a specified period of time. If you die before the specified number of payments have been made, payments will continue to your beneficiary until the total designated number of payments have been made. In no event shall the payment period exceed your life expectancy at the time of your election.
- **Cash Refund Annuity** – provides monthly payments for your lifetime only, however, if at the time of your death, the sum of your monthly payments made under the annuity is less than the value of the annuity at benefit commencement date, the difference is paid to your beneficiary.



Annuity Options*

Pros:

- * Predictable monthly income.
- * Depending on option, lifetime payments regardless of how long you live.
- * Depending on option, lifetime payments can continue to your spouse regardless of how long he/she lives.
- * Depending on option, ability to determine what portion of your monthly payment will continue to your spouse after your death.

Cons:

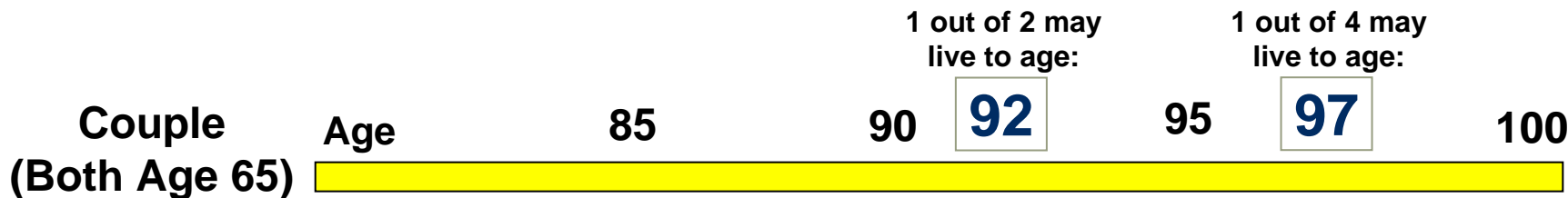
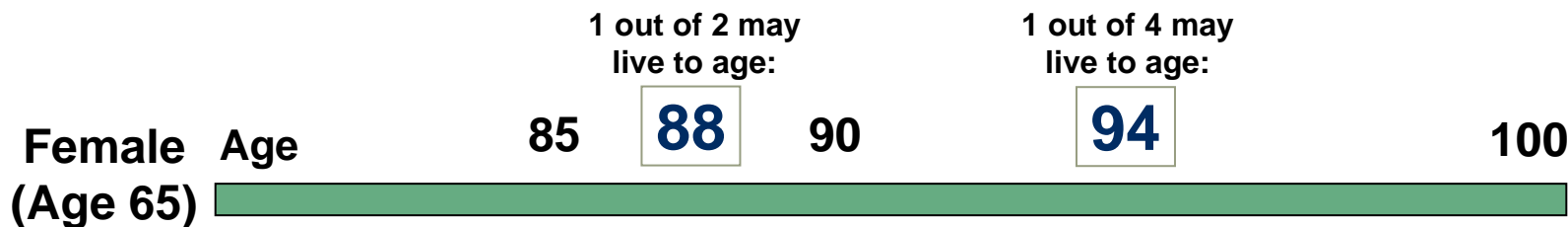
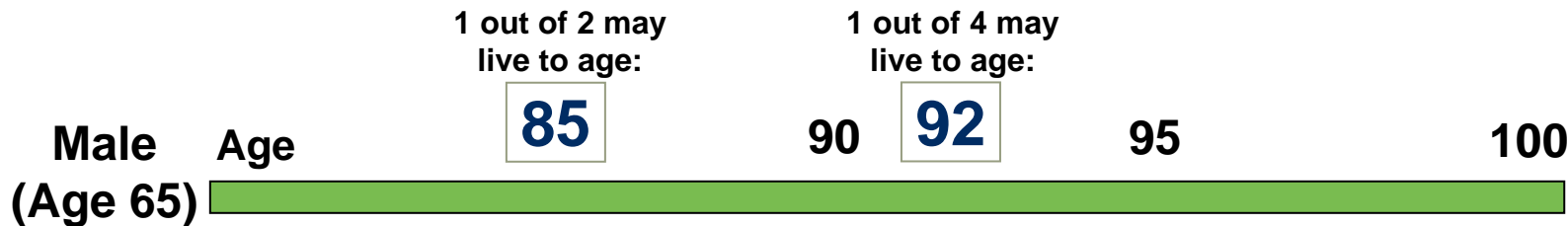
- * Inability to access your remaining payments, loss of access to principal.
- * You no longer have a balance available to increase through investment growth.
- * Possibility that monthly payments will not keep up with the cost of living/inflation.
- * Once elected, your annuity option cannot be changed.
- * Monthly payment based not just on mortality factors, but interest rates in effect at time of annuity purchase date.



Important Factors to Consider for Retirement

- * Longevity
- * Social Security
- * Rising Health Care Costs
- * Inflation
- * Taxes
- * Asset Allocation
- * So how much do I really need?

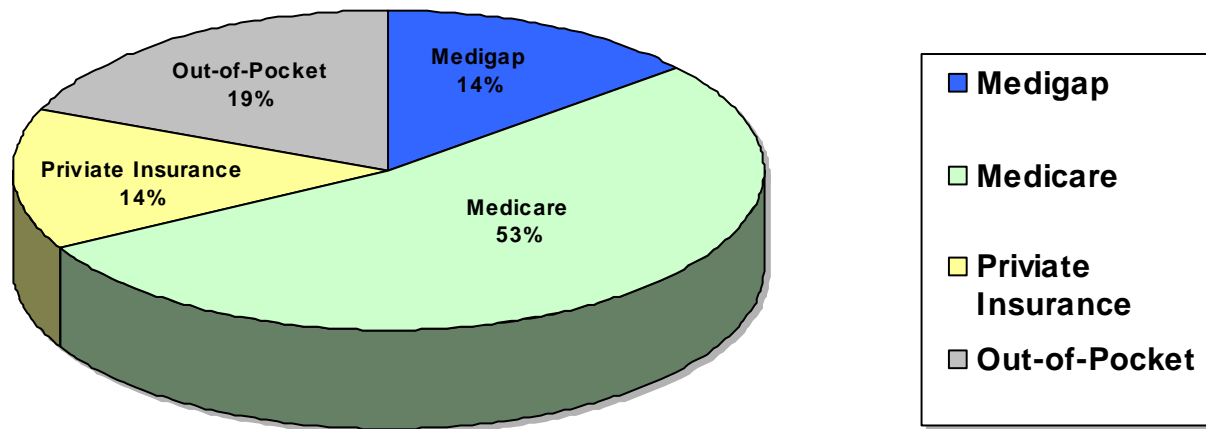
You May Need Income for 30+ Years



Health Care Costs are Rising

Fact: A 65 year old retiree would need to save between \$47,000 and \$1,458,000 to cover medical expenses throughout retirement.¹

Sources of Coverage for Retiree Health Costs



Only 12% of private employers will offer their employees health care during retirement.²

Source- 1-2 Employee Benefit Research Institute® Issue Brief Number 254 • February 2003:
Savings Needed to Fund Health Care in Retirement

Set Goals According to What You Plan to Do in Retirement

- * You will need as much as 75% of your pre-retirement income to maintain the same standard of living throughout your retirement.

Pre-Retirement Income	Retirement Income
\$20,000	\$15,000
\$30,000	\$22,500
\$40,000	\$30,000
\$50,000	\$37,500
\$60,000	\$45,000

$$\text{\$22,500} \times 20 \text{ years} = \text{\$450,000}$$

How Much Should You Save?

Assuming:

75% of annual salary for 25 years at 3% inflation.

Salary illustrated is at retirement.

\$25,000 salary



\$35,000 salary



\$45,000 salary



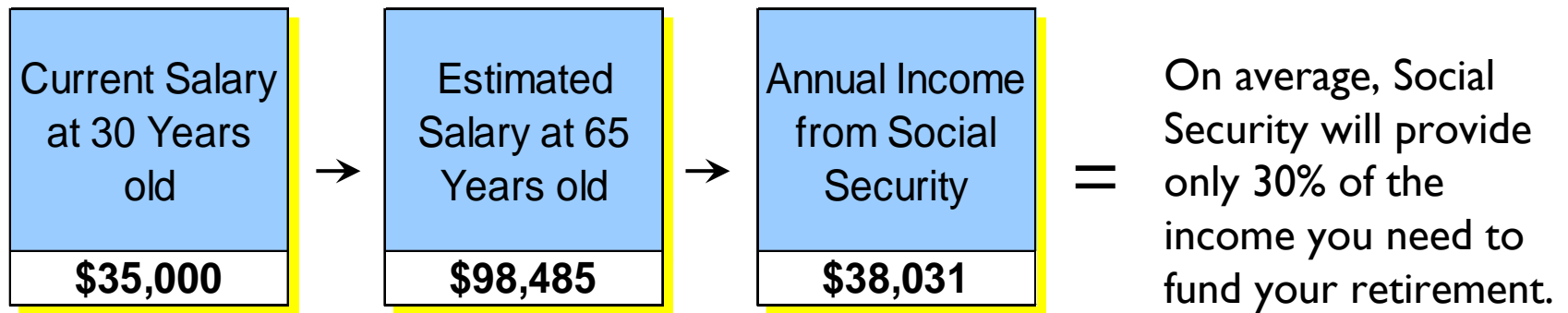
This is a hypothetical example for planning purposes only.

Note: Does not include other sources of retirement savings/income. Does not factor any interest paid on retirement savings.

What about Social Security?

Fact: When Social Security was enacted in 1935, Americans had an average life expectancy of 62. Today it is 76.

Longer life spans have put an enormous strain on retirement resources like Social Security.



Source: www.socialsecurity.gov

Estimated salary is based on annual increments of 3%.

So How Much Will My Social Security Payments Be?

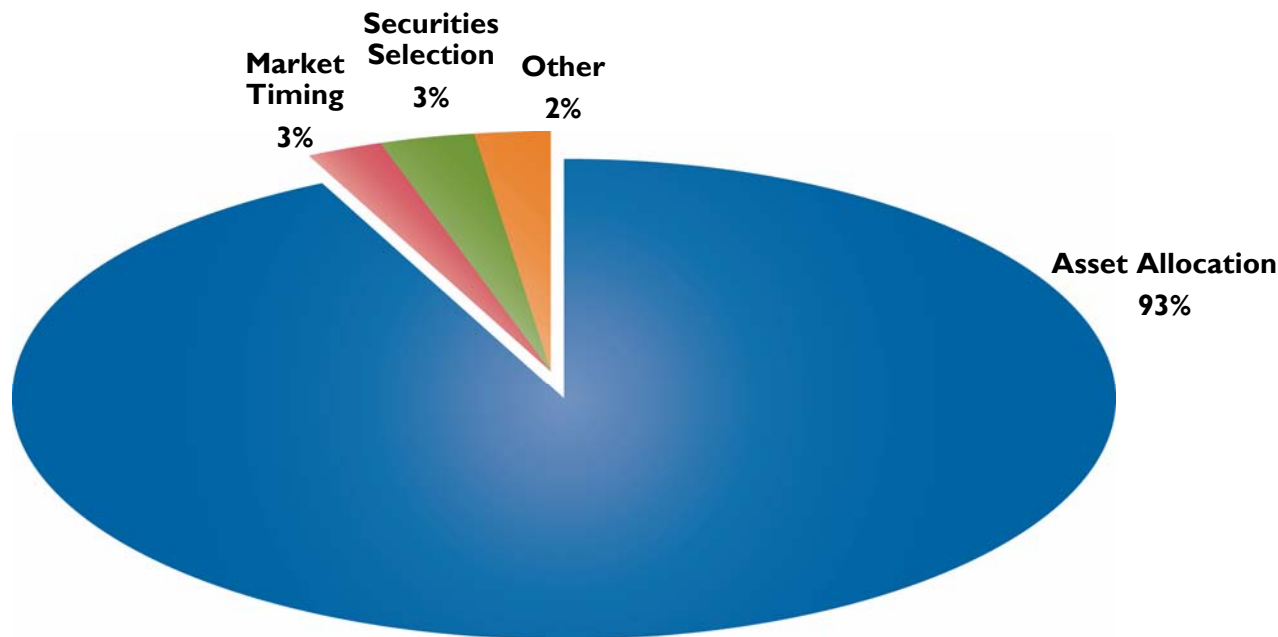
Check out: www.socialsecurity.gov

- * 3 Useful Calculators
 - Retirement Planning
 - Disability Benefits
 - Survivor Benefits



Asset Allocation Accounts for Over 90% of Portfolio Behavior

Asset allocation refers to a portfolio's mix of stocks, bonds and cash



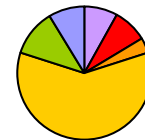
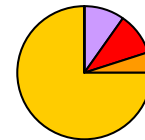
Studies show that more than 90% of portfolio behavior (ups and downs) may be attributable to asset allocation decisions.

Source: Financial Analyst Journal, May/June 1991. Gary P. Brinson, Brian D. Singer, and Gilbert L. Beebower, "Determinants of Portfolio Performance II: An Update."

Arriving at Proper Asset Allocation

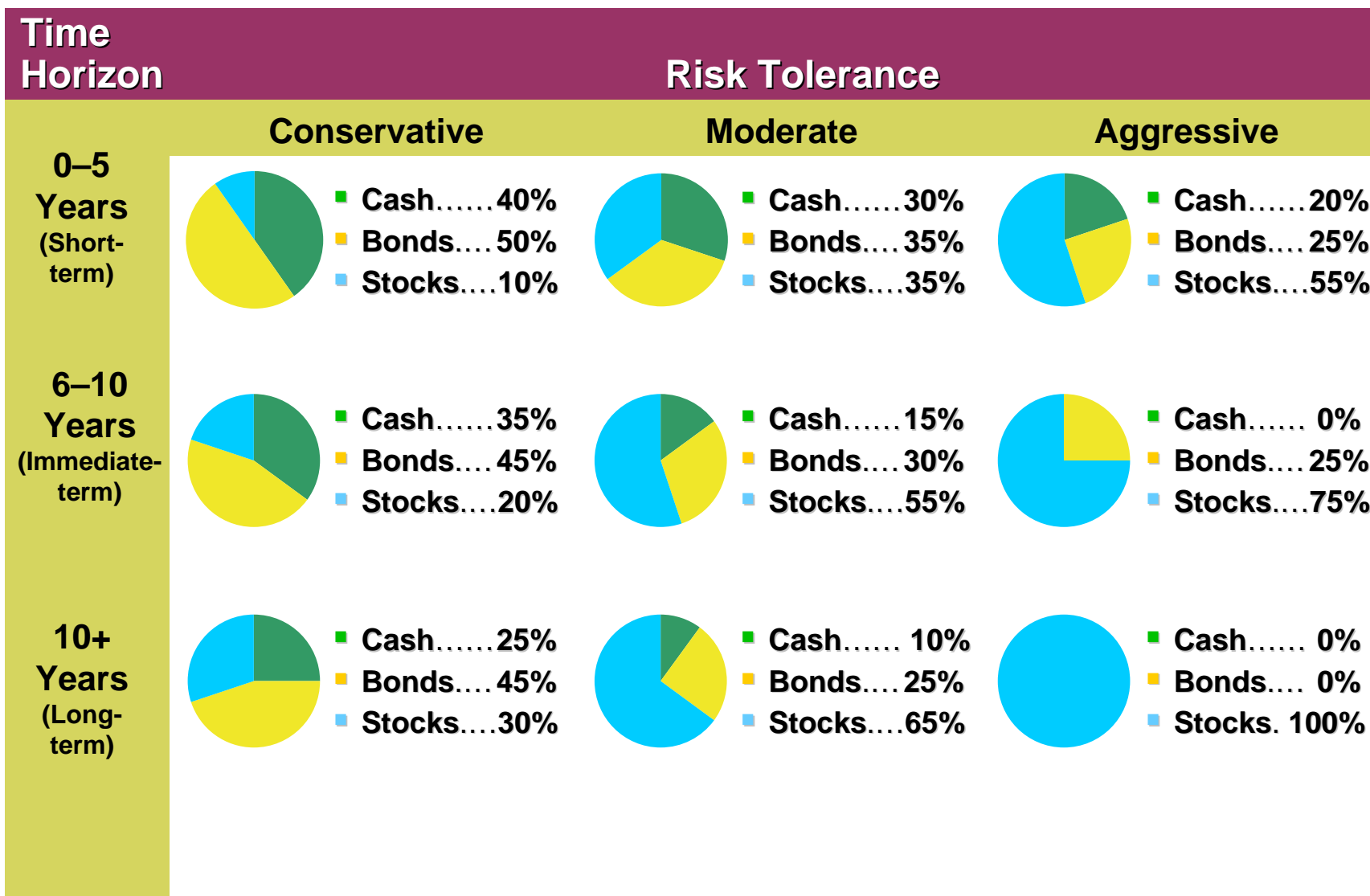
Each investor's allocation will be different, based on:

- * Time horizon
- * Risk tolerance
- * Return Requirements
- * Personal Financial Goals and Needs



Different mixes aim to produce different levels of risk and return

Examples of Different Asset Allocation Strategies



Everyone's Situation Is Unique!

Plan Ahead - Map Your Course

1. Self-Assessment

- * Exam your expenses & resources
- * Look at your current investments

2. Information Gathering

- * Review your Social Security statement
- * Pension projections

3. Goal Setting

- * How do you want to live in retirement?
- * How much will I need?

4. Action Planning

- * Independently
- * Using a financial planner/consultant.





Review of Fidelity NAV Rollover Option



Review of Distribution Forms



Questions & Answers