



## OVERVIEW THE TRACK GROUP 401K PLAN

### HOW CAN MY 401K SERVE ME?

Why should I care about my 401K when I need to worry about my current paycheck and my everyday expenses? Well, since social security is an unknown in the future, employees today take the responsibility for saving for their future. Tax deferred growth can super charge your savings. A 401K plan allows you to put in savings and reduce your taxable income now.

Here is a **hypothetical example** of how a 30 year old employee can reach over \$1.4 million dollars in their 401K plan – by only participating for 7 years and then contributing NO more after that.

The example below assumes that the employee becomes eligible to participate in the company 401K plan when they are 30 years old. They earn \$45,000 and contribute 7% of their salary and the company contributes 7% as well (3% non elective contribution and 4% profit sharing – while this is not a match, to use this calculator, you can enter the company amount as a match). The profit sharing is not guaranteed, but is representative of recent contributions made to employees and may occur again.

After 7 years, the balance is over \$96K assuming a base salary of \$45k, annual return of 11%, and a 3% annual salary increase. (Please note all are hypothetical assumptions for illustration only).

### **FIDELITY HELP – LEARN MORE RETIREMENT GUIDANCE**

[http://personal.fidelity.com/planning/guidance\\_overview.shtml.cvsr?refhp=pr](http://personal.fidelity.com/planning/guidance_overview.shtml.cvsr?refhp=pr)

## Hypothetical 401(k) Balance by Year – For Illustration Only

Age	Your Contributions	Employer Funds	Balance Without Employer Funds	Balance
			\$0	\$0
29	\$4,500	\$3,150	\$4,764	\$8,099
30	\$4,500	\$3,150	\$10,052	\$17,088
31	\$4,500	\$3,150	\$15,921	\$27,066
32	\$4,500	\$3,150	\$22,436	\$38,142
33	\$4,500	\$3,150	\$29,668	\$50,436
34	\$4,500	\$3,150	\$37,696	\$64,083
35	\$4,500	\$3,150	\$46,606	\$79,230
36	\$4,500	\$3,150	\$56,497	\$96,044
37	\$4,500	\$3,150	\$67,475	\$114,708
38	\$4,500	\$3,150	\$79,661	\$135,424
39	\$4,500	\$3,150	\$93,188	\$158,419
40	\$4,500	\$3,150	\$108,202	\$183,944
41	\$4,500	\$3,150	\$124,868	\$212,276
42	\$4,500	\$3,150	\$143,368	\$243,725
43	\$4,500	\$3,150	\$163,902	\$278,633
44	\$4,500	\$3,150	\$186,695	\$317,382
45	\$4,500	\$3,150	\$211,995	\$360,392
46	\$4,500	\$3,150	\$240,079	\$408,134
47	\$4,500	\$3,150	\$271,251	\$461,127
48	\$4,500	\$3,150	\$305,853	\$519,950
49	\$4,500	\$3,150	\$344,260	\$585,243
50	\$4,500	\$3,150	\$386,893	\$657,718
51	\$4,500	\$3,150	\$434,215	\$738,165
52	\$4,500	\$3,150	\$486,742	\$827,462
53	\$4,500	\$3,150	\$545,048	\$926,581
54	\$4,500	\$3,150	\$609,767	\$1,036,604
55	\$4,500	\$3,150	\$681,605	\$1,158,729
56	\$4,500	\$3,150	\$761,346	\$1,294,288
57	\$4,500	\$3,150	\$849,858	\$1,444,758
58	\$4,500	\$3,150	\$948,106	\$1,611,780
59	\$4,500	\$3,150	\$1,057,161	\$1,797,174
60	\$4,500	\$3,150	\$1,178,213	\$2,002,962

It would take 25 years to reach a balance of over 1 million dollars.

**You can run your own assumptions at:**

<http://www.bloomberg.com/invest/calculators/401k.html>

## WHAT IF I QUIT THE PLAN AFTER 7 YEARS?

So, you are not sure you will keep working in your current position for 25 years? Well, let's assume you and the company contribute in this manner for only 7 years. Then, assume you do nothing else – you let your 401K work for you! (Of course, even if you leave the company, you can take your funds with you and roll them over into a new 401K and keep on contributing!).

Let's assume you reach the traditional retirement age of 65 and you remember about all those fun times – 28 years ago when you stopped contributing to your 401K. You wonder what happened to those “future” funds you contributed (only 7% of your salary back then for 7 years)....

**Your account might reach \$1,483,677!**

Starting with \$96,044 and depositing \$0 annually over 25 years (at a rate of return 11% compounded monthly), you will save **\$1,483,677**.

You can run your own assumptions at:

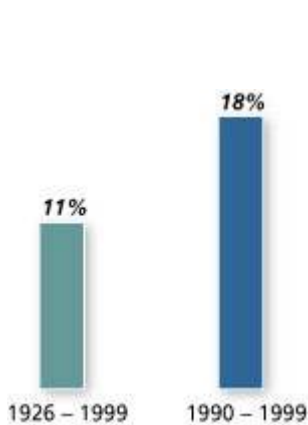
[http://moneycentral.msn.com/Investor/Calcs/N\\_savapp/Main.asp](http://moneycentral.msn.com/Investor/Calcs/N_savapp/Main.asp)

## Is 11% realistic to earn?

No one can predict what the stock market will return, and you would not want to count on 11% or any other number.

All we can do is look at history. For example, the market average from 1926 to 1999 was 11%. Your choices about where you invest in the 401K will impact your returns, as well as the overall market.

### US Stock Market Average Annual Returns Market," 1963-1993



### "Time in the Market" Versus "Timing the



<http://www.finfacts.ie/stockperf.htm>

## COMPONENTS OF THE 401K PLAN:

1. **Employee deferrals** – this represents pre-tax contributions that employees decide to withhold at each paycheck once they are eligible. The maximum withholding amount is 12%.
2. **Company non-elective contribution** – this represents a 3% deposit made to an eligible employee's 401K account. This is not a match, rather, it is money paid directly by the company – even if the employee does not join the plan with employee deferrals. These payments are made in the first quarter of each calendar year and are based on the previous employee's salary for the year. As long as employee became eligible at any point in the previous calendar year, they will receive this payment in the first quarter.
3. **Profit sharing** – when the company elects to pay profit sharing to shareholders, all eligible employees also must receive a share of the profits paid even if the employee does not join the plan with employee deferrals.. The amount can vary, but in the past represented approximately 4% of the employee's annual salary.

## ELIGIBILITY:

Employees become **eligible** to join the company 401K plan after one complete year of service (1,000 hours worked in a year) **AND** at the next enrollment period (currently January 1 and July 1).

### Examples:

Hire date 8/2008 = Eligible date = 1/1/2010

Hire date 12/2008 = Eligible date = 1/1/2010

Employees may join the plan any time after they become **eligible**.

## VESTING:

Employees are vested immediately for all employee deferrals as well as “company non-elective contributions” (the 3% payment). Vesting period for profit sharing is as follows. Employees earn 1 credit for each calendar year where they have worked 1,000 hours.

- 1 credit = 25%
- 2 credits = 50%
- 3 credits = 75%
- 4 credits = 100%

You should request an enrollment packet in the months leading up to your first enrollment opportunity. This packet will explain the various fund options.

- [Enrollment/Registration in 401K plan](#) (please verify you are eligible and you are near an open enrollment period). You can also enroll using paper forms.

## **INVESTING OPTIONS:**

**There are two primary options for investing in the 401K plan:**

### **OPTION 1 – THE DEFAULT – Automatic investment thru Paychex/Fidelity funds:**

- Pro: Easier since funds are automatically purchased every pay period according to your “allocate of future funds” set-up.
- Pro: Can easily move money among the funds listed.
- Con: Limited selection of funds to invest in – all 11 funds are Fidelity branded mutual funds. Paychex determined what funds are available – this decision was not made by Track Group. The funds do span the typical choices – large growth, income, mid, small, bond, cash.
- Overall – good for people who are content with limited fund selection and like automatic maintenance mode.

### **OPTION 2 – SELF DIRECTED ACCOUNT THRU FIDELITY.COM**

- Pro: More fund options – if you choose good funds you may do better.
- Con: More fund options – might choose poor funds/investment options and loose more money.
- Con: Fee of \$100/yr to have account – but, they then waive per transaction fees typically imposed in accounts.
- Con: More work to maintain – not as auto pilot.
- Overall – good for people who like more choice and who don't mind doing a little work to research fund options and then do small maintenance.

In the future, you would have to manually transfer funds from Paychex online to the self directed account. You can not automatically invest in this account. Every time you want to move money from Paychex to Fidelity, you would have to manually request a transfer which would take approx 3 days, and once the funds appear at fidelity.com (your self directed account), you would then purchase funds.

To start the process of a self directed account, you would call Paychex at 877-244-1771 and request to set up a self directed account thru Fidelity. Once the account is set up, Fidelity would mail you paperwork showing your account # and how to access at fidelity.com.

The Fidelity call center phone # is 877-544-0211. They can answer additional questions on the self directed accounts.

## **MANAGING YOUR ACCOUNT:**

Employees can log into their 401K at anytime to check balances, move dollars between mutual fund options (Fidelity funds is the primary provider), change their future fund selection and amount deposited per pay period.

<http://benefits.paychex.com>

## **POST EMPLOYMENT:**

Once an employee is no longer employed with the company, they will receive paperwork from Paychex describing their options and providing paperwork to distribute or roll over their funds.

If the employee does not respond within 120 days, the company will move forward with involuntarily distribution for levels 1 and 2 below. If they are eligible for the 3% company contribution, they will receive the contribution at the beginning of the next calendar year based on the total salary they've earned during the current year (even if they leave prior to the end of the year).

- Level 1: Less than \$1K = A distribution is subject to a 20% withholding tax.
- Level 2: \$1 to \$5K = Employee can roll their funds into an IRA withhold a penalty.
- Level 3: \$5K+ = Employee has the option to keep their existing money in the company's plan; however, they can not contribute new funds to their 401K account.