

# Tap Into Your Financial Future

The Vermont State Teachers  
Retirement System (VSTRS)  
403(b) Program

*A Plan  
for All  
Seasons*



# Great-West Retirement Services®

- A business unit of Great-West Life & Annuity Insurance Company
- Represents more than 3.5 million participants\*
- Chosen by employer to provide administrative, education and communication services
- Provides tools to help you understand and evaluate your financial situation
- Provides information to help you make financial decisions

\* As of December 31, 2007

# Today's Topics



- Key Benefits of Your Program
- Program Features and Highlights
- A Time for Planning
  - What do you want from retirement?
  - Possible sources of retirement income
  - The power of tax-deferred saving and investing
- Your Program's Investment Options

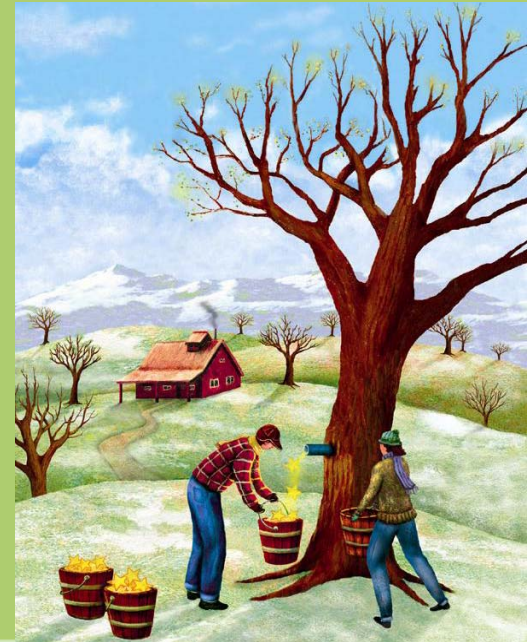
# Key Benefits of Your Plan

## *A Plan for All Seasons*



- Quick and easy enrollment
- Easy, automatic payroll deduction and tax-deferred contributions to the 403(b) Program
- Investment choice
- Convenient account management
- Personal and professional service

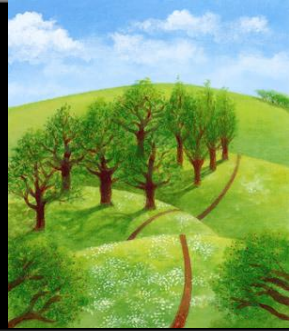
# VSTRS 403(b) Program Features and Highlights



# The Vermont State Teachers Retirement System 403(b) Program

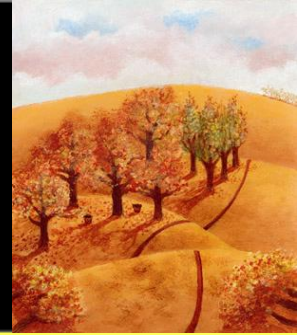
- What is a 403(b) Plan?
  - It's defined by section 403(b) of the Internal Revenue Code
  - It can help you save extra money for retirement
  - You voluntarily set aside some of your income before you pay current income taxes
  - You can contribute the lesser of 100% of your includible compensation or \$16,500 in 2009

# Eligibility and Contributions



- Who is eligible to enroll?
  - All current employees are eligible immediately
- What is the contribution amount?
  - The minimum contribution amount is \$200 per year
  - The maximum is 100% of includible compensation or \$16,500 in 2009, whichever is less

# What Is Catch-Up?



- Age 50+ Catch-Up
  - You may contribute an additional \$5,500 in 2009 if you are or will be age 50 or older during the calendar year

# Rollovers



- You can roll over approved balances **into the Program** from a former employer's:
  - Governmental 457(b) plan
  - 403(b) plan\*
  - 401(k) plan\*
  - 401(a) plan\*
  - Or an Individual Retirement Account (IRA)\*
- If you leave employment, you can **roll your account over** to your new employer's (if allowed):
  - Governmental 457(b) plan
  - 403(b) plan\*
  - 401(k) plan\*
  - 401(a) plan\*
  - Or an IRA\*

\*\*Keep in mind that if you transfer your governmental 457(b) dollars to a 403(b), 401(k), 401(a) or IRA, you may no longer be able to take a withdrawal before age 59½ without possibly incurring the 10% federal tax penalty.

# Withdrawals



- You can withdraw when you:
  - Retire
  - Sever employment\*
  - Suffer an unforeseeable emergency\*
  - Die (your beneficiary(ies) receive your benefits)
  - De minimis withdrawal\*
- Distribution options
  - Lump sum
  - Partial lump sum
  - Periodic payments
  - Transfer to another plan if allowed by the employer or to an IRA

\* As defined by the Internal Revenue Code and/or your Plan's provisions. Withdrawals prior to age 59½ may be subject to a 10% federal tax penalty.

# Income Taxes



- Contributions are deducted before income taxes are calculated, so you pay **less in current income taxes**
- Contributions and any earnings are **taxed as ordinary income** when withdrawn, usually at retirement

# Fees

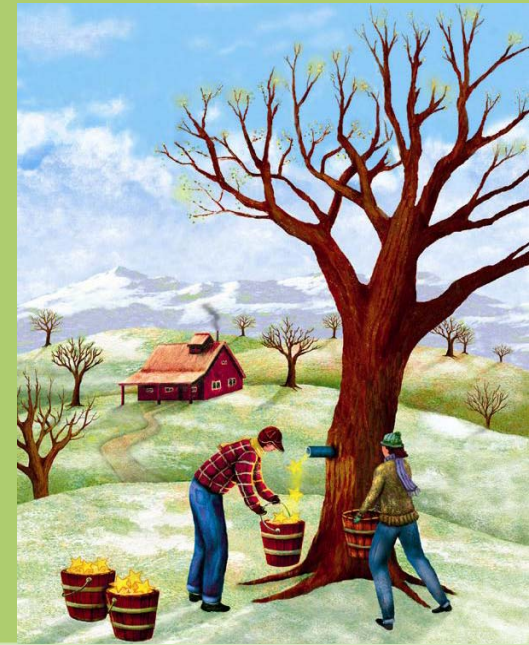


- Great-West Retirement Services fee\* = \$0
- Program fee = 0.15% (\$1.50/year for every \$1,000 in the Program)
- Fees to attend seminars = \$0
- Various investment operating expenses\*\*

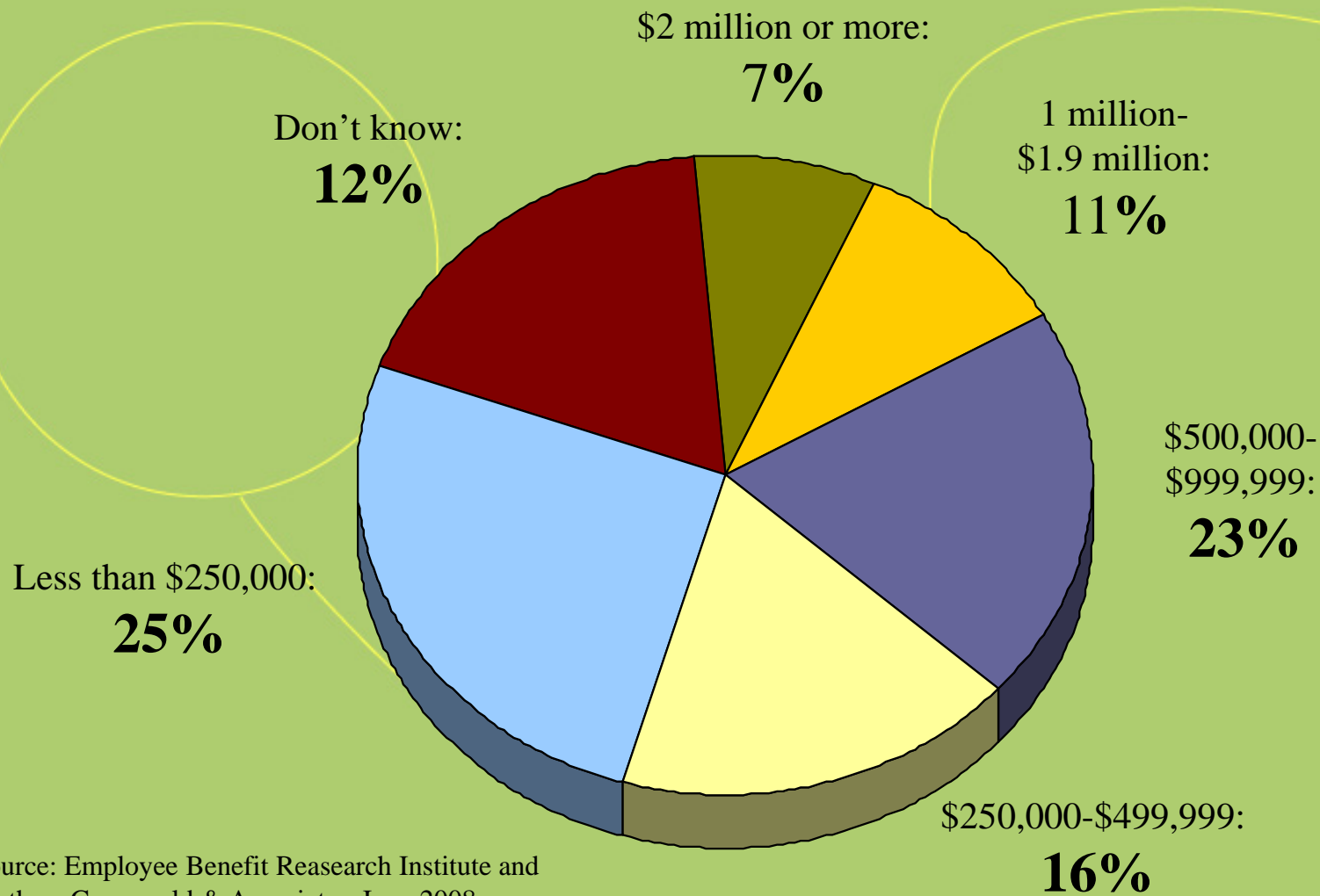
\* GWFS Equities, Inc. or one or more of its affiliates, may receive a fee from the investment option provider for providing certain recordkeeping, distribution and administrative services.

\*\* Each fund has its own fund operating expenses that vary depending on the investment options you select. Funds may impose redemption fees, and/or transfer restrictions, on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.

# A Time for Planning



# Enough Retirement Money?



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008

# Spring Forward



- Where will you be living?
- What will a typical day be like?
- With whom will you be spending time?
- Will you be caring for someone elderly?
- What are your travel plans?
- What new interests/hobbies will you explore?
- What is the most important thing to you about retirement?
- What will be some of your major financial and other obligations?

# Seasons in the Sun



- You may need to replace about 70%-80% of your annual pre-retirement working income
- We're living longer and healthier lives
- Pension plans and Social Security may not be enough

# Pure Vermont



- Don't forget inflation

Item	Average Cost Today	Projected Cost in Burlington, VT in 20 Years
House	\$339,500	\$754,566
Property Tax Rate	\$20/\$1,000 valuation	\$44/\$1,000 valuation
Pure VT Maple Syrup (1 Pint)	\$13.50	\$30
Round of Golf at Green Mountain National (Killington, VT)	\$59-\$89	\$131-\$198
12-Day South Pacific Cruise for 2 Without Airfare	\$6,700	\$14,890
Recreational Vehicle (RV)	\$100,000-\$150,000	\$222,250-\$333,387

Sources: [www.bestplaces.net](http://www.bestplaces.net) (10/2007); [www.sugarbushfarm.com](http://www.sugarbushfarm.com) (11/2008); [www.gmngc.com](http://www.gmngc.com) (11/2008); [www.rssc.com](http://www.rssc.com) (11/2008). Assumes a 4% annual rate of inflation. FOR ILLUSTRATIVE PURPOSES ONLY. Actual inflation rates will vary every year. Source: Great-West Retirement Services, 2008.

# Possible Sources of Retirement Income



- Social Security

44%

Annual Income	Social Security Income Replacement
\$20,000	55%
\$40,000	44%
\$60,000	37%
\$80,000	31%
\$100,000	28%

Source: [www.ssa.gov](http://www.ssa.gov), May 2007. This assumption is based on a current age of 35 and retirement at age 67. Assumes no future increases in prices or earnings.

# Possible Sources of Retirement Income



- Social Security
- Traditional Employer Pension Plans
  - VSTRS pension plan
  - Previous employer's plan

44%

20%

# Possible Sources of Retirement Income



- Social Security
- Traditional Employer Pension Plans
- Personal Savings
  - IRAs
  - Bank accounts/CDs
  - Stocks, bonds, mutual funds

44%

20%

8%

# Possible Sources of Retirement Income



- Social Security
- Traditional Employer Pension Plans
- Personal Savings
- Total % of Expected Income

44%

20%

8%

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72%

# How Much Should You Save?

- It can be overwhelming and frustrating
- A simple “rule of thumb”
  - In your 20s, save 7% of your salary
  - In your 30s, save 10% of your salary
  - In your 40s, save 15% of your salary
  - In your 50s, save 20% of your salary
- The important thing is to start saving as much as you can right now!

# Before-Tax Savings

*Tap into More Money in Your Pocket*

## Julie's Paycheck Comparison\*

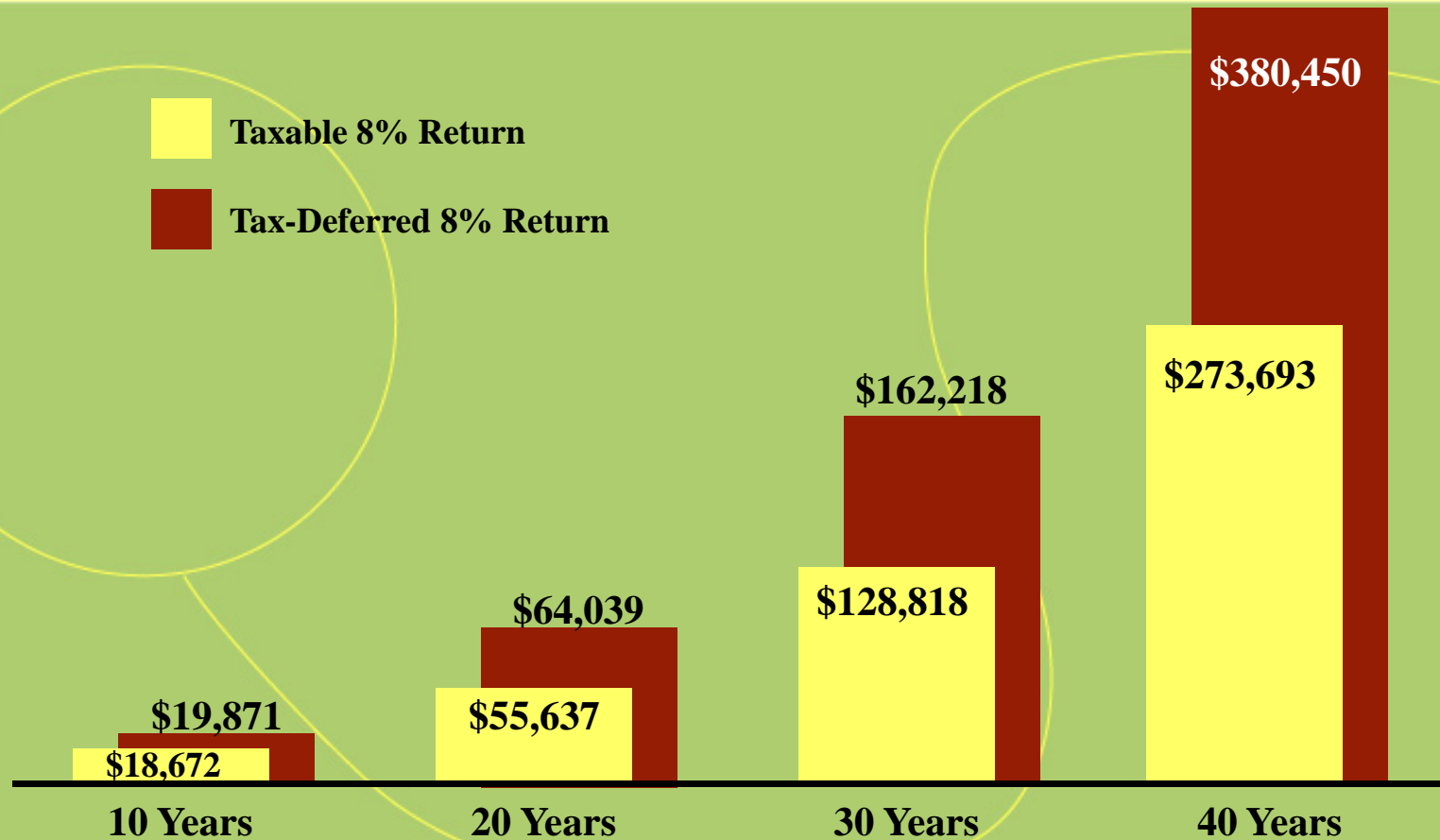
	Saving Before Tax	Saving After Tax
Gross Pay	\$1,200	\$1,200
Less Contributions to Plan (Before Tax)	(50)	(0)
Taxable Pay	\$1,150	\$1,200
Less Estimated Federal Tax Withheld	(172.50)	(180)
Less Estimated VT State Tax Withheld	(80.50)	(84)
Less Contributions to Other Savings (After Tax)	(0)	(50)
Spendable Pay	\$897	\$886
<b>Before-Tax Advantage</b>	<b>\$11</b>	<b>None</b>

By saving before tax in the Program, Julie has **\$11** more to spend (or save!) each paycheck—that's **\$286** a year!

\* Source: Great-West Retirement Services, 2008. This hypothetical illustration assumes a flat federal tax rate of 15%, a state income tax of 7.0% and 26 pay periods per year. It does not take into account Social Security or Medicare taxes.

# Tax-Deferred Compounding

*Tap into Significant Long-Term Growth Potential*



FOR ILLUSTRATIVE PURPOSES ONLY. Assumes a hypothetical 8% annual rate of return (compounded monthly). This hypothetical illustration assumes federal income tax withholding of 15% and 26 pay periods. It does not take into account state income tax or Social Security and Medicare taxes. Withdrawals of tax-deferred accumulations are subject to ordinary income tax. Assumes the taxable account does not hold any investment for more than 12 months. Lower capital gain tax rates may apply if a taxable investment is held for longer than 12 months. These examples do not reflect any applicable fees. If such fees were deducted, the tax-deferred accumulations above would be reduced. These hypothetical illustrations are not intended to represent the actual performance of any particular investment option, nor do they project or predict future investment results. Source: Great-West Retirement Services, 2008.

# Act Now

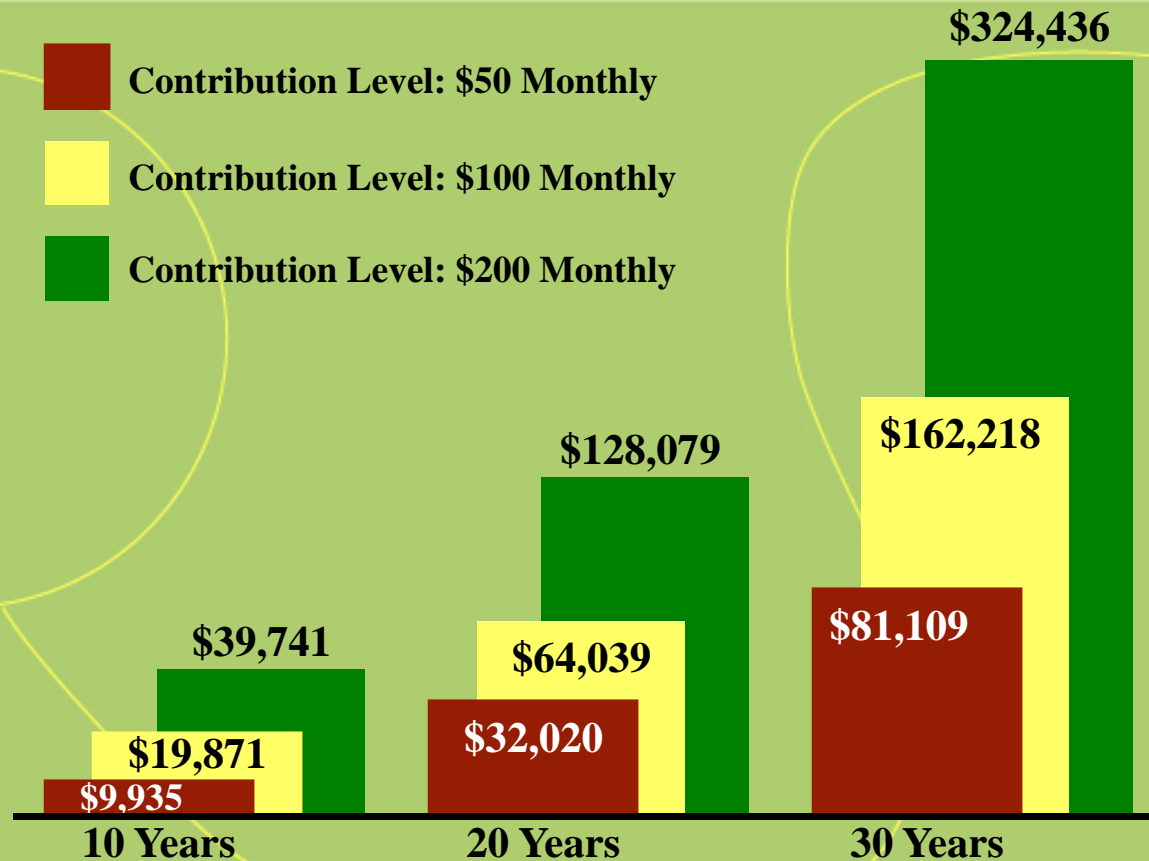
## *Waiting Can Cost You More Than You Think*

Starting at Age	Total Contributions at Age 65	Account Value at Age 65	Cost of Waiting 1 Year*
25	\$52,000	\$380,450	\$30,455
26	\$50,700	\$349,995	
35	\$39,000	\$162,218	\$13,701
36	\$37,700	\$148,517	
45	\$26,000	\$64,039	\$6,164
46	\$24,700	\$57,875	

\* Source: Great-West Retirement Services, 2008. FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes an 8% rate of return, \$50 per pay period contribution, 26 pay periods per year and reinvestment of earnings, with no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulations shown above would be reduced if these fees had been deducted.

# Act Now

*Contributing a Little More Can Mean a Lot\**



\* Source: Great-West Retirement Services: 2008. FOR ILLUSTRATIVE PURPOSES ONLY. It assumes that contributions are made at the end of the pay-period, the effective annual rate of return is 8%, and earnings are reinvested, with no withdrawals. Does not represent the performance of any specific investment option. Does not reflect any charges or fees associated with your Plan. The accumulations illustrated here would be reduced if these fees had been deducted.

# Life in Retirement

*Today's average retired couple spends the following per month:*

Food	\$360
Housing	\$982
Utilities	\$251
Clothing	\$78
Transportation	\$447
Health	\$361
Entertainment/Miscellaneous	\$132
Other Insurance	\$154
Taxes	\$103
<b>TOTAL</b>	<b>\$2,866</b>

# Life in Retirement

## *Pure Vermont*



- Homes cost 56% more than the national average
- Food is 7% more expensive than the national average
- Transportation is 4.1% more expensive than the national average
- Utilities are 51% more expensive than the national average
- Healthcare is 5.1% more expensive than the national average
- Overall, the cost of living is 9.44% higher than the national average

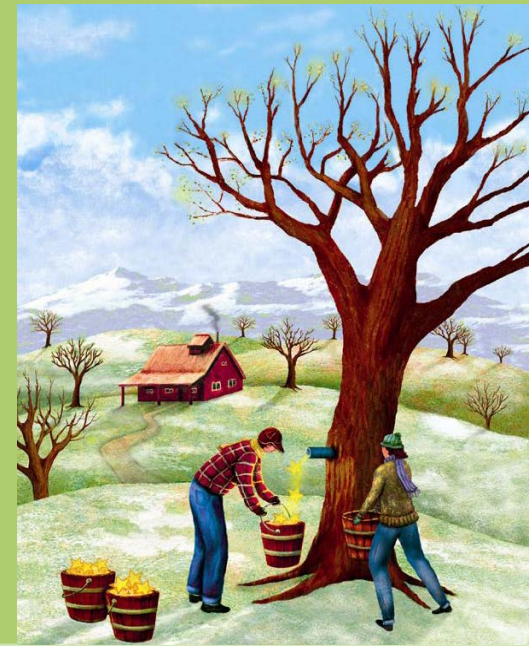
# Small Sacrifices, Big Rewards

## *Focus on the Benefits of Budgeting*

Expense	Give Up How Often?	Monthly Savings*	Value if Invested for 25 Years*
Dinner out	Once a week	\$100	\$95,102
Lunch out	Twice a week	\$50	\$47,551
Coffee and bagel	Twice a week	\$20	\$19,021
Vending machine soda	Once a day	\$12	\$11,412
Movie ticket	Once a month	\$10	\$9,510
Video rental	Once a month	\$6	\$5,706

\*Monthly costs are based on general averages. This illustration is hypothetical and assumes an investment in a tax-deferred retirement account in which you earn an average annual rate of return equivalent to 8%, compounded monthly. This hypothetical example is not based on (or predicting the performance of) any specific investment plan or savings strategy. Source: Great-West Retirement Services, 2008.

# Your Investment Options

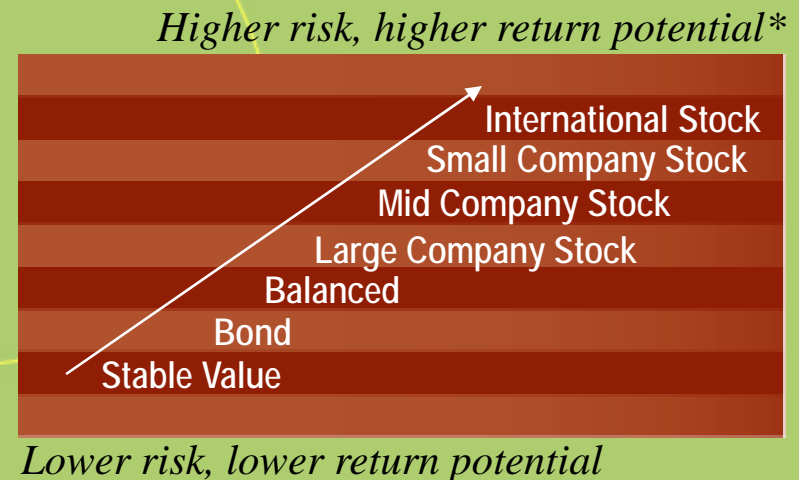


# Prospectus Offer

*Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain mutual fund prospectuses and disclosure documents from your registered representative. Read them carefully before investing.*

# Asset Allocation and Investments

- Choose the right investments
  - Stable Value  
“Cash Equivalents”
  - Bonds  
“Fixed Income”
  - Stocks  
“Equity”



\* FOR ILLUSTRATIVE PURPOSES ONLY. The chart does not predict or guarantee the returns of any given asset class.

# Investment Options: Lifecycle Funds

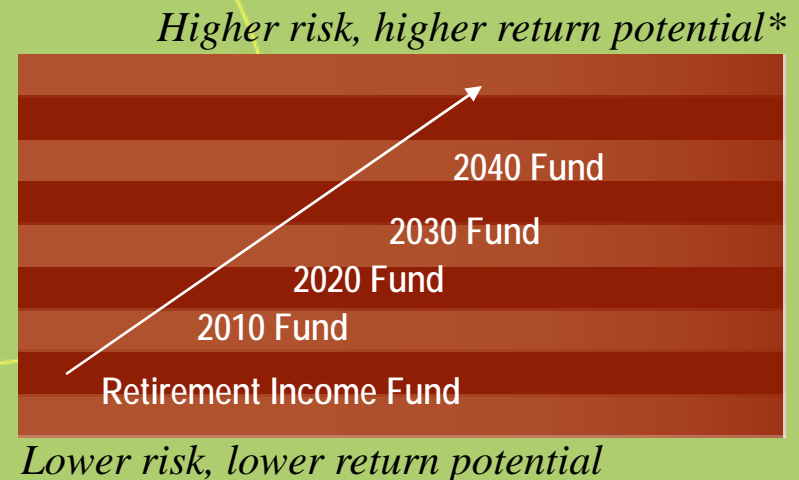


- Designed for those who don't have the time or desire to manage their portfolio
- Ready-made portfolio of stocks and bonds to meet a specific planning goal
- Targeted maturity funds
  - Offered in 10-year increments
  - Pick the year that most closely matches your desired year of retirement

# Investment Options: Lifecycle Funds

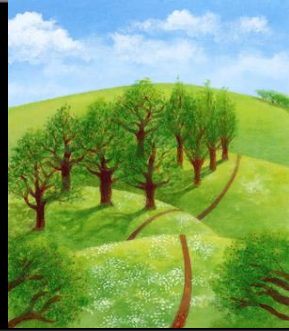


- T. Rowe Price Retirement Income Fund
- T. Rowe Price Retirement 2010 Fund
- T. Rowe Price Retirement 2020 Fund
- T. Rowe Price Retirement 2030 Fund
- T. Rowe Price Retirement 2040 Fund



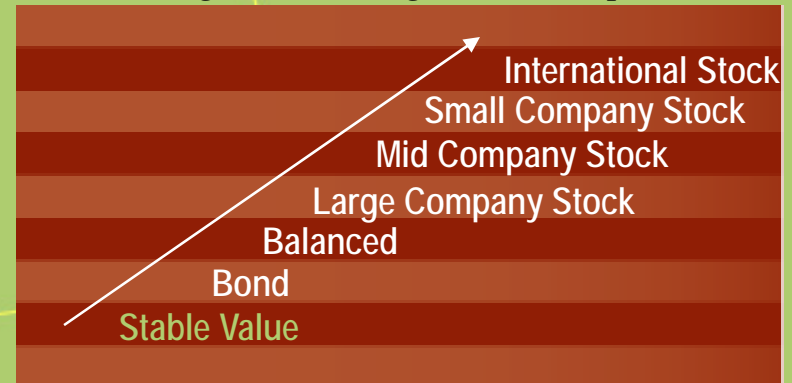
\* FOR ILLUSTRATIVE PURPOSES ONLY. The chart does not predict or guarantee the returns of any given asset class.

# Investment Options: Fixed/Stable Value



- Great-West Portfolio Fund\*

*Higher risk, higher return potential\*\**

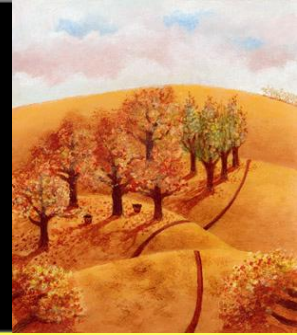


*\*Lower risk, lower return potential*

\* The Great-West Portfolio Fund is backed by the general assets of Great-West Life & Annuity Insurance Company.

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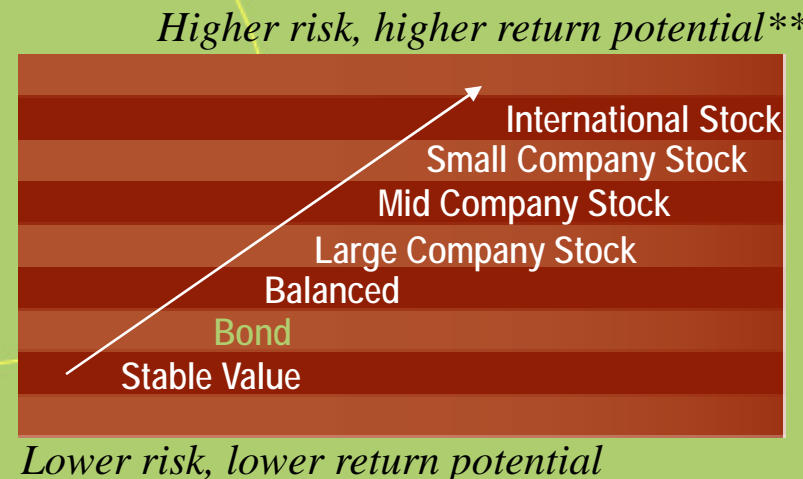
# Investment Options: Bond\*



- Vanguard Total Bond Market Index Fund

\* A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

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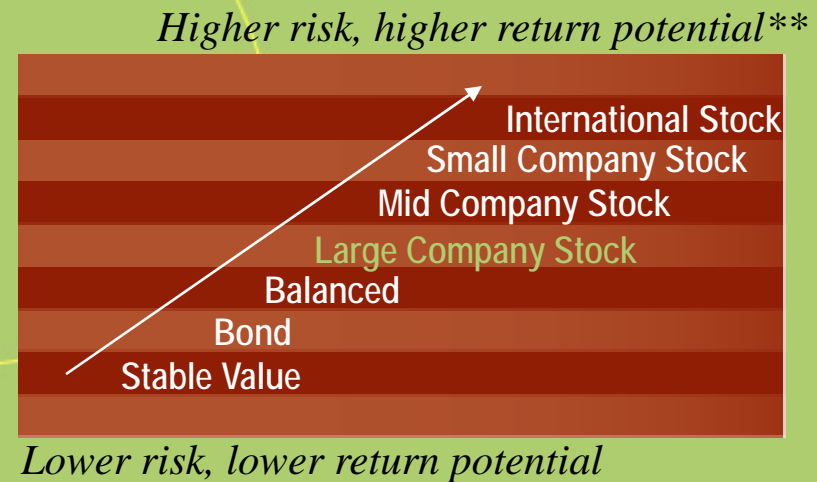
# Investment Options: Large Cap



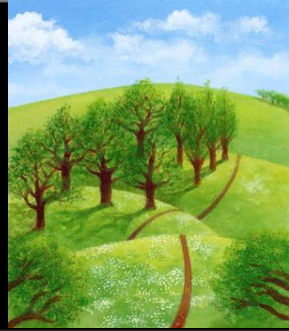
- Vanguard Institutional Index Fund\*

\* An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

\*\* FOR ILLUSTRATIVE PURPOSES ONLY. The chart does not predict or guarantee the returns of any given asset class.



# Investment Options: Mid Cap\*

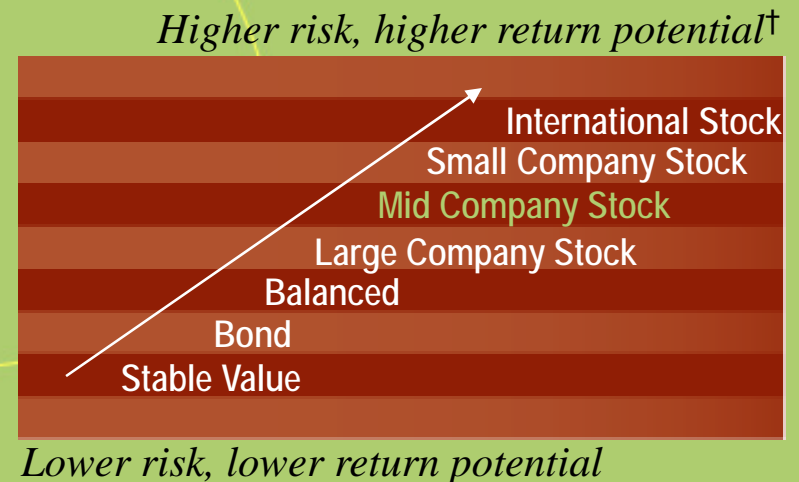


- Vanguard Mid-Cap Index Fund\*\*

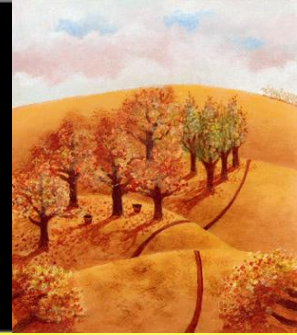
\* Medium-sized companies may suffer more significant losses, as well as realize more substantial growth, than larger capitalized, more established issuers.

\*\* An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

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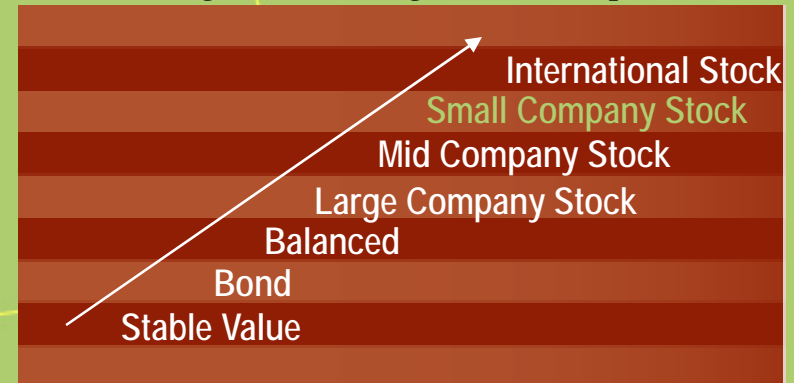


# Investment Options: Small Cap\*



- Vanguard Small-Cap Index Fund - Inv

*Higher risk, higher return potential\*\**



*Lower risk, lower return potential*

\* Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

\*\* FOR ILLUSTRATIVE PURPOSES ONLY. The chart does not predict or guarantee the returns of any given asset class.

# Investment Options: International\*

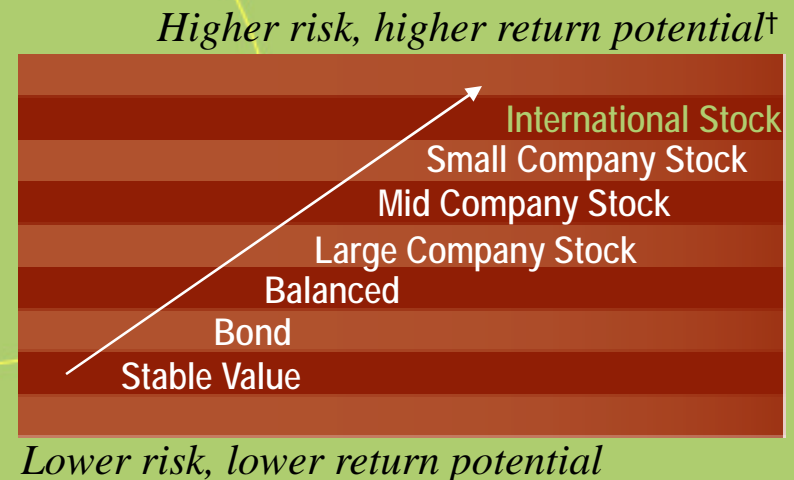


- Vanguard Total International Stock Index Fund\*\*

\* Foreign investments involve special risks, including currency fluctuations and political developments.

\*\* An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

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# Manage Your Account Monitor Your Progress



Services Available*	KeyTalk® (Phone)	Web Site
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Check investment performance	X	X
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Speak with a customer service representative (9:00 a.m. to 8:00 p.m. Eastern Time)	X	

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\*\* The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services® immediately if you suspect any unauthorized use.

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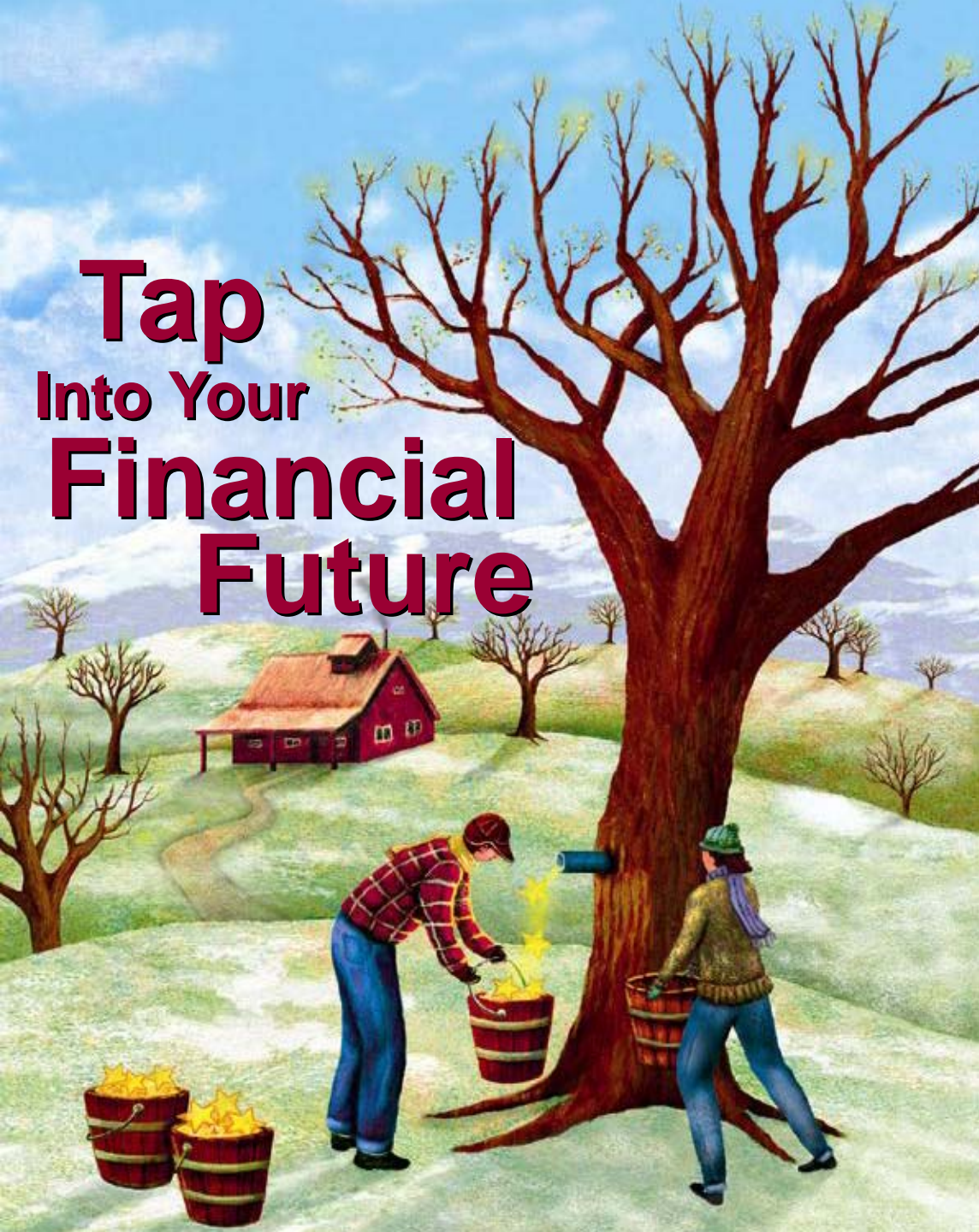
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PT#73528

# Tap Into Your Financial Future



*Thank you  
for attending*

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