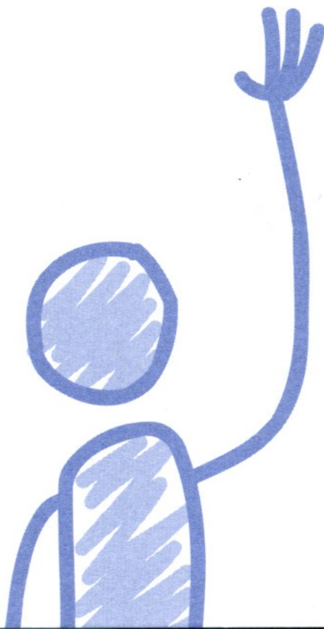
# "I Have A Question"

Some Things You
Should Know About
Your SCH Savings Plan

No matter what you plan to do after you retire, you can't enjoy it if you can't afford it. And what you do now can make the difference between the retirement of your dreams and one that requires adjusting your lifestyle to fit your finances.



The SCH Savings Plan offers you a great way to begin planning your retirement finances.

- For every dollar you contribute (from 1% to 4% of your pay), SCH adds an additional 50 cents to your account. That's *free money*.
- Your choice of six different investment funds lets you create a plan that balances the return you need with the amount of risk you're willing to take.
- You don't pay taxes on your earnings until they come out of the plan.
- You don't pay income taxes on the money you contribute.

Many SCH employees are taking advantage of the Savings Plan—but many are not. If you're not in the plan, you're missing one of your best opportunities to create the kind of retirement you have in mind.

**TOO YOUNG TO THINK ABOUT RETIREMENT?**

Sometimes it's hard to think about an event that could be half a lifetime away. But if you have a long time before retirement, this is the *perfect* time to plan for it! No matter how much you can afford to save, the sooner you start, the longer your savings will grow—which can make a *huge* difference in how much you have when you retire.

If you've been waiting to enroll in the plan because you don't understand it or feel like you don't have a penny to spare, take a look:

## "I'm in the Cash Balance Plan. Isn't that enough?"

Not really. The Cash Balance Plan is an important part of your retirement finances, but it and social security together probably won't be enough to replace your income when you're no longer working. SCH offers the Cash Balance Plan so you'll have some retirement security. But your savings picture is incomplete without the matched Savings Plan. To make the most of your financial future, you really should take advantage of both.

## "I'm barely getting by. I can't afford to save 4% of my pay!"

There's nothing magical about saving 4% of your pay, except that by saving 4% you receive the maximum SCH match. You can save as little as 1% of your pay and still get the match. But if you don't save anything, you're passing up free money. There's no "right" or "wrong" amount to save. Just try to save as much as you can for as long as you can.

**DID YOU KNOW...?**

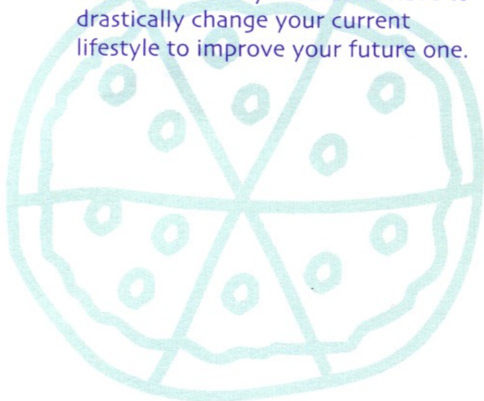
...that when you enroll in BeneFlex, any unused FlexDollars can be deposited in your Savings Plan?

## "If I save 2%, isn't that like a 2% pay cut?"

First of all, you're not "cutting" anything. You always own the money you contribute, and now it's working for your future. Second, you don't pay income taxes on the money you contribute, which actually saves you money. And third, the SCH matching contribution is extra money for you.

## "Where am I going to find more money to save?"

It's always tough to take money that you could put to good use now and set it aside for something that won't happen for a long time. But if *you* don't do it, it won't get done. If you look, chances are you'll find a little extra. How about one less pizza per month? Or buying generic instead of name brands? Remember, it doesn't need to be a lot of money. You don't have to drastically change your current lifestyle to improve your future one.



**WHAT'S THE REAL COST?**

Billie and Bobbie each are married with no children and each earn $15,000 a year. Billie saves 2% in the SCH matched Savings Plan. Bobbie doesn't save anything.

| | Billie | Bobbie |
|---|---|---|
| Gross paycheck amount | $ 625.00 | $ 625.00 |
| Savings Plan contribution | 12.50 | 0.00 |
| Taxable pay | $ 612.50 | $ 625.00 |
| Federal taxes | 19.69 | 21.56 |
| **Take-home pay** | **$ 595.81** | **$ 603.44** |

At this point, Bobbie seems to have $7.63 more per paycheck than Billie. But look at the *total* affect of the Savings Plan:

| | Billie | Bobbie |
|---|---|---|
| Tax savings | + $ 1.87 | $ 0.00 |
| SCH matching contribution | + 6.25 | 0.00 |
| **Take-home pay + savings** | **$ 603.93** | **$ 603.44** |
| Savings Plan balance | | |
| After one year | $ 602.72 | $ 0.00 |
| **After 20 years** | **$23,721.63** | **$ 0.00** |

By saving with pretax dollars, Billie pays less income tax, and receives the SCH matching contribution. At the end of the first year, Billie's Savings Plan balance is ahead by $602.72. Not to mention the difference after 20 years.

This example assumes an earnings return rate of 7%, annual pay increases of 3%, and no increase in contribution rate.

## "When is the SCH match applied to my account?"

The SCH matching contribution is applied to your account at the end of the calendar year.

## "How is the match figured?"

The SCH match is based on your contributions—for every dollar you save (up to 4% of your pay), SCH contributes $.50. For purposes of the Savings Plan, your pay includes:

W-2 pay
+
TDA contributions
+
SCH Savings Plan contributions
+
deferred compensation
+
Spending Account contributions.

Also, you can deposit any FlexDollars that are left over after you elect your BeneFlex benefits, and those FlexDollars also count toward the SCH match.

## "I can only afford to save 2%. What good is that?"

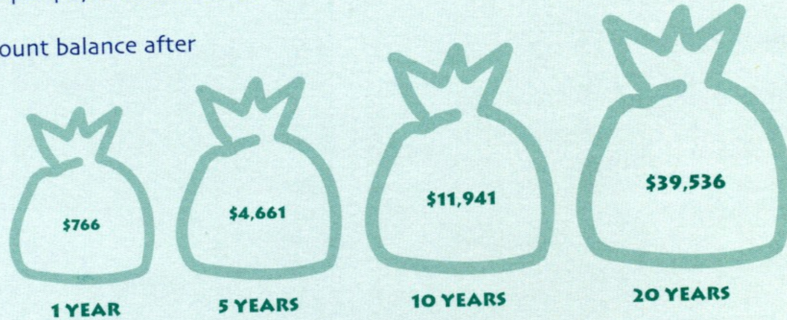
Per paycheck, 2% may not seem like much. But if you save regularly, take advantage of the SCH matching contributions, and allow compounding to work for you, over time you might be surprised at how your money can multiply.

For example, if you make $25,000 and save 2% for 20 years, take a look at how your savings could grow.

**WHAT 2% CAN DO**

| | |
|---|---|
| Your per-paycheck contribution | $20.84 |
| SCH per-paycheck matching contribution | $10.42 |

Account balance after




This example assumes an average investment return of 7%, annual pay increases of 3%, and no increase in your contribution rate.

## "How much should I save?"

That's a very personal decision and no one at SCH can tell you how much to save. But there are a couple of things to keep in mind as you decide.

- If you can save 4%, you get the maximum SCH matching contribution.
- If you can't afford 4% right now, try to save at least 1% so you still get the match. And since your contributions are automatic, you'll begin to get comfortable with the savings habit. As your financial situation changes, you may be able to increase the amount you save.
- Whatever amount you decide to save, remember that IRS rules allow you to change the amount you contribute only once a calendar year.

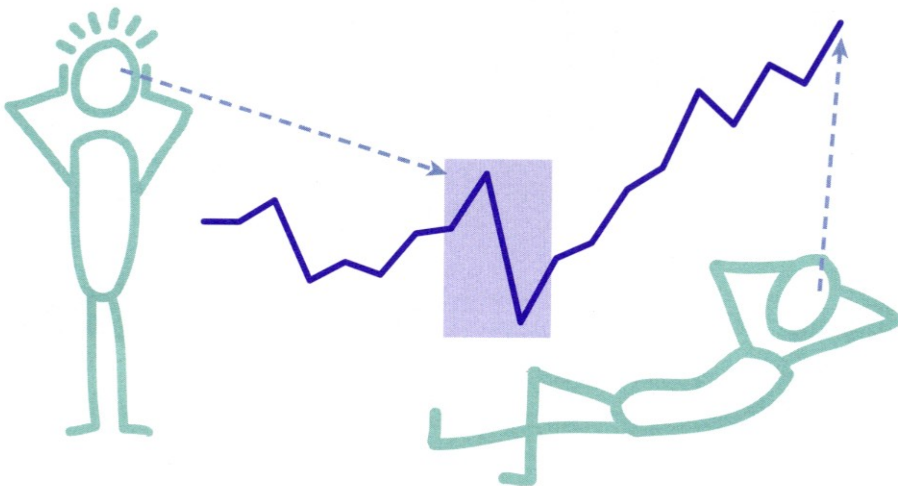
How much should you save? The short answer is:

**Save as much as you can for as long as you can.**

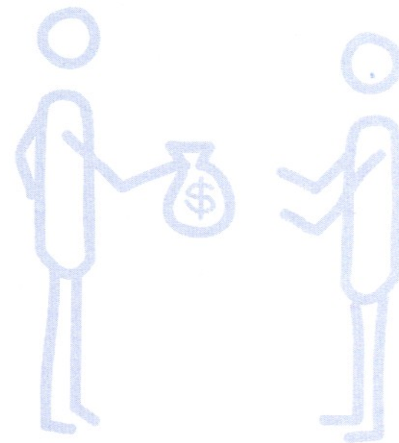
## "Where should I invest my savings?"

Again, no one at SCH is authorized to give you investment advice. A professional investment advisor might be able to help you. But you can make sound investment decisions if you understand some simple investment principles:

- Inflation risk goes up over time. (That means the buying power of today's money will be lower in the future.)
- Try to pick investments that will keep you ahead of inflation.
- Market risk (the chance that investments will lose money) goes up with potential return. That is, if you want a greater return on your money, you must be willing to accept greater risk. But...
- ...market risk goes down over time. For example, a stock fund might go way up and then way down in a single year, but over time those ups and downs could be less important if the overall trend is up.



- The more time you have until you need your money, the less you have to worry about short-term ups and downs.
- Pick investments that give you a good return AND let you sleep at night.



## "I want to be able to take out my money whenever I want."

Plans like the SCH Savings Plan are designed to provide income for you in retirement. To do that, your contributions need to stay in your account so investment returns and compounding can do their jobs. That's why the government penalizes you if you take your money out of the plan before you retire.

Whatever amount you save, you should leave that money in the plan for as long as you can. Under certain circumstances, like purchasing your home or paying for college, you may take a hardship withdrawal, but in addition to paying taxes on your contributions and earnings, you'll pay an additional 10% penalty.

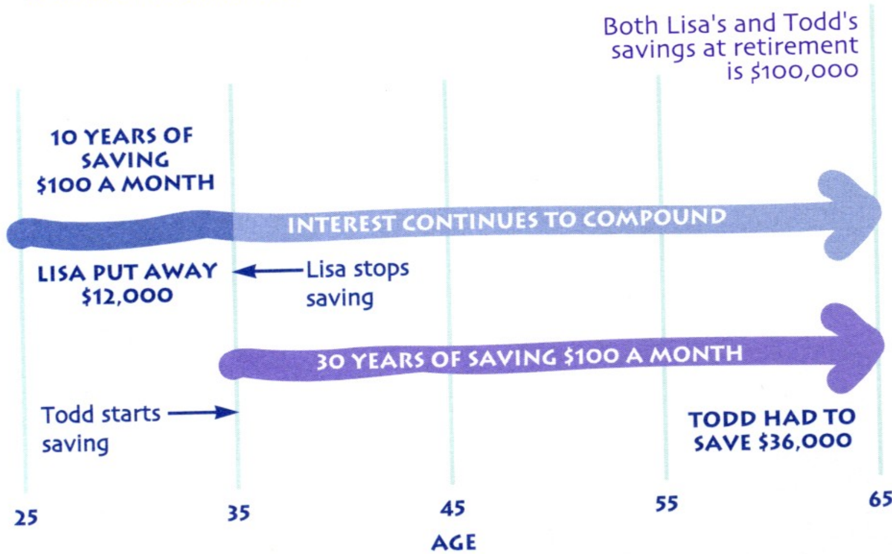
You do have access to your money through loans (where you repay yourself with interest), but the plan is not like a savings account at a bank—it's there for your future, and you should let it work for you.

## "I'm 22. Why should I worry about this now?"

You can look at it two ways. The earlier you begin to save:

**1.** The more you'll have at retirement.

**2.** The less you'll have to save over time to end up with the same amount as someone who starts later.




You can see the powerful effect of starting early. But that *doesn't* mean you should save for 10 years and then stop!

This example assumes equal rates of return on both Todd's and Lisa's investments.

## "Do I lose any money if I take a job somewhere else?"

One of the great advantages of your Savings Plan is that it's *portable*—that means you can take your account with you if you leave SCH. You won't lose anything when you leave unless:

- You've withdrawn money from the plan, in which case you'll pay taxes and penalties.
- You have an outstanding loan when you leave, in which case you'll need to pay it back or your account will be reduced by the amount of the loan.

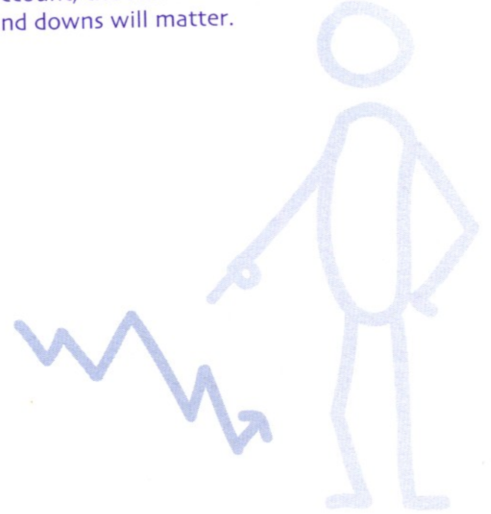
You *always* own *your* contributions and their earnings. And once you're vested in the SCH matching contributions, those belong to you, too.

## "If SCH goes out of business, what happens to my money?"

All of your contributions and SCH matching contributions are kept in a *trust* by an independent organization, Northern Trust. Your money is not "insured," but no SCH creditor can touch your savings.

## "Can I lose my contributions if the stock market goes down?"

The Savings Plan gives you a choice of investment funds. Each fund has a different level of market risk—and potential return. On one end is the Money Market Fund—it offers less risk of losing money, but its returns may be lower than you'd like. On the other end is the Growth Fund—it carries a higher risk of short-term ups and downs, but it also offers the chance for much higher returns in the long run. Remember, the Savings Plan is for *long-term* savings. So the longer your money stays in your account, the less the short-term ups and downs will matter.



## "What's the difference between a loan and a withdrawal?"

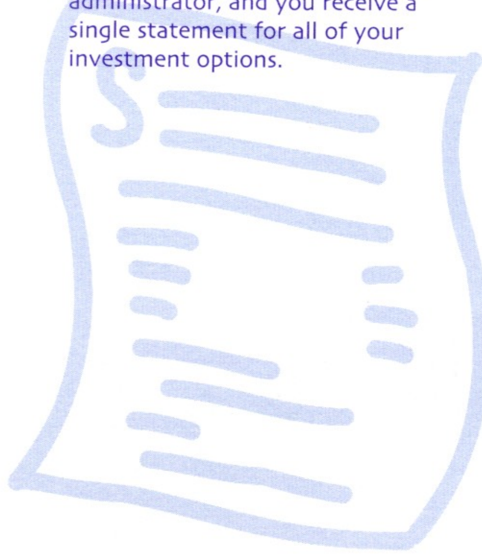
The Savings Plan allows you to take a loan for any reason. The maximum amount of a loan is $50,000 (minus your highest loan balance in the last 12 months), or half of your account balance, whichever is less. Through payroll deductions, you pay yourself back. And the interest you pay goes in your account, too.

You may withdraw your contributions and SCH matching contributions only if you have a financial hardship—to purchase your primary residence, pay large medical expenses, pay college tuition, or prevent foreclosure. (There are other requirements for withdrawals—ask your local Benefits Coordinator for additional information.) If you take a withdrawal before you reach age 59 1/2, you'll not only pay taxes on contributions and earnings, you'll pay an additional 10% penalty tax.

## "I have a TDA from before. Why should I worry?"

There's nothing "wrong" with participating in a TDA. But the Savings Plan does offer some real advantages over TDAs:

- The Savings Plan gives you *free money* through the SCH matching contribution. You are the only contributor to your TDA.
- The performance of Savings Plan investment options is monitored for you. If a certain fund doesn't perform up to its objectives, it can be replaced.
- The Savings Plan is easy to use. The funds are managed by a single administrator, and you receive a single statement for all of your investment options.



## "I don't understand the stock market. How do you expect me to make good investment decisions?"

You don't need to be a Wall Street wizard to make good investment decisions.

**1.** Decide how long it will be before you need your savings.

**2.** Decide how much risk you're willing to take. Remember, the longer you have until you need the money, the easier it is to ride out the short-term ups and downs.

**3.** Look at your investment options. Which ones have the right balance between potential returns and market risk?

**4.** You might want to spread your savings over several types of investments so all your eggs aren't in one basket.

**5.** If you want to adjust your investment mix, most experts suggest doing it slowly, a little at a time.

Remember, you can change *where* your money is invested four times a year in January, April, July, and October. Once a calendar year, you can adjust *how much* you contribute.

## "I don't work full-time. Can I still save in the plan?"

Employees who earn pay for less than 1,500 hours per year can benefit from all the features of the Savings Plan, except SCH matching contributions.