



AMERICAN FIDELITY  
ASSURANCE COMPANY'S

# 403(b) Annuity



Live Your  
Retirement Dreams

# Live Your Dreams

More than ever before Americans are living longer, healthier lives. Many of us look forward to when we will be able to retire and enjoy life to its fullest.

The most important key to a comfortable retirement is planning. Planning for your financial future can help ensure that you will be able to meet all of your retirement needs. A 403(b) tax-deferred annuity is one way to a well-planned retirement.

## Save Money Now

You save money each paycheck starting immediately by enrolling in your District's 403(b) Plan.

## Get Paid Later

When you receive your money at retirement you may be in a lower tax bracket, allowing you to pay less in taxes on your monthly distribution. Your funds are distributed back to you as supplemental income to your Social Security and State Retirement Plan. A 403(b) plan does not affect your monthly benefits from other retirement plans or Social Security.

## Control Your Future

With a 403(b), you have options! You may stop contributions or change the amount of your deferral as allowed by your employer.

## Begin Your Plan Easily

When you enroll in a 403(b) your contributions will be deducted before taxes from your paycheck. A simple form is all you need to complete in order to participate.

## WHAT IS A 403(B) PLAN?

The Internal Revenue Code section 403(b) allows you to defer a portion of your taxable income for retirement purposes. It is specifically for the faculty and employees of universities, colleges, public school systems, churches and certain non-profit organizations.

An American Fidelity annuity may be selected to fund your 403(b) Plan. An annuity offers you many options upon retirement such as a guaranteed lifetime income. This is a special advantage of an annuity when compared to other methods of saving. The funds accumulated in the Plan can be used at retirement to provide monthly annuity payments, which you cannot outlive.

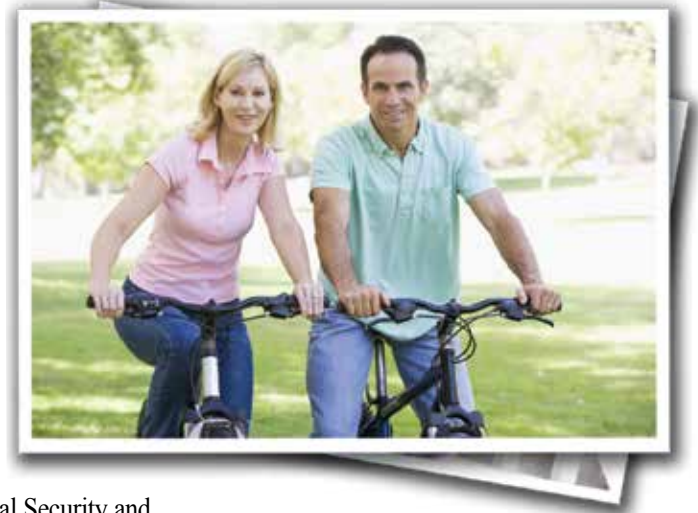
## WHAT IS THE TAX BENEFIT TO ME?

Contributions to the Plan are deferred for federal and, in most cases, state income tax purposes. As a member of the educational community, you have a great opportunity to save money with before tax dollars since "after tax" plans do not offer the same tax advantage.

## HOW DOES THE TAX BENEFIT WORK?

Under a salary reduction agreement with your employer, your pay will be reduced by the amount you elect for your 403(b) account.

Your salary is reduced by the amount you volunteer to pay into the program; you pay federal income tax only on the remaining portion!



## IS THERE A LIMIT TO THE AMOUNT I CAN PAY TO MY 403(B)?

Tax laws limit the maximum payment which can be excluded from your taxable income to \$17,500. This amount may be more or less, depending on your past years of service with your employer, amounts previously contributed, and other employer contributions to retirement plans. If you are age 50 or older, you may contribute an additional \$5,500. You may begin taking advantage of this increased limit in the tax year you attain age 50. Your American Fidelity representative can assist you in calculating your maximum contribution amount.

## WHEN CAN THE MONEY BE WITHDRAWN?

This money is intended to be used at retirement, however it may be withdrawn under the following conditions:

- Attainment of age 59½
- Your Death or Disability
- Separation from Service
- Severe Financial Hardship

Withdrawals due to hardship, if allowed under the Plan rules, will be limited to your contributions only. Unpaid medical or education expenses, purchase of a home or amount needed to prevent foreclosure or eviction of principle residence, death of an immediate family member, and qualified tax deductible repairs to the participant's primary residence may qualify you for a hardship withdrawal. Because of the lost tax advantages and the penalty tax, you would want to avoid withdrawals if at all possible.

If you do withdraw money before age 59½, a 10% tax penalty will be incurred in most situations.

## CAN I BORROW ON MY ACCOUNT?

If the Plan allows for loans and depending on the 403(b) vehicle you choose, there may be a loan provision available. Many of American Fidelity's annuity products do offer loan opportunities.

## WHAT HAPPENS TO MY MONEY AFTER I ENROLL?

Your money is contributed into an annuity that you choose. 403(b) plans offer a variety of choices including fixed and variable annuities. You choose the annuity that's best for you!

## HOW DO I CHOOSE THE RIGHT OPTION FOR MY MONEY?

Your American Fidelity Representative can explain the options available for you. Each person must choose based on his or her age, personal and family needs, and risk tolerance.

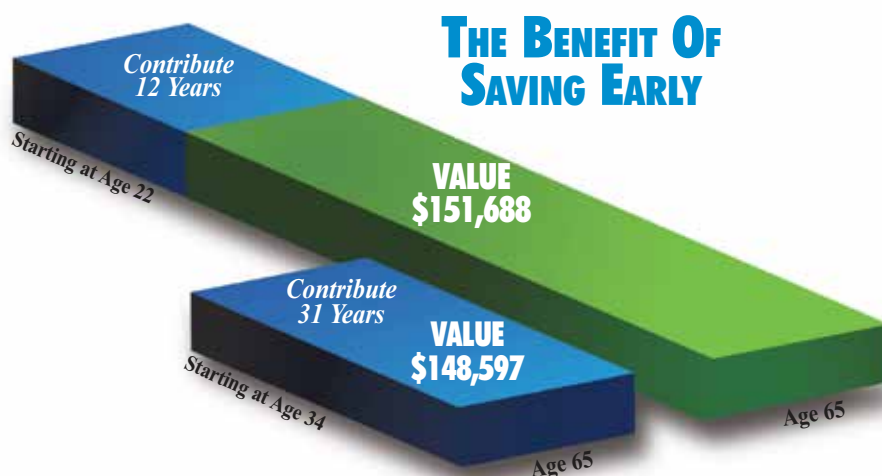
## WHAT ARE MY OPTIONS AT RETIREMENT?

- **Option A – Lump Sum**  
Receive your money in a lump sum. You will probably realize a greater tax advantage, though, if you elect a periodic payment option.
- **Option B – Life Only**  
Receive monthly payments for life. You cannot outlive these payments. They terminate only at your death no matter how long you live.
- **Option C – Life with 10 Years Certain**  
Receive a life annuity to you or your named beneficiary with 120 months certain. This option provides you with monthly payments for as long as you live. If, at your death, payments have been made for fewer than 120 months, you have the assurance that payments will be continued to your beneficiary for the remainder of the 120 months.
- **Option D – Period Certain**  
Receive payments for a Period Certain (an agreed upon amount of time). Other options may be available. American Fidelity, for example, will work with you to set up the payment plan that best meets your retirement needs.

# Cost of Waiting

Consider the cost of waiting to activate your savings plan. This illustration describes just how much it can cost you.<sup>4</sup> In scenario one, you invest \$2,000 at the beginning of each year for twelve (12) years. In scenario two, the same investment program is started twelve years later, but continues for 31 years.

Note the difference in the total value of the investment at age 65. In scenario one, the investment is \$38,000 less than the investment in scenario two. Yet, the total value of the investment is \$3,091 more than the value in scenario two.



### AGE 22

- \$2,000 per year for 12 years to age 34
- \$24,000 total invested
- 5% assumed annual rate of return
- At age 65, investment grows to **\$151,688**

or wait and start at age 34...

### AGE 34

- \$2,000 per year for 31 years to age 65
- \$62,000 total invested
- 5% assumed annual rate of return
- At age 65, investment grows to **\$148,597**

<sup>4</sup> This is a hypothetical example that does not represent the performance of any investment product. The rates of return will vary depending on the investment options selected. Growth, if any, is tax-deferred until withdrawn.



Our Family, Dedicated To Yours.®

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