University of Michigan Employee Benefits Roadmap

2020

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Executive Summary

The University of Michigan has a reputation for providing excellent benefits to their employees. If used effectively and consistently, these benefits can really add up over the years. We've put together this road map to help you get the most out of your benefits plan at the University of Michigan.

First, we'll dive into your retirement savings. There are multiple custodians, a bunch of accounts, tax considerations, and more investments than you can count! We'll go over all of this, highlighting some of the key areas you should keep in mind when making decisions about your benefits. In today's economy, with pensions largely a relic of the past, it's important to get the most out of your savings options to ensure a secure retirement.

Then we'll jump into some of the other benefits you have available at the University. There's life insurance, legal services, health insurance, and a variety of other perks you may be eligible for! It's easy to overlook some of these items, but estate planning and life insurance can have a lasting impact on your family, while health insurance selections can make a huge difference in what you pay out of pocket during an emergency.

Finally, we'll talk about the big game. And by game, we mean retirement. Transitioning from the hustle and bustle of a 40+-hour work week to accessing your money and maintaining your benefits, retirement is a change, but it doesn't have to come with a headache. We'll go over all that and more, as the transition to retirement should be seamless.

Consider this a guide to your benefits at the University, highlighting what you should keep in mind, and offering tips on what to consider when making benefit choices. Keep in mind that your savings and benefits often require more than a simple "set-it-and-forget-it" election. Where you save and how you save can change over time. We hope that this guide can help you make your benefit elections this open enrollment.

Note that Vintage has no affiliation or endorsement from the University of Michigan, and benefits information contained here may conflict with the latest changes at the University.

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SECTION I: RETIREMENT SAVING

Saving for retirement is an incredible undertaking, typically the largest savings goal any of us will have. It seems like a daunting task, but with the help of employer-sponsored plans and proper management, the tools aren't too far away. This section will serve as a guide to help navigate through the ins and outs of your retirement savings plan.

Custodians

As a university employee, you have two options of custodians for your plan, a rare benefit that opens the door to a wide selection of investments offered through both Fidelity and TIAA.

Fidelity is a popular choice for a large retirement plan. Headquartered in Boston and founded in 1946, Fidelity is one of the largest asset management companies with over $8 trillion in assets, and they employ some of the best mutual fund managers in the industry. Fidelity allows select investment management firms to pull their investment management fees directly from your accounts on a pre-tax basis. You can access your Fidelity retirement account at www.401k.com.

TIAA, the Teachers Insurance and Annuity Association, is the leading provider of retirement accounts for people working in the academic, research, medical, and cultural fields. This focus makes TIAA the largest manager of employer sponsored 403(b) accounts with about $1 trillion in assets under management. The company serves active and retired employees at more than 15,000 institutions. Like Fidelity, some investment management firms can pull their fees from TIAA accounts. You can access your TIAA account at www.tiaa.com.

Many employees choose to hold their accounts at both TIAA and Fidelity, opening the door to a broad array of investments. Others choose just one that best suits their needs. When choosing between the two custodians, you should consider your outside investment accounts and how they're invested. And, if you're married, consider the options in your spouse's retirement plan and its investment options. At the end of the day, having options can be a good thing, but having too many can be overwhelming. The good news is that both TIAA and Fidelity offer some great investment options.

Accounts

Given the fact that the University of Michigan is a public employer, you have the equivalent of 401(k) plans, known as 401(a), 403(b) Base, 403(b) Supplemental, and a 457(b). In the following, we'll dissect all these accounts and their unique characteristics.

These various accounts are simply the places where you can save for retirement as a University employee. And using them efficiently can help you get the most out of your plan. Let's go through them one at a time.

403(b) Base

The 403(b) Base is essentially your ticket to the big game (okay, not a game at the Big House—but a successful retirement is like a ticket to the National Championship). Contributing to this account opens the door to the employer match, a significant piece of your compensation, which is incredibly valuable for your long-term retirement success.

Using this account, you'll be able to get the maximum match from the University. In order to get that match, you'll need to contribute 5% of compensation (Starting in 2020, the 5% contribution rate is the same for University and Medicine employees—some of whom were previously capped at 4.5%). This contribution is pretax, so you'll save on taxes now and have tax-deferred growth until you withdraw the money later. We'll dive further into some tax considerations in a later section.

401(a)

The partner of the 403(b) Base is the 401(a). That's where the employer portion of the contributions will be placed. For employees contributing 5% to the 403(b) Base, the University will contribute 10% to the 401(a). Simply put, they match 200% of what you put in the base; a generous plan to say the least!

All employer contributions to this plan are pre-tax dollars. You'll pay tax on them when you withdraw the money in retirement. And, unlike the 403(b) Base, 403(b) Supplemental, and 457(b), the 401(a) assets must remain in the plan until age 55, regardless of whether you sever employment.

For purposes of all these plans, the maximum eligible compensation that could be considered for matching in 2020 is $280,000. This means that if you earn $300,000 a year, the most that will be considered for the contribution and match is $280,000.

While there's a one-year waiting period before the University contributions to the 401(a) begin, your savings into the other accounts can begin at any time.

403(b) Supplemental Retirement Account (SRA)

If you want to save more than the 5% in the 403(b) Base, you'll need to know about 403(b) Supplemental Retirement Account (SRA). The SRA allows you to contribute in excess of the required 5% to get the University's match, up to the annual contribution limit.

The annual employee contribution limit for 2020 is $19,500. For employees 50 or older, the limit increases to $26,000. So, if a 55-year-old with a $100,000 annual salary contributes $5,000 to the 403(b) Base, they could contribute an additional $21,000 to the SRA. Likewise, a 45-year-old with the same salary contributes $5,000 to the 403(b) Base and could contribute an additional $14,500 to the SRA. And, unlike the 403(b) Base, the contributions to the SRA aren't a required, fixed percentage and can be changed periodically.

One of the perks of the SRA is that it can consist of either pre-tax or Roth contributions. We'll dive further into the differences between the two shortly. This flexibility is yet another way your benefits are filled with financial planning opportunities.

457(b) Deferred Compensation Plan

Finally, the 457(b) Deferred Compensation Plan is a retirement savings vehicle available to you as a University employee. A key perk of the 457(b) is that its contribution limits are in addition to the 403(b) Base and SRA. This means that employees may contribute up to $19,500 annually to the 457(b), even if they're making the maximum allowable contribution to the 403(b). The contribution limit goes up to $26,000 for those 50 or older.

Much like the SRA, the 457(b) has the option for both pre-tax and Roth contributions. However, withdrawal rules are stricter for the 457(b) while you're still working, a factor to keep in mind

when choosing which option to use. Often it makes sense to first max out the 403(b) Base and SRA before contributing to the 457(b).

Retirement Accounts Summary

There are a lot of variables to consider when navigating your retirement savings plan. For most participants, the logical order looks something like this:

1. Contribute 5% to the 403(b) Base.
2. Receive a 10% match to the 401(a) from the University.
3. Contribute additional savings to the 403(b) SRA (up to annual limits).
4. Contribute any further additional savings to the 457(b) (up to annual limits).

Tax Considerations

How tax efficient your retirement savings is can have a significant impact on your lifestyle after you stop working. Undertaking the right planning strategies both while you're working and once you begin to live off your savings can result in substantial tax savings.

A key consideration is whether you should put your additional savings, above the 403(b) Base, into pre-tax or Roth accounts.

Pre-Tax Savings

With your 5% contribution plus the 10% match, up to 15% of your annual earnings are being saved on a pre-tax basis. All these contributions and the growth on those investments will be taxed as ordinary income when you withdraw the money in retirement.

At retirement, if you find yourself in the 24% federal income tax bracket, the withdrawals from the 403(b) Base and 401(a) plans may be taxed at that rate, significantly reducing your spendable income.

Roth Savings

While your 403(b) Base and 401(a) savings must be pre-tax, your SRA and 457(b) can be Roth (post-tax) savings. This opens the doors for tax diversification in retirement. Much like investments should be diversified, the way portfolio withdrawals are taxed merit attention. And with Roth savings, you might be able to pay a little more in taxes now to save a lot in the long run for both you and your heirs.

Having a reasonable portion of your retirement dollars in Roth accounts at retirement can give you some excellent flexibility regarding taxes. For example, you could pull some taxable income from the 401(a) plan and then draw additional funds you'll need on a tax-free basis from your Roth accounts, and aim to optimize your overall tax bill! The tax diversification can save you a substantial amount in income taxes throughout your retirement years.

So, which one should you use?

Ultimately, whether you should be saving to Roth, pre-tax, or both depends on your own situation, your current tax rate, and what you expect your future tax rate to look like. There are other factors, too, such as what your required distributions will be, when you plan on retiring and taking Social Security, and whether you anticipate tax rates changing in the future. Having tax diversification in your portfolio can prove valuable, and your retirement plan presents significant options to pursue a variety of avenues. Talking to someone who's competent in taxes is a good starting place.

Tax Cuts and Jobs Act Impact

With the passage of the most significant tax reform in over 30 years in late 2017, the importance of tax planning has increased significantly. The tax cuts for individuals are scheduled to lapse in 2025, which has turned some conventional tax planning strategies, such as assuming a lower tax bracket in retirement, upside down. There's the potential that pre-retirees today could see a tax hike in retirement. This requires significant tax planning over the next several years to ensure your savings strategies align with both your current and future tax situation.

Investment Options

Now that we've reviewed the custodians, account types, and how taxes could impact your savings decisions, we'll dive into the investment options available in your plan. First, we'll review investments in general, then we'll look at investments in both the TIAA and Fidelity plans.

Risk

Risk is the potential for an investment to lose money and is directly related to its prospects of making you money. There are a variety of risks to consider when allocating your portfolio.

Market risk is a main factor to consider, that is, the stock market itself going up and down. One way you can mitigate this risk is through diversification, allocating the portfolio to more than just one asset class. In addition to U.S. large-company stocks, you could add international stocks, bonds, or real estate. Often these asset classes have different investment cycles, so by diversifying, you can increase the likelihood that you'll stay invested throughout the market cycle.

Many people fear that they'll run out of money in retirement. That's a very real and significant concern after you stop receiving a paycheck and have lifestyle expenses for 30 years or more.

Purchasing power risk is the risk that your savings might not go as far as they used to given inflation. This means that even if you're achieving a positive return, for example, 2%, the cost of everything you buy could be rising 3% each year. So, in real terms, you're actually losing 1%! There's a reason the phrase "a dollar doesn't go as far as it used to" has so much popularity.

Longevity risk is comparable to purchasing power risk and has received quite a bit more attention in recent years. Longevity risk is the chance you'll outlive your savings. You may have enough saved for a 30-year retirement, but if you live for 40 years after retirement, that might not give you much solace. Effectively managing your retirement withdrawals can help mitigate this risk.

Interest rate risk is another risk to keep in mind. Many investors consider bonds to be "safe" investments, but that presumption doesn't often take into consideration their interest rate risk. That is, the risk that after you purchase bonds, interest rates rise. When that happens, bonds with lower interest rates become less attractive and their value goes down. With interest rates rising from historical lows, this is a critical consideration today for near retirees and retirees.

Credit risk is also a factor to keep in mind with bond-like investments. Bonds are essentially loans and some borrowers may not be able to pay them back. Thanks to ratings agencies, investors don't have to dissect a company's books to make this determination for themselves. But it's still important to keep in mind when considering the bond side of a portfolio.

While most of us rarely use a currency other than the U.S. dollar, another factor to keep in mind is *currency risk*. Even if you don't frequently travel abroad, fluctuations in the value of the U.S. dollar as it relates to foreign currencies can cause the prices of key imports to change. With that said, having investments in developed and emerging international markets can provide significant diversification to a portfolio.

TIAA Investment Options

TIAA offers over 40 funds to choose from in the University of Michigan plan. To put this in perspective, a well-diversified portfolio could be built by selecting 8–12 funds, and for some savers, choosing one well-diversified fund might make the most sense. So, how does one pick from the alphabet soup of funds at TIAA? Here are some things to keep in mind.

Annuities and guarantees often sound good on their face, and the comfort of never losing principal and positive returns can be enticing. But there are costs to this comfort. An annuity option might mean that you never get an inflation-adjusted raise in retirement, even though the price of everything you buy is going up. Likewise, a guaranteed return is great, but what happens if a diversified portfolio is returning significantly higher than that guaranteed investment? A good example could be a period of high inflation. If a guaranteed investment offers 4% annually, but inflation is 4%, and the stock market is returning 10%, the guarantee isn't translating to any real income, since inflation is eating up all the return. That's a significant opportunity cost for going with the guarantee.

Liquidity is something else to keep in mind. While most investment options in the TIAA plan can be traded into and out of with relative ease, some options have less liquidity. The TIAA Traditional Fund can be locked up for nine years, with a limit of 10% of your principal that can be withdrawn each year.

Fidelity Investment Options

Fidelity's plan offers nearly 200 investment options for participants in the University of Michigan plan. To further break that down, this is what it looks like between asset classes:

- 35 U.S. Large-Company Stock Funds
- 20 U.S. Mid- and Small-Company Stock Funds
- 26 International Stock Funds
- 7 Emerging Markets Stock Funds
- 25 High-Quality Bond Funds
- 5 High-Yield Bond Funds
- 4 Real Estate Funds
- 27 Blended and Target-Date Funds

These funds can be broken down further into index and actively managed funds.

You won't find yourself thinking there aren't enough options in this plan. Fidelity offers tools that allow you to sort by fund performance, ratings, and a variety of other factors when choosing in which funds to invest. These tools may prove helpful when choosing investments from this massive array of funds.

Between TIAA and Fidelity, you have nearly 300 investment options to choose from in the University's plan. This can be a great benefit, but it's also overwhelming to sift through.

Consulting with an advisor who understands both plans and their investment options, along with the rest of your portfolio, is an excellent first step towards navigating these choices.

SECTION II: BENEFITS REVIEW

In this section, we'll dive into some of the other employment benefits offered at the University. They include the following.

Life Insurance

Life insurance can provide a significant benefit to your heirs in the event of an untimely death. Often, buying policies through your employer comes at a significant advantage as you don't have be underwritten. Simply stated, group plans often allow you to buy at the same rate everyone else in your age bracket is paying, regardless of your health.

When purchasing life insurance, it's often beneficial to have insurance both through your employer and to shop outside of the group plan. If you are healthy, buying your own coverage may be more affordable than what's offered through work. In any case, when shopping around for insurance products, use caution and remember to find something that meets your specific needs.

University Plan

The University provides you with a basic level of $30,000 in life insurance coverage at no cost to you. Whether this is enough depends on your situation, but it is a starting point, given the fact final expenses can easily top $10,000.

Optional Plan

While $30,000 is a starting point, it may not be enough, especially for younger employees with children. You can purchase additional life insurance for yourself as an employee. Optional plans range from $5,000 up to eight times your annual salary, capped at $1.5 million.

If you're signing up within 30 days of beginning employment, you won't have to provide a health statement unless you select coverage exceeding $650,000. If you decide to enroll at another time during your employment for the optional plan, or your coverage later exceeds $650,000, you'll need to complete a health statement.

The cost of the optional plan is contingent upon your coverage, age, smoking status, and compensation. Your insurance premiums will be deducted from your paycheck on an after-tax basis.

One more thing to know: When you retire, part of your life insurance can remain in effect. For those under age 56, the maximum amount remaining is $15,000. This amount decreases to $2,000 at age 66 and beyond.

Dependent Life Insurance

Finally, you can also buy life insurance on your spouse or partner and eligible children. Adult coverage is available up to $100,000, while children up to age 26 in your household can be covered up to $5,000 per child. Much like the optional additional coverage, the premiums are paid through a payroll deduction with after-tax dollars.

Legal Services

The costs of legal services can be significant at times, but the University's Legal Services Plan can simplify that into a small monthly premium. The small fee can be paid either by after-tax payroll deduction for current employees or check/money order for retirees who choose to remain enrolled.

The plan is administered by MetLife Legal Plans, which has a network of attorneys, some of whom are located right in Ann Arbor.

In addition to telephone advice and in-office consultations, the plan covers matters related to debt collection defense, civil lawsuit defense, document preparation, family law, estate planning, real estate, identity protection, and credit monitoring.

Wills and Estate Planning

Perhaps the most useful aspect of the legal plan is its coverage of estate planning document preparation. Often these documents can cost a few thousand dollars to create. Using this plan could save you quite a bit in preparing your documents, while also saving your loved ones unnecessary stress and complication.

The plan covers the preparation of living wills, powers of attorney, living trust preparation, and wills. Having up-to-date versions of these documents is essential for an estate plan to achieve your goals.

Employees not enrolled in the Legal Services Plan may want to at least consider the basic will preparation offered to faculty and staff enrolled in the Optional Life Insurance Plan.

Health Insurance

Health Insurance can be one of the most valuable benefits provided by an employer, so finding the right plan to meet your needs is incredibly important. In this section, we'll provide a brief overview of the various types of health insurance available. Additionally, the University offers dental and vision benefits for eligible employees.

Managed Care Plans (HMO)

An HMO, or Health Maintenance Organization, is structured such that participants have a primary care physician (PCP) who serves essentially as their gatekeeper. In that role, the PCP must refer the patient to providers and specialists within the HMO for their care to be covered by the plan. Under the HMO, insurers pay providers a fee in order to cover the patients in their plan, regardless of how often the patients use the service.

Preferred Provider Organization (PPO)

Unlike an HMO, a PPO policy will contract with physicians and hospitals to negotiate lower fees for specific services, and the providers will generally get paid based on the volume of services offered. In this case, the primary care physician does not have to serve as gatekeeper, and a patient can pursue care outside the PPO network, albeit typically at lower levels of coverage or higher deductibles.

Health Care Flexible Spending Accounts (FSA)

A Flexible Spending Account (FSA) allows participants to pay out-of-pocket medical, dental, and vision expenses with pre-tax dollars. This presents a unique benefit, because the money, if spent on qualified expenses, is never taxed. When considering enrollment in an FSA, it's important to estimate what your out-of-pocket healthcare costs might be in a given year, since the "use-it-or-lose-it" component of the account means that any remaining funds at the end of the plan year are forfeited. In 2020, the FSA annual contribution limit is $2,750. The grace period in the University plan allows for expenses to be incurred up to March 15th of the year following the plan year.

Disability Insurance

Most faculty and staff are eligible for the University's Expanded Long-Term Disability Plan upon hire at the University of Michigan. The disability plan is a valuable benefit to protect your income in event of a disability that leaves you permanently disabled, which the plan defines as a disability expected to last more than 12 months. Consider enrolling immediately upon eligibility, as enrolling later may require a health statement.

Capped Expanded Long-Term Disability

Capped coverage enrollment typically occurs automatically after two years of service and is paid for by the University. It includes salary replacement up to 65% of your pre-disability salary but caps the salary at $64,900 for 2020. So, the most significant annual benefit you can get under this plan is $42,185/year. For those earning more than $64,900, or looking for coverage from day one, Maximum Expanded Long-Term Disability Coverage should be considered.

Maximum Expanded Long-Term Disability

The Maximum Expanded Long-Term Disability Plan that the University offers is a benefit you pay for, and it can cover up to 65% of your pre-disability income up to $424,615 in 2020. It also is valuable to consider during the first two years of employment prior to automatic enrollment in Capped Expanded Long-Term Disability coverage.

Even if you miss enrolling in these coverages during your initial open enrollment or two-year anniversary, you can elect the Maximum Expanded coverage at any time with a health statement. And, should you become disabled, the plan indicates that health and dental plan coverage, life insurance, and basic retirement plan contributions by the University will continue at no cost.

Reading Your Paystub

Understanding your paystub as an employee can be complicated, especially when there are plenty of deductions for retirement, healthcare, and other benefits. Here we'll walk you through what to look for and what it means.

Taxes

Tax Data is the area where you'll find your filing status and withholding allowances. It determines how much income tax is withheld for state and federal tax purposes. Below that, you'll find your actual taxes withheld for federal, Medicare, Social Security, and state tax purposes on the current paycheck and on a year-to-date basis.

Before-Tax Deductions

Before-tax deductions are just that, items that come out of your gross pay prior to paying taxes. This will be your contributions to the 403(b) Base; health, dental, and vision insurance; Flexible Spending Accounts (FSAs); and pre-tax contributions to the 403(b) SRA and 457(b). These items are not included in your income for purposes of federal or state income taxes. FSAs and health insurance premiums are also excluded from Social Security and Medicare taxes.

After-Tax Deductions

After-tax deductions are items subtracted from your pay but included in your taxable income. These include items like additional life insurance, the Legal Services Plan, Roth contributions to the 403(b) SRA and 457(b), and additional disability insurance.

Employer-Paid Benefits

Employer-paid benefits include the University's contributions to your healthcare and dental coverage, life insurance, disability, and retirement. It indicates the value of benefits you receive as an employee that are not included in your income.

The Kitchen Sink

There are several more benefits available to you as a University employee, and we'd need to write a book to cover them all, but here's a brief overview of some worth considering.

Dependent Care FSA

In addition to the Health Care FSA, you can also enroll in a Dependent Care FSA for children age 12 and under, or another dependent who cannot physically or mentally care for themselves. This may allow you to contribute up to $5,000—if you're married—to pay daycare expenses with pre-tax dollars.

Child Care

Campus Child Care Homes Network is a home-based program that serves University employees and students who need weekday childcare around Ann Arbor. The network comprises independent providers that are licensed by the state to provide childcare in their home. You can find a list of profiles showing openings, rates, photographs, and other information for the homes on the Human Resources website.

Additionally, U-M Children's Centers provide employees in Ann Arbor, Dearborn, and Flint with options for childcare and weekday programs for their dependents that put an emphasis on early childhood education.

MHealthy

The MHealthy program helps employees by offering services to faculty and staff related to physical activity, nutrition, weight management, mental health, ergonomics, alcohol and tobacco, flu shots, and chronic health conditions. Some employees are even eligible for MHealthy Rewards, earning a monetary bonus for the completion of various health and wellness programs.

SECTION III: TRANSITIONING TO RETIREMENT

Taking the leap from employment to retirement is a huge, life-changing step. It's important to know where you're going and to have a plan. To make that simpler, we'll outline some of the items to keep in mind and what benefits you can keep in the process.

Making the Transition

Making the transition from work to retirement is a significant life change. Whether you picked out the date years ago or it snuck up on you, it marks a transition from the hustle and bustle of working life (and the paycheck that comes with it) to a vast array of new opportunities for how you'll spend your time (and money). Luckily, many of the benefits you enjoy as an employee come with you into retirement.

When getting ready to retire, the University offers retirement classes for employees that shed light on a variety of areas, including what benefits you get to keep and things to keep in mind as you approach retirement. This includes things like Social Security and Medicare, additional savings, and retiree perks the University provides.

There are also specialists from Fidelity and TIAA, the two 403(b) custodians, who can meet with you regarding your savings. Typically, these are free consultations. Keep in mind that these professionals might not be able to provide the truly robust analysis your situation merits, as they're often barred from making recommendations related to taxes, one of your largest ongoing expenses in retirement. They are also beholden to their company and the investments they offer, which creates some conflicts of interest. You should consider finding a qualified advisor who will put your interests first to help with the transition.

Additionally, the Faculty and Staff Counseling and Consultation Office (FASCCO) has confidential counseling services available at no charge. Talking to a professional about your personal life and goals during the change could help put your mind at ease.

Accessing Your Money

So, you've saved up all these years, built up a significant nest egg, and are now deciding to retire. Where should you draw income from first? How is it taxed? When does it have to be withdrawn? These are all valid questions we will address.

Supporting Your Lifestyle

In the past, retirement was built upon a three-legged stool: pensions, Social Security, and savings. These three avenues for paying the bills meant you had options and some guaranteed sources of income. Nowadays, pensions have faded for many workers; Social Security only covers about a third of expenses for most retirees, and savings carries the remaining two-thirds of the burden.

Social Security is one avenue for retirement income. Most workers are eligible to start collecting at age 62, but that might not make the most sense. Full retirement benefits for people retiring today begin between age 66 and 67, and monthly benefits increase the longer you wait until a maximum at age 70. There are tools online to estimate your Social Security benefit at various ages and life expectancies. Consulting with a professional about when to file and the various Social Security strategies available to you could lead to a significant difference in your lifetime benefits.

In addition to Social Security, you'll also be able to access your retirement savings from the University. If you separate from service after age 55, you can access your savings without any tax penalty for early distributions if those savings remain in the University's plan. If your savings is in an IRA, you will generally avoid a penalty for early distributions if you wait until age 59½ to begin taking withdrawals.

When starting to withdraw money from your retirement savings, you can link your account to a checking account and have funds transferred over on a monthly, quarterly, or annual basis. Or, you can simply request the money as you need it. When withdrawing funds from pre-tax savings, like your 401(a), it's important to have federal and state income taxes withheld.

Remember, when you retire and the paychecks come to an end, you'll be responsible for making sure your taxes get paid throughout the year. You can do this through withholding on your distributions, sending in quarterly tax estimates, or a combination of both.

Additionally, your pre-tax retirement savings will be subject to required minimum distributions at age 72 (70½ if you reached 70½ before January 1, 2020). This means that, regardless of whether you need the money or not, you'll need to begin to make annual withdrawals from the pre-tax accounts and pay tax on those distributions.

Roth savings, on the other hand, if part of a qualified distribution, can be withdrawn tax free. Often, retirees delay taking funds from Roth accounts until absolutely necessary, due to its tax-free growth. However, having a structured retirement income plan that considers your lifestyle, taxes, and savings is helpful in making the determination as to what you should spend and when.

Finally, some investments in your account might not be entirely liquid once you retire. Reviewing them might be necessary when evaluating your retirement income plans. The TIAA Traditional Fund, for example, has a nine-year payout that will need to be activated if you want to entirely liquidate the position. This is important to keep in mind if you want to move your savings out of the University's plan into an IRA with more investment options. Being cognizant of items like this could make the journey into retirement much smoother.

Retiree Benefits

One key perk of working for the University is that many of the benefits you enjoy while working continue into retirement. While there's sometimes a cost to these benefits, maintaining the status quo for benefits like healthcare can provide peace of mind during the retirement transition.

Healthcare

For healthcare coverage, the portion of benefits covered by the University varies by age, hire date, and retirement date for the plan you choose. Keep in mind, just because you retire, doesn't mean you won't continue to participate in open enrollment each year if you keep your health insurance through the University's plan.

While you're able to continue to enroll in the University's healthcare coverage plan, benefits like the flexible spending account (FSA) will cease upon retirement.

When you turn 65 and enroll in Medicare, your coverage through the University will become secondary. This means that Medicare will be your primary insurance and where the initial billing will be sent. The University's plan will supplement Medicare in retirement. Additionally, it's very important to enroll in Medicare as soon as you are eligible, as there's the potential for stiff penalties and increased costs should there be a delay in enrollment.

We've developed a specific webpage to help answer your questions regarding Medicare decisions. Visit www.VintageFS.com/Medicare.

Dental/Vision

If you're enrolled, dental and vision plans will also continue into retirement. Plans must be elected during open enrollment, and monthly premiums for the plans vary based on the level of coverage.

Legal Services

As discussed earlier, the legal services plan can continue into retirement. You'll need to make monthly payments to cover the premiums if you decide to continue the coverage.

Life Insurance

Finally, life insurance coverage under the University's plan will be reduced in retirement, declining until age 66 when it falls to a $2,000 benefit.

Paying for the Benefits

While the ease of paying for your benefits out of your paycheck will cease upon retirement, you'll still have the option to pay from your checking account via electronic funds transfer or through a check each month.

Other Benefits

Retirees from the University have a few other benefits as well. As a retiree, you may be eligible to return to the University through Temporary Staffing Services. You'll be eligible to purchase a membership for recreation facilities on campus and retain access to the University libraries.

Conclusion

You've got some great benefits, and it pays to use them wisely. From financial to health, the University's plan provides excellent perks for everyone from full-time employees to retirees. This roadmap is just a primer on some of those benefits and how to help you get the most out of the University's plan. Remember, it's your work-life balance, your health, and your retirement. Everyone's situation is different, and there are many other considerations when deciding your best path forward.

A Quick Note On COVID-19

In response to the COVID-19 pandemic, Michigan Medicine has suspended merit increases, employer retirement match, and tuition reimbursement. This does not affect all University of Michigan employees, but those who work for Michigan Medicine (except for employees covered under a collective bargaining agreement).

About Vintage Financial Services, LLC

Vintage Financial Services is a fee-only, Registered Investment Advisor located in Ann Arbor, Michigan. Since 1985, Vintage has been providing its clients with comprehensive financial planning and investment management services. Vintage currently serves over 500 clients and has over $675 million in assets under management. Our minimum initial client portfolio is $500,000, including their employer-sponsored retirement accounts.

Vintage works with many University of Michigan and Michigan Medicine employees and has extensive experience in managing clients' retirement accounts in the TIAA and Fidelity plans at the University. At Vintage, we value helping our clients get the most out of their employer benefits, regardless of their employer. Our familiarity with the University's plan gives us a strategic advantage, coupled with our expertise in other planning areas including comprehensive tax planning and preparation, estate planning, insurance, education planning, and investment management.

Vintage was founded by Frank Moore, MS, CFP®, who currently serves as Chief Investment Officer. We have one of the largest teams of fee-only CERTIFIED FINANCIAL PLANNER™ professionals in Washtenaw County, and our advisors have other designations, including a Certified Public Accountant (CPA), Financial Paraplanner Qualified Professional (FPQP™), Enrolled Agent (EA), and a couple master's degrees in Financial Services.

We've been recognized numerous times by national media. Vintage was one of just seven firms in Michigan and the only one from Washtenaw County to be named to the *Financial Time's* FT 300 ranking of the nation's top Registered Investment Advisers for 2020. In 2019, Vintage was one of seventeen firms in the country to be honored by *Investment News* and given the 2019 Best Practices Award. *Forbes* magazine named Frank Moore, our Chief Investment Officer, #18 in Michigan on their first Best-in-State Wealth Advisors list for 2019. And *Barron's* named Frank #12 in Michigan in their 2020 America's Top 1,200 Financial Advisors ranking.

To learn more about Vintage, visit our website at www.VintageFS.com. To schedule a complimentary meeting, visit http://VintageFS.com/schedule-a-meeting/.