



MAKE YOUR RETIREMENT DREAMS A REALITY WITH A 403(B) PLAN

THE 403 (B) ADVANTAGE

Employees who work for tax-exempt organizations like yours have an opportunity to invest for retirement through a 403(b) plan. Named after a section of the Internal Revenue Code, a 403(b) retirement savings plan offers significant advantages not found with other investments. In particular, the money you contribute to a 403(b):

- can lower the federal income taxes you pay because your contributions are taken directly out of your paycheck before taxes are paid
- has the potential to accumulate faster because you're not paying any taxes on the earnings in the account until you withdraw them (this advantage is called tax deferral)

Lower what you pay in current taxes.

By having the money deducted from your paycheck before you pay taxes, you can put more money to work for you than you can on an after-tax basis. For an example of what this tax savings can mean, look at the table to the right. A person with a federal income tax rate of 25% wouldn't have to pay \$37.50 in current taxes on a \$150 investment. The bottom line — that's another \$37.50 available to invest.

EFFECTS OF BEFORE-TAX SAVING ON A \$150 CONTRIBUTION

Tax Rate	Before tax savings
15%	\$22.50
25%	\$37.50
28%	\$42.00

FREQUENTLY ASKED QUESTIONS

Inflation has a dramatic effect on the future buying power of your dollars. The table below illustrates how inflation increases the costs of certain consumer goods, which means you'll have to save more just to keep pace.

Who's eligible?

To participate in a 403(b) plan, you must work for a qualified employer as defined by the Internal Revenue Code. These include school systems, universities, nonprofit hospitals, religious organizations, humane societies, social welfare agencies, charitable institutions, museums, symphony orchestras and zoos. Your employer can tell you if you're eligible to participate.

How much can I invest?

The table below outlines the maximum amount you can save in a 403(b) plan.

Year	Amount	Amount (if you are 50 or older)
2007	\$15,500	\$20,500
2008	Indexed to inflation	

If your employer elects to make matching or discretionary contributions on your behalf, the maximum combined amount that may be contributed annually to your 403(b) account and any other defined contribution plan sponsored by your employer is the lesser of \$40,000 or 100% of your gross pay.

When can I withdraw funds if I still work for my original employer?

You can take money out of your account for any reason once you reach age 59 1/2, even if you're still employed. Before you reach age 59 1/2, you can take money out of your account if you become disabled or if you have a financial hardship. In the event of financial hardship, you may only withdraw the amounts you contributed, not any earnings on those contributions.

Investment & Insurance Products:

- Not Insured by FDIC or any Federal Government Agency
- May Lose Value
- Not a Deposit of or Guaranteed by a Bank or any Bank Affiliate

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Do I owe taxes on distributions from my 403(b) plan?

Yes, any distribution you take from a 403(b) account is subject to ordinary income taxes. It may also be subject to penalties, depending on your age when you leave your job and/or your age when you begin taking distributions.

If you're younger than age 55 when you leave your job, your distributions will be subject to an early withdrawal penalty of 10% unless you:

- wait until you reach age 59 1/2 before taking your distributions,
- meet the IRS definition of disability
- use the money for certain medical expenses, or
- take "substantially equal payments" over your life expectancy (or over the joint life expectancies of you and your beneficiary). These payments must continue until you reach age 59 1/2 (but if you wait until you're age 55 to begin, they must continue for at least five years).

If you're at least age 55 when you leave your job, your distributions are not subject to the early withdrawal penalty.

Does withholding apply to my distributions?

Yes, any distribution that's eligible for rollover is subject to a mandatory withholding rate of 20% for federal tax purposes (state tax withholding may also apply). Hardship withdrawals, required minimum distributions, corrective distributions and periodic payments made over a period in excess of 10 years are not subject to the 20% mandatory withholding. You may opt to not have withholding apply to these types of withdrawals.

Can I transfer my 403(b) account balance into an IRA at any time?

If you're under age 59 1/2, you can't take the money out of your 403(b) account unless you leave your employer, become disabled, die or have a financial hardship. However, if you're over age 59 1/2, you could be eligible to roll over your 403(b) balance directly into an IRA. Hardship distributions are not eligible for rollover to an IRA.

Is the appreciation of my assets guaranteed?

Past investment results are no guarantee of future results. The return and principal value of an investment is not guaranteed and will fluctuate, so that shares, when sold, may be worth more or less than their original value. All investments are subject to certain risks. For example, those that include common stocks are affected by fluctuating stock prices, and those that include bonds are affected by interest rate fluctuations. Accordingly, investors should diversify their investments and maintain a long-term perspective.



ADVICE FOCUSED ON YOU

At People's Financial Advisors, we understand the issues and challenges you're facing in planning for retirement. That's why we've made a commitment to understand what's important to you and where you want to be.

To schedule an appointment with one of our Financial Advisors call us at **1-800-392-3009**.

Figures shown are past results and are not predictive of future results. Share prices and returns will vary, so you may lose money. Investing for short periods makes losses more likely.