THE RETIREMENT GROUP LLC
PARTNERS IN RETIREMENT

AT&T
Retirement Guide

Retire on Purpose, With Purpose

2021

AT&T Retire On Purpose, With Purpose

Many of The Retirement Group's AT&T clients are considering moving up their retirement date to 2021. They have mentioned several factors that have made a 2021 retirement appealing:

1. **Lock in Healthcare Subsidy**. Those who leave after 2021 will not receive a post-retirement healthcare subsidy from AT&T. Some clients estimate the subsidy could account for up to $80,000 in savings over their lifetime.

2. **Interest Rates are Rising**. If you retire in 2021 you will take advantage of low interest rates, which increase the value of your Lump-Sum. Those who retire after 2022 could lose a significant amount on their lump-sum if rates continue to rise.

3. **High Property Values**. The housing market appreciated during the pandemic, allowing many retirees to sell their homes and use the additional equity on their retirement. Several of our clients chose to downsize or switch to a rental unit, and received great value for their home. To read more about the current housing market *click here*.

4. **Avoid Stressful Work Environment**. AT&T employees who prefer to work from home are not looking forward to heading back to the office and dealing with a stressful commute. By moving up your retirement date, you can avoid the headache of returning to the office.

To watch our webinar where we discuss these factors in detail, *click here*.

American Rescue Plan Act

The American Rescue Plan Act (ARPA) of 2021 was signed into law in early March. The emergency relief package will cost $1.9 trillion and will provide payments to individuals and funding to federal programs, local governments, vaccination efforts, etc. But how will this bill affect you?

Stimulus

- You may receive the $1,400 stimulus check ($2,800 if married filing jointly), although those with an adjusted gross income of $80,000 ($160,000 if married filing jointly) will not receive the payment.

Changes to unemployment benefits:

- Those receiving unemployment benefits will receive an additional $300 per week through September 6th, 2021.
- Those who've exhausted their state's unemployment benefits will receive a 29-week extension of federal benefits.
- Unemployment benefits will also apply to independent contractors and part-time workers until September 26th, 2021.

COBRA

- The federal government will pay the entire COBRA premium from April 2021 through September 30th, 2021. This applies to people who have lost their job and qualify for health insurance under the COBRA continuation coverage program.
- If you purchased health insurance through a government exchange you may qualify for a lower price through december 31st, 2022.

Child/Dependant Tax Credits

- Child tax credits will increase from $2,000 to $3,000 (again depending on your modified adjusted gross income) and the age of qualifying children will be expanded to include 17-year-olds in 2021.
- The maximum for child and dependent care tax credits will increase to $4,000 for one individual and $8,000 for two or more individuals. This credit is fully refundable for 2021 as well.

Earned income tax credits

- Individuals without qualifying children will receive an increased credit.
- The maximum age limit to claim this credit has been eliminated for 2021.
- Tax payers will also be able to use their 2019 earned income to determine the credit amount if it is higher than their 2021 earned income.
- The earned income tax credit will now be available to separated spouses who do not file joint tax returns.

Contents

Introduction

Your focus: Being great at your craft.

Our focus: Helping you plan for a happy retirement.

You've worked for many years in the telecom industry. Let us help you get your financial house in order for the retirement you've been working for.

Your Guide

The Retirement Group is a nation-wide group of financial advisors who work together as a team.

We focus entirely on retirement planning and the design of retirement portfolios for transitioning corporate employees. Each representative of the group has been hand selected by The Retirement Group in select cities of the United States. Each advisor was selected based on their in-depth understanding of pensions, experience in financial planning, and portfolio construction knowledge.

TRG takes a teamwork approach in providing the best possible solutions for our clients' concerns. The Team has a conservative investment philosophy and diversifies client portfolios with laddered bonds, CDs, mutual funds, ETFs, Annuities, Stocks and other investments to help achieve their goals. The team addresses Retirement, Pension, Tax, Asset Allocation, Estate, and Elder Care issues. This document utilizes various research tools and techniques. A variety of assumptions and judgmental elements are inevitably inherent in any attempt to estimate future results and, consequently, such results should be viewed as tentative estimations. Changes in the law, investment climate, interest rates, and personal circumstances will have profound effects on both the accuracy of our estimations and the suitability of our recommendations. The need for ongoing sensitivity to change and for constant re-examination and alteration of the plan is thus apparent.

Therefore, we encourage you to have your plan updated a few months before your potential retirement date as well as an annual review. It should be emphasized that neither The Retirement Group, LLC nor any of its employees can engage in the practice of law or accounting and that nothing in this document should be taken as an effort to do so. We look forward to working with tax and/or legal professionals you may select to discuss the relevant ramifications of our recommendations.

Throughout your retirement years we will continue to update you on issues affecting your retirement through our complimentary and proprietary newsletters, workshops and regular updates. You may always reach us at (800) 900-5867.

Planning Your Retirement

Retirement planning is a verb. And consistent action must be taken whether you're 20 or 60.

> *A separate study by Russell Investments, a large money management firm, came to a similar conclusion. Russell estimates a good financial advisor can increase investor returns by 3.75 percent.*

Source: Is it Worth the Money to Hire a Financial Advisor?, the balance, 2020

The truth is that most Americans don't know how much to save or the amount of income they'll need.

No matter where you stand in the planning process, or your current age, we hope this guide gives you a good overview of the steps to take and resources that help you simplify your transition into retirement and get the most from your benefits.

When you're building a successful career and a healthy income, you increasingly feel as though managing your finances is more demanding than ever.

You know you need to be saving and investing, especially since time is on your side the sooner you start, but you don't have the time or expertise to know if you're building retirement savings that can last.

Planning Your Retirement

Waiting to invest can cost you

$100 monthly investment in a tax-deductible Individual Retirement Account (IRA) earning 8% per year

Age	Amount amassed by age 65
25	$349,100
35	$149, 035

**This hypothetical illustration is not intended to reflect the actual performance of any particular security. Future performance cannot be guaranteed and investment yields will fluctuate with market conditions.*

Starting to save as early as possible matters.

Time on your side means compounding can have significant impacts on your future savings. And, once you've started, continuing to increase and maximize your 401(k) contributions is key.

79%

Potential boost in wealth at age 65 over a 20-year period when choosing to invest in your company's retirement plan.

Source: Bridging the Gap Between 401(k) Sponsors and Participants, T.Rowe Price, 2020

Marginal Taxes Rates in 2021:

For tax year 2021, the top tax rate remains 37% for individual single taxpayers with incomes greater than $523,600 ($628,300 for married couples filing jointly). The other rates are:

35%, for incomes over $209,425 ($418,850 for married couples filing jointly);
32% for incomes over $164,925 ($329,850 for married couples filing jointly);
24% for incomes over $86,375 ($172,750 for married couples filing jointly);
22% for incomes over $40,525 ($81,050 for married couples filing jointly);
12% for incomes over $9,950 ($19,900 for married couples filing jointly).
The lowest rate is 10% for incomes of single individuals with incomes of $9,950 or less ($19,900 for married couples filing jointly).

Planning Your Retirement

As decades go by, you’re likely full swing into your career...

... and your income probably reflects that. However, the challenges to saving for retirement start coming from large competing expenses: a mortgage, raising children and saving for their college.

One of the classic planning conflicts is saving for retirement versus saving for college. Most financial planners will tell you that retirement should be your top priority because your child can usually find support from financial aid while you’ll be on your own to fund your retirement.

How much we recommend that you invest toward retirement is always based on your unique financial situation and goals. However, consider investing a minimum of 10% of your salary toward retirement through your 30s and 40s. So long as your individual circumstances allow, it should be a goal to maximize your employer’s contribution match.

Over 50? You can invest up to $19,500 into your retirement plan/401(k).

As you enter your 50s and 60s, you’re ideally at peak earning years with some of your major expenses, such as a mortgage or child-rearing, behind you or soon to be in the rearview mirror. This can be a good time to consider whether you have the ability to boost your retirement savings goal to 20% or more of your income. For many people, this could potentially be the last opportunity to stash away funds.

In 2020, workers age 50 or older can invest up to $19,500 into their retirement plan/401(k). Once they meet this limit, they can add an additional $6,500 in catch-up contributions. These limits are adjusted annually for inflation.

If you’re over 50, you may be eligible to use a catch-up contribution within your IRA.

Planning Your Retirement

Why are 401(k)s and matching contributions so popular?

These retirement savings vehicles give you the chance to take advantage of three main benefits:

- Compound growth opportunities (as seen on page 7)
- Tax saving opportunities
- Matching contributions

Matching contributions are just what they sound like: Your employer matches your own 401(k) contributions with money that comes from the company. If your employer matches, the company money typically matches up to a certain percent of the amount you put in.

Unfortunately, many people don't take full advantage of the employer match because they're not putting in enough themselves.

$1,336

A 2020 study from Financial Engines titled "Missing Out: How Much Employer 401(k) Matching Contributions Do Employees Leave on the Table?", revealed that employees who don't maximize the company match typically leave $1,336 of potential extra retirement money on the table each year.

- *If your employer will match up to 3% of your plan contributions and you only contribute 2% of your salary, you aren't getting the full amount of your company's potential match.*
- *By bumping up your contribution by just 1%, your company is now matching 3% (the max) of your contributions for a total contribution of 6% of your salary. You aren't leaving money on the table.*

Take Action

At The Retirement Group, we are ready to help you understand how your investments and financial circumstances work together for your benefit.

Your Pension Plan

Whether you're changing jobs or retiring...

... knowing what to do with your hard-earned retirement savings can be difficult. An employer-sponsored plan, such as a pension and 401(k), may make up the majority of your retirement savings, but how much do you really know about that plan and how it works?

There are seemingly endless rules that vary from one retirement plan to the next, early out offers, interest rate impacts, age penalties, and complex tax impacts.

Increasing your investment balance and reducing taxes is the key to a successful retirement plan spending strategy. At the The Retirement Group, we can help you understand how your telecom industry retirement 401(k) fits into your overall financial picture and how to make that plan work for you.

Workers are far more likely to rely on their workplace defined contribution (DC) retirement plans as a source of income.

"Getting help and leveraging the financial planning tools and resources your company makes available can help you understand whether you are on track, or need to make adjustments to meet your long-term retirement goals..."

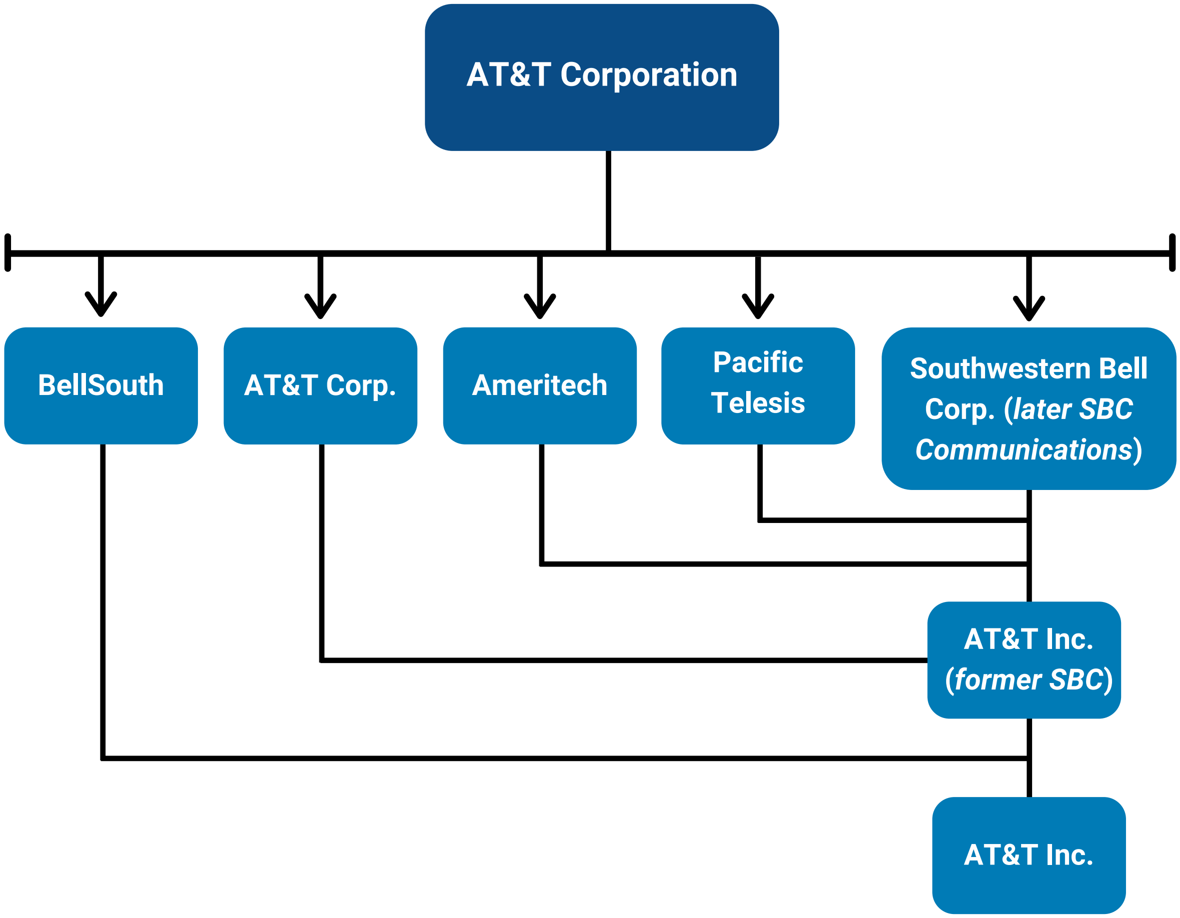
Source: Schwab 401(k) Survey Finds Savings Goals and Stress Levels on the Rise

Your Pension Plan

AT&T history

AT&T has a complicated history of breaking up and merging back...

...together. In 1984 the giant corporation was split into regional telecommunications companies known as the "Baby Bells." Since the break-up, these companies have merged once again to form the present-day AT&T. (35) Due to AT&T's mergers, understanding the complexities of the pension plans can be a challenge.



Take Action

At The Retirement Group, we are ready to help you understand how your investments and financial circumstances work together for your benefit.

Source: ATT SPD

Will AT&T Freeze their Pension?

In 2006 Verizon instituted a freeze on their pension, which raises the...

..the question, will AT&T freeze their pension? What would it look like if they did? A pension freeze would mean employees won't be able to accrue any additional future benefits. They would however be able to collect the benefits which they have already earned. Over the past several decades many corporations have moved to defined contribution (DC) plans and moved away from defined benefit (DB) plans.

Companies freeze or off-load DB pension plans in order to cut down on their current pension obligations. By making the switch from a DB plan to a DC plan corporations can also shift risk from the company to the workers. The trend is good for investors because companies who relieve themselves of pension debt become less risky investments. However this trend can negatively impact employees who often rely on those DB plans for their retirement years.

Your Pension Plan

Service Pension Eligibility & Calculation

AT&T relies on the "modified rule of 75" to determine an employee's retirement eligibility, pension, and retiree medical benefits.

Anyone nearing retirement should know his or her number. That is, how much you need saved to retire. As an AT&T employee nearing retirement, there's another important number to know. You could say it's just as important as the target amount you plan to save in your AT&T 401(k) plan to help supplement your AT&T pension. The number is 75, and it can greatly impact your AT&T retirement benefits.

Other Important things to know: In 1999, SBC changed 75 pt to Mod 75. Remember after December 1999 not every combination of 75 points gets you qualified.

How it Works: You are eligible for a vested pension benefit after five years of service, but your benefit will be negatively affected if you do not reach the age AND service breakpoints for your employment position, as shown in the chart below. You must meet BOTH minimum requirements.

Retirement Age		Term of Employment
• Any Age	**AND**	At least 30 years
• 50 or older	**AND**	At least 25 years
• 55 or older	**AND**	At least 20 years
• 65 or older	**AND**	At least 10 years

For example, let's assume you have 24 years of service and are age 51. Although the combination adds up to 75 (24+51=75), you do not qualify because you fail to meet both minimum requirements at each break point.

For AT&T management employees who meet the 75-point rule but don't have 30 years of service, their pension benefit will be reduced if taken before age 55.

Your Pension Plan

Service Pension Eligibility & Calculation

If you do not meet the 75-point rule yet and are pension eligible (5 years of service), you will receive your earned AT&T pension at age 65. Taking it prior to age 65 will result in a significant reduction.

Further, employees who satisfy the modified rule of 75 may be eligible for subsidized retiree medical, dental, vision and life insurance benefits.

Note: If you're are a union employee with 30 or more years of service, however, the pre-55 reduction does not apply.

If you are currently a manager and you began your career as a Craft employee, you will actually have two pension accounts.

When you retire, you will be able to draw from both pensions. We'll talk about the inner-workings in the bridging section a little later.

The Craft pension is simply based on your pension band, NCS, and any age penalties. The pension band used to calculate your benefit will be that which you are in at the end of your career. Again, Fidelity will give you the easiest way to calculate your projected benefit although we can also do it manually to compare the results.

Lastly, if you are not clear what your pension amount is currently, we can help estimate it for you. We have many years of experience working with these formulas and we understand how to incorporate and minimize your age penalties.

Take Action

At The Retirement Group, we are ready to help you understand how your investments and financial circumstances work together for your benefit. Watch one our AT&T webinars here

Your Pension Plan

Overview

The AT&T Pension Benefit Plan is a...

...defined benefit pension plan and a defined contribution pension plan sponsored by AT&T. They have various pension plans based on different groups of employees. Today we'll be discussing the pension plans specifically for Management and Craft. These are different plans but overall both plans behave similarly.

Benefits under the plan are provided through separate programs. A program is a portion of the plan that provides benefits to a particular group of participants or beneficiaries. Your plan is one of these:

Start the Pension Benefit process (if applicable)

When you are ready to begin receiving your pension benefit, contact the Fidelity Service Center or go to access.att.com > Retiree, Former Employee or Dependent > Login > Fidelity. You may get started up to 180 days in advance of your benefit start date.

Source: AT&T Nonbargained SPD

Your Pension Plan

Craft & Management Employee Defined Benefit Example

- For Craft:
  - Defined Benefit using Pension bands
- For Management, use the greater of:

1. Cash Balance Account
   a. Started 1997
   b. Grandfathered Plan
   c. Hired before March 1997 and partially frozen in May 2002
2. CAM Pension Plan
   a. Not a supplement
   b. Paid as a Lump Sum and/or an Annuity
   c. Hired after March 15th 2001. Eligible after three years

NOTE: If the difference between the amount of the single life monthly annuity for the CAM benefit and the highest applicable formula (Grandfathered) other than the CAM benefit is:

1. Greater than $400 (benefit is paid as a full lump sum or a partial lump sum with a residual annuity)
2. Less than $400 (benefit is paid as a lump sum)

You may receive a partial lump sum & a residual annuity ($400 Rule)

Disclaimer: AT&T contains many different groups of employees that are provided with differing pension plan formulas and payout options. The following is information that pertains to Craft & Management Defined Benefit Plans.

Your Pension Plan

Example

There are many different plans available from AT&T. We will outline how the Craft & Management pension plans work because the majority of employees fall under these plans. Let's take a look at a timeline example for Joe Smith:

In 1990, Joe is hired by AT&T and participates in the Craft Pension Plan:

Craft Pension Plan
Craft has a defined benefit plan that uses pension bands.
A pension band determines your benefits based on your job title/grade level/occupation
Joe will receive a monthly dollar amount into his account for each year of service
Joe's benefit (pension band) may change yearly

- Let's assume Joe is working as a Cable Splicing Technician and is in Pension Band 120. He is interested in retiring this year, in 2021 and wants to calculate his Craft Pension benefit.

Monthly Benefit

×

Years of Service

=

Monthly Pension Benefit

Pension Band 120 Monthly Benefit for 2021 = $71.75
Years of Service = 31 (1990 - 2021)

$71.75

×

31

=

$2,224.24

While this formula calculates a monthly pension benefit, you can determine the lump sum equivalent by using the annuity to lump sum conversion table on Fidleity's website.

Your Pension Plan

Example

Let's assume Joe is working and is in Pension Band 113. He is interested in retiring this year, in 2021 and wants to calculate his Craft Pension benefit.

Bargained Pension example:

Service Representative, Pension Band=113
Monthly benefit for 2020 retirement - $59.44

Age 53 with 25 years of service - $59.44 x 25 = $1,486 a month pension benefit.
Reduction for age penalties (.5% per month x 24 months) = 12% reduction
Monthly benefit at Normal retirement = $1,486(less 12%) = <u>$1,307.68 a month</u>

Bargained Pension example 2:

Customer Services Technician(CST)
Monthly benefit for 2020 retirement - $71.04

Age 57 with 30 years of service - $71.04 x 30 = <u>$2,131.20 a month pension benefit</u>.

Note: No reduction for age penalties

800-200-9838

Example

Management - Cash Balance Account

In 1997 Joe Smith switches to Management and participates in the Cash Balance Account:

- After 5 years of service Joe will be fully vested with no term age penalties
- If he receives salary increases, this will affect the calculation of his final benefit
- Joe will receive his benefit in the form of a Lump Sum, upon retirement
- In May of 2002 this account type was frozen by AT&T

Prior Cash Balance Value (OB Opening Balance;
OB = SBF x 12 Mon. Average Salary 7/95 - 6/96)

+

5% of future pay
(Frozen 1/2005)

×

Rate of the 30 year Treasury
credited monthly

=

**Value of Cash Balance
Pension Account**

Your Pension Plan

Example

Now we'll discuss CAM. This is the plan that the majority of managers fall under today. It was introduced in 2001 and is the only plan that currently isn't frozen.

In 2001, Joe starts his CAM pension plan:

CAM Pension Plan

- Assume $0 opening balance as he came from Craft
- Joe was hired before 6/12/01 so he is fully vested and eligible immediately
- Joe's pension benefit may decrease during his early 60's due to life expectancy.
    - (Misconception: When you hit 30 years of service pension benefit decreases)
- Early retirement discounts & penalties may apply, but not if Age 55 with 30 years, refer to table A & B (penalties credited monthly)

Average Pension Compensation 1/1/95 - 12/31/99 × NCS as of 12/31/99 + Total Pension Compensation After 12/31/99 = Adjusted Career Income (ACI)

Adjusted Career Income (ACI) × 1.6% = Annual Annuity

This is one of the only pension plan that is not currently frozen. If the past is any indication of the future, there will be a day when the company decides to freeze this plan as well. For most of you, this will be the largest pension amount you have.

Table A

- Less than Age 55 with 30 or more years
    - 1/4% per month or 3% per year
- Less than Age 55 with less than 30 years
    - 1/2% per month or 6% per year

Table B

- You will often walk away with only 20% - 30% of your total benefit.

Your Pension Plan

Joe Smith's Pension Plan

This is a typical/generic example for how your benefit works, however each of you have different scenarios in which hire dates, years of service, age, salary, job, and more will affect your plan. The retirement group has worked with numerous AT&T employees, so our experts will be able to work through the specifics with you so you can get the greatest benefit.

Joe Smith Example:
Craft (1985 - 1997) = $1500
Cash Balance (1997 - 2002) = $300
CAM (2002 - Present) = $2400

$1500
(Craft)
+
$300
(Cash Balance)
=
$1800
(Combination of craft and CB paid as a lump sum)

$2400
(CAM)
−
$1800
=
$600
(Difference paid as an annuity)

Since the difference between the amount of the single life monthly annuity for the CAM benefit and the highest applicable formula (Grandfathered) other than the CAM benefit is greater than $400, Joe is paid a partial lump sum & a residual annuity upon retirement.

To calculate your pension benefit follow these steps:

Step 1: Add Craft and Cash Balance and compare to CAM.
Step 2: Convert Craft and Cash Balance to Annuity and compare to CAM Annuity.
Step 3: If the CAM Annuity is $400 > than the Craft and Cash Balance annuity, the payment is a partial lump sum(Craft and CB), and an annuity of the difference between combination of Craft and CB to the CAM annuity.

Your Pension Plan

Bridging

Are you Craft or Management? Have you taken an extended leave from the company and come back thus bridging your service? Did AT&T give you a new NCS date? Well anytime you are dealing with bridging issues, it can complicate your pension calculations. Often Fidelity will not be able to provide you a pension estimate online and you'll have to order manual calculations.

There are various rules regarding bridging. One important thing to know is that if you leave the company and come back, your NCS is not instantly credited from the day you return. There is a waiting period until you can take credit for your years of service during your second tenure.

In terms of changing from Craft to Management, or vice versa, you will end up with two pensions and two 401(k)s. We will make sure that we maximize every account that you have and not leave anything out.

Note: We recommend you read the AT&T Summary Plan Description. The Retirement Group is not affiliated with AT&T.

Next Step:

- How do interest rates affect your decision?
- Use the "*Retirekit*" to understand cash flow, interest rates, and explore which pension option might be the best fit for you during retirement.
- As you get closer to your retirement date, contact an AT&T focused advisor at The Retirement Group and also read the applicable SPD Summary to start your retirement process.
- AT&T will need you to provide documents that show proof of birth, marriage, divorce, Social Security number, etc., for you and your spouse/legally recognized partner.
- AT&T has Beneficiary Designation online to make updates to your beneficiary designations, if applicable to your pension program. Please read your SPD for more details.

Your Pension Plan

Payment Options

Forms of Payment

- Single Life Annuity
- Lump Sum
- Partial Lump Sum with Residual Annuity
- Joint and Survivor Annuity

Thinking about what to do with your pension is an important part of planning for your retirement at AT&T. How should you take the Lump Sum or Annuity and when should you take it? What is best for you and your family?

You should routinely use the tools and resources found on The Retirement Group's E-Book Library, such as the Retirekit, to model your pension benefit in retirement and the pension payment options that will be available to you.

You can also contact an AT&T-focused advisor at The Retirement Group at (800)-900-5867. We will get you in front of an AT&T dedicated advisor to help you start the retirement process and tell you about your payment.

Your Pension Plan

Lump-Sum vs. Annuity

Retirees who are eligible for a pension are often offered the choice of whether to actually take the pension payments for life, or receive a lump-sum dollar amount for the “equivalent” value of the pension – with the idea that you could then take the money (rolling it over to an IRA), invest it, and generate your own cash flows by taking systematic withdrawals throughout retirement.

The upside of keeping the pension itself is that the payments are guaranteed to continue for life (at least to the extent that the pension plan itself remains in place and solvent and doesn’t default). Thus, whether you live 10, 20, or 30 (or more!) years in retirement, you don’t have to worry about the risk of outliving the money.

By contrast, selecting the lump-sum gives you the potential to invest, earn more growth, and potentially generate even greater retirement cash flow. Additionally, if something happens to you, any unused account balance will be available to a surviving spouse or heirs. However, if you fail to invest the funds for sufficient growth, there’s a danger that the money could run out altogether, and that you may regret not having held onto the pension’s “income for life” guarantee.

Ultimately, though, whether it is really a “risk” to outlive the guaranteed lifetime payments that the pension offers, by taking a lump-sum, depends on what kind of return must be generated on that lump-sum to replicate the payments. After all, if the reality is that it would only take a return of 1% to 2% on that lump sum to create the same pension cash flows for a lifetime, there is little risk that you will outlive the lump-sum even if you withdraw from it for life(10). However, if the pension payments can only be replaced with a higher and much riskier rate of return, there’s a greater risk those returns won’t manifest and you could run out of money.

Your Pension Plan

Interest Rates and Life Expectancy

In many defined benefit plans, like the AT&T pension plan, current and future retirees are offered a lump-sum payout or a monthly pension benefit. Sometimes these plans have billions of dollars worth of unfunded pension liabilities, and in order to get the liability off the books, they offer a lump-sum.

Depending on life expectancy, the initial lump-sum is typically less money than regular pension payments over a normal retirement time frame. However, most individuals that opt for the lump-sum plan to invest the majority of the proceeds, as most of the funds aren't needed immediately after retirement.

Something else to keep in mind is that current interest rates, as well as your life expectancy at retirement, have an impact on lump sum payout options of defined benefit pension plans. Lump sum payouts are typically higher in a low interest rate environment, but be careful because lumps sums decrease in a rising interest rate environment.

Additionally, projected pension lump sum benefits for active employees will often decrease as an employee ages and their life expectancy decreases. This can potentially be a detriment of continuing to work, so it is important that you run your pension numbers often and thoroughly understand the timing issues. Other factors such as income needs, need for survivor benefits, and tax liabilities often dictate the decision to take the lump-sum over the annuity option on the pension.

Your Pension Plan

Interest Rates and Life Expectancy

Everything else being equal, lower interest rates cause your pension lump-sum to increase. If an AT&T employee believes interest rates will be lower in 2021 they have the option to retire in late 2020 but defer their pension collection until 2021. AT&T's Summary Plan Description states that, "If you do not wish to immediately elect to receive your Pension Benefit, you may elect to start receiving your Pension Benefit as of the first (1st) day of any month following your Termination of Employment and before reaching your Normal Retirement Age." If you believe that interest rates in November will be lower than current rates you can retire at the end of December 2020, then defer your lump-sum until January 2020 where you can take advantage of the lower rate. This will also allow you to lock in the healthcare reimbursement account credit discussed in the benefits section of the guide.

Take Action

At The Retirement Group, we are ready to help you understand how your investments and financial circumstances work together for your benefit.

Your 401(k) Plan

AT&T 401(k) Plans

When is the last time you reviewed your 401(k) plan account or made any changes to it? If it's been a while, you're not alone. 73% of plan participants spend less than five hours researching their 401(k) investment choices each year, and when it comes to making account changes, the story is even worse.

When you retire, if you have balances in your 401(k) plan, you will receive a Participant Distribution Notice in the mail. This notice will show the current value that you are eligible to receive from each plan and explain your distribution options. It will also tell you what you need to do to receive your final distribution. Please call The Retirement Group at (800)-900-5867 for more information and we can help you get in front of an AT&T focused advisor.

Next Step:

- Watch for your Participant Distribution Notice and Special Tax Notice Regarding Plan Payments. These notices will help explain your options and what the federal tax implications may be for your vested account balance.
- "*What has Worked in Investing*" & "*8 Tenets when picking a Mutual Fund*".
- To learn about your distribution options, call The Retirement Group at (800)-900-5867. Click our e-book for more information on "*Rollover Strategies for 401(k)s*"
- Use the AT&T Online Beneficiary Designation to make updates to your beneficiary designations, if needed.

Take Action

Note: If you voluntarily terminate your employment from AT&T, you will not be eligible to receive the annual contribution.

Your 401(k) Plan

When faced with a problem or challenge, many of us are programmed to try to figure it out on our own rather than ask for help. The Christmas Eve ritual of assembling toys without looking at the instructions and that road trip when we refused to stop to ask for directions come to mind. But when we're talking about 401(k) investing, choosing to go it alone rather than get help can really hurt.

Over half of plan participants admit they don't have the time, interest or knowledge needed to manage their 401(k) portfolio. But the benefits of getting help goes beyond convenience. Studies like this one, from Charles Schwab, show those plan participants who get help with their investments tend to have portfolios that perform better: The annual performance gap between those who get help and those who do not is 3.32% net of fees. This means a 45-year-old participant could see a 79% boost in wealth by age 65 simply by contacting an advisor. That's a pretty big difference.

Getting help can be the key to better results across the 401(k) board.

A Charles Schwab study found several positive outcomes common to those using independent professional advice. They include:

- **Improved savings rates** – 70% of participants who used 401(k) advice increased their contributions.
- **Increased diversification** – Participants who managed their own portfolios invested in an average of just under four asset classes, while participants in advice-based portfolios invested in a minimum of eight asset classes.
- **Increased likelihood of staying the course** – Getting advice increased the chances of participants staying true to their investment objectives, making them less reactive during volatile market conditions and more likely to remain in their original 401(k) investments during a downturn. Don't try to do it alone.

Get help with your 401(k) investments. Your nest egg will thank you.

Your 401(k) Plan

In-Service Withdrawals

Generally speaking, you can withdraw amounts from your account ...

... while still employed under the circumstances described below.

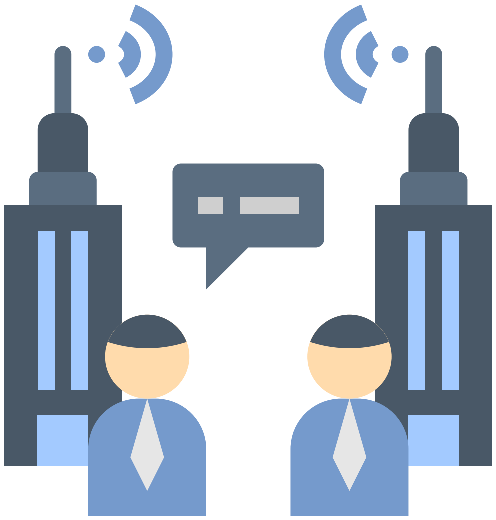
It's important to know that certain withdrawals are subject to regular federal income tax and, if you're under age 59½, you may also be subject to an additional 10% penalty tax. You can determine if you're eligible for a withdrawal, and request one, online or by calling your the AT&T Benefits Center

Rolling Over Your 401(k)

As long as the plan participant is younger than age 72, an in-service distribution can be rolled over to an IRA. A direct rollover would avoid the 10% early withdrawal penalty as well as the mandatory 20% tax withholding. Your plan summary outlines more information and possible restrictions on rollovers and withdrawals.

Because a withdrawal permanently reduces your retirement savings and is subject to tax, you should always consider taking a loan from the plan instead of a withdrawal to meet your financial needs. Unlike withdrawals, loans must be repaid, and are not taxable (unless you fail to repay them). In some cases, as with hardship withdrawals, you are not allowed to make a withdrawal unless you have also taken out the maximum available plan loan.

You should also know that the plan administrator reserves the right to modify the rules regarding withdrawals at any time, and may further restrict or limit the availability of withdrawals for administrative or other reasons. All plan participants will be advised of any such restrictions, and they apply equally to all employees.



Your 401(k) Plan

Borrowing from your 401(k)

Should you? Maybe you lose your job, have a serious health emergency, or face some other reason that you need a lot of cash. Banks make you jump through too many hoops for a personal loan, credit cards charge too much interest, and … suddenly, you start looking at your 401(k) account and doing some quick calculations about pushing your retirement off a few years to make up for taking some money out.

We understand how you feel: It's your money, and you need it now. But, take a second to see how this could adversely affect your retirement plans.

Consider these facts when deciding if you should borrow from your 401(k). You could:

- Lose growth potential on the money you borrowed
- Repayment and tax issues, if you leave your employer.

Take Action

At The Retirement Group, we are ready to help you understand how your investments and financial circumstances work together for your benefit.

Your 401k Plan

Net Unrealized Appreciation (NUA)

When you qualify for a distribution you have three options:

- Roll-over your qualified plan to an IRA and continue deferring taxes.
- Take a distribution and pay ordinary income tax on the full amount.
- Take advantage of NUA and reap the benefits of a more favorable tax structure on gains.

How does Net Unrealized Appreciation work?

First an employee must be eligible for a distribution from their qualified plan; generally at retirement or age 59 ½, the employee takes a "lump-sum" distribution from the plan, distributing all assets from the plan during a 1 year period. The portion of the plan that is made up of mutual funds and other investments can be rolled into an IRA for further tax deferral. The highly appreciated company stock is then transferred to a non-retirement account.

The tax benefit comes when you transfer the company stock from a tax-deferred account to a taxable account. At this time you apply NUA and you incur an ordinary income tax liability on only the cost basis of your stock. The appreciated value of the stock above its basis is not taxed at the higher ordinary income tax but at the lower long-term capital gains rate, currently 15%. This could mean a potential savings of over 30%.

IRA Withdrawal

Your retirement assets may consist of several retirement accounts …

… IRAs, 401(k)s, taxable accounts, and others.

So, what is the most efficient way to take your retirement income?

You may want to consider meeting your income needs in retirement by first drawing down taxable accounts rather than tax-deferred accounts.

This may help your retirement assets last longer as they continue to potentially grow tax deferred.

You will also need to plan to take the required minimum distributions (RMDs) from any employer-sponsored retirement plans and traditional or rollover IRA accounts.

That is due to IRS requirements for 2020 to begin taking distributions from these types of accounts when you reach age 72. If you do not, the IRS may assess a 50% penalty on the amount you should have taken.

There is new legislation that allows individuals who didn't turn 70½ by the end of 2019 to take RMDs on April 1 of the year they turn 72.

Two flexible distribution options for your IRA

When you need to draw on your IRA for income or take your RMDs, you have a few choices. Regardless of what you choose, IRA distributions are subject to income taxes and may be subject to penalties and other conditions if you're under 59½.

Partial withdrawals: Withdraw any amount from your IRA at any time. If you're 72 or over, you'll have to take at least enough from one or more IRAs to meet your annual RMD.

Systematic withdrawal plans: Structure regular, automatic withdrawals from your IRA by choosing the amount and frequency to meet your retirement income needs. If you're under 59½, you may be subject to a 10% early withdrawal penalty (unless your withdrawal plan meets Code Section 72(t) rules).

Your tax advisor can help you understand distribution options, determine RMD requirements, calculate RMDs, and set up a systematic withdrawal plan.

Your Benefits

What Happens If Your Employment Ends

Your life insurance coverage and any optional coverage you purchase for your spouse/domestic partner and/or children ends on the date your employment ends, unless your employment ends due to disability. If you die within 31 days of your termination date, benefits are paid to your beneficiary for your basic life insurance, as well as any additional life insurance coverage you elected.

Note:

- You may have the option to convert your life insurance to an individual policy or elect portability on any optional coverage.
- If you stop paying supplementary contributions, your coverage will end.
- If you are at least 65 and you pay for supplemental life insurance, you should receive information in the mail from the insurance company that explains your options.
- Make sure to update your beneficiaries. See the SPD for more details.

Take Action

At The Retirement Group, we are ready to help you understand how your investments and financial circumstances work together for your benefit.

Your Benefits

AT&T Beneficiary Designations

As part of your retirement and estate planning, it's important to name someone to receive the proceeds of your benefits programs in the event of your death. That's how AT&T will know whom to send your final compensation and benefits. This can include life insurance payouts and any pension or savings balances you may have.

Next Step:

- When you retire, make sure that you update your beneficiaries. AT&T has an Online Beneficiary Designation form for life events such as death, marriage, divorce, child birth, adoptions, etc.

Social Security & Medicare

For many retirees, understanding and claiming Social Security can be difficult ...

... but identifying optimal ways to claim Social Security is essential to your retirement income planning. Social Security benefits are not designed to be the sole source of your retirement income, but a part of your overall withdrawal strategy.

Knowing the foundation of Social Security, and using this knowledge to your advantage, can help you claim your maximum benefit.

It's your responsibility to enroll in Medicare parts A and B when you first become eligible — and you must stay enrolled to have coverage for Medicare-eligible expenses. This applies to your Medicare eligible dependents as well.

You should know how your retiree medical plan choices or Medicare eligibility impact your plan options. Before you retire, contact the U.S. Social Security Administration directly at 800-772-1213, call your local Social Security Office or visit ssa.gov.

They can help determine your eligibility, get you and/or your eligible dependents enrolled in Medicare or provide you with other government program information.

Year of birth	Full retirement age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960+	67

For more in-depth information on Social Security, please call us.

Take Action

Check the status of your Social Security benefits before you retire. Contact the U.S. Social Security Administration, your local Social Security office, or visit ssa.gov.

Are you eligible for Medicare ... or will be soon?

If you or your dependents are eligible after you leave your telecom industry company, Medicare generally becomes the primary coverage for you or any of your dependents as soon as they are eligible for Medicare. This will affect your company-provided medical benefits.

You and your Medicare-eligible dependents must enroll in Medicare Parts A and B when you first become eligible. Medical and MH/SA benefits payable under the company-sponsored plan will be reduced by the amounts Medicare Parts A and B would have paid whether you actually enroll in them or not.

For details on coordination of benefits, refer to your summary plan description.

If you or your eligible dependent don't enroll in Medicare Parts A and B, your provider can bill you for the amounts that are not paid by Medicare or your company-specific medical plan ... making your out-of-pocket expenses significantly higher.

According to the Employee Benefit Research Institute (EBRI), Medicare will only cover about 60% of an individual's medical expenses. This means a 65-year-old couple, with average prescription-drug expenses for their age,

Projected annual Medicare costs for an individual: Part B and Part D premiums

Year	Age	Part B	Part D	Annual B+D
2030	75	$3,328	$1,636	$4,874
2020	65	$1,725	$871	$2,596
2040	85	$6,078	$3,070	$9,148

Social Security & Medicare

How we can help:	Time to retirement: Several years	2 years or less	In retirement
Familiarize you with individual healthcare plans	●	●	●
Estimate your healthcare costs in retirement	●	●	●
Design an overall retirement plan for you	●	●	●
Incorporate healthcare costs into your plan	●	●	●
Manage your plan to help you achieve your goals	●	●	●
Explain the basics of Medicare		●	●
Familiarize you with the Medicare enrollment process			●
Help you avoid coverage delays and possible penalties			●

will need $259,000 in savings to have a 90% chance of covering their healthcare expenses. A single male will need $124,000 and a single female, thanks to her longer life expectancy, will need $140,000.

Check your plan summary to see if you're eligible to enroll in Medicare Parts A and B.

Take Action

Get Medicare prescription drug information by visiting medicare.gov.

If you become Medicare eligible for reasons other than age, you must contact your company's benefit center about your status.

Source: AT&T Summary Plan Description, 2018

Divorce

The ideas of happily ever after and until death do us part won't happen ...

... for 28% of couples over the age of 50.3. Most couples saved together for decades, assuming they would retire together. After a divorce, they face the expenses of a pre-or post-retirement life, but with half their savings.

If you're divorced or in the process of divorcing, your former spouse(s) may have an interest in a portion of your retirement benefits. Before you can start your pension — and for each former spouse who may have an interest — you'll need to provide your company with the following documentation:

- A copy of the court-filed Judgment of Dissolution or Judgment of Divorce along with any Marital Settlement Agreement (MSA)
- A copy of the court-filed Qualified Domestic Relations Order (QDRO)

You'll need to submit this documentation to your company's online pension center regardless of how old the divorce or how short the marriage.

Take Action

Provide your company with any requested documentation to avoid having your pension benefit delayed or suspended. To find out more information on strategies if divorce is affecting your retirement benefits, please give us a call.

Source: The Retirement Group, "Retirement Plans - Benefits and Savings," U.S. Department of Labor, 2019; "Generating Income That Will Last Throughout Retirement," Fidelity, 2019

Divorce

Social Security and Divorce

You can apply for a divorced spouse's benefit if the following criteria are met:

- You're at least 62 years of age.
- You were married for at least 10 years prior to the divorce.
- You are currently unmarried.
- Your ex-spouse is entitled to Social Security benefits.
- Your own Social Security benefit amount is less than your spousal benefit amount, which is equal to one-half of what your ex's full benefit amount would be if claimed at Full Retirement Age (FRA).

Unlike with a married couple, your ex-spouse doesn't have to have filed for Social Security before you can apply for your divorced spouse's benefit, but this only applies if you've been divorced for at least two years and your ex is at least 62 years of age. If the divorce was less than two years ago, your ex must already be receiving benefits before you can file as a divorced spouse.

Unlike with a married couple, your ex-spouse doesn't have to have filed for Social Security before you can apply for your divorced spouse's benefit.

Divorce doesn't even disqualify you from survivor benefits. You can claim a divorced spouse's survivor benefit if the following are true:

- Your ex-spouse is deceased
- You are at least 60 years of age
- You were married for at least 10 years prior to the divorce
- You are single (or you remarried after age 60)

In the process of divorcing?

If your divorce isn't final before your retirement date, you're still considered married. You have two options:

- Retire before your divorce is final and elect a joint pension of at least 50% with your spouse — or get your spouse's signed, notarized consent to a different election or lump sum.
- Delay your retirement until after your divorce is final and you can provide the required divorce documentation.

Source: The Retirement Group, "Retirement Plans - Benefits and Savings," U.S. Department of Labor, 2019; "Generating Income That Will Last Throughout Retirement," Fidelity, 2019

Survivor Checklist

In the unfortunate event that you aren't able to collect your benefits, your survivor will be responsible for taking action.

What your survivor needs to do:

- Report your death. Your spouse, a family member or even a friend should call your company's benefits service center as soon as possible to report your death.
- Collect life insurance benefits. Your spouse, or other named beneficiary, will need to call your company's benefits service center to collect life insurance benefits.

If you have a joint pension:

- Start the joint pension payments. The joint pension is not automatic. Your joint pensioner will need to complete and return the paperwork from your company's pension center to start receiving joint pension payments.
- Be prepared financially to cover living expenses. Your spouse will need to be prepared with enough savings to bridge at least one month between the end of your pension payments and the beginning of his or her own pension payments.

If your survivor has medical coverage through your company:

- Decide whether to keep medical coverage.
- If your survivor is enrolled as a dependent in your company-sponsored retiree medical coverage when you die, he or she needs to decide whether to keep it. Survivors have to pay the full monthly premium.

While you may be ready for some rest and relaxation, without the stress ...

... and schedule of your full-time career, it may make sense to you financially, and emotionally, to continue to work.

Financial benefits of working

Make up for decreased value of savings or investments. Low interest rates make it great for lump sums but harder for generating portfolio income. Some people continue to work to make up for poor performance of their savings and investments.

Maybe you took a company offer and left earlier than you wanted and with less retirement savings than you needed. Instead of drawing down savings, you may decide to work a little longer to pay for extras you've always denied yourself in the past.

Meet financial requirements of day-to-day living. Expenses can increase during retirement and working can be a logical and effective solution. You might choose to continue working in order to keep your insurance or other benefits — many employers offer free to low cost health insurance for part-time workers.

Emotional benefits of working

You might find yourself with very tempting job opportunities at a time when you thought you'd be withdrawing from the workforce.

Staying active and involved. Retaining employment, even if it's just part-time, can be a great way to use the skills you've worked so hard to build over the years and keep up with friends and colleagues.

Enjoying yourself at work. Just because the government has set a retirement age with its Social Security program doesn't mean you have to schedule your own life that way. Many people genuinely enjoy their employment and continue working because their jobs enrich their lives.

Sources

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- *How to Survive Financially After a Job Loss* e-book
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