

Deferring to RSA-1 Equals Tax Savings

The income you defer is paid into your RSA-1 account and invested for your benefit. Investment earnings are accumulated in the fund and like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to you. Deferred income and the investment earnings are held in your account for your exclusive benefit and your beneficiaries.

Tax Savings

The following is an example of how participation in RSA-1 can help you reduce your current taxes:

Example:

- ◆ An employee earning \$1,000 semimonthly
- ◆ Deferring \$100 into RSA-1 semimonthly
- ◆ Filing as single with one withholding allowance

Contributing to RSA-1		Not Contributing to RSA-1	
Semimonthly pay	\$1,000.00	Semimonthly pay	\$1,000.00
RSA-1 Deferral	\$100.00	RSA-1 Deferral	\$0.00
7.25% Retirement Contribution	\$72.50	7.25% Retirement Contribution	\$72.50
Federal Tax*	\$73.47	Federal Tax*	\$88.47
State Tax*	\$29.00	State Tax*	\$34.00
FICA	\$56.50	FICA	\$56.50
<u>Take-Home Pay</u>	<u>\$668.53</u>	<u>Take-Home Pay</u>	<u>\$758.53</u>

*Based on the 2011 tax tables.

In this example, deferring \$100 only decreases your take-home pay by \$80 while saving \$20 on taxes.

Effects of Saving

Effect of Saving Over a 25 Year Period*				Effect of Saving Over a 30 Year Period*			
Monthly Deferral Amount	Assumed Earnings Rate			Monthly Deferral Amount	Assumed Earnings Rate		
	6%	7%	8%		6%	7%	8%
\$25	17,324.85	20,251.79	23,775.66	\$25	25,112.88	30,499.27	37,258.99
\$50	34,649.70	40,503.58	47,551.32	\$50	50,225.75	60,998.55	74,517.97
\$100	69,299.40	81,007.17	95,102.64	\$100	100,451.50	121,997.10	149,035.94
\$200	138,598.79	162,014.34	190,205.28	\$200	200,903.01	243,994.20	298,071.89
\$400	277,197.58	324,028.68	380,410.56	\$400	401,806.02	487,988.40	596,143.78

*These examples are provided for illustration purposes only and do not guarantee that the fund will perform at this level in the future.