

## 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 the exclusive benefit of you and your beneficiary(ies).

### 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

#### Tier 1 Employees

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
7.5% Retirement Contribution	\$75.00	7.5% Retirement Contribution	\$75.00
Federal Tax*	\$51.83	Federal Tax*	\$63.83
State Tax*	\$29.00	State Tax*	\$34.00
FICA	\$76.50	FICA	\$76.50
<u>Take-Home Pay</u>	<u>\$667.67</u>	<u>Take-Home Pay</u>	<u>\$750.67</u>

In this example, deferring \$100 only decreases your take-home pay by \$83 while saving \$17 on taxes.

*\*Based on 2018 tax tables*

#### Tier 2 Employees

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
6.0% Retirement Contribution	\$60.00	6.0% Retirement Contribution	\$60.00
Federal Tax*	\$53.63	Federal Tax*	\$65.63
State Tax*	\$29.00	State Tax*	\$34.00
FICA	\$76.50	FICA	\$76.50
<u>Take-Home Pay</u>	<u>\$680.87</u>	<u>Take-Home Pay</u>	<u>\$763.87</u>

In this example, deferring \$100 only decreases your take-home pay by \$83 while saving \$17 on taxes.

*\*Based on 2018 tax tables*