



## “WHAT WILL I DO WITH MY BIG RAISE?”

By: Charlotte Lofft, FA President with assistance from Lori Benetti, Payroll Manager

This article is taken, in part, from the following sources:

*Invest in Your Future Now* by Lindy McKnight (Union Action, SF City College, Dec., 2001) Referenced with permission.

*403bwise* <http://www.403bwise.com/wisemoves/403band457.html>

Consultation with a Vanguard representative.

NOTE: This article is not intended to offer financial advice. The representations made below are intended as guidelines. You should check with financial professionals for confirmation and applicability to yourself.

**Are you wondering what to do with the raise and possible step increases the Faculty Association negotiated for this year? Consider maintaining your current lifestyle and putting all or part of the monies into the investment opportunities described below. It will pay off in the long run, and you won't even miss the money if you do it now.**

You are probably well aware of the mandatory deductions that come out of your paycheck every month such as the individual deduction for STRS retirement. **But, are you aware of the additional options to fund retirement offered by our District?** Those options are the 403(b) and the Cal PERS 457(b) plans. These plans are wonderful savings vehicles because, like your STRS deductions, they are funded with PRETAX dollars and **lower your taxable income**. They also grow in a tax-deferred manner, which means **you pay no tax on them until you start to withdraw money**. Most people access the funds when they retire and are in a lower tax bracket.

Faculty who are under age 50 can contribute the maximum of

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\$18,000 per plan year for each plan for a total contribution of \$36,000. For those over 50 years of age the maximum contribution is \$24,000 per plan for a total of \$48,000. Participants eligible for the "Catch Up" provision can contribute even more.

Catch up provisions are somewhat complicated and should be reviewed by a Financial Planner or a 403b or 457 agent. For example, there is a Cal PERS 457(b) catch up provision for the last three years before retirement. There is also an "Age 50 catch up" provision that allows anyone 50 or older to contribute an additional \$5000 per year to the 403(b) and the Cal PERS 457. There is also an additional 403(b) catch-up provision for people who have worked 15 years for the same employer and have not contributed more than a threshold amount in the previous years. Contributions under this "15 year rule" cannot exceed \$3,000 per year, up to a \$15,000 lifetime maximum.

**Consult a tax or investment professional before taking advantage of these programs.**

Once you decide to "go for it", contact the Payroll Office at the District Office for the appropriate forms. Or, they may be available at your college Business Office.

In addition to the 403b or Cal PERS 457 plans offered through the District or Cal PERS, anyone can have an Individual Retirement Account. (IRA). If you are under 50, your maximum 2015 contribution to an IRA is \$5,500. If you are over 50, your maximum contribution is \$6,500 for 2015. IRAs can be either based on pre-tax or post-tax dollars. Again, consult a financial professional before you decide which type is best for you. The District does not offer payroll deductions for IRAs.

Like all investing, the most powerful factor influencing the growth of retirement funds is **time**. The earlier in life one begins, and the longer the money grows tax-deferred, the larger the amount at the end. Graphic illustrations of this principle are staggering and should send you running to immediately open your 403(b) and 457(b) accounts.

**YOU SHOULD ALSO KEEP IN MIND THAT PART OF WHAT YOU PUT INTO THESE 403(B) AND 457(B) ACCOUNTS**

**WOULD GO TO THE IRS ANYWAY.**

**WOULDN'T YOU RATHER BE WATCHING THE BALANCE SHEET**



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## Commute To Work With Pre-Tax Dollars

By Lori Benetti, Payroll Manager and Charlotte Lofft, FA President

CLPCCD offers a transportation benefit plan to all employees except student workers. The transportation benefit plan is a good way to reduce your commuting expenses by allowing you to set aside pre-tax money for qualified commuter and parking expenses you incur while getting to work.

Pay for transportation to and from work tax free. Common eligible expenses include transportation through train, bus, BART, parking, etc.

This plan allows you to opt in or out at any time. It also allows changes to your election amount each month and does not have a use it or lose it feature.

Please contact Lori Benetti at (925) 485-5228 with any questions, or to request paperwork to enroll.