State of Illinois Deferred Compensation Plan

# Insight

First Quarter 2019 JB Pritzker, Governor

## How the DCP works to keep your savings on track.

*The State of Illinois Deferred Compensation Plan (DCP) provides a long-term savings strategy for your money—even during market uncertainty. Consider the following tips to help keep your savings on track for a financially secure future:*

### When markets gyrate, keep your savings in the DCP

It's natural to feel nervous when the market turns downward. But making investment decisions based on your emotions can hurt your long-term growth potential. Here are steps you can take to remain calm and keep your retirement savings on track:

- **Focus on the long term**
  Growing your retirement savings in your DCP account can be easier when it has a chance to compound. Compounding occurs when any earnings on your investments are put back into your account, so your money has the opportunity to continue to grow.

  **Time and money work together:** The longer your money stays invested in your DCP account, the more time it has for potential compounding and tax-deferred growth.

- **Maintain a diverse portfolio**
  Mutual funds invest in many different investment options, which may reduce volatility in a portfolio. And when you spread your money among stocks, bonds, and cash investments, you're creating an investment strategy—also known as an asset allocation. Of course, diversification cannot assure a profit or protect against loss in a declining market.

- **Invest based on your time horizon**
  Your time horizon is the length of time you have to invest until you retire. As you grow older, your portfolio should move gradually from more aggressive (i.e., investing primarily in stocks) to more conservative (i.e., investing in fewer stocks and more bonds).

#### What you can do now

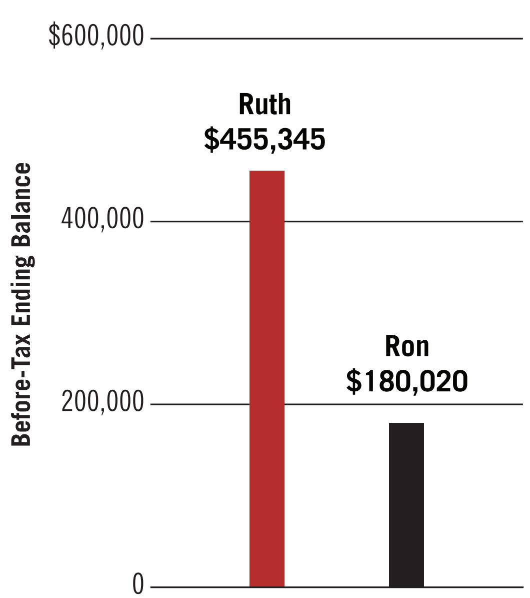
If you're invested in the **build-your-own portfolio** in the DCP, go to **rps.troweprice.com** to make sure your account is properly allocated and diversified. Or call **1-888-457-5770** to speak to a T. Rowe Price representative on business days between 6 a.m. and 9 p.m. central time.

## Consider two hypothetical investors' outcomes

Ruth and Ron are now retired. **Ruth** took a **long-term approach** while saving for retirement. Because she had many years until she planned to retire, she invested much of her money in stocks—and left it alone for 30 years.

In contrast, **Ron** used a **"market timing" strategy**, reacting whenever the markets rose or fell. Because he kept moving his money in and out of the stock market, he ended up missing out on the 10 best-performing months for stocks during that 30-year period. The difference between their savings balances at retirement is significant.

### A PATIENT, LONG-TERM APPROACH COMPARED WITH A MARKET TIMING APPROACH



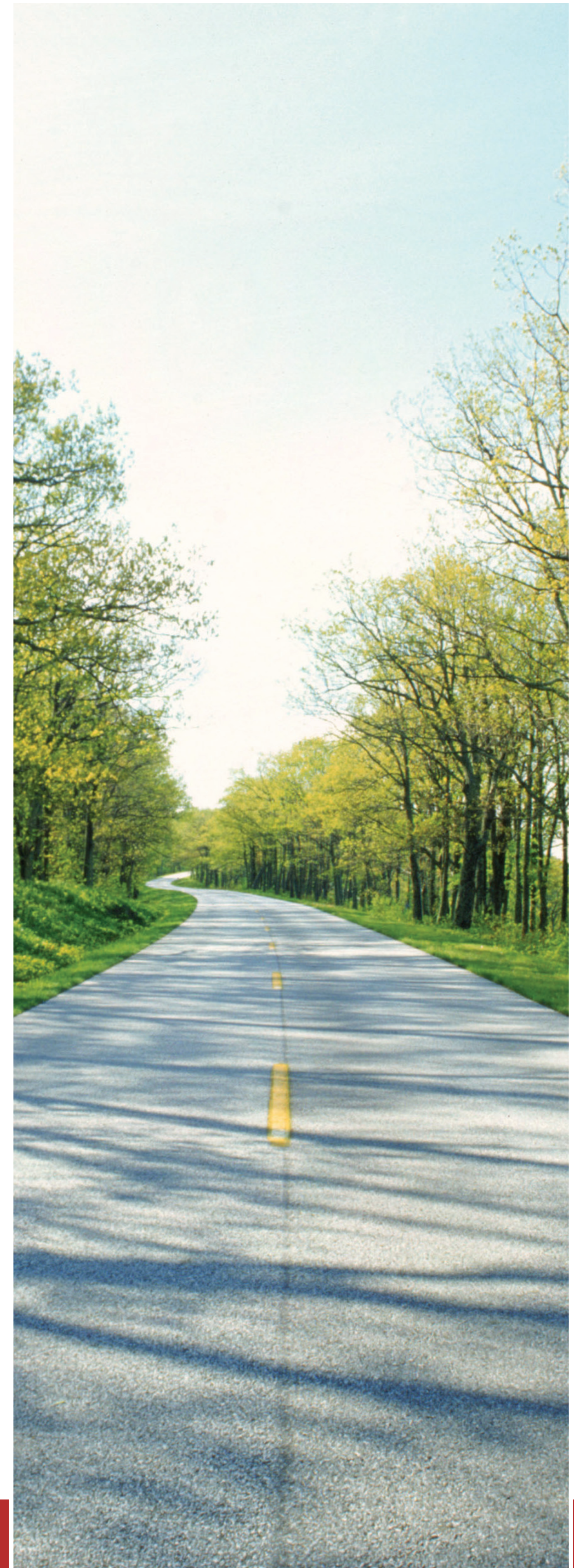

*Source: T. Rowe Price calculated based on the applicable vendor benchmark data.*

*This example is based on an initial balance of $25,000 and uses the performance of the S&P 500 Stock Index from 12/31/1987 to 12/31/2017. In Ron's case, a corresponding Citigroup 1-Month Treasury Bill Index return was used for each of the 10 months the S&P 500 Stock Index was highest, and it was assumed that Ron's market timing strategy had him out of the market during those times.*

*This chart is for illustrative purposes only. This is not meant to represent the performance of the investment options in your Plan. Past performance cannot guarantee future results. It is not possible to invest directly in an index.*

*Unlike stocks, U.S. Treasury bills are guaranteed as to the timely payment of interest and principal. The S&P 500 Stock Index tracks the stocks of 500 U.S. companies. The Citigroup 1-Month Treasury Bill Index is a short-term U.S. government debt instrument.*

*All investments involve risk, including possible loss of principal.*





## Saving a little *more* is always good

There are always reasons to delay saving for retirement: Mortgage payments, credit card debt, student loans—the list goes on. But if you don't "pay yourself first," you could shortchange your future. Consider how you could save more:

- **Boost your contribution rate by 1% or 2% each year**
  Whenever you receive a pay raise or a bonus, consider increasing your contribution rate. *Now would be a good time to increase your savings rate during the SMS Benefits enrollment period in May.* Go to **state.il.us/cms/employee/defcom** to make changes to your contribution rate.
- **Why is it important to increase contribution rates yearly?** So you could have a comfortable retirement income. Most retirement savers should work toward saving 15% of their annual income. If setting aside 15% is not practical right now, start with 6% and increase the amount by 2% each year.
- **See how your paycheck will change saving more**
  The Paycheck Impact Calculator shows what a 1% or 2% increase will do to your paycheck. You probably won't notice much difference in your pay! Visit **rps.troweprice.com** and go to the Planning tab to try this tool.

### TOOLS AND RESOURCES TO HELP YOU PLAN

Planning tools and other resources are available to help you map out a long-term savings strategy. You'll find them under the Planning tab at **rps.troweprice.com**.

- **Educational guidance—**Learn about your account and the basics of retirement investing with Web-based resources.
- **Retirement planning tools—**Take advantage of user-friendly tools to help you determine your retirement savings goals and how to reach them.

- **Save more in 2019**
  Remember, you can contribute more tax-deferred in 2019:
  - You can save up to $19,000 in before-tax and/or Roth contributions.
  - If you'll be age 50 and over in 2019, you're eligible to save an *additional $6,000* each year in catch-up contributions—when you contribute the maximum contribution limit. This could give you a savings of up to $25,000 in 2019.
  - The 457 special catch-up provision is $36,000. (This provision can only be elected during the three years (consecutive) prior to, but not including, the year the participant attains normal retirement age, as defined by the 457 Plan.)

### You get more benefits saving in the DCP

Not only are you saving for a financially secure retirement through the DCP, but you can reduce taxable income now with before-tax contributions and lower taxes while in retirement with Roth contributions:

- **Reduce taxable income now**
  Your before-tax contributions help reduce your current taxable income. The more you contribute, the less income you are taxed on today.
- **Lower future taxes**
  Your Roth contributions are made with after-tax dollars. So these contributions and associated earnings could allow you to have some tax-free retirement income.

# Help is here when you need it

**Contact T. Rowe Price**
Visit **rps.troweprice.com** to manage your account, change investment elections, review investment information, use planning tools, and more. Or call **1-888-457-5770** to speak with a T. Rowe Price representative on business days between 6 a.m. and 9 p.m. central time.

**Contact CMS**
To enroll in the DCP or to change your contribution amount, contact CMS at **1-800-442-1300**. You can download CMS forms at www2.illinois.gov/cms/benefits/Deferred/Pages/DeferredCompensation.aspx.

## TELEPHONE NUMBERS

**DEFERRED COMPENSATION**
Plan Rules/Options Information
1-800-442-1300/1-217-782-7006

TDD/TTY: 1-800-526-0844

Internet: state.il.us/cms/employee/defcom

**RECORDKEEPER**
T. Rowe Price Retirement Plan Services, Inc.
Account Value Information and Investment Changes:
1-888-457-5770 or TDD/TTY: 1-800-521-0325
Internet Access: 1-800-541-3022
Internet: **rps.troweprice.com**

T. Rowe Price Retirement Plan Services, Inc.

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