



FOUR WAYS TO HANDLE RETIREMENT PLAN PAYOUT

Are you getting ready to “pack it in” at your job? If you plan on retiring completely, you may be eligible for a sizeable payout from *your* company’s retirement plan. What should you do with the money you’ve accumulated over the years? It depends on your personal circumstances. Keeping that in mind, here are four basic options to consider.

1. *Take the money and run.*

Remember that a lump-sum payout is taxed at ordinary income rates (reaching as high as 35%). Also, you generally are required to pay a 10% penalty tax - on top of the regular income tax - for distributions made before age 59½.

However, if you were born before 1936, you may qualify for special income averaging. In effect, the distribution is taxed as if it were spread out over 10 years (plus favorable capital gain treatment may be available).

2. *Receive annuity-type payments.*

By choosing to receive a series of payments, you effectively spread out the tax liability over time. Typically, the payments are based on your life expectancy or the joint life expectancy of you and your spouse. The payments end upon the death of the surviving spouse.

3. *Leave the money in the plan.*

If it is permitted, you can leave the money right where it is - in the plan of your former employer. The funds in your account may still provide earnings without any current tax erosion. However, it may be difficult to manage the funds or gain access to them, depending on your particular circumstances.

4. *Roll over the funds to another plan or IRA.*

Instead of taking out cash, you can elect to roll over all or part of your account balance to another qualified plan (say, the plan at a new employer) or an IRA. If the rollover is completed within 60 days, there is no current tax liability on the transfer. Then you will be able to take withdrawals of cash as needed (subject to tax).

Caution: The IRS requires your former employer to automatically withhold 20% of a lump-sum distribution to offset your potential tax liability. To roll over your entire account balance, you must come up with 20% of the amount out of your own pocket. Then you can recoup this amount when you file your tax return.



Pat Johnson
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This situation can be avoided by arranging a trustee-to-trustee transfer. Make sure that the funds go directly from one trustee to another. In that case, you avoid the 20% withholding rule.

In summary. As you can see, you probably have some difficult choices ahead of you. To discuss your situation, talk with Pat Johnson for a free personal review.

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\$5,000 MORTGAGE GRANTS AVAILABLE

Iowa State Bank and the Federal Home Loan Bank may be able to make buying a home a reality with their Affordable Housing Program. Through the program, you may qualify for a \$5,000 grant - with no repayment - to assist with your down payment and closing costs.

To see if you qualify for this program, contact Tammy Walton at our Capital Office.



Tammy Walton
Mortgage Loan Officer
515-246-6370



SIGN UP FOR NEW CAPITAL CLASSIC CLUB TRIPS

Join Iowa State Bank's Capital Classic Club to attend any or all of the upcoming excursions. As a member you'll travel at significantly reduced prices with bus transportation, motel accommodations, meals and tickets all prearranged for trouble-free travel.



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We'll travel to Chicago for an overnight stay that includes a trip to historic Wrigley Field, where the Cubs take on the Baltimore Orioles in inter-league play. Plus, we'll visit the Navy Pier on Lake Michigan and ride up the Sears Tower to the Skydeck observatory and view Chicago's famous skyline.

**Single, \$245
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**Single, \$550
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*For more information or to sign up
for a trip, please call*

**Linda Pound Jane Hartman
515-278-2442 515-223-0011**



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As you run checks through the RITA scanner, they're captured as images and transmitted securely for deposit into your Iowa State Bank business checking account. For each deposit you receive a confirmation with the ability to view deposit information and the check image.

The benefits of RITA are many. It makes your funds available faster for better cash flow, and alerts you to returned checks sooner. Writing out deposit slips and copying checks are unnecessary. Deposits from multiple locations can be consolidated and, with fewer bank trips, security risks are reduced.

Contact Adam Wood or Ed Mears to discover what Iowa State Bank and RITA can do to improve your business operations.

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