

# What is a Tax-Sheltered Annuity?



## Available only to certain tax-exempt and public school employees

Tax-Sheltered Annuities, or TSAs, are offered solely to employees of public school systems, universities, hospitals, churches and other charitable and non-profit organizations.

## A tax advantaged plan

Contributions to a TSA are made through employee salary reduction or employer contributions. All contributions come directly from your employer on a pre-tax basis, thereby lowering your current taxable income.

### An illustration of tax savings

If you plan to save \$5,000 per year, which is better – to save through a TSA or on your own?

	Without a TSA	With a TSA
Annual income	\$50,000	\$50,000
Pre-tax TSA contribution	0	5,000
Income taxes (assume 25%)	12,500	11,250
Gross take-home pay	37,500	33,750
After-tax savings plan	5,000	0
Net take-home pay	32,500	33,750

This hypothetical illustration demonstrates the impact of pre-tax and post-tax contributions on net take-home pay.

Assets in your TSA plan accumulate tax-deferred. As a result, contributing to a TSA can have a greater impact on the amount you accumulate over time than if you contribute to a taxable investment. For this reason, people who are saving for retirement should consider taking full advantage of tax-deferred retirement savings plans like TSAs.

## Convenience

Since all salary reduction contributions come directly from your employer, you never have to worry about writing a check on time or missing a contribution.

## Contribution flexibility

With a TSA, you can increase, decrease, or even stop, then restart your contributions depending on your situation. Additionally, some retirement plans require that you begin taking required minimum distributions at age 70½, regardless of whether or not you are still working. In a TSA plan, you generally can continue to invest and accrue benefits until you decide to retire, even if after age 70½.



We'll help you get there.®

## Ownership

TSAAs provide full ownership to the employee, which means that all employee contributions and earnings belong to you – even if you change jobs. If your next job is for an employer who offers a TSA plan, contributions under the new plan may be able to be made to your current annuity. Please note: in some circumstances, an employer may also contribute to your TSA and there may be a delayed vesting schedule before those contributions/earnings belong to you.

## How much can I contribute?

### Salary deferral contributions:

For tax year 2010 – an employee may voluntarily contribute the lesser of:

- 100% of includible compensation (less employer contributions to the 403(b) plan, if any), or
- \$16,500

### Total combined (employee and employer) contributions:

For 2010 the total amount of contributions that may be made on behalf of an employee is the lesser of:

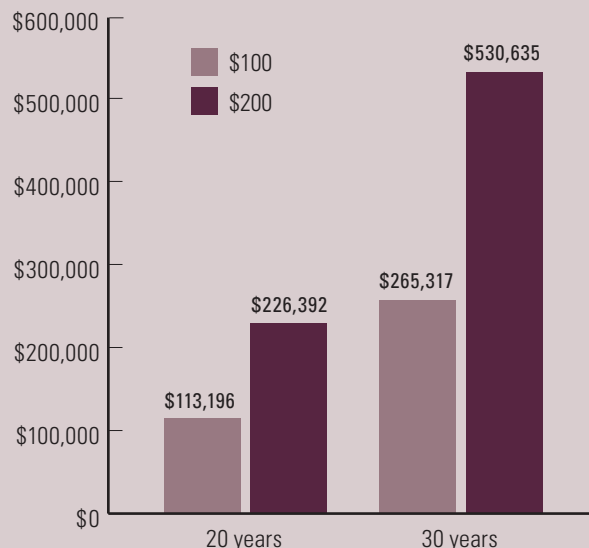
- 100% of includible compensation, or
- \$49,000 (note that the \$5,500 age-50 catch-up election, if applicable, can be made in addition to the \$49,000).

## Catch-up contributions

Participants who are age 50 before the end of the plan year may contribute up to \$5,500 toward a catch-up contribution for 2010, subject to your specific TSA plan rules.

## Benefits of contributing to a TSA

Hypothetical growth assuming 7% return annually and bi-weekly contributions.



This hypothetical chart is intended to illustrate the advantage of contributing to a TSA and not the actual performance of a specific product or its investment options. Charges and expenses have not been deducted and if they had been the returns would be reduced.

Upon withdrawal tax-deferred performance would be reduced by income taxes. Investors must consider their personal investment horizon and income tax bracket, both current and anticipated when making an investment decision.

## Special increase for long-term employees

Additionally, participants with 15 years of service with their current qualifying employer may make additional annual contributions of up to \$3,000 a year, subject to the \$15,000 lifetime limit, subject to your specific TSA plan rules. An employee who has averaged \$5,000 or more in annual salary deferrals would not be eligible to use this special catch-up rule.

Not FDIC/NCUA Insured	Not A Bank Deposit	Not Bank Guaranteed
Not Insured By Any Federal Government Agency		

For those employees who qualify for both catch-up contributions previously described, please note the special increase for long-term employees applies first. Your registered representative will work with you and your plan administrator to help you calculate the maximum amount you may contribute to your tax-sheltered annuity.

## Borrowing privileges

Although the availability of loans are subject to the rules of your specific TSA plan, you may be able to borrow money from your account at a reasonable rate of interest. This loan provision could give you cash when you need it, without losing any of the tax benefits of your TSA. Loans are subject to specific IRS rules, and must be repaid within specific timeframes. If you take a loan, it is very important that your repayments are made on time. A missed payment could result in the loan being considered a deemed distribution – and therefore subject to ordinary income taxes. In many cases, when a loan deems and becomes taxable it can not be satisfied from assets within your TSA. The loan must still be paid back and will incur interest charges until it is paid back. Loans may not be available in every state.

## A source of retirement income

When you retire, TSAs typically provide a number of choices for receiving your assets, such as an income stream for life or over a certain period of years. Payment of lifetime income is contingent upon the claims-paying ability of the issuing company or companies and do not apply to the safety of amounts held in the variable investment choices.

## Important information about TSAs and Distributions

In return for the tax advantages of a TSA, the government placed certain restrictions on distributions from these programs. Any amounts attributable to elective deferrals accrued in a TSA after 1988 cannot be distributed unless the owner:

- is at least age 59½,
- has a severance from employment,
- suffers from a financial hardship, as allowed by your plan and IRS rules
- is disabled, or
- dies.

Employer contributions for contracts issued on or after January 1, 2009 are also subject to withdrawal restrictions. These are set by individual plans and are typically based on years of service or attained age. Distributions are subject to a 10% federal income tax penalty, unless the owner:

- is at least age 59½,
- decides, after leaving his/her job, to receive substantially equal payments of the TSA value over his/her lifetime or his/her and another person's lifetimes
- leaves his/her job on or after age 55
- is disabled, or
- dies.

Please note that distributions may also be subject to contingent deferred sales charges. Other exemptions from the 10% federal income tax penalty may also apply.

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