How Carilion Clinic Employees Can Make the Most of their Retirement Benefits

PARTNERS
IN FINANCIAL PLANNING

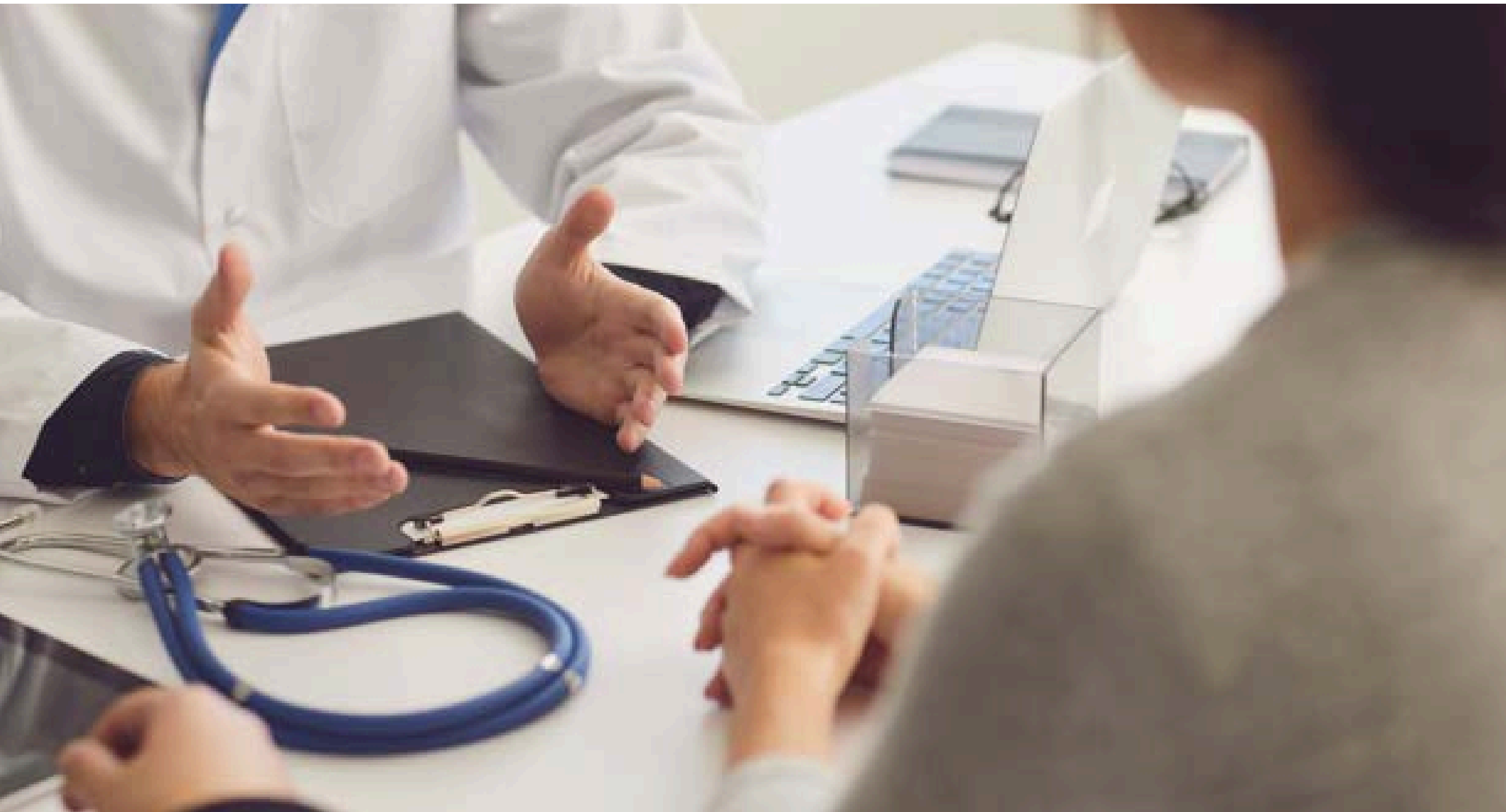
Employees of the Carilion Clinic have access to relatively robust compensation packages, including retirement benefits beyond the traditional employer-sponsored 401(k). If you aren't taking full advantage of these benefits, it may be because you don't yet understand what is being offered and who can use it.

Medical professionals face a unique challenge when preparing for retirement due to their significant student loan debt and long lead time to achieving a high-earning position. Because of this, working for an employer like Carilion, which offers comprehensive retirement benefits, can be essential in establishing a more secure financial future. By taking advantage of these benefits as early as possible, you can better prepare for retirement (even if it's decades away).

Below, we review some of the different retirement plans available to Carilion Clinic employees. To confirm your eligibility for the various plans, contact your HR representative directly.

Qualified Retirement Plans

What makes a retirement plan "qualified?" It must meet requirements established by the Internal Revenue Code (IRC) and Employee Retirement Income Security Act (ERISA) —such as providing tax benefits to both the employer and employee.



401(k)

A 401(k) is a tax-deferred employer-sponsored retirement account available to most full-time Carilion Clinic employees. Contributions to a 401(k) are tax-deductible and grow in the tax-deferred account (meaning you don't have to pay taxes on investment earnings each year).

You'll be eligible to take distributions from your 401(k) starting at age 59.5. It's only when you begin taking withdrawals that you'll be required to pay income tax on the funds.

At Carilion, employees can automatically contribute to their 401(k) and enjoy the immediate tax benefit. Remember, they do not offer employer matching, and there is no Roth 401(k) option (which would be funded with after-tax dollars and yield tax-free income in retirement).

If you opt to open a 401(k), consider revisiting your allocations each year to ensure you increase contributions as your salary grows.

403(b)

A 403(b) operates similarly to a 401(k); it's funded with pre-tax contributions that are tax deductible. However, 403(b)s are technically considered tax-sheltered annuity plans and are typically offered only to employees of 501(c)(3) tax-exempt organizations and public schools. Therefore, a 403(b) is only available to certain Carilion Clinic employees.

With 403(b)s, the investment options are typically more limited, which may make it more difficult to choose funds that align with your long-term goals.

Pension Plan

IA pension plan is an employer-funded defined benefit plan, which means Carilion Clinic sets money aside for eligible employees' future retirement benefits. Unlike a 401(k) or 403(b), a pension plan is not funded by employees, and they have become increasingly rare in today's labor market.

The big draw of a pension plan is that you'll receive guaranteed retirement income backed by the Pension Benefit Guaranty Corporation (PBGC). After working at Carilion Clinic for five years, eligible employees will be vested in their pension plans.

How a Pension Plan Plays Into Your Overall Financial Planning

Access to guaranteed income in retirement is a great benefit—and one that people only tend to have through Social Security payments.

Just keep in mind that your income in retirement will likely stem from a variety of sources, including both guaranteed and variable income (such as investments and savings). You'll also want to consider the tax treatment of your future retirement income sources and find opportunities to leverage a combination of taxable, tax-advantaged, and tax-free income.

Income from your pension plan will likely be taxed as ordinary income, similar to withdrawals from your 401(k) or 403(b).

Pension Plan vs. 401(k) and 403(b)

As a reminder, a pension plan is a defined benefits plan, while a 401(k) or 403(b) is a defined contribution plan.

While a 401(k) or 403(b) doesn't offer guaranteed income for life, it is something employees can take with them when they leave their job — the pension plan, on the other hand, will always stay with the employer (meaning you'll need to keep track of it when it comes time to apply for benefits).

The risk and control of a pension plan falls on the employer — it's up to them to manage the funds and guarantee future retirement income to employees. With a 401(k) or 403(b), the employee can fund the account and select investments or funds.

You may not have to choose between a pension plan and a 401(k) or 403(b). Depending on your eligibility, you can take advantage of both retirement plans.

Nonqualified 457 Plan

Also called a Supplemental Executive Retirement Plan (SERP), a nonqualified 457(f) plan is reserved for highly compensated employees of the nonprofit sector of the Carilion Clinic.

This is a supplemental plan to a 457(b), which acts similarly to a 401(k) or 403(b). You can make tax-deductible contributions to the plan and allow the funds to grow tax-deferred until retirement.

With a SERP, the employer provides additional contributions to the employee's 457 account. Typically, the employee must remain with the Clinic for a certain number of years to keep the additional 457(f) contributions; otherwise, they are only entitled to their initial employee contributions.

While a nonqualified 457 plan offers additional retirement benefits for executives and other leaders, it's worth noting that it does not come with the same ERISA protections and guarantees as qualified plans (like 401(k)s and 403(b)s). This can make it a riskier form of retirement income to rely on — though the risk is usually dependent on the longevity and sustainability of the employer.

These types of plans may also lack flexibility regarding early withdrawals. Trying to access your funds sooner (say if you choose to leave the company or retire early) may result in a tax penalty, which would negate some of the benefits.

Developing a Comprehensive Retirement Strategy

Carilion offers a variety of effective retirement plans, making it an easy and accessible goal for any employee to set aside funds for the future. If you're eligible for multiple retirement plan options, weighing the benefits and drawbacks of each is essential.

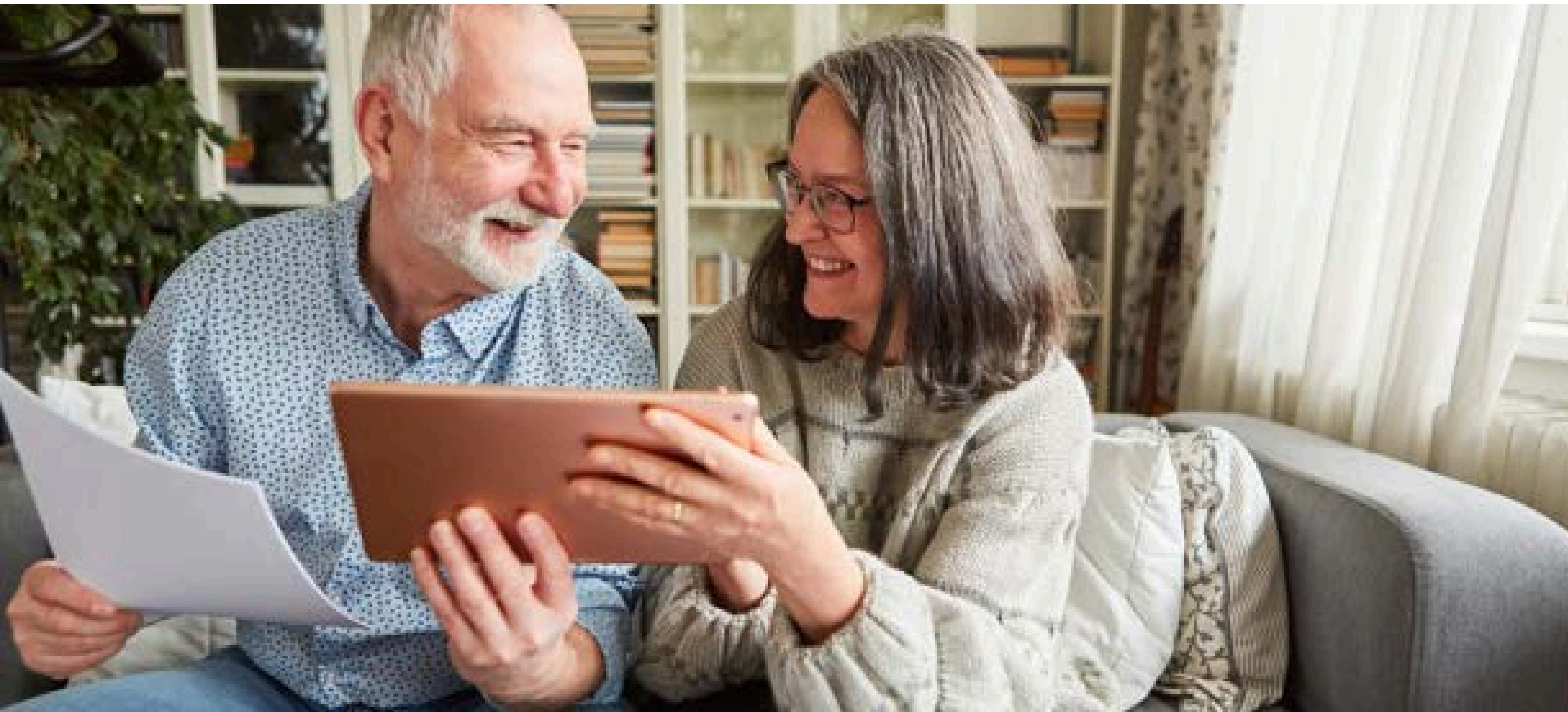
You may want to consider factors like:

- How long you plan on staying with the company (this can impact vesting schedules)
- Other sources of retirement income
- Tax treatment of your future retirement income
- Your timeline toward retirement
- Your retirement savings goal

For most people, retirement income will stem from multiple sources—meaning your Carilion Clinic retirement plan may not be enough to meet your savings goal. Instead, it's just one crucial component of your future retirement income plan.

If you aren't yet working with a financial advisor, consider contacting someone familiar with Carilion Clinic's benefits and compensation packages. Our team at Partners in Financial Planning works with many Carilion Clinic employees and is well-versed in navigating your benefits as a medical professional.

We can help you understand how these benefits affect your overall financial plan and future retirement or career goals.



Next Steps for Carilion Clinic Employees

Even if you currently participate in a retirement plan, review your plan details periodically. It may be time to make contribution adjustments or consider other plan options carefully. You can contact your HR representative or benefits administrator to learn more about which plans you're eligible to participate in and any other details you may need to make an informed decision.

We can help you weigh your options, review the potential risks and benefits of your plan's investment options, and integrate your compensation package into the rest of your financial plan. Contact our team today to get started.