



CARPENTERS TRUSTS

of Western Washington

Health and Security Retirement Vacation Industry Fund

November 1, 2014

Dear Participant:

Invest In Your Future Today

The annual election period for 401(k) contributions begins November 1, 2014 and ends December 16, 2014. 401(k) contributions are a great way to enhance your retirement benefits with additional tax-deferred retirement savings. Here's what to do...

- If you're not making 401(k) contributions, this is your opportunity to sign up for the upcoming calendar year.
- If you're currently making 401(k) contributions, this is your opportunity to increase or decrease that amount. The plan was amended to allow up to \$8.00 per hour for hours worked on and after January 1, 2015.
- If you're currently making 401(k) contributions, and you don't want to change the hourly contribution amount, no action is required.

If you elect to have 401(k) contributions, these contributions will be invested along with all other plan contributions, including the \$.60 per hour employers make as part of collective bargaining. The Carpenters Individual Account Pension Plan is invested in a mix of bonds, domestic and international stocks, real estate equity, and private equity. The plan has earned an average of 7 percent over the past ten years.

Send Us Your Application Now

To take advantage of this important opportunity, please complete the enclosed *Application For 401(k) Elective Contributions* as soon as possible and return the white copy to Carpenters Trusts in Seattle. The following guidelines should be helpful during this process:

1. The annual election period begins November 1, 2014 and ends December 16, 2014. Your application must be post-marked by the United States Postal Service or date-stamped by Carpenters Trusts by December 16, 2014 or we cannot accept it. There's a postage-paid return envelope enclosed for your convenience. You can also fax it to Carpenters Trusts at: (206) 728-5648.
2. You can elect to have \$1.00 through \$8.00 per hour in \$1.00 increments deducted from your paycheck. Your deduction comes out of your paycheck before income taxes, but is subject to Social Security payroll taxes (FICA) and federal unemployment taxes (FUTA). Please see the sample payroll calculations below for an illustration of how these deductions work.
3. No action is required if you're not changing your 401(k) contribution amount.
4. If you are changing your 401(k) contribution amount or signing up for the first time, you must provide the yellow copy of the application to your employer. If you change employers during the

(over, please)



calendar year, please remember to provide your new employer with a copy of your application on the first day of employment.

5. Even if you are not working for a contributing employer, complete an application and mail it to Carpenters Trusts in Seattle. This reserves your right to 401(k) contributions when you begin working for a contributing employer.
6. Once you make an election, this election remains in place for all of 2015. The only change you can make during the calendar year is to reduce the 401(k) contribution to \$0. You can then elect a new 401(k) contribution amount during the next annual election period.

Sample Payroll Calculations

When you make 401(k) contributions, you benefit from “tax deferral” in two ways. First, your hourly contributions are not subject to federal income tax until withdrawn; and second, investment earnings on your hourly contributions are not subject to federal income tax until withdrawn. The sample payroll calculations below illustrate the advantage of tax deferral on hourly 401(k) contributions:

Steps	Calculations	Results
1. Compute taxable wages	40 hours x \$38.68 per hour	\$1,547.20
2. Compute FICA withholding	\$1,547.20 x 7.65%	\$118.36
3. Compute vacation deduction	40 hours x \$1.00 per hour	\$40.00
4. Compute union dues deduction	\$38.68 per hour x 40 hours x 4.0%	\$61.89
5. Compute 401(k) deferral	40 hours x \$1.00 per hour	\$40.00
6. Compute FIT withholding	\$1,507.20 x 25%	<u>\$376.80</u>
7. Compute net pay	1 - 2 - 3 - 4 - 5 - 6 = 7	<u>\$910.15</u>

Step 1. Where 40 hours is a hypothetical work week and \$38.68 is the current hourly pay rate for many journeyman carpenters.

Step 5. Where \$1.00 per hour is a hypothetical 401(k) contribution.

Step 6. Where FIT is federal income tax and 25% is the general tax bracket for full-time carpenters.

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3. Compute vacation deduction	40 hours x \$1.00 per hour	\$40.00
4. Compute union dues deduction	\$38.68 per hour x 40 hours x 4.0%	\$61.89
5. Compute FIT withholding	\$1,547.20 x 25%	<u>\$386.80</u>
6. Compute net pay	1 - 2 - 3 - 4 - 5 = 6	<u>\$940.15</u>

In the first payroll calculation, the carpenter defers \$1.00 per hour to his/her 401(k) account. This reduces his/her federal income tax obligation from \$386.80 (see step 5/second sample calculation) to \$376.80 (see step 6/first sample calculation). This is a tax savings of \$10.00 and a net out-of-pocket of \$30.00 for the \$40.00 401(k) contribution.

Questions?

If you have any questions about the *Application For 401(k) Elective Contributions* or 401(k) elective contributions in general, please contact Retirement Services at the Trust Office in Seattle: (800) 552-0635 Nationwide.