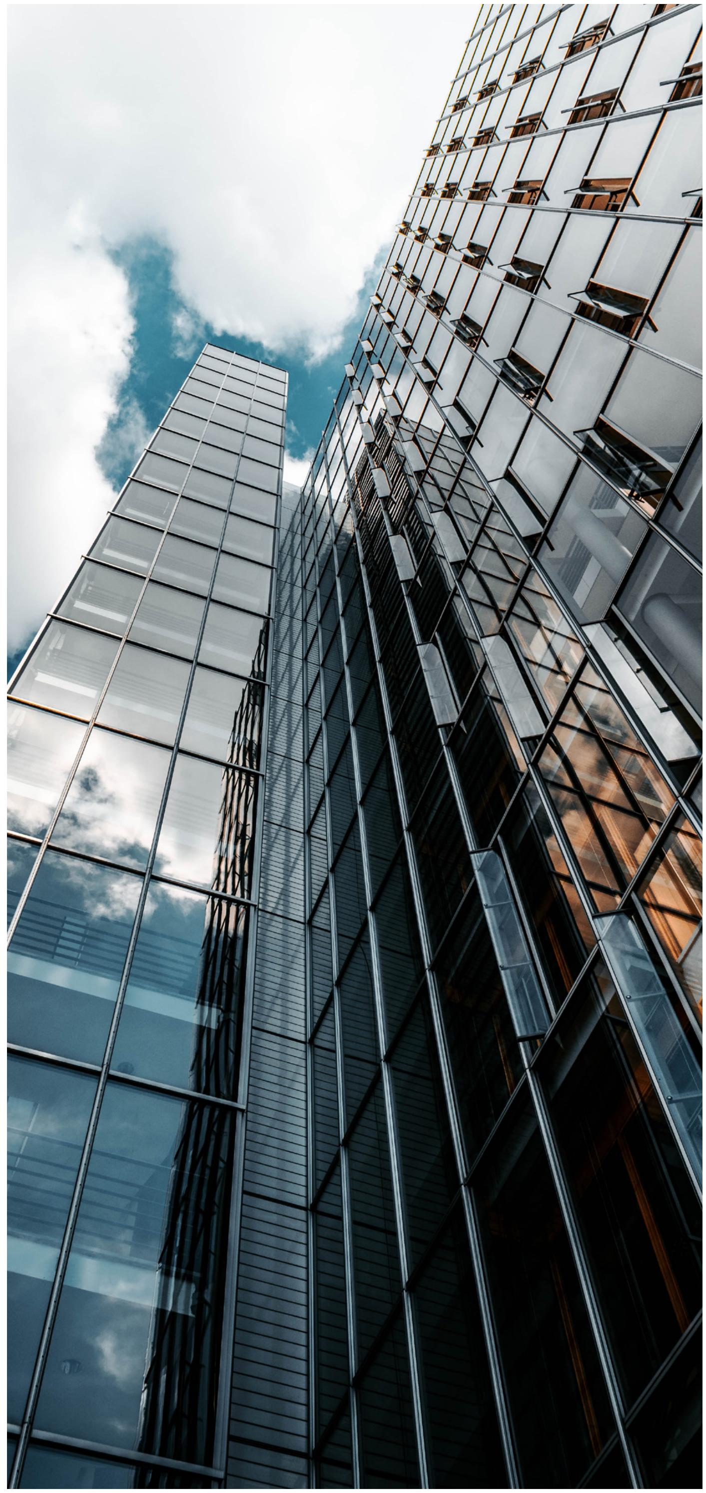
PRIME CAPITAL
INVESTMENT ADVISORS

Destination: Retirement!

Your comprehensive guide
to the Boeing VIP Retirement Plan

Table of Contents



Introduction

When it comes to reaching a destination, who better to be the guide than a trained navigator? A good navigator is capable of making adjustments or plotting a new course depending on the information around them, but always with the ultimate goal or destination in mind. At Prime Capital Investment Advisors, we believe that every individual's journey to retirement is unique, deserving of a tailored approach that transcends ordinary financial advice. As pioneers in retirement planning, we are delighted to present our exclusive guide for Boeing retirement plan participants, Destination: Retirement! Your Comprehensive Guide to the Boeing VIP Retirement Plan – a nautical chart designed to empower you with the knowledge and strategies that can help you avoid costly mistakes so that you can reach your retirement destination at the time that's right for you.

YOUR PARTNER IN BUILDING A SECURE FUTURE

We understand that navigating the intricate landscape of retirement planning can be overwhelming. That's why we're not just financial advisors; we're your partners in your pursuit of a secure and fulfilling retirement. With decades of experience, our team of experts has honed an unmatched understanding of the intricacies of retirement planning, ensuring that every recommendation is personalized to your aspirations and circumstances.

Your retirement deserves nothing less than the extraordinary – and that's precisely what we bring to the table.

Your retirement deserves nothing less than the extraordinary – and that's precisely what we bring to the table.

EXPERIENCE THE PRIME DIFFERENCE

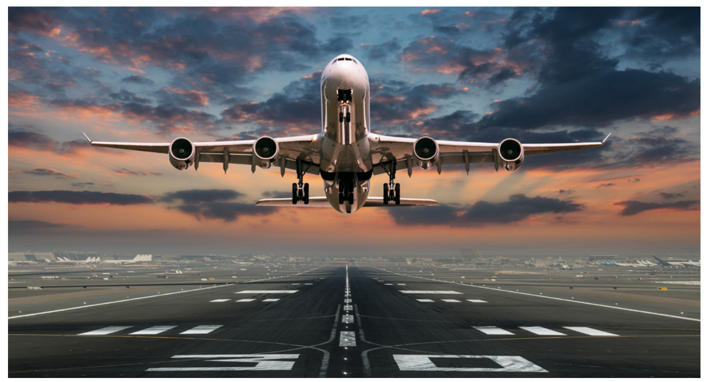
As you embark on this expedition toward retirement, remember that you're not alone. With Prime Capital Investment Advisors, you have a team of dedicated professionals who are committed to your financial success. Our Guide is a testament to our dedication to serving you beyond the ordinary, offering guidance that elevates your retirement experience.

Your retirement deserves nothing less than the extraordinary – and that's precisely what we bring to the table.

Welcome to a retirement planning experience that's exclusively yours.

Understanding Boeing's VIP offering

There are three savings options within the Boeing VIP plan, each with their own advantages and disadvantages. As is the case with any savings plan, your unique situation will be the starting point for making the choice that is best for you and your family. But first, you need to understand each option.



PRE-TAX CONTRIBUTIONS

The pre-tax option in the Boeing VIP Plan is most like your traditional 401(k). When you choose this option, your contributions go into your retirement account pre-tax. The big advantage of this option is that any match your employer provides and any earnings in the account (including interest, dividends and capital gains) are all tax-deferred. That means you don't owe any income tax until you withdraw from your account, typically after you retire.

With pre-tax contributions, every dollar you save will reduce your current taxable income by an equal amount, which means you will owe less in income taxes for the year. And while the disadvantage is that your take-home pay will go down, it will go down by less than a dollar for every dollar you contribute.

ROTH CONTRIBUTION OPTIONS AND HOW SECURE 2.0 IS CREATING CHANGE

A Roth 401(k) is an employer-sponsored retirement savings account that is funded by after-tax dollars. This means that you would have your taxes taken out of the money you contribute up front, rather than later in retirement when you're drawing that money down. With respect to the Boeing VIP plan, if you chose to put your contribution into the Roth option, Boeing's match did not also go into the Roth option. Rather, the Boeing contribution went into your account as a pre-tax contribution.

In 2019, the Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law, tweaking a number of provisions related to tax-advantaged retirement accounts. The SECURE 2.0 Act attempts to accomplish three goals in addition to what was established in the 2019 law:

1. Get people to save more for retirement
2. Improve retirement rules, and
3. Lower the employer cost of setting up a retirement plan.

Some provisions are in effect (as of Jan. 1, 2023), while others will go into effect in 2024, 2025, and even later. At nearly 400 pages, the SECURE 2.0 Act is a meaty document. So, Cliff's Notes version, what impact does the law have on this portion of the Boeing VIP plan? It means that instead of the Boeing match to your 401k contribution going into a pre-tax account, the company's contribution can now go into the Roth. The only caveat is that you have to pay taxes up front on that contribution.

AFTER-TAX CONTRIBUTIONS AND HOW A MEGA BACKDOOR ROTH CAN WORK FOR YOU

There are instances when an investor will max out their contribution to their pre-tax VIP account and want to continue contributing to that account. You are free to continue putting dollars into your account, however once you meet the max pre-tax contribution for the year[1], any additional dollars you contribute to your VIP account will be taxable.

To be clear, this is not a Roth option. Because this is not a Roth contribution, you need to be cautious about using this money later in life. Any growth that occurs on the dollars you are setting aside after-tax will be treated like an after-tax contribution. In order to avoid being "double taxed" on your money when you're drawing down from your account, you would need to do a **pro-rata distribution**, which calculates the amount of pre-tax and after-tax dollars in your account. For example, an account holder has a 401(k) funded with 80% pre-tax dollars and 20% post-tax dollars. The growth on the 20% that is post-tax will be subject to taxes when you make your withdrawals. However, the 20% post-tax dollars will not be subject to income taxes when you make the withdrawals, since you already paid taxes when you made the contribution.

As a result of using a pro-rata distribution, withdrawals will consist of 80% taxable plus whatever gains of the 20% post-tax dollars are, minus the amount that was contributed post-tax. Let's say you made $500,000 in pre-tax contributions over your career, and $100,000 in post-tax contributions. When you retire, you have a total of $2,000,000 in your Boeing VIP. You will have to do an annual calculation to avoid being taxed on that $100,000 post-tax money. So in the first year, 5% of your withdrawal will be tax free. But the onus is on you to ensure that is done properly once you are accessing your savings in retirement! And guess what, you will be responsible for calculating your pro-rata distributions for as long as you are drawing down money from your savings.

Once you reach retirement, it would be nice to know the income you are paying yourself from your retirement savings is set up to be as tax-efficient as possible, right? Pro-rata distributions are one option, but they require your constant attention and care. The great news is there is another way that may work better for you.

WHAT IS A MEGA BACKDOOR ROTH CONVERSION?

A Mega Backdoor Roth 401(k) Conversion is a tax-shelter strategy available to employees whose employer-sponsored 401(k) retirement plans allow them to make substantial after-tax contributions in addition to their pre-tax deferrals, and to transfer their contributions to an employer-designated Roth 401(k). The conversion from a 401(k) plan to a Roth 401(k) is a strategy that allows for more tax efficiency. And that means more of your hard-earned dollars are making it back to you in retirement.

In 2023, a participant can contribute to their 401(k) plan up to $22,500 ($30,000, if age 50 or older) in pre-tax compensation and as much as $43,500 as an after-tax contribution to a 401(k) plan for a total of $66,000 ($73,500, including the $7,500 catch-up contribution if age 50 or older).

Then, the participant can execute a transfer—also called a conversion—of those dollars to a Roth 401(k). When untaxed regular 401(k) assets are transferred to the Roth 401(k) account and subjected to the tax on their transfer, the subsequent earnings in the account accumulate tax-free. Distributions from Roth 401(k)s are tax-free, and no longer are needed to take RMDs due to the Secure 2.0 Act.

Boeing VIP Plan participants have the option to contribute after-tax dollars to their retirement accounts. The Mega Backdoor Roth can be an effective solution for you to gain more tax efficiency with your retirement savings when it's time to access those funds.

Curious whether you can make a Mega Backdoor Roth contribution? TAKE OUR QUIZ to find out!

	WHEN TAXES ARE INCURRED	
OFFERING	At Contribution	At Distribution
Pre-Tax (Traditional 401k)		X
Roth Option	X	
After Tax Contributions (Traditional 401K)	X	X

* Note: To avoid being "double taxed" on your after tax contributions, consider a pro-rata distribution. You will need to calculate the amount of after-tax contributions, to avoid being taxed on that amount, but your growth will be subject to tax. A Mega-BackDoor Roth Conversion can be considered to avoid this.

Benefits & limitations of Boeing's VIP retirement offering

Boeing offers its employees a robust retirement plan with a lot of the elements we like to see. But every person's situation is unique and every plan has particular benefits and limitations. Here are a few points to consider as you evaluate how you participate in the VIP plan. Remember, if you are unsure how any of these points impacts your specific retirement goals, the best thing you can do is speak with a financial advisor.

LIMITATIONS TO UNDERSTAND

Some of the investment choices have high expense ratios. A number of factors are considered when determining whether an expense ratio is considered high or low. From the investor's perspective, it is really important to factor in all aspects of the investment, including the internal fees called expense ratios. Boeing's VIP has expense ratios ranging from 0.02% up to 0.62%. While you should not make financial decisions based solely on fees, it should absolutely be a factor you consider in your decision. Why? Fee drag or performance drag, which is the difference between the return on an investment assuming there are no costs associated with it and the return on the investment after deducting costs associated with it, over the long term can have a big impact on your retirement outcome.

Money is managed using an algorithm. We love technology. It's a useful tool in many aspects of our lives. And if you're a newer Boeing employee with fewer assets, allowing an algorithm to handle the fundamentals of your retirement account could be a good solution. However, as you accumulate assets and get closer to retirement, you should consider a more customized approach to help ensure you're getting the maximum benefit from your retirement savings. In the Boeing VIP plan, customization is not guaranteed because much of the plan management is run by their algorithm.

Limited investment choices. With a seismic shift away from pensions, the onus of proper investment strategies are left to the employees. Many of whom are not provided proper resources, knowledge, education, or information to make well-informed decisions on what could be the largest source of retirement funds in their lifetime. Within Boeing's VIP, there are only 23 investment choices. Ten of which are target-date funds[2]. This is vastly limiting in comparison to an Individual Retirement Account (IRA).

BENEFITS TO UNDERSTAND

- Your assets are protected from personal lawsuits.
- There are investment choices, albeit somewhat limited.
- There are a lot of lifestyle investment options.
  - Target-date funds

1 In 2023, the maximum contribution amount is $22,500 for individuals under the age of 50 and $30,000 for anyone 50 and older.

2 Target-date funds are structured to maximize the investor's returns by a specific date. Generally, the funds are designed to build gains in the early years by focusing on riskier growth stocks, then they aim to retain those gains by weighting towards safer, more conservative choices as the target date approaches.

Get more dollars out of your plan

RECENT BOEING MATCH ADJUSTMENTS

Within the last few years, Boeing has adjusted their VIP Retirement Plan. Previously, contribution matches were structured based on age. Now, the VIP Plan offers Boeing employees a dollar-for-dollar match up to 10 percent of their eligible compensation.

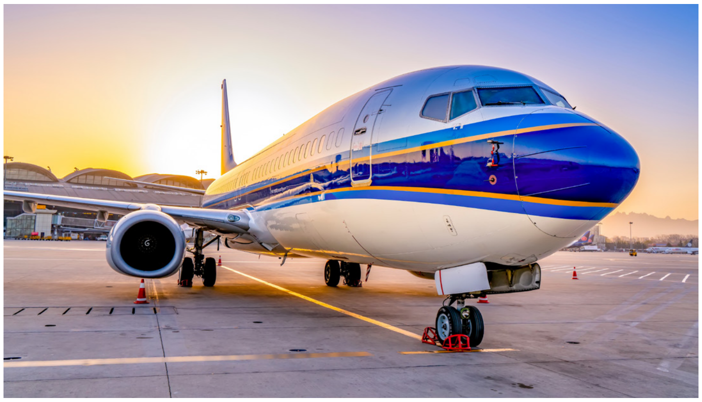
For those employees who are highly compensated, including bonuses, if you are putting your money into your retirement account, you could max out your contributions prematurely. What does that mean? When you spread your contributions out over the course of the year, you ultimately receive a higher dollar amount match.

The phrase, "A bird in hand is worth two in the bush" may come to mind. Meaning, isn't it more valuable to receive your match as early as possible so that you can put it to work?

Not necessarily, thanks to something called dollar-cost averaging.

WHAT IS DOLLAR-COST AVERAGING AND HOW DOES IT WORK?

Dollar-cost averaging is a simple technique that involves investing a fixed amount of money in the same fund or stock at regular intervals over a long period of time. A typical retirement plan is a great example of dollar-cost averaging. The investor contributes the same amount of money in the same stock or mutual fund at regular intervals (like when a portion of a paycheck is automatically moved into the retirement account). Whether the market is up or down, the same amount of money is going into the account.



An advisor once said, "This is the only industry that loses customers during a fire sale." What she meant was that when the markets are down, shares are less expensive and each investor dollar is able to purchase more of what they want in an up market. When the markets are up (when shares are not on sale) investor dollars don't go as far. Markets are, as we all know, unpredictable. So the long-term benefit of dollar-cost averaging is that you can participate in the inevitable down market by purchasing more shares, which will ultimately reduce your average cost per share over time. When the market is up, you'll have more shares than you would have otherwise if you had front-loaded your contributions, and your investment will be in a better position to grow.

Every situation is unique. However, if you're interested in exploring the impact dollar-cost averaging for a full year will have on your total dollars received, consider lowering your VIP contribution for the two pay periods prior to your March bonus allocation. This will help stretch out the timeline for your contributions, the Boeing match and ultimately, giving you the potential to secure additional dollars you may have otherwise left on the table.