

WISELY ADVISED

Financial Strategy And Insight For Union Employees

Preparing For Your Retirement From Nipsco



Do you know the answers to these questions?

- Is my 401k properly allocated according to my financial plan?
- How much Nipsco stock should I hold in my 401k?
- How can I utilize my HSA as an investment in my health?
- Do I have the proper life insurance coverage?
- Do I have the proper estate plan?

Wisely Advised specializes in helping union workers at NIPSCO build a financial strategy to plan for retirement, manage and allocate investments, and assist with estate planning needs. One of the most common statements we hear is “I’m busy with my career and family, and don’t have any time to focus on my finances, let alone understand where to begin.” Yet your personal finances are such a critical part of your future. It means you reaching your life’s goals such as assisting your children with their educational expenses, retiring early to spend more time with loved ones, or fulfilling your desire to travel more. Whatever the case may be achieving your financial goals requires attention because there are several moving parts. If the trouble of managing it yourself seems overwhelming, we can help.

Here are some key points of how Wisely Advised approaches NIPSCO’s compensation and benefit plans with a client’s overall financial picture.

COMPANY 401K / NISOURCE STOCK

As an active employee of NIPSCO, you are allowed to contribute a maximum of \$23,000 to your company’s 401k. If you are over the age of 50 you are allowed a “catch-up contribution” of \$7,500 for 2024. Contributions to your 401k can be tax deductible for Traditional allocation or tax-free if you choose Roth allocation. NiSource offers a company match up to the first 6% of employee contributions. You are always 100% vested in your contributions as well as NIPSCO’s matching contributions to the 401k plan. Between NiSource stock and your 401k funds, this is where most employees accumulate a large sum of Company stock.

In the past, all matching contributions to your 401k before April 15th 2020, have been matched with NiSource stock. Chances are if you’ve contributed to your 401k before this date, you’ve acquired a good chunk of company stock. This imposes several challenges for employees who seek to build a diversified 401k portfolio. Keeping too much company stock in your plan may put you at risk of unusually large stock swings. Determining to sell some of your NiSource stock is a strategic move that allows you to build a well-diversified portfolio. Diversifying within your 401k is an easy and tax-efficient way to lower your concentrated company stock position. Your 401k is a qualified account which means that you don’t pay any capital gains tax on any sale of company stock within your 401k.

In addition to investing in NiSource stock, your 401k plan offers a hand full of other investments such as target date funds, index funds, and fixed-income funds. These are investment choices that should be coordinated properly with your investment strategy. When you first enroll in your NIPSCO 401k plan you are typically placed into a target date fund. This type of fund will adjust allocation based on when you plan to retire. However one of the challenges that these funds face they have a high management cost. You want to diversify your 401k to minimize your risk of any turbulence that one fund may have. Typically, the younger you are you'll want to incorporate more equity funds into your investment strategy since you're most likely in the accumulation phase. As you near retirement your strategy would make sense to lower your overall risk by holding more bonds and income funds in your 401k. Wisely Advised provides our clients with specific investment recommendations for their 401k plans based on each of their financial situations.

TRUE-UP MATCHING

Matching in your NIPSCO 401k plan is based on a payroll-by-payroll basis. Those employees who are maxing out their 401k early may feel like they are missing out on their full match. Because 401k matching is based off of your yearly salary, those who match early don't get any matching contribution once they've maxed out their 401k. A matching true-up contribution ensures that participants whose eligible compensation or salary deferral contribution rate varies during the Plan Year still receive the full matching contribution for the Plan Year. The true-up calculation compares your total payroll period matching contributions for a Plan Year to the matching contributions you would receive if compensation and deferrals over the entire Plan Year are considered. A true-up contribution will be allocated to your Account if necessary to provide the total annual matching contribution to which you are entitled under the matching formula.



NISOURCE STOCK PURCHASE PLAN

NIPSCO provides employees the opportunity to participate in purchasing up to \$25,000 in company stock at a 10% discounted rate from market value through payroll deduction. The contributed funds are held in a separate account that accumulates from payroll deduction. Funds are invested in NiSource stock every three months, allowing employees to purchase as many full and fractional shares of common stock as possible.

Employees who wish to transfer NiSource stock to another institution may not do so until they have held the stock for at least two years. You are eligible to sell shares during this two-year holding period however you will be subject to additional federal income tax.

HSA

With healthcare costs rising, we encourage NIPSCO employees to take advantage of their health savings account as an investment in their health. NIPSCO's plan allows you to have access to a Health Savings Account (HSA), which you can use to set aside before-tax money to pay for qualified medical expenses (including your deductible or other out-of-pocket medical costs) today or in the future.

Depending on which High Deductible Plan you are enrolled in, NIPSCO will contribute \$700 or \$1,200. Health savings accounts can offer NIPSCO employees huge tax benefits we like to call this a triple tax advantage account. When you contribute to the HSA with before-tax money it reduces your taxable income, ultimately saving you money in taxes. For 2024, the IRS annual contribution limit for the HSA (NiSource and your contributions combined) will be \$4,150 for Employee only coverage and \$8,300 for Family coverage.

The second tax benefit is any interest in your account grows tax-free on a monthly basis. Lastly, you pay zero taxes on any withdrawals for qualified medical expenses such as prescriptions, childcare, surgeries, and more. NIPSCO's HSA account is not limited to the company. Your HSA is portable, so if you happen to change careers you can take your HSA with you.

LIFE INSURANCE

Life insurance is such an important piece of the puzzle when it comes to your financial plan. Only 52% of Americans have the proper life insurance coverage that they need. NIPSCO offers a few different life insurance plans that you can enroll in. The basic employee coverage plan allows you to get basic coverage of up to \$20,000 with no premium contributions, depending on your years of service with the company. With the cost of funeral expenses going up, you may want to consider extra coverage. NIPSCO also offers optional term life insurance for employees from \$25,000 up to \$250,000. Purchasing extra coverage may be necessary to increase your coverage to the appropriate amount, to fit your circumstances. We encourage all NIPSCO employees to evaluate their life insurance plans and consider getting extra coverage if needed.

ESTATE PLANNING

In addition to the items listed above that have a significant impact on cash flows, taxes, and long-term wealth generation, there is one more consideration related to your financial plan to keep in mind. Regardless of your financial situation, everyone should establish an estate plan. Having the proper estate plan is the process of creating a plan for the management and distribution of your assets after your death. This includes creating a will, setting up a trust, and designating beneficiaries for your assets. Getting the right estate plan is a major part of the financial planning process that can end up saving you money.

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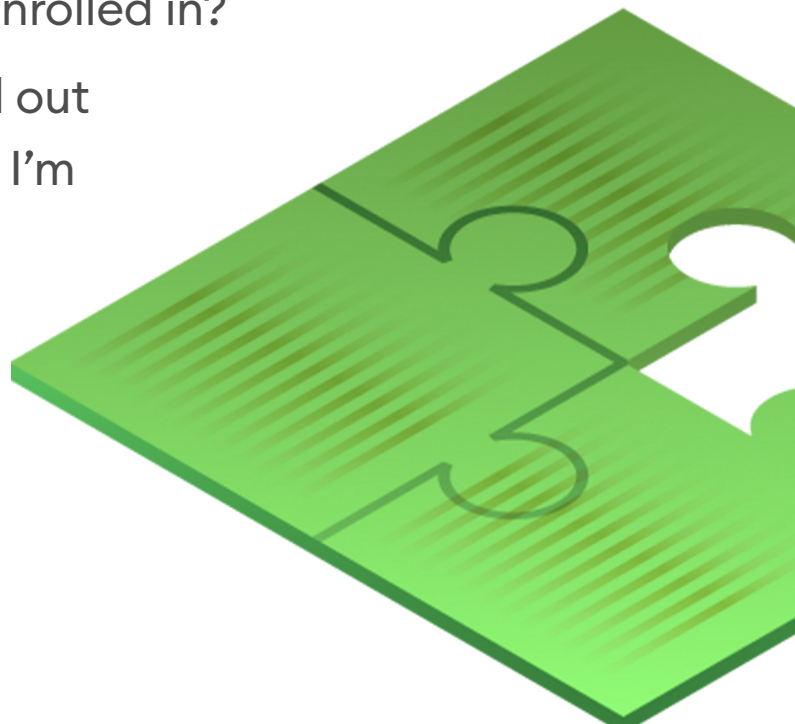
Financial Strategy And Insight For Union Employees

Understanding Your Nipsco Pension Plan

PREPARING FOR RETIREMENT FROM NIPSCO

Do you know the answers to these questions?

- What pension plan am I enrolled in?
- How are my benefits paid out depending on which plan I'm enrolled in?
- What are the minimum requirements for early retirement?
- What is the Rule of 85?



PENSION PLAN FAP/ CASH BALANCE

For many employees of NIPSCO, the question you'll probably be asking yourself at retirement is "what's my pension going to look like?" NIPSCO has two different pension plans for union employees. The older pension plan is known as the Final Average Payout Option Benefit Plan, better known as the "FAP plan." This plan was available for employees who were hired before June 1st 2004. The second pension plan is the Account Balance Option Benefit plan, better known as the "AB I Benefit plan" which is the current plan available for employees hired after June 1st 2004.

FAP PENSION PLAN

The Final Average Payout plan was established so that each employee earns the ability for a lifetime monthly payout during retirement. Employees enrolled in the FAP plan consider several conditions to calculate their final retirement payout. Your compensation is determined by your age, time of service, and pay rate. Your benefits are calculated using a formula that takes into consideration all these factors to produce a monthly pension payout. Your final average pay is the average of your Eligible Pay earned over the five consecutive years that is the highest among all years of your employment.

Upon retirement, you can choose how you would like to receive your benefits of either a Single life annuity or a 50% Pop-Up Annuity. Depending on your marital status you'll have the option to decide how you would like your monthly benefits. If you decided to choose the Single Life Annuity option, you will receive the highest payout amount possible. Because this is typically for single individuals it is not recommended for married couples. However, it can be used by married employees as well, as long as the spouse signs an agreement.

The 50% Pop-up Annuity is automatically selected for married employees because in the case that the employee passes, the spouse will receive 50% of the pension benefits upon the passing of the former employee. The payout amount is slightly less for this option however is optimal because it guarantees payments to the surviving spouse.

SUPPLEMENTAL PENSION PLAN FAP ONLY

Payments from the Supplemental Pension Plan are different from your regular FAP benefits. If you separate from service at the age of 60 with at least 25 years of service, you are eligible for Supplemental Benefits. These benefits are predetermined based on your pay class and date of retirement. Supplemental Benefits are paid until you reach age 65 or become entitled to receive Social Security benefits.

AB I BENEFIT PENSION PLAN

The AB I Benefit plan replaced the former FAP pension plan. This new plan is known as a “Cash Balance Plan” that allows employees' retirement funds to grow in two different ways. The first way that an employee's funds grow is known as a **Pay Credit**.

Pay credits can be broken down into two ways: *Basic pay credit & Excess pay credit*. Basic pay credits take into account your age and point of service, which will be equal to a percentage of your Eligible Pay. The Excess pay credit allows for an additional amount to be credited based on your eligible pay.

The second form of growth comes in that of **Interest Credit**. Interest credits are based on the 30-year Treasury Securities Rates for September of the preceding year. Interest Credits are paid out based on your account balance ending on December 31st.

Under this plan, employees are allowed to take a monthly lifetime payout, or a lump-sum rollover.

ANNUITIZE OR LUMP SUM ROLL OVER

When it comes to determining what option is right for you, there are a few considerations to take into account. Because everyone's financial situation is different you want to keep in mind a few important factors such as:

- 1) Your age
- 2) Your marital status
- 3) If you have other pensions or other stable monthly streams of income
- 4) If you plan to return to work
- 5) how soon will you need your retirement assets

Inflation is a major challenge when it comes to retirement planning and it's likely that your purchasing power will decline over the years if you select to take a monthly pension. However, if you prefer to have a predictable stream of income for life, this might be the best strategy for you. You know exactly how much you will receive with a steady monthly payout.

“What about the Lump-sum?” NIPSCO employees in the AB I plan to have the opportunity to take a lump-sum payout amount and roll it directly into an IRA. This method has several benefits to the retiree because it allows for a continuation of deferring growth while in retirement. This also allows you to have more control over your investments and implement these funds into your investment strategy.

EARLY RETIREMENT

Under both FAP and AB I plans you may be entitled to early retirement benefits at NIPSCO, if you are at least 55 years old and have completed 10 years of Credited Service. If you have less than 25 years of Credited Service at your separation with NIPSCO, your Early Retirement Benefit will be calculated by reducing your pension benefit by 6% for each of the first 5 years and 4% for each of the next 5 years that your benefit commencement precedes your Normal Retirement Date. Both FAP and AB I plan have a schedule of payout percentages for an early retirement based on Credited Service.

“RULE OF 85”

The rule of 85 applies to any employee who seeks to retire at the age of 55. For an employee under either plan to receive unreduced early retirement benefits their age plus credited service must equal at least 85.

CONCLUSION

Understanding the various components of your retirement package is critical to your retirement planning process. Working with a financial advisor who understands NIPSCO's compensation and benefits packages should provide you with reassurance that you are on the right track to reaching your financial goals.

If you have any questions about your financial strategy or would like a second opinion, we are happy to sit down and discuss your unique financial goals in more detail

ABOUT WISELY ADVISED

Wisely Advised specializes in helping union workers at NIPSCO build a financial strategy that helps ensure a successful retirement. As a Fiduciary on behalf of our clients, we help manage and allocate our client's retirement funds and assist with estate planning to ensure retirement assets are properly protected. We strive to discover what our client's needs are, then work together to help achieve those financial goals.

We are a full-service investment firm that goes beyond the numbers to deliver our clients the highest level of personalized service, care, and financial advice. We are here to help protect the retirement you have worked so hard to earn.

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