

# RETIREMENT GUIDE: CHEVRON









You've worked hard for Chevron for years,  
now its time to let the benefits you earned  
work hard for you.



After years of hard work it's finally time to start planning for retirement. Whether you are a few years away, or looking to retire soon, there are many factors that will come into play when you decide to leave Chevron. Making sure you understand the ins and outs of the employee benefits offered through Chevron is important if you want to maximize your earnings and set yourself up for a comfortable retirement. As you prepare to embark on the next phase of your life, we understand that retirement can be an exhilarating, while sometimes uncertain time. Our goal is to help you understand your benefits and the steps you should take to get the most out of them. Decisions regarding your finances, lifestyle, and future goals become increasingly important and require careful planning to ensure a smooth transition into this new chapter.

Retirement is not simply a matter of reaching a certain age or fulfilling a requirement—it is an opportunity to define what truly matters to you and establish a roadmap to turn your aspirations into reality. This guide aims to empower you with knowledge, insights, and strategies to make informed decisions that align with your goals, both personally and financially.

## Our Expertise

Since 2002, Insight Wealth Strategies, LLC has worked with over 500 Chevron executives, managers and employees in the California Bay Area and Houston, Texas with their retirement planning. We want to help you get the most out of your benefits package and help you create a strategy that will guide you to a comfortable retirement.

### **We Can Help You**

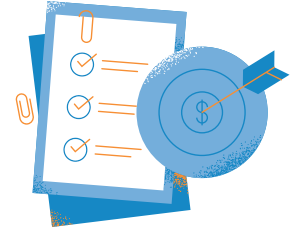
- Map out a plan to retirement
- Identify any gaps in your current plan
- Understand specific tax strategies to put money back into your pocket
- Determine how much to contribute to your ESIP (Employee Savings Investments Plan)
- Understand Segment Rate analysis (as it relates to your CRP)

Upon leaving Chevron, we will be able to walk you through your "Retirement Commencement" package and ensure this is done correctly. It is important to do this, as it can help you avoid losing any CRP lump sum value due to changing segment rates.

### **So why work with us?**

We are a third party firm, which may allow us to be more objective than if we were affiliated with Chevron, and it is a good idea to get a second opinion on your current financial plan.

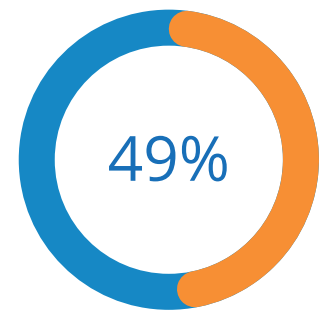
## The Numbers



Roughly 1 in 3 workers and retirees currently work with a financial advisor.

Close to 4 in 10 workers expect to do so in the future.\*

*\*Employee Benefit Research Institute's 31st annual Retirement Confidence Survey*



According to the National Retirement Risk Index, 49% of households are "at risk" of not having enough to maintain their living standards in retirement.\*

*\*Center of Retirement Research at Boston College (2019)*





## A quick look at:



### **ESIP: Employee Savings Investment Plan**

Your ESIP is a defined contribution (401(k)) plan that makes it easy to save for your future. Chevron will match contributions of at least 2 percent of basic pay up to 8 percent. You are able to contribute on a before tax, after tax or Roth basis or a combination of your choosing (subject to some IRS limits). The contributions made by you and Chevron are both immediately vested, so you can take your savings with you when you leave.

If you are retiring later in the year, you may already be in a good position to max out your contributions. But, if you plan on retiring in the early or middle part of the year, it may be a good idea to up your contribution percentages at the start of the year to help maximize your contributions and Chevron's matching contributions.



### **CRP: Chevron Retirement Plan**

IRS segment rates will play an important role in determining the value of your CRP benefit, the qualified pension you will receive at retirement. You can choose either the lump sum option (which can be rolled over tax-free into an IRA) or the lifetime annuity for your pension. The IRS releases updated segment rates toward the end of each month, and Chevron uses an average of the three most recent IRS segment rates in determining the rates used to calculate the value of your benefit. These rates change every month, so keep an eye on the current rate environment and the direction rates are trending. Generally, the value of your CRP taken as a lump sum will have an inverse relationship with segment rate changes. If the rates decrease, the value of the lump sum will increase, and if rates increase, the value of the lump sum will decrease.



### **CIP: Chevron Incentive Plan**

Chevron pays employees' bonuses in March of each year. Since the bonuses are paid out in March for the previous year, employees generally don't need to wait until March of the current year to separate from service to receive their performance bonus from the prior year. Employees with 75 points or more will be eligible for consideration for a prorated current-year bonus if they terminate their employment after the end of the first quarter of the year (an effective termination date of April 2 or later). Employees must be on payroll at least one day in April for their CIP award to be considered in their highest average earnings calculation for the CRP and RRP.



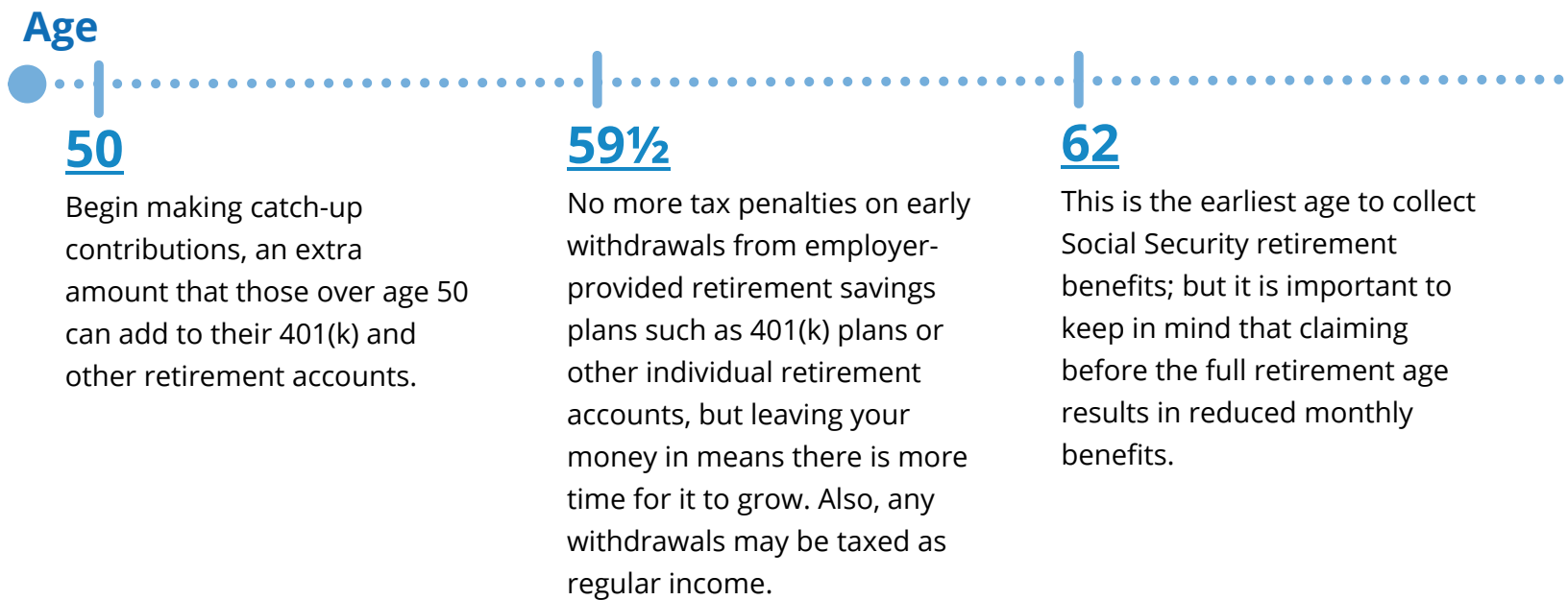
### **RRP: Retirement Restoration Plan**

The Chevron Retirement Restoration Plan (RRP) is paid to eligible employees and by default is distributed in the first quarter that is at least one year from the employee's separation of service. These payments are subject to federal, state, Social Security and Medicare taxes, so proper planning and timing can be vital from a tax planning perspective. If you are expecting significant taxable income in the next year, it may make sense to defer this payment or to take it as an annuity. Changes to the distribution are due at least 12 months prior to when the distribution is scheduled to begin, so you will have to decide if you want to change the distribution during your last quarter of work. If you opt for a change in distribution, it will be deferred at least five years beyond the previously elected distribution.



# Your Chevron Retirement Timeline

*Contacting a financial advisor 2-3 years prior to retirement is the best way to make sure you are getting the most out of your benefits when you leave Chevron. An advisor can also help you decide when the best retirement date for you is.*



*90 Days prior  
You will need to notify HR and order your "Retirement Commencement" paperwork before your set retirement date. Once Chevron HR receives your paperwork in the lump-sum payout at the beginning of following month*



## 65

Sign up for Medicare and Medicare Part D.

## 66/67

Depending on your date of birth, the full retirement age for Social Security is between 66 and 67 years old. At this age you are able to receive your full retirement benefit without any reductions.

## 66-70

You can earn Social Security Delayed Retirement Credits, which will increase monthly benefits for each month that you delay claiming between the full retirement age and age 70.

## 73+

You must start taking minimum withdrawals from most retirement accounts by this age; otherwise, you can be charged large penalties in the future, based on the year you were born.

to retirement-

*package. Keep in mind that this package can only be ordered up to 90 days in good order, the current Chevron segment rates are applied. In order to get, paperwork should be turned in at least two weeks prior.*



## Segment Rates

As you are beginning to plan for retirement, you will have a lot on your mind and may not be thinking about choosing the most strategic retirement date. But if you want to get the most out of the benefits Chevron offers, it is important for you to be aware of the impact different savings and investment options can have on your retirement. If you understand the way your CRP Lump Sum is distributed, you will be able to make a more strategic decision on **when** you decide to retire. Adjusting the date by just a few weeks can potentially make a significant difference in the total pension amount distributed.

Interest rates have an inverse relationship with a lump sum pension.



When interest rates **increase**, lump sum pension value **decreases**

While your CRP Lump Sum, or pension, is not only based on interest rates, although years of service, age factor and highest 3 year of average compensation can offset this, looking at recent rates over time can give you an idea of how your lump sum will be affected, and help you when you are choosing the best retirement date.

The pension you receive is calculated based on your last date of employment and start date of your benefits. The IRS releases segment rates that are then used to calculate the CRP Lump Sum.



## Lets look at some examples of how segment rates can affect the amount of pension funds you can receive.

When you choose the month you would like to begin your pension, Chevron looks back three months to calculate the rate used for the pension disbursement. So, if you chose to start your pension in August, Chevron will use the blended rate available through May, 3 months **before** your month of retirement.

August 2023 Retirement Chevron Segment Rates			
Month	1st Segment	2nd Segment	3rd Segment
May	4.86	5.08	4.88
April	4.89	5.24	5.03
March	5.01	5.33	5.31
Blended Rate*	4.92	5.22	5.07

September 2023 Retirement Chevron Segment Rates			
Month	1st Segment	2nd Segment	3rd Segment
June	4.91	5.10	4.98
May	4.86	5.08	4.88
April	4.89	5.24	5.03
Blended Rate*	4.88	5.14	4.96

Each segment refers to a specific period of pension distribution:

- The **first segment rate** is used to discount (calculate the present value) the first five years of pension cash flow.
- The **second segment rate** is used to discount years six through 20 of pension cash flow.
- The **third segment rate** is used to discount years 21+ of pension cash flow.

Together, these rates and terms are used to calculate the lump sum pension value.

***\*The blended rate is the average of the rate in each of the 3 months being looked at***

We will compare 2 months (August and September of 2023) to show how adjusting your retirement date by just a few weeks can make a difference in your payout.

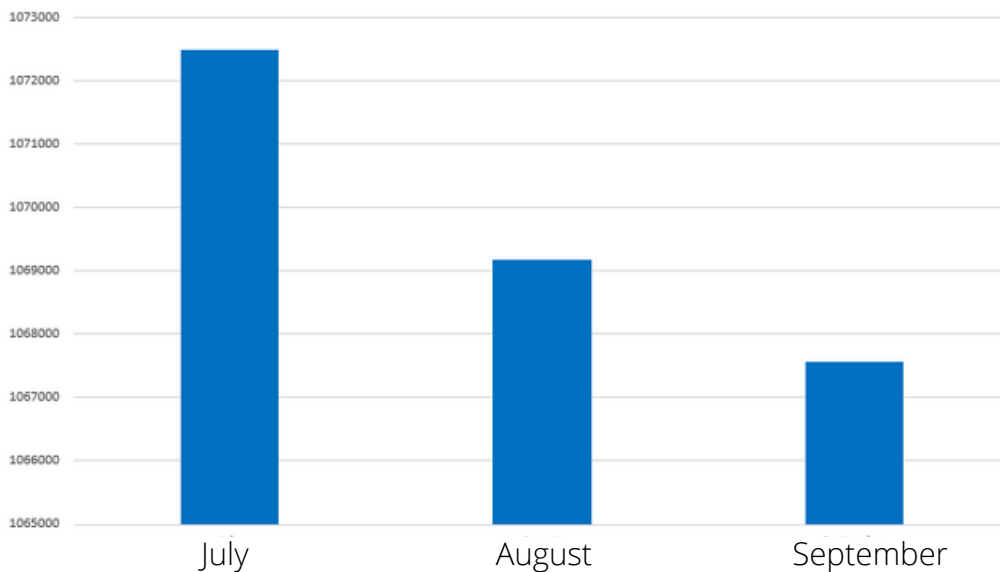
## In our example, lets say you are:

- Retiring at 65 years old
- Your single life annuity pension is \$10,000 a month
- The life expectancy used by chevron to calculate your pension is 85

Based on this information, if you chose to start your pension in August of 2023, your lump sum value would be approximately \$1,069,179 million.

Now lets look at what that same pension would be if you decided to start your pension **one month later** in September (using the segment rates through June of 2023, instead of through May 2023).

Using the same example we used for August, if you retired in September your expected lump sum payout would be approximately \$1,067,552 million. **This is a decrease of \$1,627 in your CRP payout.**



You can see the difference one or 2 months can make in the graph above. People who chose to retire in July received almost **\$5,000 more** than those who waited until September.

Working with a financial advisor can help you understand the nuance of all of these factors and the impact of opportunity cost.



# Healthcare Options

After you leave Chevron, your health plan can still cover part of your medical expenses. The plans differ depending on whether you are over or under 65 years of age.

## **Under 65:**

You can choose to continue to participate in Chevron's group medical coverage. With this coverage, you, your spouse, domestic partner and dependents will have coverage options that include:

- Medical PPO Plan
- High deductible plan
- Medical HMO Plan

*Coverage rates depend on your age and years of service.*

## **Over 65:**

At age 65, you will become eligible and enroll in Medicare and you and your dependents will also be eligible for a healthcare private exchange called OneExchange.

## **Medical Coverage:**

You can generally participate in the same group health choices offered to active Chevron employees, with only minor differences. Currently these medical plan choices include the Medical PPO Plan, the High Deductible Health Plan (HDHP), the High Deductible Health Plan Basic (HDHP Basic), and Medical HMO Plans (depending on your zip code). Your coverage continues to include automatic enrollment in the Prescription Drug Program (Express Scripts) and the Vision Program (VSP) for basic vision benefits.



1 in 3 retirees say health expenses are higher than expected and they hold money aside for future health care needs\*

\*Employee Benefit Research Institute's 31st annual Retirement Confidence Survey

All benefits-eligible retirees must enroll in Chevron retiree health benefits and/or the Retiree HRA Plan upon reaching certain enrollment milestones. You must also enroll your eligible dependents at certain enrollment milestones. If you miss these select opportunities to enroll, you and your eligible dependents must wait until the next applicable enrollment milestone, if any, to return to Chevron retiree health benefits and/or the Retiree HRA Plan in the future.

## **The basic enrollment milestones are as follows:**

- When you retire from Chevron.
- At the loss of Chevron COBRA coverage (including Chevron subsidized COBRA).
- When you lose Chevron or other employer group health coverage.
- When you turn age 65 and become Medicare eligible.





## So, you want to use Net Unrealized Appreciation with your Chevron Stock?

As an employee at Chevron, it is likely that a portion of your Employee Savings Investment Plan (ESIP) is invested in Chevron stock. If this is the case, you may have an opportunity to take advantage of Net Unrealized Appreciation (NUA), particularly if you hold ESOP shares.

Generally, distributions taken from tax-deferred retirement accounts are subject to ordinary income tax, but utilizing NUA for the Chevron stock in your ESIP can enable you to take advantage of the capital gains rate, which can be more favorable. This strategy can save you a significant amount on your taxes over the long run.

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### How to determine if you will benefit from utilizing NUA:

Compare the cost basis  
(the original cost)  
of your Chevron stock



Current market  
value of the  
shares



The difference  
between the  
two is the **NUA**

***If there is a large gain, there may be an opportunity to utilize an NUA distribution from your ESIP***

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The IRS will still require you to pay ordinary income taxes on the cost basis when the distribution is taken and the shares are transferred into a brokerage account, but no additional taxes will be owed until the stock is ultimately sold. The **benefit** comes when you sell the stock in the future, because you will pay capital gains taxes on the gains as opposed to ordinary income tax. If executed properly, this can reduce your tax burden.

## There are some qualifying guidelines you should be aware of when considering utilizing NUA:

- Only shares of Chevron company stock in the ESIP are eligible for NUA tax treatment.
- The entire balance of your ESIP must be distributed within the calendar year. The ensuing distributions do not have to be taken at the same time.
- The distribution must be taken as actual shares of company stock. The shares cannot be converted to cash before the distribution.
- You must experience a qualifying event that includes either separation from service from Chevron, reaching age 59½, or suffering an injury resulting in total disability or death.

### Using NUA is not for everyone

There are also some potential disadvantages of utilizing NUA. You will need to pay ordinary income tax on the cost basis of the employer stock immediately. Also, if you fail to meet the required criteria for NUA, the election could be disqualified, and you will owe ordinary income taxes on the full amount of the company stock distribution and any applicable penalty.

Choosing to utilize NUA can provide significant tax benefits if done correctly, but the process can be complex. Insight Wealth Strategies will work with you and your tax advisor to determine if utilizing NUA is an option for distributions from your ESIP. We can also help you plan your distributions in a way that may help minimize your tax liability in future years.

*Insight Wealth Strategies, LLC (IWS) and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.*



# Your Chevron Retirement Checklist



- Talk to a financial advisor who specializes in retirement planning to help you sort through your options.



- Estimate your retirement expenses. For a rough estimate of your future expenses in retirement, a general rule of thumb is to multiply your current income by 70-90%.



- Establish estate planning documents at a discount through the supplemental life insurance coverage.



- Develop a retirement withdrawal strategy. Once you retire, you'll need a withdrawal strategy that stretches your savings over the long haul, while minimizing the taxes you need to pay.



- Get essential information in order. In case of an emergency, you can help your family attend to your affairs by gathering essential documents. For instance, this may include a list of passwords for your online accounts.



- Confirm your beneficiary choices for your various accounts. This can include your life insurance policy, retirement accounts and pension.



- Recheck your pension and Social Security benefits. The future income you calculated at year five may change during your working years. To keep tabs, get an update on your pension and Social Security annually.



- Determine if you can enroll in Long Term Care through the Genworth Group Policy.



- Finalize your plan for post-retirement health insurance. If you retire at age 65 or older, your obvious choice for health insurance is Medicare. However, Medicare can be complicated, so take the time to get educated on it.

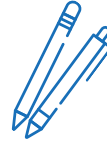


## Our Process



### **Engage**

Establish and define the client-advisor relationship.



### **Design**

Develop and present financial planning recommendations and/or alternatives.



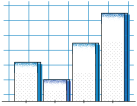
### **Collect**

Gather client data, define goals and establish expectations.



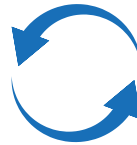
### **Implement**

Implement the financial plan recommendations.



### **Analyze**

Process and analyze information to determine financial needs.



### **Review**

Review the financial plan recommendations .



Call or email to setup a 90 minute complimentary consultation with one of our financial advisors and see how we can help with your retirement planning.

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# Insight

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