

## Nearing Retirement in the FRS



YOUR Money  
• • • YOUR Choice



## Workshop Objectives

- Know how to set goals for retirement including income needs
- Review sources of income you have to meet your retirement goals
- Recognize how to develop a plan for the distribution of retirement assets
- Understand tax and planning opportunities that may present themselves
- Review the tools and resources available to help
- Know which steps to take next



## Personal Action Plan

<i>Action Steps</i>	<i>Done</i>
1) Find your 6-digit PIN and create a MyFRS.com account. (If already registered, use User Id and Password created.)	<input type="checkbox"/>

**Action Step**

- See **Appendix I** for your own Personal Action Plan.

**MyFRS**  
MyFRS Financial Guidance Line: 1-866-446-9377  
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## Resources Available to You - FREE

### MyFRS Financial Guidance Program



**MyFRS.com**  
Advisor Service  
Choice Services  
FAQ's, Calculators



**Toll-free MyFRS**  
Financial Guidance Line,  
staffed by EY financial  
planners and the  
Division of Retirement



**Employee workshops:**  
Visit MyFRS.com for an  
updated list of workshops,  
locations and dates



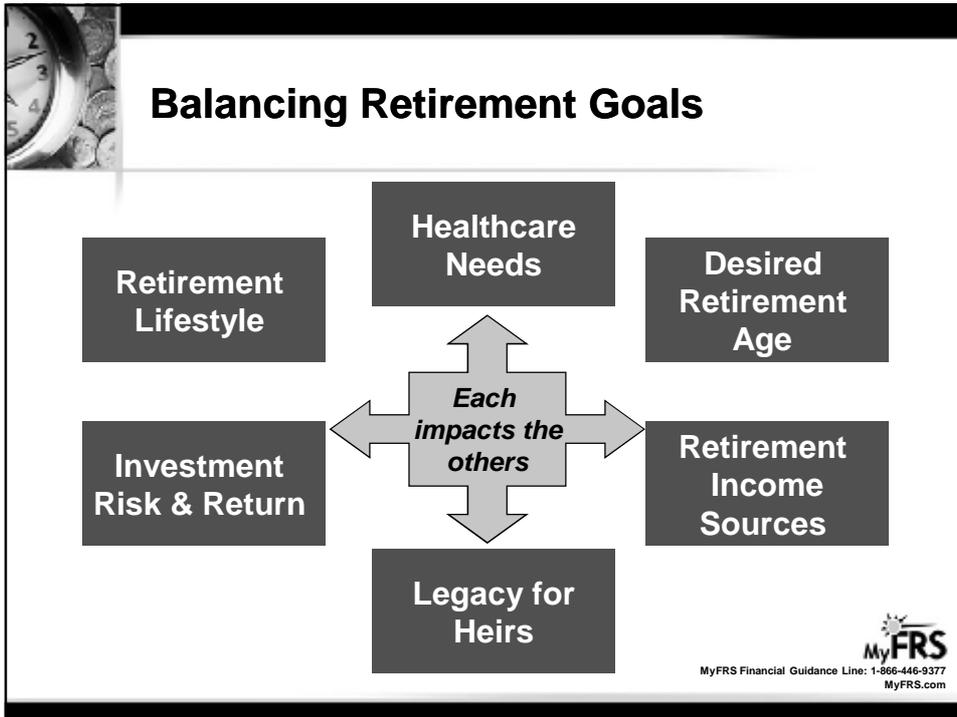
**Print and e-mail**  
communications

**All resources are available to FRS  
Pension & Investment Plan Members**

**Action Step**

- See **Appendix B** to learn more about the MyFRS Financial Guidance Line.

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- 
- ## How Will You Spend Your Time in Retirement?
- Will you be employed?
    - Part-time or full-time?
    - New career?
  - Will you volunteer?
  - Do you have a hobby?
  - What activities will you be involved in?
  - Do you plan to travel?
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## Where Will You Live in Retirement?

- A. Current home
- B. New home, in State
- C. New home, out of State
- D. In another country
- E. Don't know...

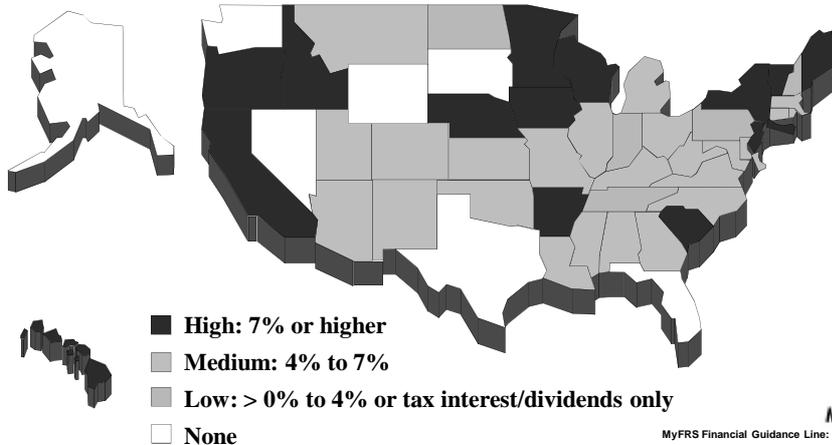


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## U.S. State Income Tax Rates

Note: Figures reflect 2014 rates



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## Financial Impact of Lifestyle Changes

- Being able to maintain your current lifestyle
- Creating a new lifestyle
- Making large purchases such as a new home or new car
- Relocating to a new community or state
- Staying healthy
- Caring for others

### Action Step

- Consider how your lifestyle will change, and how the changes will affect your finances.

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## When Will You Retire?



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## Planning for Longevity

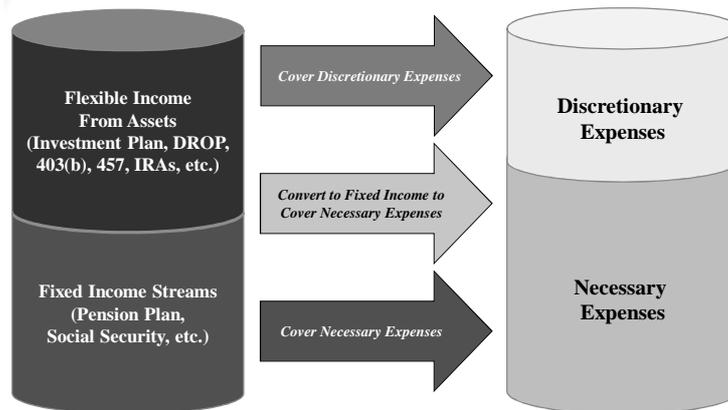
Current Age	Life Expectancy Confidence	Male	Female
55	50%	80	84
	25%	92	94
	10%	97	99
60	50%	82	84
	25%	92	94
	10%	98	99
65	50%	83	85
	25%	92	95
	10%	98	99

Sources: U.S. Department of Health and Human Services, National Vital Statistics Reports, Vol. 63, dated November 6, 2014 and RP 2000 Mortality Table

  
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## Retirement Income Model - Expenses



  
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## Know Your Annual Retirement Expenses

- What are your retirement expenses?
  - Is the expense recurring or one-time?
  - Same amount each year or different amounts?
  - How much is necessary vs. discretionary?
  - How much is fixed vs. variable?
- How will inflation affect you?
- How will expenses change for the survivor?

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## Calculating Retirement Expenses - Example

Expense	Current Amount	Anticipated Amount
Housing*	\$18,000	\$10,800
Food	\$7,200	\$6,000
Clothing	\$2,600	\$2,000
Medical Costs	\$4,800	\$8,400
Other Insurance	\$3,000	\$2,000
Personal Care	\$1,800	\$1,000
Transportation	\$4,800	\$3,400
Entertainment / Travel	\$2,400	\$3,600
Gifts / Charity	\$1,500	\$1,200
Income Taxes	\$3,900	\$1,600
<b>Annual Income Need</b>	<b>\$50,000</b>	<b>\$40,000</b>

### Action Step

- Complete the Retirement Expense Worksheet in **Appendix C**.

\*Assumes mortgage is paid off by retirement

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## How do Healthcare Expenses Change When You Retire?

Today		Retirement		Death	
	<ul style="list-style-type: none"> <li>• <b>Needs</b> <ul style="list-style-type: none"> <li>• Preventive care</li> <li>• Prescription drugs</li> <li>• Dental</li> </ul> </li> <li>• <b>Coverage</b> <ul style="list-style-type: none"> <li>• Group medical</li> <li>• Dental</li> </ul> </li> <li>• <b>Costs</b> <ul style="list-style-type: none"> <li>• Lower costs</li> <li>• Group pricing</li> <li>• Cost-sharing</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• <b>Needs</b> <ul style="list-style-type: none"> <li>• Preventive Care</li> <li>• Chronic care</li> <li>• Prescription drugs</li> <li>• Dental</li> <li>• Long-term care</li> </ul> </li> <li>• <b>Coverage</b> <ul style="list-style-type: none"> <li>• Retiree plan</li> <li>• Medicare at age 65</li> </ul> </li> <li>• <b>Costs</b> <ul style="list-style-type: none"> <li>• Higher costs</li> <li>• Medicare premium</li> </ul> </li> </ul>		

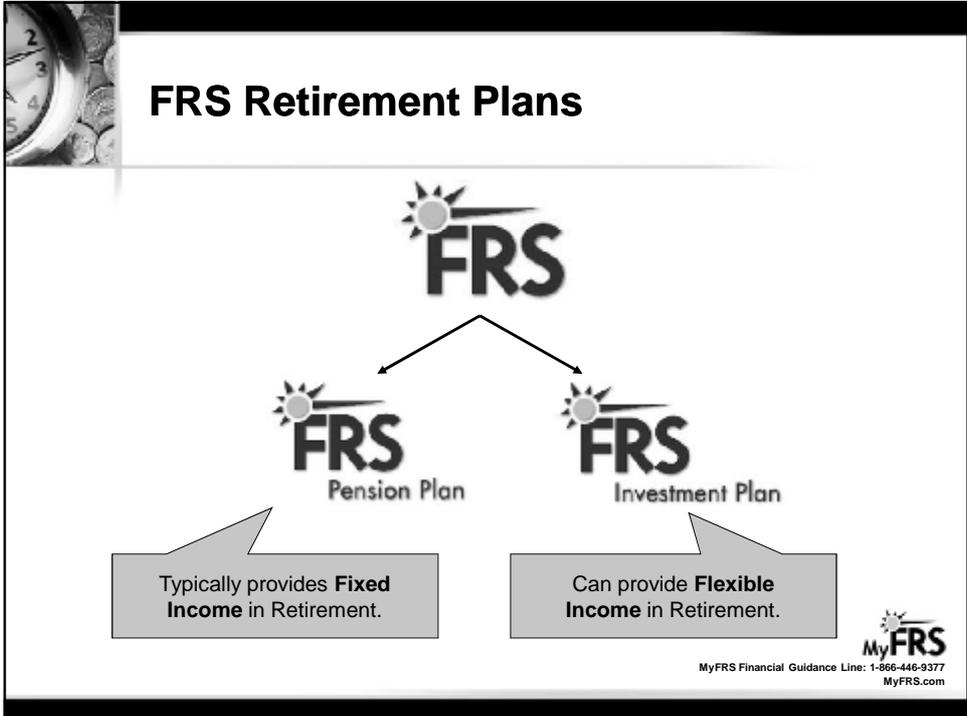
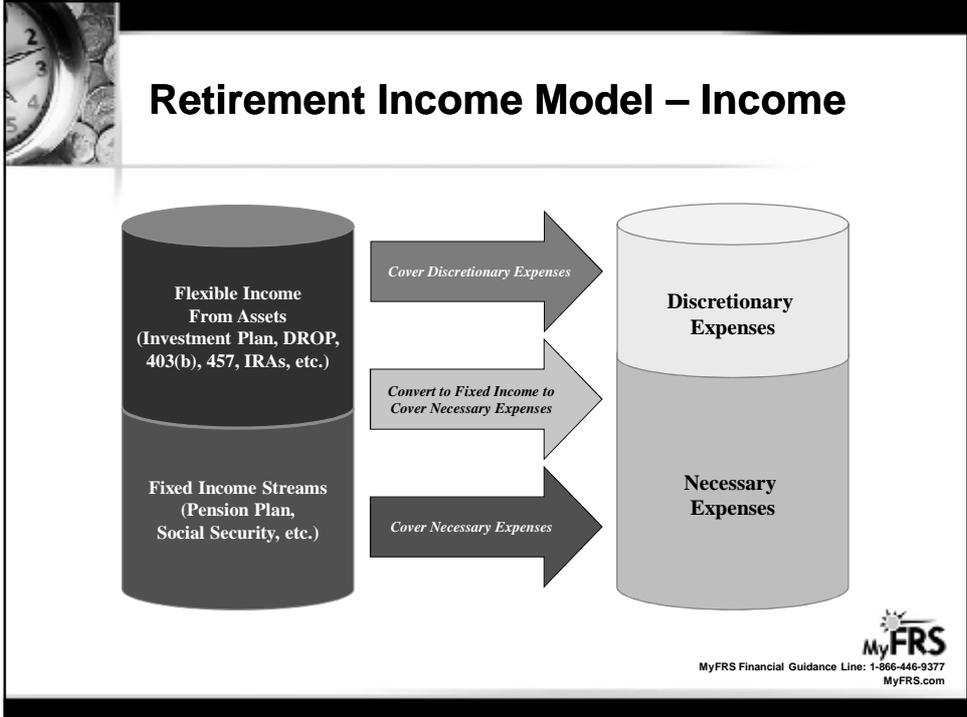
  
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## Retiree Medical Plans

FRS Retiree Medical Plans	
<b>Plan Eligibility</b>	Each employer is different Speak with your personnel office regarding eligibility and cost
<b>Health Insurance Subsidy (HIS)</b>	\$5 per month per year of service \$150 per month maximum
<b>Subsidy Eligibility</b>	6 years of service—for those who began their FRS career before July 1, 2011 8 years of service—for those who began their FRS career July 1, 2011 and after <b>Pension Plan:</b> Payable when benefits commence <b>Investment Plan:</b> Payable when plan withdrawals begin and normal retirement age or service requirement has been met
Medicare Part A	
<b>Eligibility</b>	Age 65
<b>Cost</b>	Typically no cost
Medicare Part B	
<b>Eligibility</b>	Age 65
<b>Cost</b>	\$104.90–\$335.70/month (per person for new enrollees)

  
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## 2<sup>nd</sup> Election Rules

- **Pension Plan** members have the ability to convert their accumulated pension benefits into a lump sum by switching to the Investment Plan
- **Investment Plan** members have the ability to buy into the Pension Plan
  - If the cost exceeds your balance, you will need to make up the difference using personal assets
  - If your current balance exceeds the cost to buy in, the excess will accumulate in the Investment Plan for your future retirement benefit
  - Cost may be unaffordable.
- Eligibility to use the 2<sup>nd</sup> Election
  - May be used only once and is irrevocable
    - Must be actively employed receiving service credits and
    - Does not have a termination date on record *and*
    - Cannot be on unpaid leave of absence

  
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## Consideration in Using Your 2<sup>nd</sup> Election

- **Pension Plan** members –
  - Do you want to take the FRS benefit with you to a non-FRS employer?
  - Do you want to control how/when you receive the benefit?
- **Investment Plan** members –
  - Can you get a better benefit under the Pension Plan because you are staying longer than you initially expected?
  - Do you want to participate in the DROP program?

### Action Step

- Speak to your employer about the impact of switching plans on retiree medical and call the MyFRS Financial Guidance Line to help decide if switching plans might be right for you.

  
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## 2<sup>nd</sup> Election Choice Service


**CHOICE SERVICE**


**2nd Election Choice Service**

**See how your plans compare.**

**Scenario 1**

Here's how both plans compare if you leave FRS employment and start receiving benefits at age 65, and your salary grows at 3.0% per year. **Please make a selection and click Next.**

**Pension Plan**

Estimated yearly pension benefit: **\$1,151,314.94**

See the likelihood that switching to a non-pension will give you more money than switching.

[View details](#)

**Investment Plan**

Estimated yearly investment benefit: **\$1,151,314.94**

See the likelihood that staying in a pension plan will give you more money than switching.

[View details](#)

**Scenario 2**

Here's how both plans compare if you leave FRS employment and start receiving benefits at age 65, and your salary grows at 3.0% per year. **Please make a selection and click Next.**

**Pension Plan**

Estimated yearly pension benefit: **\$1,151,314.94**

See the likelihood that staying in a pension plan will give you more money than switching.

[View details](#)

**Investment Plan**

Estimated yearly investment benefit: **\$1,151,314.94**

See the likelihood that staying in a pension plan will give you more money than switching.

[View details](#)

**Current Salary: \$41,300**

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## What are Your Fixed Retirement Income Sources?

**Pension Plan**

**Social Security**

**Other**

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## FRS Pension Plan

<b>Distribution Options</b>	<ul style="list-style-type: none"> <li>All options are lifetime monthly payments</li> <li>Option 1: Single life annuity</li> <li>Option 2: Reduced lifetime annuity to retiree with 10-year payout guarantee</li> <li>Option 3: Reduced joint-and-survivor annuity</li> <li>Option 4: Reduced annuity with 2/3 survivor annuity</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>Fully taxable (typically)</li> <li>Taxed as ordinary income in the year received</li> <li>Can elect withholding</li> <li>May be subject to state and local taxes</li> </ul>
<b>COLA</b>	<ul style="list-style-type: none"> <li>3% COLA for service before July 1, 2011</li> <li>No COLA for service earned July 1, 2011 and after</li> </ul>

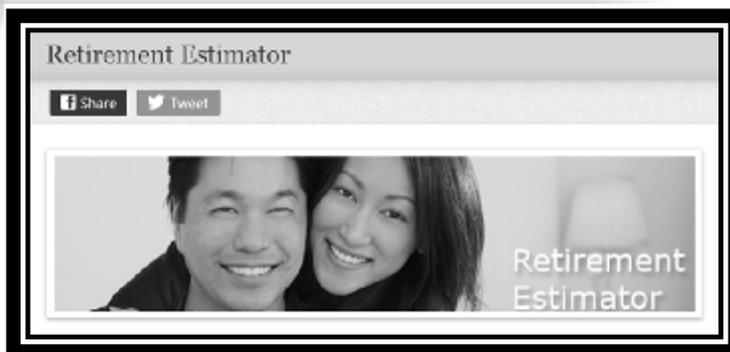
<b>Action Step</b>
<ul style="list-style-type: none"> <li>Call the Financial Guidance Line for assistance in choosing a payment option</li> <li>Make certain you understand the re-employment restrictions before you retire</li> </ul>



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## Your Social Security Statement



Estimate Your Retirement Benefits

<b>Action Step</b>
<ul style="list-style-type: none"> <li>Request an estimate of benefits by contacting Social Security Administration at 1-800-772-1213 or online at <a href="http://www.ssa.gov/estimator">www.ssa.gov/estimator</a></li> </ul>



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## Social Security – When Can You Collect Full Benefits?

Born	Age For Full Benefits	Reduced Benefit At Age 62	Delayed Retirement Credit Per Year
Before 1938	65	80%	Up to 7.5%*
1943–1954	66	75%	8%
1960 and Later	67	70%	8%

*Note: For years missing add two-month increments to reach your age for full benefits*

*\* Depending on year born*

### Action Step

- Call the EY Financial Guidance Line for assistance in deciding when to begin benefits



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## Spousal Benefit – Example

<b>Social Security benefit at FRA</b>	<b>\$1,800</b>
<b>Spouse’s minimum Social Security benefit at FRA</b>	<b><math>\times \underline{50\%}</math></b>
	<b><u>\$900</u></b>

*Note: Spouse receives the greater of the benefit based on their work history or 50% of their spouse’s benefit.*



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## Social Security 2015 Earnings Limitation

< Under Full Retirement **\$15,720 – Reduced by \$1 for every \$2 earned above limitation**

In Year Reach Full Retirement Age **\$41,880 – Reduced \$1 for every \$3 earned above limitation**

After Full Retirement Age **No Earnings Limitation**

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## Federal Taxation of Social Security Benefits

If "Modified" Adjusted Gross Income is:		Amount of Social Security income subject to tax:
Single	Married	
< \$25,000	< \$32,000	0%
\$25,000–\$34,000	\$32,000–\$44,000	Up to 50%
> \$34,000	> \$44,000	Up to 85%

Modified Adjusted Gross Income includes: Gross income, tax exempt income, and half of Social Security benefits

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## Other Possible Fixed Income Sources

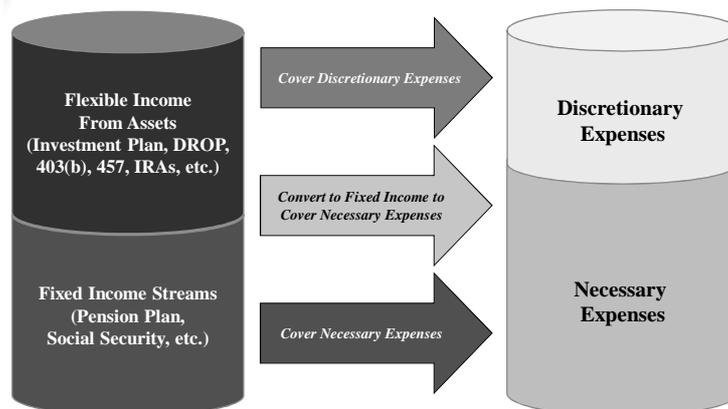
- Former employer pension
- Part-time or full-time work
- Rental income
- Spouse/partner's fixed income

### Action Step

- See **Appendix D** for a Retirement Fixed Income worksheet.

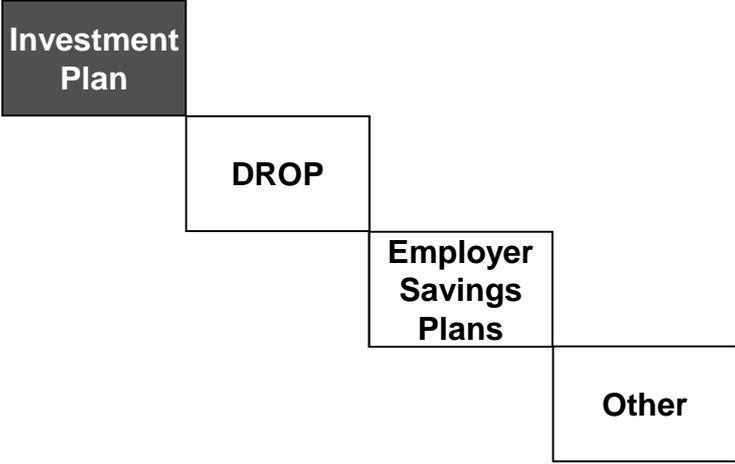


## Retirement Income Model – Income





## What are Your Retirement Investment Income Sources?



The diagram consists of four rectangular boxes arranged in a descending staircase pattern from top-left to bottom-right. The boxes are labeled: "Investment Plan", "DROP", "Employer Savings Plans", and "Other".

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## FRS Investment Plan Benefit Payment Options

- Lump-sum distribution
- Distributions on demand or by any schedule
- Guaranteed annuity payments for life, including survivor options, and 3% annual benefit increase
- Any combination of the above distribution options
- Rollover to an IRA or another tax-deferred plan

Action Step
<ul style="list-style-type: none"><li>• See <b>Appendix E</b> for the Investment choices within the FRS Investment Plan.</li><li>• Make certain you understand the re-employment restrictions before taking a distribution.</li></ul>

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## Deferred Retirement Option Program (DROP)

- Available to Pension Plan participants
- Retire and begin accumulating retirement benefits without terminating employment
- Eligible to participate in month you reach Normal Retirement (according to your membership class and hire date)
- Maximum participation of 60 months (5 years)
  - *School Board Instructional Position exception*
- Accumulated benefits earn interest compounded monthly. Effective annual interest rate of 6.5% if enrolled before 7/1/11, 1.3% if enrolled on or after 7/1/11
- DROP benefits paid at termination are eligible for rollover

### Action Step

- Call the MyFRS Financial Guidance Line to learn more.



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## What Can You do With Your DROP Account?

1) Full or partial distribution	Subject to taxation at the time of distribution
2) Full or partial rollover	Remains tax-deferred
Where can it be rolled over to?	Investment Plan, 403(b), 457, IRA, other qualified plan
How long do you have to decide?	60 days from the end of DROP
What if you do nothing?	Will receive a total distribution subject to taxation

### Action Step

- Call the MyFRS Financial Guidance Line to further understand the tax implications and help you make a decision.



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## Other Retirement Assets: Employer-Sponsored Savings Plans

	457 Plan – Deferred Comp	403(b) Plan – Tax Sheltered Annuity
<b>Contribution Limits</b>	\$18,000	\$18,000
<b>Catch-Up Contributions</b>	Additional contributions allowed if you are 50 and older. Each plan has other “special catch-up” rules based on the time until retirement or length of service.	
<b>Distribution Options</b>	Vary by plan provider	

### Action Step

- Contact your plan administrator to see if you qualify for special catch-up contributions and to understand your distribution options.



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## How do Retirement Plans Compare Once in Retirement?

Consideration	Deferral of 403(b) Plan Balance	Deferral of 457 Plan Balance
<b>Investments</b>	• Varies by plan sponsor	
<b>Distribution options</b>	• Varies by plan sponsor	
<b>Income taxes on Distributions</b>	<ul style="list-style-type: none"> <li>• Ordinary income on distributions</li> <li>• No 10% penalty tax if retire or separate from FRS in the year of or after turning age 55 or if another exception applies</li> </ul>	<ul style="list-style-type: none"> <li>• Ordinary income on distributions</li> <li>• No 10% penalty tax on 457 contributions and earnings</li> </ul>
<b>Fees and expenses</b>	• Typically, lower fees and administrative costs than IRA	



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## How do Retirement Plans Compare Once in Retirement?

Consideration	Investment Plan	IRA
<b>Investments</b>	<ul style="list-style-type: none"><li>• Standard Investment Plan choices</li><li>• New Brokerage Account option</li></ul>	<ul style="list-style-type: none"><li>• Unlimited investment choices</li></ul>
<b>Distribution Options</b>	<ul style="list-style-type: none"><li>• Flexible choices for distributions</li></ul>	
<b>Income taxes</b>	<ul style="list-style-type: none"><li>• Ordinary income on distributions</li><li>• No 10% penalty tax if retire or separate from FRS in the year of or after turning age 55 or if another exception applies</li></ul>	<ul style="list-style-type: none"><li>• Ordinary income on distributions</li><li>• No 10% penalty tax after age 59½ or if another exception applies</li></ul>
<b>Fees and expenses</b>	<ul style="list-style-type: none"><li>• Typically, lower fees and administrative costs than IRA</li></ul>	<ul style="list-style-type: none"><li>• Typically, higher investment fees and administrative costs</li></ul>



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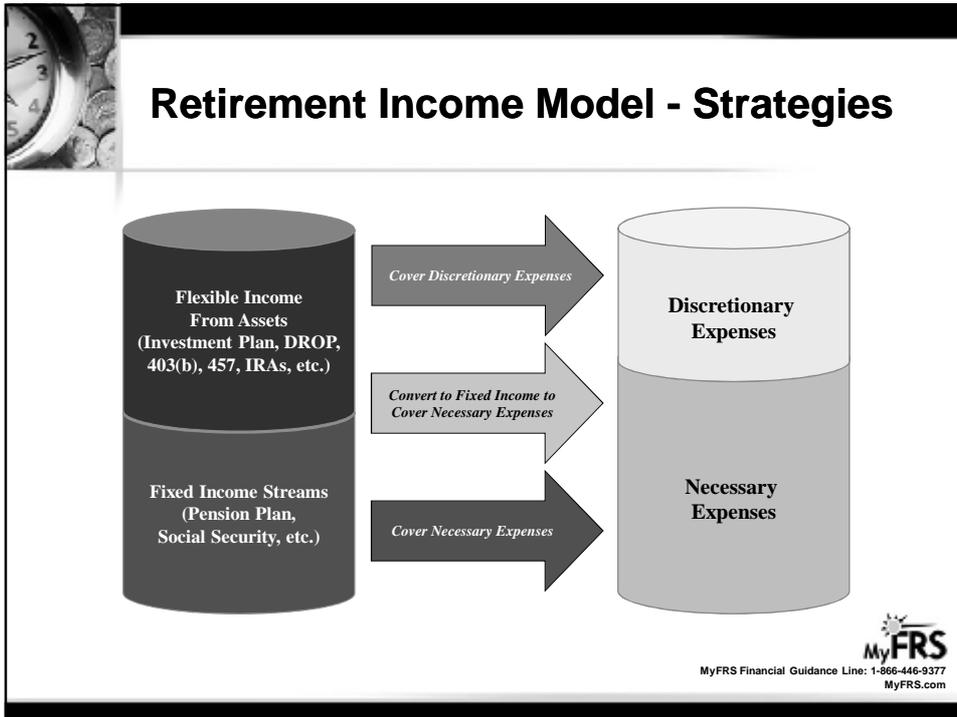


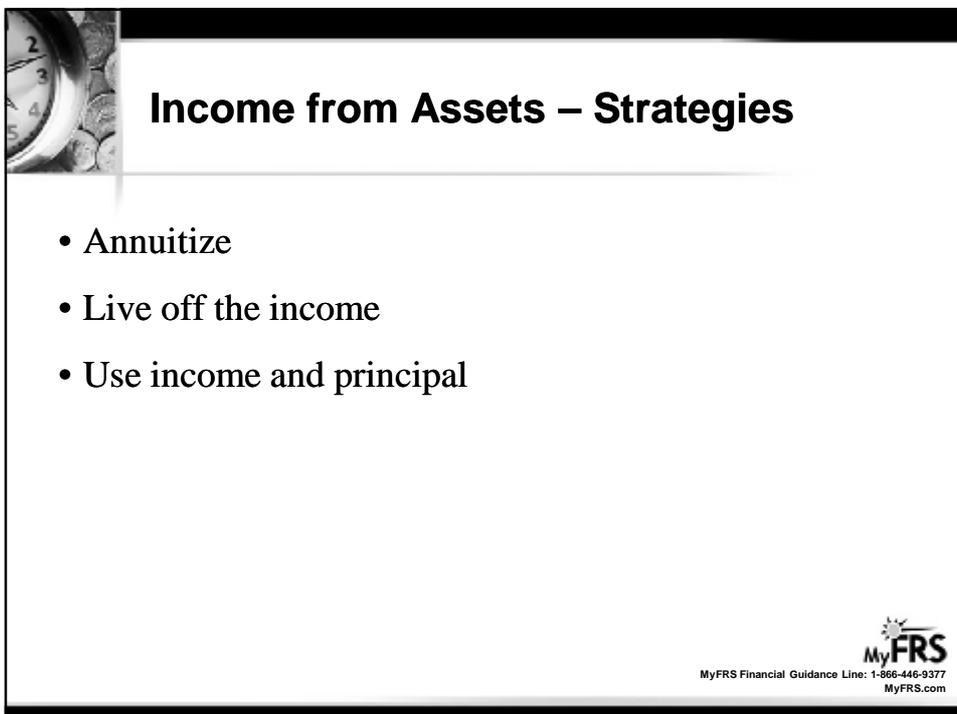
## What Other Investment Income Sources Will You Have?

- Taxable savings
- Deferred annuities
- Other retirement savings plans/pensions
- Spouse's retirement assets
- Inheritance
- Home equity
- Other?



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- 
- Income from Assets – Strategies**
- Annuitize
  - Live off the income
  - Use income and principal
- In the bottom right corner, the MyFRS logo is displayed with the text "MyFRS Financial Guidance Line: 1-866-446-9377" and "MyFRS.com".



## What are Fixed Immediate Annuities?

- Insurance products designed to distribute assets
- Convert a lump sum of money into a stream of payments
- Payments paid over your lifetime or multiple lifetimes
- Payments are fixed, though you can purchase a COLA



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## Deciding How Much to Annuitize



### Action Step

- Call the MyFRS Financial Guidance Line to obtain a quote from Metlife at group rates.



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## Withdrawals from Investments

- What is your basic withdrawal strategy?
  - Do you plan to live on the interest and dividends only?
  - Will you also access the principal?
- How much income can your investments provide?
  - What mix of investments will you use?
  - What average returns should you expect?
  - What average returns do you need?
  - How much can you withdraw without running out of money in your lifetime?
  - When **MUST** you withdraw from retirement accounts?
  - Which accounts should you withdraw from first?

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## Why Investing for Income is Not Enough?

- Rule of 72
  - $72 \div \text{inflation rate} = \# \text{ of years until purchasing power is cut in half}$
  - $72 \div 3\% \text{ inflation} = 24 \text{ years}$

Age	Nominal Nest Egg	Nominal Interest	Real Nest Egg	Real Interest
60	\$500,000	\$25,000	\$500,000	\$25,000
84	\$500,000	\$25,000	\$250,000	\$12,500
108	\$500,000	\$25,000	\$125,000	\$6,250

Note: Portfolio assumed to yield 5% income

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## How Many Years Will Your Assets Last Using Both Income and Principal?

Withdrawal	Rate of Return									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
10%	9	9	10	10	10	11	12	13	14	15
9%	10	10	11	11	12	13	14	15	16	18
8%	11	11	12	13	14	15	16	18	20	24
7%	12	13	14	15	16	18	20	22	27	36
6%	14	15	16	18	19	22	25	31	44	*
5%	17	18	20	22	24	29	36	*	*	*
4%	20	22	25	28	33	42	*	*		
3%	25	28	33	39	*	*	*			
2%	35	40	50	*	*					
1%	*	*	*	*						

Note: Withdrawal rate is based on the first year distribution. Subsequent distributions increase 3.5% for inflation.

\* = 50+ years

  
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## Required Minimum Distributions

- Accounts subject to Required Minimum Distributions:
  - Investment Plan, 403(b), 457, 401(k), Traditional IRA, Rollover IRA
- Required by:
  - April 1<sup>st</sup> of the year following the year you reach age 70½
  - Future years: December 31
- Distributions must be taken each year or 50% penalty is incurred
- Distributions determined using a "Uniform Table" (unless your spouse is your sole beneficiary and more than 10 years younger)

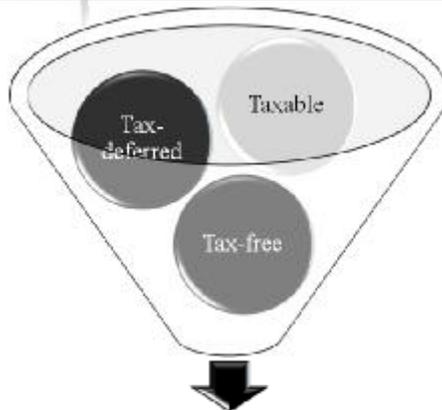
### Action Step

- See Appendix F for a sample RMD calculation.

  
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## Considerations for Order of Account Withdrawals



Work with a tax/financial professional throughout retirement to assist with account withdrawal decisions

### Minimize the “tax drag”

- Pre-70 ½, spend taxable assets first

### Avoid mistakes

- Post-70 ½, ensure you first satisfy your RMDs

### Tax incentives

- Tax-advantaged growth
- No RMDs with Roth IRAs

### See the “big picture”

- A combination of account distributions may help reduce taxes

  
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## Establishing Payments

- Know your upcoming annual expenses
- Understand what your account distributions need to cover
- Decide which account(s) you will/must take distributions from
- Set aside enough in cash for upcoming planned distributions and for unanticipated emergencies
- Establish a payment method
  - Annually
  - Quarterly
  - Monthly
  - Distributions as needed

  
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## Workshop Objectives

- Define your goals for retirement
- Use the retirement planning process to organize your retirement plan
- Understand the role of FRS retirement plans
- Review the tools and resources available to help
- Know which steps to take next

### Action Step

- See **Appendix G** for a Retirement Checklist and **Appendix H** for a Glossary of Financial Terms.

  
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## Resources Available to You - FREE

### MyFRS Financial Guidance Program



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 Choice Services  
 FAQ's, Calculators**



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 staffed by EY financial  
 planners and the  
 Division of Retirement**



**Employee workshops:  
 Visit MyFRS.com for an  
 updated list of workshops,  
 locations and dates**



**Print and e-mail  
 communications**

**All resources are available to FRS Pension  
 & Investment Plan Members**

  
 MyFRS Financial Guidance Line: 1-866-446-9377  
 MyFRS.com



## Next Steps: Personal Action Plan

<i>Action Steps</i>	<i>Done</i>
1) Consider your retirement goals	<input type="checkbox"/>
2) Calculate your retirement expenses	<input type="checkbox"/>
3) Understand what resources you will have to reach your goal	<input type="checkbox"/>
4) Consider how to draw from retirement investment assets	<input type="checkbox"/>
5) Call the MyFRS Financial Guidance Line for a retirement analysis	<input type="checkbox"/>
6) Use the retirement checklist in Appendix G	<input type="checkbox"/>

MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com



## Questions and Answers



MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com



# Nearing Retirement in the FRS



**WORKSHOP APPENDICES**

# Nearing Retirement in the FRS

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**NOTICE TO EMPLOYEES**

Dear Employee:

The FRS has engaged Ernst & Young LLP to provide financial planning education workshops to its employees. We expect that you will find Ernst & Young's services to be valuable, but we think it is also important that you understand the scope of these services. The following explains what financial education workshops can and cannot do for you, particularly as regards investment planning.

**General Financial Planning Considerations**

Here are points to understand regarding your personal financial planning and your participation in financial planning workshops:

- Ernst & Young has prepared certain financial planning materials and is providing other services for your personal use as an employee of the FRS and such materials may not be shared publicly.
- The financial education program includes historical financial information and well-accepted financial planning strategies. It may also include information on Social Security benefits and your company benefit plans. This information is based on sources that Ernst & Young believes to be reliable. However, Ernst & Young cannot guarantee its accuracy.
- Past performance, which may be referenced in the program, is not a guarantee or even necessarily an indication of future results.
- The financial planning materials you receive will not change or affect your rights under your company benefit plans. In all cases, the company's plans govern.
- As you plan your financial future, you will need to make assumptions about future financial trends (such as inflation and rates of return), laws and regulations, and apply these to your particular circumstances. Your results can be significantly affected by even small changes in your assumptions, your individual circumstances or laws and regulations, as well as the extent to which your assumptions ultimately vary from actual financial conditions. You may need to reevaluate your financial planning strategy and your decisions from time to time to determine if any changes have occurred that would necessitate amendments to your assumptions or plan.
- A financial education program provides only some of the resources for assisting you in preparing your financial planning strategies. Financial education does not provide accounting, tax or legal advice and does not involve recommendation of specific investments.
- You need to decide on your own whether to consult with a financial advisor or other professional regarding your personal circumstances. If you do, please be aware, you may incur additional costs.
- In providing financial education, Ernst & Young may help you decide on your asset allocation or help you make informed assumptions about rates of return and other investment issues. While Ernst & Young will help you understand what you need to do, you are responsible for making and acting on these decisions. Ernst & Young cannot provide you with all information that may be relevant nor can any materials provided address every possible scenario in connection with such decisions.
- Neither Ernst & Young nor your employer will make any financial planning decisions for you or assume any responsibility for decisions you make.
- Ernst & Young may provide audit or other accounting services to the investments or service providers discussed. The provision of other services will not be a determining factor whether to discuss or recommend an investment or service provider.

**Privacy of Information Provided to Ernst & Young**

In the event Ernst & Young collects nonpublic personal information about you from you or other sources authorized by you, Ernst & Young will not disclose such information to third parties, except as permitted by law or as otherwise authorized by you. Ernst & Young maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.

**Further Considerations**

All services are provided "as is," and there are no warranties of any kind or nature, whether express or implied, including but not limited to warranties of merchantability or fitness for a particular purpose or use. In addition, neither Ernst & Young nor its affiliates nor any of their partners, officers, directors or employees shall be liable to you for any services performed or omitted or for any errors of judgment, or for consequential, incidental, indirect, punitive or special damages in connection with providing the services described above. Federal securities laws impose liabilities under certain circumstances on certain persons, even those who act in good faith, and therefore nothing in this notice constitutes a waiver or limitation of any rights that you may have under these laws.

If you should have any kind of claim or dispute with Ernst & Young as a result of this program, these will be resolved in accordance with Ernst & Young's Alternative Dispute Resolution Procedures ("Procedures") in effect on the date of this notice. You may receive a copy of the Procedures by requesting them from the Compliance officer of Ernst & Young, at the following address:

200 Plaza Drive  
Suite 2222  
Secaucus, NJ 07094

\* \* \* \* \*

**If, after considering the issues discussed above, you do not want to participate in financial education and counseling in conjunction with this program, please contact your Human Resource Professional for the FRS, as soon as possible.**

# FOR INFORMATIONAL PURPOSES ONLY

## DISCLOSURE STATEMENT

**Ernst & Young LLP  
Ernst & Young Investment Advisers LLP  
Employee Financial Services**

**09/26/14**

**Please note that this disclosure statement provides a summary of the investment advisory services provided by Ernst & Young LLP. Please note that a full copy of ADV Part 2A can be located at this link [www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)<sup>1</sup>**

Ernst & Young LLP (“EY”), under the supervision of Ernst & Young Investment Advisers LLP (“EYIA”), provides Employee Financial Services (“EFS”), including investment education and counseling services to employees, members of associations, unions or other large groups (“Participants”) pursuant to engagements by corporate employers, pension plan trustees, or other entities formed for the benefit of such Participants (“Sponsors”). Such services are provided through EFS, a functional specialty within the firm’s Tax Department. EYIA is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”) and maintains its main office at 200 Plaza Drive, Suite 2222, Secaucus, NJ 07094 (telephone: 800-273-0588).

### **Employee Financial Services (“EFS”)**

EY’s services to Participants are rendered to such persons in a manner determined by their Sponsors. EY services to Participants may include some or all of the following:

1. Enabling Participants to access a toll-free “*EY Financial Planner Line®*”, staffed by EY planners or consultants, for assistance with personal financial planning matters.
2. Designing or presenting workshops for Participants concerning the financial planning process and alternatives available under the Sponsor’s benefit plans.
3. Providing access to a financial planning website (“*EY Financial Planning Center®*”) for use by Participants.
4. Providing various personal finance and tax-related publications, in print form or by audio or other visual means.
5. Making available to Participants and survivors of Participants, financial education and counseling assistance with respect to retirement plan distributions; company benefit and compensation plans; estate settlements and planning; life insurance policies; and other related issues.
6. Providing in-person personal financial advisory services to Participants pursuant to an engagement by a Sponsor.

As part of the personal financial advisory services, both in-person and via the EY Financial Planner Line®, EY may prepare personal asset allocation targets (based on modern portfolio theory and using EY’s own or other approved financial planning tools) for such Participants after obtaining and evaluating information concerning their individual circumstances provided by each Participant in response

**Appendix A (continued)**

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<sup>1</sup> From this webpage follow these steps to view the most current Form ADV: a) select Firm, b) enter CRD #110921, c) click Investment Adviser Firm, d) click SEC, e) Brochure link is on the left under Part 2.

## **Nearing Retirement in the FRS**

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to an EY questionnaire. Participant specific advice (i.e., personal asset allocation targets) will generally be confirmed in writing.

EY does not recommend, and should not be deemed to have recommended, any particular investment as an appropriate investment for the Participants and discussions of various investments should not be construed as such a recommendation.

EY's advisory services also may be offered by a Sponsor to Participants in tandem with the personal advisory services of another registered investment adviser designated by the Sponsor that is not affiliated with EY ("Other Adviser"). In some EFS engagements, the Sponsor contemplates that EY will refer individual Participants to the Other Adviser for specific recommendations and/or implementation of the Participant's investment decisions. Such referrals by EY do not constitute a recommendation of the Other Adviser by EY to Participants, and, in such cases, EY does not perform any quantitative or qualitative screening procedures with respect to the Other Adviser.

EY, in certain circumstances, is contracted solely to help train employees of financial institutions seeking to offer financial and tax planning services to clients. Such services do not involve EY providing advice directly to the clients of such financial institutions, but rather entails training a financial institution's counselors on financial and tax planning topics and such other support as is mutually agreed upon by EY and the financial institution.

### **All Selections and Investments Are Made Solely by the Participating Employee**

EY's investment education and counseling does not include recommendations concerning the purchase or sale of particular investments or particular industry sectors. EY may provide counseling on the purchase or sale in the context of providing tax, compensation and benefits, or estate planning services, but that counseling does not reflect a view as to the intrinsic merits of the investment. All decisions to invest in or dispose of particular investments are made solely by the participating Participant in the exercise of his or her own discretion.

### **Fees**

Fees for EFS Services generally are negotiated between EY and the Sponsors of such groups on a case-by-case basis. They usually are based upon (i) a "per capita" eligible employee or member amount, (ii) a "usage by Participants" amount, (iii) the volume of calls by Participants to the *EY Financial Planner Line*®, (iv) the number of workshops designed and presented by EY, or (v) other negotiated factors. EY's fees in such engagements may be paid wholly or partially either by the Sponsor or by Participants, whose payments for services received (if any) may be collected by the Sponsor through payroll deductions and remitted to EY. Participants also may incur expenses for fees to any other investment adviser they may consult and will be responsible for transaction charges imposed by broker-dealers through or with whom they effect transactions for their accounts. Generally EY's contracts with Sponsors for services to Participants are terminable by either party in accordance with a specified notice period. In addition, Participants receiving advisory services by EY (including a Participant who pays in whole or in part for the services rendered to such Participant) may terminate participation at any time. If such a contract or participation is terminated at a time other than the end of the quarter, a pro rata portion of any quarterly or other fee paid in advance is refunded.

### **Investment Advisers**

All personal investment advice, and most impersonal investment advice, typically is given only by EY Financial Planners. Financial Planners are persons who spend all or substantial portions of their time on financial planning. Typically, all of these professionals have at least a degree from a four-year college or university and must meet such other standards as EYIA may establish from time to time. Those standards may include participation in continuing education programs each year and maintaining what EY regards as significant involvement in financial counseling engagements. Moreover, Financial Planners must satisfy applicable State investment adviser representative registration requirements or

**Appendix A (continued)**

## **Nearing Retirement in the FRS**

pass the Series 65 Uniform Investment Adviser Exam of the National Association of Securities Dealers, Inc. In some instances, EY may retain consultants to assist in providing workshops and staffing the *EY Financial Planner Line®*. Generally, consultants are subject to the same requirements as EY Financial Planners. However, consultants are not subject to the same public accounting independence requirements as EY Financial Planners and their continuing education programs differ in some respects.

### **Monitoring, Reviews and Reports**

In the case of EFS engagements that extend beyond one year and involve the provision of personal advisory services to Participants, Participants are asked questions concerning any changes in their relevant individual circumstances. EY will take into account the changed circumstances of any Participant of which it has notice in the event that Participant seeks additional personal advisory services from EY.

### **Miscellaneous**

Clients and prospective clients of EY also should be aware of the following additional information concerning EY and EYIA:

Custody of Securities or Funds. EY does not manage participant accounts on a discretionary basis and does not take custody of participant securities or participant funds.

Other Financial Industry Activities. As noted above, EYIA is responsible for supervising the investment advisory services provided by EY. EY and Ernst & Young (U.S.) are general partners of EYIA. In consideration of EYIA's supervising the rendering of investment planning services provided by EY, EY provides EYIA with office and filing space, staff and other assistance. All of EYIA's time is spent supervising the compliance and operations of the investment planning services provided by EY.

Other Business Activities. EY is a public accounting firm which spends substantially all of its time providing accounting, audit, tax, and business advisory services.

Education and Business Background. Below are the backgrounds and five year business histories of each EYIA Advisory Board member: (1) Name, (2) year of birth, (3) education and (4) business background for preceding five years of EYIA Advisory Board members:

1. Glenn H. Hascher – (Chair)/2. 1961
3. B.S., Economics, Rutgers University, New Brunswick, NJ
4. November 1988 to date, Ernst & Young LLP

1. R. Lynn Pettus/2. 1968
3. B.A., Accounting, Converse College, Spartanburg, SC
4. 1997 to date, Ernst & Young LLP

1. Kym M. Hubbard/2. 1957
3. B.A., Accounting, Bradley University, Peoria, IL
4. 2004-2007 Illinois State Board of Investment, 2007-2008 Illinois Finance Authority, 2008 to date, Ernst & Young LLP

1. Robert J. Porter/2. 1964
3. B.S., Siena College, Loudonville, NY
4. 1998 to date, Ernst & Young LLP

1. Greg Rosica/2. 1964
3. University of Florida, Gainesville, FL, BS Accounting with Honors 1986; University of Florida, Gainesville, FL, MS Accounting 1988
4. 2002 to date, Ernst & Young LLP

## **Appendix A (continued)**

1. James G. Wolf/2.1955

## ***Nearing Retirement in the FRS***

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3. University of Notre Dame, South Bend, IN, BBA Finance; University Of Texas, Austin, TX, MBA
4. 1985 to date, Ernst & Young LLP

1. Steven Leigh Shultz / 2. 1968
3. B.S. Psychology, UCLA
4. October 1991 to date, Ernst & Young LLP

## ***Nearing Retirement in the FRS***

### **MYFRS FINANCIAL GUIDANCE LINE**

**Call 1-866-446-9377, Option 2, for financial planning assistance from Ernst & Young financial planners.**

The Ernst & Young planners at the MyFRS Financial Guidance Line are available from 9:00am to 8:00pm ET, Monday through Friday, (except holidays).

When you call the Ernst & Young planners at the MyFRS Financial Guidance Line you are calling one of the largest personal financial planning counseling groups in the U.S. Ernst & Young is committed to providing you with the highest quality financial planning services.

You can feel confident that the information and guidance you receive is appropriate for your needs because Ernst & Young's financial planners are objective and independent.

**When you call the MyFRS Financial Guidance Line for financial planning assistance you should expect:**

- ü Confidential assistance from highly qualified planners, who average seven years of experience in the financial planning industry
- ü Phones that are answered promptly by experienced planners who will assist you with your personal financial planning needs. If you are prompted to leave a message, a planner will return your call as soon as possible
- ü Action-oriented guidance based on your personal information and goals
- ü Planners who are knowledgeable about FRS retirement plans
- ü An up-to-date record of prior interactions so that you are not starting each call from scratch
- ü The ability to ask for the same planner each time you call the MyFRS Financial Guidance Line

**What topics can you discuss with the financial planners at the MyFRS Financial Guidance Line?**

- ü Investment considerations and asset allocation
- ü Retirement planning and actions to get or stay on track
- ü FRS retirement plan information, projections and comparisons
- ü Ways to reduce debts and increase cash flow
- ü Tax planning and recent law changes

**The Financial Guidance Line pledge to you:** Your decisions are kept confidential and will not be made available to your employer or to any other organization or person outside of the Ernst & Young Employee Financial Services practice. Calls are monitored for quality assurance purposes only.

**RETIREMENT EXPENSE WORKSHEET**

Description	A Current Annual Costs	B Additional or Reduced Costs Anticipated for Retirement (in current year dollars)	C Estimated Cost At Retirement Column A + B
<b>HOUSING</b>			
Mortgage/Rent	\$	\$	\$
Property Taxes			
Homeowners Insurance			
Repairs & Maintenance			
Electricity			
Gas/Oil			
Cable/Internet			
Water			
Telephone			
Other Utilities			
Yard Maintenance			
<b>Total</b>	\$	\$	\$
<b>HOUSEHOLD</b>			
Food	\$	\$	\$
Miscellaneous Supplies			
Laundry			
Other			
<b>Total</b>	\$	\$	\$
<b>TRANSPORTATION</b>			
Car Payments	\$	\$	\$
Car Repairs/Maintenance			
Car Registration/License			
Commuting			
Other			
<b>Total</b>	\$	\$	\$
<b>PLEASURE</b>			
Eating Out	\$	\$	\$
Vacation			
Entertainment			
Club Dues			
Other			
<b>Total</b>	\$	\$	\$

**Nearing Retirement in the FRS**

**Appendix C (continued)**

Description	A Current Annual Costs	B Additional or Reduced Costs Anticipated for Retirement (in current year dollars)	C Estimated Cost At Retirement Column A + B
<b>HEALTH</b>			
Medical Insurance	\$	\$	\$
Doctors/Dentists			
Deductibles/Co-Pays			
Prescriptions			
Other			
<b>Total</b>	\$	\$	\$
<b>PERSONAL CARE</b>			
Clothing	\$	\$	\$
Barber/Beautician			
Other			
<b>Total</b>	\$	\$	\$
<b>TAXES</b>			
Federal Income	\$	\$	\$
State Income			
Social Security			
Other			
<b>Total</b>	\$	\$	\$
<b>MISCELLANEOUS</b>			
Charity	\$	\$	\$
Gifts			
Loans			
Life Insurance			
Savings			
Investments			
Education			
Other			
<b>Total</b>	\$	\$	\$
<b>TOTAL</b>			
	\$	\$	\$

**RETIREMENT FIXED INCOME WORKSHEET**

	Annual Income	Year Income Begins	Annual Increase	Year Income Ends
Income				
Pension 1				
Pension 2				
Pension 3				
Pension 4				
Social Security 1				
Social Security 2				
Full-Time work				
Part-Time work				
Hobby income				
Rental Income				
Annuity 1				
Annuity 2				
Reverse Mortgage				
Other:				
Other:				
Other:				

**FRS INVESTMENT PLAN FUND CHOICES**

Asset Class	Fund Name
Retirement Date Funds	FRS Retirement Income Fund (2000)
	FRS 2015 Retirement Date Fund (2015)
	FRS 2020 Retirement Date Fund (2020)
	FRS 2025 Retirement Date Fund (2025)
	FRS 2030 Retirement Date Fund (2030)
	FRS 2035 Retirement Date Fund (2035)
	FRS 2040 Retirement Date Fund (2040)
	FRS 2045 Retirement Date Fund (2045)
	FRS 2050 Retirement Date Fund (2050)
	FRS 2055 Retirement Date Fund (2055)
Money Market Funds	FRS Money Market Fund (60)
Real Assets	FRS Real Assets Funds (300)
Bond Funds	FRS U.S. Bond Enhanced Index Fund (80)
	FRS Core Plus Fixed Income Fund (310)
	Pyramis Intermediate Duration Pool Fund (90)
U.S. Stock Funds	FRS U.S. Large Cap Equity Fund (320)
	FRS U.S. Small/Mid Cap Equity Fund (330)
	FRS U.S. Stock Market Index Fund (120)
Foreign Stock Funds	FRS Foreign Stock Index Fund (200)*
	American Funds Euro-Pacific Growth Fund (220)*
	American Funds New Perspective Fund (210)

\* These funds may have restrictions on your ability to trade.

Go to the Investment Fund tab of MyFRS.com for more details on each of the funds.

**SAMPLE REQUIRED MINIMUM DISTRIBUTION CALCULATION**

### Required Minimum Distributions Uniform Table

Uniform Table			
Age	Applicable Divisor	Age	Applicable Divisor
70	27.4	77	21.2
71	26.5	78	20.3
72	25.6	79	19.5
73	24.7	80	18.7
74	23.8	81	17.9
75	22.9	82	17.1
76	22.0	83	16.3

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MyFRS.com

### Required Minimum Distributions Example

Uniform Table			
Age	Applicable Divisor	Age	Applicable Divisor
70	27.4	77	21.2
71	26.5	78	20.3
72	25.6	79	19.5
73	24.7	80	18.7
74	23.8	81	17.9
75	22.9	82	17.1
76	22.0	83	16.3

**Age: 76**  
**Applicable Divisor: 22.0**

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MyFRS Financial Guidance Line: 1-866-446-9377  
MyFRS.com

### Required Minimum Distributions Example

Uniform Table Example:

$$\boxed{\$500,000} \div \boxed{22.0} = \boxed{\$22,727}$$

- Required minimum distribution in Year turning Age 76 is \$22,727

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***Nearing Retirement in the FRS***

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***Nearing Retirement in the FRS***

<b>RETIREMENT CHECKLIST</b>	
<b>Issue</b>	<b>Completed</b>
<b>Retirement Lifestyle</b>	
Considered your goals in retirement	<input type="checkbox"/>
Thought of what your daily routine will entail	<input type="checkbox"/>
Decided where you will live	<input type="checkbox"/>
Planned for your transition into retirement	<input type="checkbox"/>
<b>Income Needs</b>	
Determined your recurring annual retirement expenses	<input type="checkbox"/>
Determined your extraordinary retirement expenses	<input type="checkbox"/>
<b>Social Security</b>	
Reviewed your latest statement for accuracy	<input type="checkbox"/>
Decided when you will draw your benefit	<input type="checkbox"/>
Contacted Social Security 3 months in advance of starting your benefit	<input type="checkbox"/>
<b>Pension</b>	
Requested a projection of your pension benefit	<input type="checkbox"/>
Reviewed the payment options and projections	<input type="checkbox"/>
Decided when you will begin your benefit	<input type="checkbox"/>
Chose which payment option to take	<input type="checkbox"/>
Contacted your plan administrator 3 months before starting your benefit	<input type="checkbox"/>
Verified your correct mailing address is on file	<input type="checkbox"/>
<b>Employer-Sponsored Savings Plan (401(k), 403(b), 457)</b>	
Reviewed your account options once you retire	<input type="checkbox"/>
Reviewed the payment options available to you	<input type="checkbox"/>
Considered whether to leave with your employer or rollover	<input type="checkbox"/>
Established a payment plan with your plan administrator	<input type="checkbox"/>
Verified your correct mailing address is on file	<input type="checkbox"/>
Prepared to start taking Required Minimum Distribution at 70½	<input type="checkbox"/>
<b>Asset Allocation</b>	
Implemented an appropriate asset allocation for your retirement assets	<input type="checkbox"/>
Determined and established a cash reserve	<input type="checkbox"/>
Established the frequency of rebalancing your investments	<input type="checkbox"/>
<b>Income From Investments</b>	
Determined your basic withdrawal strategy	<input type="checkbox"/>
Considered what portion (if any) of your investments to annuitize	<input type="checkbox"/>
Established a sustainable withdrawal rate	<input type="checkbox"/>
Contacted plan administrators to establish payments	<input type="checkbox"/>

**Appendix G (continued)**

<b>Issue</b>	<b>Completed</b>
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***Nearing Retirement in the FRS***

<b>Taxes</b>	
Considered how you will pay your taxes (quarterly payments or withholdings)	<input type="checkbox"/>
Considered how much to withhold from various income sources	<input type="checkbox"/>
Spoke to a tax advisor about projecting / sending quarterly payments	<input type="checkbox"/>
<b>Medical / Dental Coverage</b>	
Reviewed your options of retiree medical plans through your employer	<input type="checkbox"/>
Received estimates/quotes for the cost of retiree medical	<input type="checkbox"/>
Prepared for changes in medical coverage/costs at 65 when Medicare begins	<input type="checkbox"/>
Assessed whether a Medigap policy is needed	<input type="checkbox"/>
<b>Long Term Care Insurance</b>	
Assessed the cost of long term care facilities in your area	<input type="checkbox"/>
Understand your need (if any) for long term care insurance	<input type="checkbox"/>
Identified the type and amount of coverage you require	<input type="checkbox"/>
Shopped for and compared the costs and features of various policies	<input type="checkbox"/>
<b>Life Insurance</b>	
Reviewed your need for life insurance throughout retirement	<input type="checkbox"/>
Know your options with insurance coverage you have through your employer	<input type="checkbox"/>
Identified any gaps in life insurance coverage	<input type="checkbox"/>
Shopped for and compared the costs of various life insurance policies	<input type="checkbox"/>
<b>Estate Planning</b>	
Created / updated your will	<input type="checkbox"/>
Met with an estate lawyer	<input type="checkbox"/>
Created a living will	<input type="checkbox"/>
Created a health care power of attorney	<input type="checkbox"/>
Created a durable power of attorney	<input type="checkbox"/>
Created a letter of instructions / vital records organizer	<input type="checkbox"/>
Updated various beneficiary designations	<input type="checkbox"/>
Discussed your burial wishes with your spouse/partner	<input type="checkbox"/>
<b>Financial Advisors</b>	
Considered which areas of planning you will require assistance	<input type="checkbox"/>
Searched for and interviewed financial advisors	<input type="checkbox"/>
Performed background check of prospective advisors	<input type="checkbox"/>

## **GLOSSARY OF FINANCIAL AND INVESTMENT TERMS**

### **After-Tax Contributions**

Contributions to company plans or other savings that have no immediate tax benefit.

### **Aggressive Investor**

An investor who requires or desires a greater return on investments and is willing to take a higher degree of risk to achieve this return. The investment portfolio of an aggressive investor would typically be weighted heavily toward stocks and have a higher expected average rate of return.

### **Annuity**

A method of paying a pension benefit that spreads payments out over an extended period of time, as opposed to a single-sum payment.

### **Asset Allocation**

An investment strategy that considers the percentage of funds to be invested in cash equivalents, fixed income, equities, and other assets as a way to manage risk and maximize return.

### **Average Annual Return**

The compounded annual return you receive on average from your investments. In other words, an investment may have had years with varying degrees of losses and varying degrees of gains. These different annual returns are averaged over the period, taking into account compounded earnings, to determine average annual return.

### **Before-Tax**

Before-tax investments refer to savings that have been created with income not yet subject to taxes. For example, contributions to a 401(k) plan are made on a before-tax basis. The amount of your pay you contribute, as well as accumulated earnings on those amounts, is not subject to income taxes until you take the money out, typically after retirement.

### **Bonds**

Bonds are publicly traded debt instruments. The issuer agrees to pay interest on the money invested and to repay the principal at a specified time. Examples would include government bonds (U.S., municipal, or foreign) or corporate bonds. (See Fixed Income.)

### **Cash or Cash Equivalents**

These are investments that are quickly convertible to cash with little or no loss of principal. These assets typically pay some interest and are generally viewed as safer investments. Examples would include savings accounts, money market accounts, Treasury Bills, and certificates of deposit.

**Conservative Investor**

An investor who is not comfortable taking much risk or one who needs a high degree of liquidity. Typically a conservative investor's portfolio would include more cash and fixed income investments and less equities or other investments, and would have a lower overall return.

**Consumer Price Index**

A mix of goods and services, the prices of which are tracked by the United States government to determine the appropriate rate of inflation.

**Cost of Living Adjustment (COLA)**

An increase, often each year, in a payment that one receives. This increase is typically based on and for the purpose of keeping up with inflation. For example, Social Security benefits increase each year based on the consumer price index.

**Dividend**

Income payment to shareholders of a company.

**Effective Tax Rate**

This is your actual tax paid during a year divided by your gross income earned during the year. This phrase can refer only to federal taxes or it can take into account federal, state, Social Security, and Medicare taxes.

**Equities**

Ownership in a business, typically in the form of shares of common stock. Typical equity categories include:

- Growth and Income:** Companies providing an income stream and some appreciation in value over time.
- Growth:** Companies providing less income but greater appreciation in value over time.
- Aggressive Growth:** Companies that are typically smaller and providing more rapid growth.
- International:** Companies headquartered outside of the United States.

**Fixed Income**

An asset category of investments that typically pays moderate to high interest, has a mid- to long-term maturity and is generally a debt obligation such as a bond or mortgage obligation.

**Hard Assets**

This is an investment category consisting of tangible investments such as real estate, collectibles, gold/silver, other precious metals, commodities, etc.

**Individual Retirement Account (IRA)**

This is a tax-deferred retirement vehicle. Depending on your income level, you may be able to deduct your contributions to an IRA and defer the taxes until you withdraw the money, often at retirement. Even if you can't deduct your contribution, you will still receive tax-deferred compounding on funds in your IRA. IRAs may be set up at banks, brokerage houses, discount brokers, insurance companies, and mutual fund companies, among others.

**Inflation**

The rising cost of goods and services over time. (See Consumer Price Index.)

**Investment Mix**

An investment strategy that considers the percentage of funds to be invested in cash equivalents, fixed income, equities and other assets as a way to manage risk and maximize return (see Asset Allocation).

**Investor Profile**

Your unique situation as an investor. Characteristics making up your investor profile include your time horizon, risk tolerance, goals and objectives, and anything else that affects the way you invest.

**Life Expectancy**

The age to which people typically live, based on averages. For example, newborns are currently expected to live until their late 70s; once you reach age 65 you are expected to live into your 80s.

**Liquidity**

The ability to convert an investment into cash quickly and with little or no loss in value.

**Marginal Tax Rate**

The tax rate on your next dollar of taxable income. Your marginal tax rate is generally higher than your effective tax rate.

**Moderate Investor**

An investor who is neither conservator nor aggressive. An investor who is willing to take on some degree of risk to obtain a return greater on investments than would have otherwise been possible, while seeking to avoid a large degree of risk.

**Money Market**

Accounts or funds established to invest in cash and cash equivalents and short-term debt obligations. A money market fund or account is a type of mutual fund. (See Mutual Funds.)

**Mutual Funds**

A company that invests and professionally manages stocks, bonds, cash, real estate, or other investments and sells shares of the investment to investors. Mutual funds provide a way for investors to pool their money in order to benefit from diversification and professional management.

**New York Stock Exchange**

An organization established for the efficient trading of stock of various companies.

**Pension Plan**

A retirement plan offered by companies where the primary method of payment once a person is retired is a monthly benefit payment.

**Purchasing Power**

Your ability to purchase goods or services with a given amount of money.

**Rate of Return**

The combined dividend, interest, and/or growth (profit) you receive on your investment.

**Managed Funds**

A term used to describe mutual funds that have a mix of cash, fixed income, and/or equity investments. The managers of the funds decide how much should be allocated to each investment category at any point in time.

**Risk**

The chance that the actual return from an investment may differ from what is expected; risk is sometimes described as the chance of losing money.

**Risk Tolerance**

Your comfort level with taking on varying degrees of risk.

**Social Security**

Governmental system established to provide retirement, disability, and survivor benefits. Benefits are based on earnings and are paid in the form of a monthly benefit.

**Standard & Poor's (S&P) 500**

The 500 leading companies traded on the New York Stock Exchange. These companies account for about 70-80 percent of the entire value traded on the New York Stock Exchange.

**Stocks**

Shares representing ownership in a corporation.

**Tax-Deferred**

Investment earnings not subject to income taxes in the year earned, but at some point in the future.

**Time Horizon**

The amount of time you have to invest. Usually the time period between now and the time for the achievement of a particular goal.

**Today's Dollars**

Looking at your money in terms of its purchasing power based on the value of a dollar today.

**Treasury Bills**

Short-term United States government bonds - one year or less to maturity.

**Volatility**

The fluctuation in the value or return of an investment over time.

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**MyFRS Financial Guidance Line® Callback Request**

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**Please fill out the information below and return it to the EY representative. You can expect a call back within two weeks from a planner who can help you work on your financial plan.**

Name \_\_\_\_\_  
First Last

City in which you live: \_\_\_\_\_ (This will help us locate your record before we call)

Phone # \_\_\_\_\_ Email address \_\_\_\_\_  
(Including area code)

Best time to call (ET)      9am – 11am      11am – 1pm      3pm – 5pm

Specific Request for Timing: \_\_\_\_\_

Topic(s) you are interested in discussing:

- Cash & Debt Management
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