

# MILWAUKEE C O U N T Y D E F E R R E D C O M P E N S A T I O N P L A N

## MONEY MATTERS

SPRING 2007

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### MILWAUKEE COUNTY SELECT COMMITTEE ON DEFERRED COMPENSATION

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Rick Ceschin • Veronica Britt  
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## LET IT BE: THE SMART RETIREMENT PLANNING CHOICE THAT'S RIGHT UNDER YOUR NOSE

**KEEPING YOUR ACCOUNT WITH YOUR CURRENT SERVICE PROVIDER  
CAN GIVE YOU THE RIGHT BALANCE OF FAMILIARITY AND FLEXIBILITY**

So you've finally retired. What to do now? Book that flight to Aruba. Start writing the great American novel. Build a greenhouse for the prize-winning orchid.

Most people who have recently retired already have a long to-do list. But here's one more thing you should add to that list, one that can make managing your retirement nest egg easier: Nothing.

You read that correctly. Nothing. One option you may want to consider is leaving your retirement account exactly where it already is—with the Plan that helped you build your nest egg in the first place.

That's not to say you don't have decisions to make about your retirement income. First, there's the decision on how to withdraw the money from your retirement account. Do you plan to withdraw it all at once (also known as a "lump-sum distribution"), or do you plan to withdraw your money over time (known as "periodic payments")? You also have the option of purchasing an annuity with those funds. And you can even choose a mix of distribution options.

If you plan to withdraw your money gradually, the bulk of it can stay invested in options suited to a retiree's lower risk tolerance. That means that even though you've retired, your retirement savings can generate earnings and keep working for you. In fact, some experts recommend that you withdraw no more than 4% each year of your retirement to make your nest egg last.<sup>1</sup>

Just like when you were making regular contributions from your paycheck, you'll need a partner to help you make your retirement savings work for you during retirement. The good news: You've already built a successful partnership with your current service provider.

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## FEE HOLIDAY:

GREETING CARD COMPANIES AREN'T THE ONLY ONES WHO CAN COME UP WITH NEW HOLIDAYS. YOUR MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN HAS CREATED ITS OWN FEE HOLIDAY JUST FOR YOU. YOUR PLAN ADMINISTRATIVE FEES WILL BE WAIVED FOR THE NEXT THREE QUARTERS!



Consider taking advantage of low interest rates on credit cards that you come across—whether it's the limited-time balance transfer offer of a card you already own or a new one. Rolling over high-interest debt to a card with a lower rate can mean big savings and fewer bills, but be sure to read the fine print first. Many cards may contain balance transfer fees, and the interest rate may rise after the expiration of the “limited-time” offer or if there is an introductory interest rate offered on the balance transfer.

Finally, don't run up the credit cards you just paid off. Cut them up instead.

### *In Your 40s*

Middle-aged homeowners may want to consider a home equity loan to help consolidate their debt. Depending on your creditworthiness and the lender you choose, you may be able to borrow up to 125% of the appraised value of your home (minus the amount you still owe on your mortgage). By consolidating your debt into a home equity loan you'll be left with only one bill to pay each month. Under current tax law, and depending on your specific situation, you may be allowed to deduct the interest on your home equity loan since it is secured by your home. Please seek the advice of a tax professional regarding your specific situation.

### *At Every Age*

Stay away from credit-repair organizations! There is no quick fix for bad credit—only time heals those wounds. Furthermore, these organizations may charge fees for their services.

Do not borrow against your retirement savings plan at work. If you do, you could be jeopardizing your retirement nest egg, your future and your financial security.

### *Fine-Tuning*

SmartMoney.com<sup>4</sup> has a debt consolidation calculator to help you crunch numbers. Go to [www.smartmoneyuniversity.com](http://www.smartmoneyuniversity.com) and look for *Debt Management* under the *Personal Finance* tab.<sup>4</sup> From there,

choose one of the debt management worksheets. Punch in the current monthly payment or rate on your loans, and you'll see how consolidation will affect your overall interest rate.

Once you have your finances on track, keep them there. Commit your newly found savings to paying off the principal on your consolidated loans and low interest credit cards. It'll speed up the process—and it's nice to feel like you're actively chipping away at the red column. ■

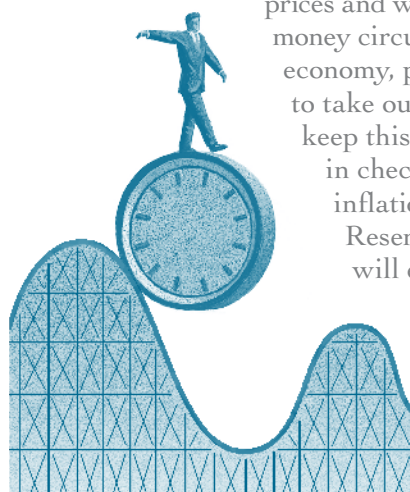
## ROLLING WITH THE ECONOMY

### HOW THE BUSINESS CYCLE IMPACTS YOUR BOTTOM LINE

You can't read the paper without coming across the words “inflation” (rising prices for goods and services) and “interest rates” (the cost of borrowing money). Experts often use them to explain movements in the financial markets. Economic fluctuations can impact the value of your retirement savings. To understand this connection and benefit from it, we need to discuss what economists refer to as “the business cycle.”

Think of the business cycle as a wave—something that moves up and down. When the economy grows, the wave goes up. There is more competition for loans, workers and goods and services—pushing up interest rates, prices and wages. With more money circulating in the economy, people are more likely to take out loans. In order to keep this economic movement in check and to prevent inflation, the Federal Reserve Bank (the Fed) will eventually raise interest rates.

Rising interest rates can cause a slowdown in the rate of economic growth—or even



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## SHARE CLASS CHANGE:

THE PIMCO TOTAL RETURN FUND CHANGED SHARE CLASSES ON MARCH 30 IN ORDER TO TAKE ADVANTAGE OF A LOWER EXPENSE RATIO FEE. PLEASE NOTE THAT THE UNDERLYING FUND DID NOT CHANGE; ONLY THE FUND'S SHARE CLASS AND FEE CHANGED. VISIT [WWW.MILWAUKEECOUNTY457.COM](http://WWW.MILWAUKEECOUNTY457.COM) FOR MORE DETAILS.

*PLEASE CONSIDER THE INVESTMENT OBJECTIVES, RISKS, FEES AND EXPENSES CAREFULLY BEFORE INVESTING. FOR THIS AND OTHER IMPORTANT INFORMATION YOU MAY OBTAIN MUTUAL FUND PROSPECTUSES AND DISCLOSURE DOCUMENTS FROM YOUR REGISTERED REPRESENTATIVE. READ THEM CAREFULLY BEFORE INVESTING.*

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Maintaining that momentum in retirement is an option that deserves consideration.

### *Familiarity Can Breed Contentment*

You've heard the expression "if it ain't broke, don't fix it." If you're already happy and comfortable with the Milwaukee County Deferred Compensation Plan, it makes sense to keep your account with your service provider. After all, you're already familiar with how that company works and what it offers. And you're entitled to the same level of service you received when you were building your nest egg.

So if you use your current service provider's online planning tools, you can continue to use them. If you're already comfortable with your investment options, you can keep your money in them. If you like to manage your account over the phone, you can continue to do that.

### *Sometimes, Making a Change Can Cost Some Change*

If you plan to move your retirement savings to another provider, keep in mind that some investment options may include additional fees. Take Individual Retirement Accounts (IRAs), for example. The fact is, an IRA trustee has the legal right to charge you to maintain your IRA.<sup>2</sup> You could also incur other fees, such as trading commissions. Most annuities also charge an annual fee (usually a percentage of the assets you invest with the annuity). Every investment option and every company is different, so read the fine print before you decide.

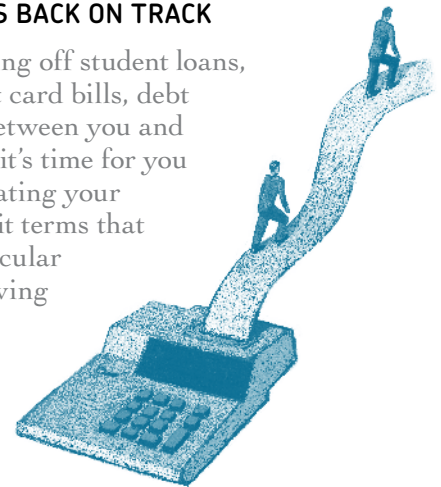
### *Keeping It Simple by Keeping It the Same*

Retirement—for many people, it's a time when they're free to concentrate on their family, follow their dreams and leave the hassles of the workaday world behind. By keeping your account with your longtime service provider, you keep things simple, which can give you more time to concentrate on that retirement to-do list. ■

## LIFE STAGE: CLIMBING OUT OF DEBT

### PUT YOUR FINANCES BACK ON TRACK

Whether you're paying off student loans, a mortgage or credit card bills, debt could be standing between you and retirement. Perhaps it's time for you to consider consolidating your debt.<sup>3</sup> Shop for credit terms that best meet your particular financial and borrowing needs. Read and carefully examine the terms and conditions of credit agreements.



#### *In Your 20s*

If you're a recent college graduate, you may have several student loans to pay off. You may want to consider consolidating them through the Department of Education's Federal Direct Consolidation Loan program. It takes the weighted average of your student loans and rounds it up to the nearest eighth of a percentage point (capping at 8.25%). That rate is fixed for the lifetime of the loan. To learn more, visit [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov).<sup>4</sup>

Estimate monthly payments and compare the repayment plans for a Direct Consolidation Loan at [www.ed.gov/Directloan](http://www.ed.gov/Directloan).<sup>4</sup>

#### *In Your 30s*

Many Americans in the middle of their careers find themselves saddled with credit card debt—but it is possible to reduce the amount you pay. Credit card companies want your business. Make them work for it! If you have several cards with interest rates above 18%, call each card's customer service center to ask for lower rates. The closer you can get to 12% or less, the better.

<sup>1</sup> AARP, "Managing Money in Retirement," [http://www.aarp.org/money/financial\\_planning/sessionseven/managing\\_money\\_in\\_retirement.html](http://www.aarp.org/money/financial_planning/sessionseven/managing_money_in_retirement.html).

<sup>2</sup> The Motley Fool, "How to Open an IRA," <http://www.fool.com/ira/ira04.htm>.

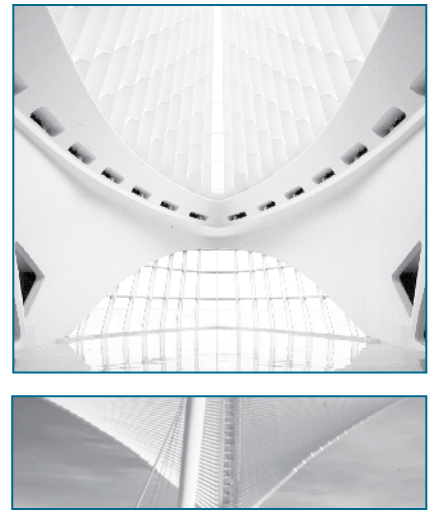
<sup>3</sup> Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

<sup>4</sup> Great-West Retirement Services® is not responsible for and does not necessarily endorse the content contained in the additional Web sites provided. These Web sites are for general education and information only and are provided as a benefit to the users of the sites.



## WE WANT TO KNOW WHAT YOU THINK

GIVE US YOUR FEEDBACK ON THE NEW MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN WEB SITE. VISIT [WWW.MILWAUKEECOUNTY457.COM](http://WWW.MILWAUKEECOUNTY457.COM) TODAY AND CLICK ON THE LINK TO THE ONLINE SURVEY.



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a recession, which occurs when the Gross Domestic Product (GDP), the total value of the goods and services produced by our economy, shrinks. As the wave turns down, falling demand for loans, goods and services, and workers may cause interest rates, prices and wages to decline.

When a recession causes interest rates to fall, it becomes less expensive to borrow money. Subsequent spending ignites economic growth, causing a rise in the GDP before deflation sets in. The economy begins to recover and the business cycle starts to move up once more.

Now that you understand the business cycle, you'll have a better idea of how to plan for the future in light of the present economic news. Remember to prioritize your retirement savings throughout all the phases of the business cycle. ■

## YEN, EUROS, DOLLARS AND YOU

### WHAT CURRENCY FLUCTUATIONS MEAN FOR YOUR SAVINGS

If you live, work and shop in the United States, the value of the dollar will vary with inflation, but if you go abroad, the dollar's value changes constantly. Banks trade more than \$1.2 trillion worth of currency every day.

### *Selling the Dollar*

The U.S. dollar was "strong"—meaning expensive—several years ago, when the economy and the stock market were thriving. Now, the dollar is "weak," or cheap. For example, in June 2002, you could buy one euro for \$0.95. In late 2006, one euro cost \$1.31. One British pound cost \$1.46 in June 2002. At the end of 2006, \$1.95 purchased one British pound.<sup>5</sup>

### *Overseas Investors Are Key*

In general, a weak dollar makes U.S. investments less attractive to foreign investors. Foreign investing is considered critical to our economy. Of the \$12.9 trillion of U.S. stocks, foreigners own about \$1.3 trillion worth.<sup>6</sup> A strong dollar makes U.S. investments appealing and helps keep prices high. As the U.S. economy improves, the dollar should strengthen and become more attractive to overseas investors. ■

5 Federal Reserve Statistical Release H.10, Foreign Exchange Rates (Weekly). Release dates June 10, 2002, and December 29, 2006.

6 Bureau of Economic Analysis News Release: U.S. International Investment Position, 2005, June 29, 2006.

Please note: This newsletter does not constitute investment or financial advice.

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