WYOMING RETIREMENT SYSTEM

WINTER 2009

FINANCIAL Footnotes

A retirement planning newsletter brought to you by Great-West Retirement Services®

Less Is More

A budget you can live by

Tomorrow. That's when a lot of people say they're going to get serious about saving for retirement, thinking they don't have the money to spare in the short term to get started. Here are four budget-conscious steps you can take to start saving more for your retirement today.

1 Get out of debt. Two key components to reining in your credit-card debt are to reduce your interest rates and pay more than the minimum amount due. If you have a $5,000 credit-card balance at an annual percentage rate (APR) of about 13%[1] and you make only the minimum payment each month (typically the greater of 2.5% of the balance or $10), it will take you 19 years to pay off that debt. What's more, you'll have paid a total of $3,645 in interest, money you could have saved for retirement.

2 Pay your bills online. Many credit card and utility companies offer free electronic payment options. Make instant payments online or have the money automatically deducted from your bank account each month. You'll avoid incurring hefty penalties on late payments. Late fees on credit cards typically range from $15 to $35, depending on the size of your balance.

3 Trim your phone bill. Are you spending hundreds of dollars on your combined landline and cell phone bills? Re-evaluate your local, long-distance and international calling plans to see if they fit your needs. You might decide to switch to a cheaper cell phone provider when your contract expires.

4 Save a little every day. Food is expensive, especially when you're buying lunch every day. How about bringing lunch from home? Start with once or twice—then build up to three or four times— a week. If your dry cleaning bill tops $25 a week, try doing some of that laundry yourself. A few bucks here and there add up.

1. On December 1, 2008, the average APR was listed at 13.42% on bankrate.com.

Your Finances:
Get Ready for That Rainy Day
SEE REVERSE

Don't Delay

The power of $20

Say you pinch a little here and there to save $20 a week. Have it directly deposited into your retirement savings account and watch it grow.

Here's how your investment could grow over 10-, 20- and 30-year periods.[2] After 30 years, you could have an additional $130,598 saved for retirement—with just $20 a week and an 8% annual rate of return.

Year	Amount
Year 10	$15,965
Year 20	$51,522
Year 30	$130,598

2. FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes an 8% annual rate of return and reinvestment of earnings, with no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted. Past performance is not a guarantee or prediction of future results.

Softening the Tax Bite

Make tax savings an investing priority

Investing with tax savings in mind can boost your returns in the long term. The following two options allow you to do so: In a tax-deferred account, you pay taxes later; in a tax-free account, you pay taxes sooner.[3]

Tax-deferred accounts. A workplace retirement plan or an Individual Retirement Account (IRA) gives you an immediate tax break: Your contribution reduces your taxable income. Your investments in the plan grow untaxed until you start taking withdrawals, which are taxable. In general, after you turn age 70½, you must begin taking annual withdrawals from your account. Of course, before you fund a traditional IRA or Roth IRA, you'll want to contribute the maximum to your workplace retirement account.

Tax-free accounts. These accounts don't give you you an up-front tax break. In the case of a Roth IRA, your contributions don't reduce your taxable income. But you get a future tax break: Withdrawals are tax-free if you hold the account for at least five years and you are over age 59½.[4]

3. 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.

4. There is no deadline for taking withdrawals from a Roth IRA.

For questions related to your account or investments, contact:

KeyTalk®*
800-701-8255

Web site*
www.wrsdcp.com

Please note: This newsletter does not constitute investment or financial planning advice. Please consult with your financial planner, attorney and/or tax adviser as needed.
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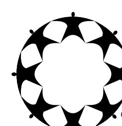


Great-West RETIREMENT SERVICES®

Your Finances

Get Ready for That Rainy Day

Savings you can turn to when unexpected costs arise

Whether you make $30,000 a year or $300,000, you should have an emergency fund—a stash of cash earmarked for unexpected expenses like a new roof or an income shortfall due to illness or job loss. Without this, you could be forced to take extreme financial steps to make ends meet. Fortunately, you can avoid doing so with a little forethought.

Do the Math

To be safe, an emergency fund should cover three to six months' worth of expenses *without income*. If you and your spouse both work and you have no dependents, aim for three months. Make six months your goal if your family is dependent on your income alone, you have dependents, and/or you have tuition, mortgage payments or other large fixed monthly costs.

Create a List

Add up your monthly expenses. The obvious ones are food, rent or mortgage payments, utilities, telephone and car payments. But don't forget the not-so-obvious ones, such as all your credit card bills, gas for the car, cable TV and other costs that may not necessarily leap to mind. Multiply that sum by the number of months you think you'll likely go without income.

Make It Happen

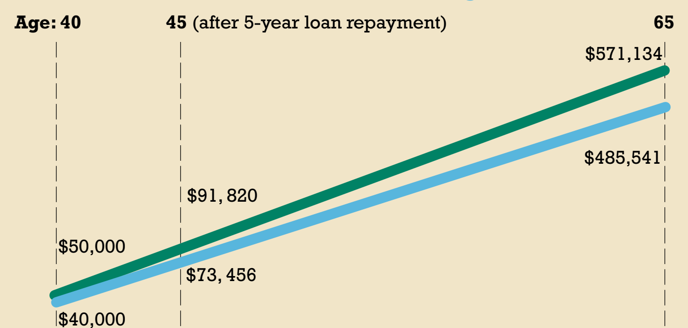
Your emergency fund should be held in a conservative, fluid investment, such as a savings account at your local bank or a short-term fund. The interest you'll earn in either account won't be much, but you're looking for stability and accessibility, not high returns. Keep in mind that a certificate of deposit (CD) is *not* an ideal emergency-fund vehicle. Tap it before it matures and you'll pay a significant penalty.[6]

To build your emergency fund, make regular payments into the account you choose, just as you do with your retirement savings plan account. No amount is too small. Be sure that you don't *substitute* emergency fund payments for retirement savings plan investments. It would be in your best interest to contribute to both.

HANDS OFF!

Borrowing $10,000 from a retirement savings account with a $50,000 balance at age 40 could mean you'd have nearly $86,000 less at age 65 than if you'd left the money invested, earning an 8% annual return, and made monthly contributions of $250.[5]

- **$50,000 retirement account with no loan**
- **$40,000 retirement account, after taking out a $10,000 loan**



5. FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes an 8% rate of return, monthly contributions of $250, which cease during the loan repayment period, and a 5-year loan repayment of $200 per month with 8% interest. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.

Don't Touch Your Nest Egg

In a pinch, borrowing money from your retirement savings plan may seem logical (it *is* your money), but doing so may do more harm than good. For starters, you will lose the benefit of compounding, or the ability of your principal and interest to grow exponentially. When you pay the loan back, you replace pre-tax money with after-tax income. Generally, you have to repay the loan within five years. If you don't, you may incur a 10% early-withdrawal penalty. And then when you retire and start making withdrawals, you'll be taxed *again* on the money you take out.

Should the day come when the pipes burst and your basement floods—or you get sick or laid off—an emergency fund could be your saving grace. So plan wisely. In a time of need, you'll be glad you did.

6. Certificates of deposit are insured by the FDIC for up to $250,0000 per depositor (the same as for retirement account assets) and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

Retiree Corner

Stick With Your Plan

Retiree Advocate **Ron Nichols** would like to hear about the issues that are important to today's retirees.

If you are either retired or nearing retirement, please contact Ron via e-mail at *retireeadvocate@gwrs.com* or by calling (877) RET-GWRS.

Making the best use of your savings when you retire

Retirement: it's the culmination of a lifetime of planning, preparation, and saving. It's also the time to decide how you'll want to dip into the funds you've accumulated in your retirement account.

Here's one of the best-kept secrets about retirement planning: *The same plan that helped you build your nest egg can help you make the best use of that money in retirement.* By keeping your account with your employer-sponsored plan, you'll have access to the same investment options and account management tools you've always used. So if you expect to keep at least a portion of your retirement funds invested, continuing to take advantage of your employer-sponsored plan is a smart option.

You can leave your money invested in your plan account until you are 70½ years old. At age 70½, the IRS requires that you begin receiving a minimum annual amount from your account. If you are a state employee and continue working past age 70½, you do not have to take a withdrawal until you stop working. For more information on your withdrawal options and the support your employer-sponsored retirement plan offers to retirees, call the KeyTalk number on the front of this newsletter.