*Money*Talks

Wisconsin Deferred Compensation Program

Help a Co-Worker

You let people merge into traffic, help grab items off the top shelf when others can't reach them, and pitch in for the neighborhood potluck, so why not help a co-worker enjoy his or her golden years? You've invested in the WDC, and you know how important it is to save for retirement. But what about your co-workers? If your colleagues are hesitant or don't know about the WDC, why not share your experiences with them? It might just be the push they need to get started investing in their future. ■

WDC to Add Evening Educational Workshops

The Wisconsin Deferred Compensation (WDC) Program staff is pleased to be piloting an evening educational presentation on the **WDC**. This informational meeting will take place after business hours, allowing you the opportunity to bring a guest and attend at a time that may be more convenient for you. The workshop will cover everything from enrolling in the WDC to taking distributions during retirement, and it will include a question-and-answer period. The first workshop has been scheduled for **Wednesday, May 1,** at **6:00 p.m.** at the **Cardinal Heights Upper Middle School Auditorium, 220 Kroncke Dr., Sun Prairie**. Additional workshops around Wisconsin will be announced on the WDC's website at **www.wdc457.org.** For more details, call the local office at the number listed on the back of this newsletter. We look forward to seeing you at a presentation soon! ■

Beneficiary Update

When you first filled out the documents for the WDC, you probably listed your account beneficiaries—that is, the people who will receive the assets in your plan after you pass away. Be sure to revisit these designations every year in case you need to make a change; in most cases, beneficiary listings override wills. In addition, it is important to remember that any beneficiary designations you have on file with the Wisconsin Retirement System do not apply to your WDC account.

Beyond your spouse

It's also a good idea to name secondary beneficiaries. For example, listing your children as secondary beneficiaries allows your assets to pass to your kids in the unlikely event that something simultaneously happens to both you and your spouse.

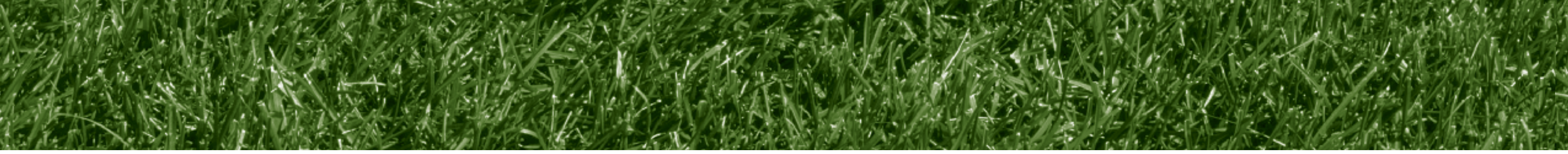
Keeping your beneficiaries current will ensure that your money will go to your loved ones when the time comes.

Your current beneficiaries are included on your quarterly WDC statement. To update your WDC beneficiaries, log in to your account on the WDC's website at **www.wdc457.org** and click on *My Profile* and then *Beneficiary*. ■

In This Issue:

FDIC Insured Bank Option: BMO Harris has declared an annualized interest rate of 0.45% for the first quarter 2013.[1]

1 Certificates of deposit are insured by the FDIC for up to $250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.



Coordinating Two Retirement Plans

In most cases, the concepts of marriage and diversification are mutually exclusive. But when it comes to planning for retirement, the two should go hand-in-hand.

Why diversify?

Historically, investments that behave differently from each other have been less likely to perform poorly at the same time. By owning investments in more than one asset class—and different types of investments within the same asset class—you may better protect yourself against a single, devastating loss.[2] For example: Invest in both a large-company stock fund and a small-company stock fund; a domestic stock fund and an international stock fund; a government bond fund and a corporate bond fund. Large-cap stocks may fare well when small-cap stocks fare poorly—and vice versa. Bond funds may fare well when stock funds fare poorly—you get the idea.

Let's see how this couple cuts up its investment pies

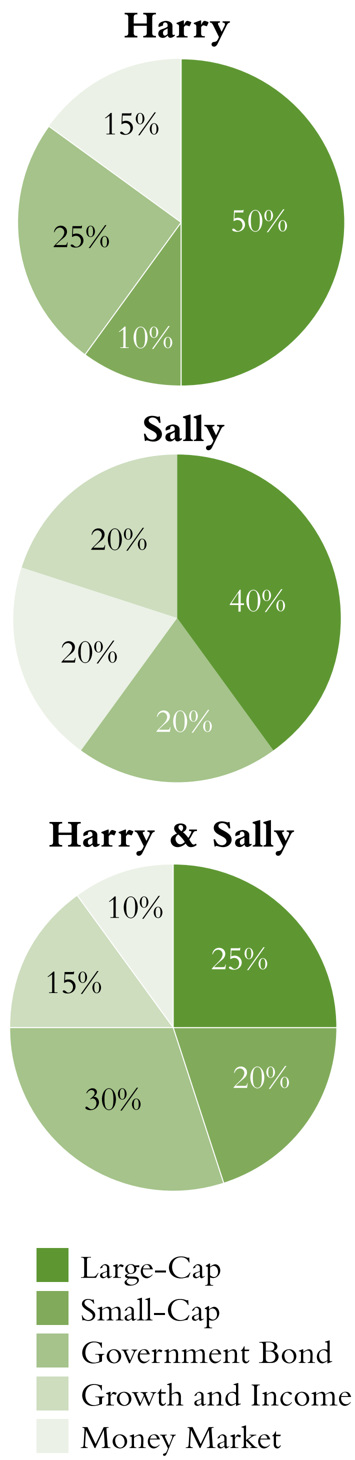
Harry and Sally—both in their late 40s—have asset allocations that reflect their mutual intention to retire in the foreseeable future: 60% stock funds and 40% bond and cash funds. Harry has 50% of his investments in a large-cap fund, 10% in a small-cap fund, 25% in a government bond fund, and 15% in a money market fund. Sally has 40% of her investments in a large-cap fund, 20% in a growth-and-income fund, 20% in a government bond, and 20% in a money market fund.

Teamwork is the key

Are Harry and Sally well-diversified? Individually, yes. As a duo, well, maybe. They ought to revisit their individual goals and asset allocations and decide on joint ones. They should compare their plans in terms of asset classes, fund options, and performance histories to make the most of what each plan has to offer. For example, they may find that Sally's large-cap fund has had better returns than Harry's over the last five years, or that Harry's government bond fund has outperformed its benchmark for three years running—unlike Sally's. By playing to the strengths of their individual retirement plans, they attempt to maximize their options—to their mutual benefit. Now, who wouldn't want that?

Wedded bliss

Successful marriages are often well-balanced marriages. The same can be said for successful retirement savings plans. By treating your separate financial resources as a whole—and your individual retirement plans as one—you may be able to combine the best features of both to maximize return and minimize risk. Sounds like a marriage to us. ■



2 Asset allocation and diversification of an investment portfolio do not ensure a profit and do not protect against loss in declining markets.

Smart Tax Moves

What to do with a tax refund

Nearly eight out of 10 U.S. tax filers received a refund in 2012, and the average refund was about $3,000.[3] Used wisely, that kind of cash can make a big difference in your financial future. You could:

- **Boost retirement plan contributions.** Getting a refund means you gave the government an interest-free loan for the year. Consider decreasing the tax withheld from your paycheck by adjusting your W-2 and contributing that money into your WDC retirement plan account. Saving an extra $2,000 every year would boost your nest egg by nearly $168,256 over 30 years, assuming your investments averaged a 6% annual return.
- **Open a 529 college savings plan.** Already on track for retirement? Get a head start on saving for your child's future college costs. A 529 account allows you to make withdrawals tax-free as long as the money is used to pay for college-related expenses. Most states have their own plans, and you may invest through any of them. The college savings plan offered by the State of Wisconsin is called "EdVest." You can learn more about it online at www.EdVest.com. Savingforcollege.com and other sites can help you research different college savings plans.

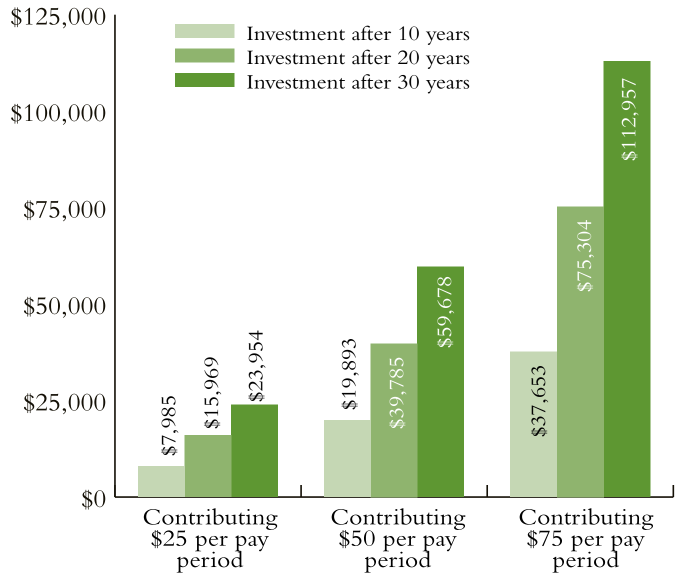
You owe. Now what?

If you face a tax bill you can't pay by mid-April, you can opt to pay in monthly installments by filing IRS form 9465. However, you'll have to pay a fee plus interest.

3 Source: irs.gov., 2012

It's Never Too Late— Invest a Little More

Over time, your savings compound—the more you are able to save now, the more that compounding power can work for you. Every bit that you are able to increase your contributions adds to the cumulative effect. Even a modest increase of $25 per pay period (about the difference between renting a movie at home versus going out to the theater) can add up over time. The sooner you start, the better for your retirement savings. Take a look at the chart below to see how a little change now can make a big difference for your retirement.



FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any particular investment options. This hypothetical example assumes biweekly contributions and an effective annual return of 4%, compounded monthly, and no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your plan. The tax-deferred accumulations shown above would be reduced if these fees had been deducted. Rates of return may vary. Source: Great-West Retirement Services®, 2012.

WDC Plan and Trust Document Revision

The Deferred Compensation Board approved a revision to the Plan and Trust Document in February 2013, which will permit participants in the Schwab Personal Choice Retirement Account® (PCRA) self-directed brokerage option to elect in-kind transfers beginning May 1, 2013. This revision means that participants or beneficiaries who receive eligible rollover distributions from their PCRA may elect to distribute 100% of their PCRA assets in-kind to an eligible retirement plan. This change is detailed in the revised WDC Plan and Trust Document, which is available on the website at **www.wdc457.org**. If you have questions, call (877) 457-9327; press 0 and say "yes" to speak to a local representative.

2011 Financial Literacy Research Project – Results

Women have come a long way in recent years, but when it comes to saving for retirement men still have the advantage. Men's retirement savings account balances are generally higher than women's account balances.

This is true in the WDC and elsewhere and is of concern because women live longer than men and, thus, are at greater risk of outliving their assets. The Social Security Administration funded a project in 2011 by the Department of Employee Trust Funds (ETF) and the University of Wisconsin-Madison Center for Financial Security to study the patterns of savings and investment choices by women participating in the WDC.[4] Through data analysis, focus group interviews, and a survey, the project evaluated how best to encourage women to increase their retirement savings. This was a tremendous opportunity to look at what is occurring and what we can do better so that everyone is financially prepared for retirement.

Some interesting findings from the study are:

- Women tended to rank themselves lower than men in terms of their understanding of financial concepts.

  This is an important takeaway as it provides insight into areas in which the WDC can improve and enhance the education we provide to you. And in doing so, it will help us to deliver content in ways that help increase the confidence level in those of you who may not feel as comfortable with the WDC.

- While women have confidence in the WDC as a retirement savings plan, they are more likely than men to receive and be influenced by enrollment and contribution information from friends, to delay enrollment, and to make more conservative investment choices.

  This is an important finding. Based on the information, the WDC will be evaluating ways in which we can deliver better service through additional outreach efforts and different types of educational content.

- The primary obstacle that prevents some employees from saving through the WDC is the sense that they can't afford to make a contribution.

  This is obviously a valid concern given the uncertain economy. However, it's important to remember that there is no minimum contribution amount for the WDC. This is an important feature but perhaps an overlooked piece of the WDC. With no minimums, virtually everyone can start saving through the WDC. Even if the amount you contribute is small, it can really add up over time, and contributing gets you into the habit of saving for the future.

With the project summary information now available, the WDC has opportunities to take action on what we've learned. We will continue to enhance and improve the WDC for all participants, regardless of gender.

Thank you to everyone who participated in the focus groups and to those of you who took the time to respond to the survey. Your participation in this study reinforces the WDC's ongoing commitment to offering a valuable retirement savings program that will help you reach your retirement income goals. ■

4 http://www.lafollette.wisc.edu/publications/workingpapers/#2012-011

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