*Money*Talks

Wisconsin Deferred Compensation (WDC) Program

What Steppingstones Are You Taking to Retirement?

Representatives from the Wisconsin Retirement System and the Wisconsin Deferred Compensation (WDC) Program will host four informational presentations for public employees in November. Attendees will learn more about using these programs as stepping stones to financially prepare for retirement.

Presentations are free; please RSVP by email to wdcprogram@gwrs.com. The presentations run from 6:30 p.m. to 8:30 p.m. and are scheduled in Janesville, Rice Lake, Wausau and Oshkosh, as shown below:

Date	Location	Address
Monday, November 5	Marshall Middle School Cafeteria	25 S. Pontiac Dr. Janesville, WI 53545
Tuesday, November 6	WI Indianhead Technical College Rice Lake Conference Center	1900 College Dr. Rice Lake, WI 54686
Wednesday, November 7	Northcentral Technical College Center for Health Science Building, Room 1004 (Auditorium)	1000 W. Campus Dr. Wausau, WI 54401
Thursday, November 8	Oshkosh North High School Auditorium	1100 W. Smith Ave. Oshkosh, WI 54901

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FDIC Insured Bank Option: MBO Harris has declared an annualized interest rate of 0.57% for the third quarter 2012.[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.

Is Your Portfolio On Target?

Target date funds can be a great way to ensure the asset allocation in your portfolio is in line with your anticipated retirement date (for the WDC, the default is age 65[2]). But if target date funds are used with other investment options, they may not be as effective.

Having the right asset allocation in your portfolio is important.[3] Investing in a target date fund gives you age-appropriate risk exposure without requiring action on your part to rebalance your investments as you get closer to retirement. So if one target date fund is good, more must be better, right? Well, no. Target date funds are intended to be used as a single, complete investment option. Investing in additional funds—target date or otherwise—could throw off the asset allocation in your portfolio, which reduces the impact of the target date funds.

If you prefer to choose your own asset allocation for your retirement portfolio, be sure to balance your mix of stocks and fixed income options so that your retirement savings will last. Investing too conservatively early in your career could mean you run the risk of not outpacing inflation. Investing too aggressively late in your career may not provide the stability you want, with less time to make up for short-term market volatility. It is also wise to periodically review your portfolio to determine if rebalancing is needed. WDC participants may also sign up for "Rebalancer"[4] which takes care of this for you based on the schedule and asset allocation you select. Find out more about this service by logging into your account at www.wdc457.org and selecting "Change Account" from the "My Account" section of the website.

Generally, it is a good idea to invest in multiple funds and asset classes in order to avoid "putting all your eggs in one basket." That way, if one fund or sector runs into trouble, you still have assets elsewhere which may not experience the same volatility. If bond markets are sluggish, stocks may do well and vice versa. The exception to the multiple fund guideline is target date funds, which already employ this asset allocation strategy.

The fund's principal value is not guaranteed at any time, including the target date. More information on the target date funds can be found on the website at www.wdc457.org or contact the WDC office at (877) 457-9327. ❒

2 The date in a Target Date Fund represents an approximate date when an investor turns age 65. The principal value of the funds is not guaranteed at any time, including the target date.
3 Asset allocation does not ensure a profit and does not protect against loss in declining markets.
4 Rebalancing does not ensure a profit and does not protect against loss in declining markets.

Tired of Reading Old News?

Access your account online today and see the most current information on your account. No need to wait for your statement to be delivered—you can obtain your current balance and other account information at any time, day or night.[5]

Sign up to receive electronic statements online with Online File Cabinet® and Statements on Demand. Online File Cabinet is the fast, easy, paperless way to view and store quarterly statements online so you can access and print them at your convenience. Or you can use Statements on Demand to review your account for specific time periods up to five years in the past.

It's easy!

Log in to your account at www.wdc457.org and click on the Online File Cabinet link, then "Consent."

You may not be able to save a forest single-handedly, but you can help through the WDC. ❒

5 Access to the voice response system and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

Why Contribute More?

Three ways the WDC can help your nest egg grow

You may find opportunities to boost retirement savings: cash freed up from paying off a loan, for example, or a salary increase. When such an opportunity arises, consider why increasing contributions to the WDC is a good idea.

1. *Tax relief*

In 2012, you may be able to save up to $17,000, before taxes, in the WDC. If you are age 50 or older, you may also be able to contribute an extra $5,500 in so called **"catch-up" contributions.**[6] You won't pay taxes on your contributions or earnings until you withdraw the money, usually during retirement, when most investors are in a lower income tax bracket than they were when they were working.

2012 Contribution Limits*	
$17,000	Before taxes
$22,500	If you are age 50 or older

*IRS limits on contributions to workplace retirement plan accounts. Amounts can vary by plan.

2. *Greater compounding potential*

Using the WDC, every penny of your investment earnings is reinvested without handing over any of it to Uncle Sam. Over time, these reinvested returns have greater potential to generate more returns than if they were reinvested in a taxable account such as a brokerage account. This is due to a phenomenon known as **tax-deferred compounding**. The longer you invest tax-deferred, the greater compounding's potential impact.

3. *Retirement readiness*

It doesn't take much to make a big difference. Even as little as a **1% annual boost** in contributions today could add hundreds of dollars to the size of your monthly retirement plan account withdrawals.[7] Log in to your account at **www.wdc457.org** to update your contribution amount. You can use the "Scheduled Increase" feature to set automatic annual increases to your paycheck contributions, up to the maximum you specify. It's an easy way to give your retirement account a "raise" every year!

Taxable vs. Tax-Deferred Compounding

Years	Cumulative Contributions	Taxable Account Balance	Tax-Deferred Account Balance
5	$6,000	$6,821	$6,977
10	$12,000	$15,628	$16,388
20	$24,000	$41,680	$46,204
30	$36,000	$85,105	$100,452

FOR ILLUSTRATIVE PURPOSES ONLY. This illustration is hypothetical and does not represent the performance of any investment options. It assumes a 6% annual rate of return, a 15% federal income tax bracket but does not account for State, Medicare, Social Security or other taxes. It also assumes a $100 monthly contributions, 12 pay periods, and reinvestment of earnings, with no withdrawals. Distributions from a tax-deferred retirement plan are taxable as ordinary income. Assumes that the taxable account does not hold any investment for more than 12 months. Taxable investments held longer than 12 months may qualify for lower capital gains and/or qualified dividend tax rates, which may make the return on the taxable investments more favorable, thereby reducing the difference in performance between the accounts shown. Rates of return may vary. 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.

The WDC can be your most powerful savings tool. Make the most of it. ❐

6 "401(k) Resource Guide—Plan Participants—Limitation on Elective Deferrals, 2011," irs.gov.
7 "4 Ways to Improve Your Retirement Readiness," smartmoney.com, June 11, 2012.

Is a Tax Increase On the Horizon?

There has been a lot of speculation as to whether or not the Bush tax cuts will be allowed to expire at the end of this year. While no one knows for certain what tax rates will look like in future years, if you are worried about an increase in your tax bracket, you may want to consider converting all or a part of your traditional WDC deferrals to Roth deferrals. Future Roth paycheck contributions are taxed up front, but your distributions would be tax-free as long as you have held the account for at least five years, and are age 59½ and retired (or have another qualifying separation from service). If you are no longer actively contributing (e.g., retired), you may also want to consider converting some of your WDC account to a Roth WDC account. Roth conversions are treated as a taxable event in the year they are completed, so you would pay income taxes at today's rate on the converted amount. Talk to your tax professional before deciding if this is a good idea for you. You can learn more about the WDC's Roth option at www.wdc457.org under "Program Information" or by calling (877) 457-9327.[8] ❐

8 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.

WDC Program Contact Information

Phone Number:
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Call Center Hours:
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Monday – Friday

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