IDAHO

PERSpectives

Third Quarter 2012 Public Employee Retirement System of Idaho

HELPFUL MATERIALS AVAILABLE ON PERSI WEBSITE

PERSI wants to remind members about the many materials available on the PERSI website (http://www.persi.idaho.gov/brochures). These materials are designed to assist when you have questions and to help you better understand your retirement benefits.

The newer items include "Giving You The Credit" (explains how members earn service credit), "Purchasing Base Plan Service" (explains the pros, cons, and cost of buying service credits), and "Withdrawing Your PERSI Funds" (an alternative to the Separations brochure).

The updated flyers include "Benefits at a Glance," "Buy Backs," "Required Minimum Distributions," "Taxability of IRA Contributions," and "Working After Retirement." These materials and others are available in PDF format for easy downloading and printing from the website.

A QUICK RETIREMENT REVIEW IS A GOOD THING

If you are within 5 years of retirement, you want to start planning now. First, attend PERSI's free **Retirement's a Beach** workshop to learn about your pension benefits, Social Security, Medicare, and more.

Evaluate Income

Figure out what your income will be from Social Security, PERSI, other retirement accounts, and savings.

Do a Budget

What expenses will you have? Your mortgage, car, payment, credit cards, and healthcare should be calculated along with utilities, life and auto insurance. What about food, gasoline, vacations? Now compare expenses to your income...will you have enough to cover your necessities? If not, it may be time to reevaluate or make adjustments.

Filling Your Days

Do you have a plan for how you will spend your time once you're not working? Plan before retirement for those volunteer activities, travel, hobbies, etc. Knowing how you'll fill your days can provide a sense of purpose.

Cultivate a Social or Support Network

If many of your friendships come from work, they may change when you retire. Start getting involved in your community now to establish new relationships.

Don't be surprised by retirement... plan ahead so you know what to expect.

Inside this issue:

Insights

WHAT HAPPENS TO DEBT WHEN PARENTS DIE?

The passing of your last surviving parent will be difficult no matter the circumstances. Financial concerns can add to your stress. It's not unusual to wonder about your responsibility for paying off any debt that has been left behind. Generally, if parents passed on leaving credit card debt, medical bills, or outstanding loans, children are not responsible for paying those bills. (When one parent is still living, they are still responsible for debt accumulated with their spouse.)

Know The Situation

There's never a good time to talk with your parents about their finances; but as they age, it becomes more important to have a frank discussion about their situation to avoid issues in the future.

What Happens To The Debt?

When your last parent dies, creditors will likely file a claim against the estate. State laws determine which debts get paid and in what order; but typically debts are paid as follows:

- The first things paid off by the estate are usually the funeral expenses (if not covered by other means), state and federal taxes, and administrative fees associated with settling the estate.
- Next to be paid are usually mortgages and loans. If your parent was paying a mortgage or making car payments, you may want to find a way to continue the payments while the estate settles or you could risk losing these assets.
- Last on the list will be credit cards. Often, however, after everything else has been paid, there isn't anything left to pay the credit card debt. If this happens, creditors might turn to collection agencies to contact you -- even aggressively -- for payment. With few exceptions, such calls can be ignored. However, if you co-signed on any of the debt or you're a joint account holder, you are probably obligated to pay those debts.

Children generally inherit what's left in their parent's estate after creditors have been paid.

No Debt Obligation, But Still An Impact

Although you may not be stuck with the debt, you can still be affected by it. For example, if your parent(s) accumulated a lot of debt, the entire estate could go into forced liquidation to satisfy creditors. This could mean the sale of stocks, bonds, real estate, life insurance, and even family heirlooms. If debt exceeds the assets, creditors could take it all.

By-the-way, if you're thinking that simply because your parents established a trust the assets are protected... you are operating under a misconception. Although some trusts are set up with asset protection, that protective cloak can sometimes be lifted to pay off debt. Creditors will usually try to reclaim amounts owed through the courts. So if you were to quickly liquidate the trust and use the funds to buy a new home (for example) before creditors get to court, you could very likely be responsible for paying them.

No Giveaways

Another misconception is for parents to think they can give away their assets before dying to avoid leaving any money to payoff debts. This is generally not successful because creditors have the right to seize the assets and reverse the gifts after death if it can be proven the transfer or giveaway was done solely to avoid paying the debts.

Avoid The Nightmare

To avoid the nightmare of creditors taking your parents' assets after death, talk openly with them while they are still living. Besides wanting a few things from the estate, you want to ensure there are enough funds to cover funeral arrangements....which, if not covered by the estate,will indeed be your responsibility. You might also talk with your own adult children about your financial situation as you get older...they will be grateful you did.

IT’S POSSIBLE TO BOOST YOUR SOCIAL SECURITY CHECK

Believe it or not, the Social Security Administration (SSA) offers strategies to increase your retirement benefit. One little-known strategy is called “File and Suspend.” This strategy is for married couples only, and can result in a much higher benefit in many cases.

A husband or wife can file for their Social Security benefits based on their own earnings or the earning of their spouse. SSA rules state a husband or wife who is eligible to file for benefits based on his/her spouse’s record cannot do so until the spouse begins receiving his/her benefits. ***The exception is file and suspend***.

How It Works

The Senior Citizens’ Freedom to Work Act of 2000, allows you to earn delayed retirement credits (DRC) if you file for benefits, but immediately request a delay in actually receiving the benefits. By delaying your benefit, you establish a “base” amount that will come into play when your spouse draws a spousal benefit based on your record. (More on that below.)

Benefits generally increase by 8% per year for each year you delay collecting your benefits beyond your full retirement age (FRA) up to age 70. That could mean a 32% increase in your overall Social Security benefit. In addition to the increased benefit and the impact on spousal benefits, this tactic can also increase the amount of survivor benefits for your spouse.

When or How is This Used?

File and Suspend is most commonly used when one spouse has lower lifetime earnings than the other. This strategy allows the lower wage earner to receive a retirement benefit based on his/her spouse’s earnings record because of SSA’s spousal benefit provision. With a spousal benefit, a husband or wife may collect as much as 50% of what the other spouse is entitled to at full retirement age. This approach not only allows the eligible spouse with lower earnings to immediately claim a spousal retirement benefit, but also increases the amount of available survivor protection.

AARP Example: A husband and wife both age 66.

- Husband entitled to $2500 a month in benefits
- Wife entitled to $1500 a month in benefits

The husband files for his Social Security benefits and immediately suspends the payments because he wants to delay his claim until age 70. (Doesn’t matter whether he continues working or not.) During the four year “suspension,” he will receive delayed retirement credits (DRC) of 8% per year. At 70 when he begins receiving benefits, his base has grown to $3300 per month (32%).

Since the husband made his initial claim, his wife -- who is at full retirement age -- can file a “restricted” application to claim spousal benefits based on her husband’s record, not her own “earned” benefit. She receives $1250 per month (half of his base). Meanwhile, her earned benefit now also grows by 8% per year until she reaches age 70. At age 70, she switches to collect her earned benefit, which has grown close to $2000 per month (nearly 32%) thanks to the DRC.

In this hypothetical example, the couple collects nearly $60,000 extra by delaying their benefits and taking advantage of the spousal benefits while they wait.

Higher Survivor Benefit: Upon the death of the husband in the example, the wife would be entitled to receive 100% of what her husband was receiving or was entitled to receive at the time of his death.

Who Can File and Suspend?

You must be full retirement age to use this plan and either spouse can file and suspend, but not both. *Both spouses do not have to be FRA to use this strategy, only the one who’s filing and suspending*. The non-suspending person is the only one eligible for the spousal benefit. **If a <u>non-full retirement age</u> spouse begins receiving spousal benefits, he/she will no longer be eligible for the DRC and the amount of spousal benefits and earned benefits will be permanently reduced.**

This strategy may not be advantageous if one spouse is in poor health or if the income is needed immediately. Before deciding whether the File and Suspend strategy is right for you, consult with a financial or tax advisor or call the SSA at 1-800-772-1213.

This article is presented for informational purposes; PERSI is not recommending members use the strategy.

Sources: SSA, Forbes, AARP, Market Watch.

ADVANCED CARE DIRECTIVE...DON'T PUT IT OFF

An advance care directive (ACD) allows people to state care preferences while they can; if there ever comes a time when they are unable to make their wishes known, the document serves as their voice. An ACD allows individuals to choose whom they would like to act on their behalf for medical decisions if they become incapacitated.

- **Make your ACD a durable one**. If your ACD is not durable, it can potentially be affected by subsequent incapacity.

- **Don't be overly specific.** Find someone you trust and talk about your preferences. Intervention utilizing mechanical means to sustain or supplant a vital function temporarily isn't the same as being placed on permanent life support...so make sure your wishes are known. If you've been very specific, your decision-maker may have little leeway to proceed as you would like.

- **Don't put off the conversation.** Discuss your wishes and then make it legal. Most hospitals now offer ACD forms online to make the process easier for patients and non-patients alike.

IDAHO VOTES

www.idahovotes.gov

BE SURE TO VOTE IN NOVEMBER

No matter your politics, it's important to make your voice heard by voting. If you want to vote early, contact your County Clerk; here's a link to assist you http://www.idahovotes.gov/Clerk.htm, and here are some important dates:

NOVEMBER 6, 2012 **General Election**
Polls are generally open from 8:00 am to 8:00 pm

October 13	Last day to pre-register
October 31	Last day for mail-in absentee ballot application
November 2	Last day for in person absentee voting
November 6	Last day to return absentee ballots to your County Clerk by 8 pm

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PERSI INVESTMENT NEWS

for Base Plan as of September 13, 2012

Value of the Fund:
$12,421,841,995

Fiscal Year Change in Market Value:
$487,846,049

Fiscal Year-to-Date Returns:
4.3%

Month-to-Date Returns:
2.2%

*Posted monthly on PERSI website: www.persi.idaho.gov
Fiscal Year 7/1/2012 - 6/30/2013

www.persi.idaho.gov

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607 North 8th Street, Boise, ID 83702

Base Plan: 208.334.3365 or 1.800.451.8228
Choice Plan: 1.866.437.3774
www.persi.idaho.gov

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