



DEBIT CARDS USED FOR SOCIAL SECURITY PAYMENTS



The Social Security Administration (SSA) is offering a prepaid debit Mastercard as a way to get payments into the hands of millions of Social Security and Supplemental Security

Income (SSI) recipients. The debit card program is called *Direct Express*. According to the SSA, it offers beneficiaries the convenience and security of using electronic transactions to spend and access their money rather than using cash. Although the program targets recipients with a bank account, it is available to anyone and there is no credit check or minimum balance requirement. More than 500,000 beneficiaries have enrolled since the program was introduced.

Previously SSA promoted its *Direct Go* program, the direct deposit option for benefit payments. Until now, it was the only way for people to get their monthly benefit and defend against fraud, theft, or loss. The debit card is billed as a safe alternative and an option for those who don't want direct deposit.

These alternative programs have been developed in response to the 1.4 million complaints received annually by the U.S. Treasury from Social Security and SSI recipients about lost or stolen checks that were mailed. Cost savings is another reason the federal government created these programs. The government could save millions of dollars by reducing the number of checks mailed each year.

The money on the *Direct Express* debit card is FDIC-insured up to the maximum legal limit. According to the *Direct Express* Web site, federal law and the MasterCard Zero Liability program protects cardholders against unauthorized use of the card if promptly reported (some exceptions may apply). Like other debit cards, if a *Direct Express* card is lost or stolen it will be replaced.

As with the *Direct Go* program, there are no plans at this time to require people currently receiving checks to switch to the debit card; however, the SSA points out the card is particularly well suited for the nearly 4 million people who get federal benefits but don't have a bank account.

Most services associated with the debit card are free. For example, *Direct Express* cardholders are allowed one free ATM transaction in the U.S. for each deposit posted to their account. This might be a little confusing since personal funds cannot be deposited onto the card; therefore, a cardholder would expect only a single deposit each month...the one from the federal government. Since the card is affiliated with the Comerica Bank ATM network, it can be used at any companion bank without a charge. For those who don't live near a surcharge free ATM, cash back can be obtained from merchants who accept the card or from a bank or credit union. Banks must post a notice on their ATMs about any fees charged for using their network. Users will receive the notice at the ATM and be given the choice of continuing or canceling their transaction. If a cardholder chooses to continue, they will receive their cash and the fee will be deducted from their *Direct Express* debit card account. There are some fees for a limited number of optional transactions. For example, a fee of \$1.50 will be charged for each transfer made from a *Direct Express* card to a personal bank account. SSA advises cardholders to ask about fees prior to using the debit card at retail locations.

To learn more about this program or to sign up, call the *Direct Express* card enrollment center toll-free at 1-877-212-9991 or visit the Direct Express Web site at www.usdirectexpress.com.

Inside this issue:

Keeping Money Safe.....	2
Your Credit Score.....	3
State Tax Withholding.....	4
Investment News.....	4

Insights

BE SMART ABOUT HOLIDAY SHOPPING

Talking about holiday shopping may seem premature; but it's never too early to think about how you'll spend your hard-earned money. If you overspend during the holidays, you could end up with a holiday "hangover" in January when the bills start arriving.

With the present economy, many families are worrying about how they will make it through the holiday season. After all, children don't understand the complexities of a down economy or the wisdom of shopping wisely. No one has to be the "Grinch"; but nowadays, it's especially important to plan expenditures to get the most bang for your buck.

- Budget isn't a bad word. Making a budget is the first step to avoid overspending. Start by reviewing last year's spending to determine where cuts can be made. Establish this year's plan based on what you can afford without going into debt. Disposable income can be a gauge for setting a realistic budget.

- List all the people you would like to give gifts to and determine a dollar limit for each person. A budget should also include what will be spent on wrapping paper, entertaining, cards, stamps, and shipping costs. In many families, especially large ones, adults draw names rather than buying something for everyone. Consider pooling resources with siblings to get one quality gift for Mom and Dad rather than individual ones. Setting a price limit and sticking to it will pay off in the long run.

- Comparison shop. Check prices for the same or similar items in stores, online, and in catalogs to get the best price. Try shopping at discount, outlet, and thrift stores...and hit the sales. If you have people on your list with similar tastes, look for BOGO sales (buy one, get one). Look for online discount codes and use them. (If a purchase is large enough, shipping fees may be waived.)

- Avoid using credit cards. The bills will roll in eventually and the joy of giving could quickly turn to worry if you've overspent. Rather than charging gifts on your credit card, try making some. Self-made gifts

are perfect for many people. Homemade preserves, a knitted scarf, a centerpiece, or a coupon redeemable for a service such as babysitting are appreciated. Because these types of gifts are personal, they may have greater value than something store bought.

- Black Friday (day after Thanksgiving) can be one of the best days to get a good deal, even if the sales start before the crack of dawn. This is often the best day of the year to shop for electronics. Many people even make Black Friday shopping part of their holiday tradition.

- If you hate long lines and want to save on gas, shop online. Many Web sites such as overstock.com and ebay.com offer items rarely found in local stores. Without aisles of "bargains" to contend with like in department stores, online shopping can be more focused and ultimately may be less costly. Be sure to factor shipping charges into the cost of the gift being purchased. And remember to bookmark your favorite sites for future use.

- Plan now for next year. The after-holiday sales are often the best of the year, so capitalize on them. But remember other sale opportunities occur throughout the year (Labor Day, Presidents' Day, Memorial Day) where you can save money. Spreading your shopping over the year is easier on the pocketbook and leaves more time at the holidays for you to enjoy family and friends, make special treats, or simply relax.

So make a list, check it twice...this can be a memorable holiday season even on a budget.

On a personal note, years ago when I had little money for Christmas I went to the local grocery store and asked the manager for the Keebler Elf treehouse display. He was kind enough to give it to me. My two children, who are now grown, still remember that Christmas as one of the best...and they still talk about their "clubhouse" with fond memories. I was resourceful and learned gifts from the heart leave the most lasting impression.

Patrice Perow, Editor

IMPROVING YOUR CREDIT SCORE

This is the second article in a series about credit scores.

In today's economy, maintaining a good credit score is more important than ever. Just 18 months ago, a score between 680 and 720 would probably have qualified you for a lender's best rate. Today that's changed. According to many credit experts, it now takes a score of at least 750 to get a preferred rate. Since credit scores are recalculated monthly, steps you take today can improve your score rather quickly.

Steps to Improve Your Credit Score

Step 1: Order a free copy of your credit report online at www.annualcreditreport.com or by calling 1-877-322-8228. A free credit file disclosure can be requested once every 12 months from each of the nationwide consumer credit reporting agencies (Equifax, Experian and TransUnion) through this site. It is the *only* site authorized by the federal government for obtaining a free credit report each year. Don't fall for deceptive "free credit report" offers, which often require signing up and paying for a service.

Once you have your report, review it carefully. Look for mistakes that could reduce your score such as accounts that aren't yours and paid-off debts still showing as outstanding. Scrutinize your payment record for each account, making sure on-time payments are not showing as late. Look for delinquencies that have been remedied and collection actions that have been paid but still show as overdue.

According to experts, approximately 80 percent of credit reports contain inaccuracies. The errors can range from simply misspelling your name to showing you're deceased when you're still living. Most errors fall in the category of late payments, which show up as 30, 60, or 90 days past due. If you find an error, notify the credit reporting agencies immediately.*

Step 2: Pay your bills on time. The more often you pay your obligations on time, the better your credit score; the more delinquencies you have, the lower your score will be. Paying bills on time can improve your score, even if you're only able to pay the minimum amount due. If your credit score is around 700, you could raise it by as much as 20 points by simply making on-time payments for one month.

It may be helpful to set aside a special place to put your bills when they arrive (a desk cubby, a special drawer,

or a bill basket). As soon as you receive bills, put them in this special place so they won't get overlooked. Twice a month pay your bills; the first and the middle of the month are times that work for a lot of people. If necessary, contact your creditors to revise your payment due dates to correspond with the times you plan to pay your bills each month. To stay on schedule, mark your calendar to remind you of bill-paying dates. Even easier, you can set up recurring online bill pay service with your bank so money will automatically be transferred from your account and paid to your creditors each month.

Step 3: Keep credit card balances low. Simply because you've been extended credit doesn't mean you have to use it. Target your credit use to 50 percent or less than your available limit. And avoid maxing out your cards, which can reduce your credit score by as much as 70 points.

Together, outstanding debt and payment history account for 65 percent of your credit score.

Step 4: Don't open or maintain credit accounts you don't need or don't use. A marketing tool widely used by department stores is to offer a discount on your first purchase if you open and use their credit card. New accounts can actually lower your credit score by 10 points for every account opened.

Step 5: Leave accounts with a zero balance open. Closing credit card accounts that have been paid off can shorten your credit history and make it appear as though you're not creditworthy. Leave accounts open even if they are unused or inactive.

Step 6: Move quickly when loan shopping. If you're in the market for an auto loan or mortgage, do your comparisons within 30 days so your inquiries don't lower your credit score. While credit inquiries stay on your credit report for 2 years, they are only used in credit scoring for the first 12 months. So any loan shopping you did in September won't influence your credit score come next October.

Remember the three keys to a great credit score: pay your bills on time, keep account balances low, and take out new credit only when you need it. **The next newsletter will focus on how to correct errors on your credit report.*

Sources: Bankrate.com; creditreport.com; e-How.com; Fair Isaac Corporation; Mainstreet.com; and the Motley Fool.



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PERSI INVESTMENT NEWS

as of September 20, 2009

Value of the Fund:
\$10,224,344,033

Fiscal Year Change in Market Value:
\$1,149,294,680

Fiscal Year-to-Date Returns:
12.6 %

Month-to-Date Returns:
4.2%

*Posted monthly on PERSI Web site: www.persi.idaho.gov

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