RETIREMENT
# PERSpectives
Third Quarter 2013 Public Employee Retirement System of Idaho

## REQUIRED MINIMUM DISTRIBUTIONS

The IRS requires that you take withdrawals from your retirement plan account when you reach age 70½. The required minimum distribution (RMD) rules apply to employer-sponsored retirement plans including PERSI's Choice 401(k) Plan. Although an RMD must be taken for the year in which the account holder turns age 70½, the first payment can be delayed until April 1st of the following year.

Xerox HR Solutions (plan record keeper) calculates the RMD for the Choice Plan. The formula uses the prior year-end balance divided by an IRS life expectancy factor, less any payments received that calendar year. A letter, calculation, and tax form will go to affected retirees in November. Those wanting to make a withholding change should return the tax form to Xerox HR Solutions. ( An RMD brochure is available on the PERSI website at http://www.persi.idaho.gov/documents/distributionsFlyer.pdf.)

Call Xerox HR Solutions at 1-866-437-3774, or PERSI at 1-800-451-8228 or 334-3365 from Boise, if you have RMD questions.

## PLASTIC ISN'T ALWAYS FANTASTIC

The holiday season is fast approaching, so it's a good time to think about how you'll pay for your purchases. A lot of people will rely on credit cards, but "plastic isn't always fantastic."

The advantage of using credit cards for holiday shopping is that you get things without paying for them immediately. The purchases you make in December can be paid in full in January without incurring any interest charges. If you are disciplined enough to pay off your balance each month, then using a credit card allows you to keep your money in your savings account for an additional 30 days earning interest (even if today's interest rates are very low).

The disadvantage of using "plastic" comes if you don't pay your credit card balance in full and are charged interest from the date of purchase until the day you pay off your balance. Generally, the interest rate on credit cards is high (even exceeding 24.99% in some cases), so if you only make the minimum payment on your outstanding balance, you pay the maximum in interest while not significantly reducing your debt. Here's something to think about: If you only make minimum payments, you could still be paying for this year's holiday purchases when the next holiday season rolls around.

Best advice: Set a budget for your holiday spending, stick to it and pay cash this year; then set a 2014 budget and start saving for next year's holiday purchases come January. Open a savings account specifically for your holiday purchases. You'll enjoy the holiday's more knowing you didn't go into debt.

**Editor's Note:** This is my last issue of *PERSpectives*. For nearly nine years it has been my pleasure to write articles about retirement benefits and the financial topics affecting PERSI members and retirees. When I started with PERSI, I set a single goal: educate members and retirees so they understood their PERSI benefits, planned for retirement, and made sound financial decisions. Hopefully the newsletter articles were diverse enough to meet the needs of all members regardless of age or life experience. I want to thank everyone for their support and kind words about the newsletter over the years...it has meant a lot to me.

-- Editor, Patrice Perow

Inside this issue:

# Insights

## BUDGET ISN'T A DIRTY WORD

All families are different, so there's no "one size fits all" when it comes to budgeting. However, there are general guidelines that apply to nearly everyone. The important thing is to start where you are now and work from there to reduce expenses and increase savings to stabilize your future.

### GET STARTED

You can't get to where you want to be if you don't know where you are now. Creating a budget, regardless of your situation, generally starts with some very simply steps:

- Track your income from all sources.
- Track your expenses for a couple of months. Enter all your expenditures into a personal finance software program like Quicken or MS Money or set up a simple Excel spreadsheet...even paper and pencil will work. Here's a link to a good budget worksheet: http://financialplan.about.com/library/n_budget.htm
- Evaluate your spending and set goals to reach long-term financial objectives. Review each expense category monthly and consider where to cut costs.

### NO RULES

There are no hard and fast rules for how much to spend in each budget category.

Some financial experts like a 60/40 plan. Sixty percent of your gross income for your monthly expenses such as housing, food, transportation and taxes. Forty percent for savings and discretionary spending (movies, vacations, etc.).

Other financial experts say a good rule of thumb is to allocate at least 10 percent of your earnings toward savings -- using direct deposit to pay yourself first, then setting aside 35 percent for housing and utilities.

Other experts advise people to spend no more than 30 percent of gross income on housing and debt, including housing, loans and credit cards payments.

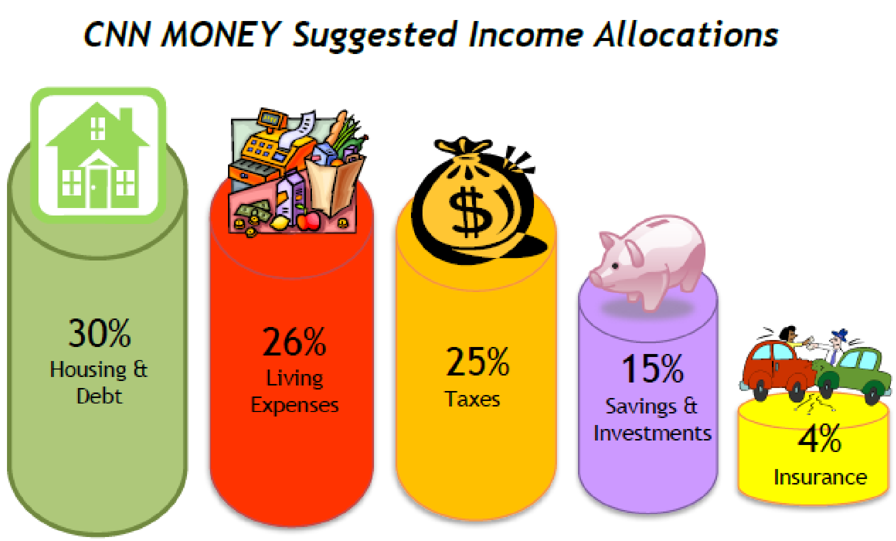
**Biggest Budget Blunders**

- Not knowing what you spend
- Failing to prioritize goals
- Abusing your credit card
- Eating out too much
- Paying your savings last

### TIPS

- For auto insurance, property taxes or other expenses that aren't billed monthly, take the total cost per year and divide it by twelve to get the monthly cost .
- If your property tax and homeowner's insurance are in escrow, they are included in your monthly mortgage payment.
- To start, only include the minimum payments required to satisfy your debts; extra payments can be built in as you gain better control of your money.
- Not sure how much you spend on groceries, eating out or entertainment? Tracking such expenses for a few months will give you a clearer picture.

CNN Money has published a budget allocation that claims to fit most situations.




Managing your money is important. Do it so you have enough money to meet current financial obligations, pay off debt, and save enough to cover future expenses.

# UNDERSTANDING AUTO FINANCING OPTIONS

Consumer confidence is up and auto sales are soaring. If you're one of the folks ready to make a car purchase, you will face some tough decisions.

Dealers incentives are common; but is a rebate worth it or is zero percent financing a better choice? The best advice is to shop around for deals...both for your new car and for your financing. Not everyone qualifies for the lowest loan rates, so know your situation ***BEFORE*** you go car shopping.

## SHOP AND NEGOTIATE

Always shop for loans. Get started by checking out rates online. Apply for loans at several different institutions including your bank, your credit union, and at least one other lender. With loan offers in hand, when you go shopping you can confidently challenge the dealer to give you a rate better than what you've already found. If they don't, then use your prearranged financing.

## GOOD CREDIT

If you have good credit, it might make sense to take a dealer rebate, deduct the amount from the final sales price, and get your financing at the lowest rate possible. Earlier this year Credit.com reported the lowest national rate at 0.74% for a four-year loan and 1.37% for a five-year loan. (Rates are constantly changing, so you may or may not find something this low.) The term of the loan affects the rate -- the shorter the loan term, the lower the rate. And of course, less than perfect credit will also affect the interest rate. Generally, the rate for a used vehicle is slightly higher than for a new one.

## GETTING THE REBATE

Some dealers provide rebates only if you finance through them. But that's not really a problem. Take the dealer financing, get the rebate, and then refinance the car with the lender having the lowest rate. This is when prearranged financing pays off.

## WHAT CAN YOU AFFORD?

Know something about the car you want to purchase, know the financing options, and know what you can actually afford. By doing your homework, you can be realistic about the car you want and exercise self-control as you negotiate the best deal. Know how much you are willing to pay based on what your budget allows. Your budget should include maintenance, fuel, and insurance costs...not just the final sales price. Here's a link to a related article: http://editorial.autos.msn.com/car-shopping-101-avoid-the-upsell.

## THE DOWN PAYMENT

If you have extra cash beyond the minimum down payment -- often 10 percent -- decide if paying off a high-interest debt is better than increasing your down payment. With low interest rates on new car loans, it could be more advantageous to pay off debt rather than putting down more money on your new car purchase. Consider your overall financial situation and how the "extra" money might be better used to pay off debt or add to your emergency savings.

There is a lot to consider when purchasing a car. Don't be in a rush. Know your situation, shop wisely, and never be pressured into a purchase you can't afford.

### TWO AUTO FINANCING EXAMPLES

ZERO PERCENT DEALER FINANCING
5 YEARS FOR WELL-QUALIFIED BUYERS

| | |
|---|---|
| Purchase Price | $30,000.00 |
| Down Payment | -$ 3,000.00 |
| Rebate | $0 |
| Amount Financed | $27,000.00 |
| Monthly Payment | $450 |
| Total Payments | $27,000.00 |

DEALER REBATE
5 YEARS @2.95APR

| | |
|---|---|
| Purchase Price | $30,000.00 |
| Down Payment | -$ 3,000.00 |
| Rebate | $ 3000.00 |
| Amount Financed | $24,000.00 |
| Monthly Payment | $430.70 |
| Total Payments | $25,842.00 |

Amounts financed in examples do not include sales tax.

PERSI
P.O. BOX 83720
Boise, ID 83720-0078

PRSRT STD
U.S. POSTAGE PAID
PERMIT NO. 829
BOISE, IDAHO



## PERSI INVESTMENT NEWS

*for Base Plan as of September 17, 2013*

**Value of the Fund:**
$13,350,187,479

**Fiscal Year Change in Market Value:**
$ 593,661,562

Fiscal Year-to-Date Returns:
4.8%

Month-to-Date Returns:
3.5%

*Posted monthly on PERSI website: www.persi.idaho.gov/
Fiscal Year 7/1/2013 - 6/30/2014

www.persi.idaho.gov

RETIREMENT PERSpectives
Public Employee Retirement System of Idaho

PERSpectives is published for members of the Public Employee Retirement System of Idaho
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



Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code

PRS-RNL-3Q13