State of Indiana
S.T.A.R.T.® SMART
Winter 2008

Ringing in the New Year with New Web Features

By Auditor of State Tim Berry

Greetings in the Year 2009!

A new year brings many new things—New Year's resolutions, new toys from Christmas and a whole new year of adventures.

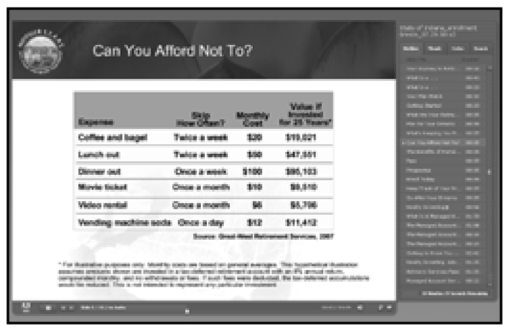
Here at the Indiana (IN) Hoosier S.T.A.R.T. office, we want to celebrate the season of novelty with new and improved education for you. So for this new year, we are introducing new Web tools to help you better plan for your financial future. Located under the Education tab on the Plan Web site, you will find two recent additions—E-Learning Seminars and Virtual Classroom. These tools are provided to you as a Plan benefit, designed to help you better understand the ins and outs of retirement planning and investing. Now that all the busy-ness of the holiday season has passed, you can spend some time educating and re-educating yourself on the IN Hoosier S.T.A.R.T. with these latest Web tools. Following is a brief description of each new feature.

Virtual Classroom

If you are someone who likes to get as much information as possible before making any financial decisions, this is a great tool for you. Here you will find video segments on the topics of financial, investment and retirement planning. Each segment comes with interactive calculators that you can use to determine your own financial status and a companion workbook available to download.

E-Learning Seminars

For the individual who can't make it to a group meeting with an IN Hoosier S.T.A.R.T. Education Counselor, you can watch these seminars online. Simply click on the topic of your choice, turn up the volume and let the seminar run from your computer. These seminars cover a wide variety



of topics, including plan information, asset allocation and generation concerns. You can rewind/fast forward through any section and pause it at any time for your convenience.

So next time you are on the Web site checking your account balance or changing your investment allocation, take some time to review these new Web enhancements. I hope that you find them to be helpful as you continue to save and invest for your retirement years. ■

Auditor's Corner

Saver's Credit … You May Be Eligible for a Tax Break

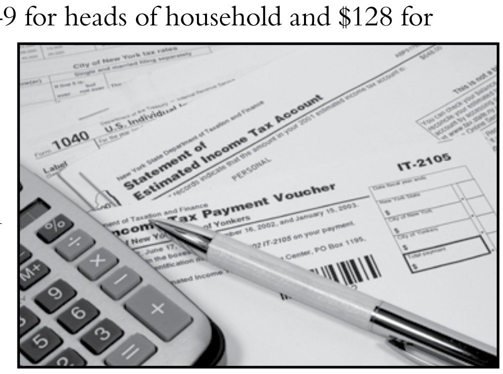
Plan Now to Take Full Advantage of This Benefit

According to the Internal Revenue Service (IRS), low- and moderate-income workers can take steps now to save for retirement and earn a special tax credit in 2008 and future years. Eligible workers still have time to get the Saver's Credit on their 2008 tax return. However, you must have been contributing to the Plan in the year 2008. If you are not currently contributing to the Plan, you may want to schedule your 2009 contributions to take full advantage of the Saver's Credit. Here's who can claim the Saver's Credit:

- Married couples filing jointly with incomes up to $53,000 in 2008 or $55,500 in 2009
- Heads of household with incomes up to $39,750 in 2008 or $41,625 in 2009
- Married individuals filing separately and singles with incomes up to $26,500 in 2008 or $27,750 in 2009

Also known as the retirement savings contributions credit, the Saver's Credit helps offset part of the first $2,000 workers voluntarily contribute to retirement savings plans, such as the Hoosier S.T.A.R.T. Plan. Like other tax credits, the Saver's Credit can increase a taxpayer's refund or reduce the tax owed. Though the maximum Saver's Credit is $1,000 ($2,000 for married couples), a taxpayer's credit amount is based on his or her filing status, adjusted gross income, tax liability and amount contributed to qualifying retirement programs, such as the Hoosier S.T.A.R.T. 457 Plan.

In the 2006 tax year, the most recent year for which complete figures are available, Saver's Credits totaled almost $900 million. The average Saver's Credit claimed was $213 for joint filers, $149 for heads of household and $128 for single filers.



The Saver's Credit was made a part of the tax code in legislation enacted in 2006. To help preserve the value of the credit, income limits are now adjusted annually to keep pace with inflation. Please visit the IRS Web site at www.irs.gov for more information.[1] ■

Source: http://www.irs.gov/newsroom/article/0,,id=200742,00.html
1 Great-West Retirement Services® is not responsible for and does not endorse the content contained in the additional Web sites provided. These Web sites are for general education and information only and are provided as a benefit to the users of the sites.

Get Ready for That Rainy Day

Savings you can turn to when unexpected costs arise

Whether you make $30,000 a year or $300,000, you should have an emergency fund—a stash of cash earmarked for unexpected expenses like a new roof or an income shortfall due to illness or job loss. Without this, you could be forced to take extreme financial steps to make ends meet. Fortunately, you can avoid doing so with a little forethought.

Do the Math

To be safe, an emergency fund should cover three to six months' worth of expenses without income. If you and your spouse both work and you have no dependents, aim for three months. Make six months your goal if your family is dependent on your income alone, you have dependents, and/or you have tuition, mortgage payments or other large fixed monthly costs.

Create a List

Add up your monthly expenses. The obvious ones are food, rent or mortgage payments, utilities, telephone and car payments. But don't forget the not-so-obvious ones, such as all your credit card bills, gas for the car, cable TV and other costs that may not necessarily leap to mind. Multiply that sum by the number of months you think you'll likely go without income.

Make It Happen

Your emergency fund should be held in a conservative, fluid investment, such as a savings account at your local bank or a short-term fund. The interest you'll earn in either account won't be much, but you're looking for stability and accessibility, not high returns. Keep in mind that a certificate of deposit (CD) is not an ideal emergency-fund vehicle. Tap it before it matures and you'll pay a significant penalty.[2]

To build your emergency fund, make regular payments into the account you choose just as you do with your retirement savings plan account. No amount is too small. Be sure that you don't substitute emergency fund payments for retirement savings plan investments. It would be in your best interest to do both.

Don't Touch Your Nest Egg

In a pinch, borrowing money from your retirement savings plan may seem logical (it is your money), but doing so may do more harm than good. For starters, you will lose the benefit of compounding, or the ability of your principal and interest to grow exponentially. When you pay the loan back, you replace pre-tax money with after-tax income. Generally, you have to repay the loan within five years. If you don't, you may incur a 10% early withdrawal penalty. And then when you retire and start withdrawing the money, you'll be taxed again on the money you withdraw.

Should the day come when the pipes burst and your basement floods—or you get sick or laid off—an emergency fund could be your saving grace. So plan wisely. In a time of need, you'll be glad you did. ■

Hands Off!

Borrowing $10,000 from a retirement savings account with a $50,000 balance at age 40 could mean you'd have nearly $86,000 less at age 65 than if you'd left the money invested, earning an 8% annual return and made monthly contributions of $250. ■

	Age 40	Age 45	Age 65
$50,000 retirement account with no loan	$50,000	$91,820	$571,134
$40,000 retirement account, after taking out a $10,000 loan	$40,000	$73,456	$485,541

FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes an 8% rate of return, monthly contributions of $250, which cease during the loan repayment period, and a 5-year loan repayment of $200 per month with 8% interest. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.

Stick with Your Plan

Making the best use of your savings when you retire

Retirement: It's the culmination of a lifetime of planning, preparation and saving. It's also the time to decide how you'll want to dip into the funds you've accumulated in your retirement account.

Here's one of the best-kept secrets about retirement planning: The same plan that helped you build your nest egg can help you make the best use of that money in retirement. By keeping your account with Hoosier S.T.A.R.T., you'll have access to the same investment options and account management tools you've always used. So if you expect to keep at least a portion of your retirement funds invested, continuing to work with Hoosier S.T.A.R.T. is a smart option.

You can leave your money invested in your plan account until you are 70½ years old. At age 70½, the IRS requires that you begin receiving a minimum annual amount from your account. If you are a state employee and continue working past age 70½, you do not have to take a withdrawal until you stop working. For more information on your withdrawal options and the support your employer-sponsored retirement plan offers to retirees, call the local Hoosier S.T.A.R.T. office at (877) SAV-N-RET (877-728-6738) and press 2. ■

Retiree Advocate Ron Nichols would like to hear about the issues that are important to today's retirees.

If you are either retired or nearing retirement, please contact Ron at retireeadvocate@gwrs.com or (877) RET-GWRS. ■

2 Certificates of deposit are insured by the FDIC for up to $250,000 per depositor (the same as for retirement account assets) and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

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