

# SIMPLY PUT

Fourth Quarter 2011

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## 1099-Rs Arriving in January



Participants who received disbursements in 2011 will receive their 1099-R forms in late January or early February. Depending on the source of the disbursement (457 and/or 401), participants may potentially receive four 1099-R forms for the 2011 tax year – two from ING Retirement Plans (ING) and two from the new record keeper, ICMA-RC. The ING 1099-R forms will be mailed the last week of January 2012 to the address on record before the record keeper transition; they will not be available online. The 1099-R forms from ICMA-RC will be mailed to participants and available online through Account Access, under the **Statements & Confirms** tab, the last week of January 2012. Please look over these forms carefully to ensure the information is correct.

## Improve Your Finances for 2012

The new year is a great time to simplify your finances, stretch your savings, and get ready for tax time.

**Give yourself a financial check-up.** Use the calculator at [www.icmarc.org/checkup](http://www.icmarc.org/checkup) to see if you're on track to reach your retirement-savings goals. Check your credit report for errors for free at [www.annualcreditreport.com](http://www.annualcreditreport.com).

**Clean up your tax files.** Keep your tax returns forever, but you can shred most canceled checks and receipts after three years. Keep Form 8606 recording non-deductible IRA contributions until you liquidate your IRAs.

**Take advantage of new savings limits.** Contribution caps for 457s increased for the first time in two years—up to \$17,000 for 2012 (or \$22,500 for people who'll be at least 50 by the end of the year). For those close to retirement, the “Three Year



“Catch-up Provision” allows up to \$34,000 in contributions per year. Contributing an extra \$100 per month adds up to \$1,200 by year-end, but lowers your take-home pay by just \$75 a month if you're in the 25 percent tax bracket—saving you \$300 in taxes.

**Simplify your finances.** You can sign up to have money invested automatically in a Roth IRA every month—\$416 per month gets you to the \$5,000 maximum for the year.

## Tapping Accounts in Retirement

Taxes will be a key consideration when deciding which accounts to tap first when you retire. Money you pull out of a 457 plan, traditional IRA, or other retirement-savings plan funded with pre-tax dollars will be taxed in full in your current top tax bracket at the time of withdrawal.

Roth IRAs are funded with after-tax contributions, and the money can be withdrawn tax-

free if you're at least 59½ and had an account for five years.

The profits on investments owned for more than a year in taxable accounts are taxed at your capital-gains rate, currently 15 percent or less. Consider tapping these accounts first, since you can be taxed on their earnings every year.

Next, it may make sense to withdraw money from your traditional IRAs and 457s.

You may have to pay a 10 percent penalty on traditional IRA withdrawals before age 59½, but you can generally take 457 plan money penalty-free at any age after you leave your job. You must start taking required minimum distributions (RMDs) by age 70½. Any money left in the account is taxed at your heirs' income-tax rate. Roth IRAs don't have RMDs, and withdrawals can be tax-free for you and your heirs. Consider tapping these accounts last.



## Access Your Account on the Go

The Plan, in partnership with the new record keeper, ICMA-RC, is excited to announce a mobile version of online Account Access. Visit <https://m1.icmarc.org> from your mobile device and use your regular Plan login information for a mobile-friendly snapshot of your account balances, activity, performance, and important Plan messages.



If you have not done so, visit [www.modeferredcomp.org](http://www.modeferredcomp.org) and click the **Create Your Own Account** button to establish your User ID and password.

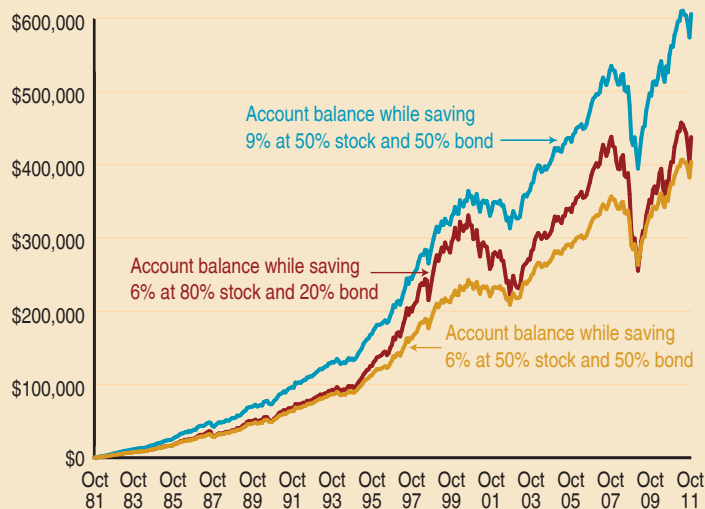


## MARKET VIEW

## Save More or Add Risk?

Many factors influence whether investors meet their retirement goals, including their age, their saving rate, investment allocation, and investment performance.

This chart compares three scenarios and varies either the saving rate or the investment allocation. It shows that contributing more over time while taking on less risk resulted in a higher balance than contributing less and taking more risk. Many people dream of getting rich through aggressive investments, but saving more may be another way.



Assumes annual gross salary of \$50,000 with no salary increases; no withdrawals or allocation changes; contributions invested beginning of each month. Stocks represented by S&P 500 Index; bonds represented by Barclays Capital U.S. Aggregate Bond Index. Source: Morningstar EnCorr

*This illustration was compiled using information from unaffiliated outside sources. These companies are not affiliated with ICMA-RC. The performance data quoted represents past performance. Past performance is no guarantee of future results.*

## Key Documents to Lower Your Taxes

**C**heck your files for important papers that can help you take advantage of frequently overlooked tax deductions:

**Charitable contributions.** You'll need a record of checks you've written to charities, which are deductible if you itemize. Also look for records of anything you bought to help a charity, such as ingredients for a soup kitchen or mileage for driving you do for a charity (14 cents per mile in 2011).

**Child-care expenses.** If you pay for child care for a child under age 13 while you work or look for work, then you could qualify for the child-care tax credit, worth 20 to 35 percent of up to \$3,000 for the cost of care for one dependent or \$6,000 for two or more (both spouses need to work, or one must be a full-time student). Keep records and the tax ID number for care providers. Daycare or preschool, as



well as day camp, before-care and after-care, can count toward the credit.

**Tuition bills.** Even if you aren't a full-time student or pursuing a degree, you may still qualify for the Lifetime Learning Credit of up to \$2,000 per family per year (20 percent of up to \$10,000 in expenses for tuition, fees, and books). To qualify, your adjusted gross income must be less than \$60,000 if single or \$120,000 if married filing jointly.



## CALENDAR

The New York Stock Exchange is closed:

**January 2:** New Year's Day

**January 16:** Martin Luther King, Jr. Day

**February 20:** Presidents' Day

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