



E-Newsletter

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Contribution Limits Unchanged

by Julia Graham

The IRS has announced that there will be no change in the contribution limits for the 401(k), 457 and 403(b) for calendar year 2008. Federal law allows for increases in \$500 increments to keep up with inflation.

The 2008 limit remains \$15,500 for those under 50 years old, and \$20,500 for those 50 or older. Keep in mind that you may contribute the maximum to a 457 and either a 401(k) or 403(b) for a total of \$31,000 for those under 50 and \$41,000 for those over 50, all pre-tax.

Plan Now to Increase Deferrals

by Julia Graham

The vast majority of State employees do not contribute enough to their supplemental retirement plans. Especially if you are getting your step increase January 1, you should consider increasing your deferrals. Check out the suggestions in the Retirement Saving...It's a Smart Move article on how to come up with extra money for retirement.

Then download a Deferral Change form from www.MarylandDC.com and mail it to Nationwide Retirement Solutions. The deadline for deferral changes to be effective for the first pay in January have passed, but act now to have your changes effective for the second pay period in January.

You may also increase your contribution amount calling 1-877-628-2499 or by going to www.MarylandDC.com if you have your account set up online.

Year End Tax Tips

by Debbie Roberts, CPA

Did you know that participants (low to moderate income individuals and families) in an employee-sponsored retirement plan (plans offered through Maryland Supplemental Retirement Plans) or an individual retirement arrangement may be able to take the SAVER'S TAX CREDIT? Here's how:

Formally known as "The Retirement Savings Contributions Credit", the Saver's Credit applies to:

- Individuals with incomes up to \$26,000
- Married couples, filing jointly, with incomes up to \$52,000
- Head of Household with incomes up to \$39,000
- Persons who are at least age 18, not a full-time student and cannot be claimed as a dependent on another person's return

You may be able to take the credit of up to \$1,000 (up to \$2,000 if filing jointly) if you make eligible contributions to a qualified IRA, 401(k) and certain other retirement plans. The amount of the credit is determined by your filing status, your adjusted gross income (AGI), and your other retirement contributions.

The credit is a percentage of the qualifying contribution amount, with the highest rate for taxpayers with the least income.¹ This tax credit is in addition to pre-tax savings you already enjoy! Please consult with your tax advisor or CPA for assistance calculating this credit.

As we approach the end of 2007, now is an **EXCELLENT** time to review your pre-tax contribution rate. The following are suggestions to help you identify whether a change in contribution rate is good for you:

Did you owe taxes last year? If so, increasing your pre-tax contributions could reduce your tax obligation.

Has your income increased during 2007? If so, you may be in a higher tax bracket and may owe additional taxes? Therefore, increasing your pre-tax contribution rate could reduce your tax obligation.

Are you close to retirement or over the age of 50? If so, you could take advantage of the pre-tax "catch-up" and reduce your taxable income.

FINAL THOUGHTS FOR YEAR END!

Your retirement future depends in part on your 401k, 457, and 403(B) saving account(s). As you consider your pre-tax savings contribution, please don't forget to review withholding allowances. You may be able to decrease your withholding allowance, taken together with increasing your pre-tax contributions and minimize the impact on your net pay. Please check our Payroll Online Service Center (POSC). This site will allow you to adjust your withholding allowances at the Federal and State level. Additionally, the site provides a net pay calculator which allows you to calculate your net pay assuming changes in withholding and pre-tax contributions and other adjustments. In this way, you will be able to see the impact of withholding and contribution adjustments on your net pay before they take effect. For more information on POSC you can visit the following website: http://compnet.comp.state.md.us/Central_Payroll_Bureau/Online_Services/

1. IRS summertime Tax Tip (2007). Internal Revenue Service. <http://www.irs.gov>

Cooperative Extension Partnership Gets National Attention

by Julia Graham

Since 2002 MSRP has been conducting two full-day seminars on personal finance: the Regional Financial Workshop for employees with 0-5 years of service who are not enrolled in a supplemental retirement plan and the Personal Finance Seminar for employees with 5-25 years of service. The Cooperative Extension Service kicks off the day with a 90 minute presentation called Your Financial Check-up which covers budgeting, debt management, identity theft and insurance needs. Your Financial Check-up was designed to help state workers assess their fiscal health and establish a framework for managing credit and monitoring expenses so they could make funding their futures a priority. The 2006 end-of-class evaluations indicated that 64.7% of attendees reported feeling more knowledgeable about analyzing their personal finances, 87.2% intended to increase personal savings, 80.8% intended to improve money management skills and 61.5% intended to decrease debt.



Crystal Terhune, Extension Educator, Family and Consumer Sciences, University of Maryland Cooperative Extension, Caroline County, headed up development of a presentation on this partnership at two national conferences: the National Extension Association Family and Consumer Sciences Annual Conference in St. Paul, Minnesota in September and the Association for Financial Counseling and Planning Education Conference in Tampa in November. The presentation was very well received and many attendees planned to go back to their home states to see if similar collaborations can be formed.

Crystal said of the programs: “The partnership that has developed between MSRP and the University of Maryland Cooperative Extension is something that we truly value. This collaboration is one that is admired by our peers across the nation because of the unique opportunities it has provided. By taking part in the MSRP Regional Financial Workshops and Personal Finance Seminars, we are able to reach a broad and diverse audience of state employees on a regular basis, offering them tools and resources that can help them to understand their individual financial snapshots, and empower them to make choices that can have large and lasting effects on their financial future. We value the opportunity to provide a glimpse of who we are at Maryland Cooperative Extension, and what programs and services we can offer to them in their local communities and on an individual basis. The MSRP audiences are always welcoming and appreciative, and the consistently positive feedback we receive tells us that we can walk away feeling like we've made a difference, and that's what being an educator is all about.”

The Field Staff at MSRP are equally appreciative of this collaboration, and thanks the educators from Cooperative Extension for their participation in these programs. If you would like to attend one of these seminars, go to www.MSRP.state.md.us and click on seminars.

Benefit Coordinators Get First Look At Lunch & Learn Seminars

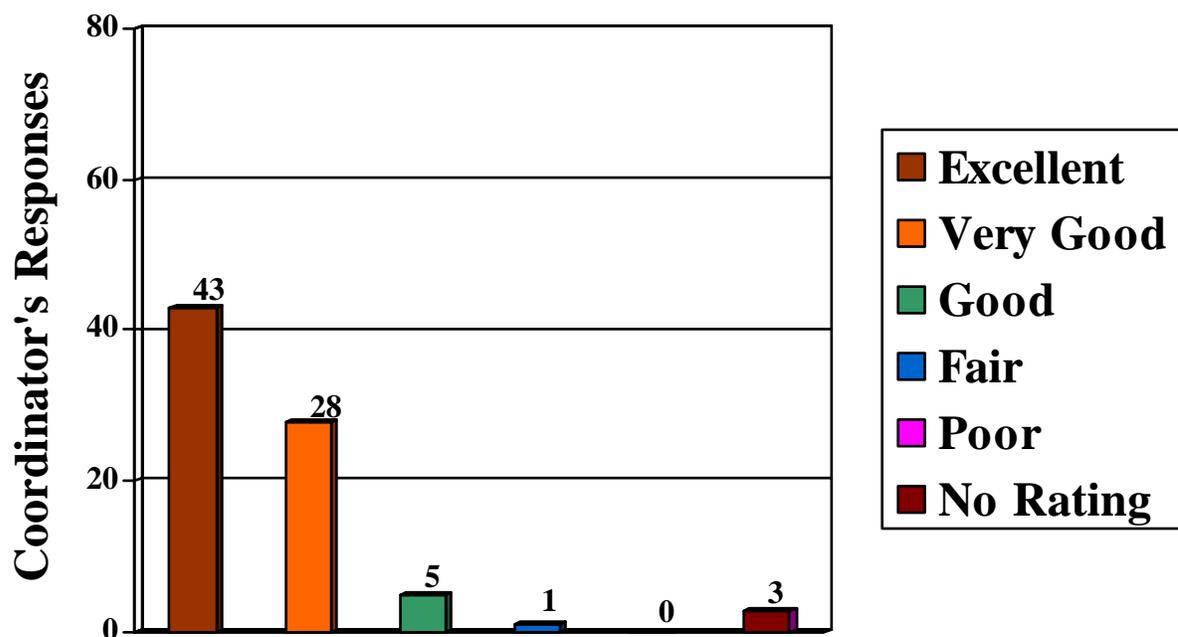
by Julia Graham

MSRP hosted Benefit Coordinator Academies on October 24 in Towson and October 26 in Annapolis. 83 Benefit Coordinators from around the state attended the events to hear first hand about the six new Lunch and Learn Seminars just developed by the MSRP Field Services Division (see related article). We also reviewed our existing MSRP seminars and Mike Metz, T. Rowe Price Vice President, gave a presentation on the Targeted Retirement Funds that were introduced in March 2007.

The Benefit Coordinators were provided with a reference binder including complete copies of the Lunch and Learn Seminars, summaries of our existing seminars, and 2 sets of forms to request seminars from MSRP or printed materials from NRS. The binder will keep our educational seminars at their fingertips and hopefully in the front of their minds.

Several seminar request forms were turned in that day and more have arrived by fax since the Coordinator Academies, so the Field Staff is in for a busy winter.

The sessions were very well received by the Benefit Coordinators. The following graph shows the responses to the evaluation survey.



Lunch & Learn Seminars

By: Jeannie Henry, ChFC

What is a Lunch and Learn seminar?

Lunch and Learn seminars are informational presentations specially designed to focus on many areas of retirement planning.

Why are Lunch and Learn seminars a good idea?

Because knowledge is the first step toward a better financial future!

Lunch and Learns feature:

A compact format that fits into a lunch break
Presentations right in your workplace
Helpful handout materials



"When the Nest Egg Hatches"

Investing and Withdrawing During Retirement

Reaching retirement is a significant milestone. It's important to have a plan for managing your income to help make sure it lasts throughout your lifetime.



"The Sandwich Generation"

Those of the sandwich generation are caught between the obligation to care for their parents—who may be ill, unable to perform various tasks or in need of financial support—and children. Learn how the "sandwich generation" can save for retirement while taking care of their kids and parents.



"Retirement Saving..It's a Smart Move!"

For state employees not currently enrolled, this is an enlightening seminar on the importance of saving for retirement, the power of compounding and an overview of the different MSRP plans and investment options available.



"I'm Saving My Money"

Retirement Planning for Women

Women in the labor force have different concerns and challenges than men do. But what about when they retire? The issues for men and women surrounding retirement are different too. Women need to plan for these differences.



"MSRP Investment Options"

An in-depth look at the investment options in the supplemental plans and the process on selecting an appropriate portfolio for your situation.



"MSRP Online"

A "user guide" to the MarylandDC.com website including: setting up your account, making changes and how to use investment resources. Also includes a review of the MSRP website.

Contact your Benefits Coordinator to request a
Lunch and Learn Seminar at your agency or you may contact MSRP directly by emailing
lholcomb@msrp.state.md.us!

Retirement Saving...It's A Smart Move!

by Julia Graham

The 2006 Employee Benefit Research Institute (EBRI) Retirement Confidence Survey reported 3 in 10 workers had not saved anything for retirement. Are you one of those 3? Do you know what you are missing out on, and why you need to save for retirement now? If you are not enrolled in a supplemental retirement plan, you need to come to this new Smart Move seminar! Those who want to find ways to contribute more could also benefit from the seminar. During the presentation, we address the obstacles to saving for retirement. Here's what we cover:

- What's in it for me? (compounding, tax savings, free money)
- Saving is a smart move! (why you should save, inflation)
- Can I afford it? (saving tips, debt management)
- Investing...you don't have to be an expert!
- Enrolling...it's easy!
- You can make changes!

Here's a small sample of what you can expect to learn:

Have you ever thought about how all those little things you spend your money on everyday add up over time? With just a little advance planning you can find some extra money in your budget to redirect to retirement saving. Bring your snacks and beverages from home. Instead of eating lunch out everyday, try packing your lunch 2 to 3 times per week. Stop smoking! With these tips, it's easy to find the \$24 per pay period to fund your supplemental retirement plan to get the full Match from the state.

Item	Cost Per Day
Snacks/Candy/Soda	\$2
Coffee	\$2
Fast Food Meal	\$5

Spending \$9 less a day gives you \$3,285 more a year towards retirement! (You could actually increase your contributions by \$4,352 after you account for your tax savings if you are in a 25% federal tax bracket)

Editors note: We will be highlighting a different MSRP Seminar in each edition of our E-newsletter. If you are interested in attending a seminar, please contact your Benefit Coordinator.

Strategies For Dealing With Market Volatility

Waiting out a volatile market is easier said than done. It's hard to see your retirement investments go up one day and down the other. It's even harder to see them go down day after day. The first thing some investors want to do is jump out of the market to avoid taking any more financial hits. But experienced investors know that trying to pick the right time to get out and back in can be an expensive, frustrating experience.

Consider these time-tested strategies for dealing with market volatility:

- Maintain a diversified investment portfolio
- Invest regularly – in both bear and bull markets
- Talk with your financial representative

Maintain a diversified investment portfolio

It's a good idea to spread your risk by investing in a carefully selected mix of mutual funds that invest in stocks, bonds and cash-equivalent instruments. It's also wise to consider investing in an international or global fund. Although the U.S. stock market has impact around the world, other nations' markets have tended to move in different economic and market cycles. Of course, investing overseas entails additional risks, such as currency fluctuations and different accounting standards. You should discuss these with your financial representative.

Invest regularly – in both bear and bull markets

Investing regularly can help take the emotion out of investing. This strategy calls for investing the same amount at consistent intervals, such as having 401(k) contributions deducted from your paycheck (if your plan allows) or putting a set amount in your IRA each month. With this approach, you don't have to guess which way the market is going – and you won't be waiting for the perfect time to buy. You also won't risk the possibility of investing all your money at the top of the market.

Although this strategy doesn't guarantee a profit or protect against loss, this is one way to take advantage of a down market. By continuing retirement plan deferrals in bear markets, you end up buying more shares when the price is lower. Instead of seeing a down market as a disaster to be feared, you can view it as an opportunity to buy good companies at lower prices through your mutual funds. Of course, to make this strategy work, you have to be willing to continue making investments when stock prices are declining and stock market news is negative.

Talk with your financial representative

The first thing investors should do during any market upheaval is to sit down with their financial representatives to examine their investment goals, time horizon, risk tolerance and financial circumstances. Have any of these changed since the last time you talked with your financial representative? While market declines may prompt you to re-examine your strategy, you might not want to make any moves.

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www.americanfundsretirement.com.

Editor's Note: Your "financial representative" mentioned in this article is your NRS representative, the NRS Customer Service Representative or the MSRP Field Staff Representative.



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