



## Oregon Public Universities Retirement Plans Winter 2017 Newsletter

### Preparing For the Unexpected



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When we think of retirement, we often think about the fun things that this life stage can offer. Whether you take on new hobbies, choose to travel, or spend time with loved ones, it is an exciting time in life.

When saving for retirement, it is equally important to think about the unexpected things that can pop up. By preparing for these things early, it will allow you to breathe more easily regarding your finances throughout retirement.

Following are a few examples of expenses that can pop up unexpectedly in retirement, and by saving now, you can ease financial stress in retirement.

**Home Repairs and Upgrades** – home repairs and upgrades can take a big piece of your monthly budget. Replacing roofs, replacing central air units, correcting electrical and plumbing issues, and paying money in an event of catastrophe (such as fire or flood) can increase financial anxiety in retirement.

**Supporting Aging Parents** – as we get older, our parents get older as well. Although your parents may have saved well, many are living longer than expected. Some have even outlived their retirement account balances. In many cases, older age comes with its own set of complications. Medical issues, in-home caregiving, and nursing care facilities are more expensive than ever. During this difficult time, your aging parents may rely upon you to fund this extra care.



**Retirement Occurring Earlier than Expected** – unforeseen circumstances may require a person to retire early. This can happen when the employee experiences health conditions or a disability. It can also occur when an employer closes, downsizes, or eliminates positions.

**Supporting Children with Unexpected Expenses** – although your children may be grown, they can still experience road bumps in life. Whether they experience a messy divorce, health issues, loss of employment or other significant life changes, there could be a financial impact. During times of turbulence, your children may come to you for financial assistance.

**Medical Expenses for You or Your Spouse/Partner** – as we age, our bodies tend to have more surprises in store for us. It is important to understand what your health insurance, Medicaid, Medicare, and Medicare supplemental plans cover and what they do not. It is also important to look at the big picture when it comes to health and aging. Consider the costs of prescription medication, in-home care, nursing facility costs, long-term illness or disability when preparing your retirement budgeting goals.

**Pet Care Expenses** – if you are a pet lover, it is probable that you will have a pet during retirement. Unfortunately, pet expenses can pop up from time to time, and can create financial stress in case of emergency. Whether your dog wolfed down a bit of toxic chocolate or your cat was hit by a car, you will need to determine how you will pay for veterinary treatment for your furry friend.

**Divorce** – when we get married, we have the dream that our marriage will last a lifetime. However, this isn't always the case. There are three pitfalls when it comes to divorce and retirement that you need to be aware of.

1. Alimony – it is possible that you may be responsible for alimony payments to your former spouse after a divorce is completed
2. Division of Retirement Assets – it is not uncommon in a divorce for a participant's retirement account to be divided, with a portion of assets to be paid to the former spouse
3. Loss of Spouse's Income – when a couple is married, expenses are often split between the two parties. Things such as house payments, electric bills, car payments, credit card payments, etc. are split between two people. Upon finalization of a divorce, you may need to pay for these expenses entirely alone, which can cost you twice as much

**Death of a Spouse or Partner** – facing the death of a spouse or partner is one of the most difficult things that a person can experience. Adding to the pain of the loss of a loved one, financial issues can also arise. It may be possible that you and your spouse or partner shared household expenses. Now that your loved one is gone, you alone are responsible for all of these expenses. On top of this financial pressure, it is possible that you have taken responsibility of funeral and burial expenses for your loved one.

However, retirement isn't all about doom and gloom. People are living longer than expected. This means having more time to do things that you've always wanted to do. Whether you enroll in sailing lessons, take a pottery class, or spend more time on the golf course, retirement should allow you the flexibility to participate in these rewarding activities.



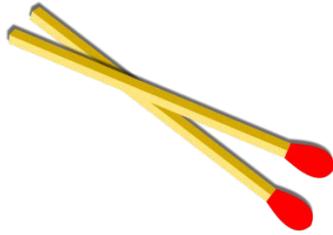
We often hear comments from retired individuals that they are busier in retirement than when they were working a full-time job. This means that retirees are more active than ever. It is important to have a cushion for emergencies, and it is equally important to save money for activities that you want to enjoy throughout retirement. This is why enrolling in a 403(b) plan through your employer is such a great way to save money.

Your employer offers a 403(b) plan to eligible employees to supplement your PERS or ORP retirement accounts. You can request to have as little as 1% of your salary be withheld from your paycheck and invested with one of our approved record keepers. It can be a small sacrifice now, which may lead to a greater reward in your retirement years.

You can contribute on either a pre-tax or post-tax (Roth) basis and the maximum contribution for 2017 is \$18,000. If you are at least age 50, you may contribute an additional \$6,000 per year, for a total of \$24,000.

If you would like to participate in your school's 403(b) plan, please complete the Salary Reduction Agreement and submit it to your payroll department for processing:

<http://www.opurp.org/sites/opurp1.uoregon.edu/files/SRA%20Form%20FILLABLE%20ONLY%202016.pdf>



## Tier 4 Participants: Are you going to miss your match in 2017?

If you are in the Tier 4 Optional Retirement Plan, and you are not contributing to the 403(b) plan to get your match, you are definitely missing out. Did you know that if you contribute 4% of your salary to the 403(b) plan, your employer will match that 4% and put it in your ORP account? That's like getting a 100% return on your money; you're not going to find that kind of return anywhere else!

To sign up for the 403(b) plan, just go to <https://nb.fidelity.com/public/nb/opurp/home> or <http://www1.tiaa-cref.org/tcm/opurp>; whichever vendor you chose for your ORP dollars. You can always choose a higher percentage than 4% to contribute, but you should contribute at least 4% and quit leaving all that free money behind! And, by contributing 4%, with the 8% going into the ORP and the match, you will have 16% of your salary going towards a secure retirement!

If you decide to maximize your contributions, which means contributing \$18,000 per year (an additional \$6,000 if you are at least age 50), keep in mind that you should spread your contributions over 12 months. You will want to make a contribution of at least 4% each month. Why? Because, again, you will be missing out on some of that free money. See example below:

Month	Monthly Salary	% of Salary	Amount Contributed	Match	Monthly Salary	% of Salary	Amount Contributed	Match
Jan	\$4000	10%	\$400	\$160	\$4000	20%	\$800	\$160
Feb	\$4000	10%	\$400	\$160	\$4000	20%	\$800	\$160
March	\$4000	10%	\$400	\$160	\$4000	20%	\$800	\$160
April	\$4000	10%	\$400	\$160	\$4000	20%	\$800	\$160
May	\$4000	10%	\$400	\$160	\$4000	20%	\$800	\$160
June	\$4000	10%	\$400	\$160	\$4000	20%	\$800	\$160
July	\$4000	10%	\$400	\$160	\$4000	0%	\$0	\$0
August	\$4000	10%	\$400	\$160	\$4000	0%	\$0	\$0
Sept	\$4000	10%	\$400	\$160	\$4000	0%	\$0	\$0
Oct	\$4000	10%	\$400	\$160	\$4000	0%	\$0	\$0
Nov	\$4000	10%	\$400	\$160	\$4000	0%	\$0	\$0
Dec	\$4000	10%	\$400	\$160	\$4000	0%	\$0	\$0
<b>Total</b>	<b>\$48,000</b>		<b>\$4800</b>	<b>\$1920</b>	<b>\$48,000</b>		<b>\$4800</b>	<b>\$960</b>

As you can see, if you contribute \$4800 over 12 months, you would receive a match of \$1920; if you contribute the same amount over 6 months, and stop contributing, you will only receive a match of \$960. That is \$960 less than what you could have had contributed on your behalf.

For highly compensated employees; while you may be tempted to maximize your 403(b) contributions and reach the maximum during the first few months, think twice about that as well. The match can only be calculated on a monthly basis through payroll, so by reaching your maximum early, or not contributing each month, you will miss out on any months you didn't have a contribution.



Month	Monthly Salary	% of salary	Amount Contributed	Match	Monthly Salary	% of Salary	Amount Contributed	Match
Jan	\$10,000	20%	\$2000	\$400	\$10,000	40%	\$4000	\$400
Feb	\$10,000	20%	\$2000	\$400	\$10,000	40%	\$4000	\$400
Mar	\$10,000	20%	\$2000	\$400	\$10,000	40%	\$4000	\$400
Apr	\$10,000	20%	\$2000	\$400	\$10,000	40%	\$4000	\$400
May	\$10,000	20%	\$2000	\$400	\$10,000	40%	\$4000	\$400
June	\$10,000	20%	\$2000	\$400	\$10,000	40%	\$4000	\$400
July	\$10,000	20%	\$2000	\$400	\$10,000	0%	\$0	\$0
Aug	\$10,000	20%	\$2000	\$400	\$10,000	0%	\$0	\$0
Sept	\$10,000	20%	\$2000	\$400	\$10,000	0%	\$0	\$0
Oct	\$10,000	20%	\$2000	\$400	\$10,000	0%	\$0	\$0
Nov	\$10,000	20%	\$2000	\$400	\$10,000	0%	\$0	\$0
Dec	\$10,000	20%	\$2000	\$400	\$10,000	0%	\$0	\$0
<b>Total</b>	<b>\$120,000</b>		<b>\$24,000</b>	<b>\$4800</b>	<b>\$120,000</b>		<b>\$24,000</b>	<b>\$2400</b>

For this participant who is age 50 and who can contribute \$24,000 per year, because he contributed at a higher rate for the first six months of the year, he reached the limit after making only six contributions; and therefore would leave behind a match of \$2400.

To get the most benefit from the match, spread out the contributions equally over the 12 months each year. Even if you are not maxing out your contributions, be sure and make a contribution each month up to the 4% so you can get your match.

Talk to your campus benefits department if you have any questions!

**Did You Know?**

If you are enrolled in the ORP, your employer provides contributions to your retirement plan based on a percentage of your first \$265,000 of annual salary. The percentage that you receive is based on your tier.

It has been announced by the IRS that there has been an annual compensation limit increase of \$5,000. The limit has been increased from \$265,000 to \$270,000 per year.



## The 2017 Saver's Credit – A Program You Should Know About

If you are a worker who falls within a certain income range, you may be eligible for a program that allows you to save for retirement AND save on your taxes. This program is called the Saver's Credit, or what is also known as the Retirement Savings Contributions Credit. This credit applies to eligible contributions that you make to your employer-sponsored retirement plan, such as the 403(b) plans offered at the universities.

To be eligible for this program, the following conditions must be met:

- You must be 18 years of age or older
- You cannot be a full-time student (See IRS Form 8880, page 2 for the definition of a full-time student) <https://www.irs.gov/pub/irs-pdf/f8880.pdf>
- You cannot be claimed as a dependent on another person's return
- Your adjusted gross income must fall within certain parameters of the program (see charts below)

The amount of the credit can vary, and is based on your adjusted gross income (which is reported on your Form 1040A or 1040). According to the IRS, "the amount of the credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to \$2,000.00 (or \$4,000.00 if married filing jointly)". Please see the charts below for further information.

2017 Saver's Credit			
Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$37,000	AGI not more than \$27,750	AGI not more than \$18,500
20% of your contribution	\$37,001 - \$40,000	\$27,751 - \$30,000	\$18,501 - \$20,000
10% of your contribution	\$40,001 - \$62,000	\$30,001 - \$46,500	\$20,001 - \$31,000
0% of your contribution	more than \$62,000	more than \$46,500	more than \$31,000

2016 Saver's Credit			
Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$37,000	AGI not more than \$27,750	AGI not more than \$18,500
20% of your contribution	\$37,001 - \$40,000	\$27,751 - \$30,000	\$18,501 - \$20,000
10% of your contribution	\$40,001 - \$61,500	\$30,001 - \$46,125	\$20,001 - \$30,750
0% of your contribution	more than \$61,500	more than \$46,125	more than \$30,750

IMAGE SOURCES: IRS.gov

WEBPAGE LINK: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>

\*All other filers consist of Single, married filing separately, or qualifying widow(er).

Certain transactions are not eligible for this credit. For example, rollover contributions are not able to be counted towards this credit. (A rollover contribution consists of money that was moved from another retirement plan or IRA.) It is also important to keep in mind that any eligible contributions may be affected or reduced by any distributions that you received from an IRA or retirement plan.

Contributions to the following retirement plans or IRA plans are eligible for the Saver's Credit:

- 403(b) plans
- Roth IRA
- Traditional IRA
- Simple IRA
- SARSEP
- Governmental 457(b) plans
- 401(k) plans
- 501(c)(18) plans
- Voluntary after-tax employee contributions to your qualified retirement and 403(b) plans.

For additional details about this program, please contact your financial advisor, TDI investment provider, tax consultant or tax preparer. The IRS website is also an excellent resource for learning more about this program, and is accessible at [www.irs.gov](http://www.irs.gov).

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## What is a managed account and how does it work?

With a managed account, Fidelity's team of professionals' works with you to set up an investment plan, offered through Oregon Public Universities that fits your personal situation and goals. Then they'll monitor your investments and partner with you to adjust them as your life or the world around you changes.

To learn more take these 2 steps:

1. Watch a short video at <https://www.youtube.com/watch?v=oFhai4jz9VE>
2. Have a one-on-one conversation with a Fidelity Representative at 800-642-7131.

Investing involves risk, including the risk of loss.

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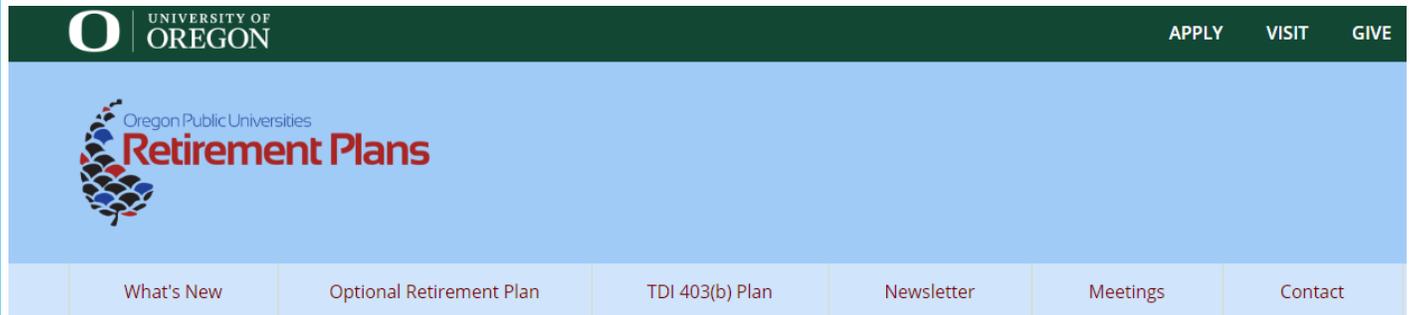
# Retirement Plans



## OPURP is getting a New Look!

Your retirement administrators want to make sure you have easy and fast access to all of the information you need to make informed decisions about your retirement. We have made a 100% new site which improves greatly on our mission of delivering helpful resources to you.

**Check out our new menu!**



All the information about our ORP and TDI plans, as well as other options available to you, is easy to find and tailored to be as focused and informative as possible. The submenus are designed to break down information and resources so you don't have to go digging.

Example of a sub-menu:



If we can't provide information on something, we are sure to provide you with contact information to those who can help. Speaking of contacts, you will find a new and improved contact page for our office, saving you from potentially bouncing from phone to phone, and getting your needs met faster.

The new web portal will be made publicly available on or about February 1, 2017, so be sure to check the current site ([www.opurp.org](http://www.opurp.org)) for the announcement and a link to the new webpage.



## TIAA Voices of Experience 2016 Survey Offers Insights on Life in Retirement



Over three decades ago, TIAA (then TIAA-CREF) conducted a study of more than 1,500 retired participants to learn about their lives. The 1982 Voices of Experience survey examined not just retirees' finances but their health, relationships, activities, and feelings about retirement.

Much has changed since 1982, especially in the areas affecting retirees. This prompted TIAA to decide that it was again time to survey its retirees and learn how the events of the rapidly evolving world have shaped retirement situations, decisions, and experiences.

The survey concentrates on findings that describe the respondents, their situations, and their experiences in retirement and reveal in what ways life in retirement, as well as the planning and preparations undertaken by TIAA retirees, have changed in the intervening 30 years. To view the full study, go to [TIAA.org/voices](http://TIAA.org/voices). Below is a summary of some of the findings.



1. Survey respondents are satisfied and engaged in their retirement, with overall satisfaction holding steady since 1982 and intense satisfaction on the rise.



3. Survey respondents recognize the importance of managing their finances with income they can't outlive: 70 percent of respondents have an annuity, and 92 percent of those who purchased an annuity are satisfied with that decision.



2. Participants are planning better and retiring earlier. More than half of respondents (54 percent) retired before age 65, compared to just 39 percent in 1982.



4. The survey found that health and aging are major emotional concerns as respondents worry about becoming a burden.

**Happy and engaged** despite changes to the retirement landscape, survey respondents' near-universal satisfaction with retirement has held steady at over 90 percent since 1982. Furthermore, the percentage of those very satisfied with their retirement has grown from just over half (51 percent) in 1982 to nearly two-thirds (65 percent) today. Additionally, nearly half of TIAA retirees believe that their life in retirement exceeds what they had initially envisioned.

*Do you and your partner share your vision? Of those who share their retirement vision: 92% are satisfied in retirement and 50% say their relationship has improved.*

**Planning better, retiring earlier:** Everyone has their own definition of happiness. But TIAA's Voices of Experience survey shows that three things are most highly correlated with intense satisfaction:

1. Early Planning
2. A Positive Attitude
3. Lots of Activities

*It's hardly surprising that of the survey respondents who started preparing financially for retirement before age 30, 75 percent indicated that they are very satisfied in retirement. What is more unexpected is that the majority (60 percent) of those who began planning after age 50 also indicated that they are very satisfied.*



**Retirement finances:** Retirees are clearly aware of the changing demographic trend toward longer retirements: More than half (55 percent) of survey respondents said that when they retired, they expected that their savings would need to last for 20 years or more.

*Most experts recommend managing this longevity risk with a steady source of income. This may be one reason that 70 percent of respondents have an annuity as a source of retirement income, and a powerful 92 percent say they are satisfied with their decision to annuitize.*

**Retired life:** The survey found that health and aging are major emotional concerns as respondents worry about becoming a burden. Finances are an important consideration for retirees – but they are far from the only priority. Relationships, activities, health, and aging occupy a great deal of attention. Activities, in particular, appear to be central to a happy retirement. Among retirees who participate in 10 or more activities, 76 percent said they are “very satisfied” with their life in retirement. Only 52 percent of those who are engaged in 1-4 activities say the same.



*Just over half (54 percent) of retirees have stayed in their homes, indicating that they have not moved just before retiring or since they retired. However, that number differs significantly by age: 68 percent of retirees aged 66 to 69 are still in their homes, compared to 40 percent of those aged 80 and over. Those who have moved have done so for a variety of reasons, with the most popular being to find a home with a more suitable size or layout (17 percent), to be closer to family (16 percent) and to reduce personal maintenance tasks (11 percent).*

Although the findings of the TIAA Voices of Experience survey paint a very positive picture of life in retirement, respondents do have some concerns around aging. These concerns seem to indicate that respondents have planned for what they can – for example, fewer than one-quarter are concerned about running out of money. But they do worry about ways that they might experience loss: of a spouse/partner, of their own cognitive ability, or of their mobility.

To learn more, visit [www.tiaa.org/voices](http://www.tiaa.org/voices) or download the entire study at <https://www.tiaa.org/public/pdf/2016-voices-full-report.pdf>

## About the survey

The 2016 Voices of Experience survey was conducted by GfK Custom Research North American among a total of 1,583 TIAA retirees between May 28 and August 27, 2015. To qualify, all respondents had to indicate that they are retired. Respondents were mailed the survey questionnaire and had the option to return the survey by mail or to complete the survey online. Respondents completed 104 surveys online and 1,479 by mail. The sample was provided by TIAA, and data were weighted by gender, age, region, engagement, and industry sector.

The TIAA group of companies does not provide legal or tax advice. Please consult your legal tax advisor.

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## TOP FINDINGS FROM THE 2017 Fidelity Investments® New Year Financial Resolutions Study



of respondents **plan to make a financial resolution** in 2017



say they're in **better financial situation this year**, an all-time high



predict they **will be even better off financially** in 2017

### TOP RESOLUTIONS

**50%**

Save more

**28%**

Pay down debt

**16%**

Spend less

### TOP CONCERNS FOR THE NEW YEAR

**65%**

Unexpected expenses

**62%**

The economy

Despite the optimism expressed by so many survey respondents—and of note, nearly 9 in 10 (87 percent) Millennials believe they will be better off financially in 2017—there were concerns for what the future may hold. For the second year, "unexpected expenses" topped that list of financial concerns as the New Year approaches (65 percent, up slightly from 2015), although fears related to the economy followed closely behind at 62 percent, a significant increase over the prior year's survey (53 percent). For those worried about the economy, 42 percent said they were most concerned about global or political instability, while 29 percent pointed to its overall strength.

### Americans Saving For All the Right Reasons

Among those listing saving as one of their top financial resolutions for 2017, the majority (62 percent) plan to do so for long-term goals, while 32 percent plan to focus on the near-term. Although this two-to-one ratio is consistent with the prior year's survey, there were some notable changes in respondents' savings priorities:

- Among those who plan to focus on the **long-term**, almost two-thirds (64 percent) want to save more for retirement in an IRA or 401(k), up considerably over the previous year (53 percent). Significantly, nearly half of **all** respondents plan to increase their retirement saving by one percent or more in the year ahead—and, 61 percent of Millennials plan to do so.
- Among those who plan to focus on the **short-term**, 72 percent want to put more into an emergency fund. This number is an increase over last year (60 percent) and a 20-percentage point jump from 2014 (52 percent).



"This suggests people are focusing on the right things when it comes to saving," said Hevert. "Whether it's a new roof for your home or a medical emergency, the unexpected can throw your finances for a loop. In fact, for those whose resolutions fell short in 2016, almost three-quarters said they were derailed by unforeseen expenses. Setting aside an emergency fund can create a buffer against the unknown, protecting the funds you've saved for other priorities, such as retirement savings. On that note, it's encouraging to see that so many people are committing to increasing their annual retirement savings contribution by one percent or more in 2017, as small increases can really add up 20 or 30 years down the road."

(For a look at America's preferences when it comes to making resolutions, an infographic on what consumers would rather resolve to do in 2017 can be found [here](#).)

## **Believe It or Not: Making Resolutions can improve your bottom line**

For the past three years, the Fidelity study has taken a look at the positive impact making a resolution can have on improving one's financial condition. In 2016, the data reveals:

<b>People who made financial resolutions at the start of 2016 are... ..in better financial shape...</b>	<b>...than those who didn't make a financial resolution.</b>
More optimistic.	52 percent feel strongly they will be better off financially in 2017
More debt-free.	Only 37 percent strongly agree with this statement
More financially secure.	45 percent say they are less in debt this year compared to last year
	Only 34 percent feel the same way
	52 percent say they are in a better financial situation this year than last
	Only 42 percent feel the same way

What's more, actually fulfilling resolutions can make an even bigger impact. Of those who were successful in following through with their financial resolutions<sup>1</sup>, 66 percent say they are now in a better financial situation.

## **Need help sticking to resolutions? Tips for getting started**

For people looking to stick with a first-time financial resolution or are simply interested in pointers on how to maintain their momentum beyond January, the survey offers direction. Respondents identified the following as top motivators: feeling encouraged by the progress you've made so far (75 percent); being able to see the bottom-line benefit of sticking to a resolution over the year (69 percent); breaking a goal into smaller, more attainable short-term goals or rewarding yourself when you reach your goal (both tied at 63 percent).

Looking for additional information? Fidelity has published a new *Viewpoints* called "[Three financial resolutions for 2017](#)," available at [fidelity.com/resolutions](http://fidelity.com/resolutions). In addition, "[Important money moves before year end](#)" and "[Six tax-saving tips to complete by year end](#)" offer financial reality checks, with guidance on preparing for 2016 taxes and managing finances in the New Year. For those looking to improve retirement savings, Fidelity has introduced the [Fidelity Retirement Score](#)—a credit-card-like score for retirement. In less than 60 seconds, anyone can see how they are doing against their estimated retirement needs and get ideas of what to do next to improve the score. Fidelity customers can also obtain more information at the [Fidelity Planning & Guidance Center](#).

For more information on Fidelity's New Year Financial Resolutions Study, a [Fact Sheet](#) and [infographic](#) can be found on [Fidelity.com](http://Fidelity.com).