

Deferred Compensation News

401(k) Shared Savings and Section 457 Plans

Helping your cents make dollars, and your dollars make sense.

September 2008



National Save for Retirement Week

The US Senate recently passed S. Res 601 designating the week of October 19th as National Save for Retirement Week (NSFRW). The House of Representatives supported the action through H. Res. 1294. The Resolutions call on the federal government, states, localities, schools, universities, nonprofit organization, business, other entities, and the people of the United States to observe the week with appropriate programs and activities with the goal of increasing the retirement savings of all the people of the United States. Congress passed these Resolutions for several reasons including:

- The cost of retirement continues to rise, in part, because people in the United States are living longer than ever before, the number of employers providing retiree health coverage continues to decline, and retiree health care costs continue to increase at a rapid pace.
- Social Security remains the bedrock of retirement income for the great majority of the people of the United States, but was never intended by Congress to be the sole source of retirement income for families.
- Recent data from the Employee Benefit Research Institute indicates that, in the United States, the actual amount of retirement savings of workers lags far behind the amount that is realistically needed to adequately fund retirement.
- Many employees may not be taking advantage of workplace defined contribution plans at all or to the full extent allowed by the plans as prescribed by federal law.
- Many workers may not be aware of their retirement saving options or may not have focused on the importance of, and need for, saving for their own retirement.
- All workers, including public and private sector employees, employees of tax-exempt organizations, and self-employed individuals, can benefit from increased awareness of the need to save for retirement and the availability of tax-advantaged retirement savings vehicles to assist them in saving for retirement.

The County of Ventura is a strong supporter of NSFRW, so you'll be hearing more from us in October. As part of our NSFRW outreach, we'll be looking at how women's retirement planning needs differ from men's. Some of the challenges facing women include:

Since women are more likely than men to cut back on their employment to meet family needs, they work on average fewer total years than men. This can equate to smaller pensions, decreased Social Security benefits, and/or lower retirement savings (workplace savings plans and IRAs).

- In comparable full-time positions, women earn on average nearly 25% less for the same work.
- Women tend to invest later in life and more conservatively than men.
- Women are less likely to participate in 401(k) programs than their male counterparts.
- Women statistically live longer than men. This means their retirement savings will need to stretch over a longer period of time.

What's Inside . . .	
Estimate Your Social Security Benefits	2
401(k) Loans = Retirement Security	3
Section 457 Waiting Period	3
Investor Center Seminars	4
Pre-Retirement Workshop	4
NetBenefits SM News From Fidelity	4

- According to Wachovia's 4th Annual Retirement Survey, 54% of pre-retirement women surveyed said they are "frightened" by the idea of putting their savings in the stock market when compared to 30% of men. Additionally, 47% of women surveyed feel investing "takes more knowledge or skill" than they have, as opposed to 30% of the men surveyed.

If you're interested in retirement planning for women, you might want to attend the workshop we'll be sponsoring on the issue. And, although the workshop's focus will be on retirement planning for women, we encourage men to come as well. Attending the workshop might provide you with information to use with your own retirement planning, or it may help you plan with, and for, the women in your life. We'll also be holding other workshops and help desks during NSFRW. Look for the schedule the week of October 6.

In addition, there will be information tables set up all week in the Hall of Administration at the Government Center, the Board of Supervisors will be adopting their own Resolution, and we'll have daily e-mail messaging. But, don't wait for NSFRW to take charge of your retirement security. Enroll in the 401(k) or 457 Plan now . . . or increase your contributions . . . or check-in with your investments and your asset allocation. For help with any of these action items, call Fidelity at 800/343-0860 or logon to their website, NetBenefits, at



National Save For Retirement Week (Continued from page 1)

www.fidelity.com/atwork. And, if you have any questions about the deferred compensation program, give us a call at 806/654-2620. Remember, it's never too early, or too late, to take an active role in planning for your future. So, get a head start on National Save for Retirement Week and think about your retirement security today.



ESTIMATE YOUR SOCIAL SECURITY RETIREMENT BENEFITS ONLINE

On July 21, the Social Security Administration unveiled a new online calculator at www.socialsecurity.gov/estimator that will provide immediate

You can use the *Retirement Estimator* if:

- You are not currently receiving benefits on your own Social Security record,
- You have enough Social Security credits at this time to qualify for benefits, and
- You are not eligible for a pension based on work not covered by Social Security.

and personalized benefit estimates to help people plan for their retirement. The *Retirement Estimator* is tied to a person's actual Social Security earnings record and eliminates the need to manually key in years of earnings information.

The *Retirement Estimator* is just one of the things the Social Security Administration is doing to make more information and services people need available over the internet. In the fall, they plan to introduce their next initiative – a total overhaul of their online retirement application that will reduce the average filing time from 45 to 15 minutes. The Social Security Administration says these initiatives will help them better handle the baby boomer wave and make it easier for the public to do business with us online. For more information on Social Security, visit their website at www.socialsecurity.gov.

The *Retirement Estimator* is interactive, allowing the user to compare different retirement options. For example, a person can change retirement dates or expected future earnings. Individuals can also print out up to three different scenarios at one time, in addition to information about their benefits at age 62 (current age if older), full retirement age, and age 70.

Best of all, the *Retirement Estimator* is secure. The only thing it provides online is retirement benefit estimates. It does not show the earnings record information on which the final benefit estimate was calculated, nor does it reveal other personal information.

Fun Facts



While these aren't related to saving or investing, we thought you might enjoy these interesting facts:

- ☞ A baseball has exactly 108 stitches.
- ☞ Thomas Edison wrote the president of the Telegraph Co. to suggest that "hello" would be a more appropriate greeting than "ahoy," as submitted by Alexander Graham Bell, when answering the telephone.
- ☞ Captain Kirk never said, "Beam me up, Scotty." in the original Star Trek series. James Cagney never said, "Oh, you dirty rat." in any of his films. In the radio and television show *Dragnet*, Sgt. Joe Friday never stated, "Just the facts, ma'am. Just the facts." Sir Arthur Conan Doyle's Sherlock Holmes never uttered, "Elementary, my dear Watson." The phrase, "A man's gotta' do what a man's gotta' do." never came out of John Wayne's mouth in any of his flicks. Humphrey Bogart didn't say, "Play it again, Sam" in Casablanca. And, Cary Grant never said, "Judy, Judy, Judy" in any of his movies.



Federal law allows companies to create 401(k) plans in which workers can borrow against their account balances; about 85 percent of plans have such provisions. An increasing number of account-holders are exercising this option as their balances rise. But many account-holders do not realize how much retirement savings they forgo when they borrow from their 401(k).

The primary disadvantage of taking a 401(k) loan is the loss of compound interest and dividends that would have accrued if the money had not been borrowed. Moreover, the interest paid back into the account is unlikely to equal the interest earned by 401(k) investments.

Consider what happens when a 35-year-old worker with a 401(k) account balance of \$60,000 borrows \$30,000 at an interest rate of 6.25 percent to be paid back over two years. Assume the worker normally contributes \$500 a month to the account but cannot do so during the loan repayment period. Instead, he makes after-tax monthly loan payments of \$1,333 (including interest). As the figure shows:

Section 457 Plan Waiting Period

If you want to increase your biweekly contributions to the Section 457 Plan, there's a waiting period before those higher contributions can be deferred from your pay. This waiting period also applies for new enrollments and contributions you make from a buydown of your vacation or annual leave and any contributions you make from your payoffs when you separate from service. Your increased contributions to the 457 Plan can become effective the first payday in the month following the month you agree to make the contribution (*subject to administrative processing deadlines*).

If you agree to make the contribution in . . .

September
October
November
December
January
February
March

Your increased contributions can become effective . . .

Pay period 08-21 (October 9 payday)
Pay period 08-23 (November 6 payday)
Pay period 08-25 (December 4 payday)
Pay period 09-01 (January 15 payday)
Pay period 09-03 (February 12 payday)
Pay period 09-05 (March 12 payday)
Pay period 09-07 (April 9 payday)

As you can see, it's important to plan ahead when enrolling in the Plan or increasing your 457 Plan contributions. Be sure to make arrangements to increase your contributions in advance of the pay period in which you want your increased contributions to take effect. For more information on how the administrative processing deadlines affect the timing of your contributions, please contact the Deferred Compensation Program at 805/654-2620. To increase your contributions or enroll in the Plan, call Fidelity at 800/343-0860 or logon at www.fidelity.com/atwork.

401(K)Loans=Retirement Insecurity *(Continued from page 2)*

- If the account were earning a market interest rate of 6.25 percent, the same as the loan interest rate, he would have more than \$87,000 less at retirement (age 67) than if he had not borrowed.
- If the account were earning a market interest rate of 10 percent, he would have more than \$307,000 less at retirement than if he had not borrowed.

Next, consider a scenario in which a worker borrows \$30,000 over a five-year period, with monthly payments of \$583. Assuming no pretax contributions are made during the loan repayment period:

- If the account were earning a market interest rate of 6.25 percent, he would have \$192,794 less at retirement (age 67) than if he had not borrowed.
- If his account were earning a market interest rate of 10 percent, he would have more than \$646,200 less at retirement than if he had not borrowed!

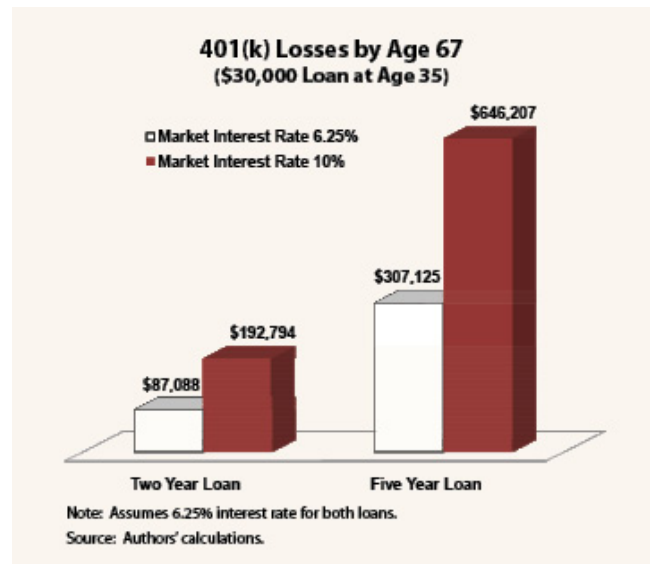
Furthermore, if the worker had allowed the account to grow loan-free at 10 percent and had purchased an annuity upon retirement he would have an annual income of \$158,000 for 30 years (until age 97). Borrowing for a five-year period reduces his annuitized annual income to \$122,000. A one-time \$30,000 loan costs the borrower more than \$30,000 a year in retirement income for the rest of his life!

The option of borrowing against a 401(k) is attractive; however, potential borrowers should be wary. Even in extreme situations, it is best for workers to seek other sources of capital before tapping their 401(k) accounts. Otherwise, borrowers are leaving much of their potential earnings on the table. A small loan now can equal a huge loss in future retirement security. How much will borrowing cost you? The National Center for Policy Analysis' 401(k) Borrowing Calculator can help you determine how much a 401(k) loan will cost in terms of lost savings and investment opportunities. The calculator will:

- Make annual comparisons of your projected 401(k) balance, with and without a loan, from the year you borrow until the year you retire.
- Compare your monthly income when you retire, with and without a loan, based on a 30-year fixed annuity.

You can access the calculator online at <http://www.ncpa.org/401kcalculator/d401kwa2.php>.

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Pre-retirement Workshop

Our comprehensive pre-retirement workshop, presented in partnership with the Ventura County Employees' Retirement Association (VCERA) and other Benefits personnel, is targeted at employees who are 5 years or fewer from retirement. The workshop covers the following topics: 401(k) and 457 Plan options; retirement income planning; County medical, dental, and vision plan options after you leave County service; VCERA benefits; Social Security and Medicare; mental health issues; and the perspective of current retirees.

The final 2008 workshop is full, but stay tuned for the 2009 workshop schedule.

Previous workshop attendees have told us they've received key information for their pre-retirement planning. We encourage you to take charge of your retirement by attending one of the scheduled workshops. You'll need to register in advance by contacting Brenda Cummings from VCERA at 805/339-4264. If you have any questions on the workshops, contact the Deferred Compensation Program at 805/654-2620.



Investor Center Seminars

Fidelity's local Investor Centers offer a variety of seminars to help you manage your wealth, meet your retirement goals, and make the most of Fidelity's resources. Following is information on some of the upcoming seminars in Thousand Oaks and Santa Barbara. For more information, or to register, call Fidelity at 877/FIDELITY. For a complete list of seminars, go to www.fidelity.com.

Thousand Oaks:

111 South Westlake Boulevard, #103 Thousand Oaks, CA 91362

College Planning

September 18 - 2:00 p.m.
October 23 - 2:00 p.m.
November 20 - 2:00 p.m.

Santa Barbara:

3793 State Street Santa Barbara, CA 93105

Estate Planning

September 18 - 5:00 p.m.

Quarterly Market Update

November 5 - 2:00 p.m.

NetBenefitsSM News from Fidelity

TAKE ADVANTAGE OF YOUR WORKPLACE SAVINGS

Quite simply, there's no savings opportunity like your Ventura County Shared 401(k) Savings or Section 457 Plans. They offer a unique combination of investment choices, convenience, and affordability.

Every day, the prospects grow brighter for a longer, healthier retirement. Yet Social Security, personal savings, pensions and even part-time work probably won't be enough. This makes your Ventura County 401(k) and 457 Plans essential if you want to maintain your quality of life after you stop working.

The Plans are an employee benefit designed to help you save for retirement. You choose how much of your paycheck to contribute to your Plans each pay period. And you decide how your money is invested by selecting from the investment options the Plans offer.

There are several key advantages to your Ventura County 401(k) and 457 Plans that aren't available with personal savings or investment accounts.

Deferred Taxes: You contribute money before taxes are taken out and your contributions are tax deferred – meaning you pay no income taxes on the money you put into the Plans, or on any investment earnings, until you withdraw it.

Convenience: The money comes right out of your paycheck each pay period, contributing to your Plans is easy, maybe even painless.

Compound growth potential: Any earnings on your contributions are reinvested right back into your accounts – where they can produce additional earnings. The longer you keep the money in your accounts, the harder each dollar can work for you. As many retirement savers have discovered, the effects of long-term compounding can be remarkable.

How do you choose the right investments? Fidelity can help. We provide the education, guidance, and planning resources to help you understand your investment options, determine your investment strategy, and put it all together. Your Plans also offer all-in-one investment options, like Lifecycle Funds and Fidelity Retirement Plan Manager[®] which can provide you a complete and professionally managed portfolio with one simple decision.

ENROLL TODAY! It's easy, simply enroll online via Fidelity NetBenefits[®] at www.fidelity.com/atwork or call Fidelity at 1-800-343-0860. Fidelity Retirement Representatives are available Monday through Friday 5 a.m. to 9 p.m. PT to help you enroll or answer any questions you may have.

Before investing in any investment option, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call or write to Fidelity for a free prospectus. Read it carefully before you invest. Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

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