

Deferred Compensation News

Helping your cents make dollars and your dollars make sense.

December 2011

2012 Plan Contribution Limits

For the first time since 2009 the plan contribution limits have been increased by the IRS. The limits recently released by the IRS increase the elective deferral limit by \$500.00 but the catch-up contribution limit has remained unchanged. This means you can contribute the following amounts to the 401(k) and 457 Plans in the 2012 Plan year.

401(k) Shared Savings Plan	\$17,000
401(k) Shared Savings Plan Baby Boomer Catch-Up (If you're at least 50 or will turn 50 in 2012)	\$22,500
Section 457 Plan	\$17,000
Section 457 Plan Baby Boomer Catch-Up (If you're at least 50 or will turn 50 in 2012)	\$22,500
Section 457 Plan Special Catch-Up (You must have prior years of unused deferrals and meet certain age and service requirements.)	\$34,000



You are automatically enrolled in the Baby Boomer Catch-Up Program for both Plans if you are at least 50 years old, or will turn 50 in 2012. This means that the payroll system will not stop your contributions at \$ 17,000, but will allow you to make contributions up to \$22,500. If you want your contributions to stop at \$17,000, contact the Deferred Compensation Program at 805/654-2620.

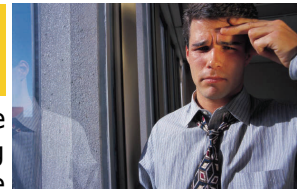
You are *not* automatically enrolled in the Section 457 Plan Special Catch-Up Program. If you want to participate in the Special Catch-Up Program, call the Deferred Compensation Program at 805.654.2620. If you enroll in the 457 Plan Special Catch-Up Program, you cannot participate in the Baby Boomer Catch-Up Program for either Plan.

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To change your biweekly 401(k) contributions as of the first pay period of 2012 (January 12 payday), contact Fidelity, either by phone at 800.343.0860 or logon to Fidelity NetBenefits® at <http://plan.fidelity.com/ventura>, between **December 23, 2011 and January 4, 2012** at 5:00 p.m. Remember, there's a waiting period for increasing your 457 Plan contribution. So, to change your biweekly 457 contributions for the first pay period in 2012 you will need to contact Fidelity between **December 23, 2011 and December 31, 2011**. Contact the Deferred Compensation Program for more information.

Feeling Stressed



It's no wonder. There's a lot going on these days. Maybe you're worried because of workplace uncertainty . . . maybe you're losing sleep because you're having trouble paying your bills . . . maybe you're looking at foreclosure . . . maybe you're stressed because it's the holiday season. Some may experience the stress in the form of uncomfortable anxiety, depression, physical symptoms, or even the increased reliance on items such as food or alcohol. So, we'd like to remind you to take care of your mental health along with your physical and financial health. And, the County provides you with a resource in that area - the Employee Assistance Program (EAP).

Talking to someone at EAP can be beneficial, particularly if you are concerned about the impact that overwhelming or discouraging feelings may have on you and those around you. The EAP provides confidential mental health assistance and is available to you and your family through these challenging times. Up to five visits are available with an EAP licensed mental health professional at no cost. You can reach EAP at 654.4EAP (4327).



Are You 5 or Fewer Years from Retirement?

If so, you might be interested in our comprehensive pre-retirement workshop, presented in partnership with the Ventura County Employees' Retirement Association (VCERA) and other Benefits personnel. The workshop covers the following topics: 401(k) and 457 Plan options; retirement income planning; VCERA benefits; Social Security and Medicare; County medical, dental, and vision plan options after you leave County service; mental health issues; and the perspective of current retirees.

We're happy to announce our 2012 workshop schedule as follows: February 7, May 2, August 7, and November 8. All workshops will be held in Ventura.

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 VCERA at 805.339.4250. If you have any questions on the workshops, contact the Deferred Compensation Program by e-mailing us at deferred.compensation@ventura.org or calling 805.654.2620.

Deferred Compensation Committee Meeting Schedule



The Deferred Compensation Committee's new regular meeting schedule is 2:00 p.m. on the 2nd Thursday in February, May, August, and November. The meetings are open to the public and all participants are invited to attend. For more information, or to request an agenda, please contact the Deferred Compensation Program by e-mailing deferred.compensation@ventura.org or calling 805.654.2620.

Five reasons an annual review is crucial

An up-to-date financial plan is especially important in uncertain times.



Ongoing economic uncertainty has made the need for an updated personal financial plan more critical than ever. The place to start is with an annual financial review, conducted with the help of your financial advisor, says Chris McDermott, Senior Vice President of Retirement and Financial planning at Fidelity Investments.

"Careful planning is essential in all economic climates, but it's never more important than during periods of volatility," McDermott notes. "When you're driving on a twisting road, that's when you need the highest level of certainty that your tires have plenty of tread and your brakes are working."

An annual financial checkup serves several purposes. It allows you to evaluate and adjust your goals, to ensure that your strategies align with those goals, and to take care of all the "housekeeping" items, such as updating beneficiaries, that aren't complicated but can have serious consequences if they're neglected.

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Be sure to review Fidelity's new Wealth Planning Overview with your Fidelity investment professional. This comprehensive list of wealth planning tips, strategies, and articles can help you identify and prioritize the topics that are most important to you.

Here are five important considerations to address with your investment professional:

1. Your investing goals—and your investments—might have changed.

Because you have multiple savings goals and an investment portfolio that's structured accordingly, your annual financial review should revisit each of your priorities. If your situation has changed, make adjustments as necessary.

If you've been saving for a new home or your children's or grandchildren's college education, for example, you might want to adjust your targets to reflect current real estate conditions and college tuition costs. Also evaluate your retirement portfolio and assess whether you're on track to achieve your retirement savings goal at your desired retirement age.

This is also the time to check your asset allocation to ensure that it continues to meet your investment needs and preferences, and to perform any rebalancing that might be necessary in light of the past year's market performance.

In addition, take some time to look at specific investments and evaluate whether they continue to have a role in your portfolio. If you invest in mutual funds, check to see if any of them have changed their objectives or "style." If you own stock in individual companies, evaluate the companies' current status and prospects, and decide whether they justify keeping.

2. You could be paying more tax than necessary.

Tax-efficient strategies could help you reduce the tax hit on your investments and potentially boost your after-tax returns. Morningstar has calculated that over the 74-year period ending in 2009, investors who managed their investments in a tax-sensitive manner achieved average returns that were one to two percentage points higher than those who didn't.¹

Your annual review is a great time to ask your advisor about tax-efficient strategies you might be missing. Such strategies include being conscious of the types of accounts you invest in, knowing when to sell or hold, having an asset allocation strategy, and monitoring deductions and distributions.

You might be able to take advantage of some of these strategies by contributing more to tax-advantaged vehicles, such as a 401(k) plan or a deferred annuity, by investing in tax-exempt bonds, or by choosing tax-managed mutual funds for your portfolio.

"Careful planning is essential in all economic climates, but it's never more important than during periods of volatility"

3. Your estate plan could have fallen out of date.

Neglect is probably the biggest threat to an estate plan. Use your annual review to make sure your plan continues to reflect your current family status and financial situation, as well as the latest estate and tax laws.

Marriage, divorce, birth, and death are the four big events that impact estate plans, but you may also want to consider other factors that could affect your planning.

If you're concerned about your heirs' ability to pay the tax bill on your estate, for example, you might want to look into setting up an irrevocable trust that removes your assets from your taxable estate.

You should also consider the impact of changes in the federal estate tax law. As of January 1, 2011, the federal estate tax applicable exclusion increased to \$5 million per person. Under certain conditions, a surviving spouse may now—through a provision of the new federal estate tax law known as portability—use any unused portion of this exclusion "ported" from his or her deceased partner, to shield the surviving spouse's estate from federal estate tax at the time of his or her death. The federal gift tax exclusion also has increased to \$5 million per person.

However, the exclusions are scheduled to revert to \$1 million per individual in 2013, and portability is also scheduled to expire. Congress may extend these provisions, but the uncertainty has underscored the need for careful planning.

4. Your retirement plan might not reflect your latest priorities and financial situation.

Priorities change. Selling the family home and moving to the beach might not sound as inviting today as it did before you had grandchildren, for instance. And that's fine. But as your perspective changes, so should your strategies.

An important part of your annual review should be to take stock of your retirement plans from the viewpoint of both lifestyle and financial needs.

For most investors, a well-conceived retirement plan seeks to establish guaranteed lifetime income sufficient to cover your essential expenses, McDermott says. Consequently, you should periodically reevaluate what you anticipate your retirement expenses will be. Many factors could change the expense side of the equation, ranging from health and marital status to your evolving interests and tastes.

On the income side, use your annual review to check your progress toward establishing your retirement income plan. If you're nearing retirement, your advisor can help you determine how your current wealth could be structured to provide the income level you need—or identify shortfalls and recommend strategies to address them.

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Also be sure to check your tax assumptions and determine if they need to be adjusted. For example, if you expect your income tax rate to be lower in retirement than it is currently, you might want to consider maximizing your tax-deferred savings now.

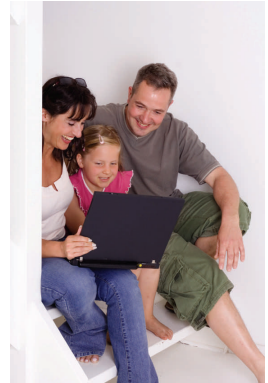
On the other hand, if you expect income tax rates to increase for your tax bracket by the time you're ready to retire, you might consider paying the taxes now by converting to a Roth IRA² for the tax-free income in retirement. If you're already retired, use your annual review to revisit your investment withdrawal strategy. Generally, it makes sense to use money from your taxable accounts first, because long-term capital gains are taxed at significantly lower rates than the ordinary income tax rates you pay on withdrawals from traditional tax-deferred retirement accounts. At the same time, leaving your tax-advantaged assets in place allows them to potentially grow tax deferred or tax free.

5. Your insurance needs might have changed, and your beneficiaries could need updating.

Insurance can be great protection against the unexpected, but it's wise to evaluate your needs annually to make sure you have the right amount of insurance in the right places.

Life insurance may be a good place to start. If your family is growing, you might want to increase the amount of your insurance to protect your loved ones from a devastating loss of income on top of the emotional pain of losing a parent or spouse. On the other hand, most people find that as they get older—and their net worth climbs and their children reach adulthood—they need less life insurance. The considerations surrounding disability insurance are similar.

If you choose to reduce your life or disability insurance, you could apply the savings toward your health insurance, which becomes more critical as you age and continues to increase in cost. You might also benefit from looking into long-term care insurance, which continues to mature as a product and offers a variety of features and options. A final consideration in your annual review is a simple check of your beneficiary designations. It's easy to do, but it could have a huge negative impact if it's neglected.



Most people remember to adjust their will in the event of a change in marital status, the birth of a child, or a death in the family, but they sometimes overlook other important contracts and accounts, such as life insurance, 401(k) plans, and IRAs. Remember that assets in your retirement accounts pass directly to the beneficiaries you designate with your account custodian, trustee, or plan administrator. Plus, your beneficiary designations could supersede any accommodation you have made in your will for your retirement account. While all of this might sound like a lot of ground to cover, an annual review is well worth the effort when you consider the hard work you have invested in building and protecting your wealth, McDermott says.

"Especially during uncertain times, it's important to have a long-term view of your wealth strategies," he says. "By staying focused on your goals and keeping your strategies current, you'll be better prepared for whatever the economy has in store."

Next steps

- Make a list of significant changes in your personal and financial affairs that have occurred during the past year.
- Call your Fidelity investment professional to set up an annual review of your financial plan.

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Diversification/asset allocation does not ensure a profit or guarantee against loss.

The tax and estate planning information herein is general in nature and should not be considered legal or tax advice. Laws of your particular state or your particular situation may affect this information. Consult your attorney or tax professional regarding your specific legal and tax situation.

1. Taxes can significantly reduce returns data—Morningstar, Inc., 3/1/2010. Federal income tax is calculated using the historical marginal and capital gains tax rates for a single taxpayer earning \$100,000 in 2005 dollars every year. This annual income is adjusted using the Consumer Price Index in order to obtain the corresponding income level for each year. Income is taxed at the appropriate federal income tax rate as it occurs. When realized, capital gains are calculated assuming the appropriate capital gains rates. The holding period for capital gains tax calculation is assumed to be five years for stocks, while government bonds are held until replaced in the index. No state income taxes are included. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Generally, among asset classes stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate. Although bonds generally present less short-term risk and volatility than stocks, bonds do entail interest rate risk (as interest rates rise, bond prices usually fall, and vice versa), issuer credit risk, and the risk of default, or the risk that an issuer will be unable to make income or principal payments. The effect of interest rate changes is usually more pronounced for longer-term securities. Additionally, bonds and short-term investments entail greater inflation risk, or the risk that the return of an investment will not keep up with increases in the prices of goods and services, than stocks.

2. A distribution from a Roth IRA is tax free and penalty free provided that the 5-year aging requirement has been satisfied and at least one of the following conditions is met: you reach age 59½, die, become disabled, or make a qualified first-time home purchase.

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