

## No minimum required

### Required Minimum Distribution rules have changed

**I**n December, Congress enacted a law that provides for a one-year suspension of the Required Minimum Distribution rules for most tax-deferred accounts, including Individual Retirement Accounts (IRAs). Normally, you are required to receive a minimum payment from your IRA each calendar year after you reach age 70½. This is known as a Required Minimum Distribution (RMD). The rules were suspended in reaction to widespread market losses in 2008. It was thought that requiring investors to take distributions that are based on prior year balances – which were likely higher than their current balances – imposed a substantial hardship on retirees.

This means IRA account holders age 70½ or older do not need to take an RMD until calendar year 2010. However, if you turned



70½ in 2008, you have until April 1, 2009, to take your RMD for 2008. The new law still requires payment of RMDs for 2008.

If you turn 70½ in 2009, you won't need to take an RMD by April 1, 2010. This is because while it may be paid in 2010, it is considered a 2009 RMD. However, you will need to take an RMD for 2010 by December 31, 2010.

#### How are RMD amounts calculated?

The distribution amount is determined by a formula that takes into account your life expectancy. Once the money has been withdrawn it is then subject to income taxes, which is the very purpose of the requirement. RMDs ensure that the government will

eventually get paid taxes on the money you've accumulated in your tax-deferred accounts.

Keep in mind you still have the option of taking an RMD for 2009. However, if you're 70½ or older and have set up automatic RMD payments, depending on your IRA provider, you may not receive a distribution this year unless you request one.

If you have any questions about the temporary RMD rule suspension and how it may impact your Mercer Securities account, you can speak with a representative between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, by calling 1-866-727-7277. ■■

### Don't forget!

You have until **April 15** to make your 2008 contributions to your IRA. You can contribute up to \$5,000 (\$6,000 if you're age 50 or older).

## What's your risk profile?

Knowing your risk profile is vital to determining how you want to invest. In general, the longer you have until retirement, the more risk you can afford to take on. Emotional factors may also play a role. For example, if the market's ups and downs keep you awake at night, it may not make sense to invest aggressively. Most investors fall into one of three categories:

### Aggressive Investors

Generally pursue long-term growth by holding most of their assets in stocks. They often have a long period of time until they need to tap into their money and deal with losses in their portfolios.

### Moderate Investors

Often have less time to invest than a typical aggressive investor. They may understand the need to invest some money in stocks for their growth potential but they offset their worry about the market's ups and downs by also investing a healthy portion in bond funds.

### Conservative Investors

Typically have less than 10 years until they need to access their money and so they may sacrifice some growth potential trying to avoid short-term losses. They typically hold less of their savings in stocks, and seek stability by investing most of their money in bonds and cash.

By considering your risk tolerance, and taking into account your time horizon, you can build a truly personalized investment strategy. ■■

## What do you know about Social Security?

Social Security benefits may supplement your personal savings when you retire. This true or false quiz can help you distinguish between myth and reality.

- 1 **Your Social Security benefit is based on your earnings throughout your working years. T  F**
- 2 **Social Security is in jeopardy because the government is paying more in Social Security benefits than it is collecting in taxes. T  F**
- 3 **If you begin collecting benefits before you reach your full retirement age, your monthly payments will be lower. T  F**

### Answers

1. True. The Social Security Administration (SSA) calculates your benefit based on 35 of your highest income-earning years. Your monthly benefit is a percentage of that amount. To see an estimate of what you can expect to receive at your full retirement age, use the online calculator at [www.ssa.gov](http://www.ssa.gov).
2. False. The SSA today collects more in taxes than it pays in benefits. Even if Congress takes no action to bolster Social Security, full benefits will continue to be paid through 2041.
3. True. If you opt to begin collecting benefits before you reach your full retirement age, your payments will be reduced by a fraction of a percent for each month between your current age and your full retirement age. To learn yours, visit [www.ssa.gov](http://www.ssa.gov). To receive the maximum benefit, consider postponing benefits until you reach full retirement age, which could be between 65 and 67, depending on the year you were born. If, for example, your full retirement age is 67 and you begin collecting benefits at age 62, your monthly check will be 30% less than if you had waited.

Source: [www.ssa.gov](http://www.ssa.gov), 2007

# Balancing Act

## The advantages of rebalancing your portfolio

Over time, gains in some types of investments and losses in others could cause your portfolio to shift from your intended strategy. Rebalancing your portfolio – selling some of your investments that have grown and investing more in the areas that have fallen behind – can help ensure you are taking on the level of investment risk that you originally intended, although it can't guarantee you won't lose money.

### Change happens

When you first decided how to invest your retirement assets, you probably chose among stock funds, bond funds, and cash equivalents. You considered your age, your goals, and your tolerance for risk. With those factors in mind, you tried to strike the right balance in your portfolio. But time has a way of changing the picture. Markets move up and down, which can shift your allocation. Plus, when you contribute to your account each month, you are buying shares at different prices all the time. You get more shares of a fund in months when its price is low and fewer when its price rises. Over time, this can cause your allocation to drift from your original mix.

### Getting your portfolio back on track

Let's say your portfolio has a value of \$20,000. When you set up your account, you invested 80% of your assets in stock funds and 20% in bond funds. A year later, upon reviewing your portfolio, you notice your allocation has shifted to 70% stocks and 30% bonds. After assessing your circumstances and your investments' performance, you decide you want to maintain your original ratio. To get back to your original 80/20 allocation, you might exchange some shares of the bond funds for stock funds. Alternatively, when you increase your contribution rate this year, you can direct your additional contributions to stock funds.

### An annual event

Experts recommend rebalancing your portfolio at least once a year. That means reviewing your allocation and making adjustments to those areas that have shifted. Rebalancing can help to manage risk, and it can also help you to achieve every investor's goal of buying low and selling high. By exchanging shares of top-performing funds for shares of lower-priced funds, you can potentially create new opportunities for growth. ■■



*Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus containing these and other details about any fund, please call 1-866-727-7277. Read this information carefully before making any investment decisions.*



*Change happens – all the time. To keep your investments allocated as you want them to be, periodically examine your portfolio, and harness the power of balance.*

Before rebalancing your portfolio, you should consider whether the method of rebalancing you decide to use will trigger transaction fees or result in any tax consequences. You should consult with a financial professional or tax advisor to help you identify ways that you can minimize these potential costs.

# Finding extra money to save

**E**very additional dollar you can contribute to your IRA now could have a surprisingly big impact on your long-term financial security. Here are several ways to start saving some extra cash.

## Keep an expense diary

Record everything you spend for at least one month. The more diligent you are about recording your purchases – whether by cash, check, or credit card – the more the diary is likely to help. At the end of the month, examine your diary. Create a worksheet on your computer, listing basic expense categories across the top. For example: groceries, dining out, clothing, utilities, housing, personal care, transportation, entertainment, and so on. Then, assign each item in your diary to a category, listing your \$2 coffee and \$6 lunch under dining out; your haircuts, dry cleaning, and gym under personal care; gas, parking, and tolls under transportation, etc. When you've organized your spending by category, total your expenses in each column.

You may be surprised at how much you spend on certain items. Buying the newest

thrillers in hardcover, for example, could cost approximately \$50 a month – that's \$600 a year. And every \$6 deli lunch you buy during the work week could add up to nearly \$1,500 over the course of a year!

## Trim the fat

Now it's time to see where you can cut back. While you may not be able to reduce spending in certain categories, like housing and medical care, you'll probably find some items you can live without. Circle those discretionary expenses so you can avoid them in the future. Good strategies for leaner spending include bringing a lunch from home a few days each week, or checking your cell phone bill to make sure you're not paying for more minutes than you use.

## A small increase could have a big impact

By finding a few places to cut back on your spending, then investing some of the savings in your IRA, you have the opportunity to increase the size of your account – and gain greater confidence about your financial future. ::

## Watching the Fed



The Federal Reserve Board (the Fed) is the United States' central bank. It oversees the country's banking system and plays a key role in managing the economy. The Fed has two stated goals: maximizing employment and keeping prices stable.

The main way the Fed affects the economy is by adjusting the federal funds rate, which governs the amount of money in the financial system. For example, rapid economic growth might cause prices on goods and services to rise too quickly. In that case, the Fed might raise the federal funds rate to remove money from the economy in an effort to prevent inflation from rising too rapidly.

On the other hand, if the Fed is concerned about rising unemployment, it can inject more money into the financial system by lowering the federal funds rate in an effort to stimulate economic growth and lead employers to hire more workers.

In fact, in today's economic environment – with the overall price of goods and services falling and unemployment rising – the Federal Reserve is playing a crucial role in the government's overall efforts to stabilize the U.S. economy. ::

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M252564 3/09