KEYSTONE NEWS

SPRING 2018 NEWSLETTER

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FOUR WAYS YOU CAN MAXIMIZE YOUR RETIREMENT SAVINGS

Did you know that the IRS limits how much you can save each year through the Pennsylvania State Employees' Retirement System's 457 Deferred Compensation Plan? In 2018, the annual limit for 457 plans is $18,500 (participants age 50 and older could save even more through catch-up contributions). That may sound like a lot, but maxing out your annual retirement plan contributions isn't an impossible goal. The following suggestions can help you build the momentum to save more for your future.

1. **Rethink your ride.** How often do you buy a new car? Before you trade in your used ride for something newer and shinier, think about how the money you would spend on a higher car payment (not to mention insurance premiums) could help fund your future retirement. The average monthly payment for a new car in 2017 was $479 — and in 2016, the average car loan topped $30,000.[1] Sticking with an older vehicle could keep you on the road to a more comfortable retirement.
2. **Keep the plastic in your pocket.** Credit cards are convenient, but they can be expensive. In 2017, the average annual percentage rate on credit cards neared 16%.[2] If you regularly carry a balance on your credit cards, you're paying a lot more than the sticker price on the things you buy. By using cash or a debit card instead, you can avoid those interest charges and then redirect the savings to your retirement account.
3. **Right size your new home purchase.** If you are shopping for a new home, your lender may give you approval for a bigger mortgage than you actually need. Your home is your castle — but it doesn't have to be an actual castle with a designer drawbridge and moat. There's no rule that says you have to buy the biggest house you can afford. Keeping your monthly mortgage payment lower could leave you with more to put toward your retirement.
4. **Start early, increase often.** When you save for retirement through your plan, any earnings on the money you invest get reinvested in your chosen investment options. Those earnings can then generate additional earnings of their own. This is known as compounded growth. The earlier you start saving through your plan — and the more frequently you increase your contribution amount — the more compounded growth could work to your advantage.

Interested in learning about other ways to maximize your retirement savings? Contact **(866) SERS457 (866-737-7457)** to schedule some time with your local Retirement Plan Advisor today.

pennsylvania
STATE EMPLOYEES' RETIREMENT SYSTEM
457 DEFERRED COMPENSATION PLAN

SPRING CLEANING

Give your portfolio a spring cleaning

After tax season is over may be an ideal time to take a closer look at your financial structure and tidy up where needed. Here's a checklist of key considerations to help you get started.

- **Lay a balanced investment groundwork.** Does your current asset allocation — the mix of securities in your investment portfolio — still match your risk tolerance and time horizon? Stock market performance over the past few years may have altered the value of your stock holdings above or below the level you had originally intended. If so, consider rebalancing either by redirecting future contributions of some of your stock or bond investments or by purchasing more stock, bond or cash investments.[3]
- **Create a nest for the future.** Rather than just hoping you'll have enough for a comfortable retirement, take some time to calculate how much you'll need — and how much you'll need to save. You may want to consult a financial professional to help you establish an accumulation goal and ensure you're on course to reach it.
- **Check your family's security system.** Insurance can help protect you and your loved ones from the costs of accidents, illness, disability and death. It's generally an important part of any sound financial plan. However, your individual need for coverage will depend on your personal circumstances, including your age, family and financial situation.
- **Review your estate plan.** You may not enjoy thinking about what will happen after you're gone, but failing to plan could cost your family and loved ones. A sound estate plan may help preserve your assets and keep them from being unnecessarily reduced by taxes. An estate typically includes an up-to-date will and may make use of tools for charitable giving and joint ownership of property.
- **Put a lid on debt.** While you're putting the rest of your financial plan in order, don't neglect credit card balances or other outstanding debt. Consider ways to either reduce your debt or manage it more effectively. For example, you might be able to save on interest charges by transferring your credit card balance(s) or refinancing your mortgage if conditions allow.

Your financial house is a complex structure that needs regular upkeep. By staying on top of things and keeping your financial house in order, you may help increase the potential that you are on track to reaching your goals.

HIGHER EDUCATION

Will you pass the college savings test?

Did you know that, on average, a college graduate earns nearly 70% more than someone with just a high school diploma?[4] That advantage, however, comes with a price tag. Currently, the average annual cost of a four-year private college tops $45,000 for tuition, fees, and room and board according to a 2016 repot called *Trends in College Pricing* by CollegeBoard. That's a significant amount of money, but don't despair. A sound investment strategy can help put your children on the road to a valuable four-year college degree.

When investing for any large financial objective, it's typically best to start early and invest often. First, set your goal: Estimate how much you will need to accumulate for each child based on their current age. Then develop a plan and stick with it. Consider discussing the following guidelines with your financial advisor.

Use an age-based approach

If you have time on your side (12 to 18 years), you may want to consider investing in stocks and equity mutual funds, as these investments have historically provided greater long-term growth potential (of course, past performance can't guarantee future results). Make sure to consider the volatility involved with equity investing and your ability to ride out potential fluctuations.

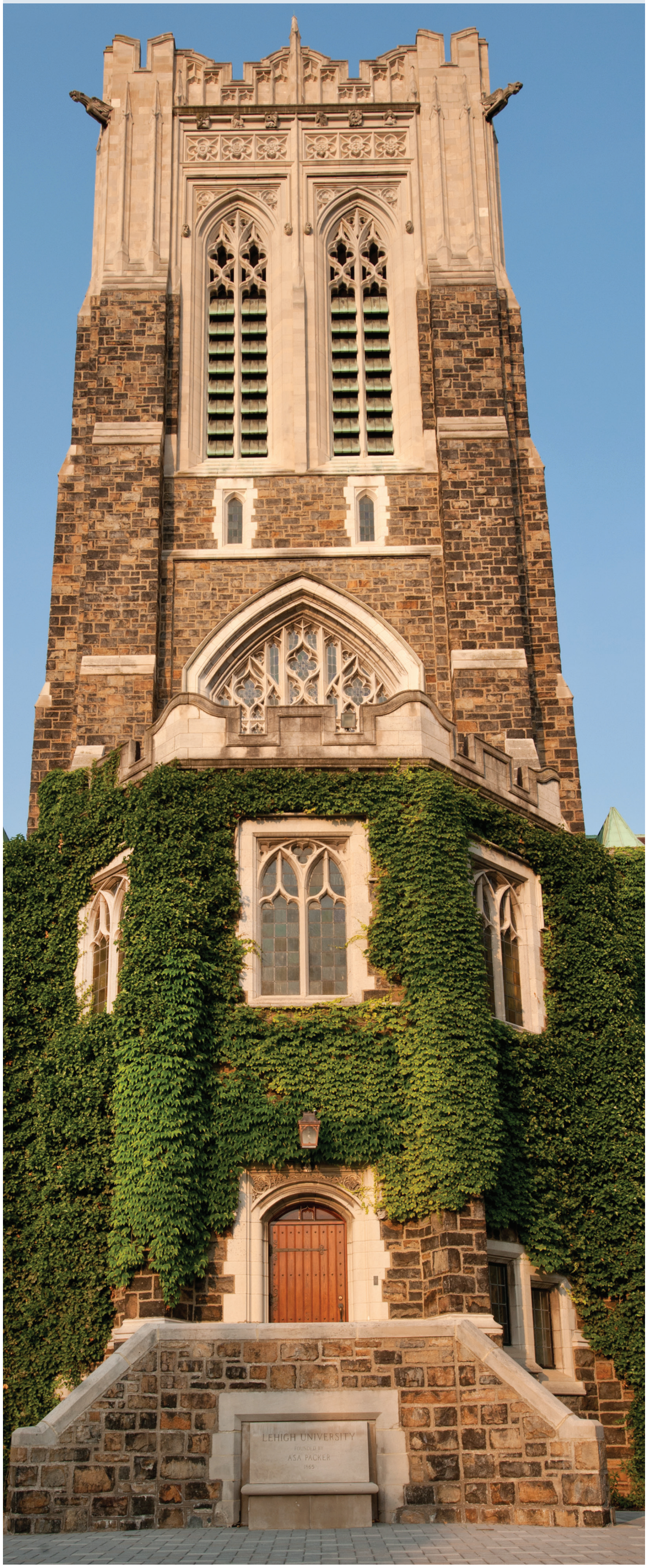
As your time horizon nears, you may want to consider adding or increasing a fixed-income element to help balance risk. Also, consider teaching the college-bound student about investing by encouraging that a portion of the money earned through part-time jobs be contributed to the college savings plan.

Investigate tools for saving

When investing for college, consider investing in a 529 college savings plan. These state-sponsored plans allow individuals to invest in predetermined, professionally managed investment pools. All earnings and distributions are tax-free if used for qualified higher education expenses.[5] Plus, residents of the sponsoring state may be eligible for a state tax deduction on contributions to the state's 529 plan.

Under federal law, you can contribute up to $14,000 annually or make a lump-sum contribution of $70,000 every five years — up to the plan's lifetime contribution limit — without triggering gift taxes. Another plus: There are no income restrictions on contributors to a 529 plan.

Consider working with your financial advisor to devise a strategy and choose from different investments to pursue a long-term financial goal, such as a child's or grandchild's college education.



REMEMBERING JIM DELONG

Condolences to the family and friends of Jim DeLong, Empower Plan Representative

The Pennsylvania State Employees' Retirement System's 457 Deferred Compensation Plan and Empower Retirement are mourning the loss of Jim DeLong, Empower Retirement Plan Advisor, who passed away last October at the age of 71. Jim had recently retired from his role with Empower. Prior to joining the company, he had a rich and varied career, including stints as an Oil City school teacher and Prudential Insurance representative. He played a prominent role in his community as well, serving as a member of the Titusville Area Chamber of Commerce, the VFW, the Titusville Community Band, Follies Band, and as a former judge of drum corps and marching band competitions. He was an avid photographer and outdoorsman, and had even published a book of photography and history of Oil Creek State Park titled *A Walk in the Park.* He was also once honored as a Wilderness Hero for his work photographing and preserving the Allegheny National Forest.

Jim was well spoken, and well-spoken of. He was deeply committed to his work, his family, and his community. He will be sorely missed by all who knew him. Our condolences to his wife and five children and his many friends and colleagues.

1 May 4, 2017: What Is The Average Monthly Car Payment?: thebalance.com/average-monthly-car-payment-4137650

2 March 22, 2017: Rate survey: Average card APR rises to all-time high of 15.59 percent: creditcards.com/credit-card-news/interest-rate-report-32217-up-2121.php

3 Asset allocation, rebalancing and diversification do not assure a profit or protect against a loss. Bonds are subject to market and interest rate risk if sold prior to maturity. Investing in stocks involves risks, including loss of principal.

4 U.S. Census Bureau, 2016. Based on lifetime earning figures.

5 Nonqualified withdrawals are subject to federal income taxes and a 10% federal penalty tax.

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EMPOWER RETIREMENT™