UNIVERSITY OF CALIFORNIA

FOCUS ON YOUR FUTURE

FALL 2012

UC Gives You Even More Help When it Comes to Planning for Your Future

Did you know that in addition to the classes, articles, and tools that are already available, you can get personalized help with more complex financial planning needs? Learn more about the planning and guidance service.

STAY ON TRACK

What a Trust Can Do for You
A trust can be an important tool in many situations 2

FOCUS ON

Retirement Savings Program Fees 101: What You Need to Know
Every retirement savings plan comes with certain fees and expenses. This ongoing series can help you understand what they are and how they work 4

IN THE KNOW

Get Ready for Minimum Required Distributions 5

Left Something Behind at Your Old Job?.....6

CONTACT US

1-866-682-7787
www.ucfocusonyourfuture.com

No matter how you like to learn, UC has tools and services to help you prepare for your financial future. Through the Financial Education Classes, you can learn on-site with a professional instructor. The UC Retirement System website (www.ucfocusonyourfuture.com) lets you develop your Personalized Retirement Roadmap and links you to additional tools, articles, and tutorials.

If you need more in-depth help or have complex financial planning needs, you can now meet with a Workplace Planning and Guidance Consultant, by phone or in person, to put together a financial plan based on your goals and objectives.

Eric Schreiber, one of Fidelity's Workplace Planning and Guidance Consultants who is dedicated to UC Faculty and Staff, spoke to FOCUS about his job and the ways he and his colleagues help UC participants with their financial planning needs.

When it comes to what people are looking for, Eric says the most common thing people want to know is if they're invested appropriately.

"Together we look at their career, goals, and risk tolerance, and what they're invested in: stocks versus bonds versus cash. My goal is to help them answer that question for themselves and develop an asset allocation strategy they can feel confident about," Eric says.

Another common concern for participants is whether their retirement income will last.

As a Workplace Planning and Guidance Consultant, Eric gets to work with a variety of clients with differing financial needs. He enjoys helping them develop plans that will bring them closer to what they see as a successful retirement. Regardless of a participant's needs, Eric says he wants to know what drives his clients.

"I get to know the person. I find out how they see their accounts, how they envision their retirement, and what they want to do to get there. Together, we develop a plan that caters to their needs and goals, whether the goal is providing retirement income or leaving behind a legacy," Eric says. "The satisfaction comes from meeting with people and being able to potentially make a positive difference when it comes to their financial future."

UNIVERSITY OF CALIFORNIA

FOCUS ON YOUR FUTURE

FALL 2012

UC Gives You Even More Help Continued from page 1.

The most challenging aspect of Eric's job: Reassuring participants that they can and should continue to invest no matter what's happening in the markets.

"People are generally not as confident in this market, but making drastic changes to their financial accounts can be risky. In general, it makes sense to review your ultimate goals against your timeframe, look at the long-term picture, and invest in a way that's comfortable for you," Eric says.

Eric's main piece of advice to participants is to start saving early, even if "you can only afford to save a little bit. As your income increases over time, try and increase your savings and contributions to the Retirement Savings Plans and other retirement accounts as well. Here's a bonus piece of advice: Track your spending, live below your means, and know where your money is going—have a budget. It will only help you save more."

If you'd like to meet with a Planning and Guidance Consultant like Eric about your financial planning needs, call **1-800-558-9182.** Workplace Planning and Guidance Consultants are available on business days from 5:00 a.m. to 6:00 p.m. Pacific time (excluding New York Stock Exchange holidays).

The views expressed herein are the views of Eric Schreiber, and are subject to change at any time, based on market and other conditions.

Stay on Track... What a Trust Can Do for You

The higher exclusion amounts for gift and estate taxes have prompted many investors to take another look at the role of trusts in helping them achieve their financial goals. Circumstances differ from family to family, but one clear fact is emerging: trusts remain an important tool in many situations, and for a range of reasons.

Understanding the Benefits of Trusts

Trusts can be used for many other purposes, including:

- **Control of your wealth.** Should you become incapacitated while you're living, a funded and properly constructed revocable trust, for example, may ensure that the trust assets will remain available for your benefit. After you're gone, the same trust can control who will receive distributions from the trust, as well as when the distributions will occur and on what terms.
- **Protection of your legacy.** A properly constructed trust can protect your legacy from your heirs' creditors, or from the spendthrift ways of the beneficiaries themselves.
- **Privacy and probate savings.** The assets included in your will must pass through your state's probate process. This requirement raises two concerns: first, there are fees associated with probate; and, second, probate records are generally accessible to the public. By putting assets into a revocable trust during your lifetime, however, you can avoid having these assets pass through probate at your death and retain your family's privacy, while retaining full use and control of those assets during your lifetime.
- **Gift tax considerations.** Many people are acting quickly to take advantage of the high gift tax exemption amount before it potentially reverts to $1 million in 2013. But while this may be a sound strategy for removing the money from the donor's estate, remember that the donor relinquishes all control over the money. By gifting the money instead to a trust, the benefactor can at least establish control over how and when it is to be distributed to beneficiaries.
- **State inheritance/estate taxes.** Estate taxes aren't the sole province of the federal government. Although California doesn't currently have an estate tax, there are 22 states that levy an estate tax; some can be far from inconsequential and often apply to estates worth much less than the current federal estate tax exemption of $5.12 million. In addition, California may reinstate an estate tax if certain changes in the federal estate tax laws occur. As a result, for those who live (or have assets such as real estate) in a state that has an estate tax, a properly constructed trust can be an effective estate planning tool.

LEARN MORE

Learn about estate planning with the **Preserving Your Savings for Future Generations** class.

Explore the **Estate Planning Center**.

What a Trust Can Do for You Continued from page 2.

Types of Trusts

The type of trust you consider creating—and the provisions you include—depends on your individual circumstances and goals. While the variety of trusts and their uses are too many to list and discuss fully at this time, here are a few examples:

- As already discussed above, funding a **revocable trust**, also known as a living trust, during your lifetime can be useful in keeping your assets out of probate and helping to provide privacy and efficiency for the settlement of your estate.
- If making gifts during your lifetime makes sense for estate tax savings or other reasons, the use of a specifically designed **irrevocable trust** to receive such gifts, given your personal circumstances and needs, may be warranted.
- For example, a **qualified personal residence trust** (QPRT) may allow you to transfer a primary residence or vacation home out of your estate, while allowing you to use that residence during a specified period of time.
- The uncertainty over future estate tax law clearly presents an ongoing challenge for keeping your estate plan aligned with the law at the time it is exercised. Couples who have estates that may or may not be valued under the federal estate tax exemption at the death of the first-to-die spouse or partner may want to consider a **disclaimer trust**. This type of trust allows the first-to-die spouse or partner to leave everything to the surviving spouse or partner but allows the survivor to disclaim the inheritance in a timely fashion and have it go into a trust instead. Such a strategy would allow the surviving spouse or partner to base his or her decisions on the existing laws at the time of the spouse or partner's death.

Clearly, deciding which trust to use, if any, is a complex challenge that requires the advice and guidance of a trusted estate planning attorney. Now may be the time to consider a trust that meets your needs.

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Focus on... Retirement Savings Program Fees 101: What You Need to Know

Every retirement savings plan comes with certain fees and expenses. Some are associated with the cost of managing the plan itself, while others are connected to the specific investment options you choose.

This series will help you understand the three most common retirement plan fees: asset-based fees, participant-based fees, and individual service fees.

In this installment, we'll give you an overview of these three fee types.

Importance of Fees and Expenses

In choosing investment options for your Retirement Savings Program accounts, you should look carefully at the description of fees and expenses because they can have an impact on how quickly your retirement savings may grow. The Core Funds overseen by the Treasurer's Office are a good example of a diverse fund menu that carries lower expenses than many similar publicly traded mutual funds. Other choices may include lower-cost share classes of mutual funds.

Asset-Based Fees and Expenses

Typically, asset-based fees, the largest component of retirement plan costs, are expressed as an "expense ratio" for each of the plans' investment options.

An expense ratio represents the investment option's management and operating expenses, including professional management, custody, accounting, audits, and other administrative expenses. These fees are paid by all shareholders, regardless of whether they purchased the shares inside or outside of a retirement plan. An investment option's expenses can vary from year to year. In addition, some investment options may carry a short-term trading fee, which is designed to discourage short-term buying and selling of fund shares.

Participant-Based Fees and Expenses

The day-to-day operation of a savings plan involves expenses for basic administrative services—such as plan recordkeeping, accounting, and legal and trustee services—that are necessary for administering the plan as a whole. These fees are typically calculated based on the number of participants in the plan.

In UC's case, administrative fees are paid by a combination of charges against plan earnings, revenue sharing from certain mutual funds, and the fees for special services described below. Currently, no plan administration fees are charged to your UC Retirement Savings Program account.

Individual Service Fees

The Retirement Savings Program may charge a fee for specific services, such as a participant loan, a qualified domestic relations order, or a hardship distribution. To take out a loan, you will pay a one-time fee of $35 when you initiate a loan and a loan service fee of $15 per year for each outstanding loan.

The Bottom Line

Fees and expenses do have an impact on your retirement income, but remember to keep them in perspective. Fees are one part of a bigger picture that includes investment risk, historical investment returns, and the extent and quality of the services your Plan provides.

Coming in the Winter 2012 issue of FOCUS: A deeper look at asset-based fees and expenses.

In the Know... Get Ready for Minimum Required Distributions

The Internal Revenue Service (IRS) requires you to begin receiving minimum required distributions (MRDs) from each of your UC Retirement Savings Program accounts the year you reach age 70½ or are no longer working, whichever is later.

- **Age 70½ or older during the current calendar year and not in an ongoing paid position with UC?** You are required to take an MRD from your UC Retirement Savings Program accounts—the 403(b) Plan, the 457(b) Plan, and the DC Plan—for the current tax year. If you have already started receiving your MRD, your MRD will continue regardless of any change in employment status.
- **Newly MRD-eligible and retired or separated from UC employment in the current calendar year?** You generally will be issued your MRD by late March the following year. Subsequent year MRDs will automatically continue and will be paid before the end of each year.

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Have questions or want to set up a systematic MRD? Call **Fidelity Retirement Services at 1-866-682-7787.**

Understand UC's **rules for MRDs.**

Calculating Your MRD

Generally, your MRD is determined by dividing the adjusted market value of your tax-deferred retirement account as of December 31 of the prior year by an applicable life expectancy factor taken from the IRS Uniform Lifetime Table. You can always withdraw more than the MRD amount.

If you have a traditional IRA, rollover IRA, SIMPLE IRA, or SEP-IRA in addition to the UC Retirement Savings Program, you must calculate and satisfy your IRA MRDs separately.

Where to Go For Help

Have questions? Want help staying on track once distributions start? Just call Fidelity Retirement Services at **1-866-682-7787.**

Please be sure you understand the tax consequences of any withdrawal from the Plan.

In the Know... Left Something Behind at Your Old Job?

The UC Retirement Savings Program's many benefits include the ability to roll in your other retirement accounts. It simplifies your financial life and brings you continued tax advantages. You get other benefits, too.

It's an especially attractive option if you are new to UC because you may have a previous employer's account that you need to make a decision about.

So if you left your retirement account behind when you left your previous employer, it may make sense to roll it over to the UC Retirement Savings Program. Besides the obvious perks like simplicity, convenience, and continued tax advantages, you get these benefits, too:

- **Pay Less, Get More.** If you're investing through multiple providers, you might be paying more fees than necessary. Under the UC Retirement Savings Program, you pay no annual participant account fee, and the UC Core Funds carry lower expenses than many similar publicly traded investment options.
- **Take Back Control.** If you have investments in several locations, it's difficult to stay in control of your overall portfolio. When everything is in one place, it's easier to see your complete financial picture. And it gives you a better chance of catching overlap and improving your portfolio's diversification. Keep in mind, diversification does not ensure a profit or guarantee against loss.

When you use your UC Retirement Savings Program to its fullest, you're building a foundation for your future. And that may just be the best move of all.

LEARN MORE

In general, the UC 403(b), 457(b), and DC Plans allow rollovers of pretax and after-tax amounts from the following types of plans:

- 401(a) plans
- 401(k) plans
- 403(b) plans
- Traditional IRAs
- 457(b) plans

For help with your rollover, call a Workplace Planning and Guidance Consultant at 1-800-558-9182.

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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