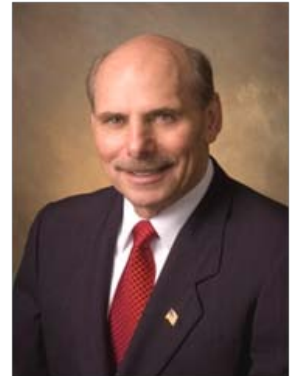




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PUBLIC SECTOR QUARTERLY NEWSLETTER

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SUPPLEMENTING YOUR PUBLIC SECTOR RETIREMENT

In an ideal world we would all start setting aside money to augment our public sector retirement at an early age. But, given the reality of mortgages, auto payments, and other ongoing living expenses, it's understandable to fall behind when planning for one's retirement years. Getting a late start on additional retirement investing doesn't have to interfere with your dreams, but it may help if you take charge of the situation sometime soon.

Most public sector career service employees are privileged to be able to participate in a "defined benefit" retirement plan offered through Federal, State and local governmental entities. Some public sector retirement systems also offer optional "defined contribution" plans.

Most public sector retirement systems are "contributory" systems, requiring the employee to contribute a portion of their earnings to their retirement system and the employer makes an additional contribution to the system on behalf of the employee during their working years.

In particular, those individuals who are members of the Florida Retirement System have been very fortunate to date. The FRS has been a "non-contributory" system since 1975, meaning your FRS employer currently

pays 100% of your retirement contribution to the FRS. There are cases where FRS employees have completed their entire work careers (25-35 years), after participating in the FRS DROP and have not been required to make any contributions to the FRS system. These individuals then retire and receive a "lifetime" pension in addition to their accumulated DROP assets.

Given the projected budget deficits throughout the Florida State and local governmental entities participating in the FRS that circumstance is almost certain to change upon the conclusion of the 2010 Florida legislative session.

All indications are the FRS will again become a "contributory" system. More likely than not, several other changes to the FRS may occur going forward; to include but, certainly not limited to: increase in the normal retirement age, change in benefit calculation methodology, COLA, DROP, and reduction or elimination of the Health Insurance Subsidy (HIS).

These changes (if enacted by law), will result in a reduction of retirement benefits for all FRS employees and retirees, possibility beginning as early as July 1, 2011, if not before.

INVESTMENT STRATEGIES

Notwithstanding the uncertain future of public sector retirement systems, your public sector retirement benefit may not be sufficient to sustain your desired standard of living. Everyone has the individual responsibility to plan for their retirement.

457(b) and 403(b) Accounts

Qualified retirement accounts present workers with opportunities to save additional monies for retirement and also earn tax benefits. Public sector workers may be able to contribute a portion of their earnings (*tax deferred*) to an employer sponsored plan such as a 457(b) - deferred compensation or 403(b) - tax sheltered annuity. The 2010 maximum annual contribution is \$16,500 (under age 50) and an additional catch-up of \$5,500 (age 50 or older). Note that these limits are indexed annually for inflation by the IRS and are subject to change.

IRAs (Traditional & Roth)

If you are not eligible to participate in an employer sponsored plan (457b OR 403b), or if you already contribute the maximum to one or both of these plans, consider funding a traditional IRA. The current annual contribution is \$5,000 (age 50+ \$6,000). Note that these limits are indexed annually for inflation by the IRS and are subject to change. Anyone under the age of 70 and who has earned income can contribute to a traditional IRA. Potential Roth IRA investors must meet income thresholds, available at www.irs.gov, to qualify for Roth IRA contributions.

Required minimum distributions (RMD's), which are taken annually, are required from traditional IRA's after age 70 ½. RMD's are not required from a Roth and qualified withdrawals are tax free.

Investing and retirement planning can be somewhat complicated and challenging. These issues, particularly with respect to investing your valuable assets wisely, require one to make informed and prudent decisions.

Therefore, it is of critical importance that everyone takes the time to develop a comprehensive financial and retirement income plan, to "successfully achieve your financial goal(s) and peace of mind during your retirement years" (*April 2010- CPS Public Sector Newsletter*).

You should take the time to contact your trusted financial advisor and discuss these important issues. Retirement/financial planning should be an ongoing process throughout your lifetime.

FINANCIAL GLOSSARY:

Investment Strategy - An investor's plan of distributing assets among various investments, taking into consideration such factors such as objectives, risk tolerance and planning horizon.

If you have any questions regarding these matters presented in this newsletter or Retirement Income Planning issues in general, please do not hesitate to contact me at CPS Investment Advisors, mlawton@cpalliance.com or 863-688-1725.

Sources:
2010 Standard and Poor's Financial Communications; MyFRS.com;
www.irs.gov

