



Money Matters

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quick tips for your financial future

Find your balance while still saving for your future

Put yourself on a financial weight loss plan

Financial advisers tell you to save all you can for your future. That may *sound* easy to some. But even the most frugal of us has to spend money on the basics: housing, food, clothing, commuting.

When there isn't much wiggle room after your basic expenses are covered, saving for a specific goal can be stressful.

Or, maybe you don't save at all. If this sounds familiar, you aren't alone. Many of us could easily spend all the money we earn (and then some!), and have nothing left over for any of our financial and life goals—retirement, making a major purchase, or investing.

Why is it hard to find balance between spending and saving?

Just like going on a diet doesn't mean you'll never enjoy food again, going on a budget savings plan doesn't mean you'll never enjoy spending money again, even if it sometimes feels like it. Think of your budget as a financial diet. Figure out which splurges are worth it, and where to trim the fat. Once you get in the habit, it will be much easier to maintain.

Decide what matters most

When it comes to your disposable income, are you spending on the things that don't matter? Finding yourself with a closet full of clothes you had to have (but never wear), or a wallet full of restaurant receipts won't get you very far when it comes to planning for your future.

Think about why you're spending on these things. Can you make some small changes—eliminate that daily coffee, or wear last year's sweaters—and funnel that cash into savings? You probably won't miss it as much as you think.

Set long- and short-term savings goals—and treat yourself, too

Set concrete goals that allow for rewards along the way. Sure, it's important that you save money for retirement, but don't forget to also set shorter-term savings goals that allow you to reward yourself.

If you starve yourself from spending altogether, you may find that you splurge too much and end up in worse shape than you started.



Thinking of your budget as a financial diet can help you find a balance between spending and saving

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Understanding IMRF

Plan Tiers: Wages and your FRE

Beginning January 1, 2011, the General Assembly created “Tiers” for IMRF members.

IMRF Tier 1 members first participated in IMRF or a reciprocal system (except Judges and General Assembly) before January 1, 2011.

IMRF Tier 2 members first participated in IMRF or a reciprocal system on or after January 1, 2011.

Spotlight on Wages and Final Rate of Earnings

Your Final Rate of Earnings (FRE) is the salary used to calculate the amount of your retirement benefits. The plan you participate in determines the length of time and amount of your salary used to calculate this figure.

Under Tier 1 Regular IMRF and SLEP plans, your FRE is the average of your highest total earnings during any 48 consecutive months (four years) within your last 10 years of IMRF service.

Under Tier 2 Regular IMRF and SLEP plans, FRE is the average of your highest total earnings during

any 96 consecutive months (eight years) within your last 10 years of IMRF service. Usually, this is the average of your last 96 months of service.



Wage caps

In addition to the FRE calculation, a Tier 2 member's wages are subject to an annual wage cap. For 2011 that amount was \$106,800, and for 2012 \$108,882.60—this amount will increase each year. You do not pay any contributions on wages above the cap. The wage cap is also applied when IMRF calculates your benefits.

Tier 1 members are subject only to an IRS wage cap of \$250,000 for 2012.

Not sure which tier you participate in? To find out, sign in to your Member Access account at www.imrforg/MyIMRF.



Teaching kids about saving and spending

Setting up a firm financial foundation for your children can mean they don't have to learn the hard way as adults. Here are a few ways you can teach lessons that will last a lifetime:

Make it clear that money doesn't grow on trees

When I was little and my mom told me she didn't have money, I told her to “Go to the grocery store and write a check.” These days you'd go to the ATM, but the concept is the same. Explain where the money is coming from, and how it got there—and that it's not unlimited!

Let them learn by doing

That shiny toy your child “has to have now!” can become the object of a goal-setting lesson. Explain the cost and put together a plan for saving up for the item. With younger children, this works best with cash that they can see and watch grow in front of them rather than in a savings account.

Every penny teaches a lesson

Your children will learn from every spending decision—good or bad. Talk about spending pros and cons, comparison shopping, the other things they can buy with that money, or how they can save for longer for something bigger and better down the road.



IMRF is more than just retirement planning.

Want to learn more about your benefits?

Did you know in addition to retirement benefits, IMRF provides valuable benefits—like survivor benefits and short- and long-term disability benefits—that protect you while you're working? How can you learn more about the topics that matter to you while you're working for an IMRF employer, and take advantage of all the benefits you're entitled to?

Interested? Talk to your employer and ask them to contact your IMRF Field Representative.

You can still attend a regular workshop

Of course, IMRF still offers our free “Planning for Your Future” workshops, which are free. You can find out more about these workshops on our website at www.imrf.org by clicking on “Workshops.” You will need a Member Access account to register.

Keep IMRF up to date

IMRF protects your future —and your loved ones

Sure, IMRF helps you save for your retirement future, but did you know that we also provide survivor benefits for your loved ones should you pass away?

Nobody wants to think about a future they aren't a part of, but ensuring that your loved ones are provided for if you aren't around is an important part of financial planning.

What benefits are provided to your loved ones if you pass away while participating in IMRF?

If you have more than one year of credit or your death is job-related, a lump sum death benefit of one year's salary, plus any balance in your member account will be payable to your beneficiaries. If you are vested and have an eligible spouse, your spouse may choose to receive a monthly surviving spouse pension instead of a lump sum.

Detailed death benefit estimate information is available in your Member Access account (www.imrf.org/MyIMRF) or on your annual member statement.

Keep your beneficiary forms up to date!

Has your family situation changed? Have you gotten married, divorced, had a child? When was the last time you updated your IMRF beneficiary form?

If you have no beneficiary form on file, your default beneficiary is your estate. However, for your spouse to be eligible for a surviving spouse pension, you must have a beneficiary form on file listing your spouse as your sole primary beneficiary.

Why is it important?

Could you imagine your death benefit being paid to a former girlfriend or boyfriend, or to your parents instead of your spouse and children?



If your situation has changed and you haven't let us know, we will pay your benefit according to the last valid beneficiary form we have on file.

How to update

Submit a new IMRF Form 6.11, "Designation of Beneficiary," available at www.imrf.org or in your Member Access account.

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Tips to meet your budget goals

Changing a few things about the way you spend can help keep your goals in sight.



- 1 Trouble with splurges? Go shopping armed with a shopping list—and stick to it.
- 2 Skip the ATM and credit cards. Carry cash—when you run out, you're done.
- 3 Write down your financial goals, and refer to them often. Set mini-goals to help you stay on track if needed.
- 4 Keep a daily log of everything you spend. You might be surprised where those pennies go.
- 5 Evaluate your spending plan periodically, especially if your income changes or you pay off debt.

IMRF's Field Representatives are available to come to your employer for a free, 60- to 90-minute presentation to discuss the topics that matter to you as an active IMRF member. They can also set up 15-minute employer-sponsored Personal Benefit Reviews in your workplace.

Representative to set up a session at your workplace.

Focus on the retirement aspect of IMRF.
Check on "Member Workshops."



Want to stay up to date with IMRF legislation?

Sign up today to receive IMRF Legislative Update emails to let you know what's going on with the General Assembly and IMRF.

Visit the "Legislation" page at www.imrf.org to opt-in to begin receiving these messages. We'll send email messages while the General Assembly is in session.

Statements in this publication are general and the Illinois state law governing IMRF is complex and specific. If a conflict arises between information in this publication and the law, all decisions are based on the law. IMRF does not endorse any outside agencies mentioned in this newsletter unless specifically stated.



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