

Simplify your financial life and gain back precious time and energy

Is juggling your finances stressing you out? Is keeping track of your various accounts taking up time and energy you'd like to devote to other parts of your busy life?

Karen Chan has been educating the public on financial matters for 20 years, previously as a consumer economics educator with the University of Illinois Extension and now through her own business, Karen Chan Financial Education & Consulting. As part of this year's Money Smart Week (April 5-12) her free class, "10 Ways to Simplify Your Finances," offered tips to reduce the time and effort you spend on managing your money.

"The main point is, we want to set things up so that it's easier to get these financial tasks done," Chan said. "There are often costs, or foregone opportunities, when we don't."

Automate and consolidate

By automating individual transactions (whether payments or deposits) and reducing the number of accounts you maintain, you can stay focused on your broader financial picture.

"I'm a fan of automation, because it means that I set something up where it requires no action on my part," Chan said. "It takes none of my time; it takes none of my attention."

You may already have set up your paycheck to deposit and certain bills to be paid automatically, which ensures they're paid on time. You can also have money automatically deposited every month into your

savings account, 457 or 403(b) plan, or IRA. "That takes the overthinking out of it, which tends to make us better investors," Chan said.



If you have multiple bank accounts, credit cards, and retirement accounts, consolidation is another option. Having only one credit card means you'll have only one bill to pay (and you'll rack up rewards faster). Avoiding fees and overages on your checking account becomes easier when you only have one to keep track of. And

maintaining one retirement account greatly simplifies rebalancing.

Make a plan

When managing your finances, Chan suggests having systems in place from the beginning so that you don't have to make rushed decisions. Hasty decision-making causes us more stress and is less likely to be in our long-term financial best interest. "When we're going through a crisis in our lives, we just don't have the mental attention to devote to our finances because there is too much demanding our attention."

These questions are even more important to discuss when you form relationships that combine finances. "As you establish a relationship, you may be trying to

continued on page two



RETIREMENT ESSENTIALS

from page one

Simplify your financial life

Decisions to work out with your household in advance:

- Who pays which bills, and when will they be paid?
- How will you systematize savings?
- How much will you spend on discretionary expenses?
- How will you track expenses?
- Who monitors your checking and investment accounts?
- What is your target asset allocation, and when do you rebalance?
- When do you start working on your taxes?
- Where will you store important documents? (Deeds, wills, etc.)
- Will you co-sign a loan?
- Who has your power of attorney for healthcare? For property?
- Have you made a living will?

merge two very different systems," Chan said. Will you have to clear expenses with one another? Will you have separate accounts?

Making these decisions beforehand can also allow you to build some cushion into your payment schedule. Figure out when you'll have the money for your most important bills, like rent/mortgage, utilities, or car payments, and pay those first, even if it's two weeks early. Having the big things taken care of is much less stressful than worrying about whether your check will make it through the postal system in time, or scrambling in the case of emergency, especially given the potential consequences. "Just having one late payment can have a big effect on your credit score," Chan pointed out.

According to the same principle, Chan cautions against the temptation to budget every penny. Instead, keep extra money in your checking account so you don't have to monitor it so closely, keep your credit card balance well below the limit, and withhold a little extra from your taxes so you won't have to worry about paying a penalty.

Stay focused on what's important

Everyone loves a deal. But you can spend so much time and energy seeking deals on relatively inexpensive purchases that the benefit is marginal. Chan recommends focusing most of your time and energy on decisions with the biggest financial impact. For example, spend more effort researching the lifetime cost of your

next potential car purchase than on which nearby gas station offers fuel two cents cheaper this week.

Similarly, our attempts to get organized can get so complex they become difficult to maintain. The most important thing is having a functional system, Chan emphasizes. It doesn't have to be alphabetized or immaculate. Have just one place to look for any given item, she suggests, like a box where you immediately put all tax-related documents.

Excess paper does not make the task of staying organized any easier. With the itemized records kept by your bank, there's no reason to receive paper statements when electronic records are so much more searchable. And stop printing everything! You can safely throw out:

- Old utility bills when your current one arrives.
- All pay stubs but the last one of the year once you've received your W2.
- Receipts once you've used the item, unless it has a warranty or is tax-deductible.

Stay streamlined in the face of change

Every time you go through a major life change, Chan recommends keeping track of the resulting financial changes and reassessing your situation. Then, she said, find a system you're comfortable with that you can use long-term. ❖

Stellar 2013 investment return leads to record-high IMRF portfolio

IMRF's vision statement compels us to provide the best—world-class—retirement services to our members, their beneficiaries, and our employers.

Everyone at IMRF—the Board of Trustees, senior leaders, and other IMRF team members—is singularly focused on the continued achievement of this vision.

This dedication is reflected in IMRF's impressive 2013 investment return of 20%, yielding \$5.6 billion in investment gains.

IMRF assets at historic high

With this outstanding investment return, IMRF's total portfolio grew to a record high of more than \$33 billion at the close of our fiscal year on December 31, 2013.

IMRF's U.S. stock portfolio alone returned 37.3% during 2013, as compared to the 33.5% for the Dow Jones Total Stock Market Index.

IMRF has recorded double-digit returns four out of the last five years.

IMRF funding status rebounds

Historic returns in 2013 boosted IMRF's funding status significantly. IMRF ended its fiscal year 96.7% funded on a market basis. A very healthy figure by industry standards, our funding status shows that IMRF has largely recovered from the losses of the recession.

In the long-term, IMRF is committed to regaining the 100%

funding status it held prior to the economic downturn.

Committed to your retirement

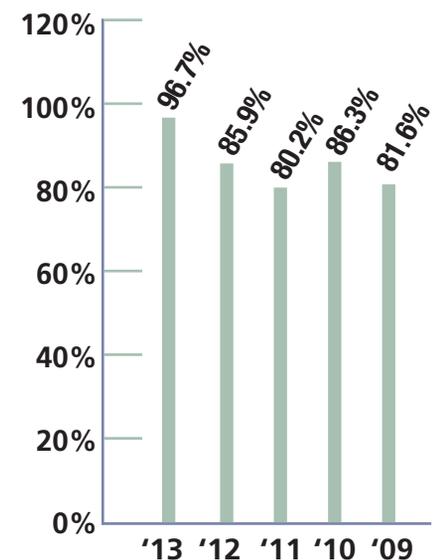
You can look with a sense of security to IMRF's net asset base of \$33.3 billion. These assets are irrevocably committed to the payment of our current retirees' pensions and future pensions of IMRF members. It doesn't matter whether you are a current retiree or working for an IMRF employer: IMRF will be there for you when you need us.

Expert management for the long haul

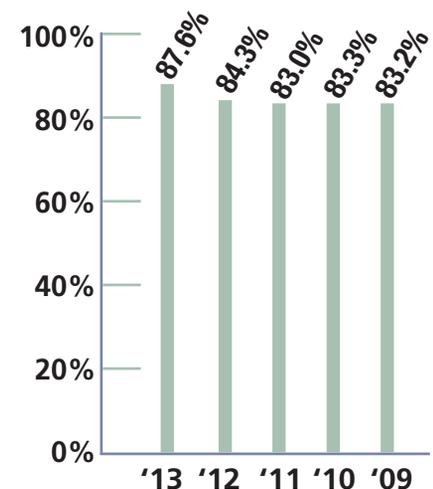
Currently, 88 professional investment management firms, handling 119 separate accounts, manage the investment portfolio. These firms make investment decisions under the Illinois Pension Code's prudent man rule and by investment policy guidelines adopted by the Board of Trustees. The Board also employs an investment consultant who monitors the firms' performance.

IMRF takes a conservative, long-term approach to investing on your behalf. IMRF designs our investment portfolio to achieve the

Market Funding Status
(for the past 5 years)



Actuarial Funding Status
(for the past 5 years)



greatest return with an acceptable amount of risk. Our diversified investment strategy results in steady and responsible returns. ❖



Illinois Municipal Retirement Fund

IMRF Main Office & Mail Address

2211 York Road, Suite 500
Oak Brook, IL 60523-2337

PRESORTED
STANDARD
U.S. POSTAGE
PAID
DOWNERS GROVE, IL
Permit No. 2001

IMRF 2014 Board of Trustees

Natalie Copper
president
Employee Trustee
Evanston School
District 65

Gwen Henry
Executive Trustee
DuPage County

William Stafford
Executive Trustee
Evanston Township High
School District 202

John Piechocinski
vice president
Employee Trustee
Plainfield Community
Consolidated School
District

Sue Stanish
Executive Trustee
Naperville Park District

Tom Kuehne
secretary
Executive Trustee
Village of Arlington
Heights

Jeffrey A. Stulir
Employee Trustee
Rock Island County
Sheriff's Department

Sharon U. Thompson
Annuitant Trustee
(Formerly) Lee County

Fundamentals

is published twice a year for the inactive members of IMRF
John Krupa, communications manager, jkrupa@imrf.org
Erin Cochran, editor, ecochran@imrf.org
1-800-ASK-IMRF (275-4673) • www.imrf.org

Tenemos representantes que hablan español. 1-800-ASK-IMRF (1-800-275-4673)

Three ways to reduce the noise

Financial educator Karen Chan recommends these three ways to reduce the demands on your financial attention:

- 1. Only check your investments about once a quarter.** If you check them more often than once a month, Chan says, "you're reacting to spur-of-the-moment information" and risk making panic-based decisions that aren't in line with your long-term financial goals.
- 2. Be selective about using alerts and reminders.** Using them to schedule too much of your time can result, ironically, in tuning them out. If you don't pay attention to them anymore, they've turned into noise.
- 3. Opt out of prescreened credit offers.** If you're sick of shredding, call 1-888-5OPT-OUT (1-888-567-8688) or visit www.optoutprescreen.com to stop receiving offers for credit cards. ❖

Correction

The following three Chicago pension systems do NOT have compounded COLAs: Chicago Fire, Chicago Police, and Chicago Parks. The cover article from the previous issue of *Fundamentals* ("Illinois pension reform becomes law; major provisions do not affect IMRF") incorrectly stated that all of the Chicago pension systems have compounding. IMRF regrets the error.

In This Issue:

page one

Simplify your financial life and gain back precious time and energy

pages two and three

Simplify your financial life cont'd

Annual financial report: Stellar 2013 investment return leads to record-high IMRF portfolio

page 4

Three ways to reduce the noise

Correction



Visit us online at www.imrf.org



Follow TheIMRF on Facebook and Twitter

