



# Money Matters

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quick tips for your financial future

## Simplify your financial life

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.



**Have your finances become difficult to navigate?**

### 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."

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## Simplify your financial life

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### 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 gifts, vacations, and other discretionary expenses?
- How will you track expenses?
- Who monitors your checking and investment accounts?
- What is your target asset allocation, and how often should 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?

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 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.

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## 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?

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.

Interested? Talk to your employer and ask them to contact your IMRF Field Representative to set up a session.

# Proposed 13<sup>th</sup> payment legislation withdrawn

This past March, State Representative Deborah Conroy (D-Villa Park) introduced legislation to eliminate the IMRF 13<sup>th</sup> payment. In April, after opposition from the IMRF Board of Trustees, employee groups, and IMRF members and employers, Conroy tabled the legislation.

Tabled proposals are withdrawn from the legislative process and typically go no further.

Had it passed, the proposed legislation, House Amendment #1 to House Bill 3898, would have terminated the 13<sup>th</sup> payment for all current and future retirees effective January 1, 2015.

IMRF Executive Director Louis W. Kosiba thanked Rep. Conroy for reconsidering her position after learning more about IMRF and the 13<sup>th</sup> payment.

“Representative Conroy has good intentions: she wants to stop pension abuse, ensure the success of IMRF, and reduce the financial pressure on local government,” Kosiba said. “It takes a courageous leader to take a position, then learn, adapt, and rethink her stance after obtaining new information.”

Kosiba also thanked IMRF members, employers, and employee groups for reaching out to state legislators to share information about IMRF and the 13<sup>th</sup> payment. More than 600 online witness slips were filed against the legislation.

“We at IMRF heard from many of you, and we know that the members of the General Assembly heard from you also,” Kosiba said. “This could not have been achieved without your efforts.”

Media reports have characterized the 13<sup>th</sup> payment as a “bonus.” This is inaccurate. It is a form of deferred compensation intended to help offset inflation. It was granted to retirees after significant negotiation by employee and employer groups, and approved by the Illinois General Assembly in 1992.

## You can still attend a regular workshop

Of course, IMRF still offers our free “Planning for Your Future” workshops. While these workshops are focused on the retirement aspect of IMRF, they also contain important general information about your IMRF benefits. **Our members close to retirement say they wish they had gone to one sooner—don’t wait! A workshop can help you make sure you’re making all the right decisions about your benefits.**

You can find out more about these workshops on our website at [www.imrf.org](http://www.imrf.org) by clicking on “Member Workshops.” You will need a Member Access account to register.

The Illinois Pension Code requires each IMRF employer to contribute 0.62% (62 hundredths of 1%) of its annual IMRF payroll to support the 13<sup>th</sup> payment. During 2013, the average IMRF employer contributed \$14,148 to fund the benefit.

The 13<sup>th</sup> payment is mailed to eligible retired members every July. During 2013, the average 13<sup>th</sup> payment to an IMRF retiree was \$343.

If you’re interested in keeping up with IMRF-related legislation, you may wish to sign up for our Legislative Update email list. While the Illinois General Assembly is

in session, IMRF sends periodic updates keeping you informed about legislation that affects IMRF members and retirees. To sign up, go to [www.imrf.org](http://www.imrf.org), click the Legislation tab, and follow the instructions.



## 3 ways to decrease noise

“There is research out there on decision fatigue. You can only make so many decisions before your brain is too tired to make good decisions any longer, so when you’re making big, important decisions, you want to do it when you haven’t made a bunch of little ones right before that,” says financial educator Karen Chan. “Same with paying attention to things. We only have so much mental attention.” 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. Delete the app from your smart-phone if you find yourself clicking it all the time.

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](http://www.optoutprescreen.com) to stop receiving offers for credit cards. If you change your mind, you can also call to be added back on the list.

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## Simplify your financial life

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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

"For so many of us in our 20s and 30s, change is pretty rapid. We live with

somebody, we get married and have a kid," Chan observed. Every time you go through a major life change, she 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.

**Karen Chan** is a financial educator, speaker, and consultant who has been educating the public on financial matters for 20 years. She partners with numerous Chicago-area libraries to present well-researched, in-depth financial workshops that help participants make wiser decisions with their money. Visit [www.karenchanfinancialed.com](http://www.karenchanfinancialed.com) to learn more about Chan and the programs she offers.

## Correction

The following three Chicago pension systems do NOT have compounded COLAs:

- Chicago Fire
- Chicago Police
- Chicago Parks

The cover article from last quarter's issue of *Money Matters* ("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.