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.

Continued on page two
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 13th payment legislation withdrawn

This past March, State Representative Deborah Conroy (D-Villa Park) introduced legislation to eliminate the IMRF 13th 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 13th 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 13th 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 13th 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 13th 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.

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

The 13th payment is mailed to eligible retired members every July. During 2013, the average 13th 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, 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 to stop receiving offers for credit cards. If you change your mind, you can also call to be added back on the list.

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 by clicking on “Member Workshops.” You will need a Member Access account to register.
Simplify your financial life

Continued from page two

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.

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.

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.karencanfinancialed.com to learn more about Chan and the programs she offers.