



## DON'T DO THIS WITH YOUR MONEY

When it comes to managing money, no one wants to make dumb mistakes. Take a look at how some seemingly smart moves can backfire.

- 1. Contributing the minimum to your 401(k)** – Sure you've got other obligations, but skimping on your 401(k) contribution can cost you big time. Simply upping your annual contribution by \$1,000 for the next 30 years means you'll have \$153,110 more for retirement than you would otherwise. (That's assuming a 7-percent return and a 50-percent employer match.)
- 2. Having lots of credit cards** – A wallet full of credit cards may give you peace of mind, but having more than two can damage your credit score and increase your temptation to spend. And the bigger your credit card balances, the smaller the pool of money available to sock away in your 401(k).
- 3. Getting a big tax refund** – It's nice to get that refund check at the end of the year, but why give Uncle Sam free use of your money? The smart move is to adjust your withholding so you can keep more cash each month. That will give you more money to contribute to your 401(k), which can reduce your taxable income even further.
- 4. Cashing out your 401(k)** – When you leave a job, it's tempting to take the money and run. But don't. This dumb move means you'll pay a 10 percent penalty on the value of your account plus income taxes. But that's not all. Cashing out your 401(k) is like throwing your potential for future tax-free growth out the window.
- 5. Saving for college** – You want your kids to go to college, but not at the expense of your own retirement plans. The better alternative is to fully fund your 401(k). Your kids can always take out low-interest loans for college. But no one is going to loan you money for retirement.

Source: Money magazine's "50 Smartest Things to Do With Your Money" and "15 Dumb Moves;" [money.cnn.com](http://money.cnn.com)



## Give Teens a Little Credit

Credit card companies have shifted their focus from young professionals to college freshmen and high school seniors, hoping to get them in a buy-now-pay-later mindset that can last through their adult life. **More than 75 percent of undergraduates carry credit cards; most have more than one.** With companies charging an average annual rate between 17 and 21 percent, the convenience is expensive.

How teens in high school and college manage debt now will have a huge impact on their future. For teens to be financially literate, they need to know:

- **What APR means**
- **What a grace period is**
- **What transaction fees are**
- **The different types of credit cards available**
- **Methods creditors use to calculate finance charges**
- **The laws that protect them against unfair practices**

Credit cards undeniably are convenient and can be an excellent tool to teach teens about budgeting and financial responsibility. And the earlier teens learn about the hard costs involved, the better prepared they'll be for the world beyond high school and college.

## Improve Your Credit Score

You racked up a sizable fine by forgetting to return an overdue book to the library. And that parking ticket you got a few months ago? It's still in the glove compartment.

Uh-oh. If those unpaid fines are turned over to a collection agency, your credit score may be pulled down by several critical points. And that, in turn, may mean you'll pay more for car loans, credit cards and mortgages. Your collections account history is just one of the factors credit agencies assess to determine your credit score.

You can boost your credit score and get lower interest rates by following these credit-sensible guidelines:

- **Pay (all) your bills on time** – delinquent payments can have a major impact on your score
- **Don't max out your credit cards** – and do pay them down. Aim for getting the balance to 30 percent of the card's credit limit, a desirable ratio to credit scorers
- **Resist retailers' tempting offer to save 10 percent on your purchase by opening a new account.** You probably don't need another credit card, and applying for too much credit will hurt your credit score – it can look like you're on a borrowing binge
- **Think twice about consolidating your cards into one account** – it's better to have smaller balances on a few cards than a large balance on one

Make it a point to know what's in your credit report, through Equifax, Experian or TransUnion. Check the Federal Trade Commission Web site, [www.ftc.gov](http://www.ftc.gov), for more information.



## MAKE THE MOST OF YOUR RETIREMENT SAVINGS

**I**t hasn't been easy, but, over the years, you've carefully watched your budget and now you're ready for a comfortable retirement. Good. You've earned it. But, before you get caught up in travel brochures, do one more thing: carefully consider your retirement plan distribution options. Unless they're properly handled, taxes and penalties<sup>1</sup> can eat away at some of your precious savings.

When you're ready to retire, you generally have three choices of what to do with your retirement plan assets:

### 1. LEAVE YOUR MONEY IN YOUR PLAN AND REQUEST DISTRIBUTIONS AS NEEDED

Keeping your money in your employer-sponsored plan is the simplest of the available options. You don't have to complete any paperwork to remain a participant.<sup>2</sup> You'll be responsible to monitor and adjust your investments as needed. Your account could lose value. And in retirement, there's little you can do to replenish your savings.

### 2. ROLL IT OVER

Millions of people who want a dependable stream of income choose to transfer all or a portion of their retirement savings into a tax-qualified fixed-annuity. With benefits such as continued tax deferral and income for life<sup>3</sup>, an annuity can help eliminate one of your greatest retirement concerns: outliving your savings.

*For example:*

Let's say you're a 65-year-old male with \$100,000 in your 401(k). You can use that money to purchase an annuity that provides guaranteed income payments for the rest of your life. Based on current interest

rates (this can vary daily), \$100,000 can "buy" monthly income of approximately \$725. Of course, the more money you roll into an annuity, the larger your income payments will be.

Other tax-deferred rollover options – such as an Individual Retirement Account (IRA) – also are viable options. An IRA with fixed, guaranteed rates will help conserve your savings until you need them. Many people choose to split their retirement savings between an IRA and an annuity. This option lets you continue to earn interest on a portion of your savings and receive immediate, regular income from the rest.

### 3. TAKE THE MONEY AND RUN

While the idea of receiving a lump-sum cash payment may be appealing, you'll immediately lose 20 percent of your hard-earned savings to the

government in mandatory federal income tax withholding (you may pay more if you're in a higher tax bracket). Additionally, if the remaining balance is invested, the earnings will be subject to tax again.

For more information on tax-qualified annuities or other distribution options, contact your financial adviser or your Mutual of Omaha representative.

<sup>1</sup> If you take a distribution from a qualified retirement account before age 59½, you could be assessed a 10 percent early-withdrawal penalty

<sup>2</sup> If your account balance is less than \$5,000 (not including any rollover money from a past employer's plan), your employer may cash out your balance without your consent.

<sup>3</sup> "Guaranteed income for life" is a feature of a "life only" annuity. There are many types of annuities with other features to consider).



## WHAT IS A "LIFE ONLY" ANNUITY?

**A.** "Life Only" annuity is an insurance product purchased with a single premium that can provide a series of guaranteed income payments for your lifetime.

## Women and Retirement: Good News, Bad News

**W**omen tend to live longer and earn less than men.

This presents special problems for women when it comes to a comfortable retirement.

So, what should they do to make up for this deficiency?

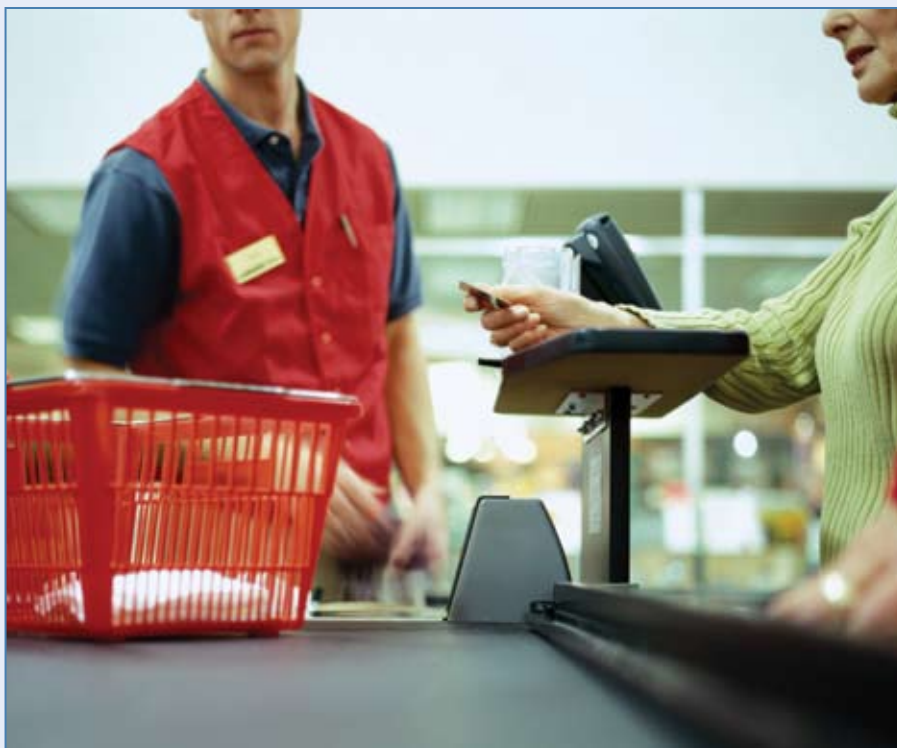
To grow their retirement savings, today's working women need to get good advice about investing and financial matters. Seeking professional assistance to prepare an appropriate investment strategy is, in most cases, the best way to do this. They also need to be aware of the risks related to retirement (outliving assets, loss of a spouse due to death or divorce, decline in functional status, increasing out-of-pocket medical expenses and inflation) and plan accordingly.

One of the smartest things women (and men) can do is to participate in and contribute as much as possible to their company's employer-sponsored retirement plan. Retirement plans, such as 401(k)s, often offer the benefit of pretax contributions, which reduce participants' taxable income and tax bills, and grow tax deferred until withdrawn.

### Sources:

"A Woman's Guide to Investing", by Virginia B. Morris and Kenneth B. Morris.

Society of Actuaries "Risks of Retirement – Key Findings and Issues"; February 2004.



## Trim Fat From Your Grocery Bill

A large chunk of cash – *an average of \$3,000 a year per household* – is devoted to purchasing groceries. You can trim the fat, and help your budget, when you follow these simple grocery-shopping tips:

- **Always shop with a list** so you can focus on what you really need
- **Organize your list** by category or aisle to eliminate backtracking (going back can encourage impulse purchases)
- **Check the unit price** – some items give you more bang for your buck; use a calculator to help
- **Buy store brands**; they often cost 10 percent to 30 percent less
- **Plan your weekly menus** around store specials
- **Use coupons** and stores' preferred-shopper cards
- **Avoid single-serving sizes**; you're paying for packaging
- **Take advantage of farmers' markets** for fruits and vegetables in season
- **Buy only groceries and food-related items** at the supermarket; toiletries and household cleaners usually are cheaper at discount stores

Source: Bureau of Labor and Statistics; womansday.com



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