OREGON PUBLIC UNIVERSITIES
Retirement Plans

Summer 2018 Newsletter

Emotional Spending Habits, Expense Tracking and Saving for Your Future

It seems that we have all done a little bit of emotional spending at one point or another in our lives. It's an easy trap to fall into. However, it rarely does us any good. Many of the things that we buy decrease in value, or even cost us more money in the long run. For example, many of us will have a bad day, and decide to go shopping. Perhaps a new item of clothing or electronic gadget will make you feel better temporarily. However, is that item really benefiting you? When you leave the store and use the product, this item automatically decreases in value. A shirt that cost $25.00 will likely sell for less than $1.00 if you choose to sell it at a yard sale. That newest smart-phone that cost $700.00, will likely be replaced by a newer and more expensive model in the upcoming months.

So why do we spend money on these things? Do they really provide us a sense of happiness? If you really think about it, the answer is likely "no." Emotional spending can be a sense of distraction from a challenging day, and switch your mind to something different to focus on. It can also provide us a sense of pride when comparing our belongings with the belongings of our peers. For example, when a new smart-phone is released, many people are in line at the phone store to be one of the first purchasers. But, does that phone have that more capability and features than your current phone that is paid off? Maybe, but maybe not. By buying new things and making upgrades, it makes us feel like we are moving up in the world and are becoming more successful.

Maybe you've seen articles about decluttering your home on social media. When you look around your home, what items give you happiness? What items are useful? What items are just space fillers, and what were emotional purchases? Also, do you recall spending cash on these items, or were they placed on a credit card? If it is the latter, then these items are costing you more money if the credit card bill is not paid off in full every month. Although a minimalist lifestyle is not for everyone, it does provide a framework that living simply is possible and can save you money.

To address the issue of emotional spending, it is important to get an idea of how prevalent the issue is. It is suggested that you track your purchases for a month to see where you fall in the spectrum. Write everything down or track it in an Excel spreadsheet. Take note of the date, the cost, the item or service purchased and your mood when you purchased the item or service. At the end of the month, look at the completed page and evaluate what items/services you needed, what items/services you wanted, and what items/services were impulse buys. It is important to analyze these purchases with a cost-benefit analysis framework as well. For example, if it was a needed item or service, like an oil change on the car, the cost/benefit is great. If you maintain your car properly, the benefit is having a car that runs more efficiently and may save repair costs down the line. This purchase was likely worth it. Other items/services may be less beneficial. For example, if you buy a jet ski, you may use it a few times per year. It costs money to maintain these items, and may cost additional money in storage costs and interest if it was purchased with credit. This purchase was not likely to be worth it. In this case, it may be beneficial to seek out alternatives such as renting a jet ski, instead of purchasing one. By having your purchases written down, it provides you a framework for analysis.

If you really want to challenge yourself, do not use anything that falls into the want or impulse buy category. Keep the tags on items, keep items unopened, and save your receipts (and verify the return policy). At the end of the month, look at these items and determine if you want to keep them, or return them to the store.

In conclusion, it is important to know what you are spending each month on non-essential goods and services. It can be eye-opening to see how much money is spent on convenience or impulse purchases. It is also important to evaluate how much money you are contributing toward retirement. While most things depreciate in value, saving for your retirement is one way to pay yourself and prepare for your future. Financial markets can fluctuate; however, retirement savings have had a history of growing in value. With our 403(b) plan, you have the choice of investing your money into conservative, moderate, or aggressive funds. If you are interested in contributing to the 403(b) plan, please complete a Salary Reduction Agreement and submit it to your Human Resources Department. A copy of the SRA is available here: https://www.opurp.org/sites/opurp1.uoregon.edu/files/sra_form_fillable_only_2018.pdf

If you are unsure about investing, you can schedule a one-on-one meeting with a representative from TIAA or Fidelity. A listing of their meeting time availability sessions is listed here:

TIAA: https://shared.tiaa.org/public/publictools/events/meetingatworkplace?employerId=1-736D-74
Fidelity: https://nb.fidelity.com/public/nb/opurp/contactus/schedule-a-meeting

Contact Information

As always, we strive to provide our participants with high quality options and services. For more information on our committees, meetings, and plan information, including forms, please visit our website at https://www.opurp.org

For questions about our plans and other inquiries, please call us at (541)346-5784 or email opurp@uoregon.edu

How to pay off debt—and save too

Balancing paying off debt and saving can be tricky.

Here's a step-by-step guide

Key takeaways

- Save for an emergency—consider saving enough to cover 3 to 6 months of expenses.
- Contribute to your workplace retirement plan.
- Pay down debts with the highest interest rate first.

Student loans, credit card balances, car loans, and mortgages—oh, my. You probably have a variety of debt—most people do. So which should you focus on paying off first? And how can you save at the same time? Of course, make sure to pay at least the minimum required—and on time—to keep all loans in good status. After all, defaulting on credit cards, car loans, student debt, or home mortgages can destroy your credit rating, and risk bankruptcy.

Assuming you are meeting those primary obligations, here's a guide to help you pay off debt while saving for emergencies and long-term goals like retirement. It may seem counterintuitive, but before you tackle debt, make sure you have some "just in case" money and save for retirement.

1. Set aside money for an emergency

Losing your job—or being hit with an unexpected expense—could force you into a financial hole, which may take years to climb out of. How much to set aside for an emergency depends on your situation. In general, saving for 3 to 6 months of expenses is a good starting point. If you are single, or in a family with 2 working spouses, 3 months may be enough. But if you are a one-income family, you may want to have 6 months of expenses saved.

Quick tip: Set up automatic payments from your paycheck or checking account into a separate account set up as an emergency fund.

2. Don't pass up "free" money at work[1]

Paying down debt is important, but don't pass up the employer matching contributions into your ORP. Think of it as "free" money.

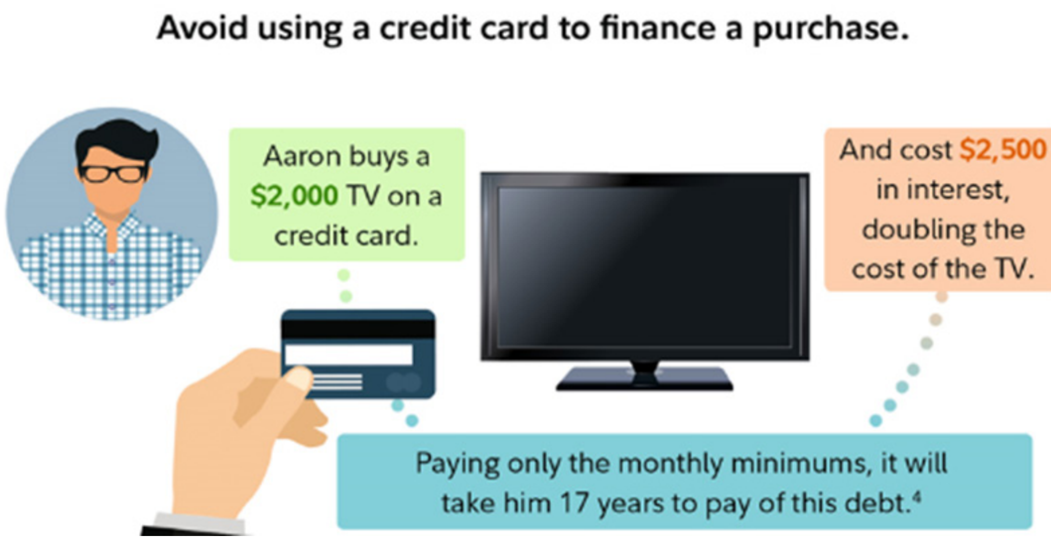
Quick tip: Give this money a chance to grow. If retirement is years away, that means considering investments such as stock mutual funds.

3. Pay this debt down first: High-interest credit card balances

It can be easy to run up a large credit card balance. And once you do, it's not easy to pay it off. The minimum payments are typically low, which means you are paying mostly interest, so it will take much longer to pay off the balance. And it will cost you more. So if you can, consider paying more than the minimum each month.

Avoid using a credit card to finance purchases. Why? In some cases, it could double the cost of the purchase. Say you buy a $2,000 flat screen TV on a credit card with a 15% interest rate. If you make only the minimum monthly payment, it would take you more than 17 years to pay off the original debt.[2] You would pay the lender more than $2,500 in interest—essentially doubling the cost of the TV.

On the other hand, if you are diligent about paying off your entire balance monthly, you may want to consider a cash-back rewards card. That way, your credit card purchases can actually help you accomplish other financial goals.



Quick tip: Check your credit card statement to see how long it will take you to pay off the balance—and how much it will cost you—if you make only the minimum payment.

4. Pay this debt down next: private student loans

Private student loans for college carry higher interest rates than government student loans, in general. Currently, rates on private student loans are from 5% to 12% compared with about 4.45% for government undergraduate student loans.[3] You may be able to deduct the interest on a student loan, however, but only up to $2,500 a year, and only if you are a single filer earning less than $80,000 or $165,000 for married filing jointly. If you make more than that, you can't deduct the interest. In general, it is a good idea to pay down student debt above 8% interest as a rough rule of thumb. What you really want to do is compare your expected after-tax investment return (if you invested the money) with the student loan interest rate. If your student loan is at 9%, paying off your loan is like getting a risk-free return of 9% on your investments. All this can get pretty complicated so you may want to consult with a professional financial planner. This is especially true when this debt is not tax deductible.

5. Contribute beyond the employer match

While you may still have a government student loan, car loan, or a mortgage, these loans typically have much lower interest rates. That's why it can make sense to bump up your 403(b) contributions and continue to make the minimum monthly payments on these loans vs. trying to pay them down earlier.

Quick tip: Increasing your savings by just 1% each year could help you live the life you want in retirement. Aim to save at least 15% of your pretax income every year, which includes employer contributions, starting at age 25.

6. Pay monthly minimum on government student loans, car loans, mortgages

These loans have lower interest rates, and some offer tax benefits. That's why it generally makes sense to make only the minimum monthly payments on them. For instance, mortgage interest is deductible for federal tax purposes. Homeowners can deduct the interest paid on mortgages up to $750,000 for homes purchased after December 15, 2017. For mortgages taken out before December 15, 2017, interest paid on mortgages up to $1 million may be deducted. Interest rates have been at historical lows, right now around 4% for a 30-year fixed loan. Car loans are about 4.5%. Government undergraduate student loans are currently 4.45%, and the interest may be tax deductible.

A word about student loan debt: Most college graduates have various types of debt—and various interest rates.

Here are some general guidelines.

- **Pay down:** As we said earlier, it makes sense to pay off high-interest debt (private student loans above 8% interest) first, especially if you cannot deduct the interest.
- **Toss up:** It may be beneficial to pay down medium-interest-rate debt, such as Direct PLUS and Direct Unsubsidized loans for graduate students, in certain situations and not others. Many factors can affect this decision, such as current and future tax rates, how comfortable you are with risk, and your goals.
- **Pay monthly minimum:** Low-interest-rate debt, such as Direct loans for undergraduates and Perkins loans, or medium-interest-rate debt (see above) that is tax deductive, may not need to be paid down early because of the tax benefits and low interest rates.

If you are disciplined about making payments, you may want to extend low-interest government student loans to lower your minimum payments and use the savings to pay down higher-interest-rate loans faster. (The government allows you to consolidate and extend most government student loans at your current interest rate.) However, you may end up paying more interest because the time period is much longer. Contact your loan servicer for information.

Quick tip: If you have federal student loans, you may qualify for income-based repayment plans or public service loan forgiveness plans. If you don't qualify for a loan forgiveness program, refinancing your loan could be a money-saving option.

Keep going

Paying off debt is important. It can be difficult to save when a big chunk of your money is going toward debt repayment. That's why it's important to have a plan to get out of debt—it can save you money in interest and ultimately help you save more and reach your goals faster.

Footnotes

1 Assuming you will be vested in employer contributions by the time you leave your employer.

2 Your monthly payment is calculated as the percent of your current outstanding balance you entered, but will never be less than $15. Your monthly payment will decrease as your balance is paid down.
Source: www.Bankrate.com

3 www.studentaid.ed.gov

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Retirement 101

Q: What is a money market?

A: We asked our friends at TIAA, and this was their reply:

A money market fund is an investment whose objective is to earn interest for shareholders while maintaining a net asset value (NAV) of $1 per share. A money market fund's portfolio is comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments.

Aside from being low risk and highly liquid, money market funds may be attractive to investors because they do not have the fees mutual funds may charge for entering or exiting the fund. Some money market funds also provide investors with tax-advantaged gains by investing in municipal securities that are tax-exempt at the federal and/or state level. A money market fund might also hold short-term U.S. Treasury securities, such as T-bills; certificates of deposit (CDs); and corporate commercial paper. It is a type of mutual fund characterized as a low-risk, low-return investment. Since money market funds have relatively low returns, investors such as those participating in employer-sponsored retirement plans, might not want to use money market funds as a long-term investment option because they will not see the capital appreciation they require to meet their financial goals.

Q: What is an index fund?

A: We asked our friends at Fidelity, and this was their reply:

An index fund is a type of mutual fund with a portfolio constructed to match, or track, the components of a market index, such as the S&P 500. An index fund is said to provide broad market exposure, low operating expenses, and low portfolio turnover. These funds adhere to specific rules or standards that stay in place no matter the state of the markets.

Investing in an index fund is a form of passive investing. The primary advantage to such a strategy is the lower management expense ratio on an index fund. Index investing is rooted in the efficient market hypothesis (EMH). There are different degrees of EMH, but the cornerstone of the theory is that stock prices generally reflect all publicly available information at any given time. Therefore, EMH concludes that it is very difficult to consistently beat the market. Instead of trying, index funds provide a low-cost way to invest in a particular market, attempting to match it before fees.

Index funds for familiar markets are usually easy to understand. Because they simply attempt to replicate a benchmark, index (or passive) strategies tend to have lower fees than actively managed funds. However, not all index funds are the same. They may use different management fees. Indeed, because most passive index funds are simply looking to match the performance of an index, differences in fees can be a key factor separating the performance of similar index investments.

Benefits of index funds:

- Generally lower management fees
- Reduced portfolio turnover
- Track a particular market

The Sandwich Generation and Its Effect on Retirement

We all look forward to the day that we retire. We envision days of golfing, playing tennis, traveling the world and spending time with loved ones. However, we need to plan and prepare our finances early, so we can see those dreams come to fruition.

Ultimately, there are many competing demands for our heard-earned dollars. We have housing costs, medical expenses and regular bills. However, there is an even more increased demand for these dollars if you are part of the sandwich generation.

The sandwich generation consists of individuals who are spending time and money simultaneously supporting children and caring for aging parents.

It's a tricky spot to be in. Both groups need assistance, and it can be a stressful time for this middle generation. Not only mentally, but financially as well.

So, what can you do if you are in the sandwich generation? Money is already tight, but you recognize that saving for retirement is a priority as well.

1. When you get a salary increase, utilize a percentage of this amount for retirement savings. For example, if you make $2,500.00 per month, and you get a 2% salary bump, you will then be making $50.00 more per month. If you decide to complete a salary reduction agreement for 1% to be pulled from your paycheck, this means that you have allotted $25.50 to be deposited into your 403(b) account. Even with this new contribution, you are still bringing home an additional $24.50, AND you have made a positive impact to your retirement account. It's a win-win situation.

2. Pay yourself first. Just like a monthly bill, you deserve to save for yourself. Even if you save $25.00 per month, with the power of compounding, this amount can grow and increase your retirement nest egg. You have this ability to save for yourself by completing a salary reduction agreement and having some of your paycheck sent to your 403(b) account to be invested on your behalf.

3. Take time for yourself. By caring for both generations simultaneously, it can quickly lead to burn-out. Take a certain amount of time each day to participate in activities that you enjoy, to keep the mind and body healthy. For example, taking a walk, practicing yoga or creating art is a great way to de-stress and have a small amount of "me" time.

4. Seek out available resources. Many universities have access to an EAP program through Cascade Solutions that provide information regarding elder care programs, effectively caring for aging parents, guardianship decisions for elderly loved ones, templates for wills and estates, etc. They also have an abundance of information on parenting children. Many of these courses are offered at no charge. There are also programs that may ease financial stress if you have a teenager preparing for college. The Oregon Public University System has an excellent tuition program for children of employees. By utilizing this resource, it could save you thousands if your child decides to attend one of the Oregon Public Universities for higher education. For further information on these programs and to determine if they are available to you, please see your campus benefit manager(s).

In closing, it is important to note that saving for retirement should be a priority. If you do not save, it is possible that you could be a financial burden to your children as you get older. It can be challenging to break this cycle, but with preparation and utilization of resources, it is possible to save for your future and care for your valued family members simultaneously.

The TIAA Difference Maker 100 Program

Celebrating the people who make a difference!

Awarding $1 Million for a Better Tomorrow

To mark 100 years of helping those who do good do well, TIAA is recognizing 100 people who work for non-profit organizations and are having a positive impact on the world. TIAA gathered their stories and posted them on a dedicated website.

TIAA received thousands of entries during the application period and we hope you'll take time to view some of the inspiring stories people shared. New videos will also be available throughout the summer, stay tuned! Honorees will be announced on October 1st.

Take a quiz to find out what kind of difference maker you are!

https://quiz.tiaa.org/

For more information on the program and to read these inspiring stories visit:

https://www.tiaadifferencemaker100.org/

TIAA-CREF Individual & Institutional Services, LLC, Teachers Personal Investors Services, Inc., and Nuveen Securities, LLC, Members FINRA and SIPC, distribute securities products.

You're invited to attend TIAA's financial education live webinars. These informative, interactive workshops will give you strategies and tactics that can help you check out a wide range of live webinar topics.

NOTE: All live webinar times are (ET).

Visit the Live Webinar Lounge by copying and pasting www.TIAA.org/webinars into your web browser to register for upcoming webinars designed to help you with your financial planning needs.

July

- SPECIAL TOPIC: Asset Location—A practical guide for income and estate planning 7/17, 12-1 p.m.
- Tomorrow in Focus: Saving for your ideal retirement 7/17, 3-4 p.m.
- Inside Money: Managing income and debt 7/18, 12-1 p.m.
- Within Reach: Transitioning from career to retirement 7/18, 3-4 p.m.
- SPECIAL TOPIC: Quarterly economic and market update 7/19, 12-1 p.m.
- Healthy Numbers: Integrating healthcare into your retirement plan 7/19, 3-4 p.m.

August

- SPECIAL TOPIC: Planning for diminished capacity and illness 8/14, 12-1 p.m.
- Halfway There: A retirement checkpoint 8/14, 3-4 p.m.
- SPECIAL TOPIC: Demystifying life insurance 8/15, 12-1 p.m.
- Paying Yourself: Income options in retirement 8/15, 3-4 p.m.
- SPECIAL TOPIC: All about IRAs 8/16, 12-1 p.m.
- Start to Finish: The early career woman's guide to financial wisdom 8/16, 3-4 p.m.

September

- SPECIAL TOPIC: Estate planning basics 9/25, 12-1 p.m.
- She's Got It: A woman's guide to saving and investing 9/25, 3-4 p.m.
- SPECIAL TOPIC: The 411 on 529 college savings plans 9/26, 12-1 p.m.
- Money at Work 1: Foundations of investing 9/26, 3-4 p.m.
- SPECIAL TOPIC: Hacking the Human—Cybersecurity and you 9/27, 12-1 p.m.
- The Starting Line: Why and how retirement saving should begin now 9/27, 3-4 p.m.

Upcoming Fidelity Webcasts:

Are you Emotionally Ready to Retire?

Retiring is not just a big financial decision, it's an emotional one, too. How do you know if you're ready to make the leap? Join Fidelity for a conversation about preparing yourself emotionally and mentally for when the day arrives.

- August 22nd at 10am PT
- August 23rd at 10am PT

Pay off Student Loans Faster—and Still Save for Your Future

Explore ways to pay off student loan debt quickly and save for other financial goals. Hear tips and strategies to help evaluate your options and decide which make sense for you.

- August 28th at 10am PT
- August 29th at 12pm PT

Saving for College in Three Simple Steps

Find out what you should know when planning for college education expenses for you or a child, including three steps to save, without losing sight of your overall financial picture.

- September 6th at 10am PT
- September 12th at 12pm PT

Visit www.fidelity.com/webcasts to register for any of these upcoming webcasts, to view a calendar of upcoming events, and to access recordings of previously held webcasts.

In-Person Consultations

At Fidelity, we're here to help you give attention to your own future; we are committed to helping you make sure you're on track toward a future that's unique to you. Meet with us one-on-one and you'll be able to tap into the education, resources, and support that only a trusted partner can provide. Plus, consultations are free to you as an employee benefit.

Justin Blatny and Ronald Elia visit Oregon Public University campuses regularly and they are ready to help you address many questions, including:

- Am I investing properly?
- Am I on track with my retirement savings?
- How do I bring my retirement savings together?
- How do I turn retirement savings into ongoing, steady income?

Visit https://nb.fidelity.com/public/nb/opurp/contactus/schedule-a-meeting to view a schedule of dates and locations where Justin and Ronald will be available for consultations. Note: in order to view the schedule for Oregon State University and University of Oregon, please select "Oregon Public Universities" as your Employer.