Retirement, Investments & Insurance
AVAILABLE THROUGH CUSO FINANCIAL SERVICES, L.P.

INVESTMENT INSIGHTS

APRIL 2017

We Can Help with Important Financial Matters

With Q1 already behind us, it's time to look forward to how you can efficiently address some of your important financial matters. For example, should you roll over your retirement plan or leave it behind? We outline what should be considered when making a decision. Also, we look at things to consider when keeping your beneficiaries up-to-date on your plans and ways to help make your retirement savings last. Also, learn how to protect yourself from investment scams.

As always, we at Community Resource Credit Union are committed to supporting you through all financial climates with skilled, knowledgeable guidance. We are happy to answer any questions you may have on financial planning or investments. Contact a CFS* Financial Advisor today at **281.422.3611, ext. 1135**, go online to **crcu.org** or come in and see us at one of our branches.

Sincerely,

Corby Smith

Corby Smith
Vice President
Community Resource Credit Union
Financial Advisor
CUSO Financial Services, L.P. (Member FINRA/SIPC)
281.420.4135 (office)

ROLL OVER YOUR RETIREMENT PLAN OR LEAVE IT BEHIND?

If you have a workplace retirement plan, you face an important decision when you leave your employer: You must choose what to do with the money in your retirement plan. When you consider that, on average, American workers switch jobs every 4.2 years, it is likely that you will have several different retirement plans over the course of your career.* And to keep all of that money working toward your retirement security, you will want to weigh your decision carefully.

In general, your options are:

- **Leave the money in your former employer's plan.** You may have to meet a minimum balance requirement for your money to remain in the plan.
- **Roll the money over to your new employer's plan.** Most plans accept rollovers, but not all do.
- **Roll the money over to an IRA.** You can do this with either a direct (trustee-to-trustee) transfer or a rollover where you take control of the funds for up to 60 days.

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HELP MAKE YOUR RETIREMENT SAVINGS LAST

You have made it! When you retire, it is time to switch from building your nest egg to spending it. But, how do you ensure that your hard-earned savings will last? Follow these three steps to help your retirement savings last throughout your retirement.

1 EVALUATE YOUR INCOME NEEDS

First, think about how long you will need your savings. From there, you can estimate how much money you will be able to spend each year. People are living longer than ever before, so you may want to plan for your retirement savings to last to age 90 or even longer. Another consideration should be the ages of your family members — is longevity in your genes? If so, you may need to make your savings last even longer. Err on the side of caution when estimating your life expectancy. If you underestimate your longevity, you run the risk of depleting your assets while you still need them!

2 DO NOT WITHDRAW TOO MUCH TOO SOON

Once you determine how long you expect to live off your savings, it is time to figure out a reasonable withdrawal rate. Try using a retirement income calculator that includes assumptions about rates of return, inflation and taxes, such as the one provided by Bankrate. These estimates will allow you to play with different withdrawal rates, as well as different life expectancies, to figure out a pattern of withdrawals that makes sense for your situation.

3 ADJUST YOUR WITHDRAWALS AS NEEDED

Do not allow your withdrawal rate to continue on autopilot — it can, and should, be adjusted based on life events, market conditions and other financial factors. An unexpected expense, such as a hospital bill, might lead to a reduction of your savings balance. Perhaps you will want to scale back your lifestyle a bit to allow your account to rebound. On the other hand, you may find that you are living more frugally than necessary. Reanalyze your retirement portfolio and income needs to update your withdrawal rate about every year.

If you are unsure how to start using your retirement savings, do not worry, you do not have to figure it out alone. Consult an investment professional at Community Resource Credit Union about your retirement plan. Together, you can plan a path through retirement.

KEEP YOUR BENEFICIARIES UP-TO-DATE

Have you named beneficiaries for your important financial accounts? While some people ensure important end-of-life documents, such as wills, are accurate, updating beneficiary information for retirement plans, life insurance policies, annuities, pensions, payable-on-death accounts and IRAs is a task that sometimes falls by the wayside.

But did you know beneficiary designations supersede what you have put in your will? That is why it is important to carefully consider your beneficiary selections and to coordinate them with the rest of your estate plan. Ensure your wishes for the distribution of all your assets are upheld when the time comes by updating your beneficiaries after major life events.

WHEN YOU TIE THE KNOT

By federal law, if you are married, the beneficiary of your employer-sponsored retirement plan must be your spouse, unless your spouse waives their right to your account in writing. But you should still fill out the beneficiary form, even if you are naming your spouse as sole beneficiary.

If you are remarrying, you will likely want to be sure that your ex-spouse is not still listed as the beneficiary of your retirement plan. (An ex-spouse may be entitled to some

PROTECT YOURSELF FROM **INVESTMENT SCAMS**

Are you on the lookout for hot investment opportunities? Think that profitable returns are likely found outside of government regulation? If so, you might just be possible prey for a fraudster, says a recent AARP study on investment fraud vulnerability.* The study found that older adults who are risk-takers, open to investment pitches and see accumulating wealth as a key achievement in life are most vulnerable to these scams.

RED FLAGS TO WATCH FOR

Even if you don't have millions to invest, you could be a target. Beware of claims such as:

"You can't lose." If you receive an investment pitch that promises above-market yields *and* safety, alarm bells should be ringing. Low-risk investments generally offer modest returns, and high-yielding investments tend to have correspondingly higher risk.

Lesson: As the adage says, if it sounds too good to be true, it probably is. Compare promised returns with recent performance of stock indexes.

"I'm letting you in on a secret." Some scammers prey on people's egos or insecurities by suggesting they're being offered the chance to invest with an elite group or in an exclusive deal. Others take advantage of an individual's tendency to trust people who share their religion or ethnicity to convince them to invest in bogus securities.

Lesson: If the investment is that exclusive or hush-hush, it may be under the radar of regulators. Be especially careful if the pitch is unsolicited, coming via cold call, email or social media. Never provide personal or account information to someone who has contacted you.

"You must act now." Unscrupulous individuals may use high-pressure sales tactics, insisting that you'll "miss out" if you don't invest now. You may be feel pressured to invest after attending a free lunch or investment seminar.

Lesson: Don't be rushed into a decision. Before investing or sending money, research both the investment and the salesperson. Take time to decide whether the investment is suitable for your financial goals, timeline and risk tolerance. You should always know what you're buying and its associated fees.

THINK YOU MAY HAVE FALLEN PREY?

If you think you've encountered fraud, contact the U.S. Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA) or your state securities regulator:

SEC
Call: **(800) 732-0330**
Visit: *www.sec.gov*

FINRA
Call: **(301) 590-6500**
Visit: *www.finra.org*

North American Securities Administration Association
Call: **(202) 737-0900** for your local regulator's information
Visit: *www.nasaa.org/about-us/contact-us/contact-your-regulator*

Consult an Investment Professional

For an objective review of your investment strategy and portfolio with a trusted source, call an investment professional at Community Resource Credit Union at **281.422.3611**, **ext. 1135.**

* Source: AARP Investment Fraud Vulnerability Study, *2017*.

Investment products:
Not federally insured.
Not a deposit of this financial institution.
May lose value.

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of your retirement assets under a qualified domestic relations order (QDRO), though.)

You can name anyone you choose — or a trust or charity — as the beneficiary of IRAs, life insurance policies and annuities.

IF A MARRIAGE ENDS

In times of divorce, it is equally important to update your beneficiaries. Your ex-spouse, or even the ex-spouse of your child, may still be listed as a beneficiary on your accounts. By keeping designations current, you can help your survivors avoid the all-too-common burden of a legal battle over assets — one in which the court could rule against your wishes.

WHEN THERE'S A NEW BUNDLE OF JOY

The birth of a child or grandchild can change your world. You may want to consider adding them as a beneficiary. However, it is important to note that minors are not able to directly inherit assets. In these instances, you can create a trust for them, which they can access at a predetermined time in the future after they reach adulthood.

IF THERE IS A PASSING

Should one of your beneficiaries predecease you, it is important to revisit your designations. You can also customize your designations to address what should happen if one of your beneficiaries dies first. For instance, you could specify that the portion of your assets that would have gone to that beneficiary if they had outlived you should be split among your other beneficiaries or pass to the heirs of the person named.

Ultimately, regularly updating your beneficiaries can ensure your wishes are followed upon your passing. If you fail to name beneficiaries, it may fall to federal law, state law or a given plan's documents to decide where your assets go. Revisit your beneficiary allocations whenever a major life event occurs and ensure they are up to date.

Investment products:
Not federally insured
Not a deposit of this institution
May lose value

CRCU
Retirement, Investments & Insurance
AVAILABLE THROUGH CUSO FINANCIAL SERVICES, L.P.

PO Box 3181
Baytown, TX 77522

281.422.3611
crcu.org

INSIDE

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- **Cash out your balance.** You will owe income tax and a 10 percent tax penalty if you are under the age of 55. Plus you will lose the benefit of all future tax-deferred compounding on those funds.

HOW TO DECIDE

What should you consider when making your decision? Answering the following questions can help you make the best choice given your current situation and future goals.

What investment options are available?

Workplace retirement plans offer a limited number of choices. If you are considering leaving money in your former employer's plan or moving it to a new employer's plan, be sure you are happy with the options available. You may want to consider whether the plan not only has good investments for your current situation, but for the future as retirement draws closer, too. IRAs offer a nearly limitless set of investment alternatives; however, there is one caveat: Stable value funds are available only in defined contribution plans — such as 401(k)s — and not in IRAs.

How do costs compare?

Workplace plans — especially large plans — can sometimes offer lower-cost investment options than IRAs because they may have access to institutional share classes of funds, which typically feature low costs and may be unavailable to investors with smaller balances. Consider those costs, as well as any administrative fees charged by your new and former employers' plans.

Is it helpful to streamline and simplify retirement savings?

Having fewer accounts makes it easier to monitor your asset mix and rebalance when it strays from your targets. After you retire, it also simplifies the process of taking required minimum distributions.

Do you own company stock in your 401(k)?

If you keep the stock in your workplace plan, you may be able to lower the taxes you pay on the proceeds when you sell it. There is the possibility of paying the lower capital gains tax rate on part of the proceeds instead of your ordinary income tax rate. Check with a tax or financial advisor to see if this would be worthwhile for you.

RELY ON US

An investment professional at Community Resource Credit Union can help you weigh your options and make a decision that works for you. Visit **crcu.org** or call **281.422.3611, ext. 1135** today.

* Source: Bureau of Labor Statistics.