



# SMART NEWS

December / January 2012

## A Bi-monthly e-bulletin of the Massachusetts Deferred Compensation SMART Plan

### Highlights of this issue include:

- Message from the Director; Deferred Compensation
- A Fresh Look at Preparing for Retirement
- How much Replacement Income is Needed in Retirement?
- Tips and Approaches
- Plan Participant Testimonial
- Top 8 List of "SMART" Things for 2012

### Message from the Director, Deferred Compensation

Will you be ready for retirement? Statistics show that in order to maintain your current standard of living in retirement you will need to replace around 80% of your pre-retirement income. By participating in the Deferred Compensation SMART Plan, in conjunction with your defined benefit pension, you will give yourself the best chance to reach your retirement income goals.

The current average annual state pension benefit is \$26,363.00. Current research also shows that a supplemental stream of retirement income is critical for an individual who wishes to live a comfortable lifestyle in retirement.

Please take a moment to view our new testimonial video and listen to what your peers think about the importance of participating in the SMART Plan. <http://www.mass.gov/smartplan/>

**David Lynch**

### A Fresh Look at Preparing for Retirement

The stakes are high for participants saving for retirement. According to a recent Health and Retirement Study conducted by the Center for Retirement Research at Boston College (CRR), most households with state or local employment end up with income replacement rates on average higher than those in the private sector, yet well below the 80 percent needed to maintain pre-retirement living standards.

While participants continue to work diligently to build their retirement nest egg, making the right decisions can be the difference between enjoying a comfortable retirement and running out of money, given some fairly reasonable assumptions. If a participant fails to contribute enough or an individual decides not to participate at all in a sensible retirement program of their choice, they may handicap their retirement savings efforts.

Choosing to participate in the SMART Plan and save for retirement is a smart, thoughtful and long-term perspective and one of the most important ways for participants to position themselves for a financially secure retirement.

### How much replacement income is needed in retirement?

Consensus generally holds that a replacement ratio of 80% of one's salary will be needed to maintain pre-retirement living standards. The Boston College/CRR study concluded that only 32% of workers leave public service with an immediate defined benefit, and this group has more than 20 years of service on average and an average benefit equal to only 49% of their pre-retirement earnings.

Retirement Planning is the number one money concern for many individuals, particularly for those ages 40 and older. Many have saved less than \$50,000 for their retirement. Our trained and knowledgeable representatives are available to help you start to prepare for retirement, choose the right investment options, and approach your golden years with a greater degree of security.

### Plan Participant Testimonial

In this issue we feature Linda, a SMART Plan member and employee at the Essex County District Attorney's Office.

**"I just rejoined the Plan after many years of absence and increased my contribution. My only regret is that I didn't do this earlier. My Plan rep was very professional and informative. My husband and I were very pleased. Thank you."**

**Linda from DAA**

## Tips and Approaches

### End of year Check-Up

Have you met with or spoken to your local Representative? As we move into 2012, perhaps now might be a good time to either contact your SMART Plan Representative to review your retirement strategies and investment allocations to be sure that you are ahead of the game in your retirement planning. Also, be sure to review your online account to determine whether your asset allocations are at the proper levels and your savings are working toward your retirement goal.

### Join the Massachusetts Deferred Compensation SMART Plan today!

Whether you've been employed for years or are a new state or municipal employee, put the Massachusetts Deferred Compensation SMART Plan to work for you. Enroll online at [www.mass-smart.com](http://www.mass-smart.com), or call 877-457-1900 to speak with a Plan Representative.

### Upcoming SMART Plan Drop-In Sessions at One Ashburton Place

On Tuesdays and Thursdays, starting in January 2012, stop by our resource table located in the hallway outside the Ashburton Cafeteria, on the 1<sup>st</sup> Floor of the One Ashburton Place building to get information about your account, speak to a representative or to learn about the benefits and advantages of joining the SMART Plan.

The following are the confirmed dates and schedule for the first wave of sessions:

Jan. 17; 24 and 31	8:30 am – 10:30 am
Jan. 19; 26	11:30 am – 1:30 pm

### Upcoming SMART Retirement & Beyond Seminars in your Area

Join us on **January 19, 2012 at UMass Dartmouth** for SMART Retirement & Beyond, a retirement planning seminar series exclusively for Massachusetts State Employees sponsored by State Treasurer Steven Grossman and the Massachusetts State Board of Retirement.

### Online Access/Updates

Have you checked your SMART Plan account online lately? If not, we encourage you to access your account at [www.mass-smart.com](http://www.mass-smart.com) to review your investment options. While online, take a moment to review all the planning resources available.

### Treasury Website Changes

On October 25, the updated and newly redesigned [www.mass.gov](http://www.mass.gov) site got a facelift. The new launch also included the Treasury Department website which is home to the Massachusetts Deferred Compensation SMART Plan. However, following the new Treasury website activation, some of you contacted our department and shared your concern and feedback about login access and navigation to the SMART Plan homepage.

Good News! The Deferred Compensation SMART Plan access and login link is now incorporated into the Deferred Compensation tab at top of the Treasury's homepage. Once on the SMART Plan homepage, check out the recently added Massachusetts **SMART Plan Testimonial Video** and see what your fellow colleagues have to say about the plan.

We are already excited about our new presence and hope that you are equally as pleased! It's another part of our commitment to innovation, advancement and engagement. Thank you for your continued and loyal membership.

**Please forward this this bulletin to anyone who might be interested in receiving it or may have been omitted from this mailing.**

**Share your Story. Send us Your Feedback or Testimonial**  
**We would love to know what you think!**

If you are an active SMART Plan member and wish to take part in future Plan Participant Testimonials, send us your email. Please let us know if you have any comments or questions about any of these articles or the bulletin in general. Email us at [smartplan@tre.state.ma.us](mailto:smartplan@tre.state.ma.us)

## SMART Plan Top 8 List of 'SMART' Things for 2012

You probably already heard or read about many 'Top Ten' lists this holiday season. We decided to put together a different - yet important - type of list that we hope you will enjoy reading and considering.

### 1. Participate in a SMART and Sensible Retirement Program

Choose to join and participate in the SMART Plan or a similar retirement investment vehicle. By proactively doing so, you will be comfortably ahead of the game.

### 2. Choose Proper Asset Allocation

Proper allocation simply put is a method for spreading your investment dollars across different types of asset classes and periodically restoring your portfolio investment balances back to their original percentages.

### 3. Stay the Course

Because the stock market is experiencing some instability, you may be tempted to either reduce your contributions or pull out of the market. But keep in mind that either approach can cause you to miss a *sudden* market upswing. Given that the market will mostly likely rebound, keep investing through the down times. This is when your dedication and investment may pay off with higher returns down the road.

### 4. Invest Early

As one SMART Plan participant puts it, "you'll never look back and say you've saved too much." By starting to invest early for your retirement, you are better able to save a little now and reap the rewards later. This decision will enable you to better manage and greatly increase the impact that your deferral will have over a 25, 30 or 40 year savings horizon. This is one sure way to a comfortable retirement and income replacement.

### 5. Rebalance Annually

This strategy keeps your portfolio mix in proper balance. Over time, certain asset classes or

allocations are likely to perform better than others, causing your portfolio to become unbalanced in favor of the well-performing assets. The act of rebalancing restores your portfolio to its initial asset allocation arrangement.

### 6. Assess Your Lifestyle and Retirement Goals

Start thinking about and approaching retirement as an achievable goal. When would you like to retire? How much income would you like to have in retirement? How do you intend to live in retirement? Where would you like to retire? As you study these questions, you will soon realize that all of them have a financial ingredient. This list will become a work in progress since as you go through life there will be changes.

### 7. Be Realistic

Once you have your lifestyle and retirement goals down, you need to be more specific and prioritize your list. This will allow you to start working on goal attainment right now and to avoid many of the pitfalls that often lay ahead. For example, if you envision retirement by age 65, you should already be stashing away a percentage of your paycheck proportional to this goal; otherwise it may take you a bit longer to retire in comfort.

### 8. Create a Retirement Income Plan

Develop a yearly timeline that highlights where your retirement income will come from. Your plan should contain all fixed sources of retirement income including social security and pension. While the plan does not account for inflation or investment returns, it will still offer you a yearly projected outline of where your retirement income will come from.

## A Happy New Year to All of Our SMART Plan Participants

**We thank you for being a part of the SMART Plan family and allowing us to be of service to you. We appreciate the opportunity you have given us to serve your retirement income needs. If you have any comments or concerns about your account, our knowledgeable SMART Plan representatives are available to help. Or you can visit [www.mass-smart.com](http://www.mass-smart.com) at anytime to manage and upgrade your account; investment options or contributions.**