

# Hark

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## Set It and Forget It: LifeStage Outperforms Target Date Funds

You may have read articles or advertisements for target date funds. While at first, the LifeStage Investment Management Service (LifeStage) may seem similar to target date funds offered by other providers, LifeStage offers many advantages, such as more customization, lower expenses and meaningfully better returns than most comparable target date funds, according to our June 2011 analysis “LifeStage and Target Date Funds: A Comparison” ([www.gbophb.org/sri\\_funds/education.asp](http://www.gbophb.org/sri_funds/education.asp)). Today, approximately 60% of the General Board of Pension and Health Benefit’s (General Board) participants use LifeStage to manage their retirement accounts.

### LifeStage vs. Target Date Funds

LifeStage—a managed account program offered by the General Board—is designed to optimally allocate participant retirement account balances among several different types of investments. With LifeStage, a customized investment mix is developed based on your age, risk tolerance, Social Security eligibility and other information.

A target date fund, generally a type of mutual fund, also holds a mix of stocks, bonds and other investments. It is designed as a long-term investment vehicle for individuals who are saving toward a particular retirement date—usually reflected in the name of the fund (e.g., “Retirement 2030 Fund”)—and generally follows either a “to” or “through” retirement investment philosophy. Funds that manage assets “to” retirement are for investors who plan to withdraw the entire balance at retirement. “Through” funds are for investors who plan to keep funds on account throughout their retirement years.

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GENERAL BOARD OF PENSION AND HEALTH BENEFITS  
OF THE UNITED METHODIST CHURCH

Caring For Those Who Serve

# Set It and Forget It (continued from page 1)

## One Size Does Not Fit All

The target date fund investment mix evolves over time. Investors can expect larger allocations to equities (i.e., stock) if they have many years before retirement, and larger allocations to fixed income investments (i.e., bonds) if they are near or past retirement. However, the investment mix is largely determined by the fund's philosophy and subjective fund manager considerations, so investors may end up with allocations to investments that are more risky than they'd like or ones that are so conservative that they do not reach their retirement goals. Morningstar, Inc., an independent investment research provider, recently issued a report for target date funds it tracks that are offered to investors who are currently at or very near retirement. The report showed that "through" retirement fund stock allocations ranged from 25% to 67%, and "to" retirement fund stock allocations ranged from 24% to 50%.



LifeStage offers greater customization than target date funds. It accounts for your age, risk tolerance, Social Security eligibility and—if you have a Ministerial Pension Plan (MPP) account—the age at which you will begin receiving benefits and your intention regarding the percentage of MPP you will annuitize (minimum is 65%). It manages the portion of MPP that you intend to annuitize "to" retirement, and your other plan investments "through" retirement. In addition, LifeStage automatically rebalances your funds to maintain your target investment mix, which can be adjusted by altering your Personal Investment Profile (e.g., changing your risk tolerance from aggressive to moderate or conservative).

## A Penny Saved is a Penny in Earnings

LifeStage is generally less costly than a target date fund. Target date funds are essentially portfolios of funds with multiple underlying mutual funds, each with its own expenses. Also, providers typically layer on an additional fee for fund management. Depending on how the fund family calculates fees, costs can add up quickly. So, investors in target date funds may pay substantially more than other investors pay, according to the February 2011 *Wall Street Journal* article "Targeting Fees in Target-Date Funds." For example, investors in one fund family's target date funds pay fees of 1.68% of assets, according to Morningstar.

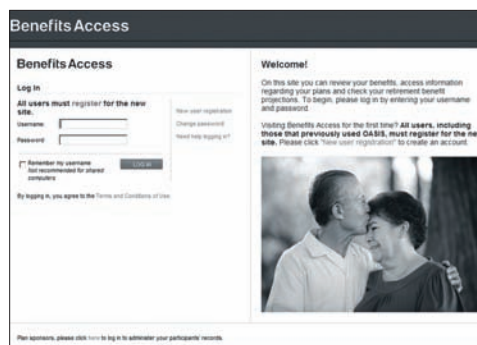


In comparison, LifeStage allocates participant investments among five General Board funds with low expenses, and the program is provided at no additional cost to participants. The average General Board investor—whether using LifeStage or not—pays roughly 0.4% to 0.7% per year as a percentage of fund balances depending on the mix of stocks, bonds and other investments.

## Ask the Professionals

Neither LifeStage nor target date funds are suitable for every investor or every situation. They do not consider other outside assets or adjust for events that may affect life expectancy. So, you may consider alternate investing strategies or seek professional financial counseling.

That counseling may be available free of charge if some or all of your retirement savings are held in a General Board-administered account. The General Board offers one-on-one phone consultations from Ernst & Young Financial Planning Services. They can provide confidential, objective guidance, and help you determine if LifeStage is appropriate or if you need more customization. Call as often as you like, and spend as much time on the phone as you need.



And now it's easier to share retirement account details with Ernst & Young advisers. With Benefits Access, you can authorize Ernst & Young to view your account online.\* Even if you don't have Internet access, you still can take advantage of this feature. To provide authorization, log on to Benefits Access at [www.benefitsaccess.org](http://www.benefitsaccess.org) and click **Take Action** on the menu bar. Under **Update Personal Data**, select "**Change E&Y authorization**," or call the General Board at **1-800-851-2201**.

\* Your account is protected from unauthorized activity—planners cannot submit transactions on your behalf or make changes to your user preferences. Any information you share with Ernst & Young is confidential, and you can withdraw your authorization at any time.

# Benefits Access Users Offer Praise, Suggestions

In the last issue, we asked for feedback about Benefits Access—which replaced the Online Account Services Information System (OASIS)—and many of you sent us comments about the new participant account management tool. One participant said, “Well done! I’ve used OASIS for a long time, and it was fine. But the new Benefits site is outstanding. Thank you.” Another noted, “This has been a needed change long-in-coming and I am delighted with the greater functionality in accessing retirement contributions and benefits. Thank you for the upgrade!” But even those who offered more critical suggestions have helped us improve the application and make it more user friendly for all participants. For example, we have added:

- A message that appears 60 seconds before a user is timed out for inactivity.
- More clarity in the e-mail explaining the process for changing a password.
- A link to “Investments” on the Welcome screen.

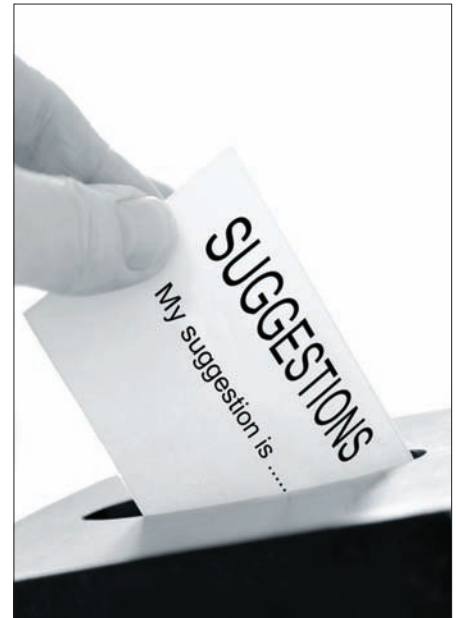
We have also changed the minimum username length to five characters from eight, which allows more flexibility in setting up your account with profile information that is easy to remember. Do you have a suggestion for us? Share your feedback about Benefits Access at [prcwebteam@gbophb.org](mailto:prcwebteam@gbophb.org).

## Try It Today!

If you haven’t registered, be sure to try Benefits Access. It offers enhanced security, new retirement benefits projection tools, educational resources, electronic delivery options, and the ability to view beneficiary designations and update contact information. And registering is quick, easy and secure. To set up your new account:

1. Go to [www.benefitsaccess.org](http://www.benefitsaccess.org) and click “**New User Registration**.”
2. Enter your Social Security number and Personal Identification Number (PIN).
3. Follow the prompts to choose a username and password. Note: Passwords are case-sensitive.
4. Choose two security questions from the drop-downs and type in the answers.
5. Enter your e-mail address, select your delivery preference and click “**Submit**.”

Learn more about Benefits Access in the October issue of *Hark*, available online at [www.gbophb.org](http://www.gbophb.org).



## No PIN? No Worries!

Don’t let a missing PIN keep you from using Benefits Access. If you can’t remember or do not have a PIN, request a new one by following the steps in “**New User Registration**” or calling **1-800-851-2201**. Please allow five to seven business days for your new PIN to be delivered by mail.



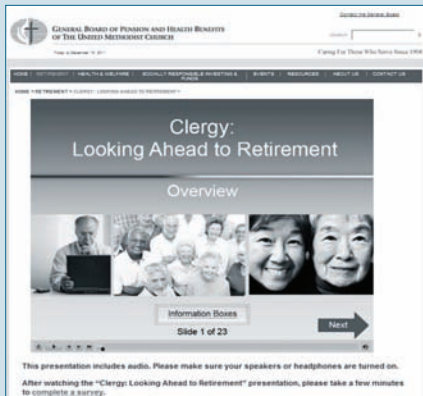
## Free Financial Webinars

Ernst & Young holds monthly Employee Financial Services Webinars—live, online programs designed to help participants understand financial planning topics. These 45-minute presentations are offered on a first-come, first-served basis and available to all participants in General Board-administered retirement plans at no charge. To find out about upcoming topics or to register to participate, visit the webinar registration link at the bottom of the right side of the page on the Financial Planning Center website at [www.gbophb.eyfinancialplanner.com](http://www.gbophb.eyfinancialplanner.com) (company code: gbophb; company program: gbophb).

If you can’t attend, view the webinar online after it concludes. Past webinars included “**How Do I Get Started?**”, which focused on building a sound financial plan for the future; and “**Year-End Financial Planning**,” which covered choices you can make before the end of the year to improve your cash flow, maximize your employer-provided benefits, reduce income taxes and increase your retirement savings.

If you have questions, contact Ernst & Young at **1-800-360-2539**, Monday through Friday between the hours of 9:00 a.m. and 8:00 p.m., Eastern time (excluding holidays).

## Have You Tried Online Education?



This year, the General Board began producing Web-based educational programs designed to teach participants about important financial topics. Two programs are now available: "Clergy: Looking Ahead to Retirement" and "Saving for Retirement." The interactive programs are designed to let you learn at your own pace—pause, repeat, fast forward or go back to previous slides. A third topic, "Investing," will be available in the coming months.

To access these programs, visit the General Board's website, [www.gbophb.org](http://www.gbophb.org), select "Retirement" in the toolbar at the top of the page, and click "Online Retirement Education."

## Go Green!

The General Board sends you a quarterly statement of your retirement accounts. But with Benefits Access, you can elect to view those statements and *Hark* newsletters online, and receive confirmations of transactions by e-mail. Electronic delivery is fast, easy and safe. It protects your sensitive information from identity theft and preserves the environment. Choose electronic delivery when you register for Benefits Access, or change your preference at any time through the **Take Action** menu. Under **Update Personal Data**, choose "**Change electronic delivery election.**"

Sign up for electronic delivery today, and help us work toward a greener tomorrow!



## IRS Contribution Limits Increased for 2012

In October, the Internal Revenue Service (IRS) announced 2012 contribution limits for retirement savings accounts. You may contribute \$17,000 in before-tax participant contributions (up from \$16,500) or \$22,500 if you will be age 50 or older by the end of 2012.

Participants with 15 or more years of service with The United Methodist Church may be eligible to make an additional annual before-tax contribution of \$3,000; however, eligibility requirements and lifetime limits apply. If you have more than 15 years of service and want to contribute more than \$17,000 next year, please contact the General Board at **1-800-851-2201**.

Total contributions—before-tax, after-tax and plan sponsor contributions (if you are eligible)—cannot exceed \$50,000 or 100% of your total compensation, not including the housing allowance.

Low- and moderate-income 401(k) and 403(b) savers also may be eligible for an additional benefit. The Saver's Credit enables you to make before-tax contributions to your retirement savings *and* take a credit on your federal income tax return. It applies to the following individuals:

- Single, married filing separately, or qualifying widow(er), with income up to \$27,750
- Head of household with income up to \$41,625
- Married filing jointly, with incomes up to \$55,500