

# Dollars *and* Sense

March 2007

A Publication from Western Federal Credit Union



## Uncle Sam Wants His Share Dealing with Minimum Distribution Requirements (MDR)

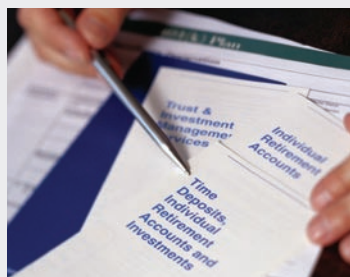
By Carmen Johnson, Financial Consultant  
through XCU Capital Corporation, Inc.



Mark the year in which you'll be 70 1/2 years old on your calendar with a big red circle. This is an important milestone because it is the first year the government requires you to start taking distributions from retirement savings plans like non-Roth Individual Retirement Accounts (IRAs), Simplified Employee Pension Plans (SEPs), Tax-Sheltered Annuities (TSAs) and other qualified accounts.

It doesn't matter if you want to take money out or not – Uncle Sam demands you do because he's eager to finally collect taxes. The minimum amount you're required to withdraw is based on a complicated life expectancy formula and the value of the account on a certain date, but your investment company will do the calculations for you if you request it. Be sure to ascertain the MDR on each qualified account you own as the requirements may vary and can change year to year.

If you're tempted to slide comfortably into your 70's without taking distributions, you may want to reconsider. The punishment for noncompliance is harsh – the taxes you owe plus a 50% penalty. But even though you must take distributions, you don't have to stop saving. You can invest in nonqualified mutual funds or annuities, or in a special grandchild's education fund, such as a 529 plan. Check with your financial consultant for suggestions on how to keep your money growing during retirement.



### MDRs Made Easy

**Automatic MDR Calculation** – Possibly the most convenient way to comply with MDRs is to set your accounts up on a systematic annual review. On the first of every November your accounts are reviewed, the MDR calculated and you're sent a check. Ask your account holder if this service is available.

**Consolidate Your Accounts** – It's not unusual for people to have several different retirement accounts. To ease paperwork, consider moving all of your accounts to one investment company. Your financial consultant can assist you and make sure you meet all IRS requirements.

**Automatically Withhold Taxes** – You can request that taxes be withheld from your distribution check and automatically sent to the IRS. Check with your financial/tax consultant to see if this option is best for you.

## Our Door is Always Open

The beginning of year is a great time to ensure that your investments are on track.

### No Obligation.

We are always available to review your portfolio, even if you have investments held elsewhere.

### A Qualified Partner.

Your financial consultant will listen to your goals and review your current investment strategy.

### Personalized Advice.

Your financial consultant will guide you to help ensure you meet your short- and long-term goals.

**Schedule a portfolio review with a Financial Consultant today.**

See reverse side for contact information.



## ASK US

- CD/Term Share Maturing
- IRA Investments
- Retiring Soon
- Need a Second Opinion
- Long-Term Care
- Rollovers

“ASK US how easy it is to transfer your investment accounts to Western.”

# Dollars *and* Sense

March 2007

## Q & A HOT TOPIC: Long-Term Care Insurance

By Hansen Champlin, Financial Consultant  
through XCU Capital Corporation, Inc.



### Q: What is Long-Term Care (LTC) Insurance?

**A:** A LTC policy is designed to help cover the cost of care for chronic impairment due to injury, disability or aging. Depending on the options you choose, a LTC policy can supplement income or completely cover the cost of long-term care in a facility or your home.

### Q: Who should purchase a LTC policy?

**A:** Some people purchase a LTC policy primarily to preserve and protect their estate for their heirs. Others may not have heirs or family members to care for them or may simply want more options in controlling their care. If you are close to retirement age, have assets you want to protect, are in good health, and can afford the premiums, a LTC policy may be a good choice for you.

### Q: Are all LTC policies the same?

**A:** All insurance policies have the same function – to help limit the financial impact from unexpected events. While most LTC policies do offer basic long-term care coverage, ask your financial consultant to explain specific benefits based on your individual situation. Be sure to inquire about waiting

periods, inflation adjustments and payment options. Insurers base policy costs on age, physical condition, coverage requirements and features, and options.

### Q: How do I choose the right policy?

**A:** Before making a decision, learn more about how a LTC policy fits into your overall financial picture. Discuss the benefits and limitations with a trusted financial consultant who has a broad range of experience and knowledge of retirement planning, products, and services. LTC policy premiums increase with age, so it's never too early to discuss your options.

### *Hansen Recommends:*

Take time now to visit nearby long-term care facilities to gauge the level of service and the cost of the care you may need. While these decisions may seem far in the future, the more you educate yourself now, the better you can decide how to protect your future assets, your quality of life and your well-being.



Our door is always open for you to stop by and learn how we can serve your individual financial and investment needs. Please contact us to set up an appointment.

Phone: 310-536-5000, x5800 or 877-254-9328, x5800

email: [Investments@WesternMFS.com](mailto:Investments@WesternMFS.com)

Securities and annuities transactions are offered through XCU Capital Corporation, Inc., member NASD, SIPC Insurance is offered through Focus Insurance Agency, Inc., a wholly owned subsidiary of XCU Corporation, Inc., license number in California is #0727864.

Investment and insurance products are not credit union deposits, are not insured by the NCUA or any federal government agency, are not obligations of or guaranteed by Western FCU, or XCU Capital Corporation, Inc., or Focus Insurance Agency, Inc., and subject to investment risks, including possible loss of principal amount invested.

