



# Extension's Successful FAMILY



You have the will. We have the way.

Summer 2012

## Retirement planning after the Great Recession

The Great Recession of 2008 hit most Americans hard. Within a few months, many workers saw diligently earned retirement savings in 401(k) and IRA plans dwindle by as much as 50%. Home values in many areas declined precipitously, and much of the workforce experienced flat income, pay cuts, or—even worse—unemployment. In the years since the recession officially ended, some retirement accounts have gradually rebounded to their pre-recession amounts, but growth in these accounts has been slow or nonexistent. Even for younger employees, low-performing retirement accounts can strongly affect long-term gains.

Now that the economy seems to be improving and most retirement accounts have stabilized, many workers are setting goals for their post-recession retirement plan. To get your retirement plan back on track in the new post-recession economy, assess your previously established retirement goals, and evaluate whether those goals remain in alignment with your retirement vision. A key consideration is your target income replacement amount. Did you select 70%, 80%, or even 100%? Evaluate whether this income replacement level is still an appropriate goal. The Ballpark Estimator (<http://www.choosetosave.org/ballpark/>) is a great tool for establishing and reviewing income goals. You can print the tool out and complete it by hand, or you can fill it out online.

After reviewing your target income replacement level, determine the likelihood of meeting your income goal given your current approach. Take stock of your accumulated retirement savings, and consider the number of years until retirement.

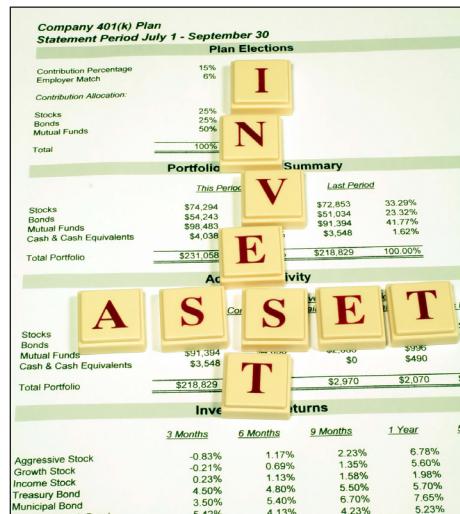
The fewer years to retirement, the more aggressively you may need to save. This may mean adjusting your plan to increase savings, changing your portfolio mix, or some combination of the two.

A review of your accounts and portfolio mix should include an evaluation of your use of tax-advantaged retirement accounts. The most common tax-advantaged accounts for employees

Service (IRS) allows a maximum contribution of \$17,000 for those 49 years of age and younger, and \$22,500 for those 50 years of age and older. However, your employer's plan limits may be lower, so check your plan's rules for the maximum contributions allowed. The investments you make in your employer-sponsored plan should be coordinated with your independent investments to maintain diversification. Investments in employer-sponsored plans should reflect the level of risk you are comfortable with and should consider the number of years before your planned retirement.

If your employer does not offer a qualified retirement plan, you can create a self-managed retirement plan. Traditional IRAs and Roth IRAs are two common self-managed retirement plans.

- **Traditional IRA.** Contributions are generally tax deductible, but be aware that deduction phase-out is affected by a combination of employer-sponsored retirement plan coverage, adjusted gross income, and filing status. Contributions and interest grow with taxes deferred, and distributions from the account are taxed as ordinary income. Generally speaking, the annual contribution limit is \$5,000 a year (\$6,000 a year if you are 50 years of age or older). Married individuals whose income tax filing status is "married filing jointly" follow different rules for tax deductions based on a combination of employer-sponsored retirement plan coverage for you and your spouse and adjusted gross income. There are no income limits for opening an IRA, and an account can be opened any time prior to age 70½. Distributions can begin at age 59½ but must begin by age 70½. Consult



are 401(k)s (or 403[b]s for not-for-profit employees) and the self-managed individual retirement accounts (IRAs). If you have a 401(k) or 403(b) plan, be sure you are contributing enough to the plan to take advantage of any available employer matching contributions. If you are not contributing the maximum amount allowed to your 401(k), financial experts advise that you increase your contribution by 1% annually until you reach the maximum. For 2012 the Internal Revenue

Internal Revenue Service Publication 590, available at [www.irs.gov](http://www.irs.gov).

• **Roth IRA.** Contributions are not tax deductible. Taxes are paid on contribution funds before they are contributed to the account. Contributions and interest grow tax free, and distributions are not taxed. There are income limits for opening a Roth IRA. Singles who earn more than \$122,000 a year and married couples who earn more than \$179,000 a year are ineligible for Roth IRAs. If you are married and filing separately (and you lived with your spouse at any time during the year) you cannot make a contribution to a Roth IRA if your income was \$10,000 or more. Distributions may begin at age 59½, but unlike a traditional IRA, funds in a Roth IRA can be left in the account for as long as you like. Most people will be able to contribute \$5,000 a year (\$6,000 a year if you are 50 years of age or older), but the rules governing contribution limits are more complicated for Roth IRAs

performance and risk. Assess whether your retirement investments are sufficiently diversified, whether they perform well in relation to other investments of the same class, and whether the investments reflect your risk tolerance.

Your portfolio mix should change over time. As a rule of thumb, the closer you get to retirement, the safer your investments should be. The stock market can be volatile, and it is important to protect accumulated retirement funds against unpredictable market fluctuations. A common approach is to begin to protect a portion of funds when you are within five years of retirement. This is important because a significant drop in the market may make it difficult to recoup lost funds by the time you retire. Even with its volatility, the stock market has historically shown the greatest average return of all types of investments. Given the longer life spans of many Americans, it may be beneficial to

keep a portion of your retirement account in stocks to avoid prematurely depleting your retirement account. It is also important to have a withdrawal plan that will guide how much income you will take each year from your accounts.

A qualified professional can help you to determine how to minimize your risk, protect income that will be needed soon after retirement, and develop a sustainable income withdrawal

plan. Qualified professionals include Certified Financial Planners and Certified Public Accountants who hold the Personal Financial Specialist credential. Financial planners may be compensated by earning a commission on products they sell, charging fees to develop a client's plan, or some combination of both. It is important for you to understand how the planner will be compensated. An interview checklist from the Certified Financial Planner Board of Standards (<http://www.cfp.net/Learn/knowledgebase.asp?id=8#link12>) identifies some important questions to ask when looking for a professional financial planner. You can search for a financial planner on the websites of the Certified Financial Planner Board of Standards (<http://www.cfp.net/>) and the Financial Planning Network (<http://www.fpanet.org/>). Certified financial planners who are members of the Financial Planning Network are committed to providing services on a fee-only basis.



than for traditional IRAs. Consult IRS publication 590, available at [www.irs.gov](http://www.irs.gov).

It will be important to understand your retirement income goals in the context of how much money you will need to live comfortably in retirement. Create a draft retirement budget that accounts for your expected expenses. The budget should reflect whether you expect to have a mortgage payment, car payment, consumer debt, medical insurance premiums (Medicare Part B and Part D), and other basic expenses such as homeowner and auto insurance in addition to food and utilities. Don't forget other aspects of your plans, such as travel, gift-giving, and home remodels. Now you can better determine whether the target income is sufficient to support your retirement plans. If there is a gap, ascertain what adjustments might need to be made to cover it.

An important part of ongoing planning is to periodically review your portfolio for

Even though you may have retirement accounts established, consider establishing or increasing the funds in a personal savings account to offset unexpected expenses and emergencies. Having a liquid savings account can eliminate the need to use credit in an emergency and can help keep debt under control. Find ways to add to your savings account, such as transferring pay raises directly into savings or setting up a regular automatic fund transfer into a savings account. Saving vehicles include certificates of deposits (CDs), money market accounts, and regular savings accounts.

Other important strategies that can contribute to retirement security are:

• **Pay down credit card debt.** Credit card debt typically is high-interest debt. Paying off credit card debt while you are still working means you will not have to use retirement income to pay it off. Once the debt is paid off, continuing making that payment amount to a savings account or a retirement plan.

• **Delay retirement.** By delaying retirement for a few years, you will gain additional time to rebuild retirement accounts devastated in the Great Recession. If you had planned to take an early retirement, you may want to reconsider that option. According to the Social Security Administration, people who retire at age 62 usually make about 25% less than those who retire at their full retirement age. The online retirement estimator on the Social Security website can help indicate various retirement payouts based on various dates. Use this tool to help determine the best time to retire in your situation.

• **Work part time.** If you decide to pursue this option, determine what kind of part-time work you want and where. If you enjoy your current job, inquire about transitioning into a part-time position or working as a project-based consultant. Investigate freelance or consulting work. Look into available opportunities that align with your hobbies. There are a growing number of employers that value the experience and worth of older employees, and statistics indicate that post-retirement employment opportunities for older adults should increase as the economy improves.

Retirement planning in the wake of the Great Recession requires flexibility and a multisolution approach. The more quickly you assess your current situation and develop a realistic strategy to meet your retirement goals, the greater the benefits you will have in retirement.

## As a caregiver, give care to yourself

Taking care of a parent, spouse, child, or friend who has physical or cognitive disabilities can be stressful for the caregiver. There are many challenges associated with caregiving, and if you are a caregiver, you may find it necessary to master new skills. For instance, you may need to learn new ways to communicate with or relate to a family member whose ability to communicate or understand things is compromised by illness. Caregivers often need to make tough decisions, too. In the midst of these responsibilities, it is easy to ignore your own well-being, which can cause your health to decline.

Here are some strategies to help you take care of yourself if you are a caregiver:

- **Make self-care a priority.** Everyone needs care at some point, and that includes caregivers, so practice self-care. An important aspect of self-care is to maintain activities and relationships you find meaningful.

- **Do not hesitate to seek resources and ask for assistance.** Communities provide valuable resources that can aid caregivers. Often a little research and an inquiry will lead to help and positive

outcomes. If family or friends volunteer to help, accept the offer. Guide them by providing a list of tasks for which assistance is needed. The list could include taking the garbage out, washing the dog, and running errands.

- **Learn and practice effective communication skills.** This can be especially useful when dealing with family members, friends, health care professionals, and the care receiver. Do not assume others will know what you need. Recognize that it is your responsibility to tell others what you need and what concerns you.

Communicate in ways that are positive, and avoid being domineering, manipulative, or guilt-provoking.

- **Listen to and learn from your emotions.** Know that there will be ups and downs. Find a reliable family member or friend with whom you can share your thoughts. Keeping emotions bottled up



can cause irritability, depression, and even health problems, all of which can affect your judgment and your ability to make the best decisions.

- **Establish realistic self-care goals.**

For example, set aside 30 minutes each day to read, work on crafts, or do some other activity of your choice that can help you relax.

## A quest for truth in health-related information

In this time of easy Internet access, consumers are often faced with information overload, especially for health-related topics. It can be difficult to separate fact from fiction. Online search engines conveniently put a plethora of information at our fingertips, but how do we know which information is reliable and factual?

Follow these guidelines to help you sift fact from fiction on the Internet:

- **Determine whether the website has a reliable sponsor.** Reliable sponsors include federal government agencies, large professional organizations, and colleges or universities. These sponsors create sites that are considered to be unbiased because the sponsor is not a for-profit company trying to sell something. These types of organizations typically have Web addresses that end in .gov, .org, or .edu.

- **Add a trusted source to your search terms.** Instead of searching on *diabetes*, search on *diabetes* and *National Institutes of Health* or *diabetes* and *Centers for Disease Control and Prevention*.

- **Determine whether the source of the information is identified.** Most websites post a combination of their own information and information that comes from other sources. If the owner of the website did not write the information, the original source should be clearly stated. In addition, the site should clearly indicate whether the information is an opinion, and if so, whose opinion it is.

- **Look for information that is current.** As technology improves, health information changes. Most websites

post the date on which the page was last updated or reviewed (usually at the bottom of the page).

Reliable information can be found at:

- **healthcare.gov**—This federal government website, managed by the U.S. Department of Health and Human Services, provides information about health care, health insurance, and health care laws.

- **www.nlm.nih.gov/medlineplus**—MedlinePlus is an informational service of the U.S. National Library of Medicine and the National Institutes of Health.

- **www.cdc.gov**—The Centers for Disease Control and Prevention is an operating unit of the U.S. Department of Health and Human Services.

- **www.medicare.gov**—The official website of the U.S. Medicare program, sponsored by the Centers for Medicare and Medicaid Services.

- **ncam.nih.gov**—The online home of the National Center for Complementary and Alternative Medicine, a component of the National Institutes of Health.



## What's in season?

# Bell peppers

**N**amed for their bell-like shape, bell or sweet peppers are a fruit that is in the same family as tomatoes, potatoes, and eggplant. They come in a variety of colors, including green, red, yellow, orange, purple, white, and brown. Their sweet, mild flavor and crisp, juicy flesh make them a cooking staple. Bell peppers can be stuffed and baked, grilled, roasted, stir-fried, or served in salads, stews, and soups. Red peppers are an excellent source of vitamins A and C, and green peppers are an excellent source of vitamin C.

Green peppers, the most common and least expensive variety of bell pepper, are picked before they ripen and have a slightly sharp flavor. When left to ripen, green peppers become sweeter and turn red, yellow, or other colors, depending on the variety.

When purchasing bell peppers, select firm, crisp peppers that feel heavy for their size. They should be shiny and richly colored. Avoid peppers that are shriveled or have soft spots. For stuffed peppers, choose round, block-shaped peppers. Refrigerate unwashed peppers in a plastic bag for up to one week. Wrap leftover cut peppers in plastic wrap and refrigerate for one to two days. Red, yellow, and other colored peppers are slightly more perishable than green peppers.



Rinse bell peppers under cold running water just before using. To chop or slice, stand the pepper on its end on a cutting board. Cut down three or four times to form vertical slices. Discard the stem, core, and seeds. Remove the white veins or membranes. Cut the slices into strips or chop as desired. To cut the pepper into rings or prepare for stuffing, make a circular cut around the top of the pepper with a paring knife. Pull out and discard the stem, core, and seeds. Carefully cut out the membrane, and rinse with water to remove any seeds. Slice crosswise to form rings or leave intact for stuffing.

Roasting peppers gives them an intensely sweet, smoky flavor. To roast peppers, arrange whole peppers on a foil-lined baking sheet. Broil 2 to 4 inches from heat source until blackened on all sides, turning with tongs as needed. Wrap peppers in foil from pan and place in plastic bag to steam and loosen skins.

## Extension's **Successful FAMILY**

This quarterly newsletter is written by a team of North Carolina Cooperative Extension family and consumer education agents. The purpose of the newsletter is to inform and educate families on issues that affect them and to provide ideas for helping improve their quality of life. An educational outreach of NC State and NC A&T State universities, Cooperative Extension is located in every county and the Cherokee Reservation.

*Extension's Successful Family* is produced by Family and Consumer Sciences, NC State University.



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Sincerely,

A handwritten signature in black ink that reads "Janine B. Rywak".

Janine B. Rywak  
County Extension Director

North Carolina State University and North Carolina A&T State University commit themselves to positive action to secure equal opportunity regardless of race, color, creed, national origin, religion, sex, age, veteran status, or disability. In addition, the two Universities welcome all persons without regard to sexual orientation.

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When cool enough to handle, peel off and discard blackened skins with a paring knife. Remove and discard stems, cores, and seeds. Slice and use in sandwiches, salads, dips, spreads, pizza toppings, and pasta dishes.

## Bell Pepper Serving Suggestions

- Cut peppers into strips and serve with your favorite dip as an appetizer.
- Toss cut-up peppers into stir-fries, salads, chili, soups, and stews.
- Stuff hollowed-out bell peppers with cooked rice, pasta, or other grains and bake for a hearty entrée.
- Serve a low-fat dip in a hollowed-out bell pepper for a unique, edible bowl.
- Top pizzas with sliced or diced bell peppers, either raw or roasted.
- Add chopped or sliced peppers to pita pockets and wraps for great color and crunch.
- Stir chopped red, yellow, or orange peppers into fruit or vegetable salsas for a touch of color and sweetness.