



Cracking Open Your Retirement Nest Egg

On par with the importance of building a retirement nest egg is making it last once you start taking distributions.

But devising a sound strategy for tapping your retirement savings is not a one-size-fits-all proposition. Your personal and financial situation, goals, age and types of investments will help determine your approach to retirement plan distributions.

WHICH COMES FIRST: TAXABLE OR TAX-DEFERRED?

Many financial experts suggest withdrawing from taxable accounts first in order to let tax-deferred accounts continue to grow as long as possible. However, there are instances when taking money out of your tax-advantaged accounts first may make sense:

Leveraging your tax situation. If you have a Roth IRA and need cash for expenses, you may want to look at some combination of withdrawals from your Roth and your employer-sponsored plan and traditional IRA. Since qualified withdrawals from a Roth are tax-free, taking some distributions from the Roth and some from your tax-deferred and taxable accounts may help keep you from crossing a tax bracket threshold.*

Leaving money to heirs. Distributions from inherited employer-sponsored retirement plan accounts are taxed at the recipient's ordinary income tax rate, which can be as high as 35%. However, beneficiaries may be able to take money out of an inherited Roth IRA income-tax-free.** Money inherited from a taxable account benefits from a step-up in basis, which typically reduces the amount of capital gains taxes due upon the sale. It may make sense to draw down your employer-sponsored plan first if your goal is to leave the maximum amount of money to your heirs.

Rebalancing your investments. If some of your retirement money is tied up in highly volatile investments in taxable accounts, you may want to start drawing those down to reduce your investment risk.

WHAT ABOUT RMDs?

Your options for withdrawals become more limited once you reach the magic age for required minimum distributions (RMDs). You must start taking annual distributions based on IRS life expectancy

tables from employer-sponsored retirement plans by April 1 of the year after the year you turn age 70½.*** If you don't, you may face a 50% penalty on the amount that should have been withdrawn but wasn't. Traditional IRAs also have RMDs; Roth IRAs do not have RMDs during the original account holder's lifetime.

A financial advisor can run financial simulations that illustrate the potential impact of various withdrawal rates.

MAKING YOUR MONEY LAST

It's wise to meet with a financial advisor to help develop a strategy for taking distributions that helps you meet your tax and financial goals while helping ensure your money lasts as long as you do. Some studies indicate that many retirees can withdraw about 4% annually from portfolios that are invested at least 50% in stocks.† However, your situation is unique. A financial advisor can run financial simulations that illustrate the potential impact of various withdrawal rates and hypothetical rates of return over time. You may also want to ask about annuities that can guarantee lifetime income, depending on your choice of payout.††

To learn more, contact SCU Investment Services at (916) 444-8599, ext. 3112.

* Withdrawals from a Roth IRA are tax-free provided the account holder is at least age 59½ and has held the account for at least five years. Nonqualified withdrawals are subject to ordinary income tax and a 10% IRS penalty. Qualified withdrawals (those made after age 59½, or age 55 if separating from service) from an employer-sponsored plan are taxed at ordinary income tax rates. Nonqualified withdrawals are subject to a 10% tax penalty (does not apply to 457 plans).

** IRS minimum withdrawal rules for inherited IRAs apply. *** Some plans may allow you to delay distributions if you are still working at age 70½.

† Source: American Association of Individual Investors, www.aaii.com.

†† Annuity guarantees depend on the financial strength and stability of the issuing insurance company. Annuities generally have fees and expenses that do not apply to other investment vehicles.

Investment products are offered by third-party providers and are not insured by NCUA or any federal government agency. These products are not a deposit of or guaranteed by Sacramento Credit Union.

in this issue

Travel Smart ...2

Free Seminar ...2

Invest in Sacramento ...2

Calendar of Events

Independence Day
July 4, 2007
SCU Offices Closed

Retirement Seminar
July 24, 2007

Board of Directors

Terry Tice, Chair
 Willie L. Southward, III, Vice Chair
 Jan Reeves, Secretary-Treasurer
 John Beck, Director
 AnnMarie Boylan, Director
 Les Brown, Director
 Judy McGarry, Director
 Mark Norris, Director

Supervisory Committee

Mary Ann Bennett, Chair
 Beverly Skeaton, Vice Chair
 Mari Lynn Shimamoto, Member
 Gene Webb, Member
 Pat Wilcox, Member

President & CEO

Jerrold A. Kinlock

Branch Hours

Mon. - Thurs. • 9 a.m. to 5 p.m.
 Friday • 9 a.m. to 6 p.m.

All Offices

Phone: (916) 444-6070
 Toll Free: 1 (888) SACTO-01
 24-Hour LoanAccess Line
 Toll Free: 1(877) 444-LEND
 E-Z Access: (916) 441-2255
 Toll Free: 1(800) 397-2255

Elk Grove

9160 E. Stockton Blvd., Ste. 120

Fair Oaks

8100 Madison Avenue

Sacramento

3660 Bradshaw Road
 800 H Street
 3045 Arden Way, Ste. 200
 6121 Franklin Blvd.
 Kaiser Hospital*
 6600 Bruceville Road
 * Limited hours of operation.

www.sactocu.org

Home Loans

www.SCUhome.com
 (916) 441-LOAN

SCU Investment Services

(916) 444-8599, ext. 3112

**Personal Auto Shopper
Autoland**

(916) 449-2763



Travel Smart with Your Money

Questions about choosing forms of payment wisely and protecting your money on your mind when it comes to planning a trip? At Sacramento Credit Union, we can help you get a handle on the best ways to pay so you'll feel confident wherever your travels take you.

A WELL-BALANCED WALLET

For flexibility and safety, pack multiple forms of payment along with a list of account information and contact numbers in case you need them.

Cash isn't going out of style. It's a great travel companion as long as the amount is reasonable and you keep it in a safe place.

Q. Where should I go for foreign currency exchange?

A. Skip the airport or hotel exchange window and find a financial institution for the best exchange rates.

Travelers checks are easily replaceable if lost or stolen.

Q. Are travelers checks still widely accepted?

A. Travelers checks are accepted in the U.S. and abroad and can be cashed for U.S. dollars or foreign currency.

Credit cards provide a safe way to pay but can sting you with additional fees on foreign transactions (typically about 3% of the purchase price).

Q. Should I bring more than one credit card?

A. Consider packing two credit cards – one that you use and the other to keep in a separate place in case of emergency.

Debit and ATM cards are also accepted around the globe but may incur out-of-network or foreign conversion fees.

Q. Can I use my ATM or debit card in foreign countries?

A. You can access cash surcharge-free at thousands of CO-OP network ATMs throughout the United States and in a few foreign countries, including Canada. You can also use your Check Card at other ATMs worldwide, but if you're traveling abroad, let us know beforehand so we can determine if there are any restrictions.

*Save the Date***Free SCU Investment Services Seminar on Retirement**

Save July 24, 2007, for this seminar featuring valuable information about planning for retirement. Come enjoy a free dinner and learn important details about current legislation to help you take advantage of retirement. More details in next month's *MoneyMatters!* To RSVP now, call **(916) 444-8599, ext. 3112.**

Investment products are offered by third-party providers and are not insured by NCUA or any federal government agency. These products are not a deposit of or guaranteed by Sacramento Credit Union and may lose value.

*Invest in Sacramento***SCU Supports Financial Education for At-Risk Youth**

Sacramento Credit Union has made a cash donation to the **Financial Firsts** program, a series of financial education workshops designed to teach at-risk teens and young adults about key financial issues. This program helps young people prepare for the financial realities they will face in adulthood. Seminars are provided free to foster youth through government agencies and nonprofit organizations in the Sacramento area. Topics covered include managing a checking account; creating a resume, preparing for an interview and securing a job; shopping for, purchasing and maintaining a car; obtaining and properly handling credit; and living independently.

Sacramento Credit Union is pleased to "Invest in Sacramento" by supporting financial education for our underserved youth.