



LIVING NOW

WINTER 2011

Your Quarterly eNewsletter from New York Life Retirement Plan Services

New Year's Resolutions for 2012 and Beyond

After a season of holiday gatherings, New Year's is a time for new beginnings and resolutions – for most of us they include improving exercise habits, diet, or our overall health. Oftentimes, we begin in earnest but quickly find the resolution difficult to stick with beyond the start of spring. This year, think about making a resolution that will not only impact your financial health far beyond 2012, but is also simple to follow.

■ **Set aside more money for your future** - Consider increasing your retirement savings plan contribution in 2012 – you'll decrease your taxable income now and save more toward your goals. New Internal Revenue Service (IRS) regulations for 2012 mean that even if you

contributed the allowed maximum in 2011, you may still increase your annual plan contributions for 2012 (to a total of \$17,000 per year). By contributing just 1% more per year, you can make considerable progress toward your goals.

■ **Review your retirement savings plan account** - Take full advantage of your retirement savings plan by evaluating your account annually. Take this time to increase your contribution rate and check your investments. See the progress you're making toward your goals – go to the "My Account" tab at www.nylim.com.

■ **Update your beneficiary designation** – Are you prepared if something unexpected should happen? Be confident that your retirement savings will be distributed according to your wishes by reviewing your beneficiary designation(s) both annually and after any major life event (marriage, divorce, birth, death, etc.). (Remember: if you're married, federal law generally requires that all death benefits be paid to your surviving spouse unless your spouse consents in writing to another designated beneficiary.)

Start your new year off with a resolution that will help you make progress toward your financial goals in 2012 and beyond.

Save Even More in 2012 with New Contribution Limits

When considering your contribution increase for the new year, keep in mind that you can set aside more money for your future in 2012. The IRS has increased the annual contribution limit for retirement savings plans to \$17,000 in 2012 (up from \$16,500 in 2011).

While an increased annual contribution of \$500 is less than \$10 per week, this extra money could make a big difference to your retirement income over time. Not at the limit? Consider increasing your contribution rate for 2012 – even a small increase could have a big impact on your future retirement income.

If you will be age 50 or over at any time in 2012, you're eligible to contribute even more to your plan account. The catch-up contribution limit will remain at \$5,500 for 2012, allowing you to save up to \$22,500 per year toward your retirement income this year.

Review your current contribution rate (including any after-tax or employer contributions) and make changes that make sense for you, based on your retirement goals and financial commitments.

Pay Down Debt in 2012

Did you take on some additional debt this holiday season? When considering your financial health this new year, take into account any debt (credit card, student loan, mortgage, etc.) and how you can manage and pay it off in a smart way in 2012. **Three easy steps can get you started in the right direction:**

Size up your debt

By adding up your monthly debt payments (credit card(s), mortgage, car loans, student loans, etc.) and dividing that amount by your gross (pre-tax) monthly income, you can determine your “debt-to-income” ratio. Is this percentage higher than you would like it to be at the start of 2012? Paying down “bad” debt is a good place to start.

Identify your “good” and “bad” debt

Begin by paying down bad debt. Credit card and retail store card balances typically carry high interest rates and penalties for missed payments, making them examples of bad debt. Some debt – student loans and fixed-rate home mortgages, for example – are considered good debt because they may be paid off more slowly at lower interest rates and may result in future benefits.

Start paying down your debt

There are several approaches to paying down debt. One method is the “worst first” approach, in which you pay down bad debts with high interest first with larger payments, while making minimum balance payments on other debts. As each debt is eliminated, apply those payments to the next highest debt until all debts are paid off.



Kick off the New Year Right

Now that you have some great resolutions, how will you get started and stay on track? One great tool is a monthly budget. By creating and taking a closer look at your monthly budget, you may find that you can increase your annual contribution, eliminate debt, and even spend more on fun stuff like hobbies or vacations.

To create a monthly budget, first add your monthly income, and then subtract your regular monthly expenses. If you have a positive number, it probably

means you are saving money. Are you setting something aside for surprises like an illness or job loss?

You may find areas of opportunity to make some positive changes in your monthly budget to help you keep your resolutions in 2012. Try tracking your budget for a couple of months. You'll find that a few small changes this new year can go a long way in helping you achieve your retirement goals.

All investing involves risk. It is possible that investment objectives may not be met.

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