



OHIO DEFERRED  
COMPENSATION

# REWARDS

n e w s l e t t e r

NOVEMBER 2018

## Healthy Tips for a Healthy Retirement!

Start some healthy habits today.

 877-644-6457

 [Ohio457.org](http://Ohio457.org)

 Ohio Deferred Compensation

# 529 Plans, Updated Information and Resources

The most common form of a college savings plan is the 529 plan. They are offered by almost every state in the United States. Each state plan will have some differences, but they all share the same basic features:

- It's not just for parents! Grandparents, aunts/uncles, etc. can open accounts.
- Withdrawals used for higher education expenses are free from federal tax.
- You can use the money for college or for private school education (incl. grades 1-12).
- They have several different investment options to choose from.
- If the plan is based in your home state, there may be state tax deductions on contributions.
- You can change the beneficiary to a younger sibling if the older child earns a "full ride" scholarship.

If you are a family member or friend, you can contribute to the child's existing account. If you are a grandparent or aunt/uncle, you can create an account for the child in your name. In Ohio's plan,

\* Source [www.collegeadvantage.com](http://www.collegeadvantage.com)

you can deduct up to \$4,000 per year, per child from your Ohio gross income for contributions that year to the Ohio 529 plan. \* If you contribute \$20,000, you could deduct \$4,000 per year for the next 5 years!\* If you are no longer an Ohio resident, check with your state to see what tax breaks may be available for you in your state sponsored plan.

If one of your goals is to assist a loved one or family member with their college/private school expenses, consider exploring your state's 529 plan. You may just get a tax break for it!

Ohio DC does not provide tax advice. Please consult with your tax advisor and/or financial advisor for specific application of the above statements to your situation. The statements above are designed to inform you about the topic and should not be construed as advice specific to your financial matters.

For more information on Ohio's 529 plan, go to [collegeadvantage.com](http://collegeadvantage.com) or discuss with your financial professional.

## Did You Know?

- o It's a good idea to make sure Ohio DC has your current email address on file. Ohio DC uses email as one of the ways to invite you to webinars and other educational opportunities that may be of interest to you. Furthermore, if you choose eDelivery to receive your quarterly statements, having a valid email address is important.
- o In addition to the other educational offerings Ohio DC provides, we now offer live and pre-recorded webinars to participants. We typically run a series of live webinars every Spring and Fall, but you can access the pre-recorded webinars at any time on our website. We have also created shorter videos that cover topics of interest to retirees, such as the impact of fees on investing, required minimum distribution rules and rollovers.
- o Our website, [Ohio457.org](http://Ohio457.org), has multiple financial calculators available. They include a payout illustrator, college savings calculator and an asset allocation tool, among others. If you haven't utilized these in a while, check them out under the Resources tab.

## How Do We Know if We are Helping Our Millennials Too Much?

Recent studies show that 1 out of 4 parents are assisting full-time working millennials with their financial obligations in some manner (source Instamotor Survey, details below). It also indicated that 53% of parents pay their child's cell phone bill and 31% paid for their car insurance.

Here is a list from the survey of areas where parents were paying for their millennial children:

Car payment	30%
Utilities	30%
Rent/Mortgage	27%
Health Insurance	18%
Student Loans	18%
Credit Cards	17%
Other	6%

Be careful that your assistance to your children is not leading to your own detriment. Be very clear about how long the assistance you provide will continue. If you have a stopping point in mind, make sure your children know. For example, if you said you will pay off the student loan debt, make sure they know that when it is completely paid off, your assistance is also complete.

If you are providing significant assistance, it is fair to inquire about your millennial's personal financial situation. This may be a good opportunity to offer some budgeting tips or other advice to help them become more independent. Offer them help and be especially clear about when you want them to achieve full financial independence. Teach them how to be savvy shoppers and find ways to save money so that they can accomplish bigger goals like retirement saving, buying a home/car, etc. Sometimes sharing your financial success/struggle stories with your kids will help them see that their challenges are not unique and can be overcome.

(Instamotor Survey data found in CNBC article March 5, 2018 by Sarah O'Brien)

## Passing Your Ohio Deferred Compensation Benefits on to Your Beneficiaries

Program participants often ask about how their assets can be distributed upon their death. One common misconception is that account balances are required to be paid out to the beneficiaries in a lump sum. Although taking a lump sum distribution is an option, it is not your beneficiary's only option.

The time frame in which the assets must be distributed varies based on the age of the participant at death, and whether or not the beneficiary is a spouse. Although the beneficiary may be subject to Required Minimum Distributions, he/she can generally withdraw over several years if they desire. Also, trusts and charities can be named as a beneficiary.

Lastly, a participant can name a contingent beneficiary(ies) in the event the primary beneficiary predeceases or dies at the same time as the participant. If you have questions about your beneficiaries' distribution options, feel free to contact us at 877-644-6457.

### CONTACT US:

If you are retired and have not spoken with a Retirement Planning Specialist (RPS), consider setting up an appointment by calling:

 **877-644-6457**

An RPS can assist you with payout options and asset allocation in retirement.

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Information provided by Retirement Planning Specialists is for educational purposes only and is not intended as investment advice. Neither Nationwide nor its representatives give tax or legal advice. Please contact your tax or legal advisor for such advice.



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### Why is the rate of return for the Stable Value Option slow to respond to recent interest rate increases?

One of the reasons that the Stable Value Option can achieve attractive returns compared to short-term money market rates is because the underlying investments have longer maturities. In general, longer maturity bonds typically have higher interest rates than shorter maturity investments.

The Stable Value Option has two important components, a portfolio of short and intermediate-term bonds, and specific types of contracts called 'wrap contracts' which are issued by a bank or an insurance company. The purpose of the wrap contracts is to smooth the impact of fluctuating interest rates and their effect on bond prices. This allows investors to earn bond-like returns with similar volatility to that of money market funds. One of the primary objectives of the Stable Value Option is to provide relatively consistent returns during periods of both rising and falling interest rates.

When interest rates rise, the market value of a bond can decrease. Therefore, it's common that the bond is held until maturity. If the bond had been immediately sold to purchase a higher-paying bond, it would have been sold at a loss. If the bond is instead held until maturity, the full face value of the bond is received. This money can then be used to purchase a new bond, which may have a higher interest rate. Some bonds in the Stable Value Option are very near their maturity dates, while others are years away. Since only the maturing bonds are typically reinvested, it takes longer for the higher interest rates to be reflected in the Stable Value Option's yield. Thus, the increase comes gradually, rather than immediately.

We are currently in an environment in which interest rates have been rising. In this type of environment, the Stable Value Option's yield may lag behind the increases in short-term investments, gradually catching up as the bonds are reinvested at higher interest rates available in the market. Conversely, when interest rates declined in previous years, the same "lag effect" provided more favorable stable value returns compared to short-term interest rates. Regardless of the current interest rate environment, it is important to recognize that investments like the Stable Value Option normally outperform short-term investments over the long run. This favorable long-term performance record and the slow movements in the rate of return are why the Stable Value Option has been so popular.

If you have additional questions about the Stable Value Option, please feel free to contact the Service Center at 877-644-6457.