

Tough questions

When was the last time you saved something for retirement? Or even tried to find out how much you needed to save? Are you on track to meet your retirement goals? If not, how far short are you? The TSA Program is here to help you answer these questions and take positive action.

Through the UW TSA Program you save on a pre-tax basis! Your contributions reduce your current taxable income, and your account grows tax-deferred until you begin withdrawals, usually after you retire.

The TSA Program is **flexible** – you can start, stop, or change your investments at any time. It's **automatic** – once you sign up your deferrals continue until you change them. And it's **portable** – you can take your savings with you if you move to a different employer. You choose your own investments from 400 mutual funds and annuities with ten investment companies.

The plan has options for investors of all ages and risk tolerances. You pay no loads or sales charges. See page 4 for fees and surrender charges.

The minimum deduction is \$8.00 biweekly or \$20.00 monthly, and the maximum contribution amount in 2003 is \$12,000 or \$14,000 if you are 50 or over. In 2004, maximums increase to \$13,000 or \$16,000 if you are 50 or older.

Don't put it off! Go to www.uwsa.edu/hr/benefits/retsav/tsa.htm for information, forms, and links to our investment companies. Your staff benefits office can help you sign up, or call 608-262-5564 for information. ■

TSA Review Committee News

The Tax-Sheltered Annuity Review Committee (TSARC) is a ten-member system-wide committee appointed by the UW President to have oversight of the TSA Program. Current members are listed on page 2 of this newsletter.

Professor Linda Boelter of UW-Extension, a TSARC member in 2000-2003, retired in September. We thank her for her many contributions and wish her well in her new adventures!

Joining the committee is Carol Fischer, a professor of business in UW-Colleges. Professor Fischer has taught accounting, business, and personal financial planning at UW-Waukesha for 28 years and is a long-time TSA participant.



Carol Fischer

Professor Fischer loves travel and accounting. Asked to name the one thing UW employees should know about investing, she replied, "The time value of money!" She hopes to use her term on the

TSARC to encourage more young employees to start saving for retirement.

Professor Robert Carney of UW-La Crosse and Lori Worm, Budget Director at UW-Oshkosh, graciously accepted reappointment to the TSARC for another three-year term.

The TSARC will meet in Madison on October 24. This meeting is open to the public. Contact

manglim@uwsa.edu for more information. ■

Too busy to save? Read this!

If you're like many people, you know you should sign up with the TSA Program, but you haven't gotten around to it yet. Maybe you don't know where to start or what to invest in—or maybe you just don't want to spend your time figuring out investments. . . you'd rather be playing soccer with the kids! A *Wall Street Journal* article notes that among the best financial advice that's never followed is to maximize pre-tax contributions to a 403(b) or similar retirement savings program. Don't let that statement apply to you—start saving for your retirement today!

Here is some help to get past all of the roadblocks:

Decide on a company first. It's easy to change funds quickly within a company, but it takes time to move your money to a different company. The company's ability and willingness to meet your needs for information, easy account maintenance and efficient, courteous, accurate service will be very important to you over time, no matter what investment you choose. Look for a company that offers a broad

variety of funds at a reasonable cost and provides customer service and education that you like.

The UW TSA Program offers ten investment companies. See the back page of this newsletter or the TSA Investment Company list at www.uwsa.edu/hr/vendors.htm for contact information and web links to detailed fund information and basic investment and asset allocation information.

Develop an asset allocation plan.

When you go grocery shopping, you make a list and try to stick to it—otherwise you might end up with candy bars when what you needed was peanut butter! When you shop for investments, you must first decide what percent of your money should be invested in each of the different asset classes (stocks, bonds, short-term investments, and possibly real estate), then stick to it. Depending on your age, the time remaining until you need your money, and your willingness to accept risk, some combination of asset classes will make most sense for you.

continued on page 3

The purpose of the **TSA Inve\$tor** is to provide educational information regarding opportunities and investment principles to assist University of Wisconsin employees who participate in the UW approved Tax-Sheltered Annuity program to prepare for a financially secure retirement.

The **TSA Inve\$tor** is published semi-annually in the Spring and Fall by staff members of the UW System Office of Staff Benefits and Payroll Policy, 780 Regent Street, Madison, WI 53715

Investment options and recent returns are listed at the TSA Web site.
www.uwsa.edu/hr/benefits/retsav/tsa.htm

Program Administrator:

Mary Anglim
(608) 263-4376
manglim@uwsa.edu

Benefits Specialist:

Rose Stephenson
(608) 262-5564
rstephenson@uwsa.edu

Members of the Tax-Sheltered Annuity Review Committee:

Kathleen Kelley, UW-Platteville, Chair
(608) 342-1176
kelley@uwplatt.edu

Kevin Bahr, UW-Stevens Point
(715) 346-4062
kbahr@uwsp.edu

Robert Carney, UW-La Crosse
(608) 785-8117
carney.robe@uwlax.edu

Ron Crabb, UW-Whitewater
(262) 472-5446
crabbr@uw.edu

Howard Erlanger, UW-Madison
(608) 263-7405
erlanger@ssc.wisc.edu

Carol Fischer, UW-Waukesha
(262) 521-5432
cfischer@uwc.edu

Richard Marcus, UW-Milwaukee
(414) 229-4103
marcus@uwm.edu

Lucretia Mattson, UW-Eau Claire
(715) 836-2422
mattsols@uwec.edu

Lori Worm, UW-Oshkosh
(920) 424-3033
worm@uwosh.edu

Randall Ryder
UW-Milwaukee (Ex Officio)

Investment company news

AUL Retirement Services is pleased to offer investment education tools on its participant web site, www.eretirement.aul.com (use Internet Explorer). Check out *On Course*, your online investment education tool, *Allocation Builder*, an interactive, easy-to-use 4-step guide to investing, and other educational articles and tools.

Scudder now provides an account application you can download from the TSA enrollment page www.uwsa.edu/hr/benefits/retsav/tsaenroll.htm.

Strong has unveiled a new website especially for the University of Wisconsin – stronguw403b.com. It offers investment education and resources and provides an enrollment form you can download.

TIAA-CREF is pleased to announce online enrollment at tiaa-cref.org/enroll. The UW access code is WIA940. You can use TIAA-CREF's Web Center to enroll or make changes to your allocations 24-hours a day, seven days a week. For more information on this service, please call 800-842-2888. ■

Purchase WRS service with TSA money

You can now use your TSA 403(b) account to purchase Wisconsin Retirement System (WRS) creditable service through a plan-to-plan transfer. The transaction does not result in a tax liability. Federal pension law changes effective in 2002 included this provision and the 2003 Wisconsin state budget bill, signed into law in July, authorized the WRS to accept such payments. The TSA Program had already adopted enabling language.

You may use your TSA account to purchase any WRS creditable service that you are otherwise eligible to buy, including forfeited service (service that you previously forfeited by taking a separation benefit) and qualifying service (your six-month qualifying period if you began WRS employment as a non-teacher prior to 1973).

At this time, the WRS does not accept transfers or roll-ins of TSA money for purposes other than purchase of service.

You may use a combination of after-tax and tax-deferred funds, including funds in a 457 deferred compensation account, to purchase your service. You must file your application before you terminate employment. The first step in the process is to contact the Department of Employee Trust Funds (877-533-5020) to request an estimate. Be prepared to give your employer's name and the dates you were employed. For more information, send an email to benefitsweb@uwsa.edu. ■

TSA program highlights

Last year 11,983 UW employees participated in the TSA Program, down from 12,195 in 2001, and invested \$62 million, a 3.7% percent increase over 2001. A little over 36% of all permanent employees, and 46% of those between age 50 and 69, participated in the Program. Participation among faculty and academic staff of all ages was over 42%, compared to 26% for classified staff.

Although the average TSA contribution was about \$5,175, 45% of participants contributed \$3,000 or less, and 60% contributed \$5,000 or less. Twenty-four percent of participants contributed more than \$9,000, and 11% contributed more than \$11,000.

Accumulated assets declined by over 6.5 percent in 2002, from \$998 million to \$934 million. Even so, these assets would easily place the UW TSA Program in the top 25 public defined contribution plans as reported by *Pensions & Investments*. For more about the TSA Program see the **Annual Report** on the TSA web site at www.uwsa.edu/hr/benefits/retsav/tsa.htm. ■

In hindsight . . .

As of this writing, the market has seen a rebound since last year. Did you discontinue your contributions or hesitate in getting into the TSA Program because of the down markets? If so, you may have missed an opportunity to benefit from dollar cost averaging. By investing in the TSA Program, you are practicing dollar cost averaging—investing a set amount on a regular schedule. When the price per share is low, you buy more shares; when the price per share is high, you buy fewer shares. You end up buying more shares at a low price and fewer at a high price, and your average cost is lower than the average market price. To benefit, you must invest through periods of low share prices. Please note, dollar cost averaging does not assure a profit or protect against loss. ■

Many tools exist to help you create an asset allocation plan. Call one or two companies and ask for help with asset allocation. You'll be asked a few questions about your personal situation and attitudes toward risk, and you will get back a generic recommendation (e.g., 60% stocks, 30% bonds, 10% cash).

If you prefer to work on your own, check the UW TSA companies' websites. Nearly all offer an interactive program that works much the same way, and TIAA-CREF has established model portfolios, which you can choose when you sign up.

You can also go to financial information web sites, such as www.morningstar.com. Once you log in, lots of good advice and many tools are available free of charge. If you want more detailed, face-to-face help and are willing to pay for it, seek out your own financial advisor or ask one of our insurance companies to put you in touch with an agent.

When you have a plan, it will be easier to narrow down your investment choices and you will be less fearful about making mistakes. The list of *Selected Returns* on the TSA returns web site www.uwsa.edu/hr/returns.htm lists the top performers available through the UW TSA Program in all asset classes based on five-year returns. This list can help you choose your individual funds, but you first must come up with a game plan that's right for you.

Still don't feel like working on your shopping list? Don't worry! There's a short-cut.

Consider a life-cycle fund, an asset allocation fund, or a balanced fund. These are funds that are already diversified. All of these "all-purpose" funds available in the TSA Program are listed on the second page of the *Selected Returns*. Take a look! www.uwsa.edu/hr/benefits/retsav/selected.pdf

Life-cycle funds, AKA target-maturity funds, may be easiest of all to use. These funds, currently available from Fidelity and T. Rowe Price, select a mix of assets appropriate for a target retirement date, for example, 2010, 2020, 2030 or 2040. As the target gets nearer, the fund's asset mix is gradually adjusted—either by a professional manager or a computer model—by selling stocks and buying bonds or money-market funds and moving from aggressive to conservative investments. There also are income versions of life-cycle funds for retirees. Life-cycle funds are designed for one-stop shopping. Once you select the fund that's right for you, you can simply invest and forget.

Typically, life-cycle funds are composed of shares in other mutual funds in the company's line-up. You'll pay a proportionate share of the expenses of each participating fund, and sometimes also an extra fee. Nonetheless, these funds are within the average range for expense ratios compared to other funds in the respective categories, and they are certainly cheaper than paying a financial advisor 1.0% to 1.5% of your assets to manage your account. Although some of the life-cycle funds are new, the underlying funds have solid performance. It's just the combination that is new.

Two cautions:

- Just looking at the target date of a life-cycle funds may not give you a sure fit. Employees with the same retirement target differ in age and could have dramatically different investment needs, depending on risk tolerance, retirement savings goals, and other family priorities.

- Moreover, not all life-cycle funds are the same. T. Rowe Price's 2020 fund, which in a neutral investment climate would seek to hold about 79% stocks, is more aggressive than Fidelity's 2020 fund, which would seek to hold about 70% equity funds. Before you make your choice, compare the asset allocation profiles of a couple of life-style funds to be sure you know what you are buying.

Remember to use life-cycle funds correctly. These funds are designed to be long-term holdings, so don't jump in and out of them. Also, since the funds are already broadly diversified in a range of stocks, bonds and cash, they should be your main

Life-cycle funds are designed for one-stop shopping. Once you select the fund that's right for you, you can simply invest and forget.

portfolio holding. If you spread your bets among other bond funds, international funds, or even other life-cycle funds, you could end up overweighted in one asset class.

If your company doesn't offer life-cycle funds or you don't think one would be right for you, consider one of the next two options.

Asset allocation funds have a stated investment objective, for example, Income, Growth, or Balanced. To achieve their objective they hold varying percentages of the major asset classes (stocks, bonds, and short-term investments like money-market funds). They do not change their objective over time. Choose one of these funds and you will be pretty well diversified. There is a catch, however. If you choose a fund with an aggressive allocation when you're 39, and you don't make any changes by the time you retire at 63, you may not be *appropriately* diversified.

Balanced funds invest in both stocks and bonds, in varying ratios. The bond component may reduce overall returns but should help to stabilize the fund when stocks are volatile.

Morningstar classifies balanced funds as *conservative allocation* or *moderate allocation*. Conservative allocation funds keep less than 50% of their assets in stocks, with the remainder in fixed income and cash; moderate allocation funds keep between 50 to 70% of their assets in stocks.

The fund's manager has the freedom to adjust the fund's asset mix slightly. For example, when stocks are doing well, the manager may increase the fund's equity holdings a bit. But mostly, balanced funds are a stable mix of stocks and bonds and could be a core holding in your portfolio. There are a large number of balanced funds available, and some have very good track records. Go to the list of balanced funds on the *Selected Returns* to review at your options.

Whichever option you decide on, make sure you look at the fund's expense ratio and at long-term rather than short-term performance.

Enroll today – You can do it! Give yourself two hours to get started on your long-term goals! ■

Individual Counseling

Would you like to sign up for the program or make some adjustments in your investments but aren't sure how? These free sessions are here for you! Other sessions may be scheduled. Check our web site at www.uwsa.edu/hr/benefits/retsav/tsa.htm.

American Express/IDS – Call 608-833-4437 to schedule.

Madison – October 13-17 and October 20-24, 2003

American United Life – Call 800-627-3660 ext. 1250.

Madison – October 22-23, 2003

Fidelity – Call 800-642-7131 to schedule a session.

Madison – October 21-24, 2003

Milwaukee – September 30 - October 1, 2003

Strong – Call 800-368-2882 to schedule a session.

Madison – October 22-23

Parkside – October 21

Milwaukee – October 20

TIAA-CREF – Call 800-842-2005 ext. 5657 or sign up on their web site at www.tiaa-cref.org/moc.

Eau Claire – October 15-16

Platteville – November 10-11

Extension (Madison) – October 2-3 River Falls – September 24

La Crosse – October 28-29 Stevens Point – November 4-6

Madison – October 13-17 & 20-24 Stout – November 12-13

Milwaukee – November 12-13 Superior – September 29-30

Oshkosh – November 24-25 Whitewater – November 18-19

Parkside – October 28

TSA workshops this fall

Learn about the TSA Program—your voluntary retirement savings plan—and the basics of investing from TSA staff.

UW Stevens Point: October 28; 11:30 – 1:00; Room 128 University Center

UW Oshkosh: November 11; 11:30 – 1:00; Reeve Union 221

TSA events are free and open to all UW employees and their families.

UW TSA Investment Company Contacts & Program Fees