

## RETIREMENT PLANNING

# Who Do You Trust with Your Retirement Savings?

When you're investing your retirement savings, you have options. While tax-favored accounts are generally recommended for retirement savings, you still must decide which accounts to use.

**Wespath**—the investment division of the General Board—offers a diversified fund offering from which you select investments to create your portfolio. The seven investment funds are managed by highly respected investment managers who aim to achieve above-benchmark performance while prudently controlling risk over extended time periods.

*Wespath provides unbiased, confidential financial planning at no charge through EY, a leading financial services firm.*

**Investment brokers**—who are sometimes referred to as investment advisers or financial planners—serve as middlemen. They recommend and purchase stocks, bonds and other investments on your behalf, and manage those investments for you.

While advisers can provide valuable advice and insight, they may have conflicts of interest depending on how they're compensated. By contrast, Wespath provides unbiased, confidential financial planning at no charge<sup>1</sup> through EY,<sup>2</sup> a leading financial services firm. EY doesn't sell investment or insurance products, so you can be sure their advice is guided only by a desire to help you choose what's best for you and your situation. In addition, participants in

*continued*



Chances are you can save through the United Methodist Personal Investment Plan (UMPIP) or Horizon 401(k) Plan, defined contribution plans administered by the General Board. If you're married and your spouse works, he or she likely has access to an employer-based plan. You also could be considering other options available from a variety of sources including banks, investment advisers and brokerages.

Each choice comes with opportunities. For instance, you might be eligible to earn matching contributions from your employer if you invest a certain percentage of your pay in UMPIP or Horizon; if you're married, your spouse might also be able to earn a match from his or her employer. That matching money is an immediate return

on investment—often a 100% return—so it pays to invest enough (in both plans) to earn the maximum match. But if you have additional money to invest, you might be wondering where and with whom to invest it. And if you've already retired, you might wonder whether you should keep your retirement accounts with the General Board. If you are considering working with an investment adviser, here are some things you should know.

### COMPARING YOUR OPTIONS

When deciding where to invest, you should make sure your choice is a good match for your needs and investment style, and understand the benefits and the costs of each option.

<sup>1</sup> Costs for these services are included in the General Board's administrative expenses that are paid for by the funds.

<sup>2</sup> Services are available to active participants and surviving spouses with account balances, and to retired and terminated participants with account balances of at least \$10,000.



# Who Do You Trust with Your Retirement Savings?

## continued

General Board-administered plans can use LifeStage Investment Management Service to manage and automatically adjust their investments.

### ASSESSING AN ADVISER

If you are considering using an adviser, make sure you do your research before trusting him or her with your hard-earned assets. What's best for an adviser's business may not be best for your retirement account. *Here are the top five things you need to know:*

#### 1. How is the adviser compensated?

Investment advisers can be broadly categorized as asset-based, fee-based and/or commission-based.

**Asset-based**—You pay a percentage of assets managed—typically .5% to 2%. This creates incentive for advisers to earn high returns, but they may take more risks to grow the account (which would increase their income). Since accounts may grow or shrink based on the overall financial market performance and not the guidance provided, brokers may be rewarded without providing value.

**Commission-based**—You pay commissions when brokers purchase investments. Advisers have an incentive to sell products that pay

the largest commission, and may encourage more frequent investment moves (selling one fund to buy another) to generate additional fees. These arrangements may not be transparent, since advisers are not required to disclose commissions at the time of purchase or sale.

**Fee-based**—You pay an agreed-upon fee for advice that is not tied to investments. While fee-only advisers may not have conflicts of interest, the scope and/or number of hours of advice may be restricted, which can be too limiting for some investors. Advice can also be prohibitively expensive.

*Note: EY Financial Planning Services is a fee-based service that provides unlimited consultation time at no charge<sup>1</sup> to eligible participants.<sup>2</sup>*

#### 2. What are the adviser's credentials?

Advisers can belong to several professional organizations, which have different designations and credentials. The Financial Industry Regulatory Authority (FINRA) offers information including credentials and requirements the individual must meet.

**3. Is the adviser licensed?** Licensing is very important, especially if you have grievances and pursue litigation seeking damages. If your adviser is not licensed, there may be no way to

recover losses, even if you win a court ruling or arbitration hearing. Request an adviser's *Form ADV*—the uniform form used by investment advisers to register with both the Securities and Exchange Commission (SEC) and state securities authorities—to review his or her licensing details.

**4. Has the adviser received any complaints?** The *Form ADV* details problems with regulators or clients, business practices, fees, conflicts of interest and disciplinary information. A supplement, which must also be available, provides information about the specific individuals with whom you will actually work.

More comprehensive details about disciplinary problems are available from your state securities regulator and are stored in the Central Registration Depository (CRD).

**5. Does the adviser have a succession plan?** A recent report shows that many advisers do not have an adequate succession plan. Many advisers operate semi-independently, which means that if your adviser leaves the business, there may not be anyone who knows the details of your financial plan.

Learn more at [www.gbophb.org/broker](http://www.gbophb.org/broker).

## Face Time May Come with High Fees

Advisers charge fees (such as the following) to cover the cost of their advisory services:

- **Front-end load**—sales commission, which can be as much as 5.75% of your investment, that is deducted at the time of purchase.
- **Back-end load**—redemption fee, typically 5% to 7% in the first year, which can be assessed if you sell a fund within a certain time frame.
- **12b-1 fee**—pays for advertising and marketing, and for brokerage

commissions. It is typically an annual fee of 0.25% to 1% of a fund's net assets.

- **Wrap/advisory fee**—comprehensive fee to cover advisory services and other costs that is charged as a percentage of assets under management.

High fees are not tied to high performance, and don't guarantee that the advice you receive is in your best interest. In fact, a Harvard professor found that funds sold by advisers lagged other funds.<sup>3</sup> So before investing, ask about fees and get an

answer from your adviser in writing (e.g., send questions and require a response in an e-mail).

*Note: The General Board does not charge any of the aforementioned fees for account management, and our fund expenses are below the median for mutual funds with similar investments.*

<sup>1</sup> See footnote on page 1

<sup>2</sup> See footnote on page 1

<sup>3</sup> "Assessing the Costs and Benefits of Brokers in the Mutual Fund Industry" published in 2009 by Daniel Bergstresser of Harvard Business School, John Chalmers of the University of Oregon and Peter Tufano of Harvard Business School.

## INVESTING

# New Fund Available in January 2015

On January 1, 2015, the General Board will introduce a new fund, the Equity Social Values Plus Fund (ESVPF).

ESVPF will invest in U.S. and non-U.S. domiciled publicly owned companies with highly rated sustainable policies and practices related to:

- The environment
- Diversity
- Employee relations
- Human rights
- Product quality and safety

ESVPF will be available to United Methodist-affiliated institutions and eligible participants in UMPIP, the Clergy Retirement Security Program, the Retirement Program for General Agencies and the Horizon 401(k) Plan.

Concurrent with the introduction of ESVPF, the General Board will eliminate the Balanced Social Values Plus Fund (BSVPF)—effective December 31,

2014. If you currently invest in BSVPF, this quarter's statement will display a message highlighting the changes, and you will receive a letter about actions you may choose to take. If you are considering reallocating your BSVPF investment to ESVPF, be aware that ESVPF is composed primarily of equities and, therefore, carries greater investment risk than BSVPF.

Additional information about the fund changes can be found in the ESVPF Q&A at [www.gbophb.org/esvpf-qa](http://www.gbophb.org/esvpf-qa).



To invest in ESVPF (available January 1, 2015) or make other investment election changes, visit Benefits Access at [www.benefitsaccess.org](http://www.benefitsaccess.org). After logging in, select “Take Action” then “Change investment of current balance” and/or “Change investment of future contributions.” ESVPF is not available to participants who use the LifeStage Investment Management Service.

## INVESTMENT MANAGEMENT

# How to Adjust Your LifeStage Investments

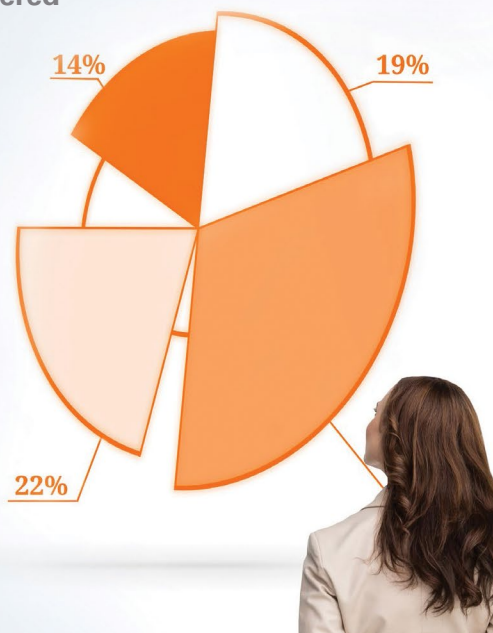
LifeStage Investment Management Service (LifeStage) is a convenient option—offered at no charge<sup>1</sup>—for managing General Board-administered defined contribution retirement accounts.

Approximately 70% of participants in General Board-administered retirement plans use LifeStage to manage their accounts, simplifying their retirement investing. However, using the service doesn't mean you lose the ability to make adjustments when changing circumstances affect your retirement planning goals.

LifeStage develops your customized target fund allocation based on key information about you, including age, risk tolerance and Social Security eligibility.

You provide this information when you complete your Personal Investment Profile; it can be updated at any time.

If you're in LifeStage, look at your quarterly account statement for a message about using the Personal Investment Profile to fine-tune your investing. To make changes, visit Benefits Access at [www.benefitsaccess.org](http://www.benefitsaccess.org)—select “Take Action” and under **MANAGE INVESTMENTS**, choose “Change LifeStage Personal Investment Profile,” or call the General Board at 1-800-851-2201.



<sup>1</sup> See footnote on page 1



## RETIREMENT FINANCES

## Healthy Eating Pays in Retirement

It's no secret that your health affects your ability to enjoy your years in retirement. Many people don't make the connection between today's diet and tomorrow's diabetes.



According to the Centers for Disease Control and Prevention, chronic conditions—such as diabetes, heart disease, stroke, cancer and chronic obstructive pulmonary disease (COPD)—now account for more than 75% of total health costs in the United States. That number is alarming, but just as impactful is the effect paying those costs has on an individual's budget.

For instance, a study found that patients with diagnosed diabetes—more than 90 percent of which have the preventable Type 2 variety—spend more than \$6,000 annually out-of-pocket for care. Those who don't follow the doctor's orders could pay even more for complications, such as heart disease, strokes, liver, kidney and eye damage, and a susceptibility to infections that can lead to amputations.

### PREVENTION IS THE BEST CURE

Most chronic conditions can be prevented or effectively managed through a healthy lifestyle, good nutrition and healthy environments. However, it's not always easy to control your environment, especially when outside of the home. In recent years, due to increasing awareness of the impact of environment on health, there has been a coordinated effort to begin making the Church environment conducive to health.

There are several actions you can take, both as an individual and as an agent of the Church, to help promote good health in your community.

- Make sure all events have healthy food options—especially for children and those managing chronic conditions
- Teach children and susceptible individuals about healthy eating—knowledge is power
- Develop and maintain a community garden—especially in “food desert” areas
- Engage parish nurses or health advocates in creating a health ministry

For more ideas, contact the General Board's Center for Health at [umc-centerforhealthinfo@gbophb.org](mailto:umc-centerforhealthinfo@gbophb.org).



## Roll Your Retirement Savings Into UMPIP— For Better Manage. Ability!

Learn more at [www.gbophb.org/rollover](http://www.gbophb.org/rollover).



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