

Money Matters

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A quarterly newsletter for retirement plan participants of Union Bank & Trust Company

Reaching Financial Fitness In 2010

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Many people had trouble making financial resolutions in January 2009. Some even avoided opening financial statements because they really didn't want to know how much their account value had fallen. Fortunately, it's safe to look at your statement again and it's time to take over control of your financial future. Here are 10 vital steps that could get you started down the path to financial fitness in 2010.

Step 1: Make sure your legal house is in order. You need a will that reflects your wishes and your beneficiaries need to be listed correctly. Keep in contact with your estate attorney in 2010, as legislation is currently in flux and what you have in place may need to be revised.

Step 2: Think about adding some tax-free retirement income. If you would relish some income that would not be taxable, you might want to consider contributing to a Roth 401(k) or even a Roth IRA. Those assets grow tax-deferred and give you the option of a tax and penalty-free distribution in the future. In 2010, you can convert assets from a pre-tax Traditional IRA into a Roth IRA and spread the taxable event equally between 2011 and 2012. The maximum contribution for 2009 and 2010 to an IRA is \$5,000 for those under 50 and \$6,000 for those individuals 50 years of age or older. Consult your accountant to see if this would be beneficial for you.

Step 3: Invest in yourself. Today, more than ever, it is important that you keep your knowledge up to date.

No matter what your job is, you need to develop your skills and product expertise to compete. Seize every opportunity to learn and make yourself more marketable. Continuing education can be tax deductible. Consult your accountant to see if this is a possibility for you.



PODcast

Check out the Podcast library for more information on these topics and more at www.ubtrust.com

- What You Need To Know About Retirement
- Developing A Retirement Game Plan
- The Do's And Don'ts Of Retirement Planning
- Common 401(k) Mistakes
- Insurance Coverage
- Understanding Your FICO Score

Step 4: Fine-tune your asset allocation. During 2009 most 401(k) investors did not sell in a panic. Instead, most plan participants (80%) did nothing at all. If you are in the majority, chances are you need to rebalance or realign your portfolio. Everyone's situation is different, but make sure to consider your time horizon, other financial assets, and how you react to the market's volatility when choosing investments.

Step 5: Make sure your insurance needs are covered. You need to have health insurance, disability

insurance, and enough life insurance to cover your family's needs if something were to happen to you. Health issues can be the cause of bankruptcy and foreclosure. Don't leave yourself open to disaster. Consult an expert to ensure you have the coverage you need.

Step 6: Don't miss out on any free money! Contribute at least enough to your 401(k) to maximize any employer match. Make sure you understand your employer's retirement plan and use it to help you defer taxable income while growing your retirement account.

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Financial Fitness, *continued*

Step 7: Check your FICO score at least annually. Even if you have no intention of taking out a loan right now, it is wise to track your financial record. This is a great way to expose fraudulent activities and pick up on identity theft. This way you can handle incorrect information quickly. Make sure to pay your bills on time. Your payment history makes up 35% of your FICO score. Set up automatic payments to ensure your bills are paid on time. Your credit-worthiness can have a significant impact on your financial future. You are allowed a free credit report annually at www.annualcreditreport.com.

Step 8: Build up your emergency fund. Most experts suggest maintaining a savings account with 6 to 12 months worth of income — enough to get you through a major emergency like an illness or the loss of a job. Make it easy by having monthly savings automatically deposited from your checking account into your savings.

Step 9: Pump up your 401(k) contribution to double digits. The only sure way to keep your account balance growing is to contribute more to your plan. If the share price drops, you are buying shares at a discount. If the share price goes up, your account value goes up, too. The IRS currently allows individuals less than 50 years of age to contribute up to \$16,500, while those age 50 and over can contribute \$22,000 annually.

Step 10: Live a good life! Never be so busy making a living that you forget to make a life. Money has no intrinsic value, in and of itself. Its only value is in what it allows you to accomplish, whether that is something for you, your family, or your favorite cause.

The road to financial fitness in 2010 lies in your commitment to fulfilling these goals. Every great journey starts with the first step. Good Luck and Happy 2010!

IRS Announces 2010 Pension Plan Limitations

On October 15, 2009, the Internal Revenue Service (IRS) announced cost of living adjustments applicable to dollar limitations for pension plans and other items for 2010.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the Commissioner annually adjust these limits for cost of living increases. Due to the historic economic conditions in 2009, no cost of living increases were made for 2010.

The table at right summarizes key 2010 and 2009 amounts:

	2010	2009
Elective Deferrals (401(k) and 403(b) plans)	\$16,500	\$16,500
Annual Defined Benefit Limit	\$195,000	\$195,000
Annual Defined Contribution Limit	\$49,000	\$49,000
Annual Compensation Limit	\$245,000	\$245,000
457(e) Deferral Limit	\$16,500	\$16,500
Highly Compensated Employee Limit	\$110,000	\$110,000
SIMPLE Contribution Limit	\$11,500	\$11,500
SEP Coverage	\$550	\$550
SEP Compensation Limit	\$245,000	\$245,000
Income Subject to Social Security	\$106,800	\$106,800
Top-Heavy Plan Key Employee Comp	\$160,000	\$160,000
Catch-Up Contributions	\$5,500	\$5,500
SIMPLE Catch-Up Contributions	\$2,500	\$2,500
IRA Contribution Limit	\$5,000	\$5,000
IRA Catch-Up Contributions	\$1,000	\$1,000

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Money Matters is a quarterly newsletter for retirement plan participants of Union Bank & Trust Company. For additional information or if you would like certain topics to be covered in this newsletter, please forward any questions or comments to: