

UNITED STAFF UNION

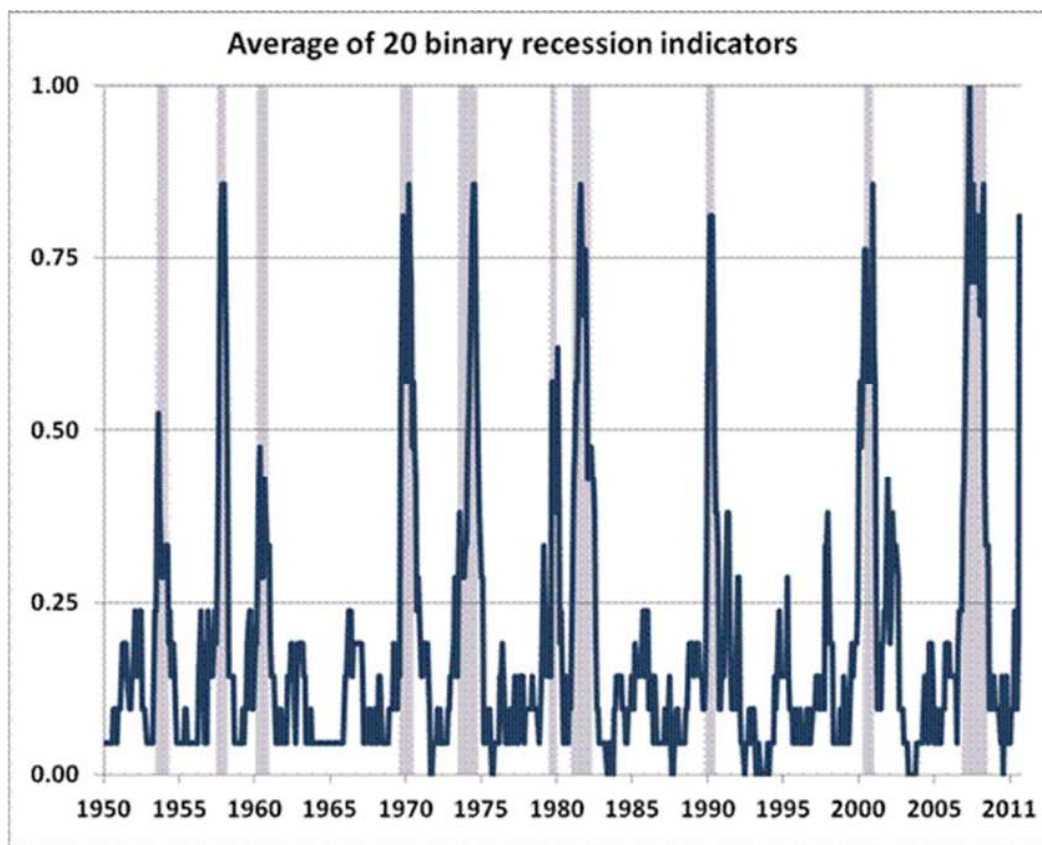
§ Dennis Eisenberg, Chairperson, Pension and Benefits Committee



HUSSMAN: Every Time this Index Has Behaved Like it is Now, the US Economy Has Gone into Recession

As of early December, mutual fund manager John Hussman saw some modestly improving economic data, BUT as every deer hunter knows, you're not likely to be "out of the woods" with investment trophy results if his Recession Warning Composite recession indicator holds true to form.

Bottom line – expect a US recession in 2012.



<http://www.hussmanfunds.com/wmc/wmc11205.htm>



4909 Riverside Road, Waterford, WI 53185



800 362-8034



Cell 262 705-2788



EisenbergD@weac.org

Affiliated with the National Staff Organization

WEAC / USU Pension Plan		12/31/11		
Investment Fund Name		YTD %	Rate of Return 3 Yr. (%)	Rate of Return 5 Yr. (%)
Guaranteed Long Term		3.9%	4.5%	4.6%
<i>Fixed Income</i>				
Goldman Sachs High Yield (A)	GSHAX	2.2%	20.2%	5.0%
<i>Balanced</i>				
Oakmark Equity & Income (Class I)	OAKBX	0.8%	9.9%	4.6%
<i>Target Date Auto Balanced</i>				
T. Rowe Price Retire Income Fund Advisor	PARIX	1.1%	15.8%	0.2%
T. Rowe Price Retire 2010 Fund Advisor	PARAX	0.3%	12.9%	2.3%
T. Rowe Price Retire 2020 Fund Advisor	PARBX	(1.5%)	14.7%	1.3%
T. Rowe Price Retire 2030 Fund Advisor	PARCX	(3.0%)	15.7%	0.5%
T. Rowe Price Retire 2040 Fund Advisor	PARDX	(3.7%)	15.8%	0.2%
<i>Large Cap Stock</i>				
Vanguard Total Mkt Index	VTSSX (VTSAX -- 5 Yr)	1.1%	15.2%	0.3%
Calvert Social Investment		(2.2%)	15.2%	1.6%
Large Cap Growth - Mainstay (R1)	MLAIX	(0.2%)	17.3%	3.9%
Large Cap Value - LSV Asset Mgt.		(0.9%)	15.8%	0.2%
<i>Mid Cap Stock</i>				
Mid Cap Growth - Artisan Partners	ARTMX	(1.8%)	25.0%	5.7%
Mid Cap Growth - Turner	TMGFX	(8.4%)	20.0%	2.0%
Mid Cap Value - Wellington		(9.6%)	16.9%	(0.7%)
<i>Small Cap Stock</i>				
Small Cap Growth - TimesSquare		2.3%	21.5%	6.0%
Target Small Cap Value	TASVX	(0.5%)	16.0%	2.6%
<i>International</i>				
Lazard Emerging Markets Open	LZOEX	(18.0%)	19.3%	3.2%
International Equity - Artio (Julius Baer)	BJBIX	(20.0%)	4.1%	(9.4%)
International Value - LSV Asset Mgt		(14.6%)	4.1%	(9.4%)
<i>Natural Resources - Specialty</i>				
RS Global Natural Resources	RSNRX	(7.3%)	20.2%	4.1%
US Global Resources	PSPFX	(18.7%)	23.6%	0.0%
PIMCO Commodity Real Return	PCRAX	(7.6%)	17.1%	2.4%
<i>Realty - Specialty</i>				
Alpine Int'l Real Estate	EGLRX	(28.8%)	20.4%	(12.4%)
American Cent. Real Estate	REACX	11.6%	22.2%	(2.7%)

GMO Investment Head – Income Disparity Impact



“Meriting a separate, special point are the drastic declines in both U.S. income equality – the U.S. has become quite quickly one of the least equal societies – and in the stickiness of economic position from one generation to another.

We have gone from having been notably upwardly mobile during the Eisenhower era to having fallen behind other developed countries today, even the U.K.!

The net result of these factors is a growing feeling of social injustice, a weakening of social cohesiveness, and, possibly, a decrease in work ethic. A healthy growth rate becomes more difficult.

I also believe that having an economy in which the average worker makes little or no economic progress slowly erodes economic balance, leaving us (as mentioned last quarter) with strong sales of BMWs and other premium goods, and weak and erratic sales of what might be called ordinary goods, resulting in weaker and more unstable growth.

Sales are erratic because, with little or no income progress, buying surges by the “middle class” depend increasingly on shifts in confidence and a willingness to go into debt.”

AARP's Social Security Benefits Calculator Offers Insights

AARP's Social Security Benefits Calculator, http://www.aarp.org/work/social-security/social-security-benefits-calculator/?cmp=RDRCT-SOCI_JUNE15_011 which was unveiled today, gives folks planning for retirement a useful tool to answer a key question: When to file for those benefits?

Still, AARP has made a good start with this calculator. It's easy to use, and provides a free, downloadable PDF document that shows in clear pictures and language key personalized information:








How much you'll get from Social Security at different ages, how much of your current expenses Social Security will cover.

It is not a replacement for a true financial plan, but combined with the output from the **AARP's own Retirement Calculator**— http://www.aarp.org/work/retirement-planning/retirement_calculator/ or even better, **T. Rowe Price's Retirement Income Calculator**— <https://www3.troweprice.com/ric/ricweb/public/ric.do> gets you a bit closer to clarity. *Consumer Reports*

Math Problem

Have you tried to figure out how much money you might need in retirement?

A study from the Employee Benefit Research Institute found that workers determine their retirement "number" in the following ways:

-  Guess the amount needed: **42%**
-  Ask a financial adviser: **21%**
-  Do their own estimate: **21%**
-  Read or hear how much is needed: **9%**
-  Use an online calculator: **7%**
-  Base their figure on current expenses and lifestyle: **5%**
-  Fill out a work sheet or form: **5%**
{Includes multiple response}

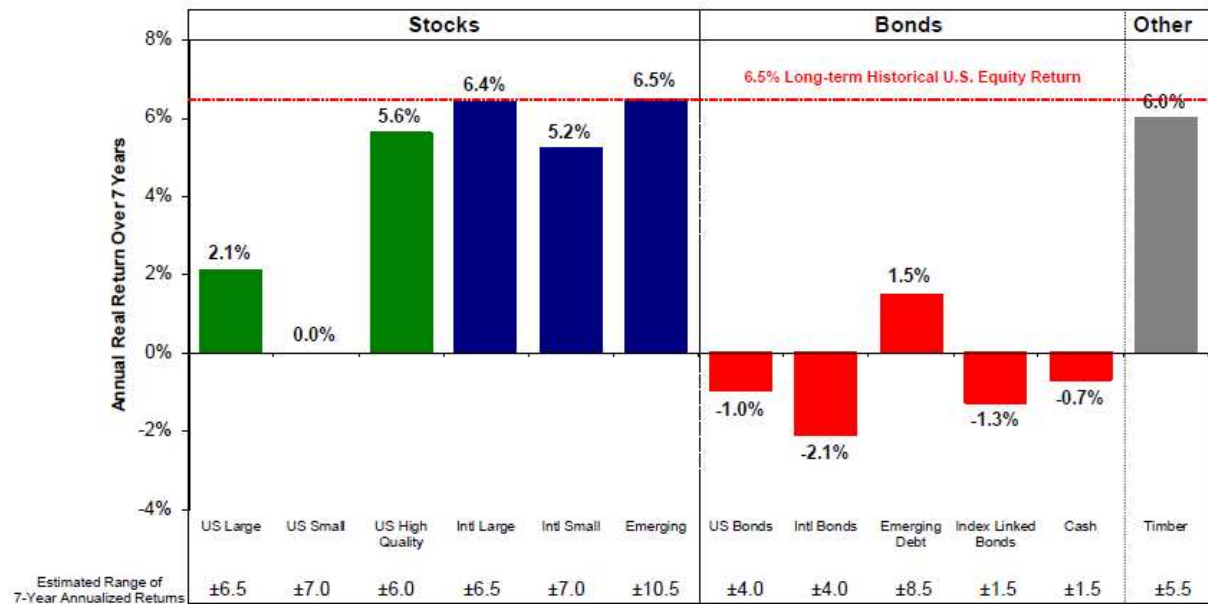
Are you 'Cruising for a Bruising' by Playing It Too Safe?

"Hey fella, I'm buying his and hers new sports cars and going on a cruise when I quit seven (7) years from now. That will cost me about \$66K. Can you afford to come with me?" Maybe.

While it is likely that a recession is headed our way, the tendency to take on little risk by just buying bonds has a big downside. GMO is an institutional and pension money manager. Here's their latest forecast. Note that they expect international stocks to return much more than US stocks or bonds.

GMO 7-Year Asset Class Return Forecasts*

As of November 30, 2011



*The chart represents real return forecasts¹ for several asset classes. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Actual results may differ materially from the forecasts above.

¹ Long-term inflation assumption: 2.5% per year.

As the note says, these projections are real returns, so they've taken out the 2.5% CPI increase so you know what your end value really buys. So will you be 'cruising' seven (7) years from now, or left sitting at the dock in your old car? Here's the inflation added in ending difference --

Beginning	CPI	Return	Gross Rtn.	2012	2013	2014	2015	2016	2017	2018
\$100,000	2.50%	-1.0%	1.5%	\$101,500	\$ 103,000	\$104,500	\$106,100	\$107,700	\$109,300	\$110,900
\$100,000	2.50%	6.0%	8.5%	\$108,500	\$ 117,700	\$127,700	\$138,600	\$150,400	\$163,200	\$177,100
										\$ 66,000

Borrowing Against 401(k) a Risky Move

WEAC and the USU agreed to implement a loan procedure in our retirement plan (yes you can get a loan if you are on layoff with our plan [an atypical feature we bargained]). But should you take out a retirement loan?

As Susan L. Hirshman, a wealth strategist at J.P. Morgan Funds in New York cautioned:

"You can finance your kids' college, you can finance a new home, but you can't finance a retirement."



David Bamundo

Moreover, there are tax reasons to avoid taking out a loan, especially if you're younger than 59½ -- see the example that follows about the tax traps. You essentially get taxed *twice* on part of the loan. Here are the key features of the retirement loan feature.

1. Loans can be taken out by those employed, on layoff, or who terminate or retire after December 1, 2011.
2. Loans in total are limited to \$50K or 50% of your balance, whichever is smaller. Minimum loan is \$1,000.
3. Loans are paid back within a maximum of 5 years using a 'reasonable rate' -- Prime Interest Rate (Dec. 29th = 3.25%) + 2% = 5.25%.
4. Loans to one who is married must have the spouse sign off to obtain the loan (notarized or witnessed by WEAC).
5. Loans outstanding to one who just got divorced must be paid back in full before a Qualified Domestic Relations Order (QDRO) is distributed to a former spouse.
6. Loans may be initiated by mail or the internet, if the record keeper (Prudential) permits.
7. Loans require a \$75 record keeping fee. No other annual charges apply.
8. Loans are limited to two (2) at one time. One must wait 6 months to be eligible to take a 2nd loan.
9. Loans in default void your ability to get an additional loan.
10. Loans can be prepaid (all of it, or in multiples of the monthly payments).
11. Loans dollars are withdrawn prorata from each of your investments or from a single fund.
12. Loans in default (you missed a payment) are immediately due. You have a grace period of sixty (60) days to make the payment.
13. Loans in default can be satisfied by total repayment, or by reducing the participant's account value equal to the loan and interest.
14. Loans in default get taxed on the amount of the remaining loan and interest due too. Interest accrues during default. Form 1099R.
15. If you are younger than 59½ then you also must pay penalty taxes equal to 10% (federal) and 3.3% (state) of the distributed amount.

Pension & 401(k) Withdrawal Costs																		
Loan Default																		
Tax Deferred Amount:		\$250,000																
Loan Max [up to 50% of Balance]		\$50,000																
Age 59 1/2+																		
Fed. Tax	28.0%	\$14,000																
State Tax	6.0%	\$3,000																
	34.0%	\$17,000																
Total Distribution:		\$33,000																
		66.0%																
< Age 59 1/2																		
Fed. Surtax	10.0%	\$5,000																
State Surtax	3.3%	\$1,650																
	13.3%	\$6,650																
Total Distribution:		\$26,350																
		52.7%																
Loan Repayment																		
Tax Deferred Amount:		\$250,000																
Amount of Loan		\$50,000																
Term: 5 Years																		
Prime (3.25%) +2% =	5.25%	Return																
Level Payment =	\$11,272	4%																
Year 1	\$ 10,000	\$200																
Year 2	\$ 10,000	\$600																
Year 3	\$ 10,000	\$1,000																
Year 4	\$ 10,000	\$1,400																
Year 5	\$10,000	\$1,800																
	\$ 50,000	\$ 5,000																
			Vs. No Loan															
			Return															
			4%															
			\$52,000															
			\$54,080															
			\$56,243															
			\$58,493															
			\$60,833															
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Hardship Withdrawal																		
Limited Balance Availability:																		
• Safe Harbor 3%; Your 401(k) deferrals																		
Reasons Allowed:																		
• Un-reimbursed Medical (Family members)																		
• Purchase principal residence																		
• College Tuition & room & board – 12 months																		
• Certain damages or repair to principal residence																		
• Prevent eviction or foreclosure on Primary Mortgage																		
• Funeral expenses																		
Hardship money withdrawn can not be put back in the plan.																		
<= Taxes -- Same as Loan Default																		

New Year's Resolutions – Financial & Personal

Some thoughts about New Year's resolutions --

<http://www.marketwatch.com/story/set-big-goals-for-a-better-2012-2011-12-29?siteid=nwhpf>



For Pre-Retirees, Tough Questions

At the beginning of the summer, at 65, a friend was laid off from her job. She wisely sought the advice of a financial planner, but she's still worried about making the wrong choices.



She wanted help in reviewing her options. If she makes the wrong decision or panics, she could run out of money.

<http://www2.timesdispatch.com/business/2011/aug/16/tdbiz04-for-pre-retirees-tough-questions-ar-1240837/>

Working in Retirement

Retirement can be a hazard to your health. It brings on new stresses, such as will my money last? Death and divorce rates increase in one's first year of retirement too. Data shows that 40% of retirees age 65 to 70 still work. Are you emotionally ready to leave work – after all that's one big anchor that has defined who you are. What will you look forward to doing every day?

John F. Hochschwender, a certified financial planner with RTD Financial Advisers, had these thoughts and questions:

"Is there a second career that you have always wanted to do? The question is: Can you make that happen now and would you get enough income from a career that may pay less money but be more rewarding?"

We have had many clients that have continued to work in new professions or in their current profession with fewer hours well into their 70s and were very happy doing it. By continuing to work part-time they also have more 'fun' money."

Start with the end in mind – your goals.

"Do you have clear vision of your life in your 60s, 70s and 80s?" he asked. "Where do you want to live and what do you want to do? Many times we have discussions over multiple years until a potential retiree has enough of a vision to make it happen."

"If you think that the future of retirement is early out in your '50s and a health plan that will pay for pretty much anything that comes along, the answer is, 'There is no future for retirement.'

If, on the other hand, you think it's working longer into your '60s or late '60s and accepting some reduction in the level of medical interventions in your life before you die, then there's very much a

<http://www.marketwatch.com/story/5-checkpoints-on-your-race-to-retirement-2011-09-16?siteid=nwhpf>

Make a Vow: No New Debt



To dig yourself out of runaway debt, you must change your spending behavior. First put away your credit cards, then follow a 5-point plan to get back on track

Getting a handle on debt is a key part of the plan to take control of your financial destiny that I outlined in "[5 ways to dig yourself out in 2010](#)." Once you have a steady income and have saved \$500 to cushion yourself against minor emergencies, halting your debt pileup and making a plan to pay it down are your next priorities.

- Get a free credit score estimate

<http://money.msn.com/credit-rating/your-credit-score.aspx>

8 Ways to Buy More Happiness

If money can buy health and leisure and banish worry and toil, why is the effect of money on happiness so weak in studies? Simple: Most people are bad at spending, according to a paper published this month in the Journal of Consumer Psychology.

Happiness can be a squishy field of study, relying as it does on subjects to know when their inner sun is shining (or on brain scans and cortisol levels, which can be just as ambiguous). Gather enough hazy clues, however, and together they tell a reliable story. A trio of researchers -- Elizabeth Dunn of the University of British Columbia, Daniel Gilbert of Harvard and Timothy Wilson of the University of Virginia -- has done just that in their study of studies.



The evidence leads them to an eight-step prescription for shoppers seeking smiles.

1. Take the trip to Argentina. Get another year out of the Honda.

Buy experiences instead of things, the authors write. In broad surveys of past spending as well as experiments, subjects overwhelmingly reported that they derived more happiness from things they did than things they own. One reason might be that experiences focus the mind on the present. "A wandering mind is an unhappy mind," the authors write. Another is that people seem to frequently revisit activities through their memories but are quick to adapt to -- and fall out of love with -- new stuff.

2. Help others (for selfish reasons).

Don't do it because you're a good person. Do it because it makes you feel good. That's an evolved response. It's what makes humans one of a few animals with highly complex social networks and the only one that includes unrelated members in its networks. (In your face, termites.) Almost anything we do to improve our connections with others improves our happiness, the authors write.

3. Upgrade your underwear, not your entertainment system.

One problem with material possessions, again, is that buyers are too quick to adapt to them. A solution is to focus on many small items rather than one big one. The same can be said of experiences (assuming the right underwear doesn't also qualify as an experience). Studies show that the frequency of pleasure is more closely related to happiness than the intensity. Buy the mini muffin. Golf nine holes. Take a day trip.

4. Go easy on insurance.

"This is the one I'm least convinced of," says co-author Dunn, who isn't including it in a forthcoming book. The idea is that if people are quick to adapt to pleasant things, they're also quick to adapt to unpleasant ones. That smashed laptop won't ruin your life, so don't get the protection plan. "But it's not clear to me whether the peace of mind makes some people happier," says Dunn. (As I've opined [elsewhere](#), insurance is overpriced by definition. Think of it as the penalty you pay for not having enough savings to cover a catastrophic loss, and buy only what you need.)

5. Save for the scuba lessons. Then pay cash.

Credit cards, car loans, and even mortgages allow people to consume now and pay later. The price is interest -- and mounting debt for the incautious -- so there's a financial argument to be made for saving up and paying cash whenever possible. But there's a happiness argument, too. Consumers who buy right away on credit rob themselves of a free source of enjoyment: anticipation.

People are prone to a decision error called future *anhedonia*, or the belief that a pleasure delayed won't be as intense as one experienced in the present. The opposite, if anything, is true. Delayed pleasures are just as intense, and consumers accrue additional pleasure by looking forward to them. Think of it as "compound happiness" interest.

6. Think unhappy thoughts before spending.

Some purchases have ripple effects. Boats need docking. Lakeside cottages mean getting to know the local mosquitoes. A budget trip to Fiji might include 20 hours sitting in coach. Each way. Many buyers fail to consider such minor hassles, and maximizing happiness depends greatly on stringing together fewer minor hassles and more tiny joys. Also, ownership of the boat and cottage are less important than what you do with them. Fantasize a bit about your first day of ownership, sure, but then spend some time thinking about the 300th day.

7. Don't shop too carefully.

There's anticipation and there's obsession. The problem with spending weeks scouring camera-nerd websites before buying is that you'll wake up with cold sweats shouting about a model's lack of ability to export files in RAW format while losing site of things that matter more, like whether it's quick enough to catch your kid giggling before a finger goes up her nostril. Focus on a couple of features that matter more than the rest. Buy the small house with good light in the nice neighborhood even if it doesn't have the granite countertops.

8. Mimic.

You're special and all, but one of the best predictors of whether something will bring you happiness is whether it has brought happiness to others. Give your high cinematic standards a rest for the evening and see the blockbuster.

<http://www.smartmoney.com/spending/budgeting/8-ways-to-buy-more-happiness-1304106656857/#>

How to Protect Yourself -- When Your Other Liability Coverage is Not Enough.



- Short Video: What is Umbrella Insurance?

http://www.smartmoney.com/video/asset/experts-explain-what-is-umbrella-insurance/3AE49EC5-D805-460A-9921-AFE0CE4D7D44/?link=SM_hp_left_optStory