

## Q&amp;A

## Q: Is my workplace retirement account money safe from creditors?

**A: Yes, in many cases.**

Many employer-sponsored retirement plans, such as 401(k) and defined-benefit pension plans, are protected from creditors under the federal Employee Retirement Income Security Act of 1974 (ERISA). Some plans, such as Keogh plans that cover only the business owner, certain 403(b) plans and governmental 457 plans, are not governed by ERISA but are protected from creditors in certain cases under other federal law.

This doesn't mean that your 401(k) plan is protected from your spouse's claims in a divorce, however. Retirement plan assets are marital assets, and therefore they are subject to division in divorce, or to attachment for payment of child support.

Retirement accounts such as Traditional and Roth IRAs are not governed by ERISA. However, the federal bankruptcy law protects IRAs from your creditors if you file for bankruptcy. (IRAs that were funded with rollovers from workplace retirement plans receive unlimited federal bankruptcy protection. An IRA that was funded with annual contributions is protected up to \$1 million.) Whether or not your IRA is protected from creditors in a non-bankruptcy situation depends on state law. Many states specifically protect IRA assets from creditors' claims, whether or not you are in bankruptcy.

## Q: How will earnings affect my Social Security benefit if I return to work after I begin collecting Social Security?

**A: The answer depends on your age and on how much you earn.**

You can begin collecting Social Security benefits as early as age 62. But until you reach your full retirement age, there's a limit to how much you can earn while collecting without forfeiting some of your monthly benefit. If you were born in or after 1943, you won't reach your full retirement age until you're at least 66 years old. (For people who were born in 1960 or later, full retirement age is 67.)

In 2011, if you're under full retirement age all year, you will forfeit \$1 of Social Security benefit for each \$2 you earn above \$14,160. If you reach your full retirement age during 2011, you forfeit \$1 of benefit for each \$3 you earn above \$37,680 until the month of your birthday. After you reach full retirement age, you don't lose any benefit, regardless of the amount you earn.

### 2011 Social Security Benefit

| If you collect your benefit and you:   | you would forfeit:   |
|--|--|
| are under full retirement age all year | 1/2 of amount earned above \$14,160                              |
| reach full retirement age in 2011      | 1/3 of amount earned above \$37,680 until month of your birthday |
| are at full retirement age             | zero   |

It's important to note that this loss of benefits is only temporary. When you reach your full retirement age, your monthly benefit will be increased to account for the dollars that were withheld earlier due to excessive earnings.

You'll find more information at the Social Security website at [socialsecurity.gov/pubs/10069.html#earnings](http://socialsecurity.gov/pubs/10069.html#earnings). •

## Contact Us

 **Questions: Retirement Plan Information Line**

Automated information/ transactions and customer service  
**1-800-854-0647**

 **Transactions: Retirement Access**

Online account access and transactions  
**thehartford.com/retirement plans/access**

 **Comments**

*Saving Today*

The Hartford

31 St. James Avenue, Boston, MA 02116

**Heide Connelly, Editor**

**Heide.Connelly@thehartford.com**

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A QUARTERLY PUBLICATION FROM THE HARTFORD

# savingtoday

PLANNING FOR TOMORROW

## Review, refine, resolve

It's time for spring cleaning — and that includes your retirement accounts. Use this checklist and online tools at your plan's website or at [thehartford.com/retirementplans/access](http://thehartford.com/retirementplans/access) to help you get your financial house in shape:

- **Revisit your strategy.** It's a good idea to review your strategy at least annually to make sure your investment mix still fits your needs. The Asset Allocation Questionnaire may be able to help you decide if changes are due. At the website, click on "Calculators."
- **Rebalance your portfolio.** To maintain your desired allocation, consider transferring money from an asset class that has soared to one that's lagging. At the website, you can choose either one-time rebalancing or systematic rebalancing, which occurs automatically on a schedule you select.
- **Save as much as you can.** Start by maximizing your plan contribution. Another calculator, the Retirement Goal Planner, can help you see if you're on track. ●



From The Arbor Day Foundation, in Partnership with The Hartford —

## Re-leaf for retirement savers

### Here's a springtime triple play:

Sign up for eDelivery of your quarterly statement and you'll simultaneously clean up your workspace, streamline your financial information and help spruce up the planet.

In an effort to restore our nation's forests, The Arbor Day Foundation, in partnership with The Hartford, will plant a tree on your behalf when you sign up for eDelivery. With eDelivery, instead of receiving paper statements by mail, you're notified by e-mail that the latest information about your account is ready to view online. You get instant,

**eDelivery**  
When you sign up, a tree is born.

The Hartford's Project Re-Leaf in partnership with **Arbor Day Foundation**

password-protected access to it. eDelivery is free and takes only a minute to set up. And you'll do an environmental good deed at the same time.

To sign up, log into your Plan's website or [thehartford.com/retirementplans/access](http://thehartford.com/retirementplans/access):

- ◆ Go to the Account Information section.
- ◆ Click "Electronic Delivery Options."
- ◆ Enter your e-mail address.
- ◆ Say "yes" to Electronic Delivery and "yes" to Receive E-mail Notification. ●

## GET PERSONAL WITH SMARTMONEY

# No-brainer behavior

Investment decisions based on emotion rather than reason can result in costly mistakes. Behavioral economists study the choices investors make and have identified a number of causes of irrational decisions:

- ◆ **Anchoring.** We tend to use our initial experience as a guide to the future. For example, people think of whatever they paid for an investment as its “real” worth, “anchoring” the investment to its purchase price rather than to its fundamental value.
- ◆ **Loss aversion.** Some investors dislike acknowledging a loss so much that they hold a poorly performing investment for years, hoping to “break even,” instead of selling it to reinvest in something more promising.
- ◆ **Herd mentality.** If your investment choices are based on what everyone else is doing, you overpay in bull markets and miss out on bargains in bear markets.
- ◆ **Framing.** Investors respond to identical facts differently, depending on how they’re presented, or “framed.” An investment described as having a 50% chance of failure, for example, is seen as riskier than one described as having a 50% chance of success.
- ◆ **Overconfidence.** We often attribute good returns to our own abilities. In a bull market this can make us opt for high-risk investments instead of a diversified portfolio.



## Choice picks

A sound asset allocation plan includes a well-thought-out mix of stock, bond and cash investments — the same way a balanced meal includes protein, carbohydrates and vegetables.

But some retirement investors make the mistake of sampling everything on the menu, according to behavioral research.\* If their retirement plan offers five investment options, for example, they put 20% of their money into each one and think they’re diversified. In reality, they may own the equivalent of four side dishes and one dessert. ●

\* *The American Economic Review*, March 2001.

### Have a plan

Take emotions out of investing decisions by creating an asset allocation plan that fits your needs and sticking with it. Rebalance periodically to restore your desired mix. Keep in mind that asset allocation can help you achieve diversification in your retirement plan, but it doesn’t ensure a profit or protect against a loss during volatile markets.

Stay on course by investing steadily, whether the market’s up or down. Your money will automatically buy more shares when prices are low, and fewer shares when prices are high. This process, called dollar cost averaging, doesn’t assure a profit or protect against losses in declining markets. You should be prepared to continue the program of investing at regular intervals and consider your financial ability to continue purchasing through periods of lower price levels in order to maximize the benefits of dollar cost averaging.

Finally, don’t forget the big picture: Consider how your entire portfolio is doing instead of focusing only on an asset that’s currently underperforming. ●

## FYI

## ATM safety

ATM “skimming” is a new and growing crime: When you use your debit card to get cash at an ATM, thieves steal your PIN and bank account numbers. In some cases, their tool is a tiny concealed camera that records your fingers punching in your PIN number. In others, thieves alter or replace the card-reader in the terminal to capture PIN and account numbers, which they download using wireless technology.

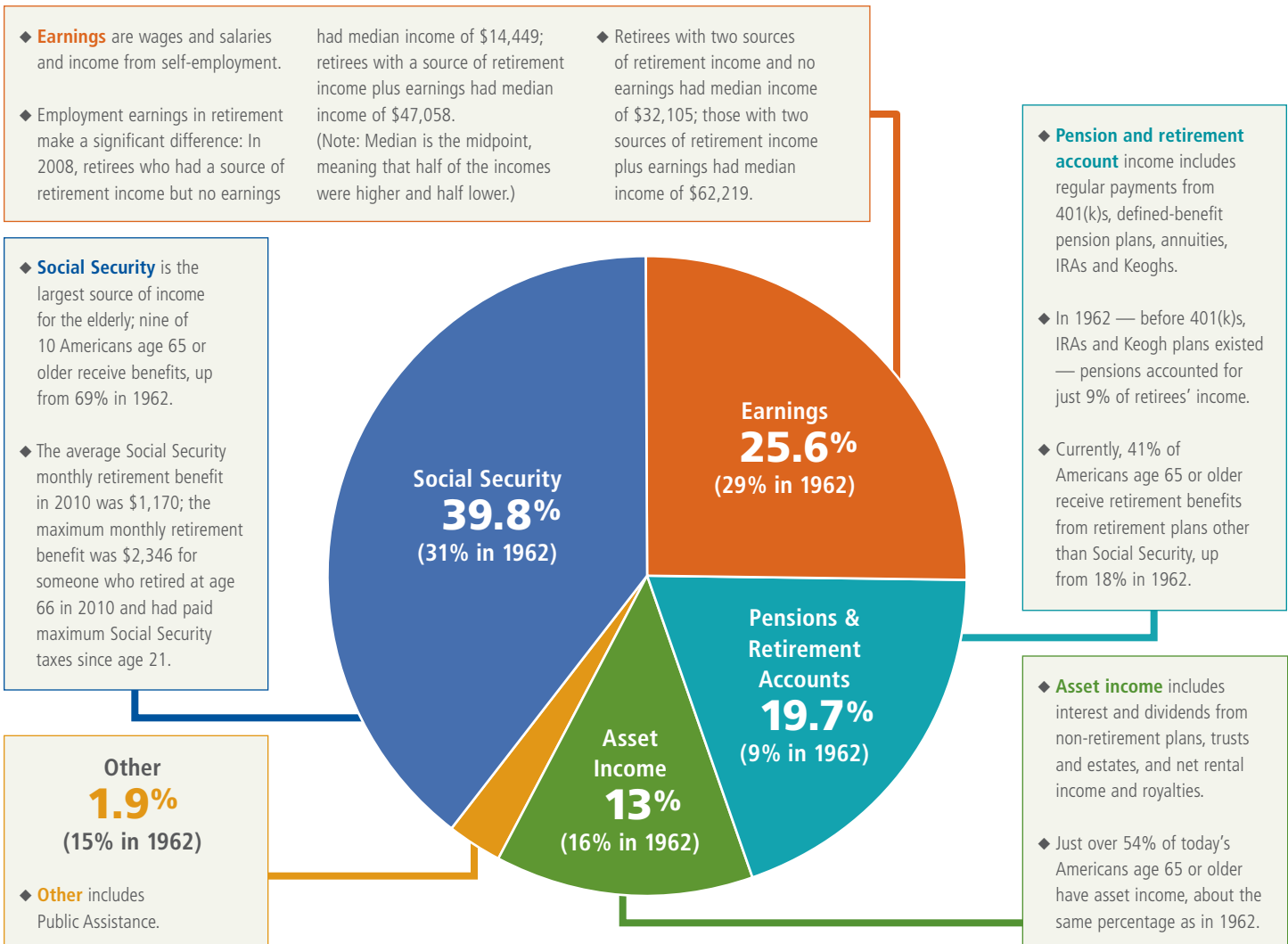
To protect yourself, cover your hand when you enter your PIN, so it can’t be recorded on camera. Use indoor ATMs, which are less likely to be tampered with. Check your account balances regularly to make sure nothing’s amiss. And make sure your bank has your contact information to reach you quickly if it suspects fraud. ●

Source: *The Wall Street Journal*, Nov. 20, 2010.

## IN SUMMARY

**How will you finance your retirement?** Working Americans typically have one main source of income: their jobs. But after you retire, your income is likely to come from several different places. In planning for retirement, be sure to consider the full range of income sources that will be available to you. The chart below shows the percentage of 2008 retirement income that came from various sources, with percentages from 1962 included for comparison. The figures are for Americans age 65 or older.

## Sources of Retirement Income



**Sources:** Employee Benefit Research Institute analysis of data from the U.S. Census Bureau's March 2009 Current Population Survey (June 2010); 1962 data from the Social Security Administration, "The Aged Population of the United States: The 1963 Social Security Survey of the Aged" (1967); The Social Security Administration calculations from the March 2008 Annual Social and Economic Supplement to the Current Population Survey.

## LEARN MORE

## The Fed Footprint

One of the Federal Reserve Board's jobs is to keep inflation under control. In a rapidly growing economy, the Fed does this by raising interest rates. That cools down an overheating economy because when interest rates rise, consumers and businesses borrow and spend less. In a recession, on the other hand, the Fed typically lowers interest rates to encourage greater economic activity. In today's low-growth, low-inflation economic environment, the Fed strives to keep interest rates low long enough to spur economic growth, but is poised to raise them in time to prevent the return of high inflation. This is why the Fed's job is sometimes colorfully explained as setting out the punchbowl to get the party started and taking it away as soon as the party begins. •