

# Your Money Your Future

Retirement planning strategies and personal finance tips from HealthSHARE – administrators of your THA Retirement Plan.

Texas Hospital Association Retirement Plan  
Spring 2010



## Quarterly Update

### 2010 Update – First Quarter

#### Capital Markets Update

Following strong 2009 results, equity markets continued to rise during the first quarter of 2010. Job growth posted its strongest gains since May 2007, though the unemployment rate remained at 9.7 percent. The Federal Reserve gained a temporary reprieve from raising interest rates as sovereign debt trouble in Europe helped strengthen the dollar and slowed inflation worries. Congress passed health care reform legislation in March that includes mandatory insurance provisions for individuals, federal oversight of health insurance coverage and costs, limits on insurance coverage termination, and the creation of public high-risk insurance pools. Large companies such as AT&T, Verizon and Caterpillar reported first quarter charges totaling \$1 billion as the bill ends a subsidy for prescription drug coverage to retirees. The S&P 500 Index rose 5.4 percent for the quarter. It has risen almost 50 percent from a year earlier. Led by small-cap stocks, all domestic equity classes posted significant gains for the quarter. The Russell 2000 gained 8.9 percent. The MSCI EAFE Index and the Emerging Markets Index rose 0.9 percent and 2.5 percent, respectively. Fixed income investments advanced 1.8 percent for the quarter, and the Federal Reserve kept its target rate at the December 2008 level of 0 - 0.25 percent.

#### Master Trust Update

The first quarter of 2010 stayed strong for the master trust program, gaining 5.04 percent on a balanced portfolio of 74 percent stocks and 26 percent fixed income securities. Small-cap stock managers

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## Health Care Reform and You

As a result of the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Affordability Reconciliation Act of 2010, millions of uninsured Texans will receive coverage. But how will health care reform affect you personally? While the details are being ironed out, some of the effects on consumers are coming into focus.

Many of the changes involve health insurance. Under the legislation, most Americans must have insurance by 2014 or pay a penalty. Some people are exempt from this requirement because of financial hardship or religious beliefs. Effective immediately, insurers may not exclude children with pre-existing conditions and parents can enroll children up to age 26 on the family's insurance plan; the pre-existing condition provision will expand to adults in 2014. Starting this year, lifetime limits on coverage are prohibited. In 2014, annual limits are banned. Also beginning in 2014, insurers will not be able to charge higher rates because of health status, gender or other factors.

Additional changes affect restaurants. Chain restaurants with more than 20 locations will be required to display calorie information next to the food item on the menu. Nutritional information also will be required on vending machine products and drive-thru menus. The Food and Drug Administration will establish more specific regulations and determine when these changes will go into effect.

Flexible spending accounts will become a little less flexible. Beginning next year, consumers will no longer be able to use the accounts to purchase over-the-counter medications such as allergy medicine or aspirin without a doctor's prescription. OTC items that are not medicines such as bandages and first-aid kits will remain eligible for reimbursement. Additionally, starting in 2013, the government will limit annual contributions to FSAs at \$2,500.

Finally, indoor tanning salons will charge customers a 10 percent tax beginning in July. The initiative is expected to generate \$2.7 billion over 10 years to help pay for the health care overhaul.

Hospitals are trying to determine the impact of reform on their facilities. THA staff have developed resources, including fact sheets about specific provisions, to help members understand the legislation, which will have a significant impact on the 2011 Texas Legislature. These documents are works in progress as the details of the 2,000-plus page legislation continues to be studied and interpreted. For more information or to access these resources, go to [www.tha.org/healthreform](http://www.tha.org/healthreform). ■



# Birds of a Feather Shop Together

Want to check out that new trendy restaurant without blowing your budget? You may want to sign up on one of the many group-buying sites popping up online. These sites, such as LivingSocial.com and Groupon.com, allow users to purchase daily deals offered by local businesses, assuming certain circumstances are met.

The way these sites work is simple: each day, they send out a discounted deal to subscribers via e-mail. A typical deal is a \$10 coupon for \$20 worth of food. At Groupon – a combination of the words “group” and “coupon” – the deal is activated after a certain number of purchases are made. At LivingSocial, if a user buys the deal

and shares the link with three people who also buy the deal using that link, his or her deal is free.

Sound too good to be true? Well, there are some restrictions. The deals come with expiration dates, so make sure you use them quickly. Some are available only at certain times of day; they generally do not cover tip or tax and may not include alcohol. Also, think it through before you buy. Just because you can go skydiving at half the price doesn't mean you'll actually work up the nerve to do so, and you won't get your money back just because you couldn't overcome your fear of heights. [S](#)

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contributed the best performance to overall balanced return. The overall asset base is allocated among large-cap stocks, small-cap stocks, foreign stocks and fixed income/cash equivalents. Trust fund assets were more than \$416 million at the end of the quarter.

### Participant-Directed Program Update

The THA Participant-Directed Program offers 20 fund options from which employees may develop an investment plan to meet their specific retirement

desires and goals. Open to defined contribution plans, it offers online access and comprehensive support through Milliman Inc. ([www.millimanbenefits.com](http://www.millimanbenefits.com)). During the first quarter, all 20 options continued strong performances, with domestic equity funds leading the way. Specifically, the Wells Fargo Advantage Small Cap Growth Fund gained 11.4 percent for the quarter. Fixed income investment fund options gave ground to equity opportunities and were led by the PIMCO Real Return fund advancing 2.9 percent for the same period. Total fund assets were more than \$52 million.

Master Trust Performance	1Q10	2009	2008	2007	2006
Master Trust Fund	5.04 percent	22.0 percent	-27.8 percent	7.2 percent	13.2 percent
*Custom Benchmarks	4.61 percent	22.2 percent	-28.0 percent	5.5 percent	14.3 percent

\*Combined Indices: S&P 500, Russell 2000, MSCI EAFE and Barclays Capital Aggregate Bond

PDRP Funds Performances	1Q10	2009	1Q10	2009	
<b>Equity Managers</b>		<b>LifePath (Target Date) Funds</b>			
Schwab S&P 500 Index	5.4 percent	26.2 percent	BlackRock LP Retirement	2.8 percent 18.2 percent	
Thornburg Value	4.9 percent	45.7 percent	BlackRock LP 2020	3.3 percent 22.7 percent	
American Beacon Large Cap Value	6.6 percent	27.2 percent	BlackRock LP 2030	3.6 percent 25.8 percent	
Growth Fund of America	4.1 percent	34.5 percent	BlackRock LP 2040	3.9 percent 28.1 percent	
Goldman Sachs Mid Cap Value	8.6 percent	32.7 percent	Blackrock LP 2050	4.1 percent 30.4 percent	
Columbia Acorn	7.3 percent	39.6 percent	<b>Fixed Income Managers</b>		
Wells Fargo Advantage Small Cap Growth	11.4 percent	51.6 percent	Schwab Retirement Advantage Money Market	0 percent 0.20 percent	
<b>International Equity Managers</b>		Prudential Guaranteed Income 1 percent 4.2 percent			
Dodge & Cox International Stock	3.7 percent	47.5 percent	Schwab Stable Value	0.5 percent 2.8 percent	
Lazard Emerging Markets	6.0 percent	69.1 percent	PIMCO Total Return	2.9 percent 13.5 percent	
<b>Balanced Manager</b>		PIMCO Real Return 1.2 percent 18.5 percent			
Oakmark Equity and Income	4.7 percent	19.8 percent			

The THA Retirement Plan will hold its next board meeting on May 28 at the Texas Hospital Association headquarters building at 1108 Lavaca St. in Austin. For more information, please contact Fred Hamilton at [fhamilton@tha.org](mailto:fhamilton@tha.org) or 512/465-1082. Visit [www.healthshare-tha.com/tharetirementplan](http://www.healthshare-tha.com/tharetirementplan) for additional information about the THA Retirement Plan. [S](#)

## How to Apply for Your Passport

Whether you're traveling to the frozen tundra of Russia or the sunny beaches of Brazil, there's one thing you'll want to pack: your passport. Here are the 5 Ws – who, what, where, when and why – of applying for your passport for the first time.

### Who needs a passport?

In general, all U.S. citizens wanting to travel outside the United States need a passport – even infants. Alternate documents, such as a passport card, may be acceptable in some cases, but there are restrictions on these; do your research.

### What do I need to apply?

When applying for your passport, you'll need to submit several items: a completed (but unsigned) form DS-11; two passport photos that meet certain specifications; proof of U.S. citizenship, such as a certified copy of your birth certificate; proof of identity, such as your driver's license; and your fees. Currently, the application fee is \$75, and the execution fee is \$25, for a total cost of \$100.

### Where do I apply?

You must apply in person at an acceptance facility or passport agency. Many post offices accept passport applications. Keep in mind that some facilities may require appointments, so call ahead before you show up.

### When do I apply?

You should apply several months before your travel date. The U.S. Department of State currently estimates it will take four to six weeks to process your passport application. If you plan on traveling sooner than that, you may expedite your application for an additional fee of \$60, plus overnight delivery costs.

### Why am I still reading this?

When it comes to applying for your passport, the sooner the better. For more detailed information and the necessary form, go to the U.S. Department of State's website at <http://travel.state.gov/passport>. **5**



## Healthy, Wealthy and Wise



### Coffee and Your Health

For many people, drinking a cup of coffee is an essential part of their morning routine. For years, researchers have debated the health benefits – and risks – of this beloved beverage. So is it good for you or not?

First, here's the bad news. High consumption of unfiltered coffee is associated with mild elevations in cholesterol levels. One study found that two or more cups of coffee a day can increase the risk of heart disease in people with a specific and fairly common genetic mutation that slows the breakdown of caffeine in the body. Additionally, as you may know from personal experience, heavy caffeine use (i.e., four to seven cups of coffee a day) can cause such problems as restlessness, anxiety, irritability and sleeplessness.

But don't go pouring that cup of coffee down the sink yet. More recent studies that took into account the fact that known high-risk behaviors, such as smoking and physical inactivity, are more prevalent among heavy coffee drinkers found no connection between coffee and an increased risk of cancer or heart disease. Research also has shown that coffee may protect against Parkinson's disease, type 2 diabetes and liver cancer. Additionally, it is a good source of antioxidants, an important compound that protects your body from disease. As with many of life's pleasures, the key is moderation. A cup or two won't hurt – and may even help. **5**



## Why You Need an Emergency Fund

Read any book on personal finance, and you'll see one common piece of advice: build an emergency fund. But what exactly is an emergency fund, and how much do you need?

As you might infer, an emergency fund is there in case of an emergency. True financial emergencies may arise as a result of a job loss, significant medical expenses, or unexpected major home or auto repairs. Without a solid emergency fund in place, you may be forced to resort to credit cards, which likely would compound the problem. Most experts recommend your emergency fund equal three to six months' worth of living expenses. It's best to keep this amount in a fairly liquid account, such as a high-interest savings account, so you can access it easily.

Even though building an emergency fund may sound daunting, the key is to start small. Saving up that amount of money will take time. Even if you only put away \$20 a paycheck, it will add up over time. When those dreaded emergencies arrive – and it seems like they always do – you will be prepared. **5**

## Walking Away from Your Home? Watch out for Mr. Taxman

As housing prices drop, many people are considering foreclosures as a way to escape an unaffordable mortgage. The idea of walking away from debt may sound appealing – unless there are major tax consequences.

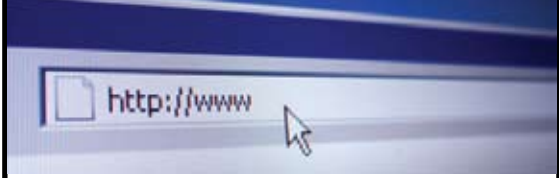
Millions of Americans are learning the hard way that the Internal Revenue Service may not view their debt the same way they do. According to the IRS, canceled debt is a form of income, which means they owe taxes on it. These taxes can run into the thousands or even tens of thousands of dollars.

The good news: not all canceled debt is taxable, thanks to the Mortgage Forgiveness Debt Relief Act of 2007. According to the IRS, “Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, qualifies for the relief. This provision applies to debt forgiven in calendar years 2007 through 2012. Up to \$2 million of forgiven debt is eligible for this exclusion (\$1 million if married filing separately). The exclusion does not apply if the discharge is due to services performed for the lender or any other reason not directly related to a decline in the home’s value or the taxpayer’s financial condition.”

What does this mean? Be careful. A home equity loan that was not used to buy, build or make substantial improvements to your house won’t qualify for forgiveness. So if you pulled out money from your house to pay off credit cards or take the family to Disneyland, be prepared for that tax bill. Talk to your financial advisor for more information. **S**



## Worthy Web Sites



### NetworthIQ

If you’re curious about how your net worth compares to that of your peers, you may want to look into NetworthIQ ([www.networthiq.com](http://www.networthiq.com)). NetworthIQ was conceived as a place where people can track, share and compare their financial status. Each month, users enter in the value of their assets (savings, retirement accounts, real estate value, etc.) and their liabilities (mortgage, student loans, credit card debt, etc.). The resulting net worth, or difference between assets and liabilities, is plotted on a graph, allowing users to track their progress over time. Additionally, users can view public profiles by age range, income, occupation, education level and state to see how they are doing in comparison to other users in similar circumstances. The free site also offers a place for people to ask questions or get advice from fellow users. **S**

## Tips on Tipping

Everyone knows you tip your waiter and your hair stylist. But what about those situations where you’re not sure if a tip is customary? Below are a few people you may not think about tipping – but who probably would appreciate a few extra dollars for a job well-done.

- **Car wash attendants.** Tip car wash attendants \$2-3 for a car or \$3-5 for an SUV or large vehicle. If there is a tip jar, leave your tip there. It will be split among the workers. Otherwise, tip the person(s) who did the cleanup after the wash.
- **Dog groomers.** The typical tip is 15 percent of the bill or \$2 per dog, whichever is greater. If your dog is difficult, tip more.
- **Furniture or appliance delivery people.** Thank delivery people for saving you time and effort by tipping them \$5-10 per person. If the delivery is large, up it to \$20 per person.
- **Emergency roadside assistance providers.** If your car needs to be towed, tip \$5-20 depending on circumstances and your desperation. For a jump start, tip \$3-5. For a tire change, tip \$4-5, and if you are locked out of your car, tip \$5-10.
- **Movers.** For a one-man moving job, the average tip is \$20-50. You can subtract \$5-10 from that for additional movers. Be sure to offer a cold drink as well; in the short-term, that may be more appreciated.
- **Personal trainer.** While not obligatory, tipping your personal trainer the equivalent of one session is a nice way to thank him or her when you meet your fitness goal. **S**

### THA Retirement Plan

The THA Retirement Plan, sponsored by the Texas Hospital Association, provides retirement benefits for more than 15,000 health care employees in Texas. The plan is governed by a board of Successor Trustees, which makes investment decisions on behalf of the plan’s participants, and is administered by HealthSHARE, a wholly owned subsidiary of THA. [www.tharpm.org](http://www.tharpm.org)

### Your Money Your Future

*Your Money Your Future* is published quarterly by HealthSHARE for participants in the THA Retirement Plan. Because each person’s financial and retirement circumstances are different, you should consult with a financial planning professional before implementing any ideas found in this newsletter. For specific information on your participation in the THA Retirement Plan, contact your human resources department.

**Editor:** Debbie Ritenour • **Art Director:** Barbara Battista  
**Production Assistant:** Florence Portugal

For more information about the THA Retirement Plan or HealthSHARE, contact:

### Fred Hamilton

P.O. Box 679010, Austin, Texas 78767-9010  
Telephone: 512/465-1082 • Facsimile: 512/323-6572  
E-mail: [fhamilton@tha.org](mailto:fhamilton@tha.org)