



Employees' Retirement System Communicator

June 2014

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Contact Information

Employees' Retirement System

In the Milwaukee area:

414-278-4207

Toll Free:

877-652-6377

Email:

ers@milwaukeecountywi.gov.

Life & Health Benefits

Phone: **414-278-4198.**

Email: benefits

@milwaukeecountywi.gov

Newly Retired Members

New Retirees

Gregory Barillari

Kathleen Cornfield

Martha Harshaw-

Dorsey

Vesta Henry

Pamela Henschel

David Jasenski

Theresa Konkel

Joyce Linzmeier

Katherine Mason

Raymond Robakowski

Marsha Spells

Debra Stewart

Shoua Thao

Deborah Williams

From the Desk of the ERS Manager

Dear Milwaukee County Retirees,

Four candidates will be on the primary ballot for the upcoming special election! They are D.A. Leonard, Todd Ludorf, Thomas Zablocki and Kurt Zunker. Their statements and voting instructions are included with the *Communicator* as a separate piece. The primary election will run from July 24 through July 31 with a final election to be held September 23 through September 30, 2014 with the term starting October 1, 2014.

This month the *Communicator* offers articles on inherited IRAs (Vivian Aikin), prostate cancer myths (Heather Giza) and support groups (Becky Paszkowski).

The Benefits and ERS email addresses have changed — Please contact ERS by email at ers@milwaukeecountywi.gov and Benefits at benefits@milwaukeecountywi.gov with questions or concerns. When contacting a specific individual through email, please use the format : first name.last name@milwaukeecountywi.gov. We monitor the site frequently throughout the day and respond as quickly as possible. We are also available by phone and have both local (414-278-4207) and toll-free (877-652-6377) phone numbers.

Marian Ninneman
ERS Manager

INHERITED IRAs

By Vivian Aikin

Individual Retirement Accounts ("IRA") increasingly are forming a large part of inherited wealth for American families. As a County retiree, if you participated in the 457 Deferred Compensation Plan while actively working, you may have transferred your account to an IRA when you retired to gain more control and flexibility over your investments. If you received a backdrop, you likely rolled it over into an IRA as well. For most retirees, IRAs make up the lion's share of their liquid assets. If you are both prudent and lucky, your IRAs will outlive you and they will pass to your heirs. Whether you are the benefactor or the beneficiary, it is critical to understand the special rules regarding inherited IRAs. Failing to do so can lead to very expensive tax consequences and hamstringing how your heirs can spend the money.

It's important to be aware that a will does not govern any account with a beneficiary designation. This includes not only IRAs but also life insurance, 401(k) and 457 plans. The legal document that determines who inherits your IRA is the specific beneficiary designation form provided by your IRA custodian. If your will instructs that your spouse should receive all your financial assets, but you long ago listed a parent as your IRA beneficiary and never updated it, your parent will receive the IRA, regardless of what your will says. It is essential that you complete the beneficiary designation form, update it as needed, and keep a copy with your other important documents where your heirs can find it. Do not assume that the IRA custodian will always have the current copy on file.

Moreover, most retirees will have changes occur in their IRA accounts during their lifetime. It is possible for IRA account changes to be made your by financial advisor, bank, or broker that do not change the stock, mutual fund or other assets you are invested in but result in

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what are effectively brand new accounts. This will require a beneficiary designation form be completed for the new account. Make it a practice to check with your custodian any time there is a change, even one that seems minor, to make sure the necessary beneficiary forms are in place.

The popularity of IRAs stems from the tax advantages they provide. The money you put in is invested and the earnings grow untaxed. With a traditional tax-deferred IRA, heirs will owe income tax when money is taken out of the account. Money taken out of a Roth IRA is tax free, but is still subject to Required Minimum Distributions (RMDs). Either a surviving spouse or a non-spouse heir may inherit an IRA, but different rules apply in each case.

A spouse who is the sole designated beneficiary of a traditional tax-deferred IRA can:

- Roll the inherited IRA into her own IRA account and base RMDs on her own age, or
- Keep the inherited IRA as a separate account but base RMDs on her own age, or
- Keep the inherited IRA as a separate account but base RMDs on the decedent's age at death, reducing the distribution divisor by one (1) each year thereafter, or
- If the benefactor died before the required RMD beginning date (the required RMD beginning date is December 31 of the year after the account owner turns 70½), the surviving spouse can wait until the benefactor would have turned 70½ to begin receiving RMDs based on his age, or
- Withdraw the entire account balance by the end of the 5th year following the account owner's death.

If you have multiple beneficiaries to your IRAs, it is even more critical that they be identified in the beneficiary designation form. An inherited IRA can be split as instructed in the beneficiary designation. But if there is no beneficiary designation, the funds in the IRA account will be assigned to the estate and allocated as provided for in the will. For a traditional IRA, the estate will pay the income taxes due at that time for the entire account balance. That means a much reduced amount will be allocated to the heirs, and the growth in the investment of these funds will be taxable every year and not tax-deferred. With beneficiary designation of an IRA account the heirs can "stretch" the IRA distributions out, thereby reducing the tax hit and allowing the money to continue to grow tax-deferred.

Generally, non-spouse beneficiaries who want to stretch their beneficiary IRAs must start taking RMDs by December 31 of the year after the benefactor dies. Their options are:

Calculate RMDs using the distribution period from the Single Life Table (Table I in the appendices of IRS Publication 590) based on:

- If the owner died after RMDs began, the longer of the:
 - beneficiary's remaining life expectancy determined in the year following the year of the owner's death reducing the distribution divisor by one for each subsequent year, or
 - the owner's remaining life expectancy at death, reducing the distribution divisor by one for each subsequent year.
- If the account owner died before RMDs began, the beneficiary's age at year-end following the year of the owner's death, reducing the distribution divisor by one for each subsequent year.
- Withdraw the entire account balance by the end of the 5th year following the account owner's death.

Be aware that just letting the inherited IRA sit idle and not taking a required RMD or withdrawal will result in a 50% penalty on the amount that should have been withdrawn for the year, plus the taxes due on the full amount. For example, if you are in the 25% tax bracket and must make a \$4,000 RMD, you will pay \$1,000 in taxes and have \$3,000 left. But if you miss the RMD, you will have to pay both the \$1,000 in taxes and the 50% penalty of \$2,000, leaving only \$1,000 left.

But the beneficiary IRA rules do not stop there. Non-spouse beneficiaries are not permitted to roll an inherited IRA into their own IRA. A separate account must be established and that new account "retitled." The title must include the decedent's name and the fact that the account is for a beneficiary. As an example, if Joe Retiree dies and leaves his IRA to his son, Joe, Jr., the account should be retitled "Joe Retiree (deceased June 1, 2014) IRA for the benefit of Joe, Jr., beneficiary." If the account is split among multiple beneficiaries, each new IRA must be properly

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retitled. Spouses who do not roll the deceased's IRA into their own, but choose to keep it as a separate IRA must also retitle the account. Remember to name your own beneficiaries once the new IRA account is retitled.

If the IRA is left to multiple heirs, splitting it into separate retitled beneficiary IRAs is recommended, especially if there is a wide age difference. If the IRA account is not split, the age of the oldest beneficiary will be used to calculate RMDs for all beneficiaries, which will shorten the number of years the money can grow tax-deferred. For example, an IRA owner might name a 75-year-old brother, a 50-year-old daughter and a 20-year-old grandchild as beneficiaries. If the account remains whole, all the heirs will have to withdraw RMDs based on the 75-year-old's life expectancy. Instead, if the account is split by December 31 of the year following the year the owner dies, each beneficiary can use his or her own life expectancy to take RMDs and can decide how to invest the money. Since the RMD depends on age, the younger the beneficiary is, the less he or she will have to take out.

There are still more rules and timelines that must be followed if your IRA includes a charity or other "non-person" entity as a beneficiary along with your other heirs. There are also different rules if the IRA is included as an asset in a trust. The many complexities surrounding an inherited IRA are difficult to navigate without expert assistance. IRS Publication 590 offers guidance. Since estate planning, financial planning and tax planning all factor into inherited IRAs, consider seeking advice from a professional well-versed in all these areas.

Setting Aside Prostate Cancer Myths

By Heather Giza

Although more men are being cured of prostate cancer and more cases are being found in younger men, myths about the disease continue. Learn the truth.

Myth #1: Men die with prostate cancer and not because of it.

Reality: While one man in six will get prostate cancer during his lifetime, only one in 35 will die from it. Most end up dying of other causes. Although men with less aggressive forms of prostate cancer may live with the disease for years, it is still the second-leading cause of cancer death in men.

Many of the 200,000-plus cases of prostate cancer diagnosed in the U.S. this year will be aggressive and will cause serious illness.

Myth #2: Screening isn't worth the trouble because doctors can't agree on how useful it is.

Reality: The goal of prostate cancer screening is to find the disease early, when it can be treated more effectively. There are two types of prostate screening tests: the PSA blood test and the digital rectal exam (DRE). Doctors agree that both should be used together to get the most information. Medical experts disagree, though, on whether all men should be screened for prostate cancer. This is because the screening tests are not precise.

For example, tests results can come back positive in a person who may have an enlarged prostate due to a benign (noncancerous) condition called prostatic hypertrophy. Evidence has even shown that screening can be harmful, leading to unneeded surgery and associated side effects, like erectile dysfunction. But screening can also save lives, especially if an aggressive form of prostate cancer is found. Experts do agree that every man should make his own decision about prostate screening together with his doctor.

The American Cancer Society recommends that doctors discuss prostate cancer screening options with you starting at age 50. If you have a close relative (father, brother or son) with prostate cancer, or if you are African American, this talk should start at age 45. The U.S. Preventive Services Task Force (USPSTF) states that there needs to be more evidence to help doctors and patients know when and what type of screening is best. They do not advise screening in men who are age 75 or older. The bottom line is that you and your doctor should decide whether or not screening is right for you.

Myth #3: All men have erectile dysfunction after prostatectomy.

Reality: Prostatectomy is the removal of a cancerous prostate gland. The procedure can damage nerves that con-

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ontrol erections. During the first few months after surgery, most men have some degree of erectile dysfunction (ED). Whether ED lasts longer depends on your age, extent of the cancer, your erectile function before surgery and the type of surgery you have.

A nerve-sparing prostatectomy is an option that may reduce the chances of ED. Medications or penile injections or devices can help restore erectile function for many men if needed.

Myth #4: All men have incontinence after prostate cancer surgery.

Reality: Urinary incontinence (not being able to control urination) is one of the major side effects of prostate cancer surgery. For most men, it goes away weeks to months after surgery. One large study reports that five years after prostate surgery, about one third of men still have some stress incontinence. This means that urine can leak out when you cough, exercise, laugh or sneeze. Leaking was considered severe in only about 5 percent of these cases.

Staff Contributions:

Becky Paszkowski, Retirement Specialist

Finding Support

There are times in life when we find ourselves in need of emotional support. Whether from a family member, friend or neighbor, the support from others may help us through difficult times in life. There are many local support groups that can be utilized when looking for help solving dilemmas or easing the stress of traumatic situations, most at no cost. As we get older dealing with illnesses in families, taking on a caregiver role, or adjusting to retirement are all things that can throw your life out of balance. The organizations below are just a few of the support groups available. Remember – we're all in this together.

- **Alzheimer's Association:** Has contact information for Alzheimer's disease and related disorders 800-272-3900 or www.alz.org to find groups in your area.
- **American Stroke Association:** Provides telephone counseling to stroke survivors and/or caregivers 800-553-6321
- **AARP-** Offers resources to your community for different programs and support. While this membership is not free it provides discounts to numerous services amongst other benefits to the membership. 1-888-OUR-AARP or www.aarp.org
- **Baby Boomers Retirement Support Group:** This site has different topics and support groups for all sorts of categories <http://www.mdjunction.com/support-groups>
- **Family Caregiver Alliance:** Refers you to support groups in your area 800-445-8106 or www.caregiver.org
- **Well Spouse Foundation:** Offers support to the wives, husbands, and partners of chronically ill or disabled people. 1-800-838-0879 or www.wellspouse.org

While these are links to only a few support groups, checking your local library, YMCA or houses of worship are also other places you can go for additional information.

In Memoriam

Please keep the families of these recently deceased retirees in your thoughts:

*Jerome Dubinski
Patricia Dudash
William Finger
Frank Gago*

*Arlene Holzwordt
Dorothy Miltzer
James Monroe
Edith Norwood*

*Beth Patterson
Dorothy Sherrer
Harry Sobush*

*Arlene Stark
Lue Tyler
Carol Visser*

*Lorraine Voit
Arthur Washington
Chester Wieczorek*