

BREA News



Volume 7, Issue 2

October 8, 2007

BREA Meetings

There are monthly BREA meetings, usually at noon in Berkner Hall. All BREA members are invited to attend. We would like your participation in our meetings.

BREA Meeting Schedule:

- Tues., Nov. 13
- Tues., Dec. 11
- Tues., Jan. 8
- Tues., Feb. 12

BREA Officers

PRESIDENT:
Myron Strongin
Vice President:
Arnold Peskin
Treasurer:
Ken Mohring
Secretary:
Harriet Martin
Membership Chairman:
Dave Cox
Newsletter Editor:
Graham Campbell

Will We Outlive The Minimum Required Distributions of our Pension Plans?

What Are Minimum Required Distributions (MRDs)?

Source: (<http://personal.fidelity.com/planning/retirement/retiree/content/mrdlearn.shtml>)

“Beginning the calendar year after the year you turn 70½, you are generally required to withdraw a minimum amount of money from your tax-advantaged retirement accounts each year. This amount is called a minimum required distribution, or MRD. Note that you can always take more than the MRD amount.

You generally have to take MRDs from any retirement account in which you contributed tax-deferred assets or had tax-deferred earnings. These accounts include:

- Traditional IRAs
- Rollover IRAs
- SIMPLE IRAs
- SEP-IRAs
- Most Keogh accounts
- Most 401(k) and 403(b) plans

A Few Exceptions

Roth IRAs are an exception. You are not required to take MRDs from a Roth IRA during your lifetime, nor can you satisfy your MRD requirement with a withdrawal from a Roth IRA. Also, if you continue to work beyond age 70, you may be able to defer taking distributions from your retirement plan

until April 1 of the calendar year after the year in which you retire. Please consult your plan administrator to learn more.”

Note: Pre-1984 403(b) money contributed under AUI, [called “grandfathered” in TIAA-CREF’s statements in response to a Minimum Distribution calculation request], is not subject to Minimum Distribution until the year in which you turn 75.

Recently someone raised a question at a BREA board meeting about assuming that one can live on the accumulation of one’s MRD. Since a great many people are wary of taking annuities, they end up with Minimum Distributions (MDs). The MD requirements impose an increasing-with-age withdrawal as a percentage of your retirement account balance.

The principal purpose of the withdrawal requirement is to prevent an indefinite delay in income tax collection . [At age 70-1/2, the requirement is slightly less than 4% of your retirement account balance; by 80 it is over 5%, at 90 it is about 9%, at 100 about 16%.] If in fact you have these distributions as your sole income, and spend these amounts and live long, you may become impoverished.

The BREA board asked Elliot Auerbach to look into this. He did some cal-

(Continued on page 3)

Shingles Vaccinations – A Catch-22 Situation?

Dave Cox and Martine O'Connor

Last year, an effective vaccination for shingles became available following a joint venture between Merck and the VA health system in collaboration with the NIH. Shingles occurs mostly in older adults, and it is estimated that half of those who reach age 85 will be afflicted at some time. The condition progresses to a blistering rash, sometimes accompanied by severe pain which can persist for years after. The new vaccine reduces the incidence of shingles by about one-half, and subsequent persistent nerve pain by about two-thirds.

However, as we discovered by bitter experience, here's something to consider first if you are thinking of getting a shot. The vaccine is usually administered

in a doctor's office, but although the *procedure* is covered by traditional Medicare B, unlike the case of flu and pneumonia shots the vaccine itself is not! For some unfathomable reason, it is instead covered under privatized Medicare D plans (assuming it is in the formulary of the particular plan). Figure that one out!

Under the CIGNA OAP scheme, which applies to most BREA members, shingles vaccinations are covered, but only as a *medical* procedure, with the vaccine supplied and administered in the doctor's office. Now here comes the catch-22 part! It appears that very few doctors' offices stock the vaccine, and you will probably need to search for a pharmacy that does, pay up front (about \$200), arrange for an ap-

pointment with your doctor, and take the vaccine with you suitably refrigerated. However, if you then make a claim, it will not be reimbursed by CIGNA, because the vaccine is not in their pharmaceutical formulary!

Whatever happened to preventive medicine?

Ed. Note: This article is about insurance coverage, not a medical recommendation. The vaccination is definitely not recommended for everyone. For more information, see the Wikipedia entry for shingles (<http://en.wikipedia.org/wiki/Shingles>) and the Centers for Disease Control recommendation (<http://www.cdc.gov/vaccines/recs/schedules>) and consult your MD.

Short visit from an Old Friend

Retiree Stu Rideout, one of the "founders" of BREA, just spent a few weeks in the East visiting old friends and family. Four years ago he sold his house in East Patchogue and moved to Astoria, Oregon (of Lewis and Clark fame), where his daughter Joanne is living. Despite his 86 years, greatly reduced vision, hearing loss, and use of a cane, Stu keeps moving onward and upward. He flew in to Islip airport, visited colleagues from the Computing and Communication

Division (now called ITD), took the ferry to Bridgeport to visit his 89 year old brother-in-law who met him at the dock, came back on the ferry four days later to fly to Asheville, NC for ten days to visit friends, then flew to Philadelphia, PA for two days to visit four more friends, then home to Astoria!! Stu also manages to keep up with advances in computing, ham radio, and avidly follows local news of sailing adventures on the Columbia River. Anyone wishing to con-

tact Stu should write to him at 39716 Grove Lane, Astoria, OR 97103 or e-mail him at sturide@aol.com

Editors Note: We would like to publish more notes like this one. They would help retirees keep in touch with people they have known for a long time but with whom they have lost contact. Have you re-established contact with someone from the Lab? Or would you simply like to advertise your current location and interests to other retirees? Send a note via e-mail to the editor gc@bnl.gov and it will find its way into the next newsletter.

Organizational Notes

There are three items of interest for the BREA members.

1. If you do not have a BREA membership card for 2007, please check your address label. If you see an asterisk after your name, you did not renew for 2007, and this will be your last chance to continue participating in BREA functions and receiving the Newsletter

2. A new dues schedule has been

adopted:

- 1 year \$10
- 5 years \$40
- Lifetime \$95

These options will appear on your next dues notice.

3. The terms of all officers end at the end of the year. A nominating committee consisting of Graham Campbell and Joyce Tichler would

like to invite anyone to submit names for consideration. The best way to contact them is via e-mail to:

- Campbell gc@bnl.gov
- Tichler jtichler@nyc.rr.com

MRD's cont'd

(Continued from page 1)

culations that show that under "conservative" assumptions, this need not happen if the following strategy is employed:

- Take the distribution as required, so that you pay no penalties.
- In earlier years when MDs are small, supplement the MDs with other assets as required.
- When the withdrawals exceed living expenses, save the extra amounts and invest them.
- Withdraw from these savings when the MD depletes the initial account and is insufficient to cover living expenses.

A spreadsheet that shows how Elliot came to his conclusions can be found on the BREA Web site (<http://www.brea.bnl.gov/>). An abbreviated table showing these same conclusions is shown at the end of this article.

Beyond the generic advice of saving as much as you can, one should be aware of the importance of diversification; i.e. "not putting all your eggs in one basket". If one wishes to go beyond Elliot Auerbach's conservative analysis and do their own calculations there are methods involving Monte Carlo calcula-

tions which attempt to account for the uncertainty and variability in the return of investments. This method, in principle, will provide a number that represents the probability that an individual will outlive their assets. It should be noted that the reliability of this result is very sensitive to the input assumptions, e.g. asset return and its variability. While historical data are available for these items, one can question whether they can be applied to the future. This caveat should be kept in mind if the Monte Carlo approach is pursued. A number of such Monte Carlo programs can be found on the web.

One that is free is <http://FlexibleRetirementPlanner.com/>. This is one of many programs and should not be construed as a recommendation.

Comments and/or questions from other BREA members for future issues or for our website are welcomed

Ed. Note: It is hard to add enough disclaimers and caveats to this article. Everyone's situation and goals are different and that greatly affects the details of any analysis. This is presented only to illustrate a situation that could arise and to encourage readers to consider it in their own planning. Especially, consider the numbers in the accompanying spreadsheet as illustrative only, showing one approach that could be used in planning.

BREA

Bldg 475C
Upton, NY 11973-5000
Phone: 631-344-2707

Mailing Address Line 1
Mailing Address Line 2
Mailing Address Line 3
Mailing Address Line 4
Mailing Address Line 5



BNL Retired Employees Association

*On the Web at
www.brea.bnl.gov*

Notes for the enclosed Table

Please read the article on page 1 first. Then look at the enclosed table and these notes on the table.

total effect of inflation (assumed a constant 3.3%) compared to the first year.

This table is constructed from the Excel spreadsheet, which was prepared by Eliot Auerbach and is available for download on the BREA Web site. It illustrates what happens if you start with \$100,000 in your retirement account and take the “Minimum Distribution” disbursements from it. It accounts for both earnings and inflation, but only in a simple way, a “first approximation”.

The expenditures column is the amount of income you require – your “living expenses”.

The Inflation Escalator column is