Features

TSA: To Defer or Not to Defer

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Good morning Faculty, Staff, and Support Employees of Winston-Salem State University. This Newspaper and Administrative Officials in an effort to provide a valuable service, has made it possible for my column to be printed here in Winston-Salem, N.C.

This column is dedicated to exploring the financial issues that affect Educators in different regions across the country. The educational community is special and it has needs that too often are forgotten or discounted. Therefore, we are going to provide an open forum to discuss these needs. We want you to call us at 1-800-633-9497 with your suggestions, comments, and concerns; we want to know what you are thinking.

This is the time of year when many of our clients are getting pay raise information. We are getting many questions as to whether to increase TSA (Tax Sheltered Annuity) contributions. Others are wondering whether to continue contributions in light of the tax laws changes that went into effect on January 1, 1989. Since many of you are probably asking similar questions, today's article will touch on this subject as well as offer possible alternatives.

First off, long-term savings is good a practice. The TSA program is a good program, but there are certain shortcomings that need be addressed. Your cash-flow is one of these areas. Increasing your contributions should not take place if you do not have adequate "immediate access" cash. Typically, you should maintain a cash reserve equal to six months of bill payments. This reserve requirement is even more important for new contributions when you look at the tax law change of January 1, 1989. The major change that stands out is that access to accumulated TSA funds is greatly curtailed. New contributions after January 1, 1989 will be unavailable until retirement. This creates a situation where an individual with limited reserves would be in serious difficulty if an emergency demand for cash were to occur. Therefore, new contributions to the system or increasing contributions should be viewed carefully. If reserve requirements are not available, alternatives to the TSA would be more advisable.

For those Educators who have met the reserve requirement and wish to continue contributing, we suggest one caution. A major selling point of the TSA is that you should "defer today because at retirement you will be in a lower tax bracket."

This particular phrase worries me. In most cases, the tax liability actually increases for retiring faculty who have been deferring income. The reason this occurs, is that at retirement many different sources of income begin to pay out (Social Security, Pension, IRA, TSA etc.). None of these areas have been taxed before and (for the Educator who has been savings methodically) the income from these areas will quite probably approximate the educator's working years income (I will concede the fact that areas can be deferred to age 70, but most of my clients want to enjoy the income not defer it). The final blow to this sales argument is that historically as people near retirement they begin to eliminate debt. The kids are grown and are gone, the mortgage is paid off. The end result is limited deductions against pure income. In other words, higher tax liability. So for those Educators who wish to know if they should continue, I suggest careful consideration to the preceding paragraphs.

One alternative to this scenario was developed specifically to fight the difficulties in the TSA system. It uses products from the same people who control TSA's - the insurance companies. We have explored and used this method many times. It allows a person to maintain the same contribution and tax position. The accumulations are deferred in the same way. The rates of return are comparable.

There are however three major differences. Funds may be withdrawn for any reason during the working years and are not restrained by the tax laws affecting the TSA's. Secondly, income at retirement can be tax free. Lastly, if you are disabled and cannot contribute to this account, provisions are available so that the deposits are made automatically as long as you are disabled. With the TSA, occur only as long as you can contribute.

It is important to realize that when trying to answer the question "To defer or not to defer?", you must look at all the facets of your particular situation. One should not do something because they always have, or because the short-term result is attractive. A quality decision comes after review of all options and after careful consideration of personal situations.

Interlibrary Loan Solves Problems for Campus Borrowers

There's virtually no limit to the information the library can provide.

Unknown to most library users, the library's reach extends beyond the building that houses its collection. Through interlibrary loan, the library can tap the resources of other libraries to borrow material for patrons.

"When patrons search the stacks or the catalog and realize we don't have what they're looking for, we encourage them to ask us about interlibrary loan," said Vicki Miller, Reference Librarian of the O'Kelly library. "In most cases, we can locate what they need at another library and arrange to borrow it."

To increase awareness that "there's more to the library than the eye can see," the O'Kelly library is paying tribute to interlibrary lending this fall with a variety of promotional materials. The tribute is part of a larger celebration sponsored by OLCL Online Computer Library Center, a non-profit organization that automates libraries with computer systems and services. OCLC is celebrating the 10th birthday of its electronic interlibrary loan network, which serves 3,600 libraries in 26 countries.

An interlibrary loan is a transaction in which, upon request, one library lends an item from its collection, or furnishes a copy of the item, to another library not under the same administration or on the same campus. The transaction can be arranged over the telephone, in the mail or using a computer network, such as the OCLC Interlibrary Loan system.

Interlibrary loan solves a growing problem among libraries. With the rising costs of materials and services, a library often cannot purchase everything it needs to adequately develop its collection in all areas. If a patron needs something the library does not have, interlibrary loan makes the resources of other libraries available.

"Interlibrary loan allows us to make the best use of our library dollars by purchasing material of interest to many users and borrowing single or low-demand items upon request," said Mrs. Miller. "We welcome the opportunity to extend this valuable service to our users."

For more information on the O'Kelly library's interlibrary loan services, visit the library or call 750-2454.