



# Minor Times

September 2009

VOLUME 1 ISSUE 2

## WHAT'S INSIDE:

Welcome to the second issue of the Minor Times newsletter. In this newsletter you will find information from Providence First Trust Company, a market update from Victory Capital Management, a list of upcoming financial education classes from Salt River Financial Services Institution, and an outline of the Proposed Minor's Trust Optional Deferral Program.

## PROVIDENCE FIRST TRUST COMPANY

### **ARE YOU OVER 18? SOME IMPORTANT CHANGES HAVE BEEN MADE TO YOUR ADULT PAYMENTS FROM THE TRUST:**

Tax Withholding: There are many ways available to help you make sure you are withholding the right tax amount on your payment.

Adult Payments Must Be Withdrawn: You may not leave your payment in the trust after your birthday - you must take your payment out of the trust each year.

Forms Will Be Mailed To You: You do not need to pick up payment forms anymore. You will be mailed the payment forms you need during the month before your birthday.

Payment Options: There are now three different ways to receive your payment. They are:

- (1) By immediate direct deposit into your bank account.
- (2) By depositing your payment into a new investment account that you control.
- (3) By mailing a check to you.

The new direct deposit and investment account options have many advantages:

- If your payment is directly deposited to your bank account or to a new investment account, you may receive your payment two weeks earlier than if you choose to have it by check.
- The investment account includes your own debit and ATM card, and your own checkbook.
- If you choose an investment account, you can have help from the investment company on how to invest the money yourself. And you can use the account for any other savings you have.

## VICTORY CAPITAL MANAGEMENT MARKET UPDATE

Stocks rallied sharply during the quarter posting their best quarterly returns since the fourth quarter of 1998. For the quarter, the total return for the S&P 500 and Dow Jones Industrial Index (DJIA) was 15.6% and 15.8%, respectively. By the end of the third quarter, the S&P 500 had advanced 58.5% from its March 6<sup>th</sup> inter-day low.

The equity market's strength since the March lows indicates that investors believe that the recession and financial crisis that began in 2007 are coming to an end. Fueling investors' belief was continued improvement in economic data, significant improvement in corporate bond market fundamentals and better than expected second quarter corporate earnings.

In the past month, estimates for third quarter GDP (Gross Domestic Product) increased to 2.9% due to the fact that some of the economic data is indicating that the economy had not only stabilized but has begun to expand. In particular, the August ISM manufacturing Index rose for the 8<sup>th</sup> consecutive month to 52.9, a level signaling growth in the manufacturing sector, while August Industrial Production rose for the second consecutive month. Orders for durable goods (items which do not wear out quickly such as refrigerators, dvd players, etc.) recorded their biggest gain in two years during July, although the August report was modestly disappointing. Also, the employment situation has

improved slightly as fewer jobs were lost in July and August. Also, data regarding housing has been positive. Sales of both new and existing homes have been rising and home prices as measured by the S&P Case-Shiller home price index rose for the third consecutive month.

As was the case during the second quarter, better than expected corporate earnings announcements also cheered investors. Although most earnings surprises were driven by cost cutting, the number of companies that beat their earnings expectation and the amount by which they beat expectations was very pleasing to the market. Many investors concluded that when revenue growth resumes, earnings will continue to surge upward.

The fixed income markets as measured by the Barclay's Aggregate returned 3.7% during the quarter. Within the fixed income markets corporate bonds fundamentals continued to improve during the quarter as the spread between the interest rates on corporate bonds and U. S. Treasuries, of the same maturity, narrowed.

While the markets, particularly the equity market, have been responding very positively to the signs of economic expansion, a big question still lingers; is this economic expansion sustainable? Since this economic expansion seems to be driven by the Federal Government's stimulus plan and their efforts to inject tremendous liquidity into the financial system, it leads some market participants to believe the economy will weaken when it comes time to pay for all the Government's support. The repayment for the Government's support will most likely be some combination of higher taxes and higher interest rates. We do not believe that either interest rates or taxes will be raised in the near term for fear of choking-off the current growth in the economy but we do believe they are concerns for the future. Accordingly, we are cautiously optimistic about the equity markets.

*The information is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in the report are subject to change without notice and are not intended as individual investment advice.*

*The securities highlighted, if any, were not intended as individual investment advice. A complete list of all recommendations of stock selection for the previous 12 months is available by request. Past investment performance of markets or securities mentioned herein should not be considered to be indicative of future results. Furthermore, Victory Capital Management and its affiliates, as agents for their clients, and any of its officers or employees, may have beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report.*

## **SALT RIVER FINANCIAL SERVICES INSTITUTION**

SRFSI is the financial education arm among the partners of the Minor's Trust. The focus of topics for the Minor's Trust financial education curriculum is on goal setting, spending wisely, banking, credit, saving and investing. The primary course relating to each of these subjects is "Money Matters with Trust Fund Basics". This course is designed for young adults and older teens. Parents/Guardians are welcome to attend.

## **CALENDAR OF FINANCIAL EDUCATION AT SRFSI**

Here are the events that are planned for the next quarter. Please call our office or visit our website for more information. **Please pre-register for classes.** You can pre-register online ([www.srfsi.com](http://www.srfsi.com)) or by phone. A light meal will be provided at each class.

November 7 – Money Matters with Trust Fund Basics Course: Time: 10 am to 3 pm (Saturday). A fun course loaded with games and activities to help young adults and older teens of the SRPMIC understand how money works and to make wise money choices. In this course, youth will also be given basic information regarding their trust fund..

January 5<sup>th</sup> and 12<sup>th</sup> – Money Matters with Trust Fund Basics Course: Time: 5:30 pm to 8:00 pm each night. A fun course loaded with games and activities to help young adults and older teens of the SRPMIC understand how money works and to make wise money choices. In this course, youth will also be given basic information regarding their trust fund. Please plan to attend both classes.

January 26<sup>th</sup> to March 2<sup>nd</sup> – Financial Skills for Families Course: This 6-week course covers basic money management skills including goal setting, budgeting, banking and saving, and credit. Please plan to attend all 6 weeks.

For questions about classes or to register at [www.srfsi.com](http://www.srfsi.com) or call: **Jenny Yazzie – Financial Education Manager 480-850-5493 [jenny.yazzie@srfsi.com](mailto:jenny.yazzie@srfsi.com)**.

For more information about the new payment options, call **Providence First Trust Company at 602-952-2300 or 1-800-350-0208.**

## **PROPOSED MINOR'S TRUST OPTIONAL DEFERRAL PROGRAM**

The Office of the Treasurer, Office of General Counsel and Yoder & Langford Law Firm, at the request of Council and the membership, have developed a Proposed Minor's Trust Optional Deferral Program.

The following is a summary outline of the Proposed Minor's Trust Optional Deferral Program. *Please note that all existing Minor's Trust payment or distributions provisions will remain unchanged.* This includes trust payments for health, education, and welfare (HEW) purposes, as well as adult payments for youth ages 18 to 21 years old. Examples of the HEW payments include: health \$3,000, clothing \$500-\$599, computer \$1,999 , etc. which are all subject to annual limits.

The Office of the Treasurer is seeking parent and guardian input and comments regarding this program. Please submit your comments to: Office of the Treasurer - Dawn Yazzie Howard (480) 362-7494 or [dawn.yazziehoward@srpmic-nsn.gov](mailto:dawn.yazziehoward@srpmic-nsn.gov).

Proposed Minor's Trust Optional Deferral Program outline:

- Option to defer all or any of the regular age 18, 19, 20, or 21 eligible trust payments.
  - Must be elected at least 6 months in advance.
  - Must be signed by parent or guardian if under 18.
- Option to select payment dates based on age.
- Option to receive payments in the form of a lump sum payment or spread amount over 2 or 3 payments.
- The deferral is irrevocable.
- Option to change deferral payment date(s) subject to IRS restrictions.
- Hardship distribution options will be available.
- Death benefits to be paid to a designated beneficiary.
  - Death benefits can be paid in the form of a lump sum or spread over 2 or 3 payments.
- Investment Structure.
  - Self-directed by the beneficiary.
  - The investment options will be similar to a standard 401(k) menu of investment options, and therefore provides the beneficiary with the means to diversify their investments.
  - The Record keeper will administer the Optional Deferral Program.
  - Staff within the Community will assist with the administration of this Deferral Plan; however, resources have not been committed to this area of Trust Administration.
- The Proposed Optional Deferral Plan will require the following steps:
  1. Council approval to move forward to develop the Optional Deferral Plan and its related policies, procedures and forms.
  2. Council approval of an investment structure. If participant direction is permitted, Council must approve the fund options that will be made available along with an investment policy to assist in monitoring those options.
  3. Coordinate the Optional Deferral Plan design with record keeper.
  4. Develop communication material for Minors and Young Adults.
  5. Establish a timeline to go-live with the Optional Deferral Plan.

**ALL FEATURES AND EXAMPLES ADDRESSED IN THIS PRESENTATION ARE  
SUBJECT TO FINAL DESIGN CHANGES APPROVED BY COUNCIL. ALL  
DEFERRAL RULES ARE SUBJECT TO COMPLIANCE WITH IRS RESTRICTIONS.**

Future Information Sessions will be posted via the SRPMIC Intranet Site, Au-Authm Action News, and utilizing the communication available through SRPMIC Community Relations.

## INFORMATION REGARDING YOUR MINOR'S TRUST ACCOUNT

### Your Age Group Assets Are Invested as Follows (as of 9/30/2009):

#### Age 0-6

Victory Federal Money Market	15.8%
SRP-MIC Intermediate Inc	24.6%
Vanguard Mid-Cap Index	5.9%
SRP-MIC Diversified Eq	38.7%
Fidelity Low-Priced Stock	5.4%
Templeton Instl Foreign Eq	9.6%
Vanguard Short-Term Bond	0.0%

#### Age 7-12

Victory Federal Money Market	14.5%
SRP-MIC Intermediate Inc	35.9%
Vanguard Mid-Cap Index	4.9%
SRP-MIC Diversified Eq	32.2%
Fidelity Low-Priced Stock	4.5%
Templeton Instl Foreign Eq	8.0%
Vanguard Short-Term Bond	0.0%

#### Age 13-17

Victory Federal Money Market	13.1%
SRP-MIC Intermediate Inc	47.3%
Vanguard Mid-Cap Index	3.9%
SRP-MIC Diversified Eq	25.7%
Fidelity Low-Priced Stock	3.6%
Templeton Instl Foreign Eq	6.4%
Vanguard Short-Term Bond	0.0%

#### Age 18-21

Victory Federal Money Market	12.3%
SRP-MIC Intermediate Inc	0.0%
Vanguard Mid-Cap Index	0.0%
SRP-MIC Diversified Eq	15.9%
Fidelity Low-Priced Stock	0.0%
Templeton Instl Foreign Eq	0.0%
Vanguard Short-Term Bond	71.8%

#### Age 18-21 Vested Account

Victory Federal Money Market	16.4%
SRP-MIC Intermediate Inc	0.0%
Vanguard Mid-Cap Index	0.0%
SRP-MIC Diversified Eq	15.2%
Fidelity Low-Priced Stock	0.0%
Templeton Instl Foreign Eq	0.0%
Vanguard Short-Term Bond	68.4%