SCS OUTSIDE

Volume 17 Number 5
September-October 2005

PREZ SEZ

What a ride! First, I was stricken with DVT (Deep Vein Thrombosis, or a blood clot in my leg) while Susan and I were returning from a vacation in Oregon. When we went to change planes for the final leg of our journey, I realized that I wasn't going to make it home. In a matter of minutes, I was on my way out of the Phoenix airport on a stretcher, heading for St Luke's Hospital. For the next 7 days, I was their "guest," as the excellent staff at St Luke's worked extremely hard to dissolve/remove the clot so that I could make it back to Birmingham safely. I'm very pleased to say they were successful, and I'm back among my friends here in Birmingham, and looking forward to seeing everyone at the September meeting.

Next, I had asked our V-P, Buddy Coggins, to preside over our July meeting and introduce our speaker, Dusty Fisher, from Gulf Power Co. Dusty was to speak on "Hurricane Preparedness" and "Hurricane Ivan–One Year Later." Well, Hurricane Dennis had other plans for Dusty, and he had to cancel. Then the weather report looked so bad for that Monday here in Birmingham that Buddy and your Board of Directors decided it would be most prudent to cancel the July meeting. I think that was a wise decision!

Now, it's time to think about our September meeting. I hope that you haven't forgotten how to find Inverness 42, and that you will come out to listen to Southern Company's own John Huggins talk to us about SoCo and what our company is doing to make the air cleaner for all of us. I'm looking forward to John's presentation, and believe you'll enjoy hearing John also.

We may also have a brief presentation about the 2005/6 United Way Campaign, one of Birmingham's most worthwhile agencies, one that affects all of us.

And finally, we may be able to quiz Jean Lynch, SoCo Benefits, about the coming changes to our benefits package, just in time for the next enrollment period for 2006.

See you in Inverness, Monday, September 12. Our main meeting starts promptly at 1:00 p.m. in Room 130 of Inverness 42. Our Board Meeting–which is open to all–is at 10:30 a.m. After our Board Meeting, many of us eat lunch at the SoCo cafeteria and visit with our friends. Remember, you're invited to the Board Meeting and to join your friends for lunch.

— Jack Goertz

SEPTEMBER PROGRAM

As mentioned in PREZ SEZ, our speaker this month will be John Huggins.John is general manager of the SoCo scrubber program for engineering and construction services department. He joined Southern Company Services in 1972 in the engineering department. Since then he has worked for Mississippi Power, Alabama Power, and Mirant. During his career he has held positions in project management, plant management, and construction management, both in field assignments and in corporate locations. Plant assignments included Alabama Power's Miller Steam Plant and Barry Steam Plant as well as Mirant's Birchwood Power facility.

His previous positions were general manager of clean air compliance for the Southern Company and general manager of construction services. In his current position he is responsible for all scrubber projects for the Southern Company.

A Birmingham native, Huggins is a 1974 graduate of the University of Alabama with a Bachelor of Mechanical Engineering degree. Huggins and his wife, Kathy, have two grown children, two grandchildren, and reside in Birmingham.

— Celia Cook

BIRTHDAYS

SEPTEMBER: 1-James Welch, 2-Jane Freeman, 4-Peter Lynch, 8-Alfred Mikell, 10-Rod Wildman, 11-Bob Patrick & Bill Ponder, 12-Fred Ehrensperger & Sue Hassell, 13-Carol Yeager, 15-Philip Douglas, 17-Mike Zyne, 19-Claradel Holcombe, 26-Liz Winter and 30-Martha Dorrance & Jerry Vandegrift.
OCTOBER: 7-Lillie Mae Hargett, 9-Doris Douglas, 12-Janice Thies, 19-Bonnie Russell, 27-William Harrison III & Grace Kyser and 28-Monroe Smith & Bill Wright.

— Jay Dorrance

Want to keep up with what's happening?
Got a computer?
Visit the SCS Retiree Website
http://www.scsretirees.com

CONGRATULATIONS!

Dan and Myrna Wise celebrated their 50th wedding anniversary on August 27. Martha and **Jay Dorrance** will celebrate their 50th wedding anniversary on Sunday, September 4.

Words cannot change the truth. Being in the right does not depend on having a loud voice.
—Oriental Proverb

SCS RETIREE LEADERSHIP FOR 2005

Officers	
President	Jack Goertz 991-7766
Vice President	Buddy Coggin 785-5992
Secretary	Pat Moore 979-3353
Treasurer	Henry Garrett 853-6079
Directors	
Kerry Adams	980-7185
Bill Garner	967-5978
Dan Finney	995-9703
Nell King	822-7562
Al Mikell	967-0515
Larry Wallace	491-3097
Sid Varagona (ex-officio)	942-5047
Committee Chairpersons	
Arrangements	Dora Brandt 956-0502
Audit	Wayne Walton 822-1875
Fellowship	M.C. "Brick" Brickell 595-4956
Finance	Tom Steele 836-1904
Membership	
Newsletter	Dan & Myrna Wise 942-2336
Nominating	Charles Hickman 823-4597
Program	
Sunshine	

OBITUARIES

In Memoriam

Roy R. Herbst, 70, of Birmingham died on Tuesday, June 28, 2005. A native of Colorado Roy came to Birmingham from Cleveland, Ohio, to work for Rust Engineering Co. and in 1973 he left Rust and came to work for Southern Company Services where he stayed until he retired in November of 1989. He was a member of SCS RETIREES.

He departed this life leaving behind his close friends, Bill and Pat Pierson, Norman and Ursula Guthrie and Steve and Mary Phillips.

A memorial service was held on Tuesday, July 5 at Johns Ridout's Funeral Parlors Southside Chapel.

Gary A. Styles, 57, of Pelham, Alabama died on Sunday, July 3, 2005. Mr. Styles retired from Southern Company Services, Power Systems Development. Funeral services were held Friday, July 8 at 2 p.m. at Morgan Chapel with burial in Conn Cemetery.

Survivors include his wife, Karen, three sons; Eric, Nathan and Stuart, a daughter; Jessica, a brother; Brent and a sister; Kay Styles Porter.

Condolences

Sympathy is extended to the family of SCS retiree **Oliver "Buddy" Coggin** in the death of Buddy's brother Sammy R. Coggin of Birmingham who passed away Thursday, June 30, 2005, at the age of 70. A graveside service was held Tuesday, July 5 at the Valhalla Cemetery in Midfield, Alabama.

We note with sadness the passing away of Mrs. Elizabeth Stewart DeMilly McLennan on Saturday, July 2, 2005, in Jackson, Mississippi, at the age of 94. She was the widow of Southern Company retiree the late James Alan McLennan of Birmingham, Alabama. Graveside services for Mrs. McLennan were held on Thursday, July 7 in the Old City Cemetery in Tallahassee, Florida, her hometown.

— Jay Dorrance

Facts, when combined with ideas, constitute the greatest force in the world.

TREASURER'S REPORT

There has been very little activity in the treasury area since the last report. We have had three members send in 05 dues recently so, to date, we have 219 members who have paid in $2,205.00. We have had income from dividends of $88.53 and income from the summer meeting of $1,128.00 (you remember that we paid $12.00 each for the summer picnic) for a total income of $3,421.53.

Expenses to date are $2,707.94, leaving us a net gain for the year of $713.59..

Our net worth at this time is $5,548.31 which will more than cover budgeted expenses for the rest of this year.

— Henry Garrett

IN THE SPOTLIGHT
THE ROBERT ELLENBURG GALLERY

A distinct posthumous recognition has been bestowed on Robert (Bob) Ellenburg. The Homewood library named their art gallery the Ellenburg Art Gallery on April 26, 2005, and officially dedicated it on July 17, 2005. Examples of the art and photographs of Bob and his wife, Jan, were on display through July. To view some of the art, log on to the Homewood library web site and click on the "Gallery" link. The web address is http://www.homewood.lib.al.us.

According to Deborah Fout, Homewood library assistant director, Bob served as a dedicated volunteer from 1984 until his passing this year. She noted that "He was more than a volunteer, and we miss him." She cited a long list of activities in which he was active; constructed models for children, built shelves and shelved books, attended employee functions and even brought vegetables from his garden for the staff.

Bob graduated from the University of Tennessee with a degree in electrical engineering. Later he took courses in the arts, photography, weaving and handmade paper. His collages on handmade paper reflect his orderly engineering training in his approach to color, design, pattern and rhythm.

We are all proud of the heritage associated with this distinguished gentleman.

— Charles Hickman

SUNSHINE REPORT

Margaret Carter had cataract surgery on Tuesday, July 5, and is seeing great!

Our president, **Jack Goertz**, returned to B'ham, on Tuesday, July 12, after suffering a blood clot while in Phoenix, Arizona. Jack reports that doctor told him to carry on his normal activities, but be careful while medication is being adjusted. He looks forward to our next meeting.

Mary Anchors, wife of **Jim Anchors**, suffered a stroke recently, and is now at Lakeshore Rehabilitation Hospital. Jim is uncertain about how long she will be at Lakeshore.

— Liz Winters

AVOID THESE FIVE RETIREMENT-SAVINGS DISTRIBUTION TRAPS

By Robert Powell, MarketWatch

Editor's Note:*This information came from the Internet. Probably the great majority–if not all–of you already know all of this, but just in case someone does not, here it is. DW*

Americans tend to dwell on the tax savings of using a 401(k) retirement-savings plan or the tax-free withdrawals of a Roth IRA or the tax-deferred growth of a 403(b) when instead they ought to focus on the big picture. And part of that big picture includes all of the retirement-plan distribution traps that may await them or their heirs.

"People are not aware of the importance of planning for eventual distributions," says Ed Slott, a certified public accountant and author of *Parlay Your IRA into a Family Fortune.*

Retirement-plan distribution mistakes can result in costly tax bites for retirement-plan owners or beneficiaries. And there are a lot of traps for the unwary. Here are what experts say are the top retirement-plan distribution traps and how to avoid them, or at least mitigate them.

1. Failing to name a beneficiary for your plan or IRA. The biggest of all traps has to do with beneficiaries. Retirement-plan owners often make three mistakes: they fail to name a beneficiary or contingent beneficiaries or change the name of beneficiaries in the wake of life events such as a divorce or the birth of a child or grandchild.

Slott says not naming a beneficiary for your IRA or company plan is, by far, the worst mistake since it directly affects the long-term payout of your IRA after death and determines who will receive it. If you don't name a beneficiary, the distributions and tax bite could be larger than need be.

"If you do not have a named beneficiary, then whoever receives your IRA will probably have to go through probate and will not be able to take advantage of the stretch IRA (which can be distributed over the life of the beneficiary)," he says. "Only a named beneficiary or what's called a designated beneficiary can do that."

What's worse, if you don't name a beneficiary, your IRA may go to someone you did not want it to.

IRA and retirement-plan owners fail to name a beneficiary in part because they think the distribution is covered in their will or other estate-planning documents, says Slott. But it's not. "The IRA beneficiary form trumps all other legal documents and, in fact, is the estate plan for what may be your largest single asset," he says.

The second part of this mistake is not naming a contingent beneficiary for your IRA or plan. Slott says the contingent beneficiary is a major part of the planning process and should always be named on the beneficiary form so you know who will inherit the IRA if your beneficiary either wants to disclaim–that is, refuse his or her inherited IRA for planning reasons–or dies before you.

Slott says a common plan is to name your spouse as primary beneficiary and then name your children as contingent beneficiaries.

"After your death, if your spouse is otherwise provided for, say with life insurance or other assets, then your wife can disclaim and the IRA will pass to your children since they are named as contingent beneficiaries and can stretch the inherited IRA over their lifetimes," says Slott. "Since they are named as contingent beneficiaries on the beneficiary form, they can become a designated beneficiary if the primary beneficiary disclaims or dies."

The third part of this mistake, says Slott, is not keeping IRA or plan beneficiary forms up to date. "This is also critical, since things change in your life and you would want your beneficiary form to always reflect the most current situation in your life," he says.

His advice: Every time there is a 'life event,' such as a birth, a death, a marriage or a divorce your beneficiary form should be revised to reflect these changes.

2. Taking the right minimum required distribution (MRD). If ever there was a trap awaiting poor, unsuspecting seniors it's the rules governing MRDs, which dictate when benefits must be paid out of retirement plans. "Understanding these rules is key to successful tax planning for retirement plans," writes Natalie Choate in her book *Life and Death Planning for Retirement Benefits.*

Marvin Rotenberg, director of retirement services at Bank of America in Boston, says many seniors get tripped up by MRD rules, especially during the first couple years of having to take a distribution. In some cases, they fail to take a MRD, saying that they don't need the money. In other cases, they use the wrong year-end account balance and the wrong life-expectancy factor from the Uniform Life Table to calculate their MRD.

In essence, retirement-account owners must take their first MRD beginning in the year after turning age 70-1/2. To calculate the MRD, you simply divide what the IRA account balance was at the end of the year in which you turned 70-1/2 by the life-expectancy factor. That's the easy part. But if you turn 70-1/2 during the first half of the year, you would use a different life expectancy factor (27.4) than if you turn 70-1/2 in the second half of the year (26.5).

What's the big deal if you use the wrong life-expectancy factor or fail to take a MRD? *Uncle Sam will impose a 50% penalty on the amount you should have taken but didn't.* For small accounts, the penalty will be a nuisance. For big IRA accounts, it represents a lot of money that would have been better spent on vacations and the like. "You don't want your distribution subject to a penalty," says Rotenberg.

How to avoid this trap? Check and double check what life expectancy factor and year-end account balance you should use long before turning age 70-1/2. Also, Rotenberg says seniors ought to factor in potential state income-tax consequences of taking two MRDs in one year. In New York, for instance, retirees don't have to pay any state income tax on the first $20,000 of income from a retirement account. But if a person takes two MRDs in one year, which is allowed only in the first two years, they may find themselves being taxed unnecessarily on the second MRD.

3. Get to know NUAs and other tax breaks. Plenty of retirement investors who own company stock in their retirement plan pay more in taxes than they need to because they are unfamiliar with the net unrealized appreciation rules, says Barry Picker, a certified public accountant and author of *Barry Picker's Guide to Retirement Distribution Planning.*

In essence, those who retire or leave a company and who own company stock in a retirement plan can either roll the stock over into an IRA and eventually pay taxes at ordinary income rates after selling that stock and withdrawing those funds. Or they can distribute the company stock into a taxable account, paying a tax on the cost basis of the stock and then paying–provided it's been held long enough–the lower long-term capital-gains rate when they ultimately sell the stock.

Picker says another tax break is allowed for company retirement-plan participants born before 1936. They get to use to 10-year averaging to calculate distributions, which sometimes can be more favorable than other options.

4. Getting no respect. Many IRA beneficiaries don't realize that IRAs are considered "Income with Respect to a Decedent" by the IRS, says Bruce Harrington, vice president and product manager of retirement plans at MFS. At death, he says, IRAs are included in the IRA owner's estate, creating–if applicable–an estate-tax liability as well as an income-tax liability for beneficiaries.

"The 'IRD Rule' allows beneficiaries to take an income-tax deduction for any estate taxes paid on an IRA's assets, thus limiting double taxation," he says.

5. Ignorance is expensive. Not knowing that a nonspouse beneficiary cannot do a rollover and not knowing how to set up an inherited IRA can be expensive mistakes, says Slott. "Only a spouse can do a rollover," he says. "But most inherited IRAs are wiped out because of this error."

Advisers, and especially attorneys handling the estate of an IRA owner, rarely know this rule and often they advise the beneficiary to put the IRA into his own IRA. "That cannot be done," says Slott. "That is a rollover and is not permitted. This will trigger immediate taxation of the entire inherited IRA and the stretch option will be lost forever, not to mention the big tax bill the beneficiaries will receive."

The only way that an inherited IRA can be moved is by a trustee-to-trustee transfer–a direct transfer from one financial institution to another without touching the money in between, Slott says.

He also says the inherited IRA must be set up correctly. The deceased IRA owner's name must remain on the account. "Not knowing how to set up an inherited IRA is a costly error since it usually ends the account and triggers immediate taxation," says Slott.

Others agree that inattention, ignorance or other factors on the part of those people or institutions providing retirement-plan advice can often prove disastrous. "It seems the IRA providers dealing with beneficiaries pay them too much or too little, but never just the right amount," says Choate. "One big trap is the 'catch 22' of IRA provider errors when it comes to advising the beneficiaries who have inherited an IRA."

Choate says it's not unusual for her to get two calls a day from unhappy beneficiaries. "In the morning someone calls and says 'I inherited my mom's IRA, went to the IRA provider, and they gave me a check for the entire balance, which I deposited in my savings account. Then I found out about the stretch IRA. The IRA provider never told me I could leave the money in an inherited IRA and take it out gradually over my life expectancy.'

"In the afternoon I get a call from another beneficiary: 'I inherited my dad's IRA seven years ago. I never touched the money. The IRA provider and my dad's financial provider never told me I was supposed to be taking annual minimum required distributions. Now I owe huge penalties and have to beg the IRS to waive them.'"

The bottom line: Retirement account owners and their beneficiaries should work only with qualified and competent advisers.

Robert Powell is editor of Retirement Weekly–a service of MarketWatch–author of 20 Tips for Retirement Investors *and co-author of* Decoding Wall Street. *He is also developing a personal finance series for public television.*

DIGITIZED SPIES

Lance Nail, Ph.D., had no need for an account with Georgia Power, because he lives in Birmingham and teaches in UAB's School of Business.

But about four years ago, Nail's name started showing up on power bills mailed to an Atlanta address. In addition, a chatty crook ran up several hundred dollars worth of charges to BellSouth Mobility, BellSouth, and PowerTel accounts opened in Nail's name. The unknown culprit was even able to rent an Atlanta apartment on the basis of Nail's good credit.

"I was lucky that an alert BellSouth Mobility representative called me to question the two new cell phone accounts opened in my name," Nail says. "I called credit reporting agencies and issued a fraud alert. After that, companies couldn't open new accounts for me without calling for a confirmation. The problems stopped then, although PowerTel still showed $800 charged to me as bad debt until this past July."

Suffering the fate of many Americans, Nail was the victim of identity theft–the country's top-ranking consumer fraud complaint, according to the Federal Trade Commission (FTC). Identity thieves are 21stcentury versions of the black-hatted scoundrels who robbed stagecoaches in the Old West. But instead of stealing the U.S. mail, they take your name. Armed with as little as your Social Security number and address, they can run up credit card bills, open new accounts, or steal tax refunds and mail. Having a "borrowed" identity has even helped some commit such crimes as drug-dealing and terrorism.

A Crime on the Rise

Computers aren't a necessary component of identity theft. But the crime is a product of the computer age, in which most personal and business records and transactions are handled electronically. With simple bits of information, identity thieves can charge thousands of dollars worth of goods and services to you. They often change addresses for accounts, so that victims are unaware of charges."I still don't know how they obtained my Social Security number," Nail says. "Since then, I've learned that a number of identity thieves work as waiters, copying names, Social Security numbers, and addresses from drivers' licenses or personal checks. My number is no longer on my license."

Identity thieves are becoming more and more brazen, according to Sanjay Singh, Ph.D., who heads the Information Systems Program in the UAB School of Business. In the mid-1990s, he was an identity-theft victim, billed for student loans he didn't incur. For a while he conducted a class exercise to show his business students how much–and how fast–personal information is available electronically.

Singh says he no longer assigns the exercise. "Now in every class, almost everyone knows someone who's been a victim of identity theft," he says. "The risks are high. Today, businesses and schools use your credit rating as a reference check. So the crime can affect everything you do, whether you're looking for a job, renting an apartment, or applying for admission to school. People have to take control of their personal identities and become vigilant about where their personal information is going."

Tracking Digital Thieves

"The key is protecting your Social Security number," says Lieutenant Paul Logan, a UAB alumnus who heads the Identity Theft Unit for the Jefferson County Sheriff's Office. "We highly recommend that everyone remove Social Security numbers from their driver's licenses. Also, it's not wise to carry either your Social Security number or your health insurance card in your wallet." Logan also advises everyone to have a personal credit check run every six months. [See box at right.] "It's well worth the money," he says.Logan, two other full-time investigators, and four detectives stay busy investigating all aspects of identity theft. "In the case of electronic fraud, for example, we trace addresses and names of Internet providers, following up when thieves order items online," he says.

Jefferson County Sheriff Mike Hale formed the Identity Theft Unit this past June in recognition of the growing prevalence and impact of the crime. "It's probably the only nonviolent offense that traumatizes its victims almost as much as a violent offense," Logan says. "Victims spend an average of about $1,000 of their own money and countless hours of their time to straighten out their affairs. Also, there's the embarrassment of having credit applications rejected and checks bounce. This can go on for years."Logan says that in one case the unit worked, Jefferson County residents had stolen a Colorado woman's identity and later declared bankruptcy in her name. She discovered the identity theft when she applied for a mortgage loan and was rejected.

Corporate Costs

While identity theft is a nightmare to individuals such as Nail and Singh, it also victimizes businesses, schools, and government organizations. Carol Burt, an adjunct faculty member in the UAB Department of Computer and Information Sciences, is chief executive officer of 2AB Inc., a computer services and products business; among other services, the company provides security for business information systems and electronic commerce Web sites. Burt relies on 2AB security architects such as Sam Lumpkin, a former military intelligence officer and BellSouth computer security manager, to devise security strategies for corporate customers.

"Any company over a certain size needs security safeguards," says Lumpkin, who has designed such safeguards for many major business information systems. "They need protection from external people who want to get into their systems and internal people who might use information from the systems wrongfully."

One major component of a security system is the capacity to identify who does what–to track what a person does once he or she gets into a system. "Virtual locks are good, but you can get around them. What you need is the equivalent of cameras. You need to be able to see exactly who in the organization accessed information that was later compromised or stolen."

Lumpkin says there's little that employees can do to safeguard electronically stored information if corporations don't take steps to protect the information. "Some companies will decide not to make their systems secure because they decide it's cheaper to deal with lawsuits and bad publicity," he says. "So as a consumer, you need to look at the track records of companies you deal with."But he adds that breaking into computer systems isn't the way most identity thieves work. "The most successful approach is social engineering. Someone calls to say they want to verify a charge and asks you for your Social Security or credit card number," Lumpkin says. "That's a problem here in the South, where everyone wants to be friendly and accommodating. So sometimes it's a case of putting up steel doors but having tissue walls."While approaches to thievery may have gotten more sophisticated in the electronic era, there's nothing new about the motivation, adds Lumpkin: "Some people will try to sell you a blind horse, even today."

— UAB *Alumni Gazette*
April 2004

SCS RETIREES
P.O. BOX 2625
BIRMINGHAM, AL 35202

Next Meeting

When? Monday, September 12
Where? Inverness 42, Room 130
Time? 11 a.m. Board meeting
12 noon lunch in cafeteria
1 p.m. membership meeting