Your RETIREMENT Matters

Fall 2007

A Bountiful Harvest

Before there were grocery stores and convenience marts, families often grew their own food. They planted in the spring, harvested in the fall, and, hopefully, had enough to live on through the winter. Saving for your retirement is very similar. You want to "sow" enough savings now to have a bountiful harvest later that will last throughout your retirement.

How Many Acres Should You Plow?

Your income needs during retirement will depend on how you plan to spend your time. Your expenses could be lower — or higher — after you stop working. To come up with a savings goal, figure out a preliminary budget based on the retirement lifestyle you hope to have. Be sure to take health-care costs into consideration since it's likely you'll be responsible for paying at least a portion.

If retirement is still a long way off, don't forget to include inflation in your planning. Over time, even a low rate of inflation can erode the purchasing power of your retirement savings. You may need to save a significant amount just to maintain your preretirement standard of living.

Plant in Your Plan

Chances are pretty good that a big part of the income you'll need in retirement will have to come from your own savings. Fortunately, participating in your employer's retirement savings plan is an easy way to prepare. You decide how much to contribute to your plan, and the money is automatically deducted from your paycheck. Since you don't see the money, you can't spend it. You also don't pay federal income tax on your pretax contributions, which means you're saving even more.* (Taxes won't be due until you receive a plan distribution.)

Sow More To Grow More

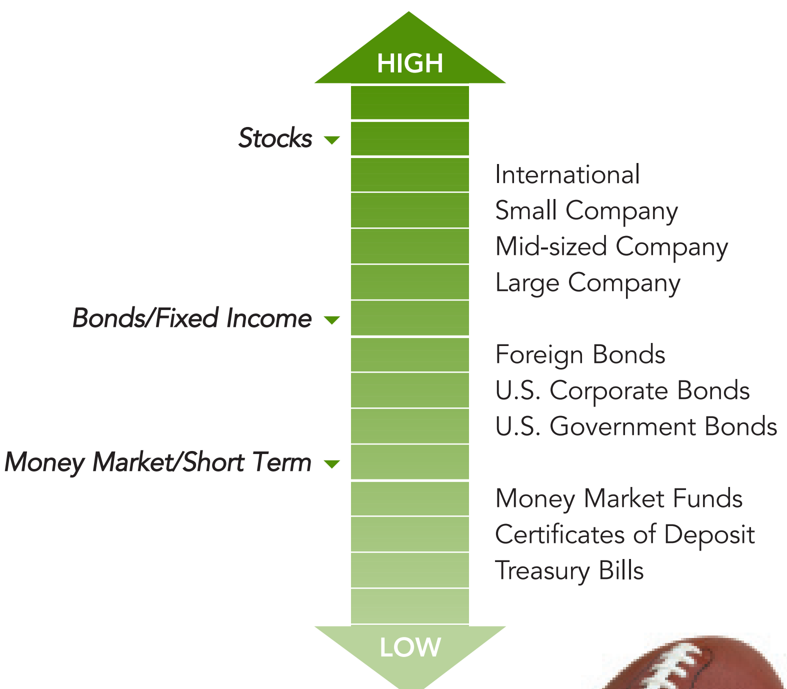
Since it's hard to predict exactly how much money you're going to need for your retirement, saving *as much as possible* now is the best approach. While it may not be easy to find more money to contribute when you have so many other expenses to cover, contributing even a little more now could make a big difference come "harvest" season.

* Your plan may also offer a Roth contribution option, in which case contributions are taxed but distributions are tax free if qualified.

Ready for Risk?

Risk and investing go hand in hand. When you put money into an investment, there's a chance that you'll lose money. All investments involve some degree of risk, so you can't avoid it. And if you don't invest, you put yourself at risk of not achieving your financial goals.

Risk and Return Reputation



Source: NPI

Risk and return also go hand in hand. As a general rule, the more risk an investment carries, the higher its potential return. The lower the risk, the lower the potential return.

Since you have to deal with risk, you should learn how to manage it.

A Diversified Team

Dividing your investments among different types of investments or asset classes may help cushion your portfolio from large losses. For example, when the stock market declines, the bond market often does well, and vice versa. So holding investments in both asset classes may help reduce your overall risk exposure.

Diversifying* within an asset class can also be helpful in managing risk. For example, a stock fund or portfolio that holds stocks from many companies in a wide variety of industries may not be greatly affected if only one of the companies or industries does poorly. Also consider including investments in different market segments, such as large-cap and small-cap stocks.

Combat Inflation

Over time, inflation can damage the value of your retirement savings. Even a low rate of inflation will cause prices to increase and the buying power of your money to decrease. One way to protect your savings from inflation is to choose an investment mix that has the potential

You Can Do It!

Does your retirement savings goal seem a bit out of reach? Have you ever been tempted to give up and settle for less? If you save at a steady pace and choose your investments wisely, your retirement savings *could* reach your long-term objectives. Here are some things to keep in mind.

Reaching Peak Returns

The more your investments earn, the easier it will be to get to your savings goal. Historically, stocks have produced higher long-term returns than bonds and cash equivalent investments. Increasing the percentage of your portfolio that is allocated to stock investments may help you earn a higher overall return over time. But be sure to consider your risk tolerance and time frame when deciding how to allocate your assets.

Climbing at a Steady Pace

How much should you contribute to your plan each month to reach your goal? The answer will depend on the returns your investments earn and the number of years you have left before you retire.

As an example, let's say your goal is to accumulate $500,000 by retirement. (Your goal may be different.) Take a look at the chart below to see how much you would have to save, under different circumstances, to reach that goal.

While it may seem like a steep climb right now, reaching your retirement savings goal will be well worth the effort. After years of hard work, you'll be prepared to enjoy a comfortable retirement.

A $500,000 Climb

Monthly Plan Contribution

Current Age					
25	$251	$190	$143	$107	$79
30	$351	$278	$218	$170	$132
35	$498	$410	$335	$273	$221
40	$722	$617	$526	$446	$377
45	$1,082	$960	$849	$749	$658
	6%	7%	8%	9%	10%

Average Annual Total Return

This is a hypothetical example used for illustrative purposes only. It assumes retirement at age 65 and does not take into consideration any savings a participant may currently have. It does not represent the results of any investment plan in any fund or portfolio. Monthly compounding is assumed. Your investment results will be different. Amounts shown are before any taxes are taken out at distribution. *Source: NPI*

to earn returns that are higher than the rate of inflation.

Check your investments periodically to make sure your overall return is outpacing inflation. If you discover that your earnings are lagging, consider making some adjustments.

* *Diversification does not ensure a profit or protect against loss in a declining market.*

You can't avoid risk, but you can manage your exposure to risk. This can help keep your retirement investments on track to achieving your long-term goals.

Spice It Up

You have a stock fund, a bond fund, and a cash equivalent fund. Is that enough investment variety? Maybe not. For long-term financial goals, diversifying *within* asset classes, as well as among them, can help you better manage investment risk and give you the performance spice you may need to achieve your goals.

As the table shows, annual investment returns can vary widely. In 2003, for example, small-company stocks were at the top for the year with a return of 47.25%. International stocks came in second with a return of 39.17%, and large-company stocks trailed the leaders with a 28.68% return for the year. The tables were turned just two years later in 2005 when international stocks led the pack with a 14.02% return, large-company stocks had a 4.93% return, and small-company stocks came in third with a 4.55% return.

By diversifying, investors might not have earned the highest return in a particular year, but neither would they have suffered the lowest of lows. Of course, the right investment mix for your retirement portfolio depends on your personal investment goals, time frame, and risk tolerance.

Diversification does not ensure a profit or protect against loss in a declining market.

A Sprinkle of This, a Dash of That

ANNUAL RETURNS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BEST	Large Stock 33.40%	Large Stock 28.58%	Int'l Stock 26.96%	Bonds 11.63%	Bonds 8.44%	Bonds 10.25%	Small Stock 47.25%	Int'l Stock 20.70%	Int'l Stock 14.02%	Int'l Stock 26.86%
	Small Stock 22.36%	Int'l Stock 20.00%	Small Stock 21.26%	Cash Equiv. 5.99%	Cash Equiv. 3.43%	Cash Equiv. 1.59%	Int'l Stock 39.17%	Small Stock 18.33%	Large Stock 4.93%	Small Stock 18.37%
	Bonds 9.64%	Bonds 8.70%	Large Stock 21.04%	Small Stock -3.02%	Small Stock 2.49%	Int'l Stock -15.66%	Large Stock 28.68%	Large Stock 10.86%	Small Stock 4.55%	Large Stock 15.78%
	Cash Equiv. 5.34%	Cash Equiv. 4.54%	Cash Equiv. 4.95%	Large Stock -9.11%	Large Stock -11.87%	Small Stock -20.48%	Bonds 4.10%	Bonds 4.34%	Cash Equiv. 3.07%	Cash Equiv. 4.67%
WORST	Int'l Stock 1.78%	Small Stock -2.55%	Bonds -0.82%	Int'l Stock -14.17%	Int'l Stock -21.21%	Large Stock -22.10%	Cash Equiv. 1.03%	Cash Equiv. 1.38%	Bonds 2.43%	Bonds 4.33%

This table is for illustrative purposes only. Large-cap stock investments are represented by the S&P 500 Index, a value-weighted index that follows 500 stocks in leading U.S. industries; small-cap stocks by the Russell® 2000 Index, a well-known benchmark for U.S. small-company stocks; international investments by the MSCI EAFE International Index that measures stock performance in Europe, Australia, Asia, and the Far East; bonds by the Lehman Brothers Aggregate Bond Index, which is composed of securities from the Lehman Brothers Government/Corporate Bond Index, the Mortgage-backed Securities Index, and the Asset-backed Securities Index; and cash equivalents measured by 91-day U.S. government Treasury bills. Past performance doesn't guarantee future results. Your investment returns and balances will be different. Note that you cannot invest directly in an index.

Sources: NPI and Russell Data Services

