

Your RETIREMENT Matters



Spring 2007

Do you give your retirement plan account statement the attention it deserves? Reviewing your statement will help you determine whether

Pay Attention!

you're making progress towards your retirement savings goal.

Look at the Big Picture

To find out how your account is doing overall, check the total balance. Compare it to the balance of your account at the beginning of the statement period to see how much your account grew (or lost) over the reporting period.



Review Performance

Next you'll want to review your investment results. You may find information on each investment's returns over various time periods. Comparing your investments' returns to the returns of market indexes that track similar investments can be revealing. If one of your investments consistently underperforms its benchmark index, you may want to think about making a switch.

Assess Asset Allocation

While you are reviewing your investments, look at your asset allocation — the way your account is divided among the different asset classes (stocks, bonds, etc.). Check to see if one asset class represents a higher (or lower) percentage of your total assets than you originally intended. If it does, you may want to rebalance your investments.

Double Check

Your plan statement also shows contributions to, and distributions from, your account. Make sure these activities have been correctly recorded and that your contributions are going into the correct investments.

Your plan statement provides information that will help you successfully manage your retirement savings. Make the most of it!



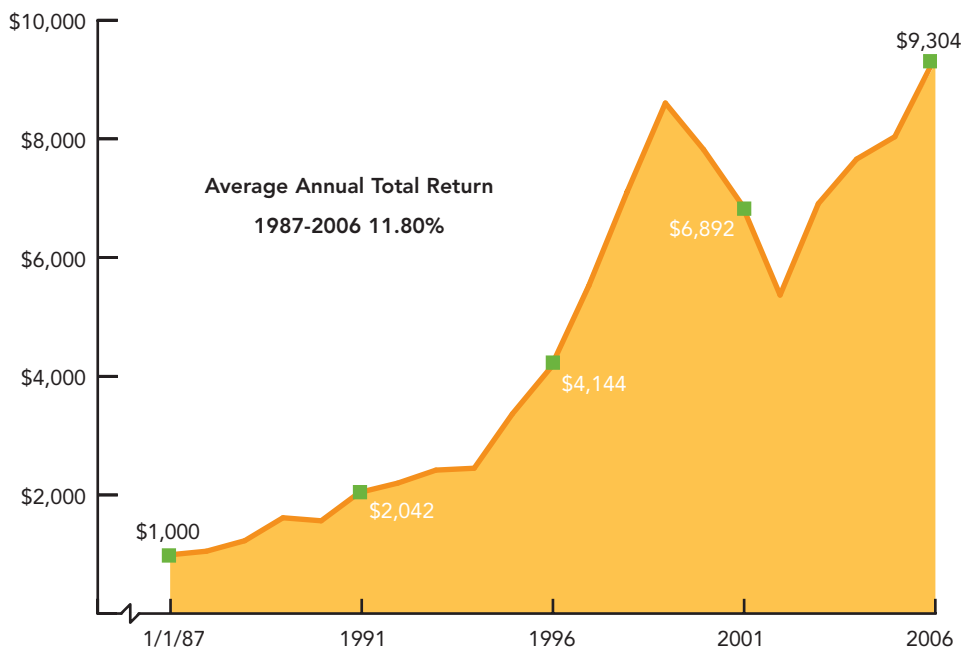


Your Best Move

Are you the type of investor that likes to get in on the action when stocks are hot and get out of stocks when the market takes a dive? As a long-term retirement investor, these actions can be risky. Letting stock market moves shape your investment moves could bring some unexpected and disappointing results.

Steady Progress

If you invested \$1,000 in the stock market at the start of 1987, see how much it would have grown to in 20 years if you stuck with your plan.



Stocks as measured by the S&P 500 Index, an unmanaged index of the stocks of 500 major corporations. Investments cannot be made in an index. Sources: Russell Data Services and NPI

Perilous Pursuit

Chasing performance is risky because it's impossible to determine when an investment has reached the top until after the peak has occurred. You could buy in too late to catch an upturn. Or, even worse, the bottom could fall out of a hot investment as soon as you buy it. Successfully timing the market to boost investment returns is difficult even for professionals.

Running Scared

Running away from poor stock market performance also is risky. If you switch out of an investment that has been down in the short term, you could miss out on a future recovery. Even if you plan to get back in once the investment turns around, you may miss out on some significant early gains.

Keep in mind that while stock investments can be volatile, in the past the stock market has recovered after every downturn. Also, stocks historically have produced higher returns over the long term than bonds or money market and other cash equivalent investments. (Past performance is no guarantee of future results.)

Over the past 20 years, stocks have had good years and bad years. But sticking with stocks during the down periods can pay off over time. If you had invested \$1,000 in stocks at the start of 1987, and your returns matched the performance of the S&P 500 Index, you would have

The High Cost of Cashing Out

If you're switching jobs or retiring early, you'll need to decide what to do with the money in your retirement savings plan account. Should you keep it invested in a tax-deferred account? Or should you take the cash? While it may be tempting to cash out your account, there are drawbacks.

Tax Trap

When you take a distribution from your retirement savings plan, you'll generally pay taxes on the distribution at your ordinary income-tax rate.* These taxes can really add up — and could leave you with a lot less money than you expected. Before you even get the money, your employer is required to withhold 20% of your distribution for federal income-tax purposes.

Depending on your age, there also could be a 10% early withdrawal penalty on the distribution. If you have \$20,000 in your plan account, for example, after taxes and a possible penalty you could end up with only \$11,000 (see chart).

Smarter Strategies

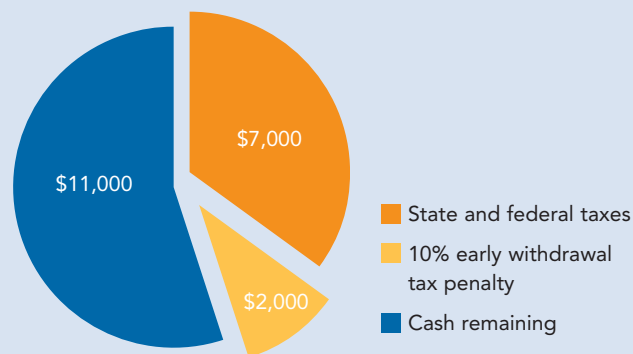
Instead of cashing out your retirement account when you switch jobs or retire early, consider leaving the money where it is (if allowed) or having it directly rolled over to an individual retirement account (IRA) or other qualified retirement plan. Either option will avoid a current tax bill and allow your money to continue to grow tax deferred.

* Qualified distributions from a designated Roth account are not taxable.



The Taxman's Take

Cecilia is switching jobs. She decides to cash out her \$20,000 retirement plan account to pay off some debts. But she receives a lot less money than she anticipated — here's why.



This is a hypothetical example used for illustrative purposes only. It assumes a combined federal and state income-tax rate of 35%. Your tax rate may be different and you may be eligible for an exception to the 10% penalty.

Source: NPI

ended up with \$9,304 at the end of 2006 (see chart).

A Steady Stride

Instead of chasing performance or running scared, you're probably better off sticking with a steady investment strategy. You should choose investments

based on your personal tolerance for investment risk, your investment time frame, and your financial goals. Monitor the performance of your investments, but try to avoid making decisions based only on what the market is doing at the moment.

Sticking with a well-planned investment strategy may be a more effective way to reach your long-term retirement goals than constantly reacting to short-term performance.



Find Out If You're Saving Enough



How much money should you save for retirement? It's not easy to determine exactly how much you may need since you don't know how long your retirement will last, how much your investments will earn, or the impact inflation may have on your savings. But, even if you can't come up with a precise figure, you should set a savings goal.

Make Realistic Measurements

Experts estimate that retirees may need about 70% of their annual preretirement income to maintain their lifestyle during retirement. And those who are low earners may need 90%.* Social Security may provide some of your retirement income, but there's a good chance that a big part of the income you'll need will have to come from you.

To come up with a realistic savings goal, think about how you plan to live during retirement. While some of your expenses may decrease, other expenses may be higher after you retire (see graphic for examples). If your plans include traveling or buying a second home, your total expenses may actually increase after retirement.

Weigh Your Income Needs



Add to Your Savings

Your retirement could last a long time. In addition, inflation and medical care costs may increase your retirement income needs. Why not make the most of the time you have between now and your retirement to save as much as you can? You'll be glad you did.

* *Top 10 Ways to Prepare for Retirement*, U.S. Department of Labor, reprinted October 2006