

Your RETIREMENT Matters



Spring 2008

How are your investments doing? If you're not sure, it's time to check. A simple and effective way to measure your progress is to compare each of your investment's returns with the returns of a market index.*

How Do Your Investments Measure Up?

Use the Right Tool

A market index measures the performance of a specific "basket" of securities considered to represent a particular market or sector of the market or economy. You can use indexes as "benchmarks" to gauge the performance of your own investments. By comparing investment performance with an appropriate index, you can see if your returns were better than, the same as, or worse than the overall market for that investment type. Be sure to compare each

of your investments with an index that measures similar investments, and remember that a managed fund or portfolio has expenses that an index does not have.

Take a Wide View

Financial markets can be volatile over the short term. So comparing the performance of an investment with that of an index for just one quarter is not likely to give you a complete picture. Instead, look at your investment's returns over different time frames, such as one-, five-, and ten-year periods. Then compare those results with the returns of an appropriate index over the same periods to help put investment performance in perspective.

Market Indexes

Here is a sampling of some well-known indexes.

Lehman Brothers Government/Credit Bond Index is a general measure of performance in the government and corporate bond sectors. It is a subset of the broader **U.S. Aggregate Index**.

Russell 2000® Index tracks the performance of 2,000 small publicly traded U.S. companies. It's an appropriate benchmark for small-cap stocks.

Standard & Poor's 500 (S&P 500) Composite Stock Price Index is an index of the stocks of 500 leading corporations in leading industries within the U.S. economy. It is generally considered the benchmark for large-cap stocks.

Wilshire 5000 Total Market Index measures the entire U.S. stock market.

* You cannot invest directly in an index.





A Lifetime of Saving

"Good things come to those who wait" may apply to many situations, but it doesn't apply to saving for your retirement. "The early bird gets the worm" may be more apt. Since you're going to need a lot of money during your *golden years*, saving for retirement should be a top priority throughout your *working years*.

The Early Years

When you're first starting out, retirement is such a long way off that it's difficult to take it seriously. But the fact is, time and compounding help build up your savings. The longer your money is invested, the more you're likely

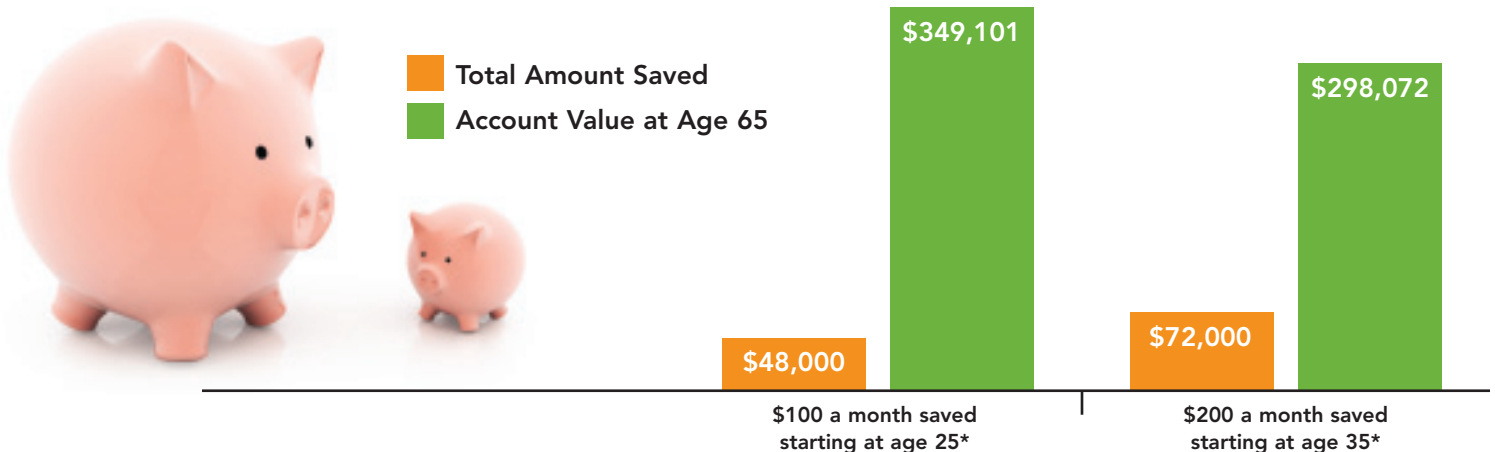
to have when you stop working. You may want to put a significant portion of your savings in stock investments, which have the most potential for long-term growth.

In the Middle

When you're busy with your career, community, and family, it's hard to focus on your future retirement finances. However, it's extremely important to continue saving and building your nest egg, even if money is tight. With many years remaining before retirement, keeping a significant portion of your portfolio in stock investments may still make sense.

Early Savers Benefit

Getting an early start on saving for retirement makes it easier to reach your goal. Compare the difference in the account values (at age 65) of an employee who starts saving at age 25 and one who waits to start saving until age 35. Even saving *twice as much each month* starting at age 35 may not make up for a late start.



* Assumes accounts earn an 8% average annual total return, compounded monthly. This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. Your investment performance will differ. Amounts saved in a tax-deferred plan are taxable upon withdrawal.

Safety in Cash Equivalents?

When you're shopping for a new car, safety is probably a factor. If you want to be safe on the road, there are a number of features to consider: anti-lock brakes, air bags, impact-absorbing materials, and others. What about safety considerations when you're choosing retirement investments?

Many investors consider money market and other cash equivalent investments to be "safe" since there is very little risk of losing your initial investment. Stock and bond investments, on the other hand, have the potential to produce negative returns, especially in the short run. But there's another factor to consider. When you're investing for a long-term goal, such as retirement, you want to earn long-term returns that *at a minimum* outpace inflation.

Cash equivalents are the *least* likely of the three asset types to generate the long-term returns most retirement investors will need to meet their goals. So, while they are less risky than stocks and bonds when it comes to exposing your account to investment losses, cash equivalents are riskier when it comes to losing ground to inflation.

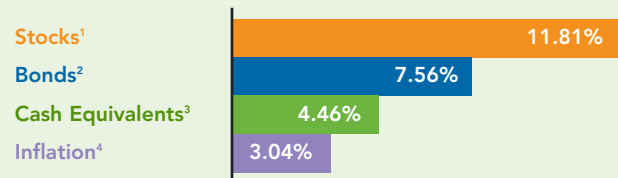
If you put *all* your retirement money into cash equivalent investments, you put yourself at risk of not having enough money for retirement. Instead, you may want to consider dividing up your plan account among stock, bond, and cash equivalent investments.



Look in the Rearview Mirror

To improve your chances for investment growth, choosing several different types of investments may be better than putting all your retirement money into cash equivalents. To see why, compare how stocks, bonds, and cash equivalents performed relative to inflation over the past 20 years.

20-year Average Annual Total Return (through December 31, 2007)



¹ Measured by the S&P 500 Index, an unmanaged index of the stocks of 500 major corporations.

² Measured by the Lehman Brothers U.S. Aggregate Index, an unmanaged index of U.S. government, corporate, and mortgage-backed securities.

³ Measured by 91-day Treasury bills.

⁴ Represented by the Consumer Price Index (CPI).

Past performance does not guarantee future results. Your investment results will be different. This chart is for illustrative purposes only and does not represent the performance of any particular investment. Investments cannot be made in an index. Stocks have greater return potential but are more volatile than other investment types. Unlike stocks and corporate bonds, government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer fixed rates of return and stable principal.

Sources: Russell Data Services and NPI

Later On

When you're getting close to retirement, you should still keep saving. After all, the more you save before you retire, the more you'll have later on. If you're worried about falling short of your goal, increasing your contribution can still make a notable difference in the amount of money you'll have for

retirement. At this point, you may want to shift some of your stock investments into less volatile bond and cash equivalent investments since you'll have less time to recover from any stock losses. However, you may not want to abandon stocks completely since inflation will still have an impact on your savings, even after you retire.

Making saving for retirement a priority in your life from the time you start your career and all the years after will help you achieve your financial goals.



Who's Your Beneficiary?

When you joined your employer's retirement plan, you probably named a beneficiary for your plan account and quickly forgot about it.

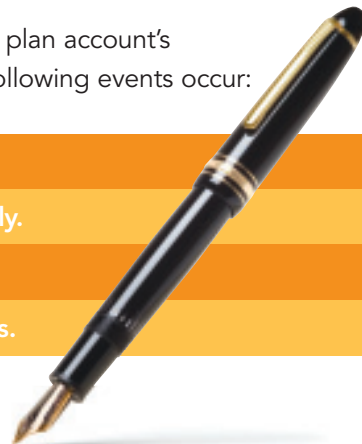
But you should take time to review your retirement account beneficiary designation every so often. You may find that you want — or need — to change it.

The Basics

The person you name as the beneficiary of your retirement plan account will receive the money in your account if you die. Even if you have a will and have designated someone to inherit all of your assets, it generally won't affect your retirement account. Instead, that money will typically automatically pass to the person you have designated as your account beneficiary.

Make sure you review your retirement plan account's beneficiary designation if any of the following events occur:

- ✓ You get married.
- ✓ You add a child to your family.
- ✓ You get divorced.
- ✓ Your primary beneficiary dies.



Your Spouse

If you're married, many retirement plans require that you name your spouse as the primary beneficiary. In that case, it's possible to name someone else, but only if your spouse signs a consent waiving his or her rights to your plan assets.

Your Kids

If you're a single parent, you may want your plan assets to go to your minor children. However, most retirement plans will not transfer money directly to minors. Instead, a court will appoint a trustee or guardian to receive the money on your children's behalf. This legal process can take time. Meanwhile, the money won't be available for your children's support.

One way to avoid delays is to name a trust for the benefit of your children as the beneficiary of your account. If you decide to go that route, be sure to talk to your legal advisor.

Your Parents

If you're unmarried and don't have any children, you may decide to name your parents as your beneficiaries. If you should get married later on, you can change your beneficiary designation.

Checking your beneficiary designation will help ensure that your retirement account assets will be passed on as you wish.