

Your RETIREMENT Matters



Spring 2009

Remember When?

Many families enjoy looking at photo albums and watching home videos. Seeing how loved ones have changed over the years and remembering good times and bad can put life events into perspective. Similarly, recalling tough economic times from the past can help give some perspective to the current economic crisis.



The Great Depression

Sepia-colored photos of worried and sad people are reminders of the Great Depression. The stock market crashed in 1929 and produced negative annual total returns for six years in the 1930s (1930, 1931, 1932, 1934, 1937, and 1939). Folks who lived through it may have wondered if the hard times would ever go away. Eventually, however, the economy and the stock market recovered. Over time, investors who didn't take their money out of the stock market right after it crashed saw their money increase significantly from market lows. For example, \$100 invested in stocks* at the beginning of 1929 would have grown to over \$1,300 by the end of 1959.

Recession in the Seventies

Faded photographs of people wearing fringed vests and bell-bottom jeans may not do justice to the vibrancy of the clothes or the economic difficulties of the 1970s. During those years, the country was at war in Vietnam, there was an energy crisis, and there was social upheaval. The stock market had negative returns for three years during that decade (1973, 1974, and 1977). Yet investors who hung on during market swings eventually were rewarded. If \$1,000 had been invested in stocks* at the end of 1969, it would have increased to approximately \$47,400 by the end of 1999.

In time, today's digital photos will join photos from the past, and families will reminisce about this period in their lives, too.

* Stocks as measured by the S&P 500 Index, an unmanaged index of the stocks of 500 major corporations.



Keep Your Focus



With all the recent bad economic news, your long-term financial goals might appear to be out of sight. But that doesn't mean you should abandon your planning. If you keep focused, you'll have a much better chance of achieving the retirement you envision.

Hold Steady

Taking a steady approach to funding your retirement savings plan allows you to benefit from upswings, while continuing to invest at lower prices when the markets are rocky. Over time, keeping up with your plan contributions is likely to produce stronger results than stopping your contributions when the economy turns down and then starting to save again when conditions improve.

Watch Your Strategy

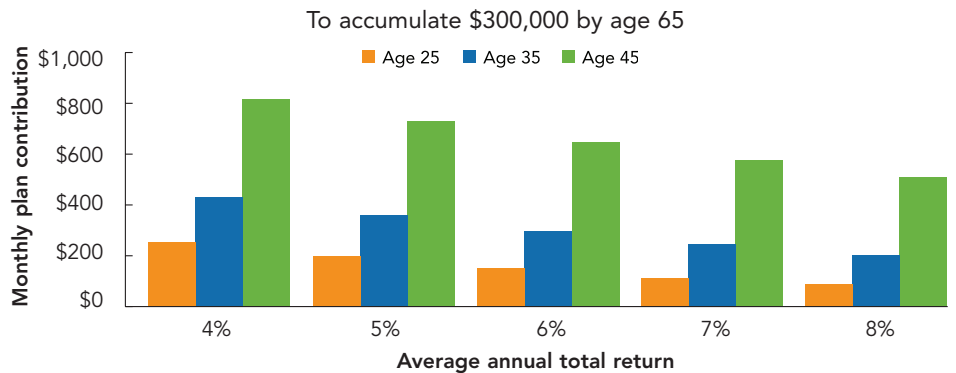
The amount of money you'll be able to

accumulate in your plan account will depend in part on the types of investments you choose. The recent stock market turbulence may have you reconsidering your exposure to stock investments. And you *may* decide to adjust your investment mix. However, keep in mind that stocks still provide an opportunity for potential long-term growth. While past performance is no guarantee of future results, the stock market has eventually recovered from every downturn.

Of course, your investment strategy should take into account the number of years you have before retirement and the level of risk you are comfortable handling. As you get closer to retiring, you should consider shifting more of your investments into less volatile choices — such as bonds and cash equivalents — to reduce portfolio risk.

Adjusting Your Contribution

To reach an investment goal, you may have to adjust the amount you contribute if returns are lower than you anticipated.



This is a hypothetical example used for illustrative purposes only. It does not take into consideration any savings a participant may already have. It does not represent the results of any specific investment product in any fund or portfolio. Monthly compounding is assumed. Your investment performance will be different. Amounts shown are before taxes are taken out.

Don't Push Pause

One neat feature of a digital TV with DVR is that you can push pause while you're watching a show. Then you can answer the phone or put your kids to bed and, when you're ready, push the play button and see the show in its entirety.

Unfortunately, "pushing pause" while saving for retirement is not without consequences. It may be tempting to take a brief break from making contributions to your employer's plan to free up money for other expenses. But it will be hard to make up the lost time. Not adding to your plan for just a little while can limit the amount you'll have available when you're ready to retire (see chart).



You'll probably need a significant amount of money for retirement. So, even when it's difficult to make contributions, you may be better off in the long run if you keep contributing.

You May Pay if You Pause

Suppose you contribute \$200 a month to your retirement plan. Then, after five years of contributing, you stopped making contributions for a few years before resuming contributions of \$200 a month until you retire. You'll potentially accumulate a lot less in your plan than if you continue to contribute throughout your career.

PUSHING PAUSE	
Years	Monthly contributions
1-5	\$200
6-8	None
9-40	\$200
Total monthly contributions: \$88,800	
Plan account balance after 40 years: \$266,941	

SAVINGS SELECTED	
Years	Monthly contributions
1-40	\$200
Total monthly contributions: \$96,000	
Plan account balance after 40 years: \$305,204	

Pausing contributions for only three years would mean only \$7,200 less contributed. Yet that brief break would mean about \$38,000 less accumulated for retirement!

This hypothetical example is for illustrative purposes only. It does not represent the results of an investment in any fund or portfolio. A 5% annual return (compounded monthly) is assumed. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal. Source: NPI

Reconsider Your Contribution Level

If you haven't adjusted your contribution level since you joined your employer's plan, you might want to now. You may have decided to make just a small contribution when you first began saving. Now, you might be able to afford a larger contribution.

If the returns your plan investments have produced lately aren't in line with your expectations, you also may want to adjust your contribution. Increasing the amount you contribute to your retirement plan can help make up for lower investment returns.

Staying focused on your retirement savings plan may give you a better chance of achieving your long-term financial objectives.



Advantage: You!



In tennis, “advantage” means a player is one point closer to — and one point away from — winning the game. In saving for retirement, your “advantage” is that your employer’s retirement plan provides you with built-in benefits that put you closer to achieving your financial goals.

Serve Up the Savings

It’s easy to save in your employer’s plan. The amount you decide to contribute is automatically taken out of your paycheck and deposited into your plan account each pay period. Since you don’t see the money, you aren’t tempted to spend it on other things.

Net Tax Benefits

Since your contributions are made on a pretax basis,* you don’t pay current

income taxes on that money. Nor will you have to pay taxes on your plan account earnings while your money stays in the plan or another tax-deferred account. (Pretax contributions and earnings are taxable upon distribution.)

Diversification Defense

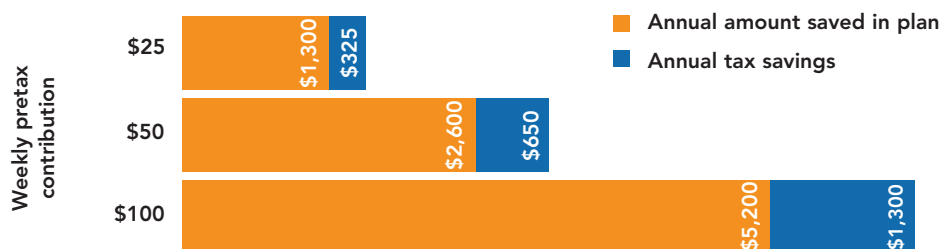
Your plan offers you the opportunity to manage risk by allowing you to diversify** your investments. Each fund or portfolio the plan offers holds a number of securities, so a loss in one security may be offset by gains in others. You can further diversify by investing in a variety of funds that hold different types of assets.

* Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

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

Increasing Your Contribution Increases Your Tax Savings

If you start contributing more to your plan now, you could benefit even more from your plan’s built-in tax savings advantages.



Assumes a federal income-tax rate of 25%. Amounts saved in a plan are taxable upon withdrawal. Your tax rate and annual tax savings may be different.

Source: NPI

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