

Your RETIREMENT Matters



Summer 2006

Dueling Goals

It's high noon at your financial corral. Looming on one side are your children's future college tuition costs. On the other side, the cost of funding your retirement. What should happen in this showdown between two of your biggest financial goals?



Spur On Your Retirement Savings

Many financial advisors suggest that saving for your retirement should be a higher priority than helping your children pay their college costs. If you put saving for college first, you may not have time to save enough for retirement once the tuition bills are paid. And, unlike paying for college, you can't get student loans to help pay for retirement if you don't have enough money saved.

Your Plan Is Your Posse

Participating in your retirement plan helps you put saving for retirement first. The amount you choose to contribute is automatically deducted from every paycheck and invested in your plan account according to your instructions. Since the money is put aside *before* you get your paycheck, you never have to worry about having enough left over to save for retirement. Any "extra" money you have left can go toward college savings.



Ride Off into the Sunset

Ideally, it would be nice to be able to fund your retirement *and* your children's college education. But, if it comes to a showdown, you're probably going to need a lot more money to fund a comfortable retirement than your kids will need to pay for college. And they may be eligible for assistance through scholarships and financial aid.

If you have to choose between these two goals, make saving for retirement a top priority — and contribute as much as possible to your plan.



Something To Show for It

It's a time-tested American philosophy: With hard work and perseverance, you can make something out of what was once nothing. A barren field can become a thriving neighborhood. An empty city lot can be turned into a skyscraper. And even small amounts saved regularly over a period of years can be built into a substantial retirement fund.



Use the Right Tools

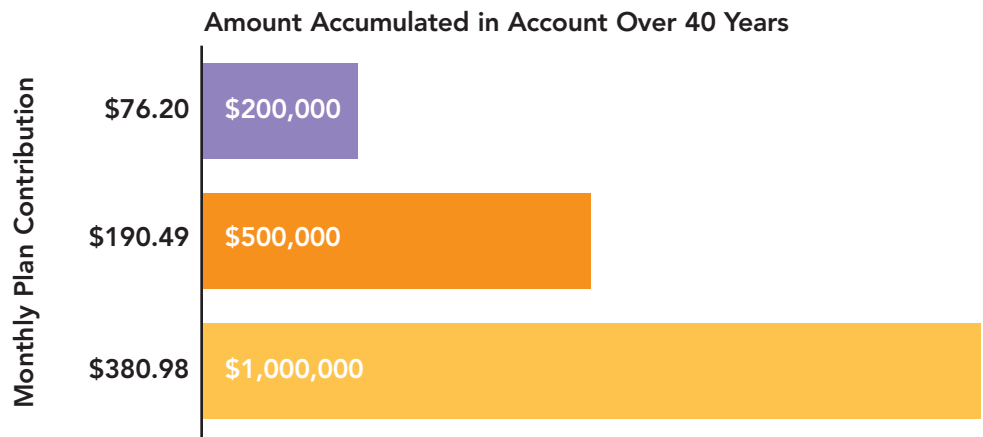
It takes hammers and nails to build houses and skyscrapers. You already have the tools you'll need to build your retirement fund — your employer's retirement plan and time.

Participating in your employer's retirement plan is an easy and convenient way to build resources for your future. Making contributions to your plan over many years can result in a sizable account. If you increase the amount you're contributing from time to time, your account may grow even faster.

The investments you choose for your retirement account can also help you with your building project. Of the three basic asset types — stocks, bonds, and cash equivalent investments — stocks historically have produced the highest returns over long time periods. While past performance is no guarantee of future results, including some stock

You Can Build It

A more secure future is possible when you participate in your employer's plan.



This is a hypothetical example used for illustrative purposes only. It does not represent the results of any investment plan in any fund or portfolio. It assumes an average annual total return of 7% and monthly compounding. Your investment results will be different. Amounts saved in the plan on a pretax basis, along with related earnings, are taxable upon withdrawal.

Source: NPI

Up, Up, and Away!

As the prices of the things you buy every day continue to inflate, it should be a reminder: Prepare now for the effect inflation will have on your retirement savings. Over time, even a low rate of inflation will lower your purchasing power.

Not Just Hot Air

You may not be too worried about inflation since it has been relatively low (2.98% average annual inflation for the past two decades). But, between now and when you're ready to retire, small annual price increases can make a big difference in how much the money in your plan account will buy. Some expenses, such as health-care costs, could increase faster than the rate of inflation. And, once you're retired, inflation could continue to increase the amount of income you need each year just to maintain your standard of living.

Take Flight

One way to have your savings keep up with inflation is to increase the amount you contribute to your plan each year. Another way is to invest more of your money in assets that have the potential to grow faster than the inflation rate, such as stocks. If your retirement investments stay above inflation, you'll be better prepared to handle future increases in the cost of living.



New Heights Possible

	Cost Today	Cost in 30 Years
Gallon of milk	\$3.20	\$10.38
Flat screen TV	\$2,000	\$6,487
New car	\$25,000	\$81,085
House	\$200,000	\$648,680

This chart is for illustrative purposes only and uses hypothetical prices and a 4% average annual rate of inflation. Actual prices and inflation may differ.

Source: NPI

investments in your retirement plan account may help you earn a higher overall rate of return. Of course, your risk tolerance and the length of time you have until you'll need your retirement money are also factors to consider when choosing investments.

Keep adding to your retirement savings throughout your career. And choose investments carefully. When all is said and done, you could have something significant to show for all your years of hard work.

By participating in your employer's retirement plan, you are building resources that can help make your future years a lot more comfortable.



A Good Defense



Any coach knows that a good defense is essential to winning. The same theory applies to investing.

Without a good defensive strategy, you may not be able to accumulate enough money to fund your dream retirement. Diversification* is an effective way to defend your portfolio against investment risk.

Set Up Your Strategy

When you diversify, you divide your money among several different investments. Then, if one investment suffers a large loss, the gains or steady performance of your other investments may help offset that loss.

Putting your money into different types of investments, such as stocks, bonds, and money market investments, helps you diversify, too. Stocks and bonds often move in different directions (see chart), so a year that is poor for stocks may be good for bonds.

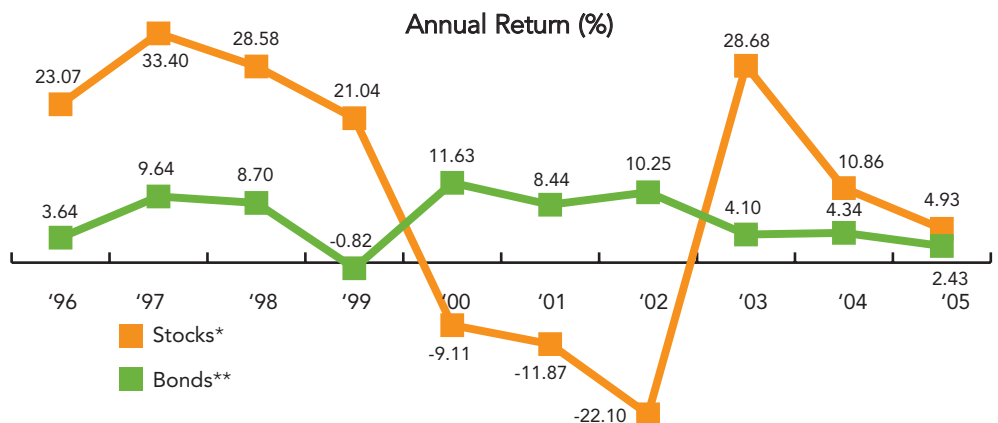
Try Teamwork

When you invest in funds or portfolios through your employer's plan, you benefit from automatic diversification. Instead of purchasing a single security, your money is pooled with that of other investors and used to purchase numerous securities. Choosing funds and portfolios that invest in different market sectors is another way to diversify.

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

Moving in Different Directions

When stocks have a good year, bonds often do not perform as well, and vice versa.



* As measured by the Standard & Poor's 500 Stock Index, an unmanaged index of the stocks of 500 major corporations.

** As measured by the Lehman Brothers U.S. Aggregate Bond Index, an unmanaged index of U.S. government, corporate, and mortgage-backed securities.
Source: Russell Data Services