

# Your RETIREMENT Matters



Summer 2008

**S**ummertime! Time for having picnics, playing baseball, going swimming . . . and reviewing your retirement investments. Yes, taking time out from your summer fun to

## A Midsummer's Review

review your investments can help ensure that you'll be ready to keep

on having fun once you're retired. An annual review may allow you to spot any problems and nip them in the bud so that your investments will have a better chance of achieving your retirement goals.



### *The Performance's the Thing*

The first thing to check is performance. Your retirement plan statements provide you with recent and long-term performance information about your plan investments. To see how well an investment has performed, compare your returns with the returns of an appropriate benchmark index. If an investment's return is consistently lower than the return of its benchmark over an extended period, you may want to consider making a change.

### *The Course of Investing Never Did Run Smooth*

Keep in mind that short-term losses can be a normal part of investing. And investment values often rebound after periods of low returns. If an investment matches your goals and fits with your portfolio, you may want to hang on to it in spite of a dip in performance. If you have years before you plan to retire, you should have enough time to ride out short-term performance fluctuations — if history is any guide.

### *To Balance, or Not To Balance*

How your investments perform may affect your asset allocation — the balance of different asset classes in your portfolio. If one type of asset has been performing well, you may find that it represents a higher percentage of your portfolio than you intended. As a result, you may be invested more aggressively or conservatively than you originally planned.

To get your portfolio back to its original allocation, you may want to rebalance. One way to rebalance is to sell investments gradually over a predetermined time frame — often 6 to 12 months — in the asset class that has gotten too large and buy investments in the asset classes that have become too small.



Keeping the doctor away by staying healthy is an excellent idea. Unfortunately, good health isn't guaranteed, and even healthy individuals have health-care expenses. So as you plan for your retirement, you need to take these potential expenses into account.

# An Apple a Day

## A Good Night's Rest

If you're losing sleep because you're worried about being able to afford adequate health care during retirement, you're not alone. According to a recent survey,\* concern about the cost of health care is near the top of the

list for many retirees. (Other top concerns include the effect of inflation on their savings and not being able to maintain a reasonable standard of living.)

You may assume that your living expenses will be lower once you stop working. And many of your expenses are likely to decrease. But sharp increases in health-care costs could actually make your overall living expenses *higher* during retirement.

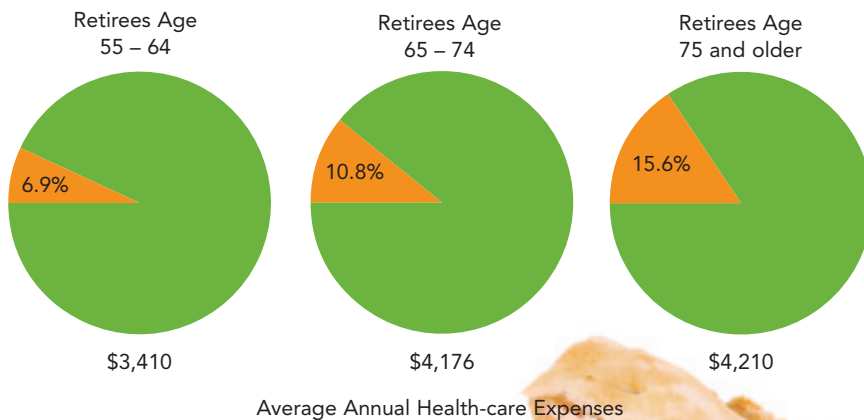
## Flexibility

Will you be able to count on help from your employer? Possibly. But not all employers provide their retirees with health insurance coverage. Even if you or your spouse will have coverage through your job, you'll probably be responsible for premiums, deductibles, and copayments. And those could amount to significant out-of-pocket expenditures.

Medicare isn't the complete answer, either. Medicare coverage doesn't start until you're age 65. So, if you plan to retire early, keep in mind that you won't be eligible right away. Once Medicare does kick in, it won't take care of all of your health-care needs. You'll probably need supplemental insurance to adequately cover your costs.

## A Bigger Piece of the Pie

Retirees generally spend more of their annual expenditures on health-care expenses as they age.



Average Annual Health-care Expenses



# Don't Jump Ship

If the stock market gets choppy, you may feel like bailing out. When you're investing for retirement, however, consider the wisdom of staying the course with your retirement plan stock investments — even when the seas are rough.

## A Long Voyage

Investing for retirement is a long-term venture. If you make investment decisions based only on recent market activity, those shortsighted decisions may prevent you from reaching your goal of a comfortable retirement.

It's not uncommon for stock investments to experience short-term volatility. Over the long term, however, they have the potential to produce returns



that can help you meet your financial goals. If you bail out when stocks are down, you might miss out on a potential recovery. Keeping a long-term perspective will help you weather short-term volatility in the stock market.

## Focus on the Horizon

If you look at one-year returns, you'll see that stocks have up years and down years. But long-term returns show that stocks have the potential to help you successfully complete your retirement planning journey.



\* Through December 31, 2007

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

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.

Sources: Russell Data Services and NPI

## Regular Exercise

The good news is that you can prepare now for high health-care costs in the future. Participating in your employer's retirement plan is a healthy start.

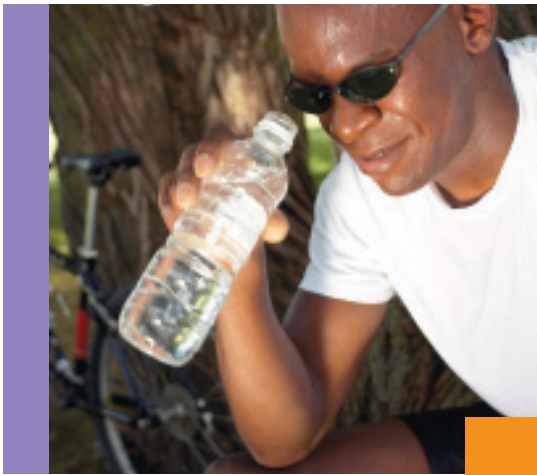
Regularly increasing the amount you contribute will help build up the amount you have in savings when you retire. For example, if you increase the

amount you're saving for retirement by \$100 a month, in 30 years you could accumulate an extra \$149,036 (assuming an 8% average annual return, compounded monthly).\*\*

\* The Society of Actuaries' 2007 Risks and Process Retirement Survey

\*\* The rate of return used is hypothetical, for illustrative purposes only, and does not represent the rate of return for any particular investment. Actual rates of return will vary over time, particularly for long-term investments.

For a financially healthy retirement, save as much as possible in your employer's plan and regularly increase the amount you contribute.



# A Quarter Here, a Dollar There



It's hard to imagine, but putting just a little extra money into your retirement savings account each week can make a big difference in the amount you accumulate over time. Where can you find more money for savings? Making small changes in your daily routine may help you uncover some extra small change to save for retirement.

### Consolidate Trips

Are you in the habit of running out in the evening to pick up a loaf of bread or carton of milk? Stopping at the store on your way home from work could cut the miles you drive and the gas you use. So could consolidating other trips. Is your bank near the gym or the gas station on the way to your daughter's gymnastics class? Can you walk to the post office from your workplace? With the cost of self-serve regular gas averaging about \$3.20 a gallon nationwide\* and the

average gas mileage for a family sedan about 20 miles per gallon for city driving, cutting just three miles a day — about 90 a month — from your driving potentially could save you about \$14 a month.

### Make Food at Home

Buying fast-food lunches, vending machine snacks, and take-out dinners can do quite a number on your bottom line. Let's say you spend just \$5 each weekday for on-the-go food. Add that up and you'll realize you're spending \$108 a month or \$1,300 a year for food you could easily make at home — for a lot less money.

### Refill Your Own Water Bottle

Water water everywhere. Bottled water for sale, that is. If you purchase water at \$2 a bottle just three times a week, you're spending \$6 a week, \$26 a month, and \$312 a year for something that in most places just flows out of the tap. You could put that money into savings if you buy a reusable water bottle and fill it for free.

## It All Adds Up

Savings Suggestion	Potential Monthly Savings
Consolidate trips	\$14
Food from home	\$108
Water bottle	\$26
	<b>\$148</b>

## And Up!

Monthly Savings Increase	Increase in Account Value After 35 Years
<b>\$148</b>	<b>\$339,495</b>

### Sock It Away

Individually, these suggestions may not seem like they'll make much of a difference. But, if you take all the money you save, add it to your retirement plan, and let it grow for a number of years, a quarter here and a dollar there could have a significant impact on the amount you have in your account when it's time to retire.

\* As of March 6, 2008. Gasoline prices vary from region to region and continually fluctuate.

This is a hypothetical example used for illustrative purposes only. It does not represent the results of any investment in any fund or portfolio. It assumes a \$148 monthly contribution and an 8% average annual total return. Monthly compounding is assumed. Your investment results will be different. Source: NPI