

Your RETIREMENT Matters



Summer 2009

If your retirement plan investments are hurting — as so many are — a little tender loving care can help them get back on the road to recovery. Here are a few potential remedies.

TLC for Your Investments

Savings Salve

Saving more money in your retirement plan is a good way to help your account get back

on its feet. With investment returns down and the economy struggling, saving more may not seem logical or possible. Yet the more you can save now, the more money you'll have working for you and benefiting from a potential recovery. Even when money is tight, just cutting back on out-of-pocket spending could free up some cash for you to save for retirement. A little more now could make a big difference in your account value when you're ready to retire.

Patience Prescription

Investments that have performed poorly over the last year or so will likely take time to recover. But cutting them out of your portfolio may not be the best move. Unless retirement is getting close, you should consider yourself a long-term investor. Review your plan, reassess your risk tolerance, and consider your time frame. Then, if an investment still seems to be a good fit, you may want to hang on to it during any low periods. That way, you'll be in a position to benefit if the investment eventually recovers.

Rebalance Remedy

You may find that your portfolio's asset allocation — the way your savings are divided among stocks, bonds, and cash equivalents — has changed significantly as a result of market swings. After you've decided what your target allocation should be, consider "rebalancing" your account. You can rebalance by transferring money among investments in different asset classes to achieve the allocation you want. Or you can invest future account contributions in the asset classes that are underrepresented compared to your plan. While you may be reluctant to increase investments in asset classes that have recently performed poorly, it's important to keep your long-term plan in mind when you are investing for retirement.





Bring On the Bonds?

When traveling to a variable climate, you may not know if you'll encounter warm or cool weather. To make sure you're prepared for either one, you probably pack both jackets and shorts. Essentially, you diversify your wardrobe. Diversifying* your retirement plan portfolio by including both stocks and bonds can work the same way when your portfolio encounters different investment climates.

markets. In the past, bonds have tended to perform well when stocks were down and vice versa.

If you include both stock and bond investments in your portfolio, losses in one asset class may be at least partially offset by gains in the other. Keep in mind, however, that it's always possible that both the stock and bond markets could be down (or up) at the same time.

Bonds and Stocks React Differently

Bond investments can help protect a portfolio that includes stocks because of the lack of correlation between bonds and stocks. They often react differently to changes in economic conditions and other events that affect the investment

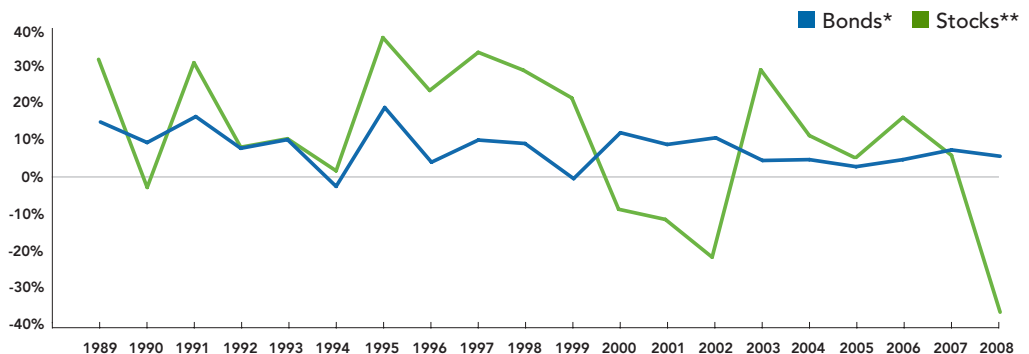
Less Risk of Loss with Bonds

While stocks historically have produced higher long-term returns than bonds, stocks are more volatile than bonds and carry more risk of principal loss. Keeping a portion of your retirement portfolio invested in bonds may provide you with relatively less volatility over time.

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

Twenty Years of Ups and Downs

Over the past twenty years, both the stock and bond markets have had years when returns were up and years when they were down.



* Bonds are measured by the Barclays Capital U.S. Aggregate Bond Index (formerly the Lehman Brothers U.S. Aggregate Bond Index), an unmanaged index of U.S. government, corporate, and mortgage-backed securities.

** Stocks are measured by the Standard & Poor's 500 Index, an unmanaged index of the stocks of 500 major corporations. Investments cannot be made in an index.

Sources: Mellon Analytical Solutions, LLC and NPI



Just the Facts

Millions of retirees receive a check from Social Security every month. As an employee, you're essentially paying into the Social Security system on a regular basis through the payroll taxes your employer withholds from your wages. Still, counting on Social Security to provide the bulk of your income during retirement is probably a mistake. Here's why.

First, consider the current average Social Security retiree benefit amount. The average retired worker will receive about \$13,800 in Social Security benefits this year. A retired couple together will receive approximately \$22,500 in yearly benefits.* Compare those amounts to the median income of U.S. households — \$50,233 in 2007.** Finally, reflect on how comfortable your retirement would be if you had to rely only on Social Security benefits.

Instead of pinning too much of your financial future on Social Security, you may want to consider Social Security benefits as only one source of retirement income among others, including your retirement savings plan. Saving consistently in your plan can help you get ready for the future.

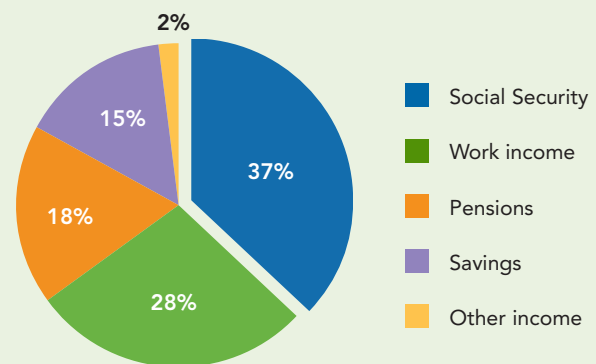
* 2009 Social Security Changes, Social Security Administration, October 2008

** Income, Poverty, and Health Insurance Coverage in the United States: 2007, U.S. Census Bureau, August 2008



A Piece of the Retirement Pie

Social Security benefits may be just one source of income during your retirement.



Source: Social Security Administration, *Fast Facts & Figures About Social Security, 2008*

Of course, bonds do have *some* risks. For example, bond investors should be aware of interest rate risk. When interest rates rise, the prices of existing bonds with lower interest rates often will drop. In that case, if bonds are sold before maturity, the investor would lose money. Because they are more sensitive to current interest rate changes, long-term bonds tend to be riskier than bonds with a shorter time to maturity.

Some bonds also carry the risk that the bond's issuer will not be able to pay interest or repay the investor

when the bond matures. Bond investors can reduce default risk by choosing bonds that received high ratings from the major bond rating services. A corporate bond's rating depends on the perceived financial health of the company. U.S. Treasury bonds have the highest credit quality because they are backed by the full faith and credit of the federal government.

When choosing investments for your retirement account, you'll want to weigh the risks and potential returns of the investment choices your plan offers.

Think about how much risk you are willing to accept and the long-term returns you need to achieve to reach your retirement goal.

Bringing bond investments into your retirement portfolio may help you diversify your investments and achieve your long-term objectives.



Countdown to Retirement

The recession and financial crisis have been especially hard on participants who are planning to retire soon. If you're one of them, you'll want to pay close attention to your finances and your investment strategy going forward. Here are a few suggestions to help you prepare for a retirement that's close at hand.



Assess Your Allocation

As retirement nears, it's very important to look closely at your asset allocation. While stocks may still play a role in your investment strategy, increasing the amount you have invested in less volatile securities, such as bonds and money market investments, can make sense. Keep in mind, however, that your retirement may last two decades or longer. To keep pace with inflation *during* your retirement years, you may want to maintain a portion of your portfolio in

investments that have growth potential and the ability to earn returns higher than the inflation rate.

Decide on Distributions

Before you reach your retirement date, take the time to carefully consider your plan distribution options. How and when you receive your plan assets will have an impact on your income taxes and how long your money may last. For example, if you take a lump-sum payment, you'll owe income taxes in the year you receive the distribution, which will leave you with less money to spend or reinvest. A better strategy may be to roll the distribution into another tax-deferred account (or keep your plan account) and withdraw money over time. But you'll need to plan out your withdrawals. Spending too much of your savings too soon will put you at risk of running out of money.

Playing Catch-up

It's never too late to save for retirement. Compare the account values of Kathy, who stopped saving at age 50, and Paula, who continued to save until age 65.

	Kathy	Paula
Account value at age 50	\$100,000	\$100,000
Average annual total return	4%	4%
Annual amount contributed from age 50 to age 65	\$0	\$12,000
Account value at age 65	\$180,094	\$420,377

This is a hypothetical example used for illustrative purposes only and does not represent any specific investment product. Annual compounding is assumed. Your investment performance will be different. *Source: NPI*

Catch Up on Contributions

Don't stop saving for retirement even if it's just a few years away. In fact, at this point, you may be able to save more than ever. If you're age 50 or over, your employer's plan may allow you to make "catch-up" contributions of up to \$5,500 in 2009, along with \$16,500 of elective deferrals, for a total possible contribution of \$22,000. (Other limits may apply.) Take advantage of this opportunity, if possible, so that you'll have even more money available for retirement.

This publication is an advertisement prepared by NPI for the use of the sender. It is designed to provide useful information about retirement plans and investing your plan account savings. While the information contained herein was obtained from reliable sources, it cannot be guaranteed as to completeness or accuracy. Before acting on any of the information provided, consult your professional advisor.