Your RETIREMENT Matters

Winter 2006

What's Your Strategy?

Chocolate or vanilla. Walk or drive. The blue shirt or the green one. Life is full of decisions, some important, others not.

As you invest for your future, you'll have some important decisions to make. Here are some pointers that may help.

Avoid Getting Burned

You might think that you'll get the best results by hopping from investment to investment based on recent performance figures. The problem with this approach is that what's hot today may be cold tomorrow. Always remember that a fund or portfolio's published returns reflect what has already happened. If you constantly chase returns, there is a risk you'll be investing at market peaks.

Make Your Own Decisions

When it comes to investing, everyone seems to have an opinion. Some of the advice you receive from friends, family, and coworkers may be sound, but some of it may prove to be risky or unwise.

As an investor, you have to keep your personal risk tolerance, investment goals, and time frame in mind. A strategy that worked well for someone else may not be right for you. So, if Uncle Earl encourages you to invest your nest egg in a certain type of investment because that's what he did, step back and consider your *own* situation before you follow his lead.

Stick to Your Strategy

At times it might seem as though Uncle Earl and everyone else are jumping on the same investment bandwagon. What should you do? Instead of being swayed by the latest fad, make investment decisions based on careful research and your personal investment strategy.

Saving for a retirement that is years in the future is a long-term project. Avoid making hasty decisions based on what others are doing. Instead, develop a plan and stick to it. After all, *you* know what's best for *your* financial future.

Make Your Choice

One of the many benefits of participating in your employer's retirement plan is that you control how your contributions are invested. Choosing from among the various investments your plan offers, however, can be intimidating. Here are some guidelines to help make it easier to select investments that are right for you.

Look at Your Options

Spend some time learning about the investments your plan offers. Information about how a fund or portfolio has performed, the investments it holds, and the level of risk it carries will be especially helpful.

Your choices may include various stock, bond, and money market funds or portfolios. Generally speaking, stocks provide higher potential returns, but also have higher potential risk of loss. With money market investments, the risk of losing money is low but the return potential is also low. Bonds generally offer moderate return potential and moderate risk. Before you make a decision, you should understand the risk/return potential of the investments you're considering.

The Choice Is Up to You

Retirement investors choose investments based in part on the time remaining before retirement and their tolerance for risk. Tom and Tina are examples of investors with different time frames and risk tolerance, which is reflected in their strategies. Your strategy should reflect your situation.

	Tom	Tina
Time Frame	30 years	10 years
Risk Tolerance	High	Low
Strategy	Emphasize stocks; include bonds and money markets for diversification	Emphasize bonds and money markets; include stocks for potential growth

This hypothetical example is for illustrative purposes only and is not intended to be investment advice. The proper strategy for your situation may differ. Diversification does not ensure a profit or protect against loss in a declining market.
Source: NPI

Think About Your Time Frame

What does time frame have to do with choosing investments? A lot, actually. If you have a long time before you plan to retire, you may be willing to put a large share of your retirement savings in investments that offer the highest potential for long-term growth, such as stocks. A long time frame gives you the flexibility to weather market downturns. But, if retirement is only a few years away, you may need to start drawing on your savings soon. Your focus may shift to investments that are less likely to experience wide fluctuations in value, such as bonds and money market investments.

Check Your Comfort Level

How do you feel about risk? Will you lose sleep if the value of your account drops even a little? Or do ups and downs in the investment markets not even faze you? Your tolerance for risk should also influence the investments you choose.

If you are comfortable with a high level of risk, you may be an *aggressive*

A Little More May Help a Lot

How much are you saving for retirement? Saving a little is better than not saving at all . . . but a little may not provide you with enough money to live the way you want to in retirement. So, take a look at your finances to see how you can save a little *more*.

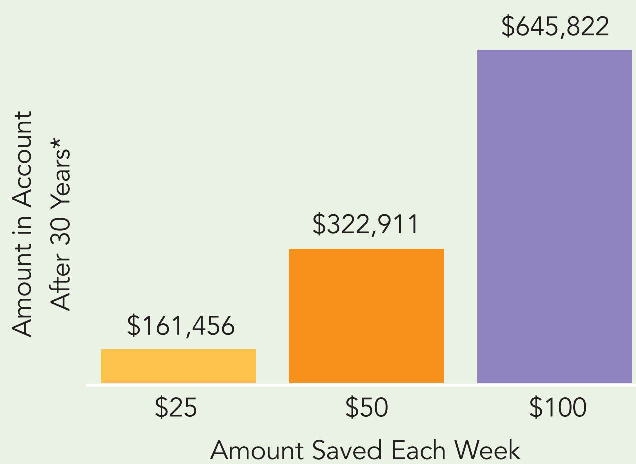
Check Your Contribution

When you first joined your employer's plan, you may have decided to start with a small contribution. If you weren't used to saving money, maybe you wanted to see whether you really could live on less. Now you know you can! Have you increased your contribution level since joining the plan? You may now be in a better position to contribute more.

A Simple Saving Strategy

When you have a lot of expenses, it may seem impossible for you to increase your retirement plan contribution. But there is an easy way to find a little bit more to save. If you receive a pay raise, put part (or all) of it toward your retirement savings. Since it's money you're not used to having, and it is automatically deducted from your paycheck, you won't even miss it. Over time, those extra savings may make a big difference in the amount you have when it's time to retire.

A Little Extra Could Make a Big Difference



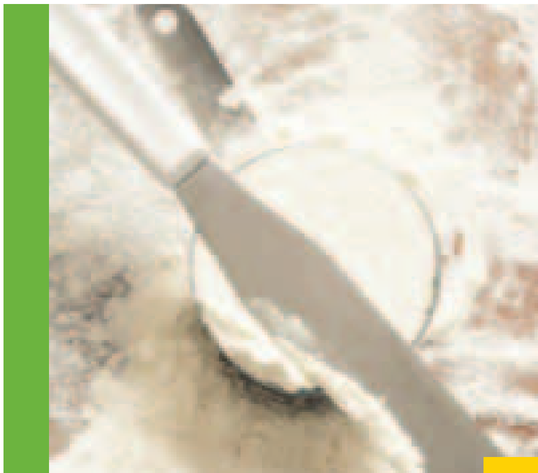
*Assumes a hypothetical 8% average annual total return, compounded monthly. This example is for illustrative purposes only and is not representative of any particular investment vehicle. Your investment returns and balance will be different. *Source: NPI*

investor who leans heavily toward stock investments. *Conservative investors* are less comfortable with risk and tend to choose mostly money market and other low-risk investments. *Moderate investors* are in the middle. Keep in mind that your risk comfort level may decrease as you get closer to retirement.

Consider All Your Investments

Do you and/or your spouse have other savings or investment accounts? If you do, those other assets may influence the plan investments you choose because you don't want to have *all* your eggs in the same basket. For example, if your spouse has a retirement account invested completely in stocks, you may want to concentrate your plan account more heavily in bond and money market investments.

> Once you make your investment choices, remember to review your strategy on a regular basis. If your personal situation changes, you may need to change your investment strategy.



On Average

You may be familiar with the "buy low, sell high" investing strategy. But how can you tell when the high and low points will occur? No one knows — not even the experts — because the financial markets are unpredictable.

The dollar-cost averaging* investment strategy, on the other hand, is an approach based on regularly investing a set amount of money in the same investment, *regardless* of market conditions or prices. This, essentially, is what you are doing when the money you contribute to your retirement plan every payday is invested in the funds (or portfolios) you've selected.

Your contribution is the same amount of money each time, but the number of shares you buy will vary. You'll get more shares when a fund's share price is low and fewer shares when the price is high. Not only does this strategy help take the guesswork out of when to invest, but your average cost per share for a certain period typically is lower than the average price per share for the same period.

*Dollar-cost averaging will not guarantee a profit or protect you from loss in declining markets. For this investment method to be effective, an investor has to continue buying through periods of low prices.

How Dollar-cost Averaging Works

	Amount Invested	Price per Share	Shares Purchased
January	$100	$20	5.0
February	$100	$25	4.0
March	$100	$20	5.0
April	$100	$25	4.0
May	$100	$30	3.3
June	$100	$25	4.0

Total Amount Invested:	$600
Average Price per Share:	$24.17
Your Average Cost per Share:	$23.72

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. Your investment results will be different.
Source: NPI