

Your RETIREMENT Matters



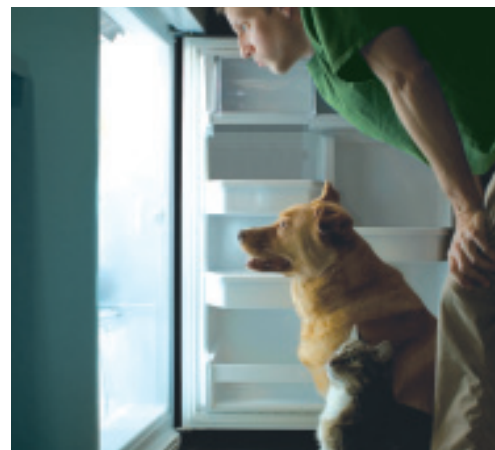
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Open up any two refrigerators and what are you likely to find? Shelves stocked with a few items that are the same and many that are different. Similarly, the investments you choose for your retirement savings plan should meet your particular needs and satisfy your investing goals. While

What's in Your Portfolio?

choosing food to fill up your fridge is easy, you might feel less certain about picking investments for your portfolio. After all, you're not just planning a meal — you're planning your future! The following set of instructions could be the recipe you need to choose investments that are right for your situation.



Start with a List

Make a list of your retirement goals. Your list may include traveling abroad, visiting family, or moving to another house. Writing down how you plan to spend your time and money during your retirement years will help you calculate how much you should save before you retire.

Peruse the Pantry

Checking to see what investments you have outside your retirement plan can help you avoid having too much of certain investments and not enough of others. For example, if you already own bonds and cash equivalents in an outside investment account, you may want to focus more on stock investments in your retirement plan so that your overall holdings are well diversified* and have adequate growth potential.

Bland or Spicy?

How comfortable you are with risk will influence the investments you choose. If you're the type to worry a lot when stock returns dip, you may lean toward investments that tend to provide relatively stable returns, such as bonds and cash equivalent investments. But, if the markets' movements don't bother you, you may want your portfolio to include more stock investments, since they have the potential for higher long-term returns. (You may find that you have less tolerance for risk as you get closer to retirement.)

Inspect the Ingredients

Before you choose an investment, make sure you understand its objective, investment strategy, performance history, and risk/return potential. Filling your portfolio with a carefully chosen mix of investments can help set the table for a satisfying retirement.

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

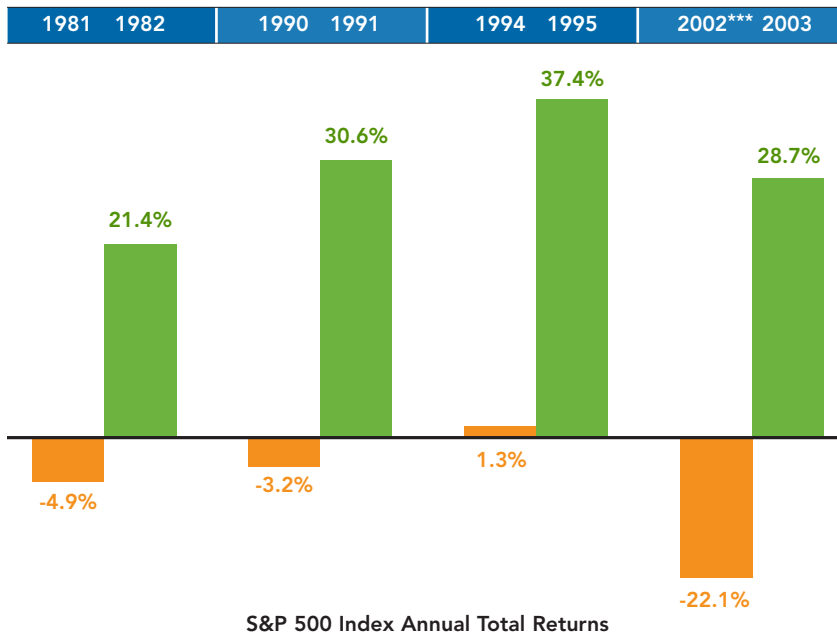


Quick Changes = Quicksand?

If you like excitement, then you might like the idea of trying to build up your retirement portfolio by constantly moving investments around. When you see that one investment's return has dropped, you quickly jump out of that investment and into one that you think is poised for a big upswing.

"Leap" Years

In the past, the market has eventually recovered after every downturn.* Here are some examples of the market (as measured by the S&P 500 Index**) having low or negative returns one year and then "leaping" ahead the next year.

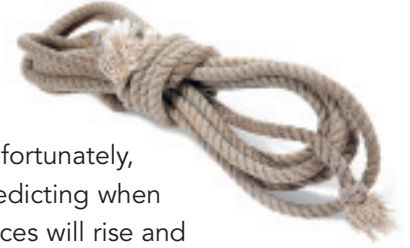


* Past performance is no guarantee of future results.

** The S&P 500 Index is an unmanaged index of the stocks of 500 major U.S. corporations.

*** The S&P 500 Index also experienced losses in 2000 and 2001.

Source: Russell Data Services



Unfortunately, predicting when prices will rise and fall and then attempting to buy low and sell high is extremely difficult. Instead of putting your retirement portfolio on solid ground, leaping in and out of investments in hopes of timing the market could cause your portfolio to sink into financial quicksand.

Recognizing High Ground and Sinkholes

It's not easy to predict exactly when an investment is at a high or low point. In fact, you won't know for sure until sometime later. You could end up selling an investment that you assumed had maxed out only to have it soar even higher. Or, you could buy an investment that you thought was on the upswing only to see its price suddenly drop like a stone.

Getting Lost

The market can move very quickly. If you sell an investment because its share price has dipped but then it bounces right back, you'll probably miss out on the recovery. Even if you try to get back in right away, you may be too late to take advantage of potentially significant gains. Investing won't seem very thrilling if the value of your retirement savings sinks because of an impulsive move.

Average It Out

Your employer's retirement plan makes it easy to invest for retirement. One of the built-in features of participating in your employer's plan is dollar-cost averaging.*

Dollar-cost averaging involves regularly investing a set amount of money in the same investment, regardless of market prices or conditions. While the amount you invest is the same each time, the number of shares you buy will vary. You'll get more shares when the share price is low and fewer shares when the price is high. Your *average cost per share* for a certain period of time will typically be lower than the *average price per share* for the same period.

When you invest through your employer's retirement savings plan, you put dollar-cost averaging to work. Each pay period, your contribution automatically goes to buy shares of the funds or portfolios you've selected. Your retirement plan takes the guesswork out of saving for your future, and dollar-cost averaging takes the guesswork out of investing — and that's an above-average combination.

** 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, regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.*



A Better than Average Year

	Amount Invested	Price Per Share	Shares Purchased
January	\$100	\$20	5.0
February	\$100	\$20	5.0
March	\$100	\$25	4.0
April	\$100	\$30	3.3
May	\$100	\$35	2.9
June	\$100	\$35	2.9
July	\$100	\$30	3.3
August	\$100	\$30	3.3
September	\$100	\$25	4.0
October	\$100	\$25	4.0
November	\$100	\$25	4.0
December	\$100	\$30	3.3

Total Amount Invested:	\$1,200
Average Price Per Share:	\$27.50
Average Cost Per Share:	\$26.67

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

Look Before You Leap

Instead of quickly moving in and out of investments, consider a more measured approach. Look carefully at an investment's long-term performance record before making a move. Unless retirement is right around the corner,

your portfolio probably has time to recover from any short-term investment losses. However, if an investment has a history of performance problems or no longer fits with your investment strategy, then it's time to consider making a change.

A well-coordinated investment strategy that is based on your personal risk tolerance and investment time frame will help keep your retirement portfolio on solid ground.



ou probably know that your employer's plan is a great way to save for your retirement. But do you also know all the tax advantages your plan offers?

Take Advantage!

Pay Less Taxes Now

When you make *pretax contributions* to your employer's retirement plan, your contributions are subtracted from your pay *before* federal income taxes are calculated.* So you owe less current taxes than you would if you weren't making contributions. If you increase your contributions, you'll pay even less in taxes. The amounts you've contributed won't be taxable until you receive distributions.



Here's another tax advantage: You don't pay current federal income taxes on any earnings your

investments generate. Like contributions, earnings are taxable when distributed.

Take Credit

When you contribute to your retirement savings plan, you also may be eligible to claim a credit on your federal tax return. Depending on your income and filing status, you may be able to claim a percentage of up to \$2,000 in retirement plan contributions. If you qualify for it, the credit basically puts some of the money you've contributed back in your pocket by reducing your tax bill. Your tax advisor can tell you more about it.

** 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.*

Save on Taxes by Saving More

Weekly Contribution Increase	\$25	\$40
Annual Amount Saved in Plan	\$1,300	\$2,080
Federal Income-tax Rate	25%	25%
Weekly Tax Savings	\$6.25	\$10.00
Annual Tax Savings*	\$325	\$520

* Does not include tax credit.

Amounts saved in plan are taxable upon withdrawal. Your tax rate and annual savings may be different.

Source: NPI