

Your RETIREMENT Matters



Winter 2012

Look at the Big Picture

When the stock market is especially volatile, you may find yourself focusing only on recent events. Large drops in the market are unnerving, and you may have considered moving out of stocks into less risky investments. Or maybe you've even thought about cutting back on the amount you're saving for retirement. Before you make any decisions, take time to look at the big picture.



The Long View

The economy and stock market tend to be cyclical. Past downturns often have been followed by periods of growth. Investors who didn't move their money out of stocks during previous lows had the opportunity to see their investments benefit from market increases. For example, from 1996 through 2010, the stock market* suffered four years of losses ranging from -9.11% (2000) to -36.99% (2008). Yet \$1,000 invested for the entire period might have grown to \$2,672.** If retirement is still a long way off, you probably have time to ride out market downturns.

Put Losses in Perspective

Paper losses are not real losses. When a fund's or portfolio's share price drops, it's only a loss on paper. It doesn't become a real loss until you actually sell the investment and move your money elsewhere. If you stick with the investment and it later rebounds, the paper loss may be erased — and you may even develop a "paper gain."

See Your Opportunities

There is a bright side to a downturn: When prices are down, your contributions can buy more shares. If stocks rebound, you'll then be positioned to benefit from the recovery. But, if you move your money out of stock funds, you might miss out on future gains.

Staying focused on your future is hard when the markets are jumpy. But keeping your eye on your long-term goals, maintaining an appropriate asset allocation, and continuing to contribute as much as possible to your plan will help you prepare for your retirement years.

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

** Based on a hypothetical investment earning the same annual returns as the S&P 500, which carries no expenses. You cannot invest directly in an index.



Talent for Taxes



When it comes to taxes, your employer's retirement plan is talented. Your plan's a natural at providing pretax savings, tax-deferred compounding, and, potentially, the opportunity to claim a tax credit for contributions. Combined with the other features of your plan, these tax advantages can help you achieve your retirement goals.

Pretax Performance

Your contributions to your employer's retirement savings plan can be made on a pretax basis. The amount you choose to contribute is deducted from your pay before federal (and, possibly, state and local) income taxes are taken out. Saving on a pretax basis reduces the amount of income taxes you currently pay on your earnings. You won't owe federal income taxes on your pretax

contributions, or on any income earned from investing those contributions, until you receive distributions from your plan.

Compounding Curtain Call

Tax-deferred compounding can have a big impact on your account value over time. Compounding occurs when your plan contributions generate earnings and those earnings are added to your balance and reinvested. Going forward, your past earnings can generate future earnings, helping to build your account balance.

If your plan offers a Roth contribution option, keep in mind that Roth contributions don't offer immediate tax savings: You're taxed on that money in the year you earn it. However, qualified Roth distributions aren't subject to any federal income taxes when you've met certain tax law requirements.

Tax Savings Take Center Stage

You can increase your tax savings by saving more in your plan account.

Weekly Pretax Contribution	\$30	\$60	\$120
Annual Amount Saved in Plan	\$1,560	\$3,120	\$6,240
Federal Income-tax Rate	25%	25%	25%
Current Annual Tax Savings*	\$390	\$780	\$1,560

* Does not include saver's credit.

Amounts saved pretax in the plan are taxable upon withdrawal. Your tax rate and annual tax savings may be different, and your plan may have contribution limits.

Source: NPI

Lasting Impact

You want your retirement savings to last throughout your retirement. Steps you take during your working years and after you retire can help give your savings staying power.

1 Now. Saving as much as possible in your plan will help you accumulate the funds you'll need in the future to finance your retirement. Set a savings goal so you have a number you are working toward. Then check your progress every year.

2 When retirement is getting closer. Estimate the amount you will need to withdraw from your savings to pay your annual living expenses in retirement. The more you withdraw from your savings each year, the sooner your assets would be depleted (see chart).



3 During retirement. Your lifestyle will affect how long your assets last. You may be able to stretch out your savings if you control your spending during retirement.

How Long Will Assets Last?

Percentage Withdrawn Annually	Number of Years Before Assets Are Depleted					
	4%	5%	6%	7%	8%	9%
5%	42	*	*	*	*	*
6%	29	37	*	*	*	*
7%	22	26	34	*	*	*
8%	18	21	24	31	*	*
9%	15	17	19	23	29	*
10%	14	15	16	18	21	27
11%	12	13	14	15	17	20
12%	11	12	12	13	15	17
13%	10	10	11	12	13	14
	4%	5%	6%	7%	8%	9%
	Average Annual Return on Remaining Assets					

* Indicates that assets will not be depleted based on withdrawal percentage and annual return.

This chart is for illustrative purposes only. Actual earnings would vary from year to year. Your investment results will be different.

Source: NPI

Saver's Credit Scene

You may be eligible to claim the saver's credit on your federal income-tax return for contributions to your retirement plan. Your income and filing status determine whether you'll qualify for this credit and

what the applicable credit rate may be. If you do qualify, the credit is 10%, 20%, or 50% of a maximum of \$2,000 in qualified retirement savings contributions for the year.

Contributing to your plan and benefiting from its tax advantages can help you get closer to a financially comfortable retirement.



Juggling Act

Saving for retirement is one of your most important financial goals, but you have other goals that compete for your money, too. While not easy to pull off, you need to learn to juggle all your financial goals and keep them up in the air at the same time.

At each stage of your career, you probably will face financial demands that may seem more pressing than preparing for a far-off retirement. Early on, you may have student loans and a car loan. Then, you might want to buy a home and raise a family. Later on, you may want to help your children pay for college. Through it all, it's essential you don't put off saving for retirement.

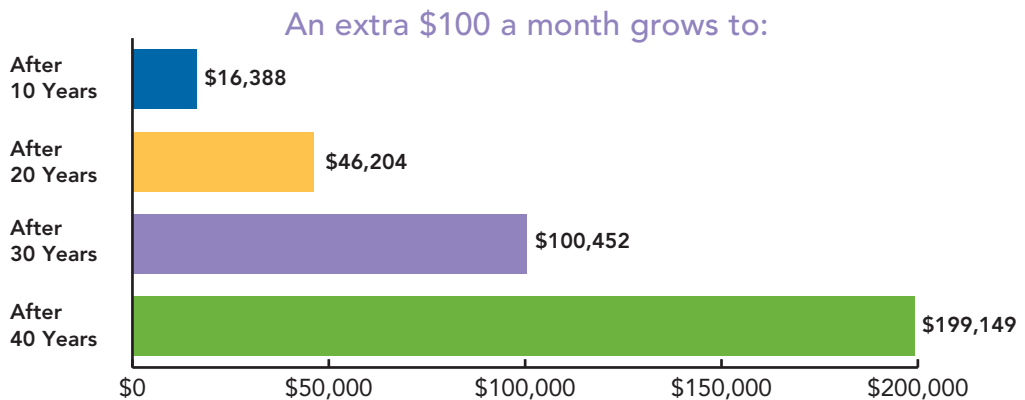
The amount of money you eventually save will probably have a big impact on your retirement lifestyle — especially since Social Security's future is uncertain. Inflation and future health care costs are other things you need to think about when you are deciding how much you should save for retirement.

In a perfect world, you'd be able to fully fund your retirement *and* all of your other financial goals. But, if you have to make one goal a priority, keep in mind that you're probably going to need a lot of money for a comfortable retirement. Other financial goals shouldn't be met at the expense of your long-term future. Make sure you don't drop the ball when it comes to your retirement savings.



Why Save More?

Increasing the amount you contribute to your retirement savings plan each year could make a big difference in the amount you have to spend during retirement.



This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. It assumes a 6% average annual total return compounded monthly. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal, unless they represent qualified Roth distributions. Source: NPI

This publication 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.