

OnTrack

Join the CLUB

If you haven't had the heart to open your retirement account statements lately, join the club. There are plenty of retirement investors out there who are putting their statements aside without taking a look. The trouble with belonging to the Can't-Look Club is that it may stop you from taking a proactive approach to planning for your future.



Save-More Club

Right now, money may be tight. But that doesn't mean you can't find a little extra to put away for retirement if you really dig. Even small contribution increases can make a significant difference in your account balance over time.

If you're at least 50 years old and are already saving the maximum amount allowed by your plan, you may be able to contribute even more in the form of catch-up contributions. (Not all plans permit catch-up contributions.)

Understand-Risk Club

Periods of extreme stock market volatility are difficult to endure, even for seasoned investors. It's clear that stocks have the potential to rack up big losses. If your investments have taken a beating during the recent decline, you may feel like staying far away from stock funds or portfolios.

However, the flip side to the high risk that stock investments carry is that they have the greatest potential to reward investors with long-term growth. While no one can guarantee that history will repeat itself, in the past, the stock market has eventually rebounded after every downturn. So simply sticking with your stock investments can

potentially help you rebuild your balance and grow your account.

If you haven't already done so, reevaluate the role you want stocks to play in your investment strategy. If retirement is a long way off and growth is your goal, you may be willing to accept more risk in return for potentially higher returns. However, if you're not comfortable with a lot of risk, or if retirement is near, it may make sense to have a smaller portion of your account allocated to stocks. Most experts suggest holding at least some stock investments, even after retirement, to provide some measure of growth or, at a minimum, to help you stay ahead of inflation.

Yes-I-Can Club

Yes, the financial picture has been gloomy. But you can choose to look on the bright side — and decide that you're going to take a proactive approach now so you can join the Happily-Retired Club when the time comes.

LIVE LONG and (Save To) PROSPER

Retirement is changing. And one of the biggest reasons is that people are living longer. Can you imagine spending 20 or 30 years in retirement, or more? It definitely could happen. That's the good news.

The not-so-good news may be that if you hope to enjoy many years of retirement, you'll need enough income to allow you to do all the things you want to do.

The longer your retirement lasts, the greater the possibility that you could outlive your retirement savings. For anyone who plans to retire someday, the possibility of outliving retirement savings is an important issue to ponder.

A Universal Question

Where will your retirement income come from? One seemingly steady source of retirement income is Social Security. Under the current system, Social Security retirement benefits continue, regardless of how long retirement lasts. But even today, those payments provide only a portion of the income most retirees need. And the future of Social Security is unknown.

You may be one of a lucky group of people who will be eligible for another relatively reliable source of income — monthly benefits from an employer's pension plan. But even with pension benefits, you will

most likely need more income. With or without a pension, the balance of the money you'll need during retirement will have to come from your retirement savings and, possibly, other assets. Of course, if you continue working, your earnings will provide additional income.

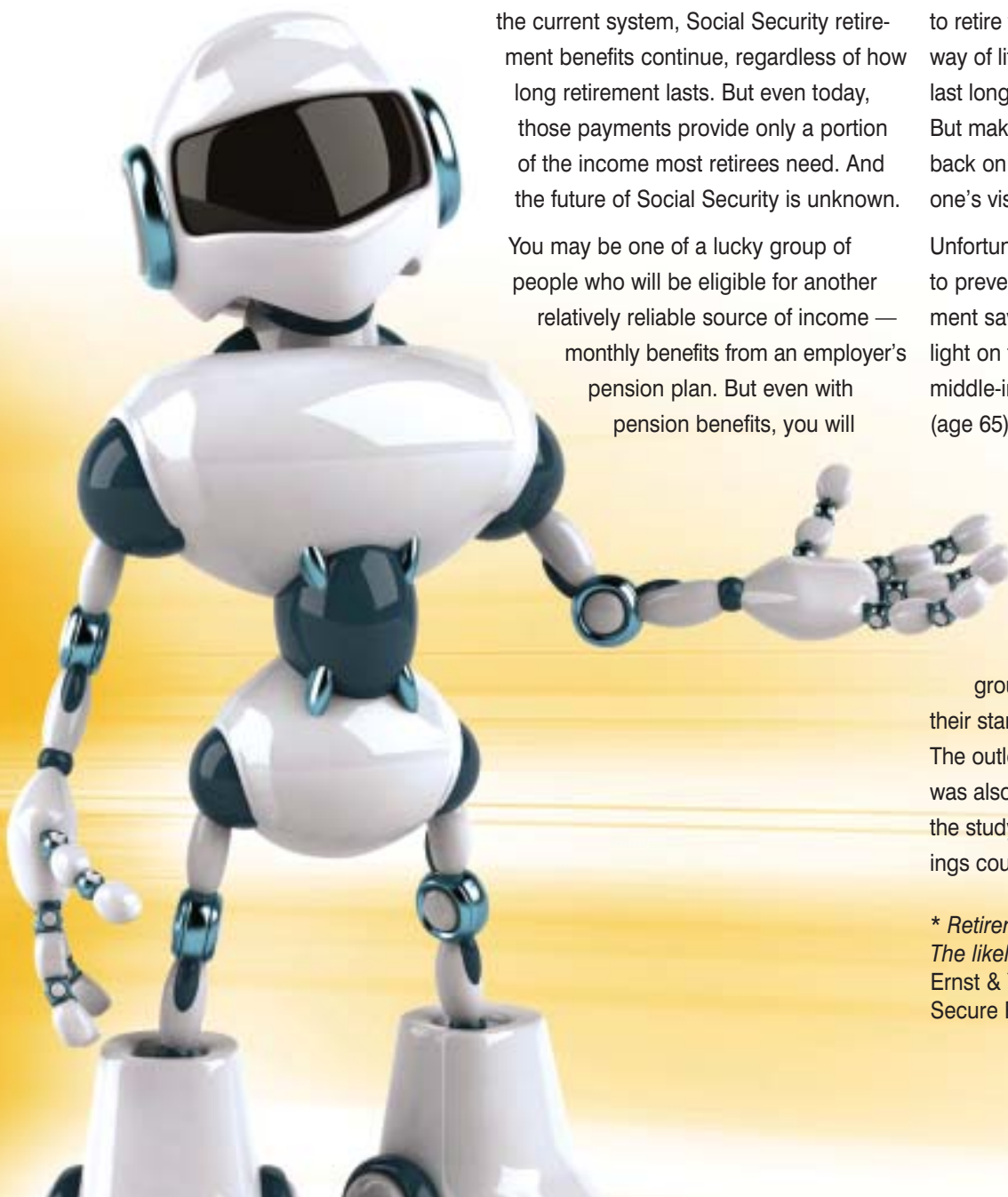
Life in the Future

Your retirement lifestyle will play a big role in how long your savings will last. If you plan to retire to a simple, financially conservative way of life, you can expect your savings to last longer than if you intend to spend more. But making drastic budget cuts and scaling back on spending doesn't exactly fit everyone's vision of retirement.

Unfortunately, cutbacks may be necessary to prevent you from outliving your retirement savings. A recent report* sheds some light on this issue. The study looked at two middle-income groups — new retirees (age 65) and "near" retirees (age 58) — and found that in almost three out of five cases, new retirees who plan to maintain their preretirement standard of living can expect to outlive their assets.

To avoid outliving their assets, this group of retirees would have to reduce their standard of living, on average, by 24%. The outlook for the group of near retirees was also less than rosy. On a positive note, the study observed that an increase in savings could make a difference.

** Retirement vulnerability of new retirees: The likelihood of outliving their assets, Ernst & Young LLP for Americans for Secure Retirement (July 2008)*



An Enterprising Plan

What can you do to avoid outliving your retirement assets? There's a very simple answer: Start as early as you can to save as much as you can in your retirement plan account. If you have decades to go before your golden years arrive, time is on your side. Steady saving over a long period should allow you to build a healthy nest egg. If you have less time to beef up your savings, increasing the amount you're contributing to your plan can help. If you're very close to retirement age, you might want to consider postponing retirement for a few years to give you more time to build up your savings.

Wherever you are in your career, contributing as much as you can to your plan *now* may help you avoid outliving your savings *later*.

How Long Will Assets Last?

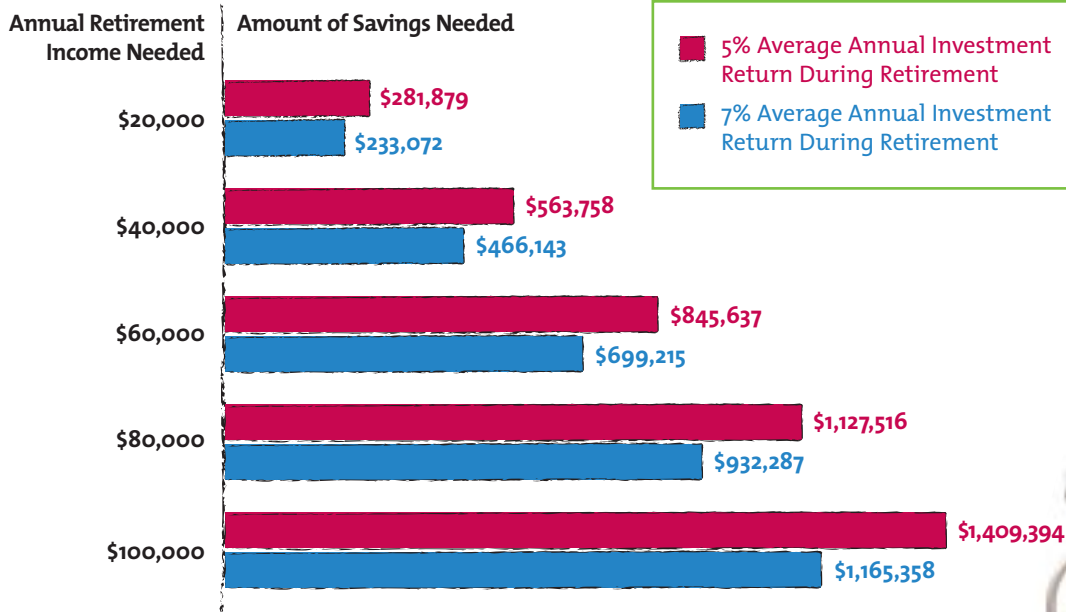
Percentage Withdrawn Annually	Number of Years Before Assets Are Gone					
5%	42	*	*	*	*	*
6%	29	37	*	*	*	*
7%	22	26	34	*	*	*
8%	18	21	24	31	*	*
9%	15	17	19	23	29	*
10%	14	15	16	18	21	27
11%	12	13	14	15	17	20
12%	11	12	12	13	15	17
13%	10	10	11	12	13	14
	4%	5%	6%	7%	8%	9%

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

Are You Saving Enough?



Assumes a 25-year retirement and that all the retirement savings amounts shown are depleted after 25 years. Future inflation will likely increase your income needs during retirement. Your investment returns and balances will vary.

Source: NPI



YOUR FINAL ANSWER: Diversification

Some questions are easier to answer than others. Should you take an umbrella if it looks like it's going to rain? The answer generally would be, "Yes." How many investments should you have in your retirement account? That question is harder to answer.

More Than One

Investors generally should hold a number of different investments because diversification* helps protect against the risk of loss. Each fund or portfolio available through your plan already holds many different securities. Even so, unless you select a fund or portfolio specifically designed to be an all-in-one investment (not all plans offer such choices), you'll probably want to choose funds or portfolios investing in different asset classes (stocks, bonds, and cash equivalents). Because investments in various asset classes may react differently to changing conditions, diversifying across asset classes can help you weather different investing climates.

Let's say your account is 100% invested in a stock fund that generally tracks the overall stock market. If the stock market goes down, the value of your investment will probably fall. But, if the stock market drops and you're holding a stock fund *and* a bond fund, the bond investment may provide a cushion and limit your overall loss. Of course, bond prices also fluctuate due to interest rate changes and other factors, so an investment in a bond fund is not risk free.



Breaking It Down

You can further diversify by investing in different categories within the same broad asset class. Take stocks, for example. Let's say you invest in a fund or portfolio that holds the stocks of large companies (large-cap). You may want to add a stock fund focused on the stocks of smaller companies (small-cap) because the economic conditions that encourage large companies to grow may be different from the conditions that help small companies thrive. By investing in both large- and small-cap stocks, you're positioned for success in a broader range of economic conditions.

Should you invest in every fund or portfolio your plan offers? Probably not. Some of the investments available through your plan

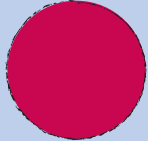
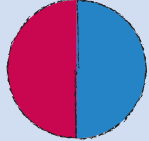

may be very similar. For instance, your plan may offer more than one large-cap stock fund. If you invest in each one, you'll be duplicating, not diversifying. Choosing an international stock fund and a large-cap stock fund, on the other hand, will increase diversification.

Just About Right

How many investments should you have in your retirement account? Enough to have a well-diversified mix. Managing risk through diversification can give your retirement savings a better chance to grow — and give you a better chance of having the retirement you want.

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

How Diversification Works

Investment Mix	 100% Stocks	 50% Stocks 50% Bonds	 40% Stocks 35% Bonds 25% Cash Equivalents
Amount Invested	\$1,000	\$1,000	\$1,000
Value If Stock Prices Drop 20%	\$800	\$900	\$920
Value If Bond Prices Drop 20%	\$1,000	\$900	\$930

This is a hypothetical example used for illustrative purposes only. The example assumes that cash equivalent prices remain constant. The example does not represent any specific investments. Your investment performance will be different. Source: NPI

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