Asset Allocation GUIDE

Asset Allocation is the process you go through in deciding how to divide up, or allocate, your investment dollars among the various types of investments (called asset classes) offered through your 401(k) plan.

Now that you're ready to invest in your retirement future, it's important to get a feel for this process. *Studies show that how you allocate your money has the greatest effect on your returns.*

This guide will take you through the asset allocation process by:

- Introducing you to some common types of investments
- Educating you about the importance of diversification
- Making you aware of your feelings about risk
- Reviewing some general asset allocation models to help you visualize your own personal investment strategy

Reinventing Retirement®

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Understand Your CHOICES

"I'm excited to start saving money through my company's retirement plan. I just need to figure out what to invest in. I have no idea where to start."

Which Investments Are Right For You?

Through your 401(k) plan, you are creating an investment strategy to help you accomplish the financial goals you set for yourself in retirement. Your investment strategy will depend on many factors, such as:

- The number of years you have until you'll need the money
- Your ability to handle occasional and unpredictable changes in the value of your investments
- Your current lifestyle and financial situation
- The kind of lifestyle and experiences you wish to pursue during retirement
- Your life expectancy
- Your investment return objectives

The first step in choosing the right investment strategy for yourself is understanding the investment choices offered by your plan and the risks and growth potential connected with each. Generally speaking, most retirement plans offer three general types of investments for you to choose from: stocks, bonds and stable assets.

Some Common Investment Choices

Stable Asset/Cash Investments

- *Lower Risk*
- *Lower Growth Potential*

By investing in stable assets (also called cash equivalents), your goal is to maintain a steady, or "stable" principal whose value generally does not fluctuate. Examples include money markets, U.S. Treasury Bills and some investment contracts offered by insurance companies or banks.

Bond Investments

- *Moderate Risk*
- *Medium Growth Potential*

By investing in bonds, you are actually "loaning" money to an organization (such as a corporation or the government) in exchange for interest payments. Also called fixed-income investments, bonds actually pay either fixed or variable interest rates. Principal value may fluctuate up and down, sometimes widely, but ordinarily will not vary as much as stocks.

Stock Investments

- *Higher Risk*
- *Higher Growth Potential*

By investing in stocks, you are actually buying shares of ownership in a corporation. Stocks have the highest potential for growth over the long haul, but also carry a higher degree of risk. Their unpredictable movement up and down in value is called volatility. Historically, over long stretches of time, stocks have had a greater rate of return than other types of investments.

About Mutual Funds

Mutual funds make up the majority of investment options within most 401(k) plans. They can be made up of any mix of stable assets, bonds and stocks. When you invest in mutual funds, your money is pooled together with the money of other investors who have the same, or "mutual" investment goals. Each mutual fund has a team of professional money managers who perform the day-to-day tasks involved in the researching, buying and selling of investments on behalf of the fund.

Mutual funds provide a measure of diversity to your investmetns. If one security in a mutual fund loses value, the other securities in the mutual fund are not affected.

2 Seek Some BALANCE

"I chose a stock fund for my 401(k)—I like the idea of increasing my chances for higher growth over the long haul. Still … I don't want to lose sleep over it. So I'm keeping some of my money in safer investments to help balance things out."

Make Diversification a Part of Your Investment Strategy

Diversification means spreading your money among several different types of investments in order to balance out the risks. This concept is also known as asset allocation. Fancy words, but a simple idea: Generally speaking, if your dollars are invested in many types of investments, and market conditions cause one of your investments to not do well, all of your money won't be affected.

Diversification can also help with another kind of risk. Inflation risk is the chance that your investments won't grow enough over time to keep up with the rising cost of living. What can you do about inflation risk? Well, you may want to consider investments in your retirement savings account that have the potential to beat inflation (such as stocks and bonds).

Diversification Within an Asset Class—Stock Funds

Investors who choose to make regular 401(k) contributions to a stock fund increase their shares of ownership in a variety of companies that fit that fund's objective. Money may be invested in several companies depending on a combination of factors, such as the company's size, earnings history, length of time it has been in business, type of product or service, specific industry and geographical location. Because the fund spreads its investments across a variety of companies, it could potentially lower the impact if one company does not perform well in a given year.

Diversification Can Be a Real Life Saver

Clarence Crane invented Life Savers in 1912. He manufactured only one flavor of Life Savers: Pep-O-Mint. In 1913, Crane was approached by Edward J. Noble. Noble suggested that offering different flavors of Life Savers would attract more customers. Crane wasn't interested in the concept, but agreed to sell the Life Savers business to Noble for $2,900.

In his lifetime, Noble went on to develop a billion-dollar business manufacturing different flavored Life Savers. By diversifying his product, he appealed to more people and protected his business from the risk of one flavor losing popularity.

Diversification works with investments, too. Spread the risk to help protect your potential rewards!

Source: Kmotion Research

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What Kind of INVESTOR Are You?

Finding Your Balance

Creating an investment mix is how you decide to allocate, or divide, your assets or investment dollars. This guide introduces you to three basic ingredients of any investment mix, helps you understand your feelings about risk, and enables you to review a sample investment mix based on your personal investor profile.

When making your investment decisions, you should consider the three factors below:

- Your risk tolerance—the amount of risk you can accept in order to obtain the returns you want.
- Your time horizon—the amount of time your money remains invested.
- Your investment goal—the amount of money you need to save to make your retirement dream a reality.

The risk tolerance quiz that follows helps you gain a general understanding of your feelings about risk. By determining your risk tolerance level, and considering how long you have to invest, you can begin to create your own personal investment mix.

1 **How many years do you have until retirement?**

a. Less than five. (1 point)
b. Five to ten. (2 points)
c. More than ten. (3 points)

2 **When it comes to making investment decisions, which of the following best describes you?**

a. Not very knowledgeable. (1 point)
b. Very knowledgeable. (3 points)
c. Somewhat knowledgeable. (2 points)

3 **Are you willing to take on more risk in exchange for potentially higher rates of return?**

a. Yes. (3 points)
b. No. (1 point)
c. Not sure. (2 points)

4 **When it comes to making investment decisions, which of the following best describes your philosophy?**

a. I worry about losing my money and lean toward having a more conservative investment mix. (1 point)
b. I would not hesitate to take on higher risk because I know it's the only way to achieve potentially higher returns. (3 points)
c. I believe in taking my time and investigating all my options before making a decision. (2 points)

5 **Which of the following best describes your current attitude toward investing for retirement?**

a. I would like the opportunity for my retirement savings to grow, but am only comfortable with a medium amount of risk. (2 points)
b. I tend to worry that the value of my retirement savings will go down. (1 point)
c. I would like the opportunity for my retirement savings to grow as much as possible, and am willing to take on higher risk for potentially higher returns. (3 points)

Total Your Points Here:

Scoring System

5 – 7: Conservative. You are an investor who seeks stability and safety for your money. Remember, not having enough money when you retire is a big risk too. Keep in mind your time horizon and the impact inflation can have on your investments.

8 – 9: Moderate. You want your money to grow but are more concerned about protecting it. You are cautious but may be willing to diversify to spread out some of your risk, depending on your time horizon.

10 – 11: Moderate Growth. You are an investor who likes to balance lower-risk investments with higher-risk investments. Evaluate your situation at least annually to make sure that this balance contains the right mix of lower-risk and higher-risk investments appropriate for your situation.

12 – 13 Growth. You want to increase your savings and are somewhat comfortable riding the ups and downs of the stock market in exchange for the possibility of higher returns over the long term. You may have more time on your side until you retire.

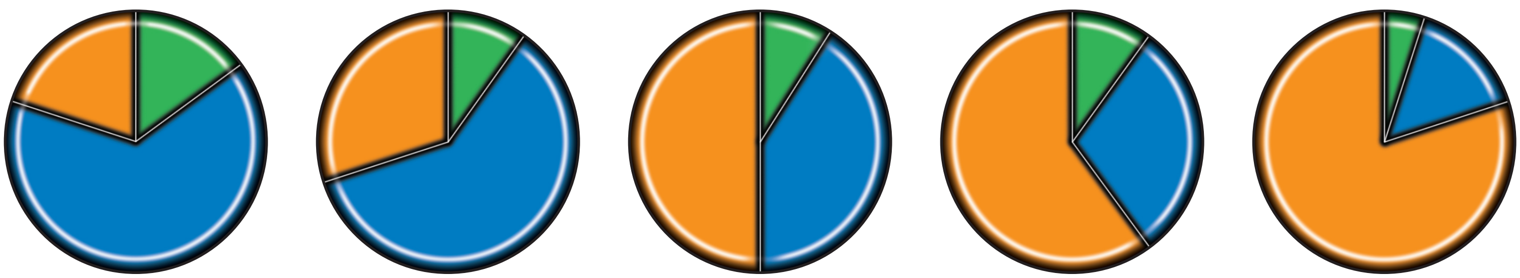
14 – 15 Aggressive Growth. You want to maximize the long-term growth of your retirement savings. You are an investor who is comfortable taking substantial risk in exchange for potentially higher returns. Evaluate your situation at least annually, stay focused on your time horizon, and modify your investment strategy as your situation changes.

Based on your score, you are a(n) _______________ investor.

4 Find Your Investment MIX

Find the asset allocation model below that matches your investment profile and circle it. You may wish to use this model as a starting point to create your own individual mix.

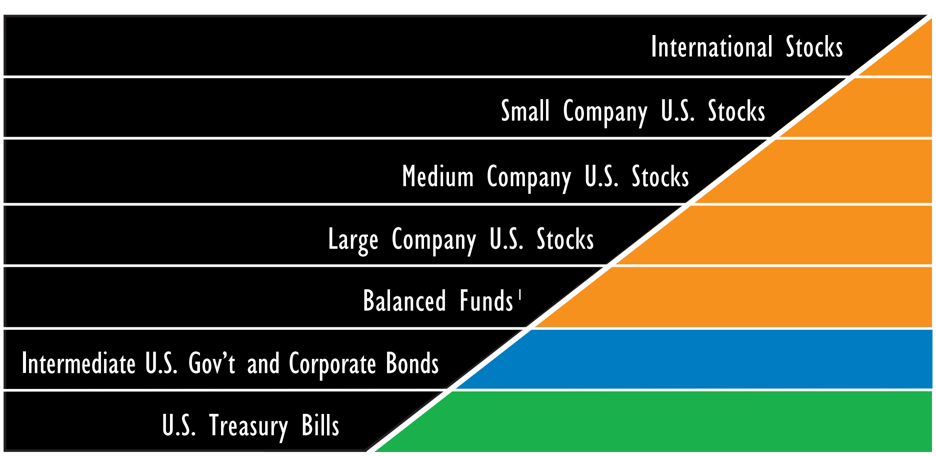
Conservative 5–7 Points	**Moderate** 8–9 Points	**Moderate Growth** 10–11 Points	**Growth** 12–13 Points	**Aggressive Growth** 14–15 Points



Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth
Cash 0–15%	Cash 0–15%	Cash 0–15%	Cash 0–15%	Cash 0–15%
Bonds 60–85%	Bonds 50–70%	Bonds 30–60%	Bonds 20–50%	Bonds 5–35%
Stocks 15–35%	Stocks 25–50%	Stocks 40–70%	Stocks 50–80%	Stocks 65-95%

Allocations are examples only and should not be considered investment advice or as a recommendation of any specific investment product. Please consider your investment choices carefully and obtain and read the appropriate fund prospectuses before investing any money. You should choose your own investments based on your particular objectives and situation. Be sure to review your decisions periodically to make sure they are still consistent with your goals. You may wish to consult a financial advisor for more information.

RISK vs. RETURN



1 *Balanced between 50% Large Company Stocks, 50% Intermediate U.S. Government Bonds. Balanced mutual funds are not necessarily 50/50.*

Big Picture Perspective

Dec. 31, 1926 through Dec. 31, 2009

- **Stocks delivered an average annual return of 10.85%.**
- **Bonds delivered an average annual return of 5.4%.**
- **Stable Assets delivered an average annual return of 3.7%.**
- **Inflation has averaged 3.0% a year.**

Source: Kmotion Research

Review REGULARLY

Reinventing Retirement®

"I never tried anything cute or fancy with my investments. I just stayed in my comfort zone and plugged along. There were a lot of years when it wasn't easy—kids, bills, all that. But I stuck with my plan. Thank goodness I did! I really don't feel like there's any limit to what I can do in retirement."

Make Asset Allocation an Ongoing Process

Creating your investment strategy is only a beginning. As a disciplined investor, you must dedicate yourself to reviewing your strategy on a regular basis to make sure it is still consistent with your time horizon, investment return objectives and risk tolerance.

As you get closer to retirement, or as you experience changes in your life, your ability to tolerate risk may change. In addition, there may be significant changes in the value of your investments over time. Depending on your own personal circumstances, you may want to consider rebalancing your investment mix.

Rebalancing is simply shifting money from one asset class to another in order to maintain your appropriate investment mix. As a rule, it's always smart to check your account at least annually to see if it needs to be rebalanced. You may also want to check with your plan administrator for details on transferring money between funds within your retirement account.

Finding and Keeping Your Personal Sense of Balance

Effective investing means balancing risk with reward. How you find your investment mix is a personal process. You must take into consideration your tolerance for risk, how long you have until retirement, how long you expect to live, the rate of return you need to make your money grow enough, and your total financial situation. The basic guidelines presented in this brochure can help you get started, but you may want to consult a financial advisor for more detailed information.

Be sure to review your investment mix at least once a year.