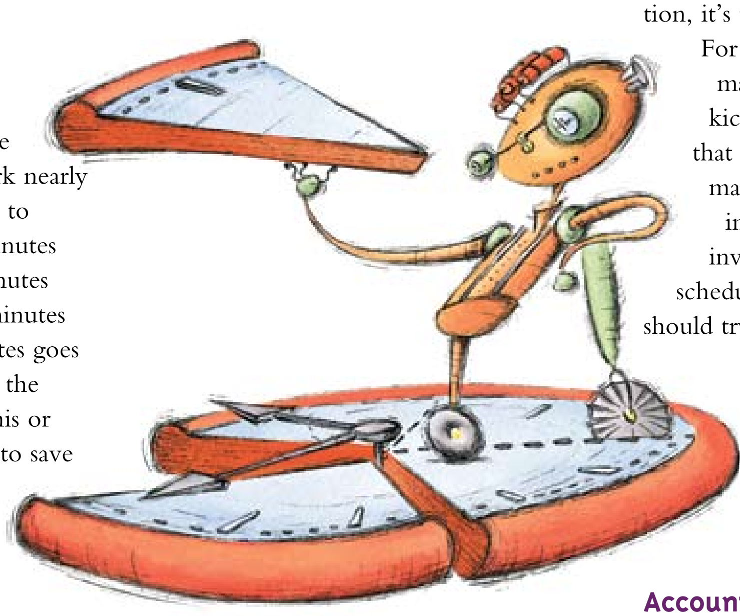
REINVENTING Retirement
3rd QUARTER 2000
YOUR RETIREMENT PLANNING NEWSLETTER

A Slice of Life



This just in: According to the American Tax Foundation, the average American needs to work nearly three hours of each workday just to pay their taxes, while only 44 minutes is spent on food. Thirty-four minutes goes toward paying for gas, 19 minutes toward clothes, and only 8 minutes goes into savings! That means that for the average American, about 2% of his or her daily paycheck is being used to save for one of the most important stages in life—retirement.

Work more for yourself

When you contribute to your employer-sponsored retirement plan, you can think of a portion of each workday as an investment in your future. Imagine how much better Monday mornings might be if you knew you were spending more of it earning money earmarked for retirement!

But what if you feel like you just can't afford to contribute more to your plan or to contribute any at all? If that's the case, take a look at these easy tips that can help jump-start your savings.

Keep your sights set on a reasonable savings goal

Many experts suggest you save 10% of your income, and it's a reachable goal. Now, don't give up just because you can't save that much right now! Establishing a savings habit and saving consistently are the keys to success. Start with an amount you know you can live with—say, $25 a week. Once you're in the habit of saving, work toward increasing your contribution closer to 10%, or even higher.

Take advantage of company match

If your employer matches your contribution, it's truly like getting "free money." For example, if your company matches 25%, that means that they kick in 25 cents for every dollar that you contribute, up to a certain maximum limit. You'd enjoy an immediate 25% return on your investment! (Subject to the vesting schedule.) As a personal goal, you should try to contribute at least enough to get the most match available. To review what that amount is, contact your plan administrator. After all, we're talking about free money here!

Account for your money

Knowledge is power—people who know where their money goes spend far less and save more. Try keeping a notebook or journal with you to record your small cash purchases. How many videos are you renting per week? Are you packing dinner leftovers for lunch, or are you ordering out most days?

Monitor your ATM withdrawals

After you've spent enough time recording your spending in your notebook, put

A Slice of Life ... continued on page 2.

A Slice of Life … continued from page 1.

yourself on a strict weekly cash allowance. Decide how much to withdraw from your bank account each week and make a commitment to live within this amount. If you're married, involve your spouse. If you're single, recruit a roommate or friend to join you. Then put your ATM card in a drawer. Challenge yourself and set a tight budget. Then try to gradually reduce your weekly cash allowance over time. When you are consistently able to end each month with extra money in your checking account, pay yourself a reward by increasing your retirement contribution 1% to 2%.

Pay off all your credit cards

By paying off debt, you get a return of whatever the interest rate happens to be. For example, if you pay off $1,000 on a credit card charging 18% interest, that's like getting an 18% return on your money. Even in today's strong economy, that kind of return is not easy to earn! Start by listing your credit cards beginning with the one with the highest rate. Cut up all of them except the one or two with the lowest rates. Begin paying extra every month on the card with the highest rate. When it's paid off, move to the card with the next-highest rate. When you've paid off all your credit cards, pay yourself another reward by saving more in your retirement account.

How much of your workday is dedicated to your retirement future?

Have you ever considered how much of each workday is spent funding your retirement dreams? With the aid of a calculator and the exercise below, you can estimate how much time you spend each day working specifically toward your retirement goals.

Your Piece of the Pie

	Sample	You
• Percent you contribute to your retirement plan	5% (.05)	________
multiplied by	x	x
• Number of minutes in the average 8-hour workday	480	________
equals	=	=
• Minutes spent each workday on retirement dreams	24	________

Take and Bake

Use this calculation to see how long you work each day to pay for each of your major expenses, such as food, mortgage/rent, clothing, gas/transportation, and entertainment. Just estimate the total you spend each month in each category and divide it by your monthly salary to get its percentage of your pay. Then multiply that figure by the number of minutes in your average workday.

W H A T   D O   Y O U   K N O W ?

Some excellent paperbacks are available to help jump-start your budget and energize your contribution to your retirement plan. Look for the following titles at your local bookstore, or purchase them online through Amazon.com.

- *Bonnie's Household Budget Book*, by Bonnie Runyan McCullough
- *One Thousand and One Ways to Cut Your Expenses*, by Jonathan D. Pond

Keep a spending notebook for one month on the five spending categories below. At the end of the month total up the cash expenditures. Then estimate how and by what amount your household can reduce expenses for each category each month. Vow to allocate a part of the savings toward increasing your monthly retirement plan contribution.

Spending Categories	One-Month Cash Expenditure	Monthly Cutback Target ($)
• Video rentals	________	________
• Lunch out	________	________
• Coffee-to-go	________	________
• Dinner out	________	________
• Non-sale clothing	________	________

Are You Suffering From Statement Shock?

Participants report grumpiness, severe anxiety, and an urge to scream. Alternate: Doctors recommend reading this article

When Smiling Jack recently opened his quarterly retirement plan account statement, he was filled with shock. His favorite aggressive growth fund (the fund that was going to lead him to his retirement dreams!) had decreased in value from last quarter. "How can this be?" thought Jack. "I've gotta find another winner quick!"

Remember to keep breathing

Have you ever felt like Jack? If so, don't despair. Participants all over the country are feeling uneasy about a volatile stock market. But even with the general upward trend of the stock market over the last several years, it's important to remember that with the highs also come the lows. How you react to the lows can have a big impact on how successful you are in reaching your retirement goals.

If you're feeling the symptoms of statement shock, take two aspirin and ask yourself one important, fundamental question: *Does the fund still meet your long-term goals?* Say this to yourself in front of the mirror in the morning. Chant it to yourself in the car on the way to work. Speak it to your dog. If you conclude the fund is still meeting your retirement goals, then keep the faith!

When your goals are not met ...

There are a number of sound reasons to move your money around. If you're approaching retirement, you may want to reduce your risk and look at less emphasis on stocks. Or, depending on what you plan to do in retirement, you may want to maintain or even increase your opportunity for growth. Check out the reasons why Jack and Judy need to rebalance their investments.

Jack—The rising stock market

Several years ago, Jack made the decision to divide up his retirement assets equally between bond funds and stock funds. However, he was surprised to see how his 50/50 split had actually changed when he last checked his statement. Due to big gains in the stock market, Jack's "split" was now 75% stocks and 25% bonds!

Is this still meeting his long-term goals? Jack has always been willing to expose up to half of his investment to the risk of the stock market (he feels that anything over half will just keep him up at night). But with 75% of his current balance made up of stocks, Jack should probably move some money out of the stock fund and into the bond fund to get back to his comfort zone.

Judy—Making up for lost time

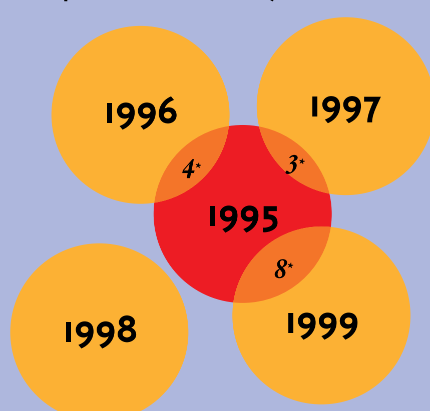
Jack's wife, Judy, didn't participate in her retirement plan right away. After all, there were bills to pay, not to mention braces and college for the kids. It was tight. When she finally did start to contribute, she felt more comfortable with a conservative approach. Most of her money is in bond funds.

Looking at her most recent statement, she wonders where she might be had she started earlier, and been more aggressive. Since she'd like to retire in 10 years, she is now considering moving money from her bond funds and into stock funds. For one thing, stocks may offer more opportunity for growth and a chance to make up for lost time. And, with the current swings of the stock market, she may be able to take advantage of lower prices.

Just remember—Even the most carefully thought-out investment choices should be reviewed at least annually. Always reassess your goals, and rebalance your investments when necessary.

Funds are Trendy Too

Top 50 Mutual Funds for Each Year



***Indicates how many funds made the list of top performers in both 1995 and each subsequent year.**

The simple fact is, any fund can go into a slump. If you feel like bailing out in favor of another fund that was a star performer this quarter, consider the following:

Of the Top 50 mutual funds for 1995:

- *Four funds made the same list in '95 & '96.*
- *Three funds made the same list for '95 & '97.*
- *No fund made the list in both '95 & '98.*
- *Eight funds were on the list in '95 & '99.*
- *No fund made the top 50 list 3 years in a row.*

In fact, one-third of 1995's Top 50 list fell to the bottom half in each of the years 1996 through 1999! That means over 2,500 funds performed better.

RETIREMENT IN MOTION

A regular spotlight for participants approaching retirement

The *Me* Generation

As your retirement nears, it's time to start focusing on yourself.

The countdown has begun: five years and counting ... five months … three months, two, one ... and then ... *what*? As your retirement date comes ever closer, are you giving any thought to how you will actually spend your time? Sure, maybe you've dreamed of international travel, more time spent with family, and lots of time to pursue hobbies and recreation. But what about all those days in between?

The truth is, your typical retirement day will probably not differ all that much. Besides going to the movies on a weekday afternoon, or baby-sitting a grandchild on short notice, most retirees will admit that life doesn't really change all that much. In fact, retirement can be hard work! There are still finances to manage, bills to pay, errands to run, groceries to buy, and meal preparations to make. And, of course, all those household chores don't just vanish! The difference is, you need to begin focusing more on yourself. After all, you can look forward to spending 20–25 years in retirement.

The following topics can help you begin to focus on developing your most valuable retirement asset: you.

Medical insurance

In retirement, you may have a number of insurance issues to deal with, such as complex Medicare, Medigap, and long-term care forms. Help in understanding the different kinds of coverage and filing procedures is available through your local chapter of the American Association of Retired People (AARP) or Social Security office. You can also find helpful information on AARP's Web site at www.aarp.org.

Financial planning

To be sure that your money lasts throughout your retirement, you may need to spend time and energy watching your budget and managing your finances. In retirement, you may still have to pay taxes, so you will need to be sure you are saving enough to pay your estimated federal taxes (and, if applicable, state taxes) four times a year. In addition, when you reach age 70½, you are required by law to begin withdrawing a minimum amount from your retirement accounts. To initiate this "required minimum distribution," you may want to enlist the help of a financial advisor or accountant.

Eat right and exercise regularly

Staying fit is especially important if you want to remain healthy enough to enjoy every moment of your retirement! Your local YMCA is an excellent source for overall fitness classes for seniors.

Keep your mind active

Many retirees stay mentally fit by taking college courses, pursuing neglected hobbies, or providing consulting services. Others volunteer to work for local civic and charitable organizations. You might even consider a second career in a field that challenges you to learn new skills.

Stay in touch with your workplace

As you enter retirement, you may find yourself missing going to work. For some, the workplace may have been like a second home and an essential part of their social life. To help adjust to the lack of daily interaction and to avoid loneliness, resolve to schedule an occasional lunch with work friends.

Start now

Whether you're planning to retire in five years or five months, it's never too early to start thinking about how to best spend your retirement. That is, between cruises and golf games!