REINVENTING Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
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STAND BY YOUR PLAN

A sound investment strategy can help reduce the market stress on your retirement plan

Profit warnings. Company layoffs. Market jitters. Reading the business section of any newspaper these days can be a real test of your investor confidence. Especially when the ups and downs of the market keep finding their way into your retirement account balance!

But you know what? A sound investment strategy is the best way to get through both the good times...and the not so good times!

Get in the Know About Risk

Making sure you understand all the different types of risks involved in the world of investing can help lessen the surprise and uncertainty of what's happening today in the market. Smart investors understand that risk is part of the deal. Here's an overview of the types of risk that all long-term investors need to be aware of:

Market Risk is the risk that the value of your investment will drop due to a decline in the financial markets.

Business Risk is the risk that an investment will lose value because of a decline in a particular type of company or industry (a current example is the high-tech sector).

Inflation Risk is that your investments will lose value because their returns will not keep up with the cost of living.

Economic Risk is that a recession will dramatically affect corporate earnings, resulting in falling stock prices.

Not Investing is the risk that you will not have enough retirement income to do the things you need or want to do in retirement.

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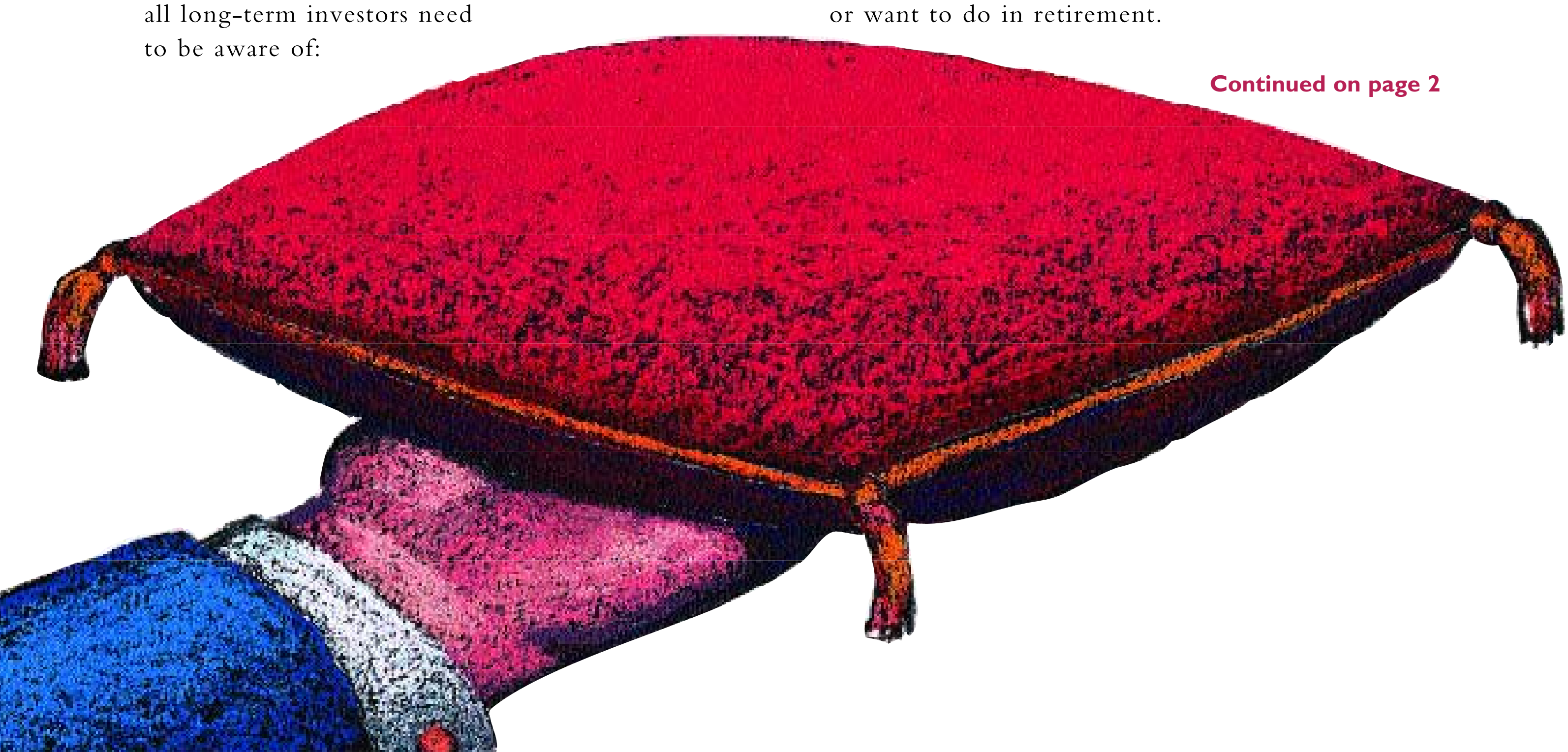

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Manage Risk Through Diversification

Diversification means spreading your money among several different types of investments (stocks, bonds, and cash equivalents/stable assets) in order to balance out the risks. Diversification can help you better protect your total return over the long term. The confidence that comes with having a well-diversified plan will also help you avoid the temptation to switch in and out of funds in the hopes of finding a better return.

Here are some diversification strategies to consider to help you better manage risk:

Manage **Market Risk** by considering cash equivalent investments, such as money market funds and stable assets, as part of your portfolio. In addition, when it comes to selecting stock funds, you may want to consider incorporating both growth and value categories of stock funds in your strategy. Growth funds invest in stocks that are expected to produce above-average earnings growth, even if the current price is high. Value funds invest in stocks that are considered under-valued relative to their earnings. Of the two categories, growth funds are generally considered to be more volatile.

Manage **Business Risk** by considering investments that are diversified among a number of different types of companies and industries.

Manage **Inflation Risk** by keeping part of your money in stocks, which historically have out-performed inflation over the long term. Remember, though, that past performance does not guarantee future results.

Manage **Economic Risk** by diversifying internationally as well as domestically–in both stocks and bonds. But keep in mind that foreign investing may be subject to greater risks due to political, economic, or currency instability.

How diversified is your current portfolio? It may be a good idea to review the investment objectives of any funds in which you invest. You can do this by obtaining the most recent fund prospectus from your plan administrator. The investment objectives will give you a better idea of just how diversified you really are against all the different types of risk.

Remember to keep investing—and increase your contribution as soon as you can! With pretax saving and tax-deferred compounding, the potential benefits of investing in your Plan—even through the down times—can be significant!

Avoiding The Trap

Long-term investing means taking bear markets in stride

As we all have personally come to know, a bear market is an extended downtrend in the market. Many people get tentative about putting more of their money into stocks, out of fear that prices will continue to drop. Some may even be tempted to sell their stocks and stock funds.

Long-term investors who follow a sound investment strategy don't let themselves fall into this bear trap. History has shown that, over time, the stock market trends upward. In fact, from 1926-2000, stocks have returned an average of 11.05%. If you sell your stock funds when the market is down, you risk missing out on some potentially significant returns over the long term!

✓ Bear Facts

The last major bear market was in 1973-74, when the stock market lost 45% in value. During this time, the S&P 500 Index fell by 50%. But by mid-1975, it had recovered by more than half that amount! Bear markets will come and go, but your retirement plan is here for the long haul. Here are two simple tips to help keep you grounded:

✓ Consider Your Years to Retirement

The more time you have until you retire means you can hold onto your investments longer. You may be able to handle more risk in your portfolio.

✓ Perform an Annual Check-Up

Pick a date (such as your birthday or start of each new year) to make sure that your current asset allocation reflects both your goals and your comfort level with risk. Make this the time for increasing your contribution as well—perhaps 1%-2% of your pay.

Sources: Ibbotson Associates; Lowrisk.com; Newsweek 7/23/01. The Standard & Poor's (S&P) 500 Index is an unmanaged, market value-weighted index of 500 blue-chip stocks and is generally considered to be a benchmark of the overall stock market.

Know Your Goal

Have you finally given up hope of getting on the television game show "Who Wants to Be a Millionaire?" Well then, it's time to settle back into reality. Rising costs, longer life spans, and the desire to do more in retirement make it increasingly important to get a firm handle on your retirement income needs. However, a recent survey by the Employee Benefit Research Institute showed that only 39% of workers have actually tried to calculate how much money they need to retire.

Retirement calculators can be valuable tools. They get you thinking in detail about retirement and provide a starting point to building very specific financial goals. They can also help you realize the valuable role your employer-sponsored retirement plan can play in funding your financial future!

Inside the Numbers

Key components of a retirement calculator may include:

• Assumptions that you can build into your calculation, such as your number of years to retirement, life expectancy, hypothetical annual rates of return as well as an inflation factor.

• A determination of the percentage of your preretirement working income that you will need replaced.

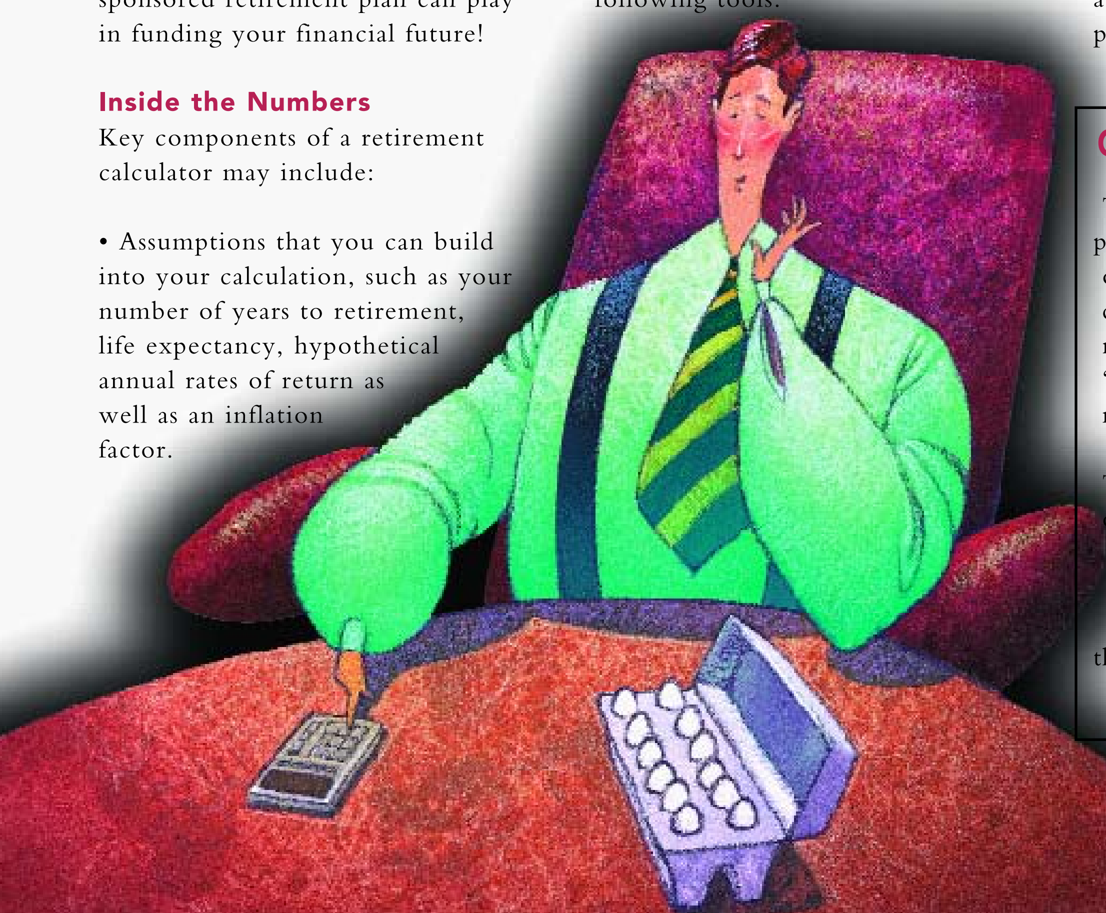
• A calculation of the annual dollar amounts you expect to receive from all retirement income sources.

• A calculation of any surplus or shortfall in annual income needs.

• A determination of the lump sum that you will need to have saved on your own through your employer-sponsored retirement plan to provide for any income shortfalls.

• A determination of the amount you will need to save annually through your employer-sponsored retirement plan in order to reach your lump sum goal. This can help you determine if you're currently on track or need to increase your contribution.

There are many resources available—from fancy Web-based calculators to old-fashioned, pencil-based worksheets. Check out the following tools:



Your Current Retirement Plan Provider

Check with your plan administrator for available educational resources which are supplied by your plan provider, or review your current enrollment kit.

American Savings and Education Council (ASEC)

You can access their "Ballpark Estimate" calculator at **www.asec.org.** If you complete the worksheet online, the computer will do the math. If you decide to print it out, you'll have to do the math. A printed version is available in Spanish as well.

Ernst & Young's Retirement Planning Guide, 2000

This guide contains several retirement planning worksheets for help in making projections. It should be in stock at your local bookstore, or amazon.com.

It's important to realize, however, that any calculation is just a starting point. You should perform a calculation annually updating the assumptions you make as your personal circumstances change.

Candid Calculations

53% The percentage of workers who did a retirement needs calculation that says they are "on track" or "ahead of schedule" in meeting their financial goals.

71% The percentage of workers who did not do a calculation who feel they are "behind schedule" in meeting their financial goals.

Source: EBRI Retirement Confidence Survey, 2001.

Retirement In Motion

A REGULAR SPOTLIGHT
FOR PARTICIPANTS APPROACHING RETIREMENT

Going The Distance

As the time to retirement grows shorter, it's a good time to remind yourself of one simple fact: The retirement planning process never ends! Getting answers to a few questions now can help jump-start your retirement planning well into the future. Many people approaching retirement have questions, such as:

What is involved with estate planning and when should I start thinking about it?

When do I need to start thinking about buying long-term health insurance?

Should I roll over my retirement savings to an IRA when I retire?

How can I get a better handle on my potential living expenses during retirement?

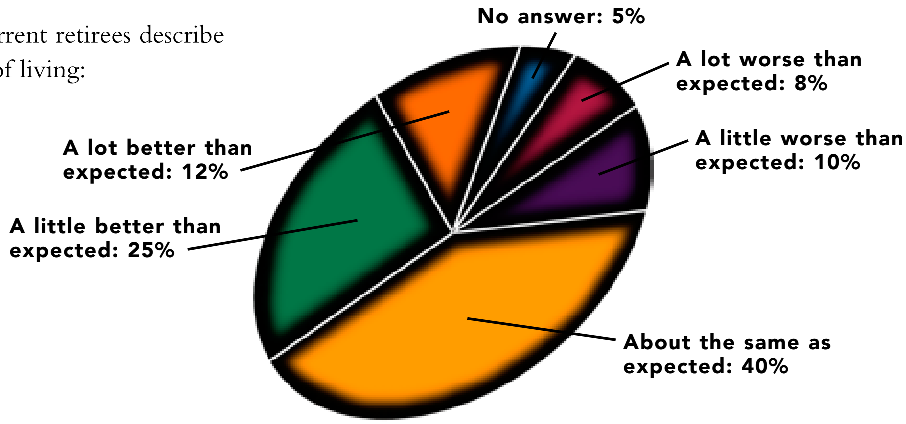
What investing strategy is best for me during retirement?

What other financial products might make sense for me during retirement?

To make sure you stay in control of the financial future you've worked hard to build for yourself, you may want to consider the help of a financial advisor. Your current retirement plan provider may be able to help you with any special investment and financial planning needs you may have during retirement. Be sure to check with your plan administrator for more information on the additional financial services they may offer.

Life After Work

Here's how current retirees describe their standard of living:



Source: Employee Benefit Research Institute Survey, 2001.