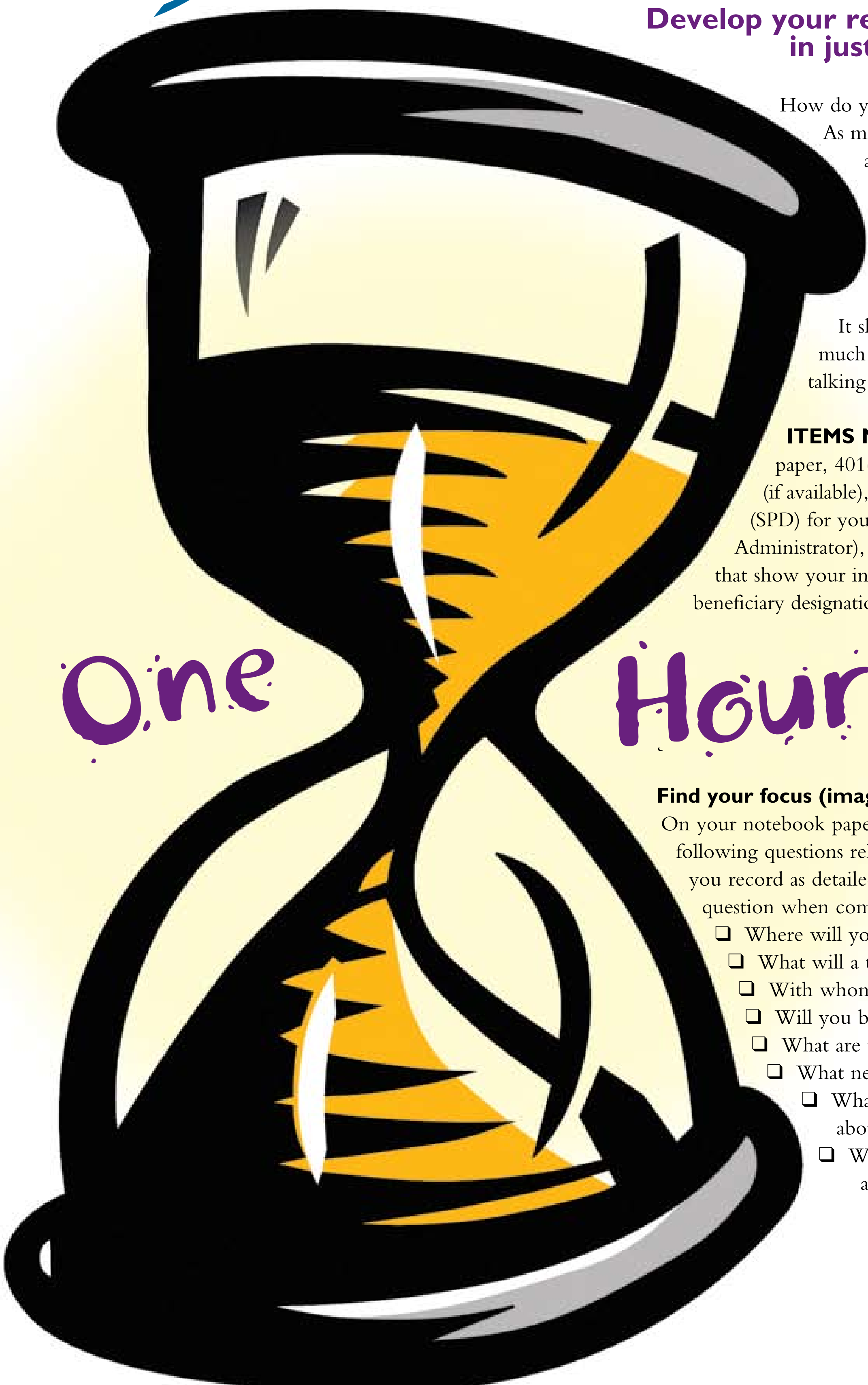
REINVENTING Retirement

YOUR RETIREMENT PLANNING NEWSLETTER

1st QUARTER 2003



Develop your retirement picture—in just one hour

How do you picture your retirement? As most financial advisors will tell you, achieving your retirement dreams requires the ability to visualize. Not to mention some careful planning to help complete the picture! Completing the following practical exercises will help you develop a clear picture of your retirement plan. It should only take you around an hour—not much to ask considering it's your future we're talking about here!

ITEMS NEEDED: Pencil, calculator, notebook paper, 401(k) account statements from last 4 quarters (if available), current Summary Plan Description (SPD) for your 401(k) plan (available from your Plan Administrator), copy of your contribution form(s) that show your investment allocations as well as current beneficiary designation.

One Hour Photo

Find your focus (imagination required)

On your notebook paper, write down your answers to the following questions relating to life in retirement. Make sure you record as detailed an answer as possible. Check off each question when completed.

- ❑ Where will you be living?
- ❑ What will a typical day be like?
- ❑ With whom will you be spending time?
- ❑ Will you be caring for someone elderly?
- ❑ What are your travel plans?
- ❑ What new interests/hobbies will you explore?
- ❑ What is the most important concern to you about retirement?
- ❑ What will be some of your major financial and other obligations?

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ZOOM IN

... on your asset allocation

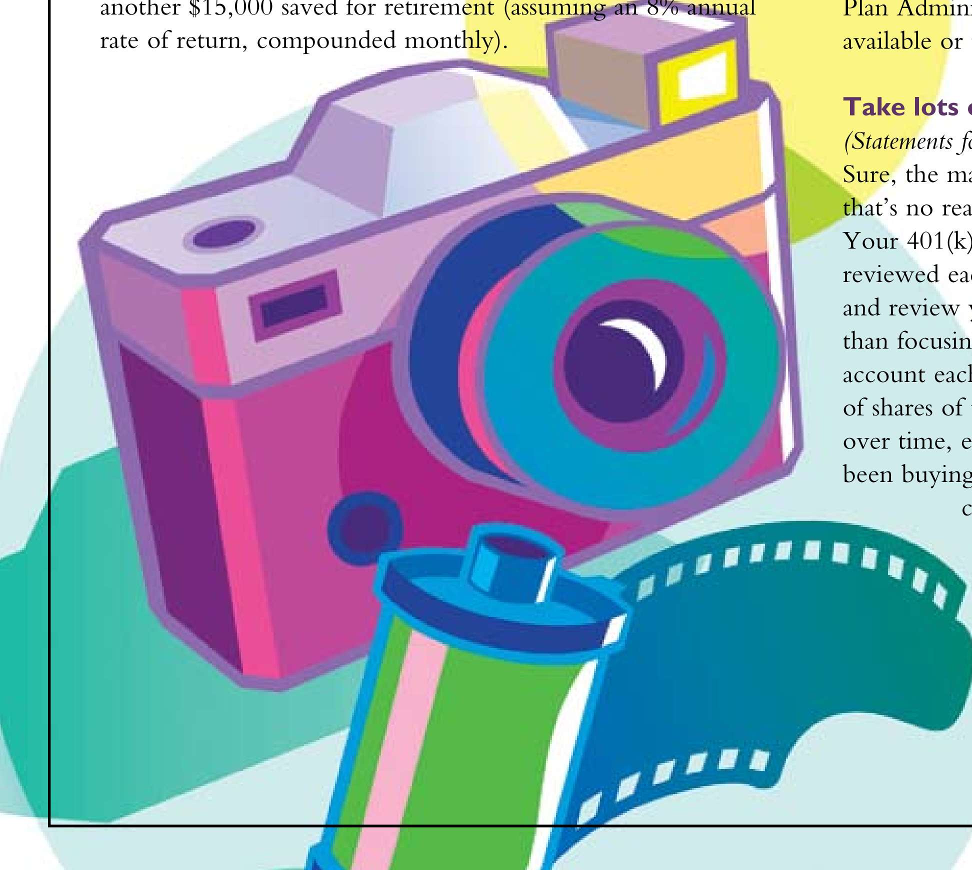
(calculator, current account statement and copy of enrollment form required)

Does your current investment strategy reflect your tolerance for risk, your time horizon, and your financial goals? As major life changes occur, your priorities may change. For example, many younger workers are able to take on more aggressive investments, since they have much more time to ride out the market lows. People who are nearing retirement may decide to shift some assets to more conservative investments.

You may also need to rebalance your portfolio. Rebalancing is the process of adjusting your portfolio's investments so that they match your desired allocation. You simply sell assets that make up too large a proportion of your overall portfolio and use the proceeds to buy back those that have become too small a proportion. Take some time now to compare the allocation percentages from your current account statement with your desired allocation. You may want to seek the services of a financial advisor on this matter.

Light up your contribution *(calculator required)*

In 2003, the maximum you can contribute to your 401(k) plan is $12,000 ($14,000 if age 50+ if allowed by your plan). However, for many of us that's just not possible. If you can't do the maximum, then try increasing your contribution just 1%. For example, let's say you earn $30,000 per year. A 1% increase amounts to $300, or $25 per month. If you were to contribute that extra amount each month for 20 years, you'd have almost another $15,000 saved for retirement (assuming an 8% annual rate of return, compounded monthly).



Flash Photography

Multiply current annual salary by 1% (.01): A ____________
(to calculate your additional annual contribution)

Divide the amount on line A by 12: B ____________
(to see what your additional monthly contribution would be)

Multiply the amount on line B by 593: C ____________
(to see what the additional future value in 20 years could be*)

* *Assumes an investment in a tax-deferred retirement account in which you hypothetically earn an average annual rate of return equivalent to 8%, compounded monthly. 593 is the future value multiplying factor for this. This illustration is not based on (or predicting the performance of) any specific investment or savings strategy. Most 401(k) investments will move up and down with the market over time, producing better or worse actual returns for you. Your returns are not guaranteed. Withdrawals made prior to age 59½ may incur a 10% IRS penalty.*

Give your beneficiaries some exposure

(copy of enrollment forms required)

If you are married, your spouse is automatically the primary beneficiary of your 401(k) plan. If you want to name someone else (such as a child) as your primary beneficiary, your spouse will need to sign a special form, which is a waiver of rights to your 401(k) benefits. Also, if you are divorced, widowed, or remarried, you probably should review your current beneficiary designations to make sure they match your current wishes.

Stay out of the darkroom

(copy of Summary Plan Description required)

Does your Plan offer any new investment options, new Plan features or any other new educational tools or resources to help you plan and save for your future? If so, what are you doing to take advantage of them? You owe it to yourself to consider all new opportunities to better your financial future! To stay on top of your Plan's features, review the most current Summary Plan Description (SPD) available for your Plan. Check with your Plan Administrator to see if there are any new educational tools available or to review any current materials on hand.

Take lots of statement snapshots

(Statements for the last four quarters required)

Sure, the market's been a big negative for a long time now. But that's no reason to use your account statement as birdcage liner! Your 401(k) account statement should be opened and carefully reviewed each quarter. In fact, if they are available, go back and review your statements over the past four quarters. Rather than focusing your attention on the actual dollar value of your account each quarter, try looking at the changes in the number of shares of the mutual funds that you own. You may notice that over time, even though your account value is down, you have been buying larger quantities of shares of each fund with each contribution. When the market starts to rebound, you will have more shares that have the potential to increase in value over the long term.

To help you stay focused on your financial future, make a firm commitment to revisit these exercises on a regular basis. After all, a picture is worth a thousand words!

Breaking Up Is Hard To Do

Although it's certainly not a very positive topic, the circumstances of a divorce present a unique challenge to the retirement planning process. Should you be faced with this unfortunate life situation, how will it affect your 401(k)?

As tough as it is to break up with your 401(k) account, you've got to face reality. The 401(k) assets that have been with you through thick and thin are typically considered marital assets. As such, the 401(k) assets will most likely be split between you and your spouse.* Of course, you both may decide to split other assets of comparable value and keep your retirement account(s) intact. However, should you decide to split up your 401(k), here is some general information to keep in mind.

With a 401(k) plan, you have to file a Qualified Domestic Relation Order, commonly known as a QDRO (pronounced "quadro"). It's a court order that creates the right for your ex-spouse to receive all or part of your plan account. If the court divides your account through a QDRO, most employers will set up a separate account for the ex-spouse. Some will let the ex-spouse withdraw his/her share as a lump sum that can be rolled over to an IRA. The ex-spouse may also be able to take a portion of the money as a distribution and, with a QDRO, will be exempt from the 10% early withdrawal penalty.

Family law attorneys who are knowledgeable in the area of retirement benefits should be consulted. They can help coach you in obtaining information, valuing and dividing your retirement benefits. Of course, you'll want to seek out the services of an experienced financial advisor on such matters. Many financial planners today specialize in the area of divorce planning.

For more information, check out the following resources:
- *Divorce & Money: How to Make the Best Financial Decisions During Divorce* by Violet P. Woodhouse
- www.divorceinfo.com
- Additional related online articles can be reviewed at about.com: http://financialplan.about.com/cs/divorceandmoney

*This article exclusively addresses 401(k) assets. Non-qualified assets, such as IRAs and Simplified Employee Pensions (SEPs), are subject to state laws. Please consult an attorney or financial advisor for information and advice specific to your personal circumstances.

MINDING THE MONEY

By law, all 401(k) savings must be held in a trust account, separate from the assets of your employer. The Department of Labor requires your employer to send your contributions to the 401(k) Plan Trustee as soon as possible, and in any case no later than 15 business days after the end of the month in which you make them. Many employers send employee contributions to the Plan Trustee within a few days of payroll.

In the unlikely event that you or your employer declares bankruptcy, the trustee protects your money. Federal law says that creditors aren't allowed to seize your 401(k) savings.

DREAM TEAM

During long, drawn-out stock market downturns, it's tough to stay optimistic. It may bring you some comfort to know that there are many talented and experienced people dedicated to helping you reach your retirement savings goals. Do you know who they are? Try matching the following 401(k) dream team members with their specific role:

1. Recordkeeper
2. Plan Sponsor (Employer)
3. Plan Trustee
4. Investment Manager
5. Plan Administrator

a. Responsible for coordinating and managing the efforts of all team members on your plan's behalf. In many cases, provides you with valuable retirement planning education and communication materials (such as this newsletter!).

b. Tracks your contribution rates, investment selections and balance; provides account statements; keeps track of any matching employer contributions; tracks and administers any loan features of the Plan.

c. Individual or firm that offers the investments available to you; may be a mutual fund company, insurance company, bank or brokerage firm, for example.

d. Sets up the plan and defines the rules of how the plan operates (within IRS and Department of Labor guidelines); chooses the investments available to you; deducts your contributions and sends them to the proper party for processing.

e. Holds title to the assets on your behalf. Ensures that your contributions and withdrawals are made according to your plan's rules; invests your money according to your wishes.

Answers: 1-b; 2-d; 3-e; 4-c; 5-a.

Retirement in Motion

A REGULAR SPOTLIGHT
FOR PARTICIPANTS APPROACHING RETIREMENT

Offering your aging parents support and guidance with their financial affairs

As many people reach age 50 and beyond, caring for an aging parent will become a key consideration. At some point it will become almost inevitable: Your parents are going to need your help with money and health issues. If your parents are advancing in age (early 70s or older), it may be a good time to offer a little help and guidance with regard to their financial affairs.

When it comes to discussing personal financial affairs with your parents, financial advisors often suggest that you start slowly and work up to more detailed conversations. However, it all depends on your parents. Some may be more open and forthcoming. Others may view sharing this information as a loss of independence. The important thing is to open up the channels of communication as soon as possible. One or both of your parents could become seriously ill or incapacitated. In addition, seniors may be more susceptible to scams and frauds. And, at some point, your parents may become unable to keep up with their financial affairs as their physical and mental abilities diminish. Waiting until a crisis occurs can cause much heartache and stress (not to mention financial losses!).

Where should you start? Your first move should be a simple heart-to-heart conversation. Explain to them that it will be easier for you to help them later (when they really need it) if they share details about their finances with you now. If your parents are uncomfortable with this, then at the very least they should be willing to tell you where they keep their important financial records and documents (just in case of an emergency).

Here's a quick checklist of important information you should know about your parents:

- Do they have a will? If so, where is it kept?
- Do they have a living will or medical directives so someone can speak for them should they become incapacitated?
- Do they have a durable power of attorney so someone can handle their financial affairs if needed?
- Social Security numbers.
- Details of any insurance policies, including health, life, and long-term care.
- Health records.
- Debts and payments.
- Income, including retirement plans, social security, annuities, dividends, etc.
- Savings and investments, including bank account numbers and names of financial institutions.
- Tax returns.
- Location of safe deposit boxes and keys to boxes.
- Names and phone numbers of legal advisors, doctors, attorneys, insurance agents, accountants, etc.

When it comes to guiding your parents through the many financial and health issues they will face, it's important to keep a few things in mind:

- Always respect their rights and wishes.
- Give them as much control as possible.
- Keep their money separate from yours.
- Involve them as much as possible.
- Keep them informed.