SPRING 2004

REINVENTING Retirement

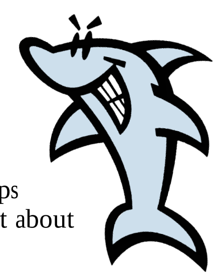
YOUR RETIREMENT PLANNING NEWSLETTER

REALITY INVESTING

When you think about it, reality TV shows have a lot in common with the basics of investing!

Are you tired of all the reality TV shows on the air lately? Perhaps you should look at them in a different light. Let these popular primetime shows inspire your investment planning.

The Real World



A group of investments is picked to come and live together in your 401(k) portfolio. How they will all get along is anyone's guess. Over time, some of the investments may leave and be replaced by new ones. There will be plenty of ups and downs. In the end, you will have learned a lot about yourself in the process.

Sounds like a certain reality show on MTV, but the experience of building and maintaining an investment plan for the long-term is very similar.

When investing for retirement, one of your goals should be to pick a mix of investments which balances investment risk and investment return potential. A typical retirement savings portfolio will most likely be a combination of the following investment types (or asset classes):

Stable Value Investments are usually considered the most conservative investment option in a retirement plan because they are designed to add stability to your portfolio. Stable value investments try to maintain a steady market price, while also generating income. Popular stable value investments include certificates of deposit, money market funds, Treasury bills, and guaranteed investment contracts.* Although they are a reasonably safe investment option, the main risk is that they may not keep pace with inflation.

**Certificates of deposits are FDIC insured. Treasury Bills are guaranteed by the federal government as to the timely payment of principal and interest. Unlike bank savings accounts, 401(k) plans are not FDIC insured and the underlying investments are subject to investment risks, including the possible loss of the principal amount invested.*

Bonds are like IOUs – they represent shares of a corporation's or government's debt. Investing in bonds essentially means that you have lent money to an entity for a certain period of time and a stated rate of return. Bonds also describe the terms of a loan. They generally offer the potential for higher returns than stable value investments. But bond prices are not fixed – their prices may rise as interest rates fall, and vice versa. Bonds can be an important investment option, particularly if you're close to retiring.

Stocks are shares of ownership in a corporation. Of the various investment categories, stocks offer the greatest potential for higher returns. But they also have the highest degree of risk since their prices rise and fall more sharply and more often than other investments. If you have many years until you retire, then stocks could be an appropriate retirement investment option. That's because you have many years to ride out the ups and downs of the market.

Survivor

You can best survive market ups and downs by diversifying among the many different types of investments available. Which investments are right for you will depend on your personal goals, years to retirement and tolerance for risk. The decisions you make about diversification among the different asset classes will substantially influence your portfolio's risk level and potential for return. Make sure you take advantage of any investment education materials offered by your 401(k) plan provider, including a risk tolerance quiz or investment personality assessment.

Fear Factor

There aren't too many 401(k) investors who don't spend at least some time worrying that they'll lose some of their money. It comes with the investing territory! The tendency of an investment to fluctuate in value is known as volatility. There are several different ways of measuring volatility. Standard deviation and beta are two widely used statistical measurements of an investment's volatility.

Standard deviation is the amount of swing in performance that an investment can be expected to have from year to year. The standard deviation is an investment's "average variation from its average return." The higher the standard deviation is, the greater the volatility (and therefore the greater the risk).

Beta is a quantitative measure of the volatility of a given stock, mutual fund, or portfolio, relative to the overall market, usually the S&P 500. A beta above 1 is more volatile than the overall market, while a beta below 1 is less volatile.

Extreme Makeover

Over the long-term your portfolio may have a tendency to get out of balance (during both rising and declining markets). You can stay on target with your investment goals by rebalancing

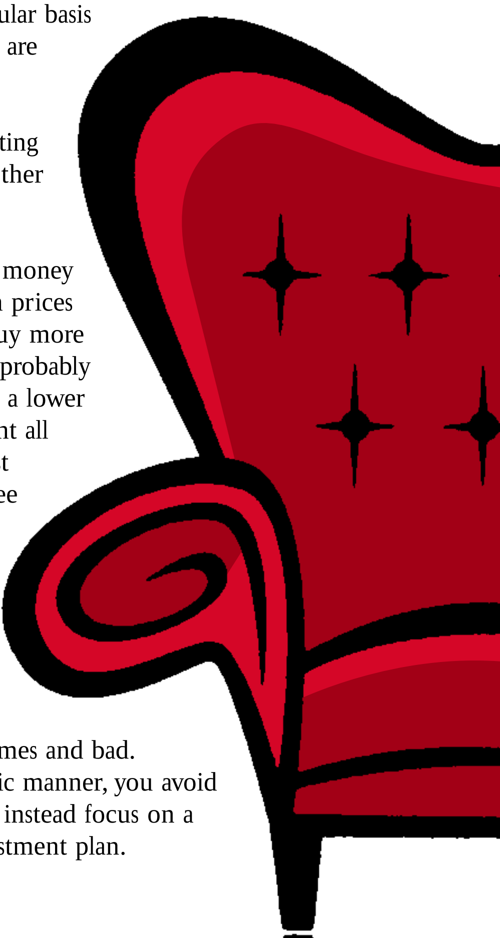
your portfolio on a regular basis, such as quarterly, semi-annually, or annually.

Let's say you decide on a long-term strategy of 60% stock funds and 40% bond funds. You direct contributions to your 401(k) account based on this strategy. However, at the end of the year you find that your stock fund balances have grown faster than your bond fund balances. As a result, you now have 70% of your total plan assets in stocks and just 30% in bonds. If you want to stay with your original allocation strategy, you need to rebalance your account. This can be easily done by transferring enough money out of your stock funds and into your bond funds so that 60% of your total plan assets remain in your stock fund investments and 40% are back in your bond investments.

American Idol

It's only human nature to desire fame and fortune. When it comes to investing, many people are tempted to try and outguess the market or follow the next "hot" stock or fund — all in the hopes of hitting it big. But there are no shortcuts to investing success.

The secret to beating the market is to buy when prices are low — except no one knows for sure which direction tomorrow's market will go. Instead of trying to guess, just keep investing regular amounts at regular intervals.



This method of investing is called dollar cost averaging. Dollar cost averaging is investing a specific amount of money on a regular basis no matter how the markets are performing. It is a way of managing risk over time: sometimes you will be investing when prices are high and other times when prices are low.

When prices are high, your money will buy fewer shares; when prices are low, your money will buy more shares. Over time, you will probably end up with more shares at a lower price than if you had bought all at once, although dollar cost averaging does not guarantee a profit or protect against loss in declining markets.

With your 401(k), dollar cost averaging is automatic because you buy shares with every pay-check, during both good times and bad. By investing in this systematic manner, you avoid chasing market returns and instead focus on a committed, long-term investment plan.

Research tools to help you make the right investment decisions

When you make an investment, there is no shortage of people around to give you their advice and opinions: your relatives, your friends, even your co-workers. But many investors seek out the opinions of neutral third parties. There are many firms that rate mutual funds and they all use different methods to determine their rating.

It's very likely that the funds offered through your 401(k) plan are rated by the following three companies. Here's a quick overview of what they do:

Lipper® bases rankings strictly on fund performance

- There is no adjustment for risk.
- Funds ranked from highest to lowest performance for the period being reported, within a certain investment category.
- Lipper is a paid research service (www.lipperweb.com).

Value Line® ranks funds on a scale of 1 to 5 based on two factors:

- Overall measurement of various aspects of performance, including risk (1=highest rank).
- Separate risk factor that rates the total level of risk the fund has assumed (1 = safest).
- Check your funds out at: http://valueline.stockpoint.com/valueline/quote.asp. There is no subscription required to look up fund information.

Morningstar® evaluates funds' relative returns and risks

- A quantitative "star" system is used to determine a risk-adjusted rating.
- Funds that perform best against their category peers are identified and receive the highest number of stars (peers are similar types of mutual funds from other fund companies).
- Of the funds rated in each category, 10% receive five stars, 22.5% receive four stars, 35% receive three stars, 22.5% receive two stars, and 10% receive one star.
- There is no costs required to look up fund information. However, for more detailed fund information, there are costs involved.

Star Power

If you know the ticker symbol of the mutual funds in your portfolio (or any you are considering), you can check out their star rating at www.morningstar.com. Use information on the site to help you fill out this chart and learn more about the funds in your 401(k) account.

Your Current Funds	Ticker Symbol	Morningstar Rating (# of stars)

Mutual fund ratings should be viewed as informational resources only. They are not predictions of future performance.

Retirement in Motion

A REGULAR SPOTLIGHT
FOR PARTICIPANTS APPROACHING RETIREMENT

The *WHEN* and *WHERE* of *MEDICARE*

For people nearing retirement, planning for your future health care becomes more important with each passing year. One of the most common questions people have is "when does Medicare coverage begin?"

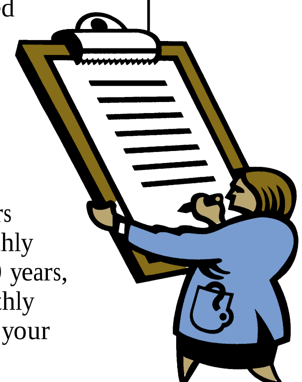
People who are already receiving Social Security benefits when they turn 65 (due to early retirement at age 62 or disability) will be automatically enrolled in Medicare. Otherwise, you can enroll at your local Social Security office.

It's best to enroll in Medicare during the three months before your 65th birthday. This ensures that Medicare coverage will start on your birthday month, and helps minimize any gaps in health care coverage. To join a Medicare HMO, you need to complete an HMO enrollment form and submit it to the HMO, which will notify Medicare.

Here's a quick review of what determines eligibility for Medicare:

- People who have been U.S. citizens or permanent legal residents for at least five years are eligible for Medicare if they are 65 or older; have been receiving Social Security Disability Income for at least 24 months; have End-Stage Renal Disease (ESRD) or permanent kidney failure; or have been diagnosed with Amyotrophic Lateral Sclerosis (ALS), also known as Lou Gehrig's disease.

- Those who've worked in the U.S. at least 10 years get Medicare Part A, which covers hospitalization, with no monthly premium. If it's fewer than 10 years, Medicare Part A carries monthly premium rates depending on your employment history. In 2004, those who have worked 7.5 to 10 years will buy Medicare Part A for a monthly premium of $189. Those who have worked fewer than 7.5 years can buy it for a monthly premium of $343.



To learn all there is to know about Medicare, check out the following Web sites:

Official Medicare Web site
www.medicare.gov

Medicare Rights Center
www.medicarerights.org

One Life to Live

One of the hardest things to factor into the retirement planning process is your life expectancy. Just how many "golden years" will there be? It's important, because you need to know how long your money needs to last! Here's a quick look at some life expectancies at various ages in retirement.

Age in Retirement	Life Expectancy
60	24.2 years
62	22.5 years
65	20.0 years
70	16.0 years
75	12.5 years

(Source: Internal Revenue Service Pub. 590 — Unisex Tables used for calculating Required Minimum Distributions from Qualified Retirement Plans)

Factors such as your current age, gender, height and weight, cardiovascular health, and even the ways in which you deal with stress can influence your life expectancy. Things like exercise, diet, quitting smoking, and drinking alcohol in moderation can help increase your chances of living longer.

A fun way to "guesstimate" your life expectancy is to play "The Longevity Game," sponsored by Northwestern Mutual Life Insurance Company. Go to http://www.nmfn.com/tn/learnctr--lifeevents--longevity. Playing the game can help you identify the factors that can positively (or negatively!) influence the number of years you have in retirement.