REINVENTING 1st QUARTER 2005
Retirement
YOUR RETIREMENT PLANNING NEWSLETTER

'Til Debt Do Us Part

Don't let debt destroy your long-term relationship with your retirement savings plan

If you feel like you're drowning in credit card debt, you are not alone. According to CardWeb.com, the average American household with at least one credit card has nearly $9,000 in credit card debt, with the average interest rate in the high teens.

As time goes by, do you find yourself drifting farther away from doing something much more positive for your financial future—like investing more money in your 401(k) plan?

Take Control

Collect the key information about each card. What do you owe? What's the interest rate? How close are you to your credit limit?

Prioritize payments. Make payments on every card but focus on eliminating the highest-cost debt first—an 18% loan before a 14% loan, for example.

Pay more than the minimum. It makes a huge difference. One example: if you make the minimum $100 monthly payment on a $5,000 balance at 18% interest, it will take more than 46 years to pay it off and will cost $13,931 in interest. Pay $200 a month, and you pay off the loan in less than 3 years, paying $1,314 in interest.

Negotiate with lenders. Many card issuers now charge $39 in late fees. It may pay to call your card issuers and ask for better terms. Lenders very often waive penalties, cut rates and adjust billing cycles for their customers. You can learn tips on how to negotiate with lenders by reading "Knee Deep in Debt" from the Federal Trade Commission: www.ftc.gov/bcp/conline/pubs/credit/kneedeep.htm

Avoid debt consolidation loans. It's tempting to take out a home equity loan to pay off credit cards. But if you don't change your spending habits, you may wind up even deeper in debt—this time with your house at risk.

Cancel and destroy each credit card as it is paid off. Plan to keep only two cards with low maximum limits.

Put Your Cards on the Table

Take some time and fill out the following information, and make sure you call your lender to try to negotiate better terms. And don't forget: once you've paid off the cards, reallocate the money you were paying to the credit card company to your retirement plan!

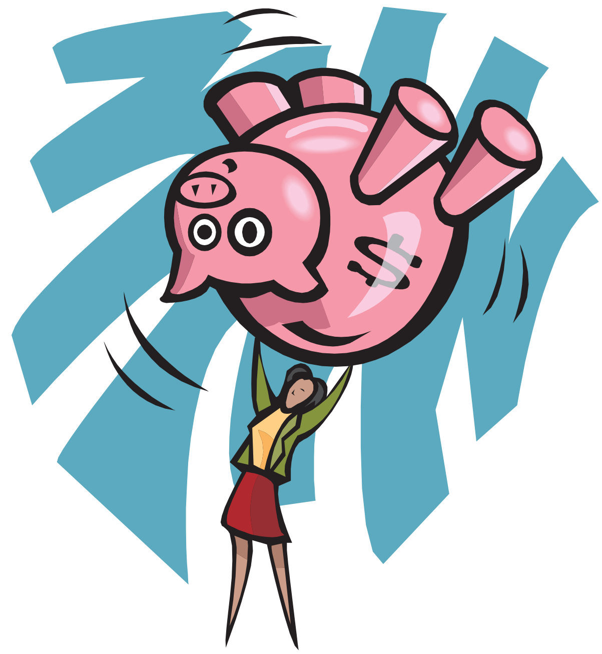
Credit Card/ Phone Number	Credit Limit	Current Balance	Current Interest Rate	Called to negotiate better terms	Target Payoff
ABC Bank Visa 555-123-1212	$10,000	$2,400	17%	√	12 months
XYZ Discover Card 555-456-7777	$5,000	$1,150	13%	√	18 months

Not So Desperate Housewives

Which character do you relate to most? The financial concerns of the popular Sunday night TV characters may not be so different from your own.

Sure, their personal lives are one big soap opera, but the characters on ABC's hit television show Desperate Housewives face personal financial challenges that many women can relate to. Wives, aunts, grandmothers, friends, mothers, mothers-in-law, and girlfriends can all potentially face unique financial challenges at some point in time.

Maybe you don't have a fancy house on Wisteria Lane, but how many of these other financial challenges sound familiar?



Susan Mayer *(played by Terri Hatcher)*

Financial/personal concerns

- Single divorced mom, with a young teenage daughter
- Supported by alimony from ex-husband; doesn't trust that it will last much longer
- Not saving for retirement or daughter's college

Bree Van de Camp *(played by Marcia Cross)*

Financial/personal concerns

- Divorcing her husband, who is currently spending unbudgeted-for rent money to live in local hotel
- Will likely have to go back to the workforce soon; will need additional training to find a decent job
- Older teenagers at home (including one who is "rebellious") trying to adjust to divorce
- Not contributing to a retirement savings plan; will have to go through legal channels for her rightful share of husband's retirement assets

Lynette Scavo *(played by Felicity Huffman)*

Financial/personal concerns

- Has left her career to be stay-at-home mom to three very young boys
- Has stopped contributing to her retirement savings plan
- Has had to spend unbudgeted money to hire a part-time nanny (just to save her sanity!)

Gabrielle Sollis *(played by Eva Longoria)*

Financial/personal concerns

- She often spends above her means to keep up with "the Joneses"
- Husband occasionally involved in shady business deals that threaten their livelihood (okay, maybe you don't have this particular situation in common!); she may have to go back to work to support herself
- Mother-in-law may be dependent on her and her husband for care
- She is not saving for retirement

Just the facts, ma'am

Women live longer—Generally, women now outlive men by an average of seven years. This means they will have to save more because they'll have more years of retirement to fund.

Women start saving later—Women start saving later in life than men (due to staying home and raising children, for example), so they have fewer years to accumulate a retirement nest egg, according to the Mutual Fund Education Alliance (MFEA).

Women save less—Women save at about half the men's savings rate, according to the MFEA.

Don't Get Desperate—*Get Going!*

Whether you are married or not, here are some of the things that you can do to build a secure retirement for yourself.

Make retirement plans a priority when you consider a job. Seek out employers who will match part or all of your savings in a retirement plan. Make sure you put money away for retirement on a regular basis.

Work as long as you can at the highest salary you can. The longer you work, the more you can sock away for retirement. And the older you are when you retire, the fewer years of retirement you will have to fund. Higher Social Security benefits are an extra bonus for those years of hard work.

Understand the effect of divorce and remarriage on Social Security benefits. If you divorce, you are entitled to Social Security payments equal to 50% of your ex-husband's benefits, if you were married for at least ten years. You'll lose that right if you remarry, though you'll be entitled to collect payments based on your new husband's benefits. A widow is entitled to her late husband's benefits as long as she doesn't remarry before age 60.

Learn about your finances. Identify your financial assets and debts, and begin to save for your future by paying down debt and budgeting. If you are married, be sure that you and your husband each understand what you own and what you owe, and use insurance to plan for the possibility of death or disability.

Resources to learn more
U.S. Department of Labor - Women and Retirement Savings:
http://www.dol.gov/ebsa/publications/women.html

Women's Institute for Financial Education:
http://www.wife.org/heard/retireplans.htm

Higher Learning

When it comes to funding a college education, a 529 plan can be a great strategy

Along with saving for retirement, paying for college for our children is one of the major financial concerns for many of us. The reality is, with college tuitions rising dramatically, many of our children will have to work during summer breaks and part-time during the school year (or obtain financial aid or scholarships) to make it happen. A 529 College Savings Plan (named after the section of the IRS code that created these plans) is a tax-advantaged investment program that allows parents, relatives and friends to invest for the expenses associated with higher education.

529 plans are usually sponsored by a state and offered through an investment fund, brokerage firm or bank. Here's how these plans work:

- You make after-tax contributions to the plan, subject to limits
- You own your account and you name the account's beneficiary (who the savings account is for). In most cases, you are able to change the beneficiary of your account at any time
- You choose how to invest your account in the plan's available investment options
- Earnings on your account grow tax-deferred and may be withdrawn free of federal and most state and local taxes when used for qualified education-related expenses
- Your account also qualifies for certain exemptions from federal gift taxes
- You may withdraw your money if the beneficiary decides not to attend college or receives a scholarship

There's no doubt: a college education is still one of the best investments you can make on behalf of your children. More information and resources for college savings are also available at: www.savingforcollege.com.

Earnings on non-qualified withdrawals may be subject to federal and state income taxes. Withdrawals prior to age 59 1/2 may incur a 10% IRS tax penalty. By investing in a 529 Plan outside of the state in which you pay taxes, you may lose any tax benefits offered by your own state's plan. The federal tax treatment of 529 plans under the Economic and Tax Reconciliation Act of 2001 will expire after December 31, 2010 unless Congress extends the law.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Issues facing participants approaching retirement

Spending on health care represents one of the largest expenses in retirement. According to the Employee Benefit Research Institute, even with new Medicare drug benefits, retirees may need $80,000 to $700,000 in total retirement savings simply to cover their health-related expenses. Medicare will cover some of your health-related expenses, but you may want to supplement Medicare with other health insurance coverage. For a host of information on health care during retirement, visit www.medicare.gov.

Q & A

Common questions asked by retirement plan participants

Can I take my 401(k) account with me when I leave a company?

Yes. Your personal contributions are always yours and can go with you when you leave your company. Your employer's matching contributions, however, may not be yours to take with you. Some employers give you ownership, called vesting, of their contributions immediately. Others phase in your ownership to their contributions over several years. Your plan's vesting schedule will determine how much of your employer's contributions you can take with you when you leave.

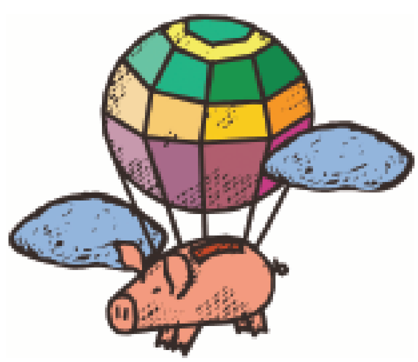
Withdrawals prior to age 59 1/2 may incur a 10% IRS tax penalty.

Tools & Techniques

Resources and ideas to guide you in your retirement planning efforts

A new Web site launched by the American Institute of Certified Public Accountants (AICPA) can help you develop money management skills in all stages of life. You can visit the site at: http://www.360financialliteracy.org

The Web site features information organized by common life events that trigger financial issues, including childhood, college, career, military and reserves, couples and marriage, parenthood, home ownership, entrepreneurs, life crisis, and retirement. Each life stage contains articles, financial planning and assessment tools, worksheets, calculators and frequently asked questions.



Quarterly Reminders

- Don't forget to fill out the "Put Your Cards on the Table" worksheet in this newsletter. Stay on top of your progress and once you've paid off your credit cards, set a goal to reallocate the money to your retirement plan.
- Spring is in the air—how about doing some "spring cleaning" with your financial records? With identity theft on the rise, it's more important than ever to keep track of your personal financial information. Organize tax returns for at least the last 3 years; organize and file investment statements, retirement account contribution statements, bank statements, credit card statements, insurance policies, wills and other legal documents.

Corner on the Market

Basic financial terms to know

Dividend

When companies pay part of their profits to shareholders, those profits are called dividends. A mutual fund's dividend is money paid to shareholders from investment income the fund has earned. Mutual fund dividends generally may be reinvested or taken in cash. In employer-sponsored retirement plan accounts, such as 401(k) plans, dividends are automatically reinvested.

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