REINVENTING Retirement
2nd QUARTER 2007
YOUR RETIREMENT PLANNING NEWSLETTER

Go Green!

Utilize these investment strategy tips to help support a sustainable financial future

Conserve Your Investment Energy Resources

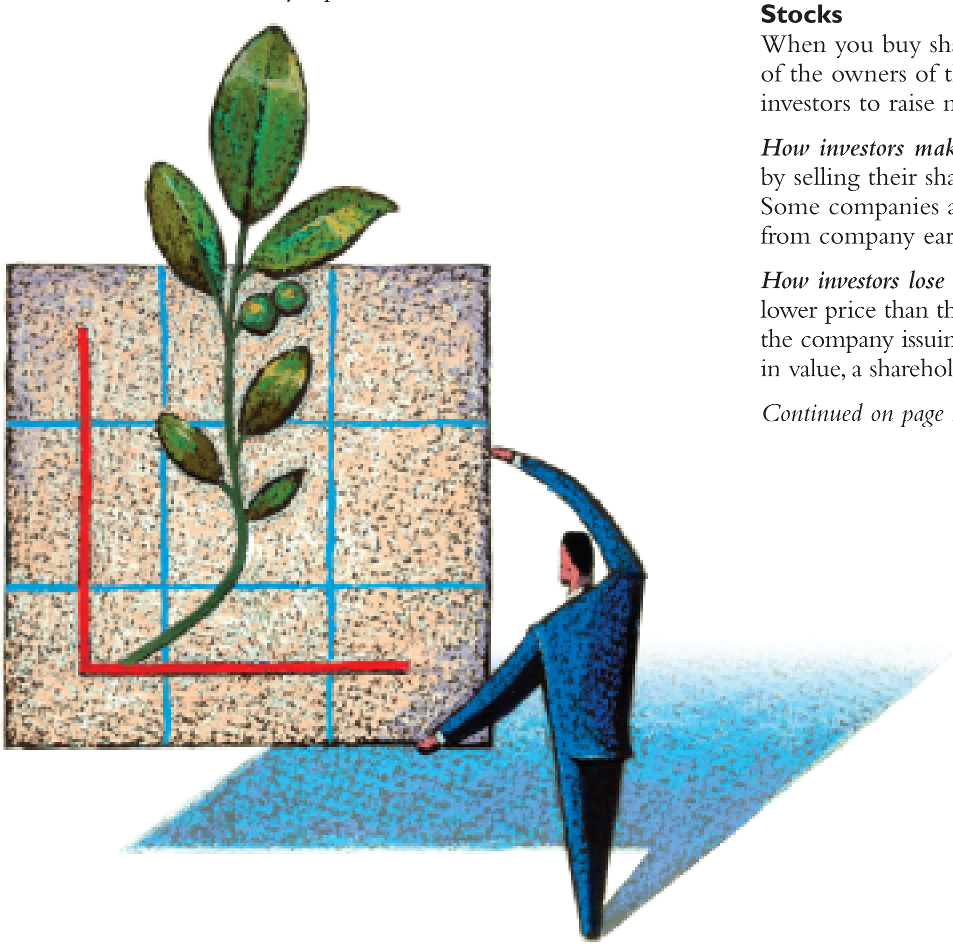
When it comes to building an investment strategy, don't waste your time trying to chase this month's most popular or best-performing investment. A proper investment strategy involves finding the right mix of the following investment energy resources. They are listed in order of conservative to aggressive in terms of general risk level.

Cash Equivalents

These are usually a Money Market fund or Stable Value security. These investments are designed to maintain a value that does not fluctuate.

How investors make money: investors receive interest income and a return of their invested principal.

How investors lose money: it is possible to lose money if the issuer defaults or returns only a portion of the amount invested.



Bonds

Corporations, the U.S. government, and various governmental units issue bonds to investors to raise money. When you purchase a bond, you are lending your money to the bond issuer for a certain period. The main reason bond prices move is changing interest rates. Bond prices generally go up when interest rates fall and go down when interest rates rise.

How investors make money: Bonds pay interest to investors. The interest rate is usually fixed. Another way to make money from a bond is to sell it prior to maturity at a price higher than your purchase price.

How investors lose money: If you sell a bond prior to maturity for less than you paid for it, you will lose money. It is possible to lose all the money in a bond if the bond issuer has severe financial problems and can't repay the debt.

Stocks

When you buy shares of stock in a company, you become one of the owners of the company. Companies sell their stock to investors to raise money.

How investors make money: stock investors can make a profit by selling their shares for more than the price they paid. Some companies also pay stockholders regular dividends from company earnings and profits.

How investors lose money: investors who sell their shares at a lower price than they paid lose some of their invested money. If the company issuing the stock goes bankrupt or greatly decreases in value, a shareholder could lose the entire amount invested.

Continued on page 2

Continued from page 1

Protect Your Investing Environment from Erosion

Investing some of your money in stock-type investments can help you manage inflation risk because stock market returns over the long term have generally outpaced the rate of inflation. Although past performance is no guarantee of future results, most prudent long term investors embrace this strategy.

Other types of risk can affect your investments as well. Understanding the different kinds of risk can help you choose the investments that are best for you. Here are a few basic risks associated with investing:

Market risk is the risk that the value of your investment may decline over a given period of time.

Interest rate risk is the risk that changes in interest rates will affect the prices of bonds and other fixed income investments and the amount of income you and other investors receive from these investments.

Retirement risk is the risk of not accumulating enough money to provide you with adequate retirement income.

Drive a Hybrid

If you are like most people, you want to achieve the highest possible investment return for the level of risk you are willing to take. Diversification and asset allocation can help increase your potential return because you use a strategic mix of investment categories rather than trying to pick the best performing investment. Dividing your money into different investment options can help you spread the risks.

Mutual funds can help you spread risk. For example, investing in stock mutual funds allows you to invest in a variety of companies from various industries. If one company or industry underperforms, the investment option probably won't suffer a major loss, because it is diversified. Bond mutual funds usually invest in bonds with varying maturity dates that are issued by various entities. If interest rates increase or one bond issuer defaults, diversification can help protect against large declines in the bond investment option's value.

Recycle

You should always review your investments periodically to make sure they are meeting your needs. Depending on how the different investment markets perform, you will need to rebalance your account periodically to bring your investment mix back in line with your asset allocation and retirement goals. In addition, as time goes by, you may find that things have changed since you first chose your investments.

Your retirement goals, your family situation, the investment markets—any or all of these can affect how you want to invest your money. For example, many investors become more conservative the closer they get to retirement age. They are more interested in protecting the value of their accounts than earning high returns.

Certain life events may change your risk tolerance and retirement goals and signal a need to revise your investment strategy. Below are some examples. Check off any of these that may apply to you. If you check off one or more, review your current investment strategy to see if any adjustments need to be made.

❑ Marriage
❑ Birth of a child
❑ Spouse returns to work after being home (or vice-versa)
❑ Divorce
❑ Windfalls (an inheritance, a large gift, and even a raise in pay—now you can invest more!)
❑ Financial emergency (family illness, casualty loss, etc.)
❑ Children leave home to live on their own
❑ Death of a spouse
❑ Retirement date drawing near (within 5-10 years)

Plant New Seeds

Let's face it: you can't have an investment strategy unless you have some money to invest. That is where it all begins. You plant your money seeds along the way, and with careful nurturing they have the potential to grow and help fund your financial goals. Here are some environment-friendly tips for finding the money to invest:

Practice energy efficiency. According to the U.S. Department of Energy, turning the air conditioner down (in summer) or the thermostat down (in winter) just 1 degree can save you up to 3% a year on your energy bill.

Conserve fossil fuels. You can save on gas by keeping your engine well-tuned and your tires properly inflated. Check your tires on a monthly basis for optimal efficiency. Consider alternative modes of transportation for getting to work. Take mass transportation if available, start a carpool, or ride your bike to work. You'll save money and help save the environment!

Reduce waste. Every month, millions of Americans spend their hard-earned money on interest and finance charges related to carrying credit card debt. Okay, so you aren't going to make your debts go away overnight. In the short term, consider transferring high-interest debt to a single, low-rate account. And it only takes five minutes to call your credit card company to try to negotiate a lower rate. Over the long term, you should plan to pay off cards with the highest rates first. Be as aggressive as you can, but at least pay more than the minimum required each month.

Picture Perfect

Retirement planning starts with your own personal vision

They say a picture is worth a thousand words. If that's true, picturing your retirement should fill a book. That's due to the many hopes, dreams and opportunities that await you during this stage of life. You HAVE tried picturing your retirement, right?

Well, don't worry. You've got this newsletter to help see you through. Do yourself a favor. Grab a notebook and a pen. Allow an hour or so to answer the following thought-provoking questions. Your answers will help you begin to picture your life in retirement. Who knows? It may motivate you to spend more time and energy on your current retirement planning efforts!

Check each one of these questions off as you complete your written answers in your notebook:

- ❑ Take a few minutes to reminisce about some of your life's most enjoyable memories so far. Which of these would you like to try to get back to when you retire?
- ❑ Think about where you'll live when you retire. Describe what changes you envision compared to where you currently live.
- ❑ What feelings do you have about possibly working in retirement?
- ❑ How do you think you and your current or future spouse/partner may be affected if you don't retire at the same time?
- ❑ Imagine a retirement that you can live completely on your own terms. Describe some of the ways you can make this happen.
- ❑ Imagine it's your first day of retirement. How old do you think you'll be and what are three things you'd like to do during your first year of total freedom?
- ❑ Describe how you feel about your current physical and mental health.
- ❑ Think about some of the ways you can remain physically and mentally healthy in retirement. What would they include?
- ❑ Think about the charities and causes that are important to you. Describe which ones you'd like to support with your time, talents and financial resources when you retire.
- ❑ How would you like to be remembered by your family and friends?

Security System

Protecting your identity is part of a good financial plan

Identity theft occurs when someone illegally obtains your personal information, such as your Social Security Number, and uses it to open accounts or initiate transactions in your name. This can result in financial loss and damage your credit—not to mention the emotional turmoil it can cause.

Following these simple, everyday precautions can help you protect your identity:

- ❖ Guard your wallet or purse. According to a 2005 Javelin Strategy & Research Report, lost or stolen wallets account for 30 percent of identity theft cases.
- ❖ Never respond to an email requesting personal or confidential information. Be aware of scams such as "phishing," which are emails that direct you to look-alike Web sites of legitimate businesses and ask for your account numbers and passwords. Likewise, don't give your account information to someone who calls you and claims to be from your financial institution.
- ❖ Limit your paper trail. Store information such as birth certificates, Social Security cards, tax forms and other sensitive financial records in a locked file cabinet, a home safe or a safe deposit box. Stop delivery of paper statements and review them online.
- ❖ Shred documents with personal information. Charge receipts, credit card offers, expired credit cards, physician forms, bank statements and old retirement plan documents should be thoroughly shredded before discarding.
- ❖ Review your credit report annually and notify your financial institution of any unfamiliar activity. You can order your free report online each year at www.annualcreditreport.com or toll-free at 877-322-8228.
- ❖ Don't share user names and passwords.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Issues facing participants approaching retirement

The conventional view of retirement—working full time until a set date in your 60s and then living a life of leisure—does not match the experiences or the expectations of many Americans. According to a Vanguard Group study released earlier this year, three-quarters of older Americans found themselves on one of the following main paths. You can also learn more about the "Six Paths to Retirement" study at http://www.vanguardretirementresearch.com under the "Retirement Research" tab.

Still Working. 35% of respondents left full-time work in their 60s, yet continued to work either part-time or through self-employment. Financial necessity was cited as an important reason for continuing to work.

Early Retirees. Nearly 30% of the survey respondents stopped working completely in their 50s and did not work again. This group fits the conventional view of retirement, but retired much earlier than is typical. Adequate financial resources in pension, 401(k) and personal savings accounts were critical in making this transition.

Work and Play. 12% of respondents retired from full-time work in their 50s, but quickly took on high levels of part-time work or self-employment. This group resumed working to enjoy themselves, to stay active, or to earn discretionary income. The ability to retire in their 50s was also made possible by more generous financial resources.

Q & A

Common questions asked by retirement plan participants

Can I roll over my retirement account from my previous employer?

With multiple retirement accounts, it can be difficult to monitor all your investments as well as your progress toward your retirement goals. If your plan permits, you can simplify your life by rolling over your different retirement accounts to one plan. You'll have only one statement and a single Web site to track your account and change your investments. Check with your plan administrator.

Tools & Techniques

Resources and ideas to guide you in your retirement planning efforts

Ever wanted to know how long it would take for your savings to double? You can use the "Rule of 72" to make an estimate. Simply divide your rate of return into 72. For example, an account earning 6 percent interest will double in 12 years (72 divided by 6 equals 12).

Quarterly Reminders

- Are you paying yourself first? Before paying any bills or loans, set aside an affordable amount each month in accounts designated for long-range goals and unexpected emergencies. If you're not already doing so, take some time this quarter to make any adjustments necessary in order to start paying yourself first.
- Don't get the summertime blues—you can help pay yourself first by resolving to make just ONE positive change in your spending habits this quarter. Skip the iced latte once in awhile. Make every Monday your "brown bag" day for lunch. Put yourself on a weekly allowance and stick to it. Just one small change can give you the momentum to make others.

Corner on the Market

Basic financial terms to know

Contrarian Investor

A contrarian investor buys things other investors are avoiding. If most investors are buying stocks, a contrarian is concentrating on building a bond portfolio or putting more money into cash investments. Contrarians may also invest in unpopular market sectors and/or styles. Contrarian mutual funds use this approach as their investment strategy, concentrating on building a portfolio of out-of-favor (and likely undervalued) investments.

Kmotion, Inc., P.O. Box 1456, Tualatin, OR 97062; www.kmotion.com