REINVENTING Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
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Are You Ready For Some FOOTBALL?

Making the Big Play with Your 401(k)

It's autumn—*and that means football season is upon us!*

Now, imagine you are the quarterback of your retirement future (yes, ladies—you, too!). The biggest game of your life awaits you. Will you make it to the 401(k) Retirement Hall of Fame? Or are you hoping for a financial "Hail Mary?"

To become the quarterback of your retirement future, you've got to take charge on the field—NOW. With some careful planning and execution, you can be on top of your game in no time!

Step 1: Develop Your Game Plan

Tackle your retirement goals. Consider when you hope to retire and how many years you expect to spend in retirement. Also, envision your desired retirement lifestyle. Do you want to travel? Will you try new hobbies? As you set goals, keep in mind that many current retirees are living longer, more active lives.

Establish your running game. Many experts estimate that you'll need at least 75%-85% of your pre-retirement income to maintain the same standard of living once you stop working. Depending on your personal retirement goals, you may need much more than that to cross the goal line. Make sure you have a firm grasp of what you'll need in retirement!

Open up your passing game. You should make a strong effort to contribute the maximum towards your retirement that you can. Chances are excellent that the more money you put in a 401(k) plan, the more you will get out of it. This is especially true if your company provides a matching contribution. Make sure you contribute at least enough to get the full matching contribution offered—otherwise you'll be leaving "free" money on the table.

Manage the play clock. Remember, time is on your side. The sooner you start to save through your 401(k) plan (or increase your current contribution), the longer your money has to grow. It is never too early to start saving for a secure retirement.

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Throw a block on inflation. A cruise to Greece will cost more in 20 years than it does today. You'll need to factor inflation into your game plan. Make sure you have an adequate amount of stock investments in your portfolio. They have the potential to help you keep up with or even stay ahead of inflation over the long term.

Stay focused during time outs. As the years go by, life will definitely be full of changes. Things like marriage, the birth of a child, a spouse returning to (or leaving) the workforce, inheritances, and financial emergencies are just a few of life's little "time outs." You'll want to make sure that your retirement savings strategy is flexible. Review it annually to make sure it still meets your needs.

Don't fumble the ball. Avoid taking out a cash distribution or loan from your retirement savings account. If you take a distribution, you will owe regular income taxes. You may also face an early withdrawal tax penalty. Loans also present several potential disadvantages to your retirement savings strategy.

Step 2: Study Your 401(k) Playbook

Your 401(k) plan comes with a wide variety of valuable features to help you execute your retirement savings game plan.

A "forced" savings plan. Your 401(k) is the perfect disciplined savings plan, because the money is directed straight from your paycheck into your account—before you even see it. Out of sight, out of mind! Chances are you'll never even miss the money.

Pre-tax savings. You can pay no current federal (or state and local, if applicable) income tax on the amount you contribute to your plan account. What does that mean in real dollars? Let's say you are in a 25% federal tax bracket. Making a $100 contribution will cost you only $75 of your take-home pay, because your taxes are $25 less.

Tax-deferred compounding. Your account earnings are also tax-deferred. You pay taxes only when you withdraw the money from the plan. Because all of your money stays invested, it can grow faster than it would if taxes were taken out each year. In addition, your earnings are reinvested. All the money in your account—contributions and earnings—is available to generate additional earnings. Over time, the combination of regular contributions and compounded investment earnings can really add up.

Investment options that meet your needs. Your 401(k) plan includes investment options from the three major asset classes (stocks, bonds and cash equivalents/stable value investments). Depending on your risk tolerance, years to retirement, and financial goals, you have the opportunity to create a diversified investment strategy to help reach your retirement goals.

Portability. Your personal contributions to your account (as well as any fully-vested company matching contributions) are yours to keep. Should you leave your job for any reason, you can take the money with you and roll it over to another qualified retirement savings plan.

Step 3: Execute Your Game Plan

Remember, the retirement planning game is a lifetime commitment. The play clock never runs out! Here are some general tips to help guide you through the various stages of the "Big Game":

First Quarter: Your 20s and early 30s.
Early in your career is the perfect time to start a habit of saving for retirement because you have one huge advantage you'll never get again: TIME. A dollar invested early in life can grow, through the power of compounding, far larger than the same dollar invested later in life.

For example, suppose Peyton Manning began saving at age 25, and invested $100 a month until age 65. Assuming his account earned 8 percent a year, it could potentially grow to $349,100 by age 65. However, if Peyton waited until age 35 to start saving the same $100 a month, he may only end up with $149,035 at age 65. Waiting 10 years to start saving and investing could potentially cost him over $200,000.*

You should save at least 7%–10% of your pre-tax income in your plan. At this younger age, most financial advisors will tell you to invest as aggressively as your comfort level allows. You have the time to ride out the inevitable market fluctuations.

* *Withdrawals from qualified plans prior to age 59½ may be subject to a 10% IRS penalty. Account values subject to income tax upon distribution. This hypothetical example is not intended to show the performance of any fund for any period of time or fluctuations in principal value or investment return. Periodic investment plans does not ensure a profit nor protect against loss in declining markets.*

Second Quarter: Your 30s through your 40s.
The challenge to saving for retirement at this stage comes from large competing expenses: a mortgage, raising children and saving for their college education, or funding other major financial goals.

One of the most common conflicts is saving for retirement versus saving for college expenses. Many financial advisors will tell you that retirement should be your top priority. Your child can usually find financial aid or student loans to help fund his or her education. You'll be on your own in retirement.

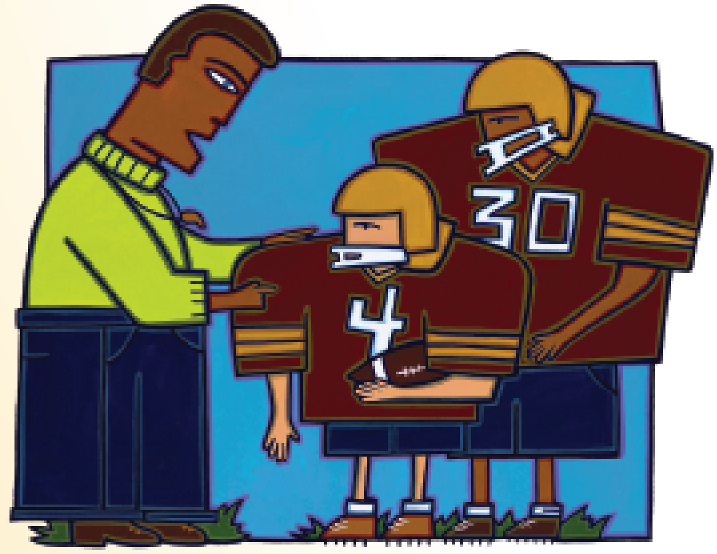
Other key tips for the second quarter include making sure you have adequate life insurance, along with an emergency cash fund that can pay 3-6 months of living expenses in the event you need it.

You should try to save at least 10%-15% of your pre-tax income in your plan. Your investment strategy will likely remain the same at this stage, since you still have plenty of time on your side to ride out market fluctuations.

Third Quarter: Your 50s and early-mid 60s.
Now is the time to really pick up some retirement savings yards! Try to boost your retirement savings goal to around 20 percent or more of your pre-tax income. Ideally, you are at your peak earning years and some of the major household expenses, such as a mortgage or raising a child, are behind you (or will be soon).

Workers age 50 or over can invest extra dollars into their 401(k) plan once they've maxed out their regular contributions. This is known as the "catch up" amount and for 2007 the amount is $5,000 (if your plan allows this feature).

In general, investing at this stage should be a little more cautious. Time is starting to work against you, since you have fewer years to ride out market fluctuations, as well as fewer years of earning power to make up any losses. Financial advisors recommend shifting a portion of your portfolio to more conservative investments (but still keeping a substantial portion in stock-type investments).



Fourth Quarter: Retirement at Last!
Retirement isn't an end zone. It's a new beginning. However, you must remain at the top of your retirement planning game at all times.

If you haven't already hired a financial advisor, now is the time to do so. He or she can help you determine how much money you need to withdraw each year from your nest egg, and how much money you can keep working for you. The amount you withdraw depends on how much you've saved, your current investments, your age, and other factors.

Advisors may recommend that you be more conservative than before your retirement. But, that does not mean abandoning stocks. With potentially 20 or more years in retirement, inflation can eat away at lower-returning assets. Even at a modest three percent annual rate, inflation could erode your standard of living quite significantly over that period of time.

It's common today for retirees to return to work—perhaps out of financial necessity, but also for something stimulating to do. Playing golf every day or traveling all the time might just get a little boring. Besides work, you may want to consider going back to school or doing volunteer work. Keeping mentally, physically and socially active is your key challenge at this stage.

Step 4: TAKE THE QUARTERBACK CHALLENGE!

Match the following current NFL quarterbacks with their correct description:

1. Peyton Manning
2. Tom Brady
3. Brett Favre
4. Donovan McNabb
5. Matt Leinart

a. Appeared as himself in the film *Something about Mary*.
b. Heisman trophy winner
c. Appeared in Campbell Soup commercial with his mother.
d. Michigan Wolverine
e. Hosted Saturday Night Live earlier this year.

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

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Issues facing participants approaching retirement

Most baby boomers are counting on living longer and on being in better health than their parents. However, much of that will depend on how well they can avoid carrying extra weight, which elevates the risk of diabetes and heart disease (among other medical problems). According to the American Hospital Association, six out of 10 boomers will be managing more than one chronic condition by 2030. One in four will have diabetes, and nearly half will live with arthritis. More than one in three will be considered obese.

Fifty-Plus Lifelong Fitness is an excellent resource for boomers looking to adopt a more fit and healthy lifestyle. Check out their Web site at: www.50plus.org.

Q & A

Common questions asked by retirement plan participants

What is "risk/return trade-off?"

Risk/return trade-off means that an investor must take greater risks to potentially receive a greater return. Risk refers to the possibility that an investment will experience variations in its returns over time. Risk does not mean the risk of loss, but the possibility that over time the returns of an investment will rise and fall. This variation of return is often referred to as "volatility." "Return" refers to the increase or decrease in the value of an investment and is usually expressed as a percentage or in dollar growth over time.

Tools & Techniques

Resources and ideas to guide you in your retirement planning efforts

Looking to curb your spending so you have more money to fund your financial goals? Try asking yourself the following questions before every purchase (in fact, you may want to cut this out and keep it in your purse or wallet):

1) Is the purchase a want or a need?
2) Have you met your savings goals this week?
3) Where will you get the funds to pay for the purchase?
4) Have you shopped around for the best price?

Hopefully, by asking yourself these simple questions, it will help keep you from impulse buying or spending money you don't have.

Quarterly Reminders

- As 2007 starts to wind down, it's a good time to reflect on the year. Make a list of the financial goals you accomplished so far in 2007. Examples include saving for a down payment on a new home or car; saving for a summer vacation; starting a college savings plan or paying college tuition for a child; increasing the amount you are saving for retirement. How many have you accomplished so far? More importantly, how many more can you accomplish before December 31st?
- Looking for help regarding planning and saving for your children's college tuition? Take time this Fall to check out the following college savings resource Web site: www.savingforcollege.com.

Corner on the Market

Basic financial terms to know

Capital Gains Tax (CGT)
A capital gains tax is due on profits you realize on the sale of a capital asset, such as stock, bonds, or real estate. Long-term gains, on assets you own more than a year, are taxed at a lower rate than ordinary income, while short-term gains are taxed at your regular rate.

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