REINVENTING Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
2nd QUARTER 2008

OLYMPIC CALIBER

Are You Ready To Perform Your Best?

With the 2008 Beijing Olympics just around the corner, there's no better reminder to aim high and push yourself towards your optimal investment performance. With clearly framed goals, a positive attitude and the will to succeed, anything is possible!

Regardless of your specific goals, you'll probably benefit from a successful training formula. To begin, review your financial goals, monitor your progress, renew your efforts, and plan to make major strides towards your short-term and longer-term objectives.

TRAINING PROGRAM:

Aim High

- Identify your financial goals. What are you saving or investing for? How much money will you need and by when?
- Set your sights high. Don't make the mistake of underestimating your future expenses and only looking at best-case scenarios.
- Be realistic and set achievable goals, but ones that will make you stretch.

For example, project your retirement expenses. Experts estimate 75-90% of your pre-retirement expenses. Some costs will decrease while others may rise in retirement. Then, determine your income sources. Estimate how large a nest egg you'll need in your personal retirement savings.

Stretch

Don't compromise. The best goals are ones that improve your performance. Find ways to stretch a dollar to reach your financial goals.

For example, you could challenge yourself to increase your retirement savings by $100 a month. Where can you find that $100 a month? There are many possibilities.

Clip it: If you don't already clip coupons for groceries, that might save you $5 or $10 a week.

No names: Buying store brand merchandise for things such as cleaning products or generic medicines might save another $5 a week.

Nestle in: Renting a video instead of going to a movie could save you $50 or more if you compare the cost of two movie tickets, snacks, and possibly a baby sitter with a $4 rental.

There are many ways to stretch your money. The key is to exercise restraint in purchases.

Keep Moving Forward

Every week or month, make small strides toward your goals. Every effort counts and can add up.

- Budget. Track your spending. Then, follow a game plan.
- When investing towards a long-term goal, periodically review your progress and challenge yourself to do more.

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Be Flexible
Build a cash reserve of at least three months worth of living expenses. This provides you with the flexibility to respond to financial emergencies or unexpected needs. It may save you from the awkwardness of asking a family member or friend for a loan or borrowing from your own workplace retirement account should the need arise.

Pace Yourself
Saving for your retirement is more like running a marathon than a 100-meter sprint. In evaluating your investments' performance, focus on three-year and five-year track records, rather than the last month, quarter or even year. Don't be dazzled by recent top performers, which might run hot and cold. Look instead for consistency in results, year after year.

Stay in Top Shape
Challenge yourself each year to improve your financial fitness. Conduct an annual financial checkup. Review your investment performance, your progress toward your goals, and your insurance protection, among other aspects of your financial health.

Focus on the Finish Line
Remain focused on your long-term goals, even when the market throws a curve ball at you or presents an obstacle. Be disciplined, know what it takes to achieve your goals, and pursue them.

Your reward may not be a gold medal; instead you'll gain peace of mind and enjoyment of your golden years.

Put an International Accent on Your Investments

When deciding where in the world to invest, it's natural to gravitate toward companies or stock mutual funds based in your country or region. But that can be limiting.

For any investor with a longer time frame (five or more years) and tolerance for risk, it's worth considering international stock investing. To begin with, it can potentially improve your investment returns while lowering risk.

It's a Big World
If you consider all the companies in which you could invest, as many opportunities exist beyond the borders of the United States as within it.

When measured in market capitalization—the total value of all stock shares issued by companies, multiplied by the price of those shares—U.S.-based stocks make up about 42% of the world's entire market cap*; that means that if you invest only in U.S. stocks, you'll miss almost 60% of the world's stock opportunities.

Here's a sampling of the large international companies whose stock you could own: Toyota, Honda, Sony (Japan); Volkswagen, Seimens (Germany); Samsung (South Korea); and Nokia (Finland).

Growth Potential
International stocks may offer significant growth potential. Let's say the U.S. economy slows down and the performance of U.S. stocks suffers. If so, there might be better investment opportunities in faster-growing countries.

For example, emerging-market stocks can benefit from stronger growth within their countries' infrastructure. China and India, in particular, are growing by leaps and bounds, playing catch-up with economies of more established countries, such the U.S., Japan, and Germany.

Eggs in Many Baskets
Without knowing what the best opportunities are among the many countries and companies in the world, one prudent approach could be broad diversification through an international stock mutual fund.

Because not all financial markets move in tandem, an international stock fund has a built-in safeguard: As some stocks rise in price, others may fall, and as some countries and regions go through harder times, others may show more positive results.

Be Aware of Risks
Certain investment risks are greater in international investing. These include:

- **Political and economic risk** – Some countries are less stable politically or economically, affecting investments in those markets.
- **Foreign exchange risk** – In addition to the normal ups and downs of stock prices, movements in foreign exchange rates could affect investment returns when converting them back to U.S. dollars.
- **Regulatory risk** – Not all countries have the same standards for accounting and financial reporting. Knowing less about other countries can pose an additional risk to investors.

Managing Risks
Here are some ways to help manage the risks of international investing:

- Establish and maintain a long time horizon.
- Maintain broad diversification internationally (perhaps limiting international funds to 20-30% of your stock portfolio).
- Add regularly to your investments through dollar cost averaging.

According to Morgan Stanley Capital International (MSCI)

Surviving Market Turbulence:

Fasten Your Seat Belts

The current economic downturn and the turbulent investment markets can make people nervous. That's understandable. But recognize these events as a normal, although undesirable, part of the economic and investment cycles.

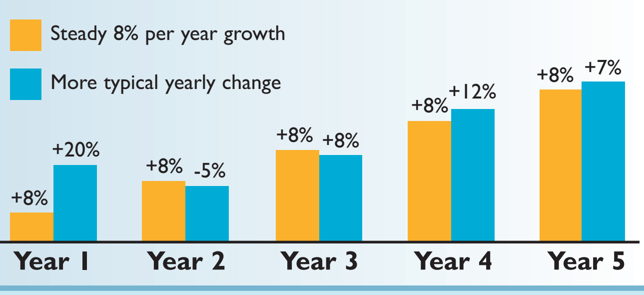
With that in mind, here are some tips for the typical investor in a turbulent time.

Don't panic. First, the worst thing to do is to over-react to anything occurring in the investment world. Some people may be tempted to bail out of their stock investments if markets are having a particularly rough ride. But that's EXACTLY what you should NOT be doing. Selling solely because the stock market tumbles may be the worst thing to do.

Stay invested. If you're investing for a long-term goal—such as a retirement that begins in another decade or more and could last two or three decades—you'll have plenty of time to ride out market cycles. Understand that a hypothetical projection of a steady 8% annual return, for example, doesn't really reflect the typical stock and bond market ups and downs. But you can average 8% a year in earnings as stock performance rises above and falls below that mark in any particular year.

Two 8% Solutions

An initial investment of $10,000 compounding at a steady 8% a year would equal $14,693 after five years. In the second scenario, showing more typical ups and downs in the market, the total after five years would be $14,755.



If the stock market posted gains and losses in every other year, imagine what you'd lose out on by selling after a dip. And where would you put your money? In a money market account, it might earn a steady 3%, however, that won't even keep up with the average long-term inflation rate of 3.1%. The easiest, safest and wisest thing for most long-term investors is simply to stay invested.

Keep a long-term perspective. It's easiest to stay the course if you really do focus on your major life goals and not on the market's day-to-day or month-to-month movements. It's good to check on what is happening in the markets and to understand why certain things are occurring, but don't review your investment portfolio too often. Look at your quarterly account statements, stay on top of the major current events in the financial and business worlds, and plan to do a thorough review of your investments—asset allocation, investment performance and progress towards your goals—once a year.

Dollar cost average. One of the simplest and most effective approaches to investing is dollar cost averaging. You simply commit to investing the same dollar amount on a regular basis. When the price of shares in a stock or mutual fund rises, you'll buy fewer shares, and when the price dips, you'll buy more. This maintains your discipline as an investor and provides an opportunity to lower your average cost per share.

Maintain a diversified portfolio. Diversification lowers your risk because not all parts of the market move in the same direction at the same time. Losses in one area are sometimes balanced out by gains elsewhere.

Know your risk tolerance. Ultimately, you need to do what is right for you. If you find stock investments to be too risky for your taste—for example, if you can't sleep at night because you're worrying about your stocks—then, maybe you should consider a safer, steadier ride.

Make thoughtful moves. If you make changes to your investments, do so in a thoughtful way, and after careful consideration. Talking with a financial advisor could be a good first move.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Issues facing participants approaching retirement

In tough times, people do what they need to do to get by. So, it's not a big surprise that 23.7% of workers had loans outstanding from their retirement plans, according to the 50th Annual Survey of Profit Sharing and 401(k) Plans, (*Reflecting 2006 Plan Experience*) by the Profit Sharing Council of America.

Borrowing from your account is an option in many workplace savings plans, but it often is inadvisable for a few reasons. It can be difficult to keep up with your regular account contributions while you repay the loan; you lose the value of compounding while the money is not in the account; and if you leave the job with an unpaid balance, you may need to repay the loan in full or face taxes and possible penalties.

Q & A

Common questions asked by retirement plan participants

What is the Savers Credit and how do I claim it?

You are eligible for this federal income tax credit, officially known as the "Retirement Savings Contributions Credit," if you are a single filer with earnings up to $26,500, "head of household" filer with earnings up to $39,750, or married filing jointly, with earnings up to $53,000 (these limits are for the 2008 tax year). You also must be 18 or older, can't be a full-time student, and must contribute to an IRA or a qualified retirement plan, such as a 401(k) plan. For more information, review IRS Publication 590 and Form 8880, both of which you can download at www.irs.gov.

Tools & Techniques

Resources and ideas to guide you in your retirement planning efforts

In addition to annual tax refund checks, this spring most Americans will also receive a special Economic Stimulus tax rebate check. Married couples filing jointly who earn less than $150,000 can expect $1,200; singles earning less than $75,000 will receive a $600 rebate check. In addition, you'll receive $300 per dependent child. The big question: spend it or save it? Spending the money may be tempting, but think about how much more you might get out of either paying down high-interest-rate debt or investing the rebate in a retirement savings account. How much more could that money grow if left alone until you retire? Some people plan to save some and spend some. Whatever you decide to do, make a thoughtful decision.

Quarterly Reminders

- Are all your insurance needs adequately covered? Periodically review your insurance coverage—life, health, disability, home and auto insurance—and consider whether you have enough insurance, the right kind or whether your deductibles or other aspects of your insurance policies are appropriate for your needs.
- Can you increase your retirement plan contributions by 1%? If you're not sure, set aside 1% of your pay for a month or two. If you can live without this money, increase your retirement plan contribution to put it to best use. Do this each year and your account could grow significantly!

Corner on the Market

Basic financial terms to know

Recession

A recession is a period during which the economy is not growing. It specifically refers to two consecutive quarters during which a nation's gross domestic product (total value of goods and services produced) declines. Because an economic slowdown doesn't officially become a recession until after it can be measured in that way, a recession could be over by the time it is recognized as one. It's important to understand that just as the stock market doesn't always make gains, the economy doesn't always grow. Recessions are a natural, if undesirable, part of the economic cycle.

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