



**RETIREMENT PLANNERS  
& ADMINISTRATORS, INC.**  
America's Premier Full Service Retirement Plan Provider  
Since 1969

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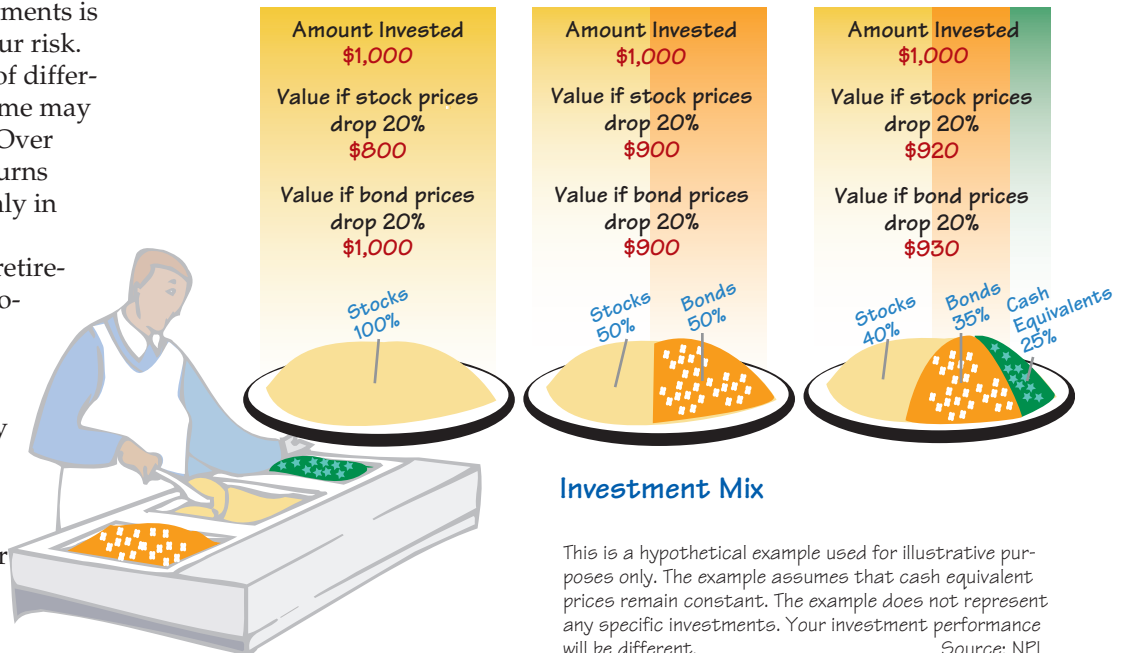
**INVESTMENT REPORT FOR PLAN PARTICIPANTS**

# Getting Diversification Right

**D**iversifying your investments is all about managing your risk. When you own a mix of different investments, gains from some may help offset losses from others. Over time, you may earn greater returns than you could by investing only in low-risk investments.

The funds offered by your retirement savings plan provide automatic diversification. That's because each fund invests in a mix of different securities. But being fully diversified typically calls for more variety than any one fund or portfolio can provide. Following these three guidelines can help you further diversify your plan account.

## How Diversification Works



### Investment Mix

This is a hypothetical example used for illustrative purposes only. The example assumes that cash equivalent prices remain constant. The example does not represent any specific investments. Your investment performance will be different. Source: NPI

### Spread Out

Instead of investing your entire account in stocks, bonds, or cash equivalents, consider selecting funds that own *different* types of investments. When stocks aren't performing well, bonds may be up. When bonds are falling, stocks may be rising. By spreading out your investments, you spread your risk.

### Add Variety

You can increase diversification even more by investing in *different* market segments within the same investment type. For example, you might choose one fund that invests in large company stocks and another that invests in medium-size or small company stocks. That increases diversifica-

tion because market segments may perform differently at different times.

### Avoid Repeats

When you select your funds, watch out for duplication. For example, say your plan has two stock funds that have the same objectives and investment style. The funds are likely to perform similarly under the same market conditions. They may even have some of the same holdings. So, investing in both funds probably won't add much diversification to your account.

Diversification doesn't ensure positive investment returns or eliminate the possibility of losses. But, by

getting diversification right, you'll be better prepared to weather market declines and achieve your long-term investing goals.

# Reviewing Your Investment Choices

If you think your retirement account should be growing faster, it may be time to reassess your investment strategy.

## Check Expectations

Before you start switching investments, make sure your expectations are realistic. Get out your most recent plan account statement and see how your investments have performed. Check both recent and *multi-year* returns. Then, check each fund's performance against a benchmark index of *similar* securities, such as the S&P 500 Index for stock funds.

Be realistic. For example, if the overall stock market is weak, don't expect to earn high returns from your stock funds. But don't be satisfied if a fund has lagged behind a comparable market benchmark over a multi-year period.

## Don't Chase Performance

As you examine the various funds

offered by your plan, you may find that some have been performing much better than others have recently. If you're thinking you need to make a change, you might decide to just move your money into the better performing funds.

But there's a big problem with chasing short-term results like this: *No investment's past performance can predict its future results.* The recent "winners" may have already passed their peak — or not. Instead of simply assuming that an investment's outstanding performance *will* continue, do your homework before you decide to switch.

## Look at Reallocation

If you're looking for better growth, it may be time to rethink your mix of investments or *asset allocation*. That's the way you've divided your plan account among the different types of securities — stocks, bonds, and cash equivalents.

If you want more potential for gains, changing your allocation to include more stocks may be a good strategy. That's because stock investments offer greater potential for high returns than bonds or cash equivalents. So, in general, the more money you have invested in stock funds, the higher your long-term returns may be.

The downside is that stock investments are riskier (more volatile) than bonds and cash equivalents. Allocating portions of your account to less risky bond and cash equivalent funds can help to reduce your overall exposure to risk.

What allocation is best for your retirement account? That is a decision only you can make after considering your retirement goals and your personal tolerance for risk.

# Paying for a Long Retirement

In 1940, at age 65, Ida Mae Fuller became the first American to receive monthly Social Security checks. Ida Mae lived to be 100. When she celebrated her hundredth birthday in 1975, it was much bigger news than living to the age of 100 is today.

That's because life expectancies are increasing, and many more Americans are enjoying long lives. A 65-year-old's *average* life expectancy now is more than 18 years. As wonderful as it may be to anticipate a longer retirement, there is also a greater possibility that you might eventually outlive your ability to afford a comfortable life.

## Will You Outlive Your Income?

How long will your retirement savings last? That's not an easy question to answer. No one can predict how his or her investments will perform in the future. If your investment returns are high during your retirement, your money will last longer than it will if your investment returns are low.

The amount you withdraw from your savings each year will also make a difference. The faster you take money out, the faster your nest egg will disappear. There's also another complication. High inflation or large unexpected expenses could

force you to withdraw more than you had planned.

## What To Do

Right now, the best thing to do may be to save as much as you can for your future in your retirement savings plan. Are you contributing the maximum amount? If not, you may be able to work up to it gradually. For instance, anytime your pay increases, think seriously about putting part of your raise into your retirement plan account. Plan now for a long, enjoyable retirement.

# Does Your Beneficiary Choice Need Updating?

Back when you joined your retirement savings plan, you chose a beneficiary for your plan account. That's the person who will receive your account balance if you die. Since that time, a lot of important things may have changed in your life. Maybe you've gotten married, divorced, or remarried. Or maybe you've added a child or two to your family. Your old beneficiary choice may be out of date because of these changes. You might want your retirement money to go to someone different now.

## Making a Change

Choosing a new beneficiary — or

finding out the name of your current beneficiary if you've forgotten — isn't hard to do. Just contact your plan administrator. If you decide to name a different beneficiary, now or in the future, you simply have to complete and sign a form. (Be sure to keep a copy for yourself.)

## A Will Won't Do It

Don't think that you can give your retirement money to the person you want to receive it by naming that person in your will. Your retirement plan money will pass to the person(s) you've designated as beneficiary of your account.

## Spouses First

As you think about your choice of beneficiary, you should be aware that if you're married, your retirement benefits usually must be paid to your surviving spouse. You *can* name a different beneficiary as long as your spouse signs a notarized form consenting to the change.

Why not check your beneficiary designation soon? That way you'll *know for sure* that, if something happens to you, the right person will receive your retirement money.

# Filling an Extra Plate

If you ask an unexpected guest to stay for dinner, you may have to cut back on everyone else's servings so you have enough food to fill the extra plate. Anyone saving for retirement faces the same issue. To save enough money for your retirement, you might have to skimp on spending.

Not possible, you might say. But what if the alternative is much worse? What if you reach retirement without enough savings to provide the income you'll need?

## Look Ahead

Estimating your future plan account balance can show you if you're saving enough. Ask your plan administrator for tools you can use to project your potential balance, or ask your financial advisor for help.

What if your projections indicate that you're not going to have enough?

You need to find ways to fill an extra plate of savings by contributing more now. Here are a few simple suggestions.

## Cut Your Interest Expenses

Borrowing money is expensive, whether you have a credit card balance, a car loan, or a mortgage. Look carefully at the interest you're paying and do a little detective work. You may find a credit card with a lower rate, a home-equity loan that will let you consolidate other debts and cut the interest you're paying, or a mortgage refinancing deal that will lower your housing cost.

## Lower Your Utility Costs

Monthly utility services may be another source of savings. When did you last check for better prices on your cell phone and home phone?

New calling plans are frequently introduced, and one could be a better — and more economical — fit with your calling patterns. Also see if you can switch to a cheaper Internet service provider.

## Check Your Spending

You may be surprised to find out how much you're spending for small things — like coffee on the way to work, DVDs for the weekend, eating out (even at inexpensive places), snacks at the movies, etc. Expenses like these can add up fast. Try keeping a record of every penny you spend for several weeks. Once you find out exactly where your money is going, you'll probably see many ways to cut back.

Trimming your expenses to fill your retirement savings plate can really pay off. Think about it.

# A Recipe for Savings Success

**A** recipe for retirement savings has two main ingredients — contributions and investment returns. But the secret to success could be in the baking.

Contributions come first because they're the ingredient that makes future growth possible. Adding in investment returns may help your balance rise nicely. But for best results, you should allow plenty of time.

## Cook's Secret

Why is time so important? It's all because of compounding.

The process starts when your plan reinvests the returns that your investments earn in more fund shares or portfolio units. Then, your account has the potential to grow faster because you have more invested. Continuing this cycle of compounding returns for many years helps boost your account balance.

## Combining Contributions, Investment Returns, AND TIME

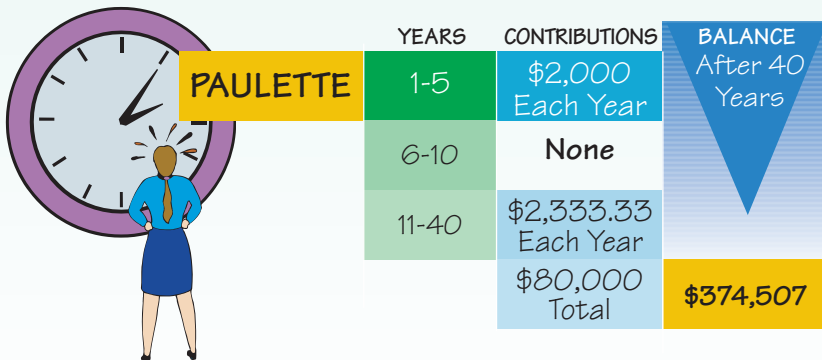
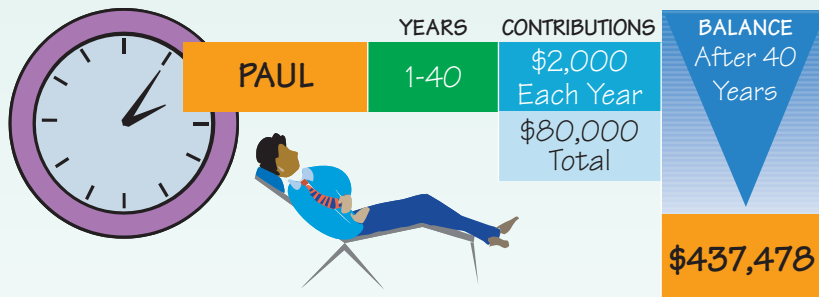


	Contributions	Investment Returns	Total Balance
10 Years	\$18,000	\$7,963	\$25,963
20 Years	\$36,000	\$42,139	\$78,139
30 Years	\$54,000	\$128,996	\$182,996
40 Years	\$72,000	\$321,722	\$393,722

Assumes a \$150 monthly investment and a hypothetical 7% annual return compounded monthly. Your investment returns, contributions, and balance may be different. Source: NPI

## Don't Take Time Off from Saving

Paul and Paulette contributed the same total amount, but Paul ended up with **\$62,971** more because he never took time off from saving.



This is a hypothetical example that assumes contributions are made monthly and investments earn a 7% average annual total return compounded monthly. Your contributions, investment returns, and balances will be different. Source: NPI

## Reaching Your Goal

When you use the power of compounding, you may be able to reach your savings goal with lower contributions. For example, let's say your goal is to build a \$200,000 balance in your retirement plan account and your investments earn a hypothetical 7% average annual total return.

If you save over 20 years, you'll need to contribute \$384 a month (a total of \$92,160 in contributions) to achieve your \$200,000 goal. You could reach the same \$200,000 goal by contributing just \$164 a month for 30 years (a total of \$59,040 in contributions). Ten years more time saves you \$33,120 of contributions!

## Keep Saving

Here's another secret: It's hard to make up for lost time. If you stop saving, you could pay a high price, even if you later start contributing more to your account to try and make up for the years you didn't save (see chart).

So, what's the best recipe for reaching your retirement savings goal? Combine contributions and investment returns with plenty of time. And don't stop saving.