

On Track


**RETIREMENT PLANNERS
& ADMINISTRATORS, INC.**

America's Premier Full Service Retirement Plan Provider
Since 1969

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INVESTMENT REPORT FOR PLAN PARTICIPANTS

Take Aim at the Good Life

What would it take for your retirement to “hit the bull’s-eye”? Maybe you want to continue living as you do now, but without the demands of your job. Or maybe your goal is to relocate to a warmer climate or make other major lifestyle changes.

Whatever type of retirement you’re targeting, your success will depend on having *enough income* to last throughout your retirement, possibly for 25 years or more. Saving early in your career definitely makes that goal easier to achieve. But at *any* age, you can do more to prepare. Here’s a simple plan to follow.

1. Set a Goal

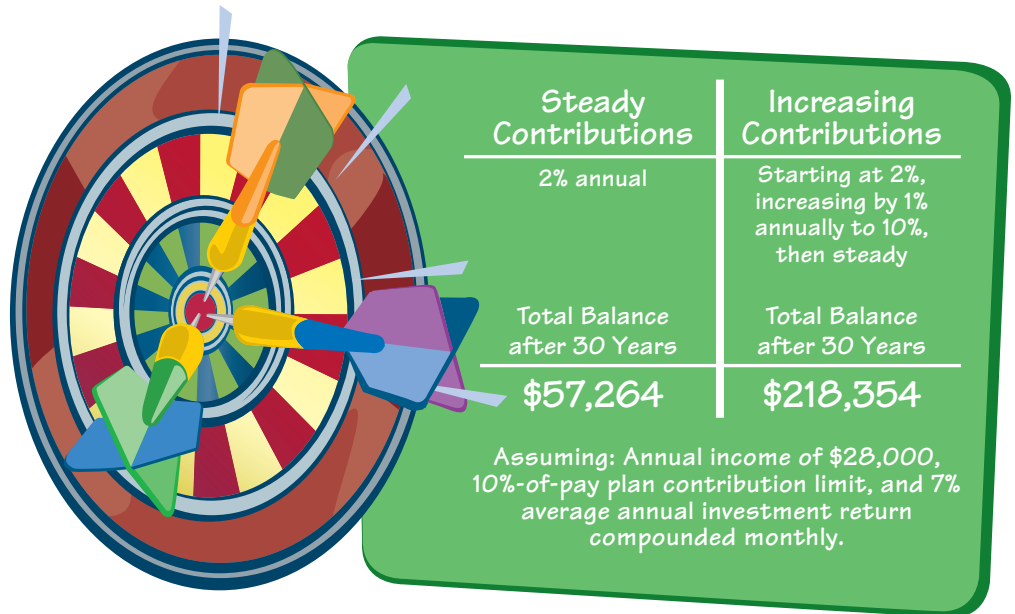
First, project the annual retirement income you’ll need. Then, subtract your estimated Social Security benefits as well as any income from employer pension plans. Your savings will have to make up for the difference. So, estimate how much you’ll need in your retirement account to supply the additional income — and calculate how much you’ll need to contribute to build that balance.

Because you can’t know what your investment returns will be, your estimate will be inexact. But setting a goal now will focus your efforts and provide a way for you to measure your progress as your balance grows.

2. Save an Increasing Amount

In the future, you’ll probably be able to save more for retirement. Your

Increasing Contributions Spurs Growth



Your investment balances and returns will vary, and your contribution may be different.

Source: NPI

income may increase, you may pay off some loans, your children may leave the nest, etc. Plan to review your contribution decision *at least once a year* and strive to increase the amount you are saving until you reach your plan’s contribution maximum.

3. Invest for Potential Growth

In addition to steady contributions, you need an investment mix that offers enough growth potential — *at a comfortable risk level* — to reach your goal.

The combination of increasing contributions and carefully balanced

investment choices should keep you on target to reach your savings goal — *and* the good life in retirement.

Contribution: \$1,500 . . . Cost: \$975

Here's a deal you should take a look at. It may be possible to contribute \$1,500 to your retirement plan this year using just \$975 of your own money. How? Through a combination of the federal Saver's Credit and tax deferral on your retirement plan contributions.

Part I

A tax credit reduces the total amount of taxes you owe. If you qualify, you can get back as much as 50% of up to \$2,000 in retirement plan contributions through the Saver's Credit. Here's how it works. Say you're married and you contribute \$1,500 to your plan. Your joint adjusted gross income (AGI) is \$32,500. At this income level, the Saver's Credit on your tax return would be \$300.

Part II

Your retirement plan's tax deferral lets you avoid paying current

taxes on the pay you contribute to the plan. In a 15% federal tax bracket, that saves you \$225 of tax on a \$1,500 contribution. Add the \$225 of income-tax savings to your \$300 Saver's Credit for a total tax break of \$525. That reduces your *net cost* for the \$1,500 contribution to just \$975.

Other Factors

The amount of tax savings you'll realize through tax deferral depends on how much you contribute and your tax bracket. The amount of Saver's Credit you can subtract from your taxes depends on your tax filing status and your income level. (The credit is not available when income exceeds a certain amount.)

50% Credit. You could be eligible to get back 50% of up to \$2,000 in annual contributions if your AGI is no more than \$30,000 (joint filer), \$22,500 (head of household filer), or \$15,000 (single filer).

20% Credit. You could be eligible to get 20% of up to \$2,000 in annual contributions back if your AGI is anywhere from \$30,001 to \$32,500 (joint filer), \$22,501 to \$24,375 (head of household filer), or \$15,001 to \$16,250 (single filer).

10% Credit. You could be eligible to get 10% of up to \$2,000 in annual contributions back if your AGI is \$32,501 to \$50,000 (joint filer), \$24,376 to \$37,500 (head of household filer), or \$16,251 to \$25,000 (single filer).

The Saver's Credit can make your present plan contribution — or perhaps even a larger one — much more affordable. Be sure to find out whether you qualify *before* you file your next income-tax return.

How To Be a Better Cash Manager

It's a fact: Spending money is easier than saving it. But doing more to control your cash flow can really pay off — by freeing up more of your income for long-term needs, such as a house, your children's education, and your retirement. Here are three ways you can become a better cash manager.

Track Where Your Money Goes

Knowledge is key to successful cash management. Try tracking *all* of your expenses for a pay period or two until you see exactly where your income is going. You may be surprised to learn how much you're spending on incidental items.

The best way to make sure you don't miss small out-of-pocket

expenses is to record them right away. Later, you can record your other spending by categories, such as housing, transportation, food, recreation, savings, etc. You might find it helpful to use a PC and personal finance software to record and organize your spending — and plan for future needs.

Anticipate Large Expenses

Some expenses are larger than any one paycheck can cover. Examples include property taxes, auto and home insurance, major dental work, or a nice vacation. That's why a good cash manager anticipates. Try listing your upcoming expenses and the number of paydays before they're due. Decide

how much to put aside each payday to build up the amounts you'll need, and deposit that amount into a savings account. Consider arranging for automatic deposits from your pay directly into your account.

Look for Opportunities To Cut Expenses

The goal of tracking your spending is to identify expenses that you can reduce or eliminate in favor of more savings. The amount you can cut depends on your individual situation. But, in all cases, the effort to become a better cash manager by planning, tracking, and trimming spending should pay off.

Tuning In to the Economy

Economic developments affect the value of both the investment markets and your retirement plan investments. So it's smart to pay attention to the health of the U.S. economy. Tuning in to the following important economic indicators may help you make better investment decisions.

GDP — The Measure of Growth

GDP stands for *gross domestic product*. It's the total value of the goods and services produced in the United States during the last three months, as estimated by the U.S. Commerce Department. The GDP's quarterly change shows how fast the overall economy is growing.

If growth is slow, company profits may be declining, and stock prices may be shrinking. A fast-growing GDP may indicate good company profits, which is usually beneficial for stocks.

CPI — The Rate of Inflation

You experience inflation when you have to pay more for something today than you paid the last time. With millions of daily purchases, precisely measuring the dollar's rate of inflation isn't easy.

To track inflation, the U.S. Department of Labor calculates a monthly Consumer Price Index (CPI). It tracks changes in the prices of a set list of goods and services, such as

food, clothing, housing, transportation, and medical care. Low inflation is generally a positive for investors.

Unemployment Rate — The Economy's Direction

The U.S. Department of Labor issues a monthly estimate of the percentage of U.S. workers who are unemployed. A rise in the unemployment rate indicates a weakening economy, less consumer spending, and, therefore, less chance of inflation. A decline in unemployment shows a growing economy with increased consumer spending power that may eventually lead to higher costs for the things you buy — inflation.

Don't Let Credit Cards Cut into Your Savings

If you're using too much of your income for credit card payments, you may not have enough left for retirement plan contributions. Here are some practical tips for controlling credit card costs.

Pay More than the Minimum

Card issuers often ask for a minimum payment that's only 2% or so of the balance. If you pay only the minimum each month, you could end up paying a lot of interest over a very long time.

Here's an example. If you owe \$5,000 with a 14% annual percentage rate and you make only 2% payments, it will take 351 months (over 29 years) and \$6,555 of interest to get out of debt! But if you increase your monthly payment to 5%, you'll pay off your balance in 106 months (just under nine years) with only \$1,490 of interest.

Watch the Grace Period

If you normally pay your balance in full, you need a grace period — the number of days before interest starts on new purchases — that's long enough to let you easily pay your balance before the due date. But many cards have shortened or even eliminated the 30-day period that was once standard.

Cash advances usually have no grace period, and the interest rate is typically higher than the rate on purchases. So, avoid cash advances unless you have no other option.

Avoid Two-cycle Billing

Watch your card's billing method. Many lenders calculate interest either on the balance that's left during the billing period after subtracting payments and credits or on the average daily balance during the billing period. But some lenders use two-

cycle billing that calculates interest on the average daily balance during both the present *and previous* billing cycles. So, you could owe interest on purchases you've already paid for.

Never Pay Late or Exceed Your Limit

Making a payment after your due date or charging more than your limit can be triple trouble. First, you'll pay a penalty. Second, the issuers of your other cards may also charge a penalty. Third, many lenders will raise your interest rate just because you've incurred a penalty.

Read Your Notices

The notices that many card issuers send out announcing changes in their cards' terms can be difficult to read. But read them anyway. The new rates or terms may be costly — and if you don't know about a change, you can't limit its impact.

Look for the Middle Path

When you're saving for your retirement, the *middle* is often a good place to be — especially where your investments are concerned. Extreme investment strategies could hamper your ability to achieve long-term growth.

Step Back . . .

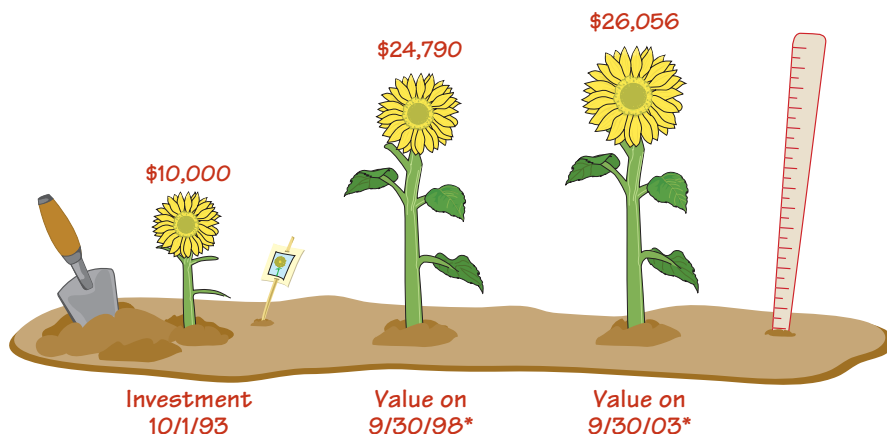
Tracking the performance of your retirement plan investments is important. But frequently changing your investments based on short-term market fluctuations isn't smart. If you do that, you risk zigging when you should have zagged.

For instance, by the time you invest in a short-term performance leader, its best days may be behind it. Or, if you sell because of a market dip, you may miss out on large gains if the market rebounds. Whenever you're tempted to "chase" recent performance, remember that past results don't tell you anything for sure about future performance.

But Not Too Far

So, should you choose investments and stick with them for a long time, regardless of how well or poorly they perform? That's not a smart strategy

Long-term Growth of a \$10,000 Investment in Stock



*Returns measured by the S&P 500 Index, an unmanaged index of 500 major corporations — average annual total return 10/1/93-9/30/98: 19.91%, 10/1/93-9/30/03: 10.05%. Past performance does not guarantee future results. Your investment returns will be different. Investments cannot be made in an index.

Sources: Russell Data Services and NPI

either. Even though the stock and bond markets have histories of long-term gains, you can't be sure the overall market — or any specific investment — will gain in the future.

The better strategy is to stay in the middle. Don't react to every dip and rise in the market, but also don't just "set and forget" your investments. Instead, stay in touch and make decisions based on a long-term perspective.

Don't Risk Too Much — Or Too Little

If you concentrate your plan account in high-risk investment options, you might enjoy large gains as a result. But you also might suffer large losses. Alternatively, if you concentrate on low-risk investments, you may reduce your risk of losing money, but you also would most likely earn low returns.

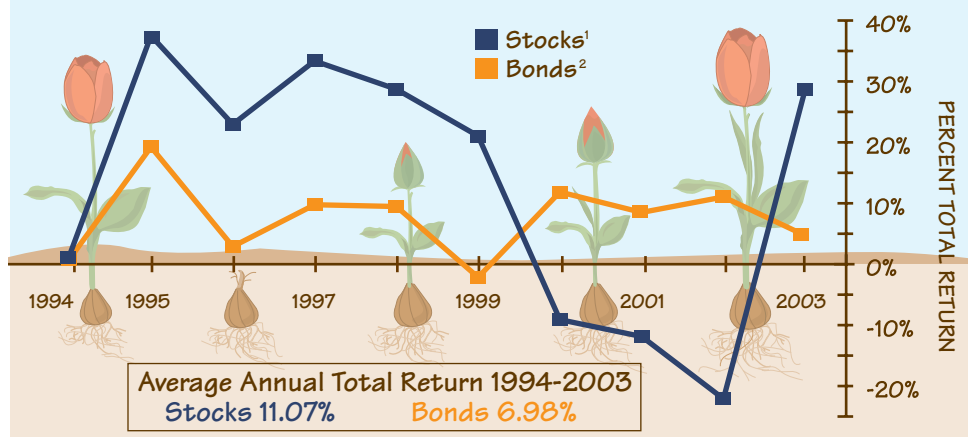
Again, the better strategy is to take the middle path. Your goal should be to allocate your investments in a way that reflects *your* risk tolerance and *your* investing time frame.

Mix It Up

Your plan probably offers high-, medium-, and low-risk investment choices. Review your options and put together a careful mix. You'll want to be sure your portfolio is adequately diversified. Although you won't do as well as you would with all of your money in very risky investments that happened to perform well, you also won't be *hurt* nearly as much as you would if those high-risk investments happened to do poorly. As market values shift, you'll need to readjust your investment mix from time to time in order to stay on track.

Short-term Volatility and Long-term Growth

10 years of stock and bond performance



Investments measured by: ¹S&P 500 Stock Index, an unmanaged index of the stocks of 500 major corporations; ²Lehman Brothers Government/Credit Bond Index, an unmanaged index of investment grade corporate and government bonds with maturities of one year or more.

Past performance does not guarantee future results. Your investment returns will be different. Investments cannot be made in an index.

Source: Russell Data Services