SUMMER 2010

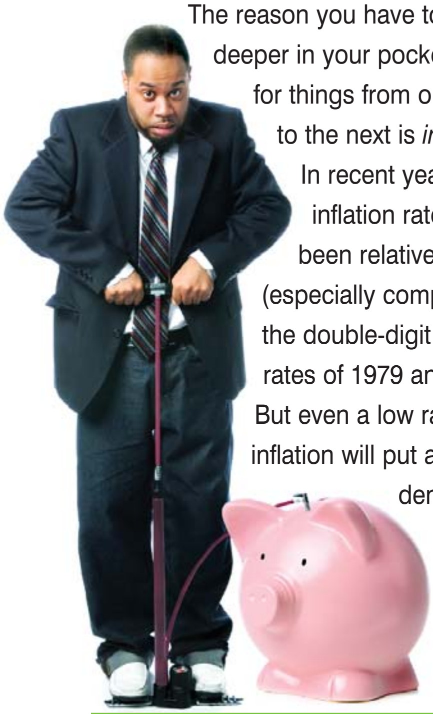
OnTrack

Retirement Planners & Administrators, Inc.
America's Premier Full Service Retirement Plan Provider
Since 1969
7639 Leesburg Pike - 2nd Floor
Falls Church, Virginia 22043
Phone 703.893.7322

The GOOD OLD DAYS

Twenty-five years ago, a first-class stamp cost 22 cents and the average price of a new home sold in the U.S. was $100,800. First-class stamps now sell for twice as much and new homes cost $270,400 on average (in 2009).*

Year In, Year Out



The reason you have to dig deeper in your pocket to pay for things from one year to the next is *inflation*. In recent years, the inflation rate has been relatively modest (especially compared to the double-digit inflation rates of 1979 and 1980). But even a low rate of inflation will put a serious dent in your buying power over time.

Taming Inflation

Retirement investors need to be particularly conscious of the effect inflation can have over time. Fortunately, you can combat inflation's effect on the nest egg you're building. One approach is to choose investments that have the potential to provide inflation-beating returns. Historically, stocks have done that. The average annual total return of large company stocks (as represented by the S&P 500 index) for the past 25 years (1985-2009) was 10.54%. The average inflation rate for the same period was 2.91% (as measured by the Consumer Price Index).

History certainly can't predict future stock market returns or inflation rates. However, conventional wisdom suggests you'll have a better chance of beating inflation by including stock funds or portfolios in your retirement account than by holding only conservative investments.

Increasing the amount you're saving for retirement is another good strategy for offsetting inflation's effects. The sooner you begin setting extra money aside, the better.

Be Prepared

Some costs have been escalating faster than the "official" inflation rate for several years, most notably college costs and medical expenses. Health-care inflation in particular could have a detrimental effect on your retirement finances since more and more health-care costs are being passed on to retirees. Be sure to take medical expenses into consideration when you are estimating the income you'll need.

Into the Future

The 22-cent stamp has gone the way of penny candy. And one day, you'll probably look back and remember 2010 as a time when things were cheaper. But if you plan for inflation, you'll be ready for good days ahead.

* U.S. Census Bureau, *www.census.gov*

Inflation and Buying Power

Here's how much money you'll need in the future to equal the buying power of $20,000 today if inflation averages 3% or 5% a year. (The actual inflation rate may be different.)

Today	Inflation Rate	10 Years from Now	20 Years from Now
$20,000	3%	$26,878	$36,122
$20,000	5%	$32,578	$53,066

Source: NPI

Not Your GRANDPARENTS' RETIREMENT

Throw out those rocking chairs — retirement is changing! The goal of enjoying a comfortable retirement lifestyle is still the same. But the types of activities people plan to enjoy in retirement and the opportunities they plan to pursue are changing and expanding.

We're Living Longer

Average Number of Years of Life Remaining 1989–2006

	1989–1991	1999–2001	2006
30-year-old female	50.2	50.6	51.3
30-year-old male	44.1	45.9	46.9
45-year-old female	36.0	36.3	37.0
45-year-old male	30.7	32.1	33.1
60-year-old female	22.9	23.1	23.8
60-year-old male	18.5	19.7	20.7

Source: The 2010 Statistical Abstract, U.S. Census Bureau, *www.census.gov*

The New 65

Advances in medicine have played a major role in the changes, especially in terms of increased life expectancies. The average life expectancy for a baby born in the U.S. at the turn of the previous century was 47.3 years.[1] Fifty years later, the life expectancy for newborns was 68.2 years. According to projections, babies born in 2010 can look forward to an average life expectancy of 78.3 years.[2] That's an increase of over 65% in a little more than 100 years.

The Old Three-legged Stool

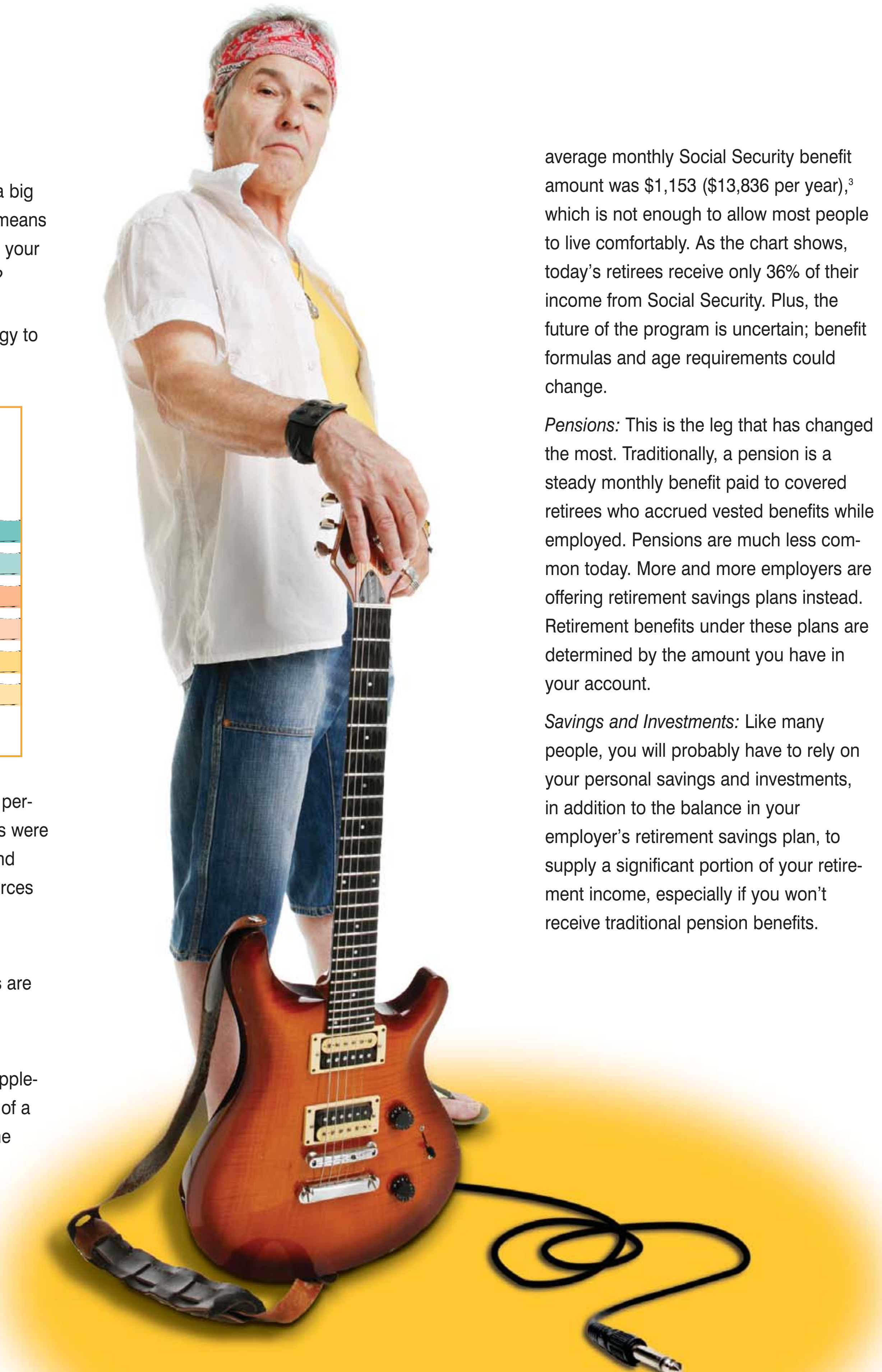
More time to enjoy being retired is a big plus. However, a longer retirement means you'll need more money. Where will your income come from when you retire? Traditionally, financial professionals used the "three-legged stool" analogy to explain the most likely sources of a person's income in retirement. The legs were Social Security, pension benefits, and personal savings: three income sources working together to support your retirement.

Let's look at how well the three legs are holding up these days.

Social Security: The Social Security system was designed to provide supplemental income only — not the bulk of a retiree's living expenses. In 2009, the average monthly Social Security benefit amount was $1,153 ($13,836 per year),[3] which is not enough to allow most people to live comfortably. As the chart shows, today's retirees receive only 36% of their income from Social Security. Plus, the future of the program is uncertain; benefit formulas and age requirements could change.

Pensions: This is the leg that has changed the most. Traditionally, a pension is a steady monthly benefit paid to covered retirees who accrued vested benefits while employed. Pensions are much less common today. More and more employers are offering retirement savings plans instead. Retirement benefits under these plans are determined by the amount you have in your account.

Savings and Investments: Like many people, you will probably have to rely on your personal savings and investments, in addition to the balance in your employer's retirement savings plan, to supply a significant portion of your retirement income, especially if you won't receive traditional pension benefits.



A Working Retirement

Not everyone is ready to stop working at "normal retirement age." Some people plan to continue working so they can stay active, pursue new interests, continue to earn a full-time income, or simply make some extra money. However, if you *have* to work just to make ends meet once you reach retirement age, it could be a problem. There are many factors, such as your health and appropriate job opportunities, that you won't be able to control.

Do It Now

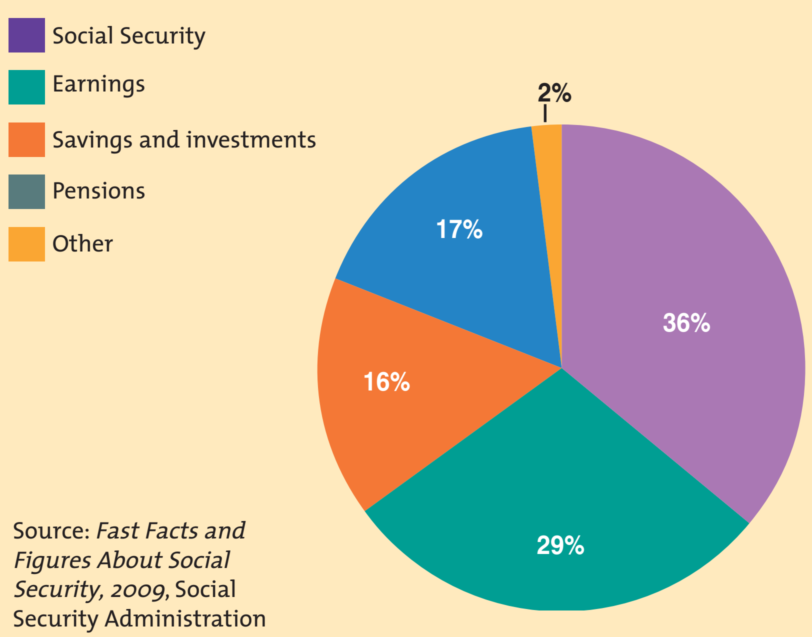
Since you won't know everything about retirement until you get there, you should make the most of what you *do* know — your employer's plan is a *great* opportunity to save and invest for retirement. If you decide you can do more now for the future, make the changes soon.

[1] Centers for Disease Control and Prevention, National Vital Statistics Reports, *www.cdc.gov*

[2] The 2010 Statistical Abstract, U.S. Census Bureau, *www.census.gov*

[3] Fact Sheet, 2009 Social Security Changes, Social Security Administration

Where Your Money Might Come From



Source: *Fast Facts and Figures About Social Security, 2009*, Social Security Administration

FASHION TIPS for Investors

Are you style conscious when it comes to fashion? What about when it comes to investing? Stock fund and portfolio managers follow different investing styles. Understanding them may help you make better investment choices.

Off the Rack vs. Custom

One investment theory suggests that it's difficult to beat market performance, so investors might as well "buy the market." Now known as *passive investing*, fund managers essentially aim to copy the performance of a market index* (such as the S&P 500, an index of 500 stocks issued by large U.S. companies). The resulting funds — "index" funds — hold the same securities in the same proportions as the indexes they follow. The only time managers switch investments is when the underlying index changes.

Active investing, on the other hand, means that fund managers strive to outperform a market index. Managers take different approaches to accomplish that goal.

Some Like Growth

Managers who follow a *growth style* investing strategy favor the stocks of established companies that typically deliver above-average growth in earnings and profits. These companies generally reinvest their earnings, a sign that they intend to keep growing.

Some Prefer Value

Managers who follow a *value style* investing strategy look for undervalued stocks that the managers feel may be poised for a comeback. Value stock prices may be low for a number of reasons. They may be low relative to a company's current or potential earnings, the stock may be temporarily out of favor, or the entire industry or sector may be troubled.

The Size Factor

In addition to growth and value strategies, some managers focus on company size through a measure known as market capitalization or market "cap." It refers to the total dollar value of a company's outstanding stock at a specific point in time. The dollar ranges to determine market cap aren't set in stone, but there are general definitions:

Large-cap stocks ("blue chips") are stocks of the largest companies. They are generally well-known, established companies that have a significant share of the market for their products or services. Large caps are suitable for investors interested in the potential for long-term capital appreciation.

Mid-cap stocks, those of medium-size companies, tend to be more volatile than large-cap stocks, but also offer the potential for long-term growth.

Small-cap stocks are issued by small companies that are typically less well-established than larger firms. Small-cap stocks tend to be extremely volatile. Managers who favor small-cap stocks believe they offer the potential for rapid price appreciation.

* An index is a measure of the value of a hypothetical portfolio of securities that is representative of the market (or market segment) it tracks. Indexes are unmanaged; no securities are bought or sold in an attempt to increase the value of the index. An investor cannot invest directly in an index.

This newsletter is designed to provide useful information about retirement plans and investing your plan account savings. It is an advertisement prepared by NPI for the use of the sender. While the information contained herein was obtained from reliable sources, it cannot be guaranteed as to completeness or accuracy. Before acting on any of the information provided, consult your professional advisor.

4/6/10 FR2010-0322-0177/E Copyright 2010 by NPI