OnTrack

RETIREMENT PLANNERS & ADMINISTRATORS, INC.
America's Premier Full Service Retirement Plan Provider Since 1969
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HOW MUCH Should You Be CONTRIBUTING?

Have you ever wondered if you're saving enough for retirement? Is there a specific percentage or dollar amount you should be contributing? To answer that question, you need to ask a few others.

Going from Zero to $100,000

If Investment Return* Is:	Monthly Contribution 3%	5%	7%	9%
10 Years	$716	$644	$578	$517
20 Years	$305	$244	$192	$150
30 Years	$172	$121	$82	$55
40 Years	$108	$66	$39	$22

* Refers to average annual total return, compounded monthly. This is a hypothetical example used for illustrative purposes only. It does not represent any specific investment product and does not include any investment fees and expenses. A single compounded rate of return is unlikely, as rates will vary over time, particularly for long-term investments. Withdrawals of tax-deferred accumulations are subject to ordinary income tax, and withdrawals prior to age 59½ may be subject to an additional 10% federal penalty. Source: NPI

What are your expectations?

What type of retirement lifestyle are you planning? If your vision of retirement includes lots of travel or expensive hobbies, you'll need to save more to finance your lifestyle than if your tastes are simpler. Similarly, if you'd like to retire early, you should plan to have additional savings to cover your expenses.

Will you have income from other sources?

Social Security isn't meant to be your only source of retirement income, but it can serve as a supplement to your savings. Check your Social Security statement for an idea of what your benefit may be. If you intend to work after you retire from your main job, it's okay to factor those earnings into your financial picture. But life is unpredictable, so you'll still want to have adequate savings.

How much will you need?

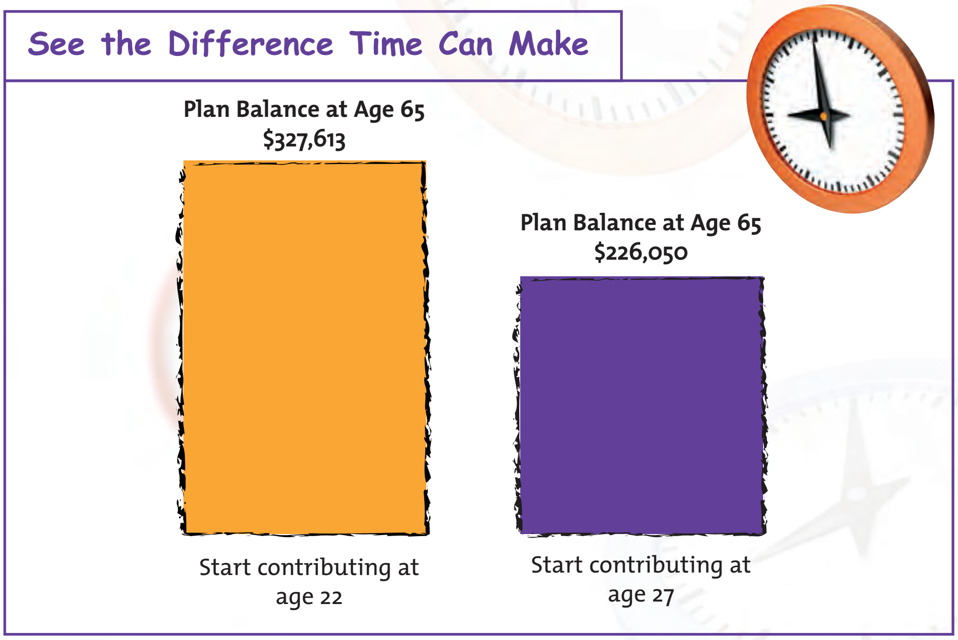
Once you've thought more about the kind of retirement you want, you'll be ready to set a savings goal. Basically, your goal should be the total amount of money you estimate you should have on hand when you retire. To set a goal, you will have to make certain assumptions about the expected growth rates of your investments, inflation, and how long you'll be retired. Be sure to use any plan-provided tools that are available to help you calculate a savings goal. You also may want to talk with a professional advisor.

How much time do you have?

The more years you have left to save, the less you'll need to set aside each month to reach your goal. If you didn't get an early start on saving, starting now to do more for your future is the next best thing. Once you're used to paying yourself first by saving in your employer's plan, you can add more to your retirement savings by increasing your contribution whenever you can (within the limits of your plan). For example, you might want to contribute part of any pay increases you receive. At least once a year, check your progress against your goal and adjust your contribution amount if necessary.

The Power of TIME

They say that time can heal a broken heart and lend perspective to all things. That's pretty powerful. Time is also an important factor in growing the value of your retirement savings. Contributing to your plan for *as long as possible* and *without interruption* can help you reach your goal of a financially secure retirement.



These figures assume that a participant contributes $100 a month and is holding investments that earn a 7% annual return (compounded monthly). This is a hypothetical example used for illustrative purposes only. It does not represent any specific investment product and does not include any investment fees and expenses. A single, compounded rate of return is unlikely, as rates will vary over time, particularly for long-term investments. Withdrawals of tax-deferred accumulations are subject to ordinary income tax, and withdrawals prior to age 591/2 may be subject to an additional 10% federal penalty.

Source: NPI

Time Is Your Friend

The longer your money is invested, the greater the potential impact of tax-deferred compounding. Compounding is simply the process of earning money on your plan contributions, and then earning money on your earnings as well as on your contributions. As the size of your account grows, you have a larger amount available for investment.

Over time, the investment performance of the different asset classes will vary, sometimes significantly. Stocks have historically delivered returns that outpace inflation and the returns of both bonds and cash equivalent investments over the long term. At the same time, however, stocks tend to be more volatile than bonds or cash.

That's why there may be periods that you see the stock portion of your plan account fluctuate more than the portions invested in other asset classes. The good news is that if you are a long-term investor, you can stay invested through market downturns and give your stock investments time to recover.

. . . But Time Off Is Not

Contributing regularly without interruption during your working years is another key factor in growing the value of your retirement savings. While it may be tempting to take a break from contributing, you could pay a high price if you stop saving.

Even if you rejoin your plan at a later date and increase your contributions to attempt to make up for the years you didn't save, you'll still have lost some of the benefit of compounding during those years. Take a look at the graphic on the opposite page to see how stopping contributions for just five years could impact account growth.

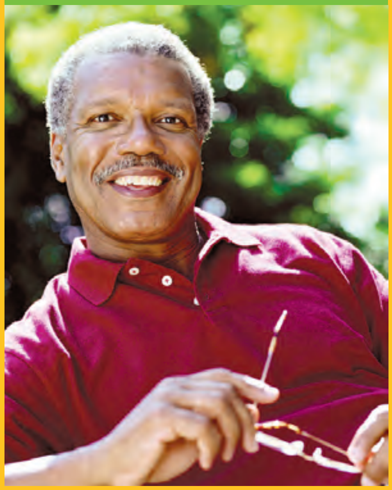
Make the Most of Your Time

Time passes quickly. To make the most of the time you have to save, keep contributing as much as you can to your plan and choose investments that fit your risk profile and your long-term goals.

The High Cost of Stopping Contributions

$437,469

Balance After 40 Years



Carl

- Years 1-5 $2,000/Year
- Years 6-10 $2,000/Year
- Years 11-40 $2,000/Year

Total

$80,000

$374,509

Balance After 40 Years

Denise

- Years 1-5 $2,000/Year
- Years 6-10 None
- Years 11-40 $2,333.33/Year

Total

$80,000

As you can see, Carl and Denise eventually contributed the same total amount, but Denise ended up with $62,960 less because she took time off.

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 balance will be different.

Source: NPI

Adding BONDS to the MIX

Got bonds? Some might say that building a portfolio without including bonds is a little like eating cereal without milk.

Bonds can help diversify a portfolio — and that's important since diversification is an effective risk control strategy. (Diversification does not ensure a profit or protect against loss in a declining market.) Stocks and bonds tend to perform differently under various market conditions, so investing in both asset types can potentially help balance overall portfolio risk.

Bond Fund Basics

You may not be able to invest directly in individual bonds through your retirement plan. But you probably can invest in bond funds (or portfolios). A bond fund is a professionally managed collection of bonds, and there are several different types. Some invest only in U.S. government bonds, others specialize in corporate bonds, while others hold both types. Some funds hold only bonds with short maturities, others hold longer term bonds. Blended maturity funds also exist. (Maturity refers to the date the bond issuer repays the investor.)

One thing to keep in mind about bond funds: They don't mature. Fund managers often sell bonds before maturity and buy different bonds. When bonds in a fund's portfolio reach maturity, the proceeds are reinvested in other bonds.

Corporate Bond Funds

Since there's a chance that corporate issuers may "default," corporate bonds are riskier than government bonds. Default occurs when a bond issuer doesn't pay the promised interest to bond holders or fails to repay principal when the bond matures.

Before investing in a corporate bond fund, check the prospectus to find out the fund's policy regarding credit risk. Many funds seek to control risk by buying only bonds that receive high ratings for quality from major ratings agencies, such as Moody's and Standard & Poor's.

U.S. Treasury Bond Funds

Treasury bond funds or portfolios hold debt issued by the United States government. Backed by the full faith and credit of the U.S. government, Treasury bonds are less risky and usually pay lower interest rates than corporate bonds.

A Word About Interest Rates

The *market value* of a bond can change at any time due to different economic factors. So investors who sell bonds before maturity might receive more or less than they initially paid. Although bond funds don't mature, their share values also vary.

Bond values are sensitive to interest rates. If interest rates have changed since a bond was issued, the market value of the bond in the secondary market will be affected. When market interest rates fall, the prices of existing bonds usually rise. Investors are willing to pay more for them because they offer higher interest rates than new bonds. The opposite occurs when interest rates rise. Longer maturity bonds tend to be more price sensitive to market conditions than short-term bonds.