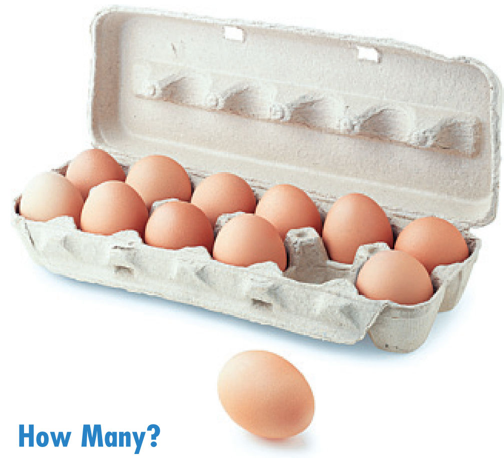
OnTrack

RPA
RETIREMENT PLANNERS & ADMINISTRATORS, INC.
7639 Leesburg Pike - 2nd Floor
Falls Church, Virginia 22043
Phone 703.893.7322



Would an Egg Carton BE BETTER?

Everybody knows you're not supposed to put all your eggs in one basket. So should you put them in an egg carton instead? If you're concerned about protecting actual eggs, an egg carton is better than a basket. But this old saying isn't about eggs.

Spread the Risk

It's about diversifying* your investments. Diversification is the basic investment strategy of choosing a mix of different investments to help manage risk. Putting your eggs (money) in more than one basket (investment) reduces the chances that they'll all break (lose money) if the basket falls (market drops). When you diversify, if one of your investments doesn't do well, you have others that may perform better, boosting your overall return.

Automatic Diversification

The funds or portfolios in your retirement plan offer automatic diversification because each fund may hold hundreds of individual investments. However, unless you select a fund or portfolio that's specifically designed to be an all-in-one investment (and not all plans offer such options), holding just one fund isn't likely to offer enough diversification.

The various asset classes — stocks, bonds, and cash alternatives** — may react differently to changing economic conditions. So choosing a variety of funds or portfolios that invest in different asset classes can help you weather different conditions.

How Many?

Should you invest in every fund or portfolio your plan offers? Probably not. Some of your plan's investments may be very similar, so you essentially would be duplicating investments if you chose every one. Take time to investigate your options and choose enough investments to have a well-diversified mix.

** Diversification does not ensure a profit or protect against loss in a declining market.*

*** Note that cash alternative investments may not be federally guaranteed or insured and that it is possible to lose money by investing in cash alternatives. Returns on cash alternative investments may not keep pace with inflation, so you could lose purchasing power.*

Diversification in Action

Investment mix	100% Stocks	50% Stocks 50% Bonds	40% Stocks 35% Bonds 25% Cash alternatives
Amount invested	$1,000	$1,000	$1,000
Value if *stock* prices drop 20%	$800	$900	$920
Value if *bond* prices drop 20%	$1,000	$900	$930

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

Don’t KID Yourself

Kidding yourself about things like your culinary skills or athletic ability isn’t that big a deal. But kidding yourself about retirement is another story. Think about it. Once the paychecks stop, you’re going to need money to live on. Social Security will probably provide some of your income (more on that later). But much of the retirement income you’re going to need will have to come from you. It’s time to get serious about saving.

Don’t Be Intimidated

Saving for retirement may be your biggest financial goal. But don’t let that scare you. The best way to meet any goal is to break it down into small steps. Contributing to your plan every payday is a good start.

The next step is to increase the amount you’re contributing. Give yourself some time to adjust to spending a little less, then bump up your contribution again. It may take a while, but steadily increasing the amount you’re contributing will help grow your account balance.

Make the Difficult Choices

There will always be competition for your money. Paying back student loans, raising a family, saving to buy a house, paying down a mortgage, taking a much needed vacation, helping children with college expenses — it’s not easy. But it’s important to keep saving for retirement through it all. You’ll probably have to cut back on some “extras,” but if you don’t do it now, you might have to make more drastic cuts later.

Put Time on Your Side

When you start saving early in your career, you have more time to contribute to your account. You also have longer to potentially benefit from the power of compounding. Over time, even small amounts can become larger because of compounding investment earnings. If you didn’t get an early start, don’t get discouraged.

Increase the amount you are saving as soon as you can.

Keep It Real

Are there any other ways to add to your retirement assets? Possibly. But they aren't strategies you can count on. For example, planning on an inheritance to provide cash may not be a reliable plan. Regardless of the good intentions of a parent or relative, a costly illness or some other misfortune could quickly wipe out an inheritance.

Planning to work longer is another iffy strategy. Unknown — and uncontrollable — factors could derail your plans. For example, you might not be able to keep your job or find another one that's suitable. Your health may not allow you to continue working. It's also possible you might have to stop working to provide full-time care for someone close to you.

Another common strategy for boosting retirement assets is to cash in on home equity by selling a residence and renting or moving into a smaller, less expensive home. But this strategy could backfire. Real estate prices might be depressed when you want to sell your home, or it might take a long time to find a qualified buyer. Once you do sell, you might have trouble finding affordable housing.

Finally, relying on Social Security retirement benefits to fill a savings gap is not a sound plan. Social Security was never meant to provide retirees with all the income they need. Recent figures indicate that Social Security benefits currently account for about 38% of retirees' income.* And no one knows what will happen with Social Security in the future.

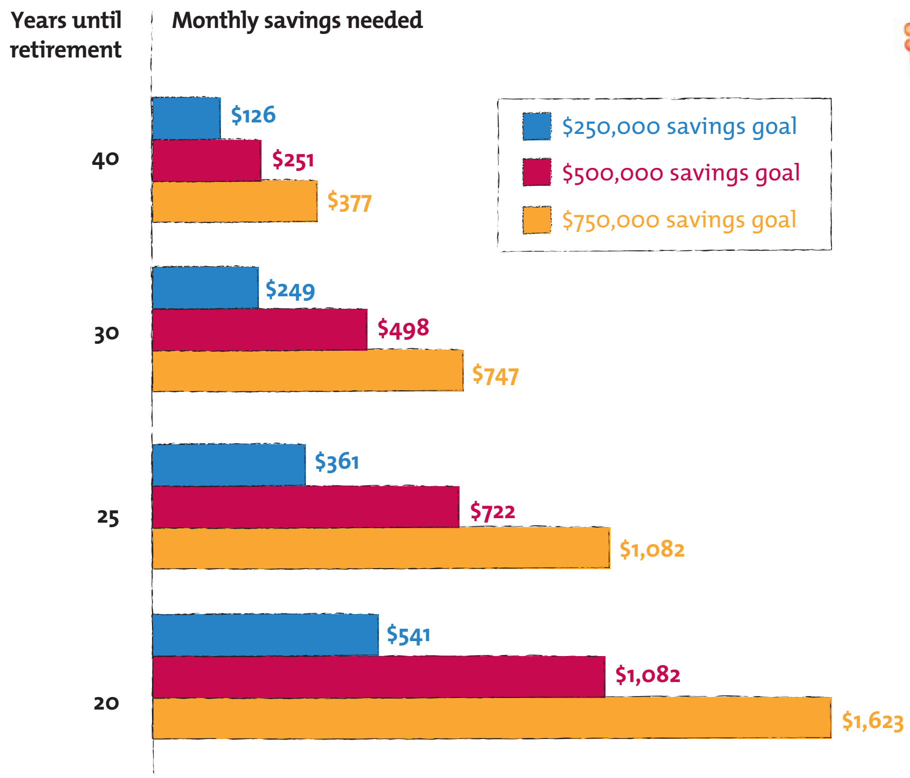
No (More) Kidding

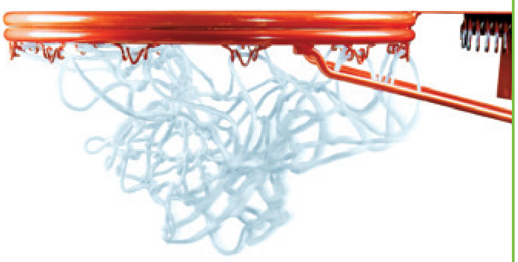
Whether retirement is five or 35 years away, saving should be a priority. Kidding yourself about that is a big mistake.

** Fast Facts and Figures About Social Security, 2011*

A Look at Time and Compounding

How much you need to save each month to achieve your retirement goal depends on several factors, including how many years you have until you retire.





Assumes an average annual total return of 6%. This is a hypothetical example used for illustrative purposes only. It does not represent the results of any particular investment vehicle. Your results will be different. Monthly compounding is assumed. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal. Amounts are rounded to the nearest dollar.

Source: NPI

Too Much Information? HARDLY . . .

This truly is the information age. Thanks to smart phones and other mobile devices, the Internet is never more than a click away. At some point, however, having instant access to so much information can be overwhelming. The challenge is to separate the information that deserves your attention from the rest of the chatter.

Your Attention Please

Information about your retirement plan certainly deserves your full attention. When you understand your plan and how it works, you'll be able to take full advantage of all it has to offer. Always pay attention to the information you receive from your plan.

New Information

Be on the lookout for a new communication from your plan sponsor containing important information about plan fees and expenses. The information should help you better understand your plan's costs and investment options so you can make informed decisions about your retirement account.

Operational Information

One of the first things you may have received from your plan was the Summary Plan Description (SPD), which explains, in plain language, how the plan works. Keep your SPD on file in case you have questions. If your employer makes changes to your plan, you'll receive an explanation of the changes. File all plan communications with your SPD and account statements.

Account Information

Most people check their account balance first when they open a retirement plan statement. (You do open your statements, don't you?) Statements generally provide other important information, as well. For example, you can see how much has been contributed to your account during the period and how much of your account balance is vested.

Investment Information

Your plan provides information about the investment options that are available to participants. If you're considering investing in a fund or portfolio, you can read about its investment objective, holdings, potential investment risks, and financial highlights. Your plan also provides investment performance data for various time periods. All this information can help you make informed decisions about your investments.

A Wealth of Information

Your retirement plan can play a key role in helping you achieve a financially secure retirement. To make the most of the opportunity, pay close attention to the information you receive — and get answers to any questions you may have.