OnTrack

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Make THIS the Year

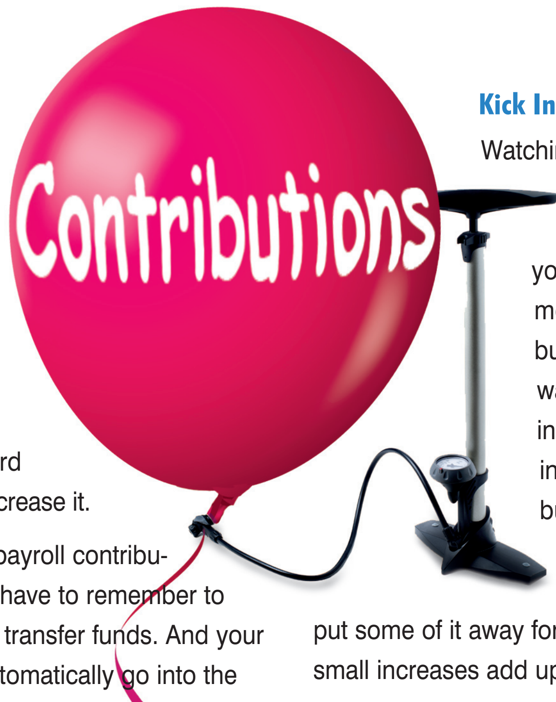
Whether or not you make formal resolutions, the beginning of a new year is a good time to take a fresh look at things, establish priorities, and ponder changes you want to make. Here's something in the financial category that might not be on your radar but should be: How much are you contributing to your retirement plan?

It's easy to let inertia take over and never increase your contribution amount. However, if you're not contributing much to your plan now, you might not have enough money to live comfortably when you retire. Maybe this should be the year you make saving for retirement a priority.

Pay Yourself First

The most convenient way to build up your savings is to have your employer take money out of each paycheck and put it into your retirement account. Look at it as paying yourself first. Start with an amount you can comfortably afford and gradually increase it.

With automatic payroll contributions, you don't have to remember to write a check or transfer funds. And your contributions automatically go into the investments you've selected. Because you don't see the money that goes into your plan account, you aren't tempted to spend it.



Kick Inertia to the Curb

Watching your savings accumulate can help motivate you to save even more. Review your budget to look for ways to trim spending so you can increase your contribution amount. And when you get a raise or bonus, put some of it away for retirement. Even small increases add up over time.

Now Versus Later

Being serious about saving for retirement might mean putting off some purchases or scaling back on some plans. But retirement is a big, important goal. Waiting an extra year or two to take a cruise isn't really a problem. Not having enough saved for a comfortable retirement very well might be.

Small Amounts Can Make a Big Difference

	You could have this much more saved after			
If you increase plan contributions by	5 years	10 years	20 years	40 years
$10/week	$3,023	$7,101	$20,022	$86,298
$15/week	$4,535	$10,652	$30,033	$129,447

This is a hypothetical example used for illustrative purposes only. It assumes amounts are invested monthly, an average annual total return of 6%, and monthly compounding. It does not represent the result of any particular investment. Your results will be different. Amounts are rounded to the nearest dollar. Source: DST

Don't Let Timing TRIP YOU UP

You don't have to be a standup comedian to understand the importance of timing. If you lose track of how long your dinner has been in the oven, for example, you may have to take the family out to eat. If you miss important deadlines — like filing your income-tax return late or forgetting to pay a credit card bill — you'll pay a price.

Timing can play a role in investing, too. Market timing is essentially the stock investing strategy of buying low and selling high. The idea is that you invest in stocks as the market starts gaining momentum, then you switch to cash investments or bonds when stock values peak and the market turns the corner.

What's Not To Like?

In theory, market timing is great: Investors benefit from the upside and protect themselves from the downside. But as so often happens, theory and reality are two different things. Market timing assumes you'll know exactly when to move into and out of the stock market. In reality, not even experienced professionals can consistently time their buying and selling to match market movements.

Timing the Market

The problem with trying to capture short-term profits by timing the market's highs and lows is that it could have a negative effect on your portfolio's growth. Quick gains in the stock market sometimes occur over very short periods and can account for a significant portion of the market's quarterly or even annual performance.

If you're trying to time the market, you could miss out on these brief bursts. You might end up buying when prices are high and selling after prices have plunged, which is the exact opposite of what you intended.

It's never clear exactly when the market will recover from a downturn. Investors who move out of stocks at a low point may miss out on a future recovery. Take a look at these historical examples of market rebounds.

Recent Rebounds in the S&P 500 Index

2002	2003
-22.10%	28.68%

2008	2009
-36.99%	26.45%

The S&P 500 is an unmanaged index of the stocks of 500 major corporations. These returns are for illustrative purposes only and don't reflect the returns of any specific investment or the returns that an investment in stocks may earn in the future. You cannot invest directly in an index. Sources: Standard and Poor's and DST

Time *in* the Market

Instead of using timing as a strategy, use time to build up your retirement savings. Steady contributions to your retirement plan account combined with the power of compounding — time in the market — can help you build up your balance. The longer your money is invested, the greater the potential benefit from compounding.

There are bound to be periods of high volatility (the up and down movement of stock prices), and you may be tempted to sell. But resist the urge. Although past performance is no guarantee of future results, history shows that even severe stock market declines don't last forever. The market has always recovered over the long term. Be prepared to hold firm through periods of uncertainty and changing values.

Mix It Up

Diversification* is a time-tested investing strategy that can help you manage risk. When you diversify, you invest your plan contributions in a broad mix of different investments and asset classes, such as stocks, bonds, and cash alternative investments.** (Cash alternatives are short-term securities that can be readily converted to cash, such as U.S. Treasury bills.)

Diversification takes advantage of the fact that the different asset classes often don't move in the same direction. For example, under a certain set of conditions, the value of one asset class may fall while others hold steady or even rise. Holding a diversified group of investments may result in less risk than you could achieve by investing in only one type of investment while still preserving opportunities for gains.

Take Your Time

Investing for retirement is a long-term goal. If you're happy with how your retirement plan assets are allocated, you can stick with them. However, you should review your portfolio regularly. If your risk tolerance or investment time frame changes, or an investment's performance is consistently poor, you may want to make some changes.

** 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.*

Your MONEY and Your HONEY'S MONEY

Learning how to compromise is an important skill, especially for married couples. You don't have to like the same movies or food or football teams, you don't even have to like doing the same things all the time, as long as you can find common ground.

Trouble in Paradise

Compromising on money matters, however, can really rock the love boat. You and your spouse may have completely different attitudes about money. If that's the case, the best solution may be to manage your money individually. As long as you agree about who's paying for what and you make sure your bills are paid on time, having separate bank accounts shouldn't be a problem.

Investing Differences

Investing is another financial area where you and your spouse may not see eye to eye. It's not uncommon for one spouse to be an aggressive investor with a portfolio full of stocks and the other to be a conservative investor with a portfolio of low-risk investments. What's the best compromise? Should you coordinate your strategies or make your own individual decisions?

Common Goals

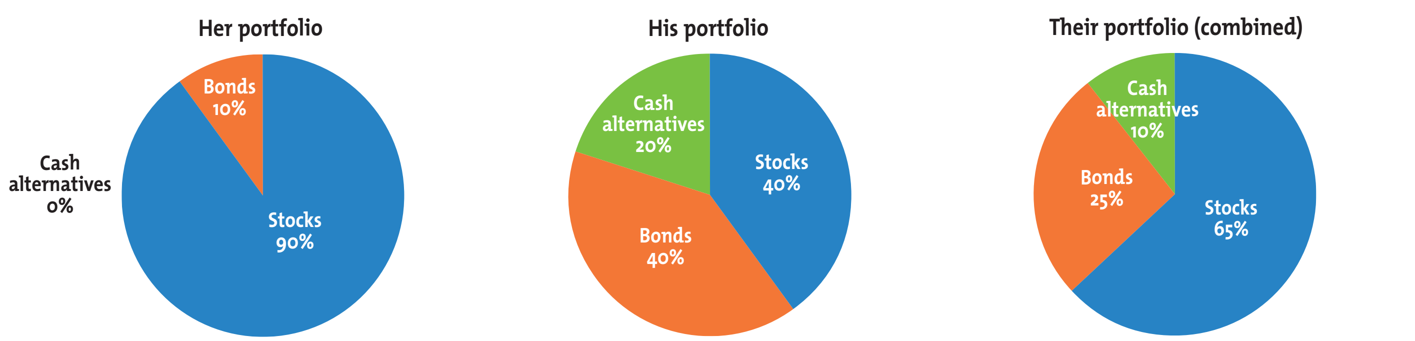
When you and your spouse are investing for a common goal, such as retirement, either approach will work — as long as you develop an overall strategy for meeting your joint goal. Take a look at all your retirement investments to see how your combined assets are allocated* among the different investment types. Then, decide what your combined asset allocation should be based on your goal and investing time frame. Your asset allocation decisions should also include any investments you have outside of your retirement plans.

Happily Ever After . . .

Review your combined asset allocation on a regular basis. If it has shifted, you may need to rebalance. Tweaking the investments in just one of your accounts may accomplish the results you want. As retirement gets closer, you may discover that you're both ready to go in a more conservative direction. Coordinating your investments all along the way will help you reach your retirement savings goal — together.

** Asset allocation does not guarantee a profit or protect against losses.*

Mine + Yours = Ours



These hypothetical portfolios are for illustration only. They assume the two have equal amounts invested. Cash alternative investments, such as certificates of deposit, may not be federally guaranteed or insured, and 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. Source: DST