OnTrack

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Here Are Some Things You *Can* COUNT ON

When it comes to investing, there aren't many things you can be certain of . . . except for one: Sooner or later, the stock market will be doing the exact opposite of what it's doing today. Stock prices change every day. This fluctuation, known as volatility, is the market's response to factors such as supply and demand, economic news, even political events.

Count on Volatility

Volatility matters because it's a measure of investment risk. The more volatile an investment is, the greater its risk of short-term losses. Stocks are the most volatile of the three major asset classes. Bonds are less volatile than stocks, and cash alternatives* (short-term securities that can be readily converted into cash, such as U.S. Treasury bills) are the least volatile of all.

So why not just avoid volatile investments? Because riskier investments generally have higher potential returns. (Past performance is no guarantee of future results.)

Counter with Diversification

When volatility heats up, the different asset types may react differently. The strategy of diversification,** spreading your investments among the various asset classes, can help you manage risk.

Focus on Goals

As a retirement investor, you can count on short-term volatility in the stock market. But unless you're close to retiring, don't let it stop you from focusing on your long-term goals by including investments with strong growth potential in your portfolio.

** Prices of fixed income securities may fluctuate due to interest rate changes. Investors may lose money if bonds are sold before maturity. Cash alternative investments may not be federally guaranteed or insured, and it is possible to lose money by investing in them. Returns on cash alternative investments may not keep pace with inflation, so you could lose purchasing power.*

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

Diversification at Work

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: DST

It's RETIREMENT PLAN APPRECIATION Day

There are appreciation days for all sorts of things: cultures, people, events, animals, and even numbers. Some observations are fairly obscure and are only recognized by small groups of people. Pi Day is a good example. Others, such as Earth Day, are widely observed.

There's a lot to appreciate about your employer's retirement plan. So why not celebrate the benefits it offers today?

Three Cheers for Convenience

Convenience tops the list of benefits. All you have to do is participate in the plan. The money you contribute to your plan account is deducted automatically from your pay and invested according to your instructions. Just like clockwork.

Salute Tax Savings

The tax benefits available through your retirement plan are equally attractive. When you make pretax contributions to your plan, you don't have to pay federal income taxes on that money until you withdraw it later from your account.* When taxes are deferred on a portion of your income, your tax liability for the year decreases, and you have more spendable pay than you would if you saved the same amount in a taxable investment account. You save for retirement; you have more spendable pay. Win win.

The Spendable Pay Advantage

	Save in taxable account	Save in your plan
Monthly earnings before income tax	$2,500	$2,500
Plan contribution	$0	$300
Income tax (15%)	$375	$330
Taxable account contribution	$300	$0
Amount left for spending	$1,825	$1,870

In this hypothetical example, the difference in spendable pay is $45 a month, or $540 a year. The difference in your situation would depend on your earnings, contribution amount, and tax rate.

Source: DST

Hats Off to Tax Deferral . . .

You get an additional tax break on investment earnings. The income your retirement investments earn — plus the earnings on those earnings — is not immediately taxed. You will have to pay income taxes on your account earnings when you withdraw them from your account.* But until then, all your account earnings are invested and working for you.

And a Possible Tax Credit

If you meet certain income requirements, you may be eligible for another tax-saving opportunity: a federal tax credit called the Saver's Tax Credit. You could potentially receive a 10%, 20%, or 50% credit on up to $2,000 of your retirement plan contributions for 2014. The credit percentage depends on your adjusted gross income (AGI).

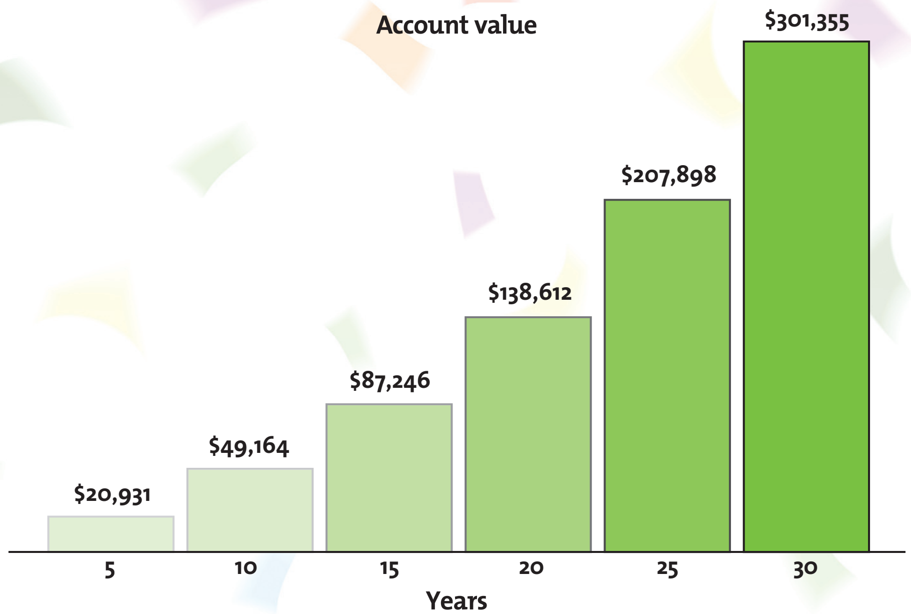
If you qualify for it, the Saver's Tax Credit can make an additional dent in the net cost of your plan contributions.

Hip Hip Hooray!

It's unlikely you'll see greeting cards for Retirement Plan Appreciation Day in stores any time soon. But you can celebrate on your own by taking a good look at your account once a year to make sure you're taking full advantage of all the benefits your plan has to offer.

** Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.*

The Growth Advantage



The graph illustrates how investing $300 a month in a tax-deferred retirement account could potentially grow over time. Assumes a 6% average annual total return compounded monthly. Tax-deferred retirement savings will be subject to ordinary income tax when distributed from the account. Your investment returns will be different from this hypothetical example, which does not represent the performance of any particular investment. Source: DST

Saver's Tax Credit Income Ranges for 2014

	50% credit	20% credit	10% credit
Couples filing jointly earning	Up to $36,000	$36,001 - $39,000	$39,001 - $60,000
Head of household earning	Up to $27,000	$27,001 - $29,250	$29,251 - $45,000
Single and married filing separately earning	Up to $18,000	$18,001 - $19,500	$19,501 - $30,000

The maximum credit is $1,000 for an individual and $2,000 for a married couple. Earnings are AGI. To qualify, you also must be age 18 or older before the end of the year and can't be a full-time student or claimed as a dependent on someone else's return. Source: DST

When Your NEST EMPTIES . . .

Having a child leave home permanently is a significant event. After you've packed away the memorabilia, sit down and revisit your finances. It may be a good time to make some other changes.

From Their Diapers . . .

Raising a child is expensive. For a child born in 2012 (the latest figures available), a middle-income family can expect to spend about $241,080 for food, shelter, and other necessities associated with raising a child over the next 17 years.* Since 1960, the average annual increase in child-raising costs has been 4.4%.

To Your Dreams

If you think it's a big change when the kids leave home, the next one — retirement — may be even bigger. Once you no longer have the expenses of raising a family, use the financial "windfall" to beef up your retirement savings. If you haven't been saving as much as you should, this is the time to catch up. Building up your retirement savings should be a priority.

Check to see how much you're currently contributing to your retirement account, and consider increasing that amount. If you can sock away an extra $200 a month for 10 years and earn 6% a year (compounded monthly), you'll have added more than $32,000 to your account balance.

Max It Out

If you can, keep increasing the amount you're saving until you reach your plan's maximum contribution amount. Check with your plan administrator if you don't know how much the annual limit is. If you're age 50 or older by the end of the calendar year — and your plan allows for them — you may be able to make additional catch-up contributions.

No Procrastinating

It won't take long to adjust to having more money to spend after the kids leave home, so don't wait to reset your financial priorities. Earmark at least *some* of your empty nest surplus as retirement savings.

* Expenditures on Children by Families, *U.S. Department of Agriculture, August 14, 2013*

Save More Now, Spend More Later

	Save an extra $2,400 a year	Save an extra $5,000 a year
For 7 years	$20,815	$43,364
For 10 years	$32,776	$68,283

These are hypothetical examples used for illustrative purposes. They do not represent the results of any particular investment vehicle. Monthly contributions and a 6% average annual total return (compounded monthly) are assumed. Your investment results will be different. Tax-deferred amounts accumulated in the plan are subject to ordinary income tax upon withdrawal.

Source: DST