WHY YOU SHOULD REMAIN INVESTED, EVEN IN VOLATILE MARKETS

SIX TIPS TO HELP YOU KEEP A STEADY COURSE TOWARD YOUR RETIREMENT OBJECTIVES, NO MATTER HOW ROCKY THE MARKETS MAY BE

WHEN FINANCIAL MARKETS GET ROCKY, YOU MAY WONDER WHY YOU SHOULD STAY INVESTED.
Why not get out while things are bad and just get back in when they're better?

But market sell-offs and recoveries often seem to arrive out of nowhere. Even if you time your sell decision perfectly, if you're a long-term investor, you'll need to buy back into the market eventually. And the best time for either move isn't at all clear without a crystal ball.

Recoveries aren't marked by an "all clear" sign. Actually, the market often rallies despite continued investor concerns. So investors who sell during periods of market stress often feel the pain of loss twice: first, when they lock in their losses, and second, when they miss out on the eventual recovery.

That's no way to get to your long-term goals!

1 CONTRIBUTE CONSISTENTLY

It's important to keep up with your contributions, and even consider increasing your contributions when the market drops. When investors react to market conditions, they buy high and sell low—that's the opposite of wise, disciplined, long-term investing. Your company's retirement plan deducts your contributions automatically from your paychecks, so that makes this strategy an easy habit to practice!

2 DON'T TAP INTO YOUR RETIREMENT SAVINGS

Times have been tough for many working families. And it might seem easy to tap into your retirement savings. But don't. Withdrawing money from your retirement account is costly. Let's say you have a $156,230 balance in your account and withdraw it all for any reason prior to age 59½. You'll have to pay 25% in taxes (if you're in the 25% tax bracket) and 10% in penalties. What you'll actually get is only $101,549. So if you had waited until age 60 to withdraw your money, you would have an extra $15,623 in your account.

COST OF AN EARLY DISTRIBUTION

Hypothetical example; for illustration purposes only. This example assumes the account holder has an account balance of $156,230, is in the 25% tax bracket, and must pay a 10% penalty for early withdrawal (before the age of 59½).

3 REBALANCE YOUR INVESTMENTS

If you build your own portfolio from among your company's investment menu options, make sure that you revisit it regularly. The asset allocation that you initially chose can shift over time, so that an investment that's done well becomes a larger part of your total portfolio than you actually want, or is no longer in line with the risks you're willing to take. Rebalancing takes time, effort and a bit of vigilance on your part. But your plan also offers target-date funds, and these funds have professional money managers who take care of any rebalancing for you.

4 TAKE A GOOD LOOK AT YOUR ACCOUNT

While you're rebalancing your account, make sure that you're still comfortable with the investments you've made. Do they still make sense for you? Do you have too much risk for your age? Too little risk (and potential for return)? Your retirement plan may have added choices since you enrolled—choices that might be right for you.

Lastly, consider increasing your contribution rate by 1%. Many of us think we can't give up any of our take-home pay, but you probably won't notice a 1% difference—especially if you've gotten a salary increase recently. However, you'll be thanking yourself when it's time to retire.

5 DOLLAR-COST AVERAGING: LET GOOD HABITS WORK FOR YOU

When you contribute consistently, you're also smoothing out the price you're paying for your investments. When markets are high, investment units are more expensive, and you buy fewer of them. When markets are down, those units cost less, so you're buying more of them—for the same dollar amount. That's called dollar-cost averaging.

6 LET TIME WORK FOR YOU, NOT AGAINST YOU

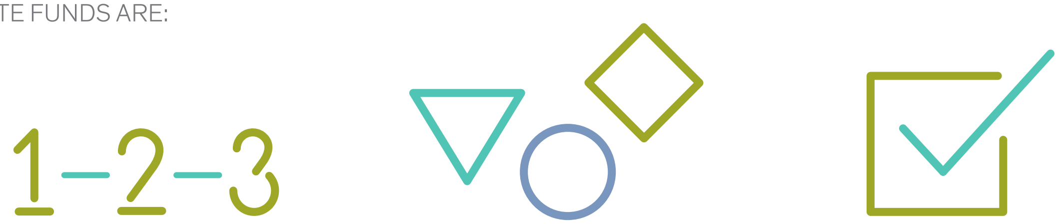
Stay invested. When the market becomes volatile—typically characterized by wide price fluctuations and heavy trading—stay put. Stay focused on long-term market basics rather than short-term news. It's time in the market, not timing the market, that counts.

TARGET-DATE FUNDS HAVE BUILT-IN DIVERSIFICATION

You could build your own diversified portfolio from your company's menu of investments, but that takes a lot of time and effort, including monitoring and shifting those allocations as you near retirement. If you don't put in that time and effort, you might take too much risk from short-term market fluctuations at a point when your savings no longer have the time to recover.

Instead of going it alone, consider investing in your company's target-date fund. Diversification is exactly what it does. And your company's target-date fund may use a wide range of traditional and nontraditional strategies to reduce market risk, while keeping an eye on tomorrow's investing opportunities.

TARGET-DATE FUNDS ARE:



SIMPLE **DIVERSIFIED** **EFFECTIVE**

Investing in target-date funds does not guarantee sufficient income at retirement or loss of principal. Diversification does not guarantee a profit or eliminate risk.

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