

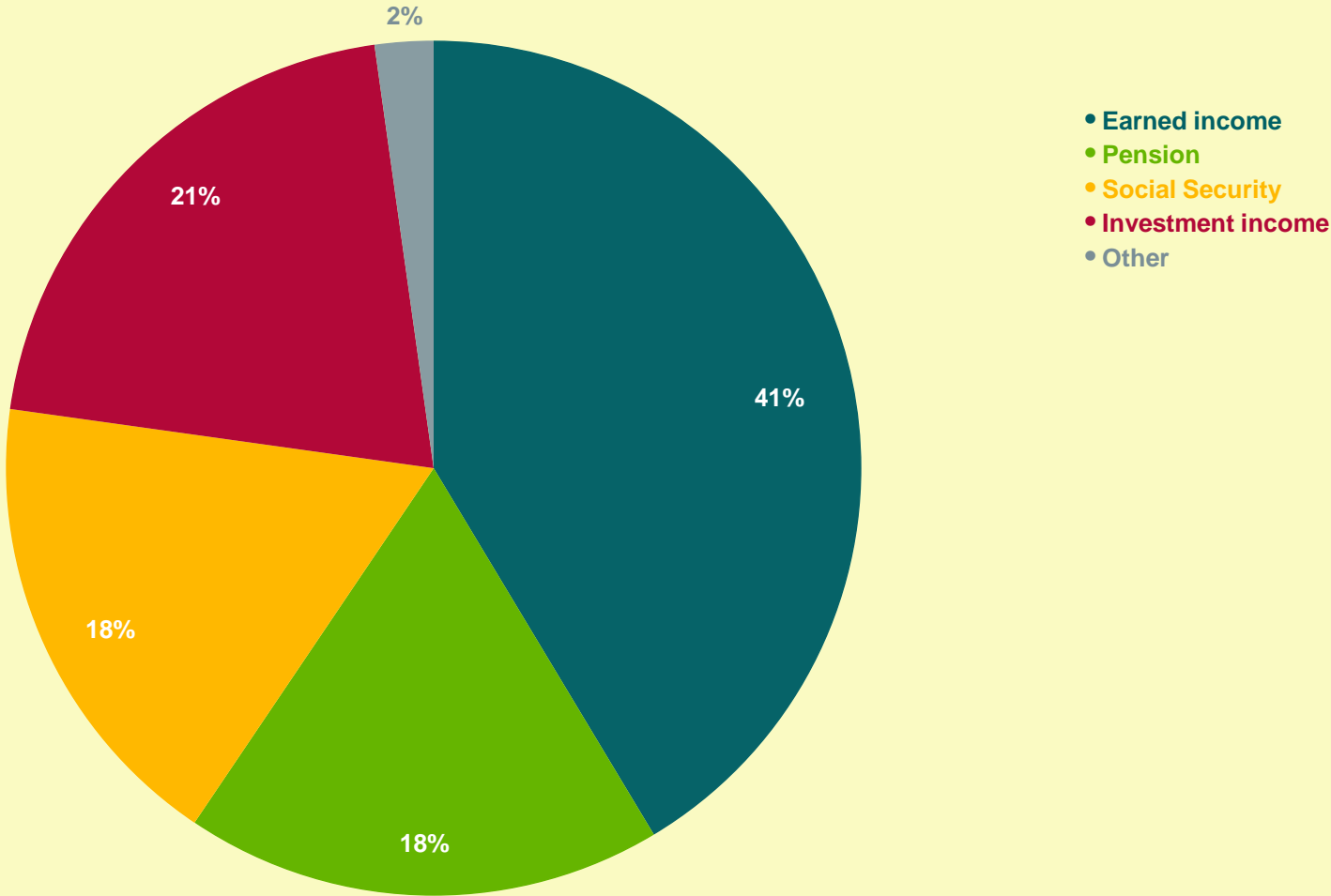
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# Investing for Retirement

# Advantages of 401(k) Investing

- ▶ Participant control
  - ▶ Amount invested
  - ▶ Asset mix
  - ▶ Ownership of assets
- ▶ Pre-tax investing
- ▶ Tax deferral
- ▶ Tailored investment plan

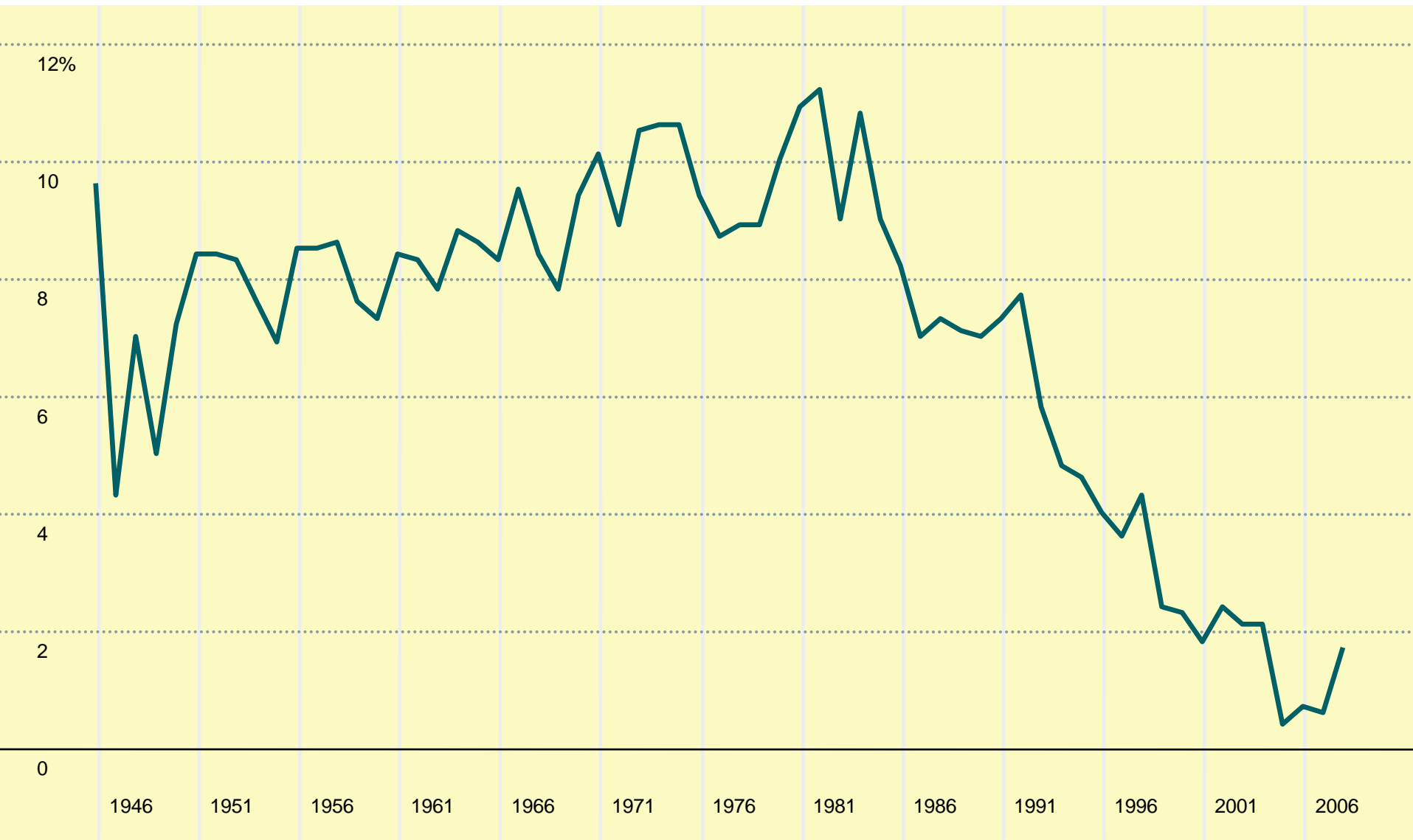
# Sources of Retirement Income



Pension includes all defined benefit and defined contribution plans. Estimates are not guaranteed. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009

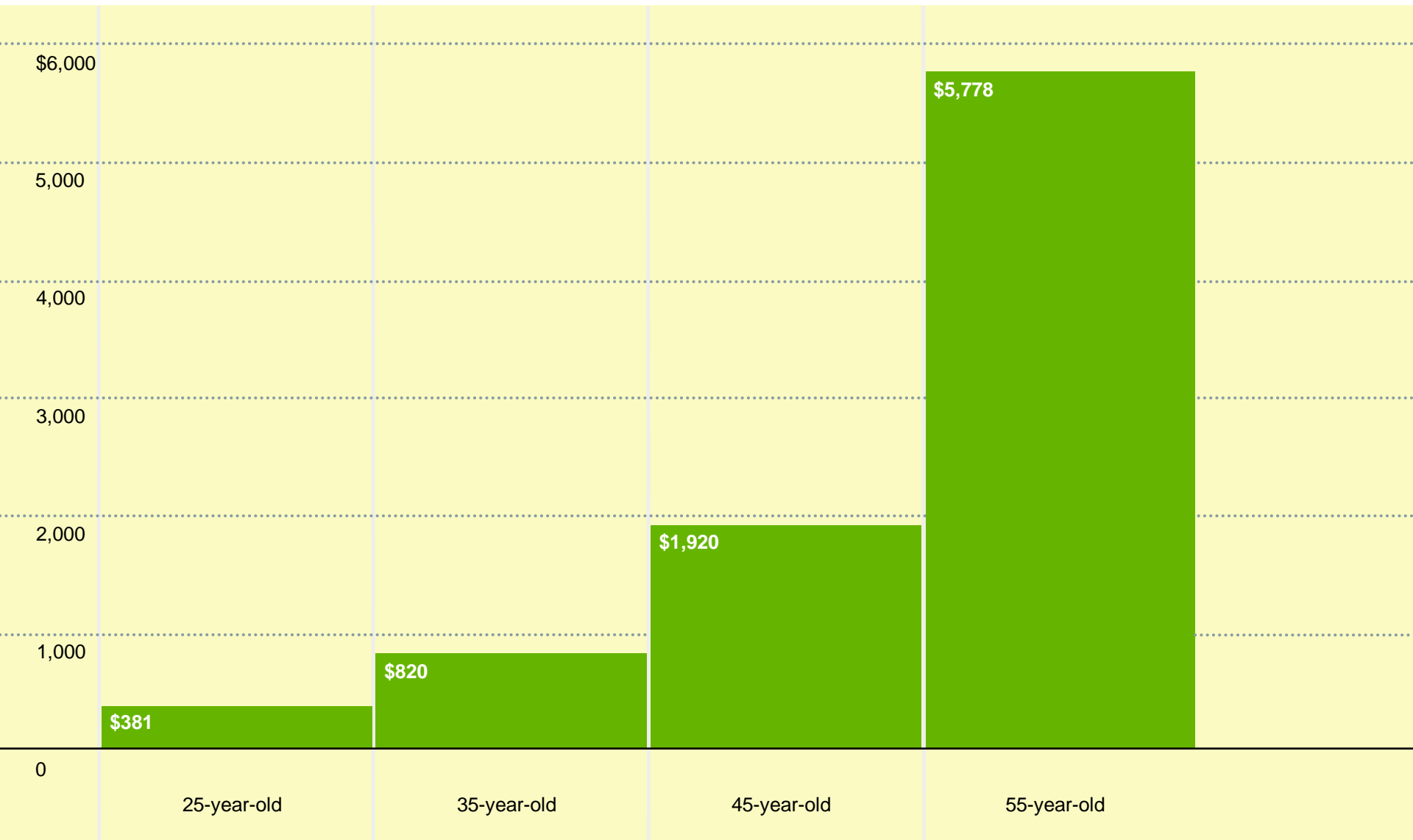
# Most Americans Are Not Saving Enough for Retirement

Personal saving rate 1946–2008



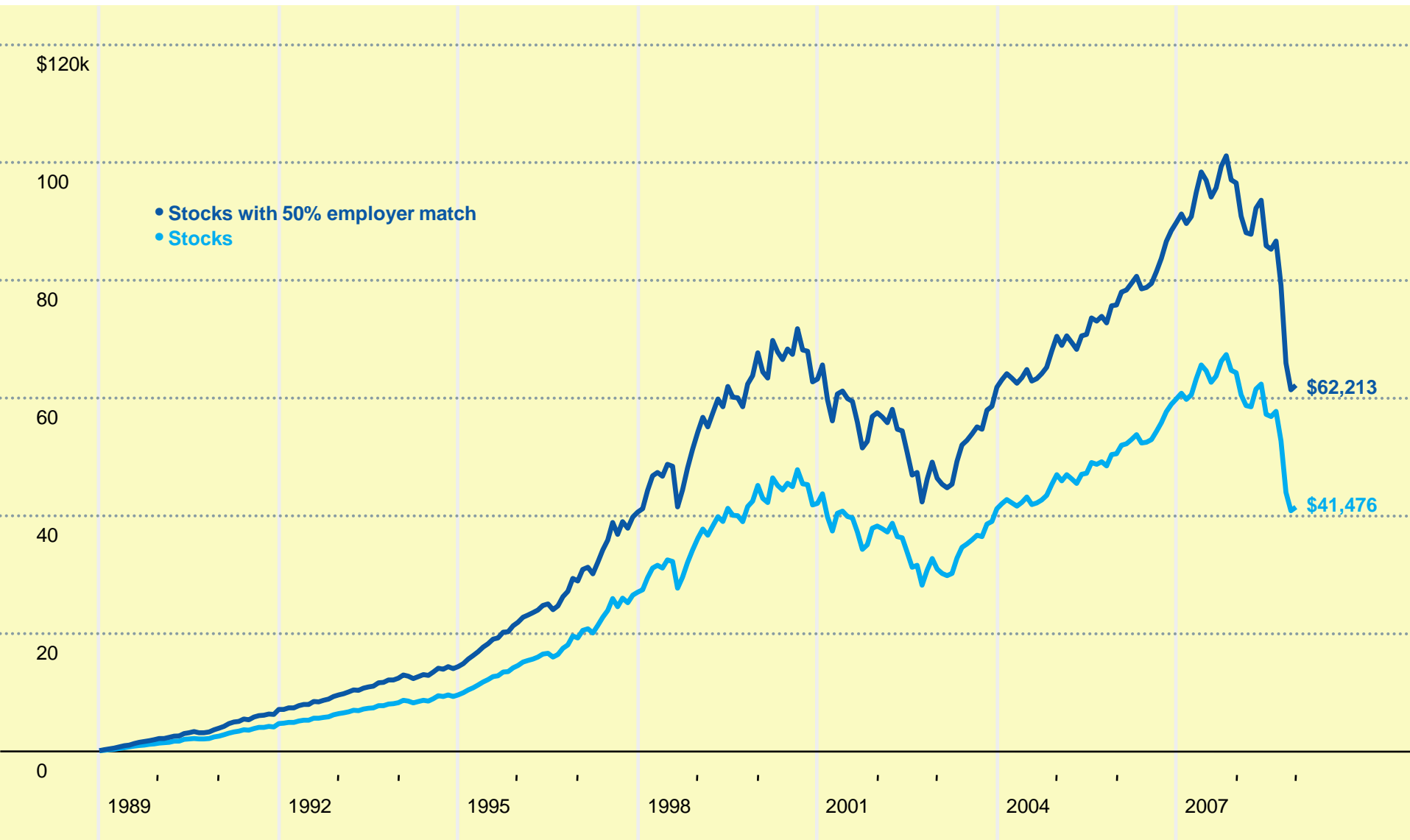
# The Earlier You Start Investing, the Easier It Is to Reach Your Goals

Monthly savings needed to accumulate \$1 million by age 65



# Enhancing Your Wealth: Employer Match

Hypothetical value of \$100 invested each month 1989–2008

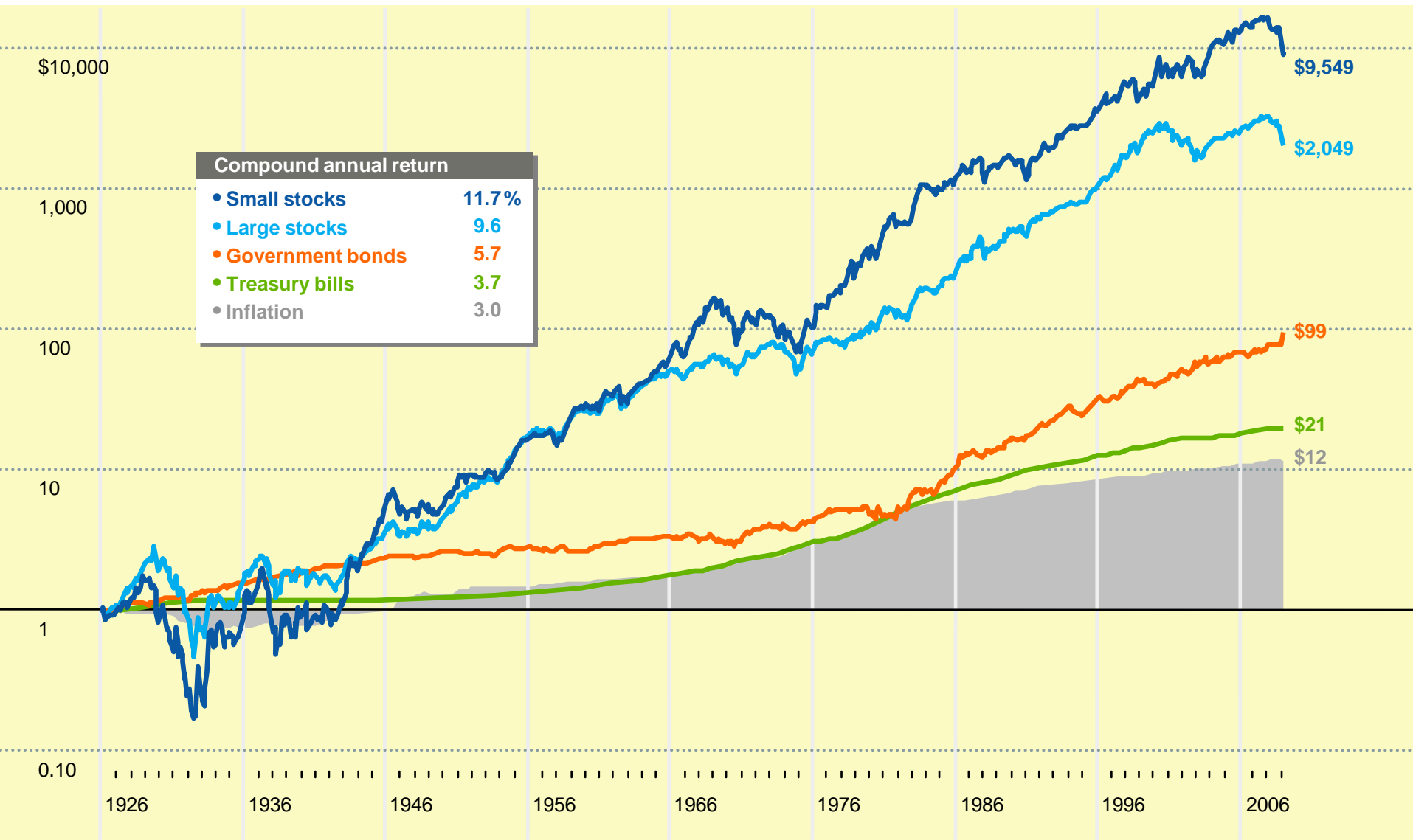


Past performance is no guarantee of future results. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009



# Ibbotson® SBBI®

## Stocks, Bonds, Bills, and Inflation 1926–2008

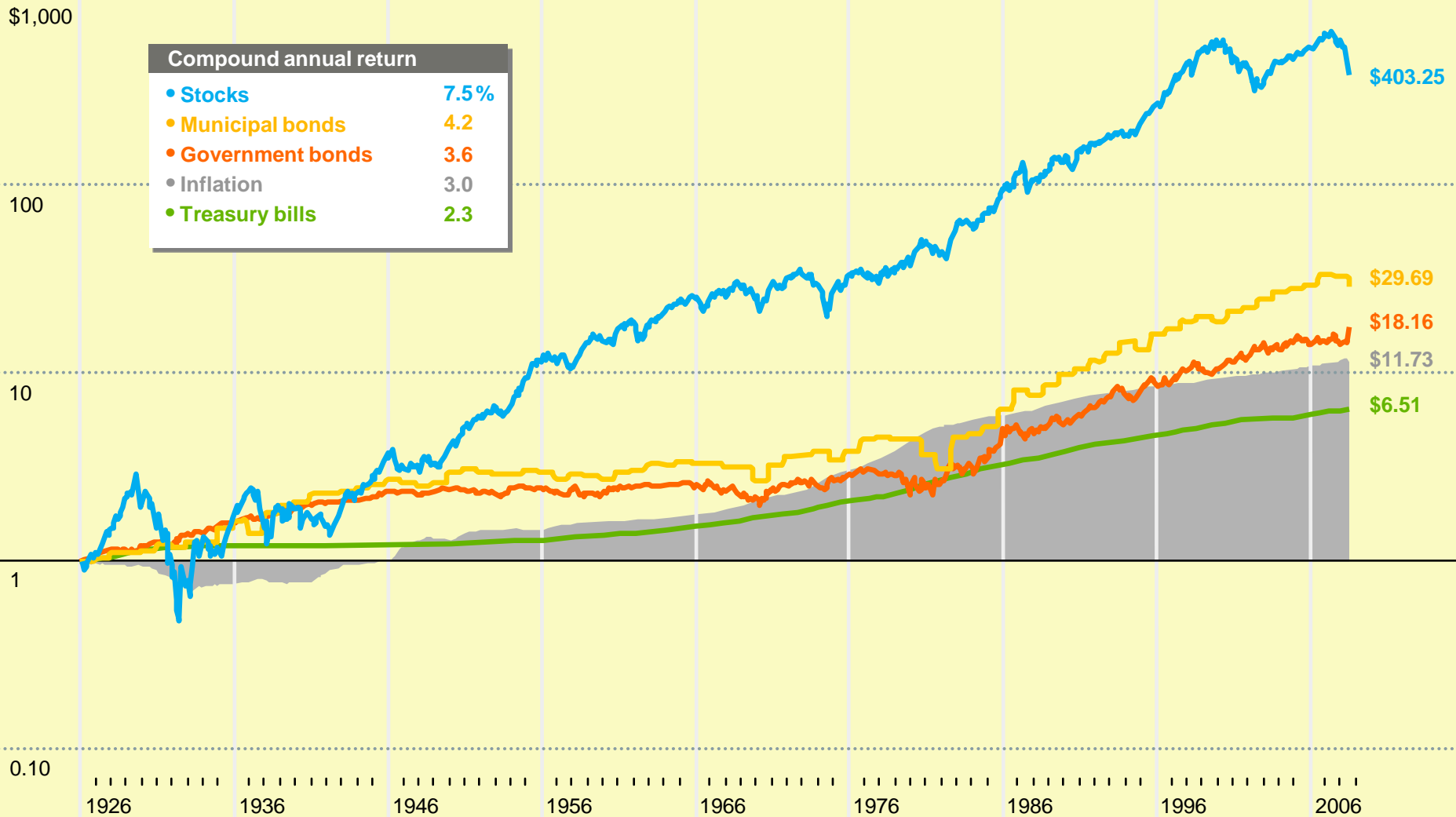


Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009



# Ibbotson® SBBI® After Taxes

## 1926–2008

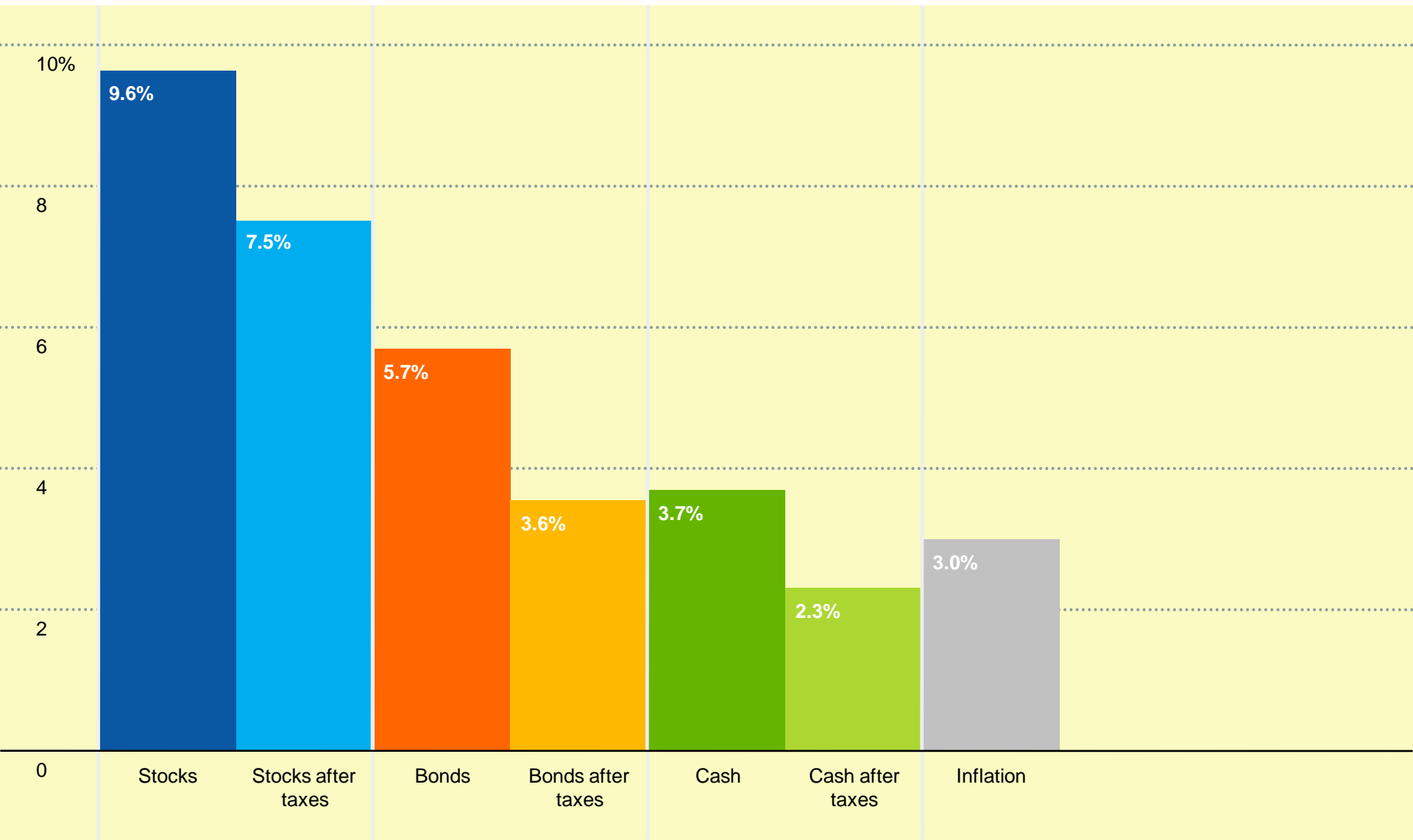


Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926, with taxes paid monthly. No capital gains taxes are assumed for municipal bonds. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Assumes reinvestment of income and no transaction costs. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009



# Taxes Significantly Reduce Returns

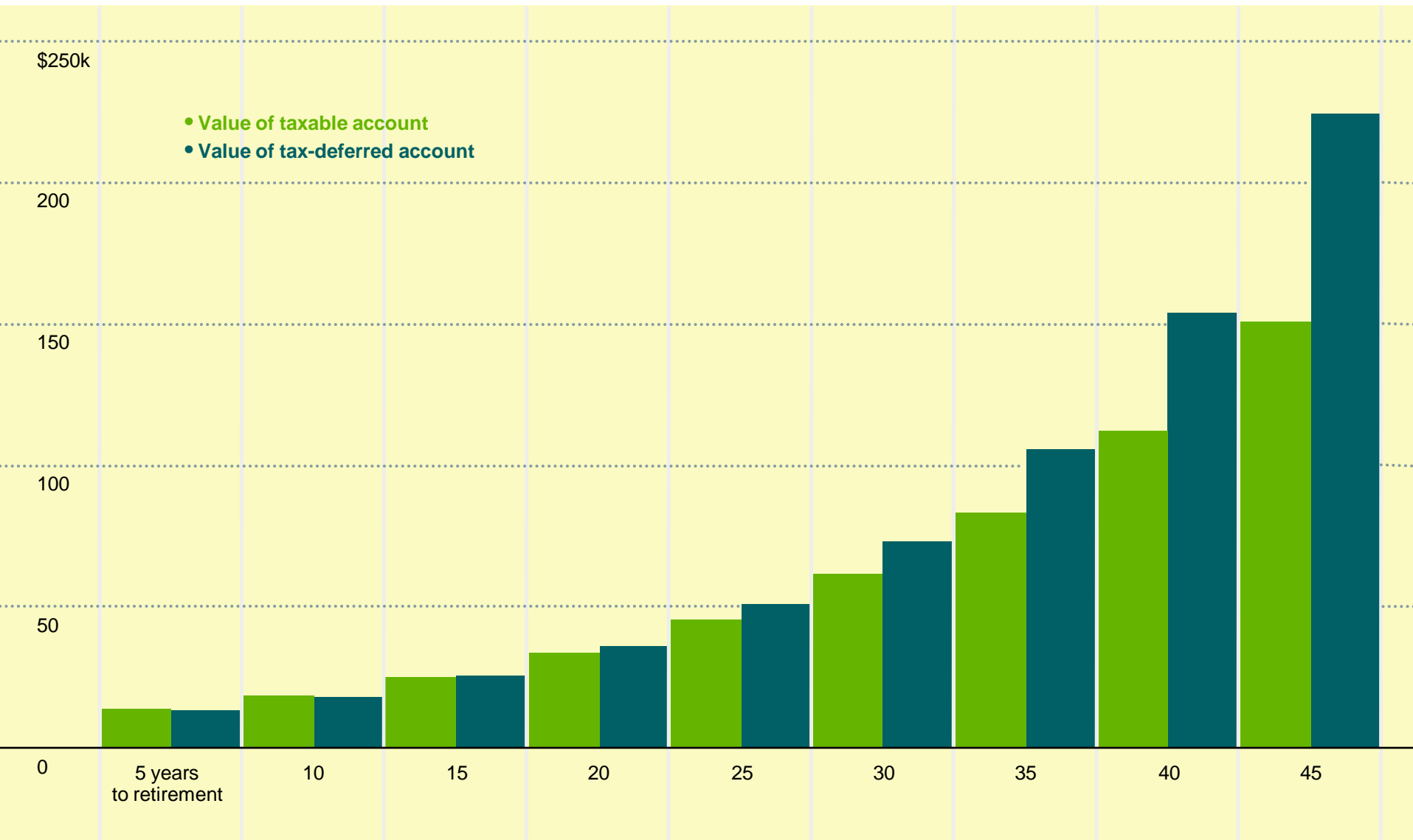
## 1926–2008



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# Benefits of Deferring Taxes

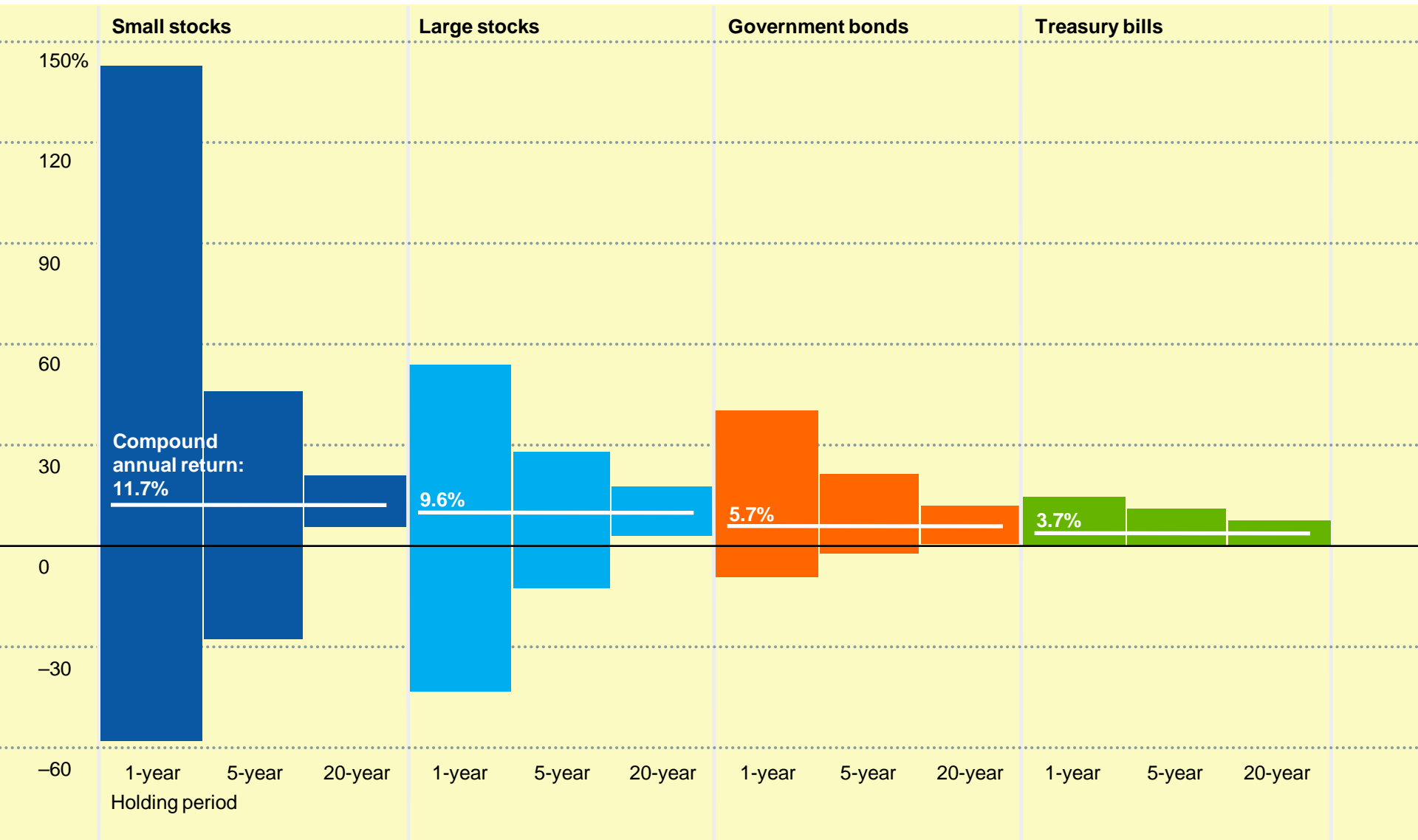


Hypothetical value of \$10,000 invested in stocks. This example is for an investor in the 28% bracket using the 2008 tax code. Assumes an 8% annual total return. Estimates are not guaranteed. This is for illustrative purposes only and not indicative of any investment. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009



# Reduction of Risk Over Time

## 1926–2008

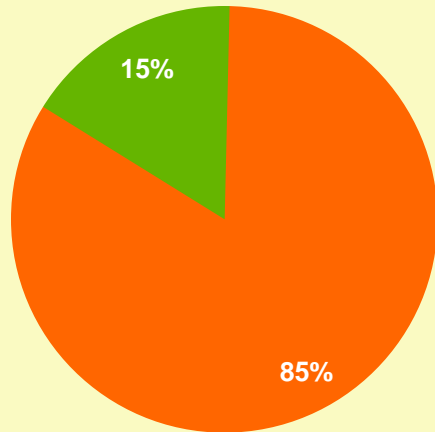


Past performance is no guarantee of future results. Each bar shows the range of compound annual returns for each asset class over the period 1926–2008. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009



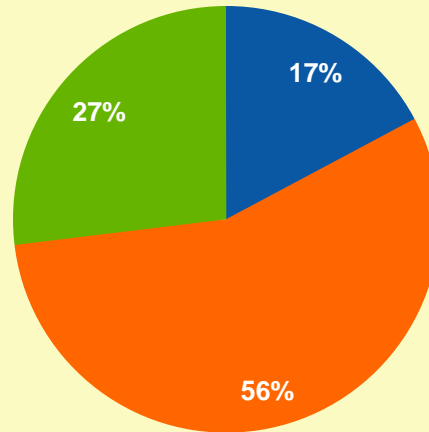
# Potential to Reduce Risk or Increase Return 1970–2008

Fixed income portfolio



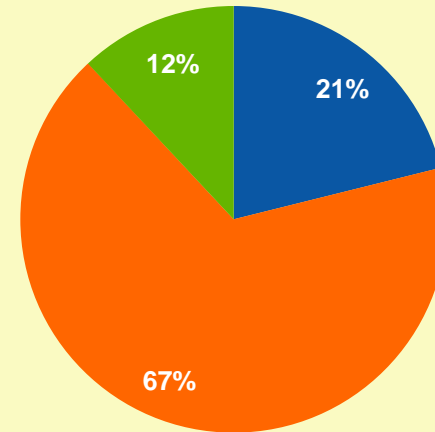
Return: 8.4%  
Risk: 7.5%

Lower risk portfolio



Return: 8.4%  
Risk: 6.3%

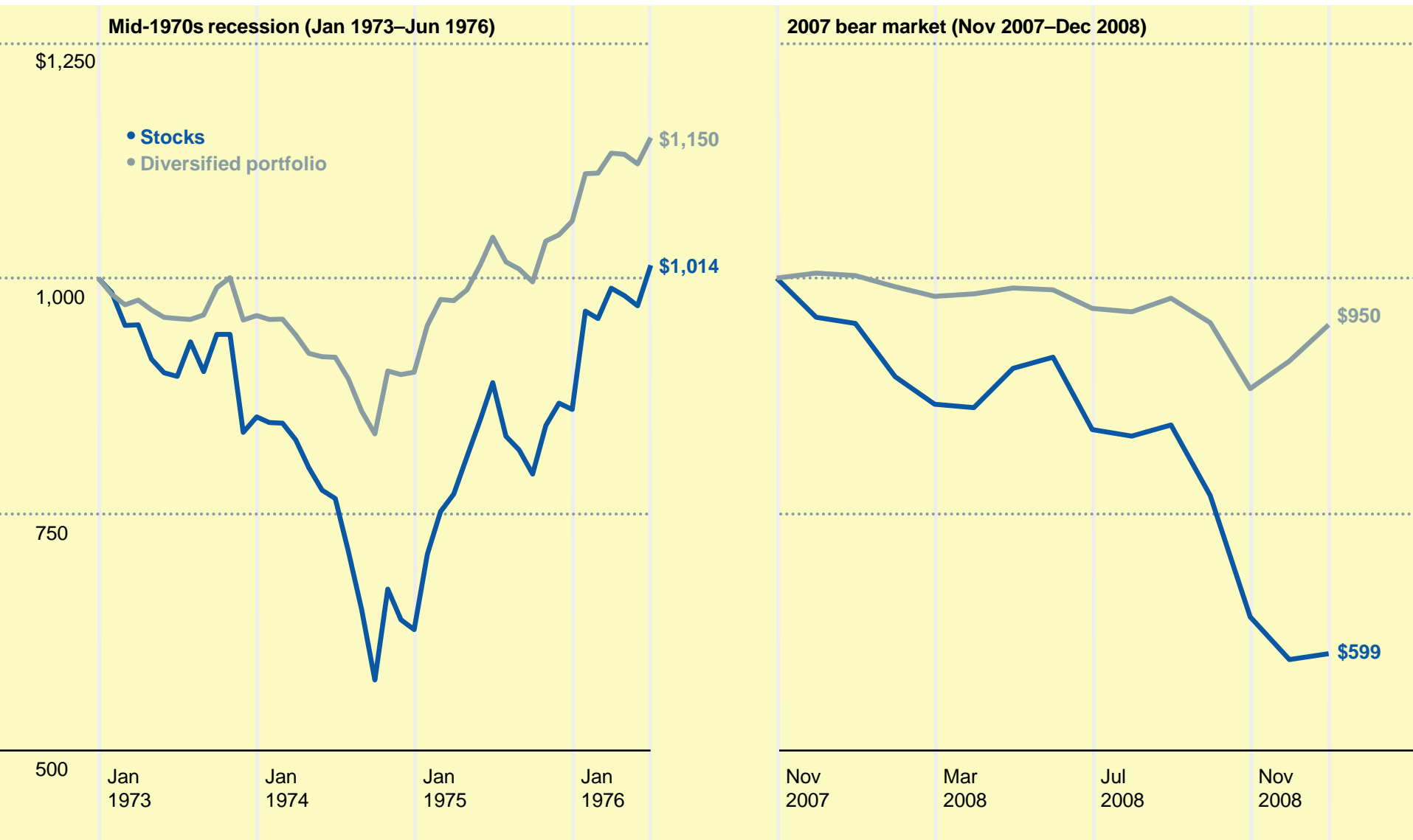
Higher return portfolio



Return: 9.0%  
Risk: 7.5%

- Stocks
- Bonds
- Cash

# Diversified Portfolios and Bear Markets

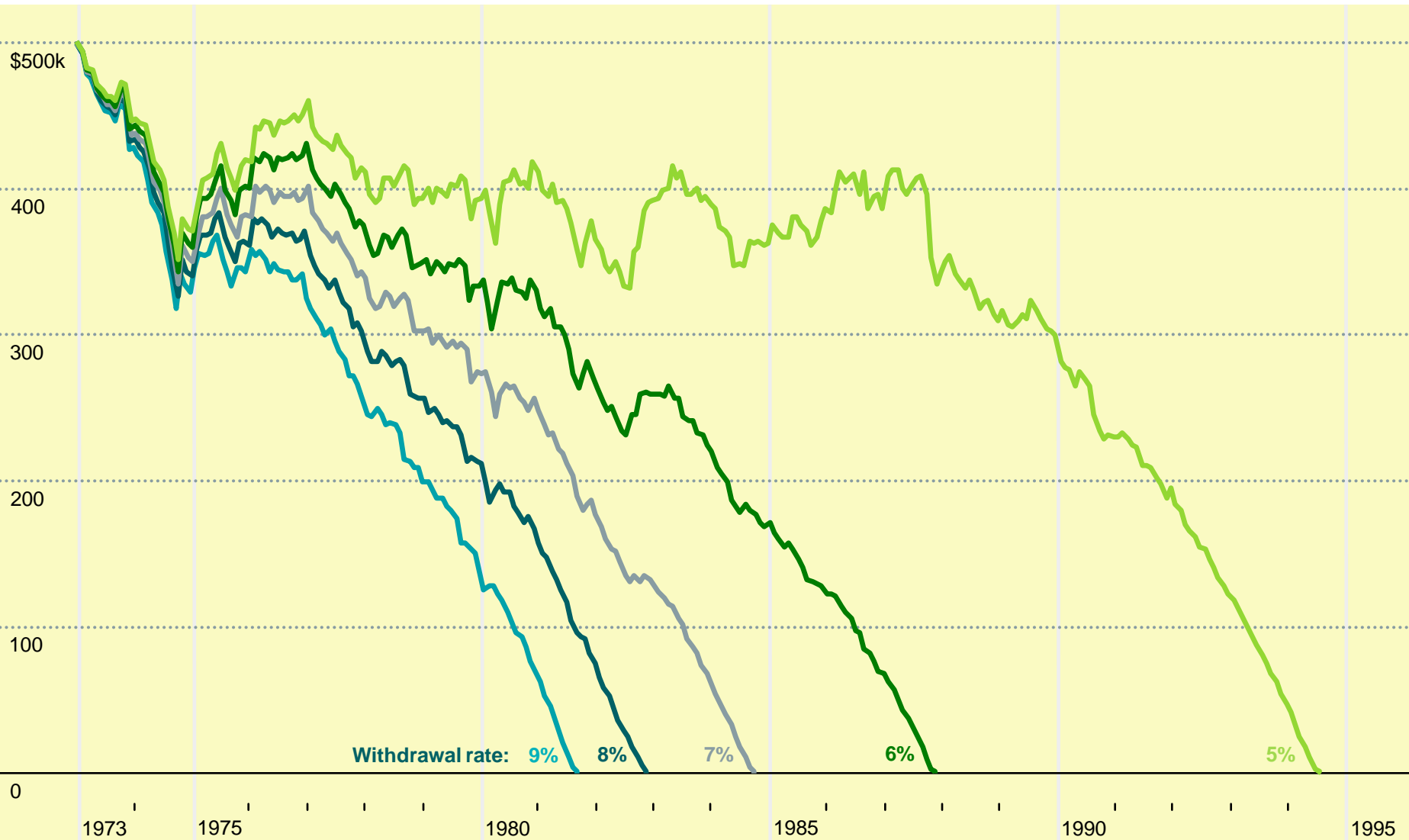


Past performance is no guarantee of future results. Diversified portfolio: 35% stocks, 40% bonds, 25% Treasury bills. Hypothetical value of \$1,000 invested at the beginning of January 1973 and Nov 2007, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009



# Potential Shortfall: The Risk of High Withdrawal Rates

Annual inflation-adjusted withdrawal as a % of initial portfolio wealth



Past performance is no guarantee of future results. Hypothetical value of \$500,000 invested at the beginning of 1973. Portfolio: 50% large stocks/50% intermediate-term bonds. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2009 Morningstar, Inc. All rights reserved. 3/1/2009

