STATE OF COLORADO 457 Deferred Compensation Plan

Perspectives

FALL 2008

Keep Going, Keep Growing

Age-based strategies for retirement savers

Because you're likely to need substantial savings to maintain your lifestyle in retirement, it's natural to want your portfolio to grow. Typically, financial professionals suggest stock funds for growth—but recent market fluctuations have made many investors seek the relative stability of bond funds and cash equivalents. This strategy is a form of market timing, a risky and often unsuccessful investing practice that involves jumping into and out of the financial markets according to short-term swings.

Instead of trying to time the financial markets, try to practice age-appropriate investing. You'd likely take the biggest risks when you're young and have years to make up for possible losses. You'd probably take fewer risks when you're older and retirement is looming; losses might cut into your retirement nest egg just when you need it and you wouldn't have the time to wait for a market rebound.

That said, you'll always want to keep your savings growing. Although stock funds tend to be more risky than bond funds or cash equivalents, they have historically offered the most potential for long-term growth.[1] Consider the following age-based guidelines to help you determine how to allocate your plan contributions.[2]

In Your 20s and 30s[3]

You probably have competing demands on your income, such as mortgage and car payments or child-care expenses. Try to save at least enough to trigger any available matching contributions from your employer, and consider boosting your contribution rate by a small percentage each year. You have years to recover from any potential short-term market swings, so consider investing the majority of your contributions (80% or more) in stock funds and the rest in bond funds and cash equivalents.

In Your 40s[3]

By now, your children may be about to enter college. Remember that there are loans, grants, scholarships and other financial aid options available to your kids—but only *you* can fund your retirement. Continue to save as much as you can. In 2008, you can save as much as $15,500 in your employer-sponsored retirement plan. Growth is still important, but it may now be appropriate for you to direct a portion of your contributions (no more than 30%) to less risky investments, such as bond funds or cash equivalents.

In Your 50s[3]

These could be your peak earning years, so try to make them your peak savings years, too. In many cases, you would now be eligible to make catch-up contributions to your plan. Save as much as you can afford to save. However, because retirement is fast approaching, you may want to consider keeping 60% of your savings in stock funds and the rest in bond funds and cash equivalents.

Stocks... at Every Age[3]

If appropriate, you should include stocks, bonds and cash in your allocation at every stage of your life. By diversifying your retirement savings plan contributions among all three asset classes, you may potentially grow and protect your nest egg.

FEE HOLIDAY

The 457 Deferred Compensation Committee has reviewed the estimated 457 Plan expenses and income for Fiscal Year 2009 and determined they would once again offer a "fee holiday" for Fiscal Year 2009. This means no additional fee will be charged to participants to cover administrative expenses for the 457 Plan.

1 Ibbotson Associates, a subsidiary of Morningstar, Inc., 2008.
2 Past performance is not a guarantee or prediction of future results.
3 FOR ILLUSTRATIVE PURPOSES ONLY. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. This is not intended as financial planning or investment advice. Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

457 Plan Investment Option Change

On October 30, 2008, the Managers AMG Systematic Value Institutional fund will be added to the State of Colorado 457 Plan as a replacement for the Hotchkis & Wiley Large Cap Value Institutional fund. The Hotchkis & Wiley Large Cap Value Institutional fund will be discontinued on October 29, 2008, because its long-term performance no longer meets the criteria established in the State of Colorado 457 Plan Committee's Investment Policy.

After market close on October 29, 2008, all remaining balances and ongoing contributions to the Hotchkis & Wiley Large Cap Value Institutional fund will be redirected to the Managers AMG Systematic Value Institutional fund.

For more information regarding this change, please refer to the mailing you received in late September or visit the Web site at **www.colorado457.com**.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds and/or disclosure documents from your registered representative. Read them carefully before investing.

457 Committee Election Results

Thank you to the participants who voted on-line during the recent Committee member election. Dean Conder, Department of Labor and Employment, has won a second term on the Committee commencing August 1, 2008. Congratulations Dean!

Schedule Your Account Review Today!

State of Colorado 457 Deferred Compensation Plan Account Representatives are available to help you review your portfolio, answer any questions about the Plans' features and provide information about the available investment options. Look below to find the representative in your area and call today!

457 Plan Account Representative	Area	Phone Number
Chris Bowen	Southern Colorado and Southeastern Colorado	(719) 622-0196
Robin Lawrentz	Southern Colorado and South Central Colorado	(719) 237-1543
Kevin Navarro	Denver South Metro Area, Denver Metro, Northeastern Plains and the Western Slope	(303) 830-3525
Joyce Rueter	Denver Metro, Denver North & West Metro Area, Northern Colorado, CU and UCH	(970) 420-4691

Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

Have Questions? Need Information?

Visit the Web site at **www.colorado457.com** or call KeyTalk® at **(800) 838-0457, option 2**.[4]

Visit the Deferred Compensation Plan Service Center: 1775 Sherman Street, Suite 2820, Denver, CO 80203

Hours: 8:00 a.m.–5:00 p.m. MT, Monday through Friday

4 Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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