Even-Keel Investing

It's easy to become flustered when the financial markets gyrate. But stay calm; reacting emotionally can put a damper on your investment returns. Studies by the research firm DALBAR, Inc. have found that individual investors tend to jump in and out of the market at exactly the wrong times—buying when stocks are at their peak and selling when they're at their lows—dramatically reducing their long-term returns. During the 20 years through Dec. 31, 2008, the Standard & Poor's 500® Index[3] earned an average return of 8.4% per year, compared with individual investor returns of 1.9%.[4]

Try to adopt a long-term view when managing your investments. Choose an investment strategy that's appropriate for your financial goals, risk tolerance and time frame—and stick with it.

3. The S&P 500® Index, a trademark of the McGraw-Hill Co., is an unmanaged index considered indicative of the domestic large-cap equity market.

4. DALBAR, Inc. "Quantitative Analysis of Investor Behavior 2009."

GWFS Equities, Inc. is not affiliated with DALBAR, Inc.

Past performance is not a guarantee or prediction of future results.

Have Questions? Need More Information?

Web site*:	www.vermont457.com
KeyTalk®*:	800-457-1028

CB1005FF_1Q10 (04/01/2010) 97168

STATE OF VERMONT

SPRING 2010

FINANCIAL Footnotes

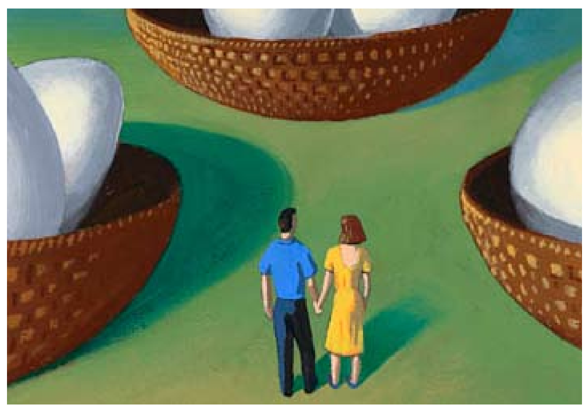
A retirement-planning newsletter brought to you by Great-West Retirement Services®

Revisiting Your Nest Egg

Three tips to help stretch your funds through retirement

In 2008 and 2009 the U.S. experienced its worst recession in 80 years.[1] Chances are, the slump took a bite out of your retirement savings account. If you had intended to retire soon, you may be wondering what you should do to make sure your savings last

Continued inside



Great-West RETIREMENT SERVICES®

Revisiting Your Nest Egg

Continued from cover

through your golden years. Here are three things to consider:

Work a little longer. Not only will you continue earning income for more years, you can also keep making tax-deferred contributions to your retirement savings plan. What's more, you can delay collecting Social Security benefits. You could start receiving them at age 62, but they will be larger if you work until your full retirement age—and larger still if you work until age 70. In fact, your Social Security benefit increases 8% each year you put off retirement between ages 65 and 70.[2]

Increase contributions to your plan. In 2010, you may contribute as much as $16,500 to a workplace retirement savings plan such as a 401(k). If you're age 50 or older, you can also make an additional "catch-up contribution" of as much as $5,500, for a total contribution of $22,000, if your plan allows.

Be realistic. Balance your expectations for retirement with reality. Think in terms of postponing retirement, scaling back planned expenses, and shifting priorities to get the lifestyle you envision in retirement in line with what you can currently afford.

1. National Bureau of Economic Research, 2009.

2. ssa.gov

Your Social Security benefit increases 8% each year you put off retirement between ages 65 and 70.

The Compounding Effect

Watch your money grow

It may sound like a punch line at an accounting convention, but *the power of compounding* is no joke.

Basically, compound interest is interest paid on both the principal and on any money earned on that principal. For example, if you earn 6% annually on a $10,000 initial investment, you could have $10,600 at the end of the first year. If you earn the same 6% during the next year, the interest is applied to the new amount in your account and you could have $11,236 ($10,600 x 6%). And so forth.

The snowball effect can be astounding over the long term. In a workplace retirement account your principal is allowed to grow tax-free for years (even decades) while you contribute to it through salary deferral. Borrowing from your workplace retirement plan or other tax-advantaged accounts, will reduce the effect of compounding on your investments, thereby hampering your money's potential growth. That's why it's important to leave these funds intact throughout your investing years—until you need them when you've finally retired. You'll be glad you did.

This hypothetical illustration does not represent the performance of any investment options. Rates of return may vary. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.