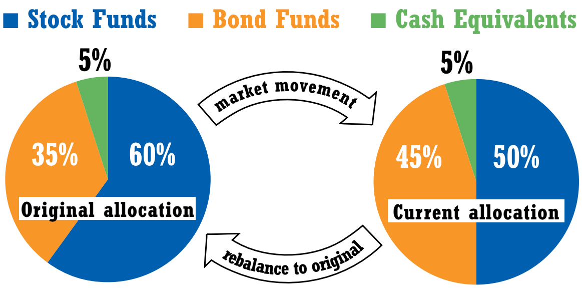
If You Need to Rebalance

Your asset allocation changes over time due to the ups and downs of the financial markets. Consider rebalancing at least once a year to get back to your original mix.[4] Let's say you had an original allocation of 60% stock funds, 35% bond funds and 5% cash equivalents, but stock fund prices fell, changing your mix to 50/45/5. There are two ways you can rebalance: Transfer money from your bond investments to your stock investments, or direct increased contributions to stock investments.



4. Rebalancing does not ensure a profit and does not protect against loss in declining markets.

Have Questions? Need More Information?

457 Web site*:	www.vermont457.com
403(b) Web site*:	www.VSTRS403b.com
KeyTalk®*:	800-457-1028

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FINANCIAL Footnotes

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

Stay in Your Plan

Why you shouldn't cash out

If you're strapped for cash, you may have considered tapping your retirement account. But hold off if you can. Cashing out interrupts the potential growth of your nest egg—and may result in a big tax bill.

Continued inside

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Stay in Your Plan

Continued from cover

The cost of early withdrawals

Your workplace retirement plan may allow hardship withdrawals if you can show that you have no other resources to pay for a need that the Internal Revenue Service deems essential, such as preventing foreclosure on your house. But there's a price to pay: You'll owe income taxes on the money you take out. There's also a 10% early-withdrawal penalty if you're under 59½ years old for most plans except the 457.

So, if you're age 40 and your combined federal and state income tax bracket is 25%, it will cost you $3,500 to take a $10,000 withdrawal. That's $2,500 in taxes plus $1,000 in an early-withdrawal penalty.[1]

What if you're laid off?

Leave your money in your former employer's retirement plan (if your balance is $5,000 or more[2]). Your assets and any earnings will continue to grow tax-deferred, and you may be able to transfer them into a new employer's plan.

Cashing out of your workplace retirement account, instead of rolling it over, interrupts the potential growth of your nest egg—and may result in a big tax bill.

1. FOR ILLUSTRATIVE PURPOSES ONLY.

2. If your balance is between $1,000 and $5,000, your former employer may either maintain your account or require you to transfer it to an IRA. If it's below $1,000, your account may be automatically cashed out. Taxes and early-withdrawal penalties may apply.

Investing Smarts

What's your asset allocation strategy?

Your asset allocation—the way you divide your money among the three basic investment categories of stocks, bonds and cash—helps to determine the potential return of your account. It also helps manage the risk that your account value may fluctuate dramatically over time.

Choose the right mix

When you select your allocation, consider your time horizon. The longer you have until retirement, the greater your allocation to stocks should be. Stocks have historically delivered a high long-term return, but tend to be volatile in the short term. Bonds typically don't fluctuate as dramatically in the short run, but over the long term they've barely outpaced inflation. Cash equivalents are the least volatile investment, but they generally pay the lowest long-term return.[3]

The right combination of these assets helps create a portfolio with the potential to provide the long-term return you need without more risk than you can comfortably handle. Of course, asset allocation doesn't eliminate losses or ensure profits—but it may help manage the risk that all your investments decline at the same rate at the same time.

Keep your eye on your allocations; you may need to adjust them if the market shifts. (See "If You Need to Rebalance" on the next page.) Then let time, steady contributions, and tax-deferred compounding work together to help your nest egg grow.

3. Morningstar, Inc. *Ibbotson® SBBI® 2010 Classic Yearbook.*

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