In an Emergency

Unforeseen expenses can hurt your ability to save. So plan ahead by setting up an emergency fund. You'll be able to meet financial challenges without having to borrow with a credit card, or tap your nest egg which would set back the compound growth potential of your retirement savings.

How much is enough?

Many financial planners agree that an emergency fund should cover a minimum of three to six months of living expenses. Personal circumstances may warrant having a bigger cushion.

Choose the right account.

This money should be in a safe, liquid account, such as a bank savings account or a money market fund. Your priority for an emergency account is accessibility, not necessarily high return.

An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.

Have Questions? Need More Information?

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

Please note: This newsletter does not constitute investment or financial-planning advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

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

Great-West Retirement Services refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Not intended for plan sponsors whose situs is in New York.

KeyTalk®, Great-West Retirement Services® and the Partnership logo® and its design elements are registered trademarks of Great-West Life & Annuity Insurance Company. All rights reserved.

Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

CB1005FF_2Q11 (07/01/2011) 125650

STATE OF VERMONT

SUMMER 2011

FINANCIAL Footnotes

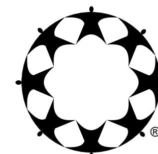
A retirement-planning newsletter brought to you by Great-West Retirement Services®

Be Prepared for Volatility

How to invest in an up-and-down market

As an investor, you know that risk and return can't be separated. The stock market offers potential inflation-beating returns, but it fluctuates constantly—sometimes dramatically. If you're unprepared for that volatility, you might panic at sudden drops and sell at the wrong times.

Continued inside



Great-West RETIREMENT SERVICES®

Be Prepared for Volatility

Continued from cover

Learn from experience

You can minimize the impact of volatility. Strive to maintain an investment mix that is based on your goals and time horizon, and that reflects the degree of risk you can comfortably live with, even in a turbulent market. Consider your response to the 2008-09 stock market collapse. If you made drastic changes, it's a sign that your original investment strategy may not have accurately reflected the amount of risk you could tolerate.

Review as needed

It makes sense to periodically review your goals, time horizon and comfort level with risk, and to confirm that they're reflected in your asset allocation.

Asset allocation means dividing your portfolio among the different asset classes of stock funds, bond funds and cash investments. The percentage you invest in each asset class helps to determine your portfolio's short-term volatility and its potential long-term return. You can also diversify within each asset class. For example, your stock fund holdings could include both large- and small-company funds.

Asset allocation and diversification can't prevent a loss in a declining market or guarantee a profit, but they can help you create a portfolio that you can live with despite the market's ups and downs.

Strive to maintain an investment mix that is based on your goals and time horizon and that reflects the degree of risk you can comfortably live with.

Make an Impact

The difference compounding can make

Thanks to compounding, the earlier you start saving, the better. Compound interest is interest paid on both the principal (your contributions) and on any money you may have earned on that principal.

Say you invest $20,000 and earn 6% every year: In Year One that would be $1,200. Adding the earnings to the principal, in Year Two, you'd hypothetically earn 6% on $21,200; in Year Three, on $22,472 and so on. As you can see, time works to your advantage.*

The Power of Saving Early

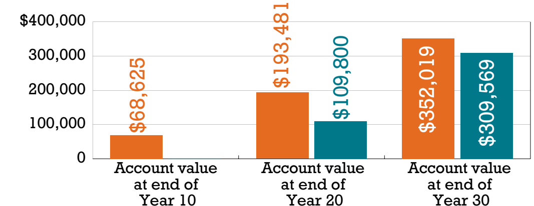
Holly and Harry are the same age and plan to retire in 30 years. Holly contributes $5,000 a year for 20 years, then stops. Harry opens his account 10 years after Holly opens hers and contributes $8,000 a year for 20 years, then stops. But as the chart below shows, Holly's earlier start gives her the compounding advantage.*

Holly's total contributions:

$5,000/year x 20 years = **$100,000**

Harry's total contributions:

$8,000/year x 20 years
(starting 10 years after Holly)= **$160,000**



*FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any particular investment options and assumes a 6% average annual return and reinvestment of earnings, with no withdrawals. Rates of return may vary. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The values shown above would be reduced if these fees had been deducted. In the "Power of Saving Early" example, accumulations are based on monthly payments of $416.67 for Holly and $667.67 for Harry, compounding monthly at the beginning of each month.