Timing Social Security

You can start taking Social Security benefits as early as age 62. However, it might be in your best interest to wait until your full retirement age or even later.[2]

The 8% Advantage

Your Social Security benefit increases between 6% and 8% each year you delay taking the benefit between your full retirement age and age 70.[3] Say you reached your full retirement age of 66 in 2010, and your monthly benefit is $1,000. If you delay taking your benefit until age 70, it will increase by 8% to $1,320 (not counting cost of living increases). That could bode well for the continued growth of your retirement savings: Having the extra cash may allow you to reduce the size of your withdrawals after age 70.

2. Your official retirement age is based on the year in which you were born. See "Retirement Benefits by Year of Birth" at ssa.gov/retire2/agereduction.htm.
3. "When Should You Take Your Social Security Retirement Benefits?" elderlawanswers.com. (To retrieve this article, go to elderlawanswers.com and type in the title in the search window.)

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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.
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FINANCIAL Footnotes

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

Heads-up on Risk

As an investor, you have likely encountered three types of risk: market, interest-rate and inflation. How can you minimize their impact on your workplace retirement account?

Market risk: Diversify[1]

You're probably most familiar with this risk: the chance that your investments (particularly stocks) can lose value because of a decline in the market. However, by diversifying—owning

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Great-West RETIREMENT SERVICES®

Heads-up on Risk

Continued from cover

a mixture of stock and bond funds (including funds that invest in a mix of U.S. and international stocks, if offered) as well as cash investments—you may increase your chances of having at least one investment performing well at any given time.

Interest-rate risk: Include short-term bonds

Bonds, particularly long-term bonds, are vulnerable to interest-rate risk: the possibility that currently low interest rates could rise. Generally, when rates rise, bond prices fall. Your best defense (in combination with stock funds and cash investments): a short-term bond fund, because interest rates are less likely to substantially change in the short term.

Inflation risk: Minimize cash

Over time, cash investments can lose their purchasing power. This likelihood, that the value of your money won't keep up with the prices of goods and services, is called inflation risk. For a while now, inflation has hovered at its lowest level in decades, but you shouldn't disregard its potential long-term effects. Consider keeping only assets you'll need within a couple of years in cash (i.e., a money market fund†).

1. Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

†An investment in a money market fund is neither insured nor 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 per share, it is possible to lose money by investing in the fund.

Master Your Mix

Review your asset allocation

Does your investment strategy still fit your retirement savings goals and your comfort with risk? Check out the way your assets are divided, or allocated, in your workplace retirement account between stocks, bonds and cash equivalents. Each category represents a percentage of your total assets. Let's say you have $100,000 saved. If you hold $50,000 in stock funds, $40,000 in bond funds and $10,000 in a money market fund†, your asset allocation is 50%/40%/10%.

Does your mix fit your needs?

Consider your true time horizon: your life expectancy, because you may live another 20 to 30 years after you retire. Also consider your comfort with risk (see cover story, "Heads-up on Risk").

Make a change

If you still have 10 to 15 years before taking retirement withdrawals, and want to benefit from the long-term growth potential of stocks, you might decide that a 75%/20%/5% allocation is more appropriate. To get there, you could shift five percentage points from cash and 20 from bonds, and boost stocks by 25. Then make new contributions based on the 75%/20%/5% formula. Every year, if market movements alter that allocation, consider rebalancing by shifting back to your initial target. You can usually do this on your workplace benefits website.*

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