Maximize Your Contributions

For 2012, the limit that employees under age 50 can contribute to a workplace retirement plan has been increased to **$17,000** from $16,500 in 2011. Employees age **50 or older** are generally allowed an additional "catch-up" contribution of **$5,500** unless their plan mandates otherwise. Remember: Employers may set different limits, so check with your plan administrator to learn the amount you're permitted to contribute.

IRA contribution limits remain in place: up to **$5,000** for workers under age 50, with a "catch-up" contribution of an additional **$1,000** for those age **50-plus**.

Give It a Boost

Your retirement account contributions are generally pre-tax, and they grow tax-deferred. Strive to take full advantage of this benefit by increasing contributions each year. Your ultimate goal: Save to the max.

Source: irs.gov.

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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STATE OF VERMONT

WINTER 2012

FINANCIAL Footnotes

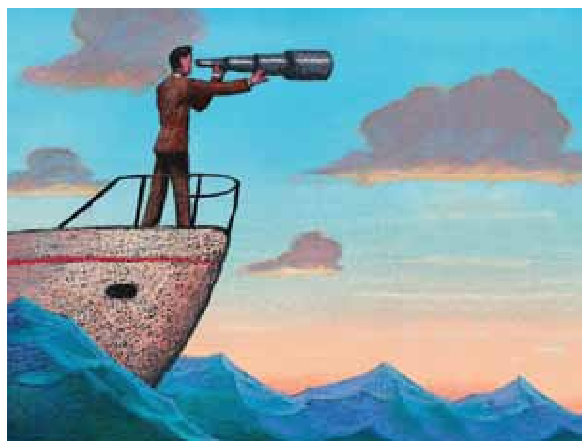
A retirement-planning newsletter brought to you by Great-West Retirement Services®

Take the Long View

The markets and the economy move in cycles. Is a recovery in sight?

In today's turbulent economy, it's important to understand the different phases of what is known as the business cycle. Doing so will help you stay calm during difficult periods.

Continued inside



Great-West RETIREMENT SERVICES®

Take the Long View

Continued from cover

What is the business cycle?

The nation's economic activity is measured from its peak through its trough, or lowest point, then back again. Declining activity is called a contraction. A prolonged contraction is called a recession—something most Americans have become familiar with in recent years. Increasing activity is called an expansion. This revolving period of decline followed by eventual recovery is known as the business cycle.

The market's role

Generally, the stock market anticipates movements in the economy. That means stocks tend to fall before—and usually continue to struggle during—a recession's early stages. Before a recession ends, however, the anticipation of a recovery often prompts stocks to rebound. That said, predicting just when the market's recovery will occur is virtually impossible.

Keep your head

The worst course an investor can take is to alter his or her investment strategy in reaction to market events. Emotion tends to lead investors to buy at high prices when times are good and sell at low prices when pessimism prevails—a lose-lose scenario.

Stay invested

When you continue to invest in stock funds through good times and bad—as you do automatically in your workplace savings plan—you buy more shares when their prices are low. And that will position you well to reap the benefits of a market recovery.

The worst course an investor can take is to alter his or her investment strategy in reaction to market events.

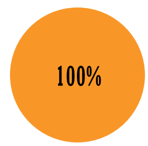
Inflation-Fighting Strategies

How three generations of investors might cope with inflation

Even when inflation is low, it can erode your investment returns. Consider the following three hypothetical investors and the investment mix each has selected to combat inflation.

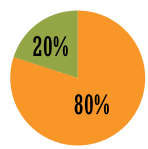
Stocks **Bonds** **Cash**

Ann



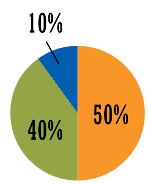
At **age 26**, Ann is just starting to save for retirement. She knows she must invest so her savings can stay ahead of future inflation. Her retirement savings are allocated **100% in stock funds**. Compared with other asset classes, stocks have best outpaced inflation over time.*

Brian



At **age 42**, Brian expects to retire in 25 years. He wants to shield some investments from stock market volatility, so **20% of his nest egg is in bond funds**. But **80% is invested in stock funds** because he potentially still has enough time to ride out the market's ups and downs.

Curtis



At **age 60**, Curtis plans to retire in five years. He worries about inflation eroding his savings—now and throughout his retirement, which could last 20 years or longer. With only a short time until he retires, he allocates more conservatively: **40% of his assets are in bond funds** and **10% in cash investments**. He keeps **50% in stock funds** as a hedge against inflation. He knows that a jump in inflation could force him to rethink his retirement timing and budget.

Effective investment strategies like these may give you the opportunity for meaningful long-term growth.

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

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