



FIRST QUARTER
2009

Washington State Department of Retirement Systems
DEFERRED COMPENSATION PROGRAM

Update

In this issue

Plan news

Going back to basics
in tough times

The importance of
naming a beneficiary

Retiree corner

Travel plans on a
shoestring budget

Your account information is just a click away

The DCP Web site, www.drs.wa.gov/dcp, is available when you are, 24/7. Remember to take advantage of the tools and resources the Web site has to offer.

- **My Account** — with your password you can monitor your account balances and manage your investments. You can also view and print duplicates of your DCP tax forms for the current year.
- **FAQs** — get answers to questions frequently asked by other participants.
- **Resource Center** — use the online calculators and other resources to help you make decisions regarding your investment strategy and personal finances.

If you have misplaced your password, there are two ways to have a password reminder sent to you.

- Call the DCP Information Line at **888-327-5596, select option 1**, enter your Social Security number, and follow the instructions, or
- Go to the DCP Web site. On the left side of the page, below the "User Login" box, click "Forgot your password?" and follow the instructions. ●



To roll or not to roll

Before you decide to roll money out of your DCP account, here are a few things to think about:

Examine investment options. Whether you're in a Retirement Strategy Fund or in a mix of individual funds, DCP offers investment options that allow your account balance to be diversified. So before you move your money, make sure you'll have access to appropriate investment choices.

Estimate your retirement age. Make sure the age you plan to retire matches up with the withdrawal limitations of the plan you would be moving to. You should also consider that with an IRA, there's a 10% penalty for withdrawing before age 59½.

Consider fees. As a DCP participant, you get the benefit of strength in numbers, which allows you access to institutional pricing that is not typically available with IRAs or small retirement programs. Lower

expenses can make quite a difference to your savings over the long term.

Watch out for transfer penalties. If you're thinking of moving your DCP account to an IRA or to a new employer's plan, make sure you know what the tax consequences will be. In order to avoid 20% being withheld for federal income taxes, do a direct rollover to your new plan.

As you decide if rolling over is right for you, consider that DCP offers many of the same features as an IRA and other retirement plans, plus some added benefits like low cost and flexibility. Your DCP account can continue to help you meet your retirement goals into the future. ●

Consult with your financial or tax advisor.

Putting market returns in perspective

Bull and bear markets are common references to performance trends of the stock market. Currently we are in a bear market and it's important to remember that they come and go, just like bull markets.

Since 1950, there have been eight bear markets, each lasting an average of just under three years, during which the market fell by a little over 30%.* During that same time period, the market has experienced eight bull markets, each lasting an average of just over five years with an average gain that was just shy of 75%.*

As you review the performance of your funds, remember to consider the big picture and not just the performance during this bear market. It's important to remind yourself that if you bought 100 shares of fund X, you still have 100 shares, regardless of what your statement says

it's currently worth. The loss you see on your statement is a paper loss — until you sell. When the market goes down, your paper loss becomes larger and when the market goes up, the paper loss becomes smaller.

It is always good advice to buy low but it's hard to do. When the market is down, buying low can be painful. Look at a bear market as an investing opportunity. Evaluate how an investment fits into your overall financial strategy. Don't make investment decisions based on what the market is doing in the short term. ●

**Source: Standard & Poor's*



Going back to basics in tough times

It's hard to know how well the government's economic stimulus plans will work or when the markets will jolt the country back to health. Here are some ideas to consider for times like these.

Do give your finances a check-up.

Estimate your net worth once a year so you can compare how your assets are growing. Keep track of your assets (your home, savings, investments, etc.) and subtract your debts (the balance owed on your home, credit cards, loans, etc.) If you do this exercise yearly, you'll see how you're progressing toward your financial objectives.

Do sharpen your investing skills.

Knowing more can help boost confidence in your decisions about the future. Spend time looking at your Plan investment options. Read and ask questions about how to invest in this current market to fit your risk tolerance and time horizon to retirement. Develop or review your personal investment strategy.

Do repair your safety net.

Having an emergency fund is especially important, with jobs in jeopardy and credit tight. If you don't have an emergency fund, start one. Experts suggest saving enough to cover three to six months of living expenses. If you have a fund already, consider beefing it up to cover eight to nine months' worth of expenses.

Don't stray away from your risk comfort level.

Keep an eye on the assets in your savings and retirement plan accounts. Have you invested appropriately for the return you need, given your age, income, desired level of risk, and other personal circumstances? Carefully weigh your ability to withstand risk against your need for high returns. Don't let panic push you into a risk level that's too high — or too low — for you.

Don't lose your long-term focus.

Following the movements of the stock market can be educational. But for many of us, daily monitoring is stressful. Switch the TV or radio to something else and give yourself a break once in a while. The markets always go up and down no matter what the state of the economy.

Don't make sudden moves.

Try not to react emotionally when the market experiences short-term fluctuations. Your overall plan should be based on proven principles of long-term investing. By all means, make changes when they're called for. But dramatic changes made under pressure are a recipe for trouble. As you focus on your investments, remember you're investing toward a long-term objective: a secure retirement. ●

The importance of naming a beneficiary

You've worked hard to accumulate the assets in your Plan account.

So remember to choose a Plan beneficiary who would receive your benefits in the event of your death.

You want to ensure that your Plan benefits will be paid to the individual or people you intended. In certain situations, if you haven't named a beneficiary, there could be a delay in payment of your Plan benefits or other complications for someone you care about.

Look at your beneficiary information periodically. It may be appropriate to review it once a year, or sooner, if there are changes in your family or relationships, laws or your health. You may change the beneficiary named for your account anytime to reflect your current wishes. ●



Avoid common investing mistakes

All investors make a mistake at some point.

It happens. The key is not to make the same mistake twice.

Here are three errors often made by retirement plan participants and retirees, and tips to help you avoid them.

Jumping on the bandwagon.

Since the market downturn last fall, people have poured money into U.S. Treasuries, even though interest rates are very low. In investing, what's hot today may be cold tomorrow.

Tip: Make your own investment decisions based on what's best for your financial future in keeping with your overall strategy and asset allocation. As a long-term investor, avoid investing according to current trends or the "what's hot today" mentality.

Investing on impulse.

A single headline can drive a person to shift money from one fund to another. Unfortunately, that often leads to buying into popular funds at a high price and selling off less popular funds at a price below what was paid originally. Remember the investment mantra, "buy low, sell high," and keep track of the fund's original unit price.

Tip: Stay committed to your long-term retirement savings plan strategy. Stick with the investments you've selected because they suit your long-term objectives, time frame and tolerance for risk.

Taking advice from non-professionals.

If investment professionals don't have the power to predict what the markets will do next, why would your uncle or neighbor?

Tip: Do your own research on the investment options your Plan offers or consult with an investment advisor. ●



What you need to know about 2009 RMD rules

For 2009 only, there will be no Required Minimum Distributions (RMDs) from retirement accounts.

Q. What does this mean for me?

A. You are normally required by law to begin annual withdrawals from your retirement accounts in the year you reach 70½, or in the year you retire, whichever is later. In 2009, this requirement has been suspended.

Q. Why are the rules different in 2009?

A. A new law was enacted in December 2008 so individuals would not be forced to take distributions from Plan account balances that were significantly affected by the economic downturn.

Q. Do these rules apply to my first RMD payment for 2008 that I deferred until April 2009?

A. No, because it is a 2008 payment.

If you have other questions about Plan distributions, call your Plan Information Line or speak with your financial or tax advisor. ●



Small savings can really add up

If you could pass up buying a soft drink and snack to save just \$5 a day, you would have \$1,825 in a year.

If you're having trouble saving, see if you can start by figuring out where your money is going. Keep tabs on what you spend for at least a week — a month is preferable.

Carry a notebook and jot down everything, from that morning cup of coffee to dinner out on Saturday night. There are also free services available online to help you track your spending: quicken.com, geezee.com, mint.com and wesabe.com.

Look at how much you spend in total — and then look at how much you spend on frills. Then see where you can cut back. By making changes that free up a few dollars here and there, you could build up a cash cushion — and develop a habit of saving. ●

Travel plans on a shoestring budget

Summer's not far off, so it's not too early to start your travel plans. By thinking ahead and carefully watching how you spend your money, you can create a great trip without breaking the bank.



Take a stay-cation.

This is a popular choice that the Urban Dictionary defines as "a vacation spent close to home." Instead of traveling to a pleasure destination, explore your area's attractions. It may be a good option if you're short on money or have work commitments that have prevented you from enjoying all that your hometown area offers.

Ask to receive.

Travel discounts are plentiful, so don't forget to ask for them. No one will volunteer them to you. Speak up if you're a member of AAA or AARP. For travelers age 50 or older who pay a small fee, seniordiscounts.com gives access to a database of thousands of discounts.

Be a flexible flyer.

Instead of insisting on a specific travel date, consider a range of dates and finalize your trip after you secure the best flight price. [Farecast.com](http://farecast.com) is one place to research your options. When they're available, Farecast suggests cheaper options than your first flight choice, shows you alternate airports and alerts you as to whether fares are rising or dropping so you can plan accordingly.

Don't forget about travel agents.

Although many consumers now research and book their own travel arrangements online, there's still reason to check in with a good agent. Travel agents have access to consortium deals and wholesale databases that often are even better than Internet prices. Ask agents about fees for their services.

Get hotel coupons once you arrive.

If you're driving and don't mind booking your hotel once you're at your destination, stop at a convenience store or supermarket and ask for a hotel discount coupon book for the area you're visiting. Be sure to get to the hotel fairly early in the day (no later than 6 p.m.) because it may not accept coupons later in the evening.

Bypass hotels.

Particularly in Europe, renting an apartment or vacation home on a short-term basis can be much cheaper. Do a Web search for rental sites. Homeaway.com and homeexchange.com are solid options.

Eat from the grocery store.

You don't need to rely on restaurants, even if you don't have a kitchenette in your hotel. Supermarket delis offer fresh, inexpensive sandwiches, soups, drinks and snacks. Eat breakfast and lunch this way, and save your dining-out dollars for dinner.

Go by train or bus.

If you've got a little time, you'll save money by taking the train or bus versus flying or driving and paying for gas. See amtrak.com for fare and scheduling information. ●

DCP

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DRS Web site: www.drs.wa.gov

This newsletter is not intended to provide legal, tax, or investment advice. For such advice, participants should contact their legal, tax, or investment advisors.



quarterly calendar

The New York Stock Exchange is closed on the following days:

- Monday, May 25, 2009
- Friday, July 3, 2009

Transactions made on these days will be processed the following business day.