



# MoneyTalks

## Wisconsin Deferred Compensation Program

### Introducing Reality Investing®

#### *A Suite of Investment Advisory Services*

The Wisconsin Deferred Compensation (WDC) Program is pleased to offer a new suite of optional investment advisory services called Reality Investing. The services include *Online Investment Guidance*, *Online Investment Advice* and a *Managed Account* service. Reality Investing services may not be for everyone, but they do provide professional investment assistance for those who want to take their financial planning to the next level.

**The first step:** Determine the investment strategy that gives you the best opportunity to achieve your goals.

Do you have the knowledge and discipline to implement your strategy? For some people, retirement planning is at the bottom of the to-do list; for others, it's top priority. Reality Investing offers strategies that fit where you are today—and can help get you where you want to be tomorrow.

#### Online Investment Guidance

- SELF-SERVICE
- GENERIC ASSET ALLOCATION

#### Online Investment Advice

- SELF-SERVICE
- FUND-SPECIFIC RECOMMENDATIONS

#### Managed Account

- FULL SERVICE
- FUND-SPECIFIC SELECTION AND MANAGEMENT

Do-It-Myself Investor<sup>SM</sup> or Help-Me-Do-It Investor<sup>SM</sup>

Do-It-For-Me Investor<sup>SM</sup>

#### Online Investment Guidance and Online Investment Advice:

##### *A Helping Hand for the Help-Me-Do-It Investor*

For those who prefer a hands-on approach to managing their retirement accounts, the *Online Investment Guidance* service offers personalized asset allocation and savings rate recommendations to help you build a customized portfolio from the WDC's investment options. There is no fee to use Online Investment Guidance.

With *Online Investment Advice*, Advised Assets Group, LLC (AAG), a federally registered investment adviser, will recommend a portfolio based on the information you provide, using the investment options available in the WDC. You have the freedom and flexibility to implement your own investment choices and manage them online—and generate new recommendations when your situation changes. The *Online Investment Advice* service has a \$25 annual fee, which is assessed to your account at \$6.25 quarterly.

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*FDIC Insured Bank Option: M&I Bank has declared an annualized interest rate of 2.20% for the second quarter 2008.*

## Managed Account Service:


### *Investment Account Management for the Do-It-For-Me Investor*

Are you someone who would rather leave investing to a professional? With the *Managed Account* service, AAG picks a diversified allocation of investment options from the WDC's core investment spectrum to fit your unique situation and retirement goals. Every three months, your account is reviewed to make sure it stays aligned with those goals. Any needed adjustments occur automatically. *Please keep in mind that diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.*

As your investment manager and adviser, AAG partners with Ibbotson Associates for the technology that automates and simplifies the management of your account. You supply the information about your goals and finances, and AAG and Ibbotson will pick your investments and manage your account on your behalf.

An annual fee based on your account balance will be assessed to your account quarterly. See the chart below for the fee schedule for all these services.

## Fees

	Online Investment Guidance	Online Investment Advice	Managed Account (based on account balance)
Quarterly Cost	No charge	\$6.25/quarter (\$25/year)	Less than \$100,000 = 0.15%
			Next \$150,000 = 0.125%
			Next \$150,000 = 0.10%
			More than \$400,000 = 0.075%
Examples			
\$10,000 Account	No charge	\$6.25/quarter (\$25/year)	\$15 (\$60/year)
\$20,000 Account	No charge	\$6.25/quarter (\$25/year)	\$30 (\$120/year)

## Getting Started

Getting started with the Reality Investing services couldn't be easier. You can enroll online or simply get more information at [www.wdc457.org](http://www.wdc457.org).<sup>1</sup> You can also talk

directly with a WDC representative by calling the local office in Madison at (877) 457-WDCP (9327).<sup>2</sup> WDC representatives are available to answer questions and provide information to help you make informed decisions regarding your retirement. 🌻

## Board Amends *Wisconsin Plan and Trust Document*

At the April 2008 WDC Board meeting, the WDC Board approved several amendments to the *Wisconsin Plan and Trust Document*. The *Wisconsin Plan and Trust Document* is the official document governing WDC operations. The amendment incorporates a change in statutory standard sequence for beneficiaries under §40.02, Wis. Stats.

Article V of the *Wisconsin Plan and Trust Document* explains the rights and responsibilities of WDC beneficiaries. Under Wisconsin law, when a person does not provide a written beneficiary designation for death benefits under the WDC, or none of the designated beneficiaries survive, there is a certain sequence of relatives who become beneficiaries by default. This is known as the standard sequence.

Under the standard sequence prior to April 5, 2008, the surviving spouse of a deceased child (i.e., a former son-in-law or daughter-in-law) was among the list of default beneficiaries. As of April 5, 2008, Wis. Act 131 eliminated the surviving spouse of a deceased child as a default beneficiary. The change to the *Wisconsin Plan and Trust Document* standard sequence makes it consistent with other Wisconsin laws used to determine a decedent's heirs.

You may download a complete copy of the *Wisconsin Plan and Trust Document* from [www.wdc457.org](http://www.wdc457.org). 🌻

## Got the Subprime Jitters?

### *Reviewing Risk in Your WDC Investments*

Anyone who watches the nightly news or scans the morning paper knows the words "subprime mortgage." What was once hailed as a creative mortgage solution for homebuyers is now seen as the foundation for a wide range of financial woes. In addition to the growing tide of foreclosures for a number of unfortunate borrowers, the effects of the subprime mortgage crisis have rippled throughout financial markets. As a participant in the WDC, you might be wondering how the subprime crisis

<sup>1</sup> Access to the voice response unit and Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

<sup>2</sup> Representatives of GWFS Equities, Inc. and the State of Wisconsin Deferred Compensation Program are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

could affect your retirement planning strategy and your investment choices.

How do defaults on risky mortgages affect other investments? It's a complicated situation, but simply put, many subprime mortgages were packaged together in investments known as "mortgage-backed securities." Some investment funds bought these securities to use the income from principal and interest payments on mortgages as a revenue source. When a large number of homebuyers default on their mortgages, the revenue stream from mortgage-backed securities can decline—which hurts the value of the investment funds that own the securities.<sup>3</sup>

### Reviewing Investment Risk

In an uncertain economy, some investors purposefully steer clear of risky investments. If this is you as well, the WDC has several options to consider. Go to [www.wdc457.org](http://www.wdc457.org), click on the *Fund Overview* selection, and you will quickly see where each investment option falls on a "Potential Risk/Return" meter. You can also review the prospectus for each investment option for an in-depth discussion of its associated risk—including any mortgage-related investments that the fund holds. *Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information you may obtain mutual fund prospectuses and disclosure documents from your registered representative. Read them carefully before investing.*

Remember, while too much risk may be a bad thing, too little risk can also be damaging to your long-term retirement savings goals. As a general rule, investments with higher return potential are higher in risk, while less risky investments come with potential for lower return. Just because risky subprime mortgages dominate the news headlines, it doesn't mean that completely avoiding investment risk is a smart retirement planning strategy.

Regardless of your situation, the investment fundamentals still apply. You'll want a well-diversified portfolio made up of investments from different asset classes (such as stocks, bonds and cash equivalents), so you can stay on track to your retirement income goals. Please keep in mind that diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

If you have any questions, you can reach a WDC representative by calling (877) 457-WDCP (9327) or by e-mailing [wdcprogram@gwrs.com](mailto:wdcprogram@gwrs.com).<sup>2</sup> 🌻

### The Survey Says...

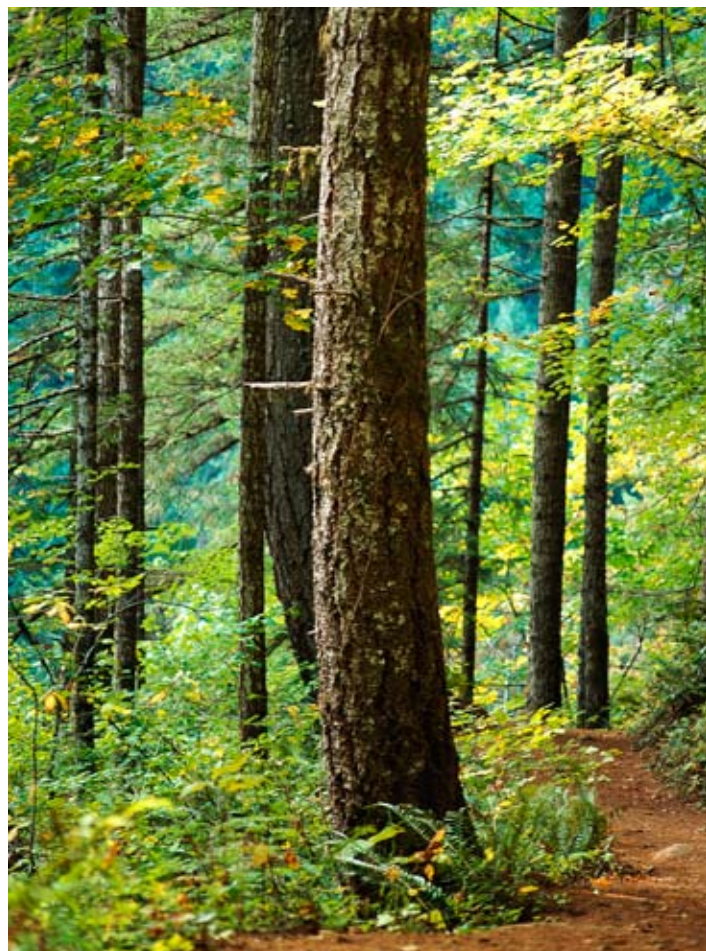
In January 2008, the WDC Program released an online survey through the WDC Web site to assess how participants currently view the WDC, as well as the current WDC educational/marketing materials.

Here are some highlights from this survey:

- Overall, participants like the WDC: 85% of those responding to the survey rated the overall WDC as a "good" or "excellent" supplemental retirement program and 95% would recommend the WDC to a friend or colleague.
- Approximately 88% ranked the quarterly WDC participant statement as "good" or "excellent."

We also received a large number of comments from WDC participants. This information, along with the insights gained from the January 2008 online survey, will be used to guide future program improvements.

Thank you to all the participants who took the time to respond to this survey. Your input is very important to the continued success of the WDC. 🌻



<sup>3</sup> See <http://www.sec.gov/answers/mortgagesecurities.htm> for a definition of mortgage-backed securities and <http://www.slate.com/id/2186801/> for a discussion of their role in the subprime crisis.

## Watching the Indexes

### *Comparing Your Funds to Their Benchmarks*

To get a sense of how a fund is performing, you can compare it to an index—a group of stocks chosen to represent a particular segment of the market. Here are several to consider.

*The Dow Jones Industrial Average* (often called the Dow) tracks the share prices of 30 leading domestic companies. If you own a large-cap stock fund (large cap meaning any company with a market value of more than \$1 billion), you may want to follow the Dow's performance.

*The S&P 500® Index* tracks the share prices of 500 large companies. Although the Dow also focuses on large U.S. companies, the S&P 500 tracks a wider range of firms and can be a more comprehensive gauge of the stock market's overall performance.

*The Nasdaq Composite Index*, made up of more than 4,000 stocks traded on the Nasdaq Stock Exchange, is considered a barometer of the technology sector—about two-thirds of its constituents are technology companies.

*The Wilshire 5000 Index* tracks the performance of more than 7,000 of the most active stocks in the U.S. market. It provides a broad measure of overall U.S. stock performance and could be a good comparison for any domestic stock fund, as it includes the securities of the S&P 500, the Dow and the Nasdaq.

*The Russell 2000 Index* measures the performance of 2,000 small-cap U.S. companies. It is considered a small-cap stock benchmark.

*The Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index* follows the values of foreign stocks in developed markets. It tracks approximately 1,000 companies in Europe, Australia, Asia and the Far East.

It serves as a benchmark for international funds.

*The Lehman Brothers Aggregate Bond Index* includes more than 6,000 government and corporate bonds; it is considered a benchmark for bond performance.

As you're measuring your funds against their indexes, try to remember your long-term investing goals, too. Markets move up and down all the time, so try not to be shaken by short-term swings. ☀



## Important WDC Program Information

Phone Number:  
**(877) 457-WDCP (9327)**

Call Center Hours:  
7:00 a.m. – 7:00 p.m.  
Monday – Friday



WDC Program Office Address:  
5325 Wall Street, Suite 2755  
Madison, WI 53718

WDC Program Office Hours:  
8:00 a.m. – 4:30 p.m.  
Monday – Friday

WDC Program Web Site:  
**[www.wdc457.org](http://www.wdc457.org)**

WDC Program E-mail:  
[wdcprogram@gwrs.com](mailto:wdcprogram@gwrs.com)



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