*Money*Talks

Wisconsin Deferred Compensation Program

Keep Your Cool

Try not to invest emotionally

It's OK to get emotional watching a weepy movie, but you shouldn't get emotional about the money you've invested toward your retirement. No matter what happens in the financial markets, try not to let two strong emotions—fear and greed—deter you from your long-term strategy. Instead, try to stay calm, and make investment decisions based on reason and facts.

Stay Focused Through Market Swings

It might seem logical to give in to fear and sell when the stock market is falling. But you may be surprised to learn that the opposite reaction—i.e., gritting your teeth and staying invested—tends to produce better results. Think of it this way: The market may be falling now, but it's unlikely to fall forever. In fact, history shows that since 1942 the market has racked up more good years than bad.[1] If you're not invested when the turnaround comes, you may miss out on potential gains.

Don't Chase Trends

Another emotion that often causes investors to make mistakes is greed. What's wrong with succumbing to a little greed if the stock market is soaring? Well, not only do you risk paying too much for your investments, but you may choose something that is only hot for the moment and about to cool down, resulting in an investment loss for you.

Let Reason Be Your Guide

So, how do you invest with your head and not your heart?

- **Have a plan.** Divide your assets according to your need for growth and the degree of risk with which you're comfortable. (For guidelines, see "Keep Going, Keep Growing," page 3.) Then stick with that strategy.
- **Be realistic.** Past performance is never a guarantee or prediction of future results; however, from January 1, 1954, through December 31, 2007, stocks (as measured by the S&P 500®[2]) returned an average of 10.4% a year.[1]
- **Overcome fear.** Don't let fear make you forget that, historically, the occasional bad year has usually been followed by several good years.
- **Resist greed.** Don't let greed blind you to the fact that years when the market made great gains have usually been followed by years when it hardly gained at all or even fell.[1] If you remain focused on the long term, you can build a portfolio that may potentially withstand the market's inevitable swings.

In This Issue:

FDIC Insured Bank Option:

M&I Bank has declared an annualized interest rate of 2.88% for the third quarter of 2008.

WDC Investment Options

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.

Does this illustration look familiar? The illustration above shows WDC investment options as they fall on the risk spectrum. Investment options higher on the risk spectrum tend to have higher risk and higher potential returns. On the other hand, investment options lower on the risk spectrum tend to have lower risk and lower potential returns. Investing in a mix of options can be a great way to balance and diversify your retirement portfolio based on your individual goals.[11]

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. For prospectuses related to investments in your Self-Directed Brokerage Account (SDBA), contact Charles Schwab at (888) 393-7272.

More and More Golden Years

There is good news for anyone preparing for retirement: Americans are living longer, more active lives than ever before. Today, a 65-year-old can expect to reach age 83, whereas someone who turned age 65 in 1950 could expect to live only to age 76.[12] The following chart shows how life expectancies have increased in recent years.

Expanding Life Expectancies:

- 1950 – 75.9 years
- 1970 – 80.2 years
- 1990 – 82.2 years
- 2005 – 83.7 years

A longer life span means you're likely to need substantial savings in order to maintain your lifestyle once you stop working. The WDC is a great supplemental savings plan that can help you reach your retirement goals. Boost your contributions as your income increases, and review your savings goals and progress at least once a year to make sure you're on target to reach your retirement savings goals.

Cash Flow from Your Nest Egg

How to spend what you've saved

The savings you've accumulated in the WDC may be one of your greatest retirement resources. No matter where you are on the path to retirement, keep the following tips in mind.

Follow the 4% Rule

Many financial professionals agree that you can safely withdraw 4% of your savings in your first year of retirement and then increase that amount by 3% each year to account for inflation. For example, imagine you saved $1.25 million and your first withdrawal in retirement was $50,000. In year two you'd need to withdraw your $50,000 plus an additional 3%, or $51,500, and then $53,045 in year three, and so on.

Be Sure to Take RMDs

The term "RMD" stands for "required minimum distribution." The IRS requires you to begin taking distributions from retirement savings plans when you reach age 70½. Your first distribution must be taken by April 1 following the year in which you turn age 70½. If you don't take your RMD on time, or if you don't withdraw enough, you could be subject to significant tax penalties. Visit *www.irs.gov* to find complete RMD guidelines and estimates.

Remember that retirement planning doesn't end when you retire. If you follow these guidelines, your savings may sustain you for several decades.

The Cost of Long-Term Care

Planning ahead may save you money

We all hope to stay fit and healthy throughout retirement, but once you turn age 65, there's a 40% chance you'll spend time in a nursing home and a 10% chance that your stay will last at least five years.[13] That care is likely to be costly since healthcare costs have risen dramatically in recent years.

Because extended nursing home stays average around $70,000 annually in Wisconsin and are rarely covered by Medicare, you may want to consider long-term care insurance.[14] Today's long-term care insurance policies are designed with choice and a variety of care settings in mind. A long-term care insurance policy can cover expenses associated with long-term care services, whether they are provided in the home, an assisted-living facility, a community-based program, or a nursing home. Premiums for long-term care insurance policies are generally lower when you are in good health and younger in age, and the price of the policies will vary based on the daily benefit and the features you choose.

The State of Wisconsin Office of the Commissioner of Insurance (OCI) publishes a brochure called *Guide to Long-Term Care Insurance,* which can be accessed by visiting the OCI Web site at www.oci.wi.gov/pub_list/pi-047.pdf.

National Save for Retirement Week

October 19-25 is National Save for Retirement Week

Hundreds of employers—from cities, counties and states to corporations, organizations and nonprofit entities—are celebrating National Save for Retirement Week. And while saving for retirement is a lifelong endeavor, this important week brings attention to its significance for millions of Americans.

The WDC and its recordkeeper, Great-West Retirement Services®, are proud supporters of National Save for Retirement Week. Great-West Retirement Services has created a Web site that is specifically geared to this week-long event. If you're looking for tools and resources to help you plan and save for retirement, they are right at your fingertips when you visit www.save4retirement.net.

Take advantage of eLearning seminars, calculators and educational fliers to help get you on the way to building a successful retirement strategy. You'll even have the opportunity to test your knowledge against first and second grade students by taking a fun, interactive quiz. Of course, there are no right or wrong answers, and at the very least, you'll discover that kids really do say the darndest things.

Take some time to think about retirement during National Save for Retirement Week and discover the benefits of saving for your future.

Keep Going, Keep Growing

Age-based strategies for retirement savers

Because you are likely to need substantial savings to maintain your lifestyle in retirement, it's natural to want your portfolio to grow. Typically, financial professionals suggest stock funds for growth—but recent market fluctuations have made many investors seek the relative stability of bond funds and cash equivalents. This strategy is a form of market timing, a risky and often unsuccessful investing practice that involves jumping into and out of the financial markets according to short-term swings. Instead of trying to time the financial markets, try to practice age-appropriate investing. Take the biggest risks when

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Reminder: 27 State Payroll Periods in 2008

Just a reminder that if you contributed the maximum annual amount ($15,500 for 2008), it will be spread across 27 state payroll periods instead of the regular 26 payroll periods. If you wish to change your deferral amount for this year, visit www.wdc457.org; select **Change Account** from the **My Account** section of the Web site and then select **Deferral Update**. You may also call the WDC toll free at (877) 457-9327 to speak with a WDC representative.

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Monday - Friday

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(877) 457-WDCP (9327)

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

you're young and have years to make up for possible losses. You will probably want to take fewer risks when you're older and retirement is looming; losses might cut into your retirement nest egg just when you need it and you wouldn't have the time to wait for a market rebound.

That said, you'll always want to keep your savings growing. Although stock funds tend to be more risky than bond funds or cash equivalents, they have historically offered the most potential for long-term growth.[15] Consider the following age-based guidelines to help you determine how to allocate your plan contributions.

In Your 20s and 30s[16]

You probably have competing demands on your income, such as mortgage and car payments or child-care expenses. Plan to boost your contribution rate by a small percentage each year. You have years to recover from any potential short-term market swings, so consider investing the majority of your contributions (80% or more) in stock funds and the rest in bond funds and cash equivalents.

In Your 40s[16]

By now, your children may be about to enter college. Remember that there are loans, grants, scholarships and other financial aid options available to your kids—but only *you* can fund your retirement. Continue to save as much as you can. In 2008, you can save as much as $15,500 in the WDC. Growth is still important, but it may now be appropriate for you to direct a portion of your contributions (no more than 30%) to less risky investments, such as bond funds or cash equivalents.

In Your 50s[16]

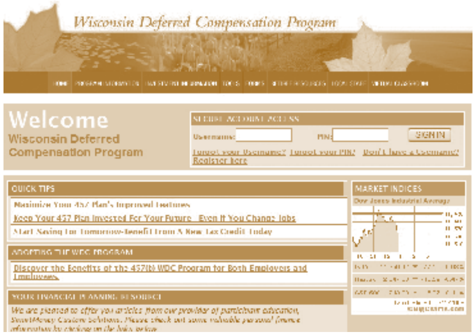
These could be your peak earning years, so try to make them your peak savings years, too. In many cases, you would now be eligible to make catch-up contributions to your plan. Save as much as you can afford to save. However, because retirement is fast approaching, you may want to consider keeping 60% of your savings in stock funds and the rest in bond funds and cash equivalents.

Stocks ... at Every Age[16]

If appropriate, you should include stocks, bonds and cash in your allocation at every stage of your life. By diversifying your retirement savings plan contributions among all three asset classes, you may potentially grow and protect your nest egg.

New and Improved Web Site

We are pleased to announce that the WDC's Web site, **www.wdc457.org,** is in the process of undergoing some significant enhancements. The updates to the site will make it more user-friendly and should improve your experience when using it. The enhancements include:



- A revamped login page that provides quick and easy access to WDC information
- A redesigned look and feel
- More intuitive navigation

The new site is expected to go live in late November. We encourage you to check it out—it is a great tool to help you plan and save for a comfortable retirement.

1 Ibbotson Associates, a subsidiary of Morningstar, Inc., 2008.
2 "S&P 500®" is a trademark of The McGraw-Hill Companies, Inc.
3 Equity securities of companies located in emerging markets involve greater risks than investing in more established markets, including currency fluctuations, political developments and share illiquidity.
4 Foreign investments involve special risks, including currency fluctuations and political developments.
5 Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
6 Medium-sized companies may suffer more significant losses, as well as realize more substantial growth, than larger capitalized, more established issuers.
7 Although they have higher return potential, high yield bonds are also subject to greater risk, including the risk of default, compared to higher-rated securities.
8 A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.
9 U.S. Treasury securities are guaranteed as to the timely payment of principal and interest if held to maturity. Fund shares are neither issued nor guaranteed by the U.S. government.
10 The WDC FDIC Bank Option is the only investment product in the WDC that offers FDIC insurance on account balances. All other WDC investment products offered are not FDIC-insured and may lose their value.
11 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.
12 Health, United States, 2007. National Center for Health Statistics.
13 U.S. Department of Health & Human Services, August 2007.
14 Genworth Financial 2007 Cost of Care Survey.
15 Ibbotson Associates, a subsidiary of Morningstar, Inc., 2008.
16 FOR ILLUSTRATIVE PURPOSES ONLY. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. This is not intended as financial planning or investment advice. Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

Please note: This newsletter does not constitute investment or financial advice.

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