

MoneyTalks

Wisconsin Deferred Compensation Program

Equity Wash Expanded

The 90-day equity wash restriction for the Stable Value Fund now applies to any funds moving from the Stable Value Fund to the Schwab Money Market Fund within the self-directed brokerage option. As a reminder, the equity wash means that funds moving out of the Stable Value Fund must first go into a non-competing fund for 90 days before they can be transferred into competing Wisconsin Deferred Compensation (WDC) Program funds. Currently, the competing funds are the Federated US Government Securities 2-5 Year Institutional fund, the FDIC Bank option and now the Schwab Money Market Fund. For those who have previously transferred funds directly from the Stable Value Fund to the Schwab Money Market Fund, you can avoid possible problems with the equity wash by directing your contributions directly from your paychecks to the Schwab Money Market Fund. To do this, simply log into your account at www.wdc457.org.¹ Click on “Change Account” and “Redirect Future Contributions.” If you need help, call the WDC at (877) 457-9327.¹

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. ■

Go Green While Saving Your Green

Did you know you can access your statements electronically? If you sign up for this service, we'll send you an e-mail as soon as your new statement is posted. No need to wait for it to show up in the mail, and it's a great way to help the environment. Plus, your statements are securely stored online. Log in to your account and click on the “Online File Cabinet” link on the left side of the page. Not sure how to login to your account? Call (877) 457-9327 and a WDC representative can walk you through it. ■

Your WDC Account Is Yours

The WDC has received calls from employees concerned about WDC assets being “taken” for use by the State of Wisconsin. Under the terms of the WDC Plan and Trust document and state law, the funds in your WDC account are held in trust for your benefit only. In other words, the State of Wisconsin does not have access to your WDC money under any circumstances. ■

¹ Access to the voice response system and website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

In This Issue:

Equity Wash Expanded

Go Green While Saving Green

Your WDC Account is Yours

Investing Smarts

WDC Research Survey

Coming Soon: WDC Roth

Saving and Investing at Every Stage

New Fund in the WDC Lineup

Managing “Good” and “Bad” Debt

Deferring Sabbatical Pay



FDIC Insured Bank Option: M&I Bank has declared an annualized interest rate of 0.26% for the first quarter 2011.

Investing Smarts

What's your asset allocation strategy?

Your asset allocation—how your money is divided among stocks, bonds and cash—plays a role in how your account grows in value. It can also help you manage risk effectively.

Choose the most appropriate mix for you

When you select your allocation, consider your time horizon. The longer you have until retirement, the greater your allocation to stocks should be. Stocks have historically delivered a high long-term return, but tend to be volatile in the short term. Bonds typically don't fluctuate as dramatically in the short run, but over the long term they've

barely outpaced inflation. Cash equivalents are the least volatile investment, but they generally pay the lowest long-term return.²

The right combination of stocks, bonds, and cash helps create a portfolio with the potential to provide the long-term return you need without more risk than you can comfortably handle. Of course, asset allocation doesn't eliminate losses or ensure profits—but it may help manage the risk that all your investments decline at the same rate at the same time.

Keep your eye on your allocations; you may need to adjust them as you get closer to retirement.

Let time, steady contributions, and tax-deferred compounding work together to help your nest egg grow.

Don't care to choose your own mix?

Consider choosing one of the Target Date Funds or enrolling in Reality Investing® Advisory Services offered through the WDC. These options can help take the guesswork out of investing.

Target date funds will gradually shift from more aggressive investments to more conservative ones, based on the target date. The year in the fund name refers to the approximate year (the target date) an investor would retire. An investment in a target date fund is not guaranteed at any time, including on or after the target date. ■



Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information you may obtain mutual fund prospectuses for registered investment options and/or disclosure documents from your registered representative. Read them carefully before investing.

WDC Research Survey: Saving for Your Retirement

As you may recall from the last edition of *MoneyTalks*, the WDC and researchers at the University of Wisconsin-Madison are set to conduct a study to learn more about women and their investing habits. The results of this project will help the WDC learn why, on average, women save less for retirement than men, and point out what the WDC can do better to help women save for retirement. In the next few weeks, surveys will be mailed to a small, randomly-chosen sample of WDC participants. If you receive a survey, please complete and return it immediately.



Your feedback is invaluable to helping the WDC provide all participants with features and services to help save for a more secure retirement. ■

COMING SOON: WDC Roth Option

Beginning in July 2011, the WDC Roth option will allow you to make contributions to your WDC account with after-tax dollars. Any Roth deferrals, including contributions and potential earnings, will grow in your WDC account tax free. Also, since you are contributing with after-tax dollars, all qualified distributions³ are entirely income-tax and penalty-free.

You may elect to contribute after-tax dollars starting in June. For more information about the WDC Roth option, visit the WDC website at www.wdc457.org or call the WDC at (877) 457-9327.¹ ■

² Morningstar, Inc. Ibbotson® SBBI® 2010 Classic Yearbook. *Past performance is not a guarantee or prediction of future results.*

³ Roth earnings held for five years or more and withdrawn by a participant after age 59½ are income-tax and penalty-free, subject to plan distribution eligibility. Roth earnings withdrawn upon separation of service before the five-year mark or before age 59½ by a participant are subject to income taxes.

Saving and Investing at Every Stage

Let's face it: the tug-of-war between your present need for money and your future savings goals is constant. The trick is to strike a balance that allows you to begin building a retirement account today and still have enough "ready cash" to pay for things like home repairs.

If you've got your retirement savings plan in place, that's great. However, if sticking to that plan has you financially strapped day-to-day and year-to-year, perhaps it's time to take a step back. You may have other important priorities that need funding, such as building an emergency fund and saving to send your kids to college. And try to build in periodic rewards for your fiscal discipline, like taking a vacation.

Gearing up: The early years

When you're in your 20s, 30s and 40s, first determine how much you can afford to save in the WDC, being sure to leave enough money in your budget for the here and now. Build an emergency stash—experts recommend three to six months' salary held in an easily accessible account, like your bank savings account.

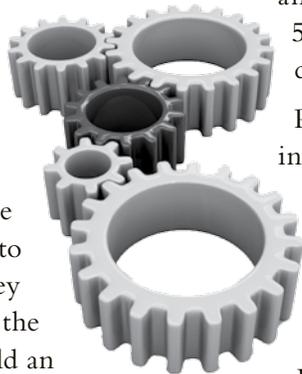
Once you've built an emergency fund, consider increasing contributions to your WDC account annually. Remember: Your retirement plan is the cornerstone of your future.



Go for growth

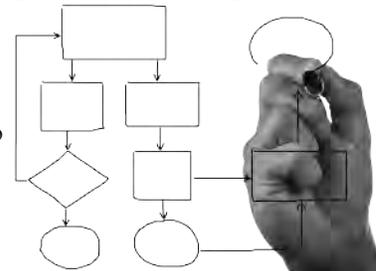
Be sure to tailor your retirement investments to suit your needs. The longer you have until retirement, the more money you may want to consider investing in stock funds to fuel growth in your portfolio. Although they may be subject to greater swings than other categories, such as bond funds and cash investments, stock funds historically have greater long-term growth potential: Between 1926 and 2009, stocks averaged 9.8% in annual returns, compared with 5.3% for bonds and 3.7% for cash.^{2,4}

Prepare for other key goals on an individual basis. For example, you might set up a college savings account for your children—keeping in mind that you won't necessarily have to foot the whole tuition bill yourself. Loans, grants, scholarships and your children's work-study jobs can help lighten the load.



Prime-time planning

In your 50s and beyond, start to focus on yourself by visualizing life beyond the 9-to-5 workplace. Determine if you're on track to maintain the style of living you want. As expenses like mortgage payments and college tuition wind down, use this freed-up cash to pump up your retirement plan.



Dialing down

Next, consider a more moderate mix of investments as you get closer to the time when you'll begin drawing from the funds. You'll want a mix that adequately preserves your capital, provides regular income, and maintains the long-term growth potential needed to finance a retirement that may last 20 to 30 years.

Figuring out how to pay for the present and invest for the future is as much a personal decision as it is a financial one. That's why it's important to come up with a strategy that will allow you to be prepared for life's challenges and also enjoy your life—both now and during retirement. ■

New Fund in the WDC Lineup

You may have noticed a new fund in the WDC lineup. On April 11, 2011, the following fund was added: *Vanguard Target Retirement 2055 Fund*.

This fund is intended for participants who are planning to retire near the year 2055. For more information on the Target Date Funds, please visit the website at www.wdc457.org¹ and click on "Investments." ■

⁴ Past performance is not a guarantee or prediction of future results.

Managing “Good” and “Bad” Debt

A good rule of smart debt management is to minimize your “bad debt.”

“Bad debts” are loans used to buy something that disappears almost immediately, like a night out for dinner and a movie, or something that starts losing value as soon as you buy it, such as a car or 3-D TV. Of course, it’s impossible to entirely avoid bad debts, but it is a good idea to try to minimize them. You don’t want to be overly burdened paying for things long after their value has vanished.

By contrast, “good debts” are loans that allow you to make purchases of long-lasting and potentially increasing value. A student loan, for example, helps you finance

education or training that can enhance your future earning power. A mortgage not only helps you buy a home for your family for many years to come, but it’s also an asset, the value of which may grow over time.

Pay down your bad debt.

You’ll save yourself a bundle—and free up extra cash to sock away for retirement—by making more than the minimum payment on your credit cards every month. Take a card on which you owe \$6,000 and incur 15% interest, for example. Paying \$50 more than the minimum each month is likely to eliminate your debt nearly 17 years faster and save you more than \$4,000 in interest.⁵ What a difference! ■



Deferring Sabbatical Pay

You can defer all or a portion of your sabbatical pay to the WDC upon retirement or other separation from service. If you would like to do this, you must contact the WDC in the month prior to your sabbatical payout with the date of the check and the exact amount you wish to defer. If you have any questions on how to defer sabbatical pay, please call (877) 457-9327! ■

WDC Program Contact Information

Phone Number:
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7:00 a.m. – 7:00 p.m.
Monday – Friday

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Madison, WI 53718

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

WDC Program Website:
www.wdc457.org

WDC Program E-mail:
wdcprogram@gwrs.com

⁵ www.bankrate.com (February 2011)

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