State of Indiana

S.T.A.R.T.® SMART

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HOOSIER S.T.A.R.T. SAVE TODAY AND RETIRE TOMORROW®

Difficult Challenges, Simple Solutions

By Auditor of State Tim Berry

With so much fear and uncertainty surrounding the current economic crisis, our commitment and responsibility to helping our employees maximize their ability to save for their future takes on an even greater importance. Each day there seems to be new headlines that reinforce the dire nature of the situation. And while there is no quick fix, we have made a commitment to ensure that the Hoosier S.T.A.R.T. Plan remains an effective foundation upon which you can build your retirement savings.

As part of that commitment, I am pleased to announce a new fee structure being implemented in April that will allow more of your savings to go directly to your bottom line. The change to the fee structure incorporates three new features that will benefit all participants:

1. The annual fee is reduced from 0.265% of the account balance to 0.26% of the account balance.
2. The fee is waived for the first year for all new Plan participants.
3. Account balances totaling $90,000 or more will not be assessed fees beyond the $90,000 level.

Whether you have just begun your savings journey or have been saving for years and built a nice nest egg, this new fee structure truly is a benefit to all. Take, for example, an individual who has saved $100,000 and contributes $100 per pay period to the Hoosier S.T.A.R.T. Plan. With the new fee structure, that individual saves **$54** just in the first year, assuming a 6% annual rate of return. Due to the reduction, here's how much that participant would save in fees over the long term.[1]

Years	Account balance charged 0.265% fee	Account balance charged 0.26% fee	Fee savings
1	$108,326	$108,380	**$54**
5	$147,904	$148,480	**$576**
10	$212,001	$214,209	**$2,208**
15	$297,352	$302,904	**$5,552**
20	$411,006	$422,587	**$11,581**

Through these challenging times, know that we will continue to put forth our best effort to make the Hoosier S.T.A.R.T. Plan one that remains an easy, affordable and viable option for you to save for your future. ■

1 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration assumes contributions are made at the beginning of the pay period, a beginning account balance of $100,000, contributions of $100 every two weeks and a hypothetical 6% annual rate of return. Actual rate of return may be more or less than shown and will depend upon a number of different factors, including a participant's choice of investment options.

Save for Retirement and Save a Tree in the Process

Many of the transactional functions associated with helping you plan for retirement and reach your savings goals can now be completed electronically! So as you manage your account, you can put down the pen and bring up the Hoosier S.T.A.R.T. Web site. Following are some examples of the things you can now do when you visit **www.hoosierstart.in.gov**[2]:

- Change your contribution amount on an ongoing basis or as a one-time exception
- Change your investment allocation and make fund transfers
- Update your personal profile and beneficiaries

These transactions—and others—can be completed by logging in to your account and clicking on the Change Account link. And you can even change the credentials you use to log in. ■

2 Access to KeyTalk® and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

3 Representatives of GWFS Equities, Inc. 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.

Hold on to Your RMDs

Congress suspends required minimum distributions for 2009

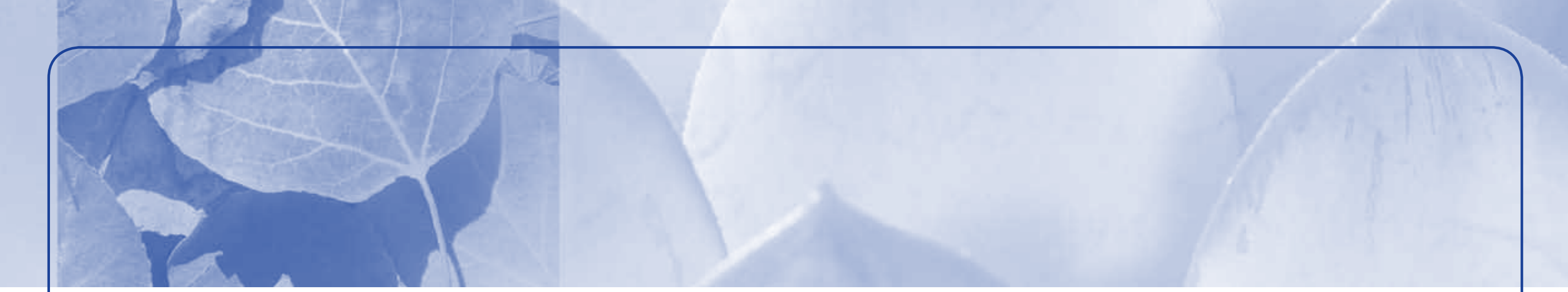
A new rule may bring relief to retirees whose savings have deteriorated due to the bear market.

Once you turn age 70½, you are generally required to take a yearly required minimum distribution (RMD) from tax-deferred retirement accounts like 401(a), 401(k), 403(b) and governmental 457(b) plans. You must also take annual RMDs from tax-deferred accounts you've inherited, regardless of your age.

However, a new federal law has suspended this RMD rule for 2009. The reason: Congress wants to avoid forcing people to withdraw money from these accounts in a severe market downturn. Of course, you can still take distributions if you wish to do so. If you receive your annual RMD automatically, consult your account custodian immediately to find out whether the suspension takes place automatically or if you have to establish your preference.

A word of warning: The new suspension applies only to RMDS in the 2009 calendar year. It doesn't affect 2008 RMDs. If you turned age 70½ in 2008, you must have taken your 2008 RMD by April 1, 2009.[3]

For answers to frequently asked questions about RMDs, go to www.irs.gov. For information about how to calculate your RMD, see IRS Publication 590. ■



Making a Difference

The impact of saving an extra 1%

The market crisis of 2008 may have left you feeling helpless as you watched your retirement savings shrink. But even in a market decline, there's one way you can take control of your nest egg: by increasing annual contributions to your workplace retirement account. Of course, one big advantage is that you're using pre-tax dollars. But the real power lies in the cumulative effect of those added savings.

In fact, bumping up your annual contributions by just 1% has a dramatic effect long term, as illustrated by the table below.[4] For an investor making a salary of $30,000, the difference between 3% and 4% in contributions could mean $29,402 added to your account over 30 years. A 6% deferral could mean $88,205 more. Even if you only have 15 years before retirement, an extra 1% could mean an additional $7,821 when you retire, while an extra 3% could yield $23,465 more—not a bad bonus for a little extra saving. ■

Annual Deferral Rate	Contribution Monthly Amount	After 15 Years	After 30 Years
3%	$75	$23,465	$88,205
4%	$100	$31,286	$117,607
6%	$150	$46,930	$176,410

4 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes contributions are made at the beginning of each month, a 7% annual rate of return and reinvestment of earnings, with no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted. Assumes contributions are made at the beginning of each month.

Ramp Up Your Savings

Stay Focused on Retirement

A recession marks an opportunity to review your saving and spending priorities. Are you as diligent a saver as you think?

Since the late 1980s, Americans' ability to save has steadily withered. The national savings rate, as a percentage of disposable income, registered around 1% in 2008, not much better than the 0.6% rate in 2007. By comparison, during the last two deep recessions in 1973-74 and 1981-82, the savings rate averaged 10.5% and 11.05%, respectively.[5] It's time to get better at saving.

Rethink your spending

If you haven't done so recently, look for cutbacks that may allow you to save more for retirement. For example, shop around for less expensive car or homeowner's insurance or raise the deductible on your existing policies. Consider putting off big-ticket upgrades, like a new television set, and check for recurring expenses for things you may not be using, like certain online club memberships or a gym membership.

Save that windfall

Workers this year are bracing themselves for smaller raises and bonuses, if any are in the offing at all. If you're lucky enough to get one, consider saving it rather than spending it. Likewise, any kind of financial windfall, such as an inheritance, can cover some recurring expenses or get rid of lingering credit-card debt—allowing you to increase the percentage of your salary that you contribute to your retirement savings plan.

Ideally, you should consider saving the maximum amount possible. For 2009, you can contribute up to $16,500 in a workplace retirement plan, limited by the terms of the plan. Workers age 50 and older can add $5,500 in catch-up contributions, depending on the type of plan. Contribution limits will rise to reflect inflation in future years.

Maximize opportunities to save more

To help you build your retirement savings, most employers offer automatic savings increases—a built-in way to boost your retirement account balance. At set intervals and in amounts determined by you and your employer, your retirement contributions will rise automatically.

It's worth making the effort today to help you get closer to where you'll want to be in retirement. ■

5 U.S. Department of Commerce, Bureau of Economic Analysis. 2008 figure will be updated.

On the Double

How long will it take to grow your savings?

Discovered by a 15th century Italian mathematician and later popularized by Albert Einstein's ideas on compounding, the Rule of 72 estimates how long it will take an investment to double in value at a given rate of return.[6] You do this by dividing the rate of return into 72. Say you have an investment paying 6% interest per year. Divide 6 into 72 and you'll see that the value of your investment will double in 12 years (72 ÷ 6 = 12). You can also do it backwards. Say you want to double your money in 12 years. Divide 12 into 72 and you'll find that you need an investment that returns 6% a year (72 ÷ 12 = 6). The calculation doesn't take taxes into account, but the rule of 72 might work for a shorthand method of figuring out how quickly you can double your money. ■

6 nationmaster.com. The origins of the Rule of 72 date back over several centuries. An early reference to it can be found in "Summa de Arithmetica" by the 15th century Italian mathematician Fra Luca Pacioli. It is not a guarantee of future results.