State of Indiana
S.T.A.R.T.®
SMART
Fall 2008

THE FEE HOLIDAY ENABLES YOUR PLAN TO WORK HARDER FOR YOU.

AS A REWARD for participating in the Hoosier S.T.A.R.T. Deferred Compensation Plan, the State is instituting a fee holiday for all Plan participants. For the fourth quarter of 2008, you will not be charged the ordinary Plan administrative fee, which is 0.265% of your account balance.

Even better, your fees will be waived for **another quarter** if you take action in one of the following ways during the quarter:[1]

- change your contribution from a dollar amount to a percentage amount
- set up an individual appointment with a local Hoosier S.T.A.R.T. representative to go over your account[2]
- take advantage of the Reality Investing® services (Online Investment Guidance, Online Investment Advice or the Managed Account option)
- increase your contribution

There is no guarantee that participation in the Reality Investing Advisory services will result in a profit or that your account will outperform a self-managed portfolio

For more information, visit the Web site **www.hoosierstart.in.gov**[3]

1 All retirees will receive the second fee waiver.

2 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.

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

Keep Your Cool

Try not to invest emotionally

It's OK to get emotional watching a weepy movie, but you should try not to get emotional about the money you've invested for retirement. No matter what happens in the financial markets, don't 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 your fears 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 good 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, those potential gains will pass you by.

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.

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. Then stick with that strategy.

Be realistic about stock market behavior. 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]) have returned an average of 10.4% a year.[1]

Don't let fear make you forget that, historically, the occasional bad year has usually been followed by several good years. And 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. ■

Cash Flow from Your Nest Egg

How to spend what you've saved

The savings you've accumulated in your employer-sponsored retirement plan 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 your retirement savings plan 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 you don't withdraw enough, you could be subject to significant tax penalties. You can 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. ■

1 Ibbotson Associates, a subsidiary of Morningstar, Inc., 2008.

2 "S&P 500®" is a trademark of The McGraw-Hill Companies, Inc.

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