State of Indiana

S.T.A.R.T.® SMART

Fall 2010

It's that time of year again...

THE ANNUAL HOOSIER S.T.A.R.T. **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 once again instituting a fee holiday for all Plan participants who take action between October 15, 2010, and February 28, 2011. If you qualify, your first quarter Plan administrative fee, which is 0.26% of your account balance, will be waived.

You can take action in one of the following ways:

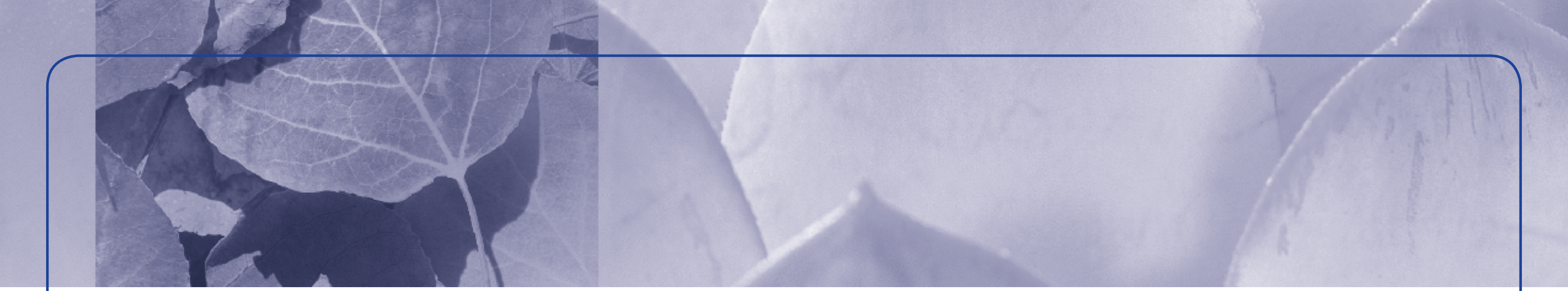
- Change your contribution from a dollar amount to a percentage amount
- Schedule an appointment with a local Hoosier S.T.A.R.T. representative to learn how much you'll need to meet your retirement goals[1]
- Sign up for Reality Investing® Advisory Services (Online Investment Guidance, Online Investment Advice or the Managed Account option)
- Increase your contribution
- Roll over funds from another retirement plan

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

For more information, visit the website at **www.hoosierstart.in.gov.**[2]

1 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.

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



The Big Three

Get Your Arms Around These Key Investing Concepts

When you make investment decisions, such as how much of your Hoosier S.T.A.R.T. account to invest in stock funds, bond funds and/or cash investments, there are three important concepts you should consider: volatility, market timing and rebalancing. Understanding each of these can help you make educated decisions that will give you the best chance of reaching your long-term savings goals.

1. Volatility

Volatility is a measure of how sharply an investment's value can rise or fall in the short term. Since the fall of 2008, investors have experienced firsthand, sometimes painfully, how volatile the stock market can be.

Compared with stocks, bonds are viewed as more stable over the short term because they pay a stated rate of interest over a set period. Cash investments, such as money market funds*, are perceived as relatively safer because their principal value rarely changes.

But volatility measures only short-term risk. Longer term, the picture is very different for the three asset classes. Historically, the longer stocks are held in a portfolio, the less volatile their performance. Since 1926, stocks have never lost ground over any 20-year period. And over the past 30 years, stocks have realized an 11.2% annualized return, outperforming bonds (8.4%) and cash (5.5%).[3] Past performance is not a guarantee or prediction of future results.

The upshot: The more time you have before you need to withdraw your money—10 years or longer—the greater the percentage of your assets you may consider investing in stocks.

2. Market Timing

Trying to out-guess the market—thinking you know which way the stock market is about to move and buying or selling accordingly—is called market timing. However, there's no evidence anyone can time the market with precision. Further, there are regulations in place that discourage and prevent investors from timing the market with short-term trading of mutual funds. Some investments may even impose redemption fees, and/or transfer restrictions, on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents.

During a market downturn, it may be tempting to cash out of stocks and jump back into the market later when times are better. However, a recent study by market research firm DALBAR, Inc. found that fund investors dramatically lag the broad market, primarily because they choose the wrong times to jump into and out of stocks.[4] For the 20 years ended December 31, 2009, DALBAR reports that investors earned an average annual return of just 3.2%, compared with 8.2% for the S&P 500® Index.[5] With this in mind, you may stand to earn potentially stronger returns over the long run if you simply stay invested, rather than try to time the market.

3. Rebalancing[6]

When the market shifts, the way your investments are allocated—or divided—among stocks, bonds and cash can change. Rebalancing means adjusting your portfolio to achieve the asset mix that's appropriate for your time horizon and comfort with risk.

Rebalancing may help manage risk by preventing overexposure to a single asset class. After a prolonged market downturn, for example, an unbalanced portfolio may be top heavy in bonds. If you have too little invested in stocks, you won't benefit fully from any rebound—potentially making your portfolio more conservative than you intended and reducing its long-term returns. The solution: Periodically compare your portfolio's target asset allocation—the mix you originally established—with its current allocation. You may need to rebalance. To increase a stock allocation, consider redirecting contributions from bond funds to stock funds until your ideal allocation is restored. You can rebalance your account at **www.hoosierstart.in.gov**. After you log in, click on "Change Account," then "Rebalancer."

Master Your Mix

Review your asset allocation

Does your investment strategy still fit your retirement savings goals and your comfort with risk? Check out the way your assets are divided, or allocated, in your workplace retirement account between stocks, bonds and cash equivalents. Each category represents a percentage of your total assets. Let's say you have $100,000 saved. If you hold $50,000 in stock funds, $40,000 in bond funds and $10,000 in a money market fund*, your asset allocation is 50%/40%/10%.

Does your mix fit your needs?

Consider your true time horizon: your life expectancy, because you may live another 20 to 30 years after you retire. Also consider your comfort with risk.

Make a change

If you still have 10 to 15 years before taking retirement withdrawals and want to benefit from the long-term growth potential of stocks, you might decide that a 75%/20%/5% allocation is more appropriate. To get there, you could shift five percentage points from cash and 20 from bonds, and boost stocks by 25. Then make new contributions based on the 75%/20%/5% formula. Every year, if market movements alter that allocation, consider rebalancing by shifting back to your initial target. You can do this online at **www.hoosierstart.in.gov**.

FOR ILLUSTRATIVE PURPOSES ONLY. Asset allocation and rebalancing can help you achieve diversification in your workplace retirement account, but they do not ensure a profit or protect against loss during volatile markets.

* *An investment in a money market fund is neither insured nor 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 per share, it is possible to lose money by investing in the fund.*

3 Ibbotson Associates is a subsidiary of Morningstar, Inc. Stock return is based on the S&P 500. Bond return is based on the Intermediate-Term Government Bond Index. Cash return is based on the 30-day Treasury bill. Returns represent the 30-year period through December 31, 2009.

4 DALBAR, Inc., "2010 Quantitative Analysis of Investor Behavior."

5 S&P 500® Index is a registered trademark of Standard & Poor's Financial Services LLC, and is an unmanaged index considered indicative of the domestic Large-Cap equity market. A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of a fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.

6 Rebalancing does not ensure a profit and does not protect against loss in declining markets.

Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Managed account, guidance and advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser and subsidiary of Great-West Life & Annuity Insurance Company. Reality Investing® is a registered trademark of Great-West Life & Annuity Insurance Company. GWFS Equities, Inc. and DALBAR, Inc. are separate and unaffiliated. Not intended for Plan Sponsors whose situs is in New York. Form# CB1069N (10/10) PT111243