State of Indiana

S.T.A.R.T.® SMART

Winter 2009

AUDITOR'S CORNER

By Auditor of State Tim Berry

I am pleased to introduce Sharri Condon, the new Hoosier S.T.A.R.T. Retirement Education Counselor. In her new role, Sharri will work specifically with retired plan participants or those who are nearing retirement. Her job is to help these individuals effectively plan for their future, and help them understand issues like distribution options and long-term investing.[1]

Sharri is a registered representative and works for Great-West Retirement Services®, the third-party administrator for the Hoosier S.T.A.R.T. Plan. Working with each plan administrator since the plan's inception in 1981, she has obtained more than 28 years of knowledge and experience while assisting State and local government employees in reaching their retirement goals. Sharri's role with the plan has changed throughout her career, but it has always been her priority to educate the employees and their employers on the deferred compensation benefit and the role it plays in their financial future. For the last four years, Sharri was a Hoosier S.T.A.R.T. Account Executive, working one-on-one with employees and their employers in the southwestern region of the State. She holds her Series 6 and 63 securities registrations and an Indiana Life and Health Insurance License. Sharri lives in Danville, Indiana, with her husband of 21 years and their two daughters.

If you are retired or within three years of retirement, please feel free to contact Sharri at sharri.condon@gwrs.com or (877) 728-6738, option 2. ■

A New Year's Checkup

Take stock of your retirement account

The start of the new year is a good time to make sure you're on course with your retirement savings goals and to review the investment choices in your workplace retirement account. Below are three important steps that you may consider taking on your road to a comfortable retirement.

1 Stay focused

Don't let market volatility distract you from reaching your long-term retirement savings goals. A full market recovery, although not guaranteed, can take time. Staying invested for the long haul is one of the ways to help manage your investment risk.

2 Rebalance[2]

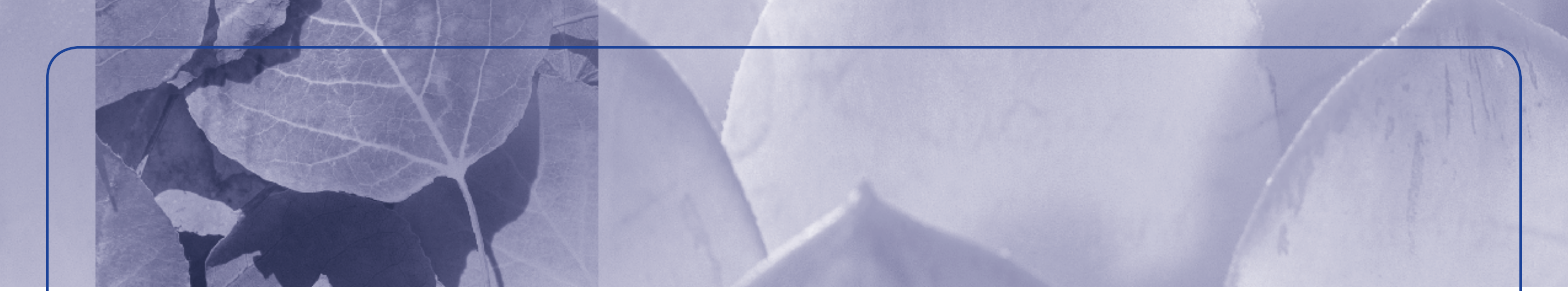
When you initially began contributing to your retirement account, you likely determined an asset allocation that suited your long-term investment goals. But over time, some of your investments may have done better than others and your portfolio may no longer reflect the original asset allocation you chose.

For example, you might have finished the year with a bigger share of your portfolio in bond funds and a smaller share in stock funds than you wish. You can return to your desired asset allocation by rebalancing your retirement account.

3 Keep saving

Your workplace retirement plan offers powerful tax advantages because you contribute money that has not been taxed yet and your assets grow tax-deferred. The limit on contributions for tax year 2010 is $16,500—and if you're age 50 or older, you can add another $5,500 in catch-up contributions. If you can't afford the maximum, try to at least contribute as much as your company matches, if it offers a match, and gradually increase your contribution each year thereafter. ■

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



Fund Facts: Investment Styles

No investing asset class outperforms the others all the time, so you typically don't want your retirement to depend on the fortunes of just one investment. Because each asset class—stocks, bonds and cash—is driven by different economic and financial forces, it's generally unlikely that all three will stumble at the same time. You may want to hedge your bets by dividing your money among them.[3] To help you formulate your retirement strategy, here's a brief sketch of each asset class.

Stocks

Among the three asset class types, investments in stock pose the greatest risk. But, they may also offer the best opportunity for inflation-beating, long-term gains. The younger you are, the more time you have to recover from losses. Because the stock market has historically produced gains over the long term, your age should be a factor in how much stock you own.[4] At age 30, you might have 70% of your retirement savings invested in stocks or stock funds. At age 60, your stake might be down to 40%. Here are a few common stock fund choices:

Growth stock funds take substantial risks in search of high potential returns. These funds vary according to their investment objectives and strategies for achieving them.

Growth-and-income funds invest in dividend-paying stocks and some fixed-income investments in an effort to boost total potential returns.

Technology stock funds invest primarily in technology stocks, offering all the pluses and minuses those stocks are known for: high volatility but potential for greater gains than more conservative investments.

International stock funds invest in stocks outside the United States. Because the world's economies don't move in lockstep, some foreign markets may be thriving in years when the U.S. stock market is down. Keep in mind, however, that these investments pose their own unique risks, such as currency fluctuations and political developments.

Bonds

Bonds are debt obligations for money borrowed by corporations, municipalities or the U.S. Treasury. Bond funds don't have maturity dates like individual bonds do. When one bond in the fund matures, it is replaced with a newer issue. Bond funds are generally less volatile and may do well in years when stocks do poorly. These investments typically have lower potential returns than investments in equities.

Cash Equivalents

Cash equivalent investments include certificates of deposit[5] (CDs), money market funds and other short-term securities. Their value is typically steady, so your principal is relatively safe from market ups and downs. Their long-term returns tend to be the lowest of the asset classes, but they can also have a valuable place in your portfolio. Please keep in mind that CDs and other similar bank products are insured, whereas other types of cash equivalent investments, such as money market funds, are not. *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.*

The Bottom Line

Once you've decided on an asset mix you're comfortable with—one based on your age, years until retirement and tolerance for risk—stick with it. Granted, it's hard to stick with stocks when the market is slumping, but for the 11 recessions that coincided with stock bear markets since 1926, eight of them experienced the beginning of a bull market well before the end of the recession.[4,6] ■

3 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

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

5 Certificates of deposit are insured by the FDIC for up to $250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

6 Source: Ibbotson, National Bureau of Economic Research, Haver Analytics, FMRCo (MARE) as of 2/28/2009.

2010 Contribution Limits

In 2010, contribution limits to the Hoosier S.T.A.R.T. Plan will not change. This includes the catch-up options. ■

Maximum Contribution (Under Age 50)	$16,500
Maximum Contribution with Age 50+ Catch-Up	$22,000
Standard Catch-Up Amount Allowed[7]	$33,000[8]

7 Standard Catch-Up may be available to participants who are within three calendar years prior to reaching normal retirement age and undercontributed in the prior years.

8 You may not use both Standard 457 Catch-Up and Age 50+ Catch-Up in the same year. If you need help calculating your maximum contribution limit, please contact your local registered representative.