Winter 2011

State of Indiana

457/401(a) RETIREMENT PLANS

HOOSIER S.T.A.R.T.®

Meet Your Education Counselors

Sharri Condon, *Retirement Education Counselor*

Sharri works specifically with retired Plan participants who are at or 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. She has more than 30 years of knowledge and experience with assisting State and local government employees in reaching their retirement goals. *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.*

Hoosier S.T.A.R.T. Regional Education Counselors

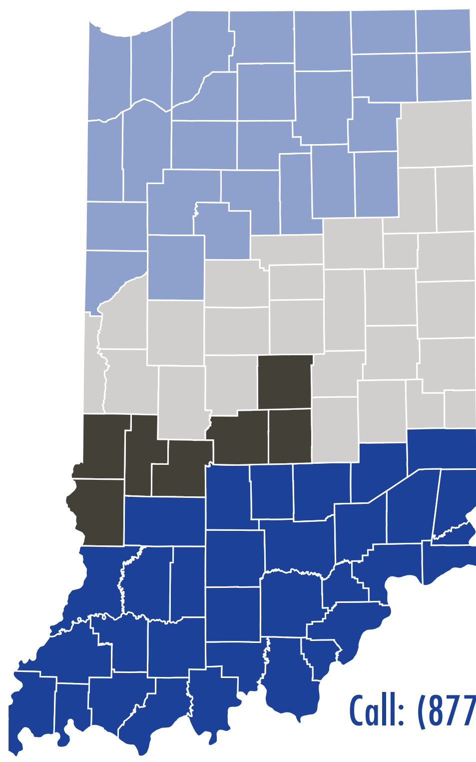
In addition, there are four other Hoosier S.T.A.R.T. Education Counselors throughout the state. These individuals can assist you with questions about enrollment, deferral changes, investment options and much more. See the illustration below to locate the Education Counselor in your area and schedule an appointment with him today.

John Vetroczky; *ext. 450*
john.vetroczky@gwrs.com

George Foster; *ext. 460*
george.foster@gwrs.com

Danny Kight; *ext. 440*
danny.kight@gwrs.com

Don Brown; *ext. 470*
don.brown@gwrs.com



Call: (877) 728-6738

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.

Fee Holiday Reminder

There is still time to qualify for the first quarter 2012 fee holiday! In order to qualify, you can do one of the following:

- Change your contribution from a dollar amount to a percentage amount
- Sign up for electronic statement delivery on the website
- 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
- Sign up for Reality Investing® Advisory Services—Online Investment Guidance, Online Investment Advice or the Managed Account option (additional fees may apply)
- Increase your contribution
- Roll over funds from another retirement plan

If you take one of the above actions by February 29, 2012, your administrative fees will be waived for the first quarter of 2012.

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. ■

Take the Long View

The markets and the economy move in cycles. Is a recovery in sight?

In today's turbulent economy, it's important to understand the different phases of what is known as the business cycle. Doing so will help you stay calm during difficult periods.

What is the business cycle?

The nation's economic activity is measured from its peak through its trough, or lowest point, then back again. Declining activity is called a contraction. A prolonged contraction is called a recession—something most Americans have become familiar with in recent years. Increasing activity is called an expansion. This revolving period of decline followed by eventual recovery is known as the business cycle.

The market's role

Generally, the stock market anticipates movements in the economy. That means stocks tend to fall before—and usually continue to struggle during—a recession's early stages. Before a recession ends, however, the anticipation of a recovery often prompts stocks to rebound. That said, predicting just when the market's recovery will occur is virtually impossible.

Keep your head

The worst course an investor can take is to alter his or her investment strategy in reaction to market events. Emotion tends to lead investors to buy at high prices when times are good and sell at low prices when pessimism prevails—a lose-lose scenario.

Stay invested

When you continue to invest in stock funds through good times and bad—as you do automatically in your workplace savings plan—you buy more shares when their prices are low. And that will position you well to reap the benefits of a market recovery. ■

Maximize Your Contributions

For 2012, the limit that employees under age 50 can contribute to a workplace retirement plan has been increased to $17,000 from $16,500 in 2011. Employees age **50 or older** are generally allowed an additional "catch-up" contribution of $5,500 unless their plan mandates otherwise. ***Remember:*** Employers may set different limits, so check with your plan administrator to learn the amount you're permitted to contribute.

IRA contribution limits remain in place: up to $5,000 for workers under age 50, with a "catch-up" contribution of an additional $1,000 for those age 50-plus.

Give It a Boost

The Hoosier S.T.A.R.T. Plan now allows you to save both before- and after-tax dollars. Strive to take full advantage of this benefit by increasing contributions each year. **Your ultimate goal:** Save to the max. ■

The Right Mix

Asset allocation and diversification are two of the most important investing strategies. Here are the differences between the two strategies.

Asset allocation[1] is the process of designating percentages of your investment dollars to the basic asset classes (stocks, bonds, and cash equivalents) based on your financial goals, time horizon, and tolerance for risk. You can do this on your own or you can invest in funds that are designed to invest in different asset classes. For instance, you may allocate 80% of your investment dollars to stock funds and 20% to bond funds, if offered. Or you could invest in a target date fund that essentially manages your asset allocation for you over the course of your career. A target date fund resets its asset mix according to your anticipated retirement date; the closer you are to retirement, the smaller its allocation to stocks. The date in a Target Date Fund represents an approximate date when an investor would expect to start withdrawing his or her money or when an investor expects to retire. The principal value of the funds is not guaranteed at any time, including the target date.

Diversification[1] is a way to avoid putting all your eggs in one basket. You can diversify by investing in different asset classes and in different types of investments within those asset classes. For example, a diversified portfolio may consist of both stock and bond funds, with the stock portion invested in large-cap and mid-cap funds and the bond portion consisting of both corporate and government funds.

How do asset allocation and diversification affect risk?

Neither investing strategy eliminates risk. But by putting your money in an assortment of investments that, historically, are unlikely to all move in the same direction in terms of value and performance, you may be able to protect your portfolio from a single, devastating loss in one investment category. ■

1 Asset allocation and diversification do not ensure or guarantee better performance and cannot eliminate the risk of investment losses.