State of Indiana

S.T.A.R.T.® SMART

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Give Your Retirement Savings a Face-Lift

By Auditor of State Tim Berry

Now is the time of year when you may have a little extra cash coming in the door. Whether it's from a tax return or a salary increase, you might feel your wallet burning a hole in your pocket. But before you put your hard-earned money toward a new stereo or a down payment on a new car, consider giving your Hoosier S.T.A.R.T. account a face-lift. A little extra cash today could mean more extra cash in 20 or 30 years, and the Hoosier S.T.A.R.T. Plan can help you get there. One way you can help keep a healthy, radiant glow to your retirement account is to change your deferral rate from a flat dollar amount to a percentage of your salary.

When you use a percentage rather than a dollar amount for your deferral, your savings keeps pace with your salary and its growth. That means that no matter how much you make, you still contribute an annual amount that directly correlates with your income. So it's like your retirement account gets a raise (face-lift) every time you get a raise. That means you may end up with more in your Hoosier S.T.A.R.T. Plan down the road. Here's how it looks for a person (John) who makes $40,000 a year to start out and contributes $100 per pay period over 10 years, even as his salary increases.

	Year	Salary	Deferral	Annual Savings Amount
1	2008	$40,000.00	$100	$2,400
2	2009	$41,200.00	$100	$2,400
3	2010	$42,436.00	$100	$2,400
4	2011	$43,709.08	$100	$2,400
5	2012	$45,020.35	$100	$2,400
6	2013	$46,370.96	$100	$2,400
7	2014	$47,762.09	$100	$2,400
8	2015	$49,194.95	$100	$2,400
9	2016	$50,670.80	$100	$2,400
10	2017	$52,190.93	$100	$2,400
			Total contributions	**$24,000**

FOR ILLUSTRATIVE PURPOSES ONLY. Assumes a 3% annual salary increase and 24 pay periods per year.

Now take a look at John's contributions when he changes his deferral to 6% of his paycheck:

	Year	Salary	Deferral	Annual Savings Amount
1	2008	$40,000.00	6%	$2,400.00
2	2009	$41,200.00	6%	$2,472.00
3	2010	$42,436.00	6%	$2,546.16
4	2011	$43,709.08	6%	$2,622.54
5	2012	$45,020.35	6%	$2,701.22
6	2013	$46,370.96	6%	$2,782.26
7	2014	$47,762.09	6%	$2,865.73
8	2015	$49,194.95	6%	$2,951.70
9	2016	$50,670.80	6%	$3,040.25
10	2017	$52,190.93	6%	$3,131.46
			Total contributions	**$27,513.32**

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Based on these numbers, John would contribute $3,513.32 more to his account after 10 years with a percentage deferral of 6% than if he had kept it at $100 per paycheck. In addition, if he kept his deferral amount at $100 per month, his contribution level would dip below 4% of his salary at year 10. With a 6% deferral, John's contribution amount grows in proportion to his salary growth.

As a side benefit, contributing more to your Hoosier S.T.A.R.T. account lowers your taxable income for the year of contribution. In other words, that means more for you, less for the government.[1]

Once you're ready to change your deferral amount, you can log in to your account at **www.hoosierstart.com**. Click on Change Account, then Update Deferral. If you prefer to speak to someone about changing your deferral, you can call the Hoosier S.T.A.R.T. Plan office at (877) 728-6738, option 2. ■

Auditor's Corner

Staying Calm in a Turbulent Market

Don't let market volatility rattle your nerves

If you're like some investors, you've been getting nervous about your investments because of recent swings in the stock market. That's not surprising. The good news for you—and your nerves—is that there's less cause for alarm than you probably thought. What used to be considered volatile may now be the norm. Because the market has grown so large, with the Dow fluctuating at or above 10,000, a 100-point swing is a much smaller percentage of the overall market than it was when the Dow hovered below 3,000.

Try not to let short-term market swings deter you from your long-term investing strategy. Because no one can predict how the market will move next year or even next week, consider keeping your savings invested—and try to avoid making emotion-driven changes to your strategy. ■

1 Withdrawals are subject to ordinary income tax. A 10% early withdrawal penalty may apply to withdrawals made prior to age 59½.

Life Stage Investing: Keeping up with Your Allocation

Seek growth while moving toward retirement

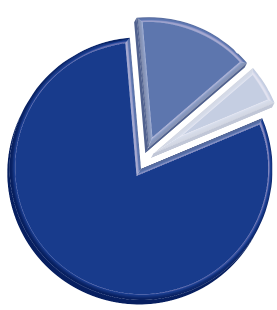
Enrolling in your employer-sponsored savings plan is the first step toward retirement, but once you've signed up, how should you invest? The way you allocate your contributions among the three major asset classes—stock funds, bond funds and cash equivalents—is one of the most important factors in determining your long-term investment returns.

Why it matters

An allocation that's too cautious could leave you with insufficient funds to last through a long retirement. And an allocation that's too aggressive could leave you with losses at precisely the moment you need to access your money. Stock funds, for example, have historically produced the biggest gains over the long term, but a stock fund's value will tend to experience more short-term fluctuations than a bond fund. Keep in mind there's no single asset allocation that's right for every investor; yours should have enough growth potential to sustain you through your years of retirement, but shouldn't be so risky that it keeps you awake at night.

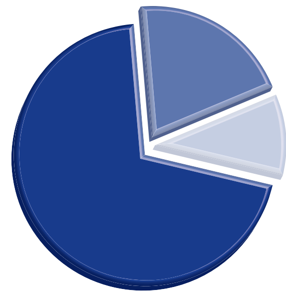
To create an asset allocation strategy that's appropriate for your situation, take into account your various financial goals, when you'll need the money, and your tolerance for risk. Then, consider these age-based guidelines:

In your 30s



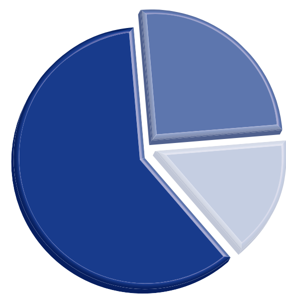
Because you have many years until retirement, you may be able to tolerate occasional short-term market fluctuations. Since you're likely to rely on your savings for several decades in retirement, you'll need them to grow while you're working—so consider keeping the majority of your investments in stock funds. Possible allocation: 80% stock funds, 15% bond funds and 5% cash equivalents.

In your 40s



You may now have additional financial responsibilities like saving college tuition money for your children, but try to put your retirement first. Remember that there are loans, financial aid and scholarships to help with college costs, but only you can finance your retirement. Make sure you're saving as much as you can. Growth is still important, but you may want to consider a slightly more conservative allocation. Possible allocation: 70% stock funds, 20% bond funds and 10% cash equivalents.

In your 50s



Retirement is approaching, and you may be eligible to make catch-up contributions to your plan. That means you could potentially save up to $20,500 in 2008. You'll begin withdrawing your savings soon, so consider shifting your allocation toward less-risky investments. But remember, you're likely to be retired for several decades, so your portfolio will still need to have some growth potential. Be sure to keep stock funds in your plan. Possible allocation: 60% stock funds, 25% bond funds and 15% cash equivalents.

No matter where you are on the path to retirement, try to save as much as you can through your employer-sponsored retirement plan. Be sure to review your investments annually to make sure they're on track to sustain you through decades of retirement. Your portfolio may gradually become more conservative as you age, but remember that long-term growth is essential. Steady saving, tax-deferred compounding and prudent asset allocation can help increase and maintain your nest egg. ■

FOR ILLUSTRATIVE PURPOSES ONLY. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. This is not intended as financial planning or investment advice.

Finish Strong

Catch-up contributions can help you sprint toward retirement

If you're age 50 or older, you're probably planning how you'll spend your time when you stop working. Whether you plan to travel the world, move to a new city or spend time with family closer to home, you're likely to rely on your savings for several decades.

Fortunately, you're now eligible to make Age 50+ Catch-Up contributions to your retirement savings plan. As a reminder, the Hoosier S.T.A.R.T. Plan allows you to contribute a maximum amount of $15,500 in 2008. On top of that, if you are age 50 or older, you may contribute an additional $5,000 for a total contribution of $20,500.

Catch-up contributions can have a dramatic impact on your savings, especially if you take advantage of them as soon as you become eligible. If you began saving the maximum every year starting at age 50 and continuing through age 65, assuming a hypothetical 8% average annual return you could potentially have $601,147 in your retirement savings![2] No matter how old you are, consider increasing your contributions this year. ■

2 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration assumes a $20,500 contribution per year, an 8% 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. This is not intended to predict or project future investment results. This hypothetical example is for illustrative purposes only and does not represent any of the investment options in your plan.

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