Summer 2009

Reach FOR YOUR Dream™

QUARTERLY INVESTMENT NEWSLETTER FOR RETIREMENT PLANNING

A Strategy for All Seasons

How to create a portfolio you can live with

Market volatility can make your stomach drop along with your returns. But it's much nicer to feel confidence rather than angst when you consider your retirement plan. Taking a close look at your tolerance for risk and tailoring your portfolio to match can help you rest easy when the market is jumpy.

Why review your risk tolerance?

It may seem like investing should be all by the numbers, but as a long-term investor, you know there are emotions involved in watching what happens to your money. A strategy that doesn't take this into account can result in reactive investing and costly mistakes like buying high when things are booming or selling low when the market lags. With an appropriate long-term strategy in place, investing shouldn't cause you to suffer anxiety or make panicked decisions.

Understanding how much risk you are comfortable with can help you design a portfolio you can live with for a long time. (It's important to keep in mind that your retirement plan is meant to grow over time, not to turn you into a millionaire overnight.) The ultimate goal is to find a balance in your strategy: you want to invest for enough growth to meet your goals, but also choose a risk level whose ups and downs aren't likely to cause you to make spur-of-the-moment, emotional investment decisions.

How can you identify your risk tolerance?

Because emotions can be tricky, figuring out your comfort level with risk is not necessarily straightforward. Taking a risk tolerance questionnaire is often more helpful than simply choosing a conservative, moderate, or aggressive approach based on instinct. A questionnaire allows you to consider some of the possibilities and think through your potential reactions to different scenarios.

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GO GREEN TO SAVE GREEN

Sustainable Sales

Recycling isn't just a way to simplify your life and promote sustainable living. You can give unused belongings new life while picking up extra cash!

Ebay.com and craigslist.com are great places to find buyers for your old junk, but to unload the contents of your library, Powells.com and sellbackyourbook.com buy used books online. Provide information about the books you wish to sell; they will offer a price and cover shipping for the books they want. Once the books arrive, you will be credited via PayPal.

Large household appliances are often made of recyclable metal. For instance, refrigerators contain over 120 pounds of recyclable steel. This can mean instant cash from a scrap metal recycling center, which will often pay for many types of metal by the pound. Some cities have incentive programs that will pick up your old appliances and pay you cash to recycle them or offer you a deep discount or rebate on your next energy-efficient appliance. To find incentive programs in your area visit: www.energystar.gov.

INVESTMENT RETURNS: COMMONLY USED INDEXES[1]	Second Qtr '09	Last 12 Months	5-Year Avg. Ann.
STOCK MARKET			
Large Companies			
S&P 500	15.9%	-26.2%	-2.2%
Dow Jones Indust. Avg.[2]	12.0%	-23.0%	-1.7%
NASDAQ[2]	20.3%	-19.1%	-1.4%
Small Companies			
Russell 2000	20.7%	-25.0%	-1.7%
International Companies			
MSCI ACWI ex-U.S.	27.9%	-30.5%	4.9%
Emerging Markets			
MSCI EM	34.8%	-27.8%	15.1%
BOND MARKET			
Barclays Capital U.S. Treasury Bellwethers: 3 Month[3]	0.1%	1.0%	3.2%
Barclays Capital Aggregate[3]	1.8%	6.0%	5.0%
OTHER INDEXES			
U.S. Balanced[4]	9.5%	-12.0%	1.3%

[1] Indexes are market averages which establish standard measurements. These are preliminary returns and as such will vary slightly from final published numbers. Indexes do not take investment advisory fees into account. (Sources: Frank Russell Inc., Morgan Stanley Capital International, Bloomberg L.P.) [2] Dividends not included. [3] Please note that with the acquisition of Lehman Brothers North American Investment Banking and Management services by Barclay's Capital, the name Lehman Brothers for the fixed income indices has changed to Barclays Capital. [4] The U.S. Balanced Index is composed of 55% S&P 500 Index, 40% BC Aggregate Bond Index, and 5% BC U.S. Treasury Bellwethers: 3 Month.

MARKET COMMENTARY AS OF JUNE 30, 2009

Markets Rally as Economy Wavers

Markets across the globe surged this quarter after the steep declines of 2008 and early 2009. As stock prices dropped to levels that many investment professionals referred to as the most compelling in their careers, investors' appetite for risk increased. Despite the impressive returns experienced, economic data continue to indicate the global economy is still deep in recession and digesting the impact of a world with dramatically less liquidity. First quarter gross domestic product (GDP) declined more than 6% for the second consecutive quarter while corporate profitability is down from last year. The residential housing market and unemployment, two economic indicators investors are watching closely, continue to show weakness, suggesting the recent market rally may not be the turning point of the recession.

Bonds

The difference in bond market performance between 2008 and thus far in 2009 has been astounding. After being the safe haven in 2008, Treasury bond yields hit bottom early in the year, leading investors to a higher level of risk tolerance. As investors sought higher risk, lower quality bonds performed exceptionally well while higher quality bonds performed poorly.

Stocks

Despite the lack of evidence of an economic recovery, U.S. stocks surged during the quarter. Investors' higher tolerance for risk was evident across the stock market as small and mid-sized companies outpaced large companies. Financials, a sector that suffered in 2008, experienced the sharpest gains as the sector rose more than 35% for the quarter. Technology, Industrials, and Consumer Discretionary also all experienced a boost in performance.

As impressive as the gains were in the U.S., international markets experienced even greater gains. The difference between the U.S. and international markets was exaggerated as an effect of the dollar weakening due to the pace at which the U.S. is printing money to stabilize the economy. Emerging markets performed exceptionally well during this period of high appetite for risk.

INVESTMENT TIP

Investing for Two: Teaming Up for Retirement

With dual income families more prevalent these days, it's not uncommon to find both spouses contributing to separate employer-sponsored retirement accounts. The great advantage to this is the ability to save more for retirement; spouses can make the most out of this advantage by coordinating both their saving and investment strategies.

Maximize your matches

If one spouse has a higher employer match, make sure you work together to make the most of it. Team up and coordinate your savings so that you contribute at least as much to that plan as required to take full advantage of the match. If both spouses have a match, save to meet the match requirements of both plans before contributing more to one or the other.

Take stock of your risk tolerance

No matter whether one partner has a greater or lesser risk tolerance than the other, the two of you should discuss your investment styles together. After all, your ultimate retirement nest egg will be the sum of both of your accounts. If you are both investing aggressively, your combined portfolio may have more risk than you are comfortable with individually. On the other hand, if you are both invested conservatively, you may have room to add more aggressive investments without exceeding your tolerance for risk. Work together to develop a joint strategy that takes into account the investment options in both plans.

Line up your line-up

You likely have different investment options available in your two plans. While this may require an extra layer of research, it also affords you a wider variety of options. Rather than creating individual investment strategies, you have the opportunity to make use of all the options to design a shared investment strategy and potentially achieve a greater level of diversification. For instance, there may be asset classes that only one of you has access to, such as international small cap or U.S. mid cap stocks. Select your asset allocation together, using the options from both plans, as if you were designing a strategy for a single account. Then allocate your individual savings accordingly.

FINANCIAL PLANNING TIP

Beware of Debt Relief Programs

If it sounds too good to be true, watch out! While there are ways to combat mounting debt, there's also no shortage of get-out-of-debt scams, particularly with many people feeling especially vulnerable these days.

"If they charge you money up front with the promise that they are going to reduce your debt and reduce your payments, it's a scam; don't fall for it."[1] says Eileen Harrington, acting director of the Bureau of Consumer Protection.

If you're having trouble paying your bills, talk with your creditors first; they may be willing to work out a modified payment plan. You can also work with a local non-profit credit counseling service. Many reputable organizations are affiliated with the National Foundation for Credit Counseling, found on the web at www.nfcc.org.

[1] FTC Bureau of Consumer Protection website http://www.ftc.gov/bcp/

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Following is a questionnaire to help you identify your comfort level with risk and provide a guideline for investing your long-term savings.

Risk tolerance questionnaire

If you see an investment option with a negative return on your statement, your impulse would be to:

- **(1pt)** Redirect your money away from that investment as soon as possible.
- **(3pts)** Keep a close eye on that investment option for a while.
- **(5pts)** Ignore it as part of the usual ups and downs of the market.

If you currently had $100,000 in your account, at what point would you start to worry seriously about the future of your retirement?

- **(1pt)** If I lost $10,000
- **(3pts)** If I lost $20,000
- **(4pts)** If I lost $40,000
- **(6pts)** If I lost $50,000 or more

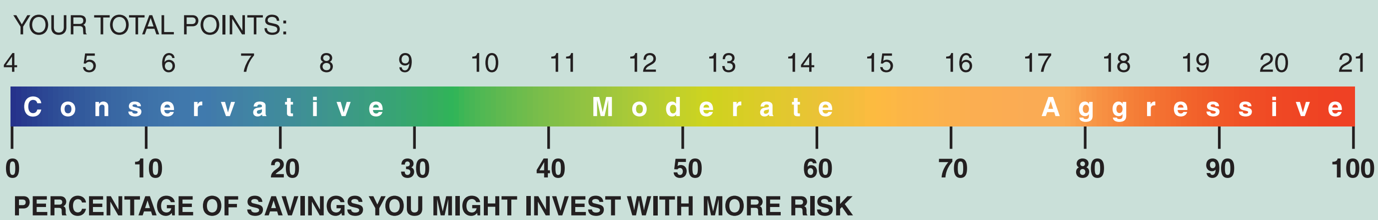
Which of the following best describes how you feel about the stock market?

- **(1pt)** The stock market is risky and volatile; I would feel uncomfortable investing too much in it.
- **(2pts)** Stocks seem to be a good way to grow my money, but I would only want to invest in proven companies that I'm familiar with.
- **(3pts)** The stock market provides an important opportunity for growth, but there's too much risk for me to invest all my savings in stocks.
- **(5pts)** The stock market is the best way to grow my savings, and I want to invest as much in it as possible for as long as possible.

Do you agree or disagree with the following statement: I would rather see my account grow a little every quarter than see losses, even if that growth is just keeping pace with or a bit greater than inflation.

- **(1pt)** Strongly agree
- **(2pts)** Agree
- **(3pts)** Neutral
- **(4pts)** Disagree
- **(5pts)** Strongly disagree

Use the scale below to convert your risk tolerance score into the percentage of your retirement savings that may be appropriate for you to invest in funds with more risk.



ANNOUNCEMENT

Still Saving

Despite an uncertain economy, American workers are still saving for retirement and investing for the long term.

Seventy-eight percent of employees said they are contributing to their retirement plan and the average contribution rate remains at 7 percent.

Twenty-two percent of participants actually increased their contribution rate recently while only 11 percent decreased the amount they were contributing.

Source: "10th Annual Transamerica Retirement Survey: Strengthening Retirement Savings in a Weak Economy" Transamerica Center for Retirement Studies; April, 2009