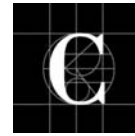


# Focusing Your Future



CAPTRUST

Summer 2009

## Making the Right Moves

In the game of chess, players carefully and strategically move their pieces on the board. If you make the right moves when you play chess, you may win the game. When investing for retirement, you also should take a careful and strategic approach. Although there are no guarantees, making the right investment moves may mean achieving your long-term goals.

So what are the right moves when you're investing for retirement? Unfortunately, there are no pat answers. But here are a few general suggestions you may find helpful.

### Understand the Pieces

Before you can invest effectively, you need to understand the investments your plan offers. It's a good idea to know the asset class, objective, investment strategy, performance history, and risk/return potential of each investment you're considering. Your plan can provide the investment information you need.

### Figure Out Your Strategy

How you allocate your assets among the investments that are available in your plan will depend on your situation. Start by evaluating your risk tolerance — basically, how comfortable you are with the prospect of incurring investment losses in exchange for the potential opportunity to achieve greater long-term returns. Also consider your goals and your investment time frame — the number of years before you'll need the money in your account.

The closer you are to retirement, the more conservative you probably will want to be with the investments you choose since you won't have much time to recover from investment losses. A longer investment time horizon lends itself to a growth-oriented asset mix that is generally more aggressive.

No matter what your specific situation is, you'll want to make sure your investments are adequately diversified.\*

Splitting up your money among different asset classes and investments can help you manage investment risk. When you diversify, the poor performance of one asset class or investment might be cushioned by the returns of stronger performers.

### No Sudden Movements

Once you have a strategy and have selected your investments, avoid making changes without careful thought and planning. For example, you might not want to sell an investment after only a brief period of declining performance because that could mean missing out on a future recovery. Nor should you jump into an investment just because it's currently "hot." Moving in and out of investments because of short-term fluctuations in their returns is usually not a wise move.

*\*Diversification does not ensure a profit or protect against loss in a declining market.*



CAPTRUST

8816 Six Forks Road, Suite 301  
Raleigh, NC 27615-2983  
919/870-6822 • 800/216-0645

Securities Offered Through  
CapFinancial Partners, LLC  
member FINRA & SIPC



# Tune In to Tax Savings

It may seem like music to your ears when you hear that your retirement savings plan provides you with tax breaks. Your plan offers you both pre-tax savings and tax-deferred compounding. Together, these tax breaks can help keep your retirement savings humming along until you reach your long-term financial goals.

## Pretax Savings Song

As soon as you started contributing to your employer's retirement plan, you started benefiting from pretax savings. The money you contribute to your plan is deducted from your pay before federal (and, perhaps, state and local) income taxes are taken out. This reduces the amount of income taxes you currently pay on your earnings.

Let's say, for example, that your marginal income-tax rate is 15% and you make \$1,200 of pretax contributions to your retirement savings plan this year. In this hypothetical situation,

you'll reduce your 2009 income taxes by \$180 ( $\$1,200 \times 15\%$ ).

## Concert of Tax-deferred Compounding

All the money in your plan account — contributions and investment earnings — can grow without being taxed until you start making withdrawals. Tax-deferred compounding can make a big difference in an account's value over

time. See the example above comparing saving in a tax-deferred retirement plan to saving in a taxable account.

## More Tax-saving Melodies

Another tax break you might be eligible for because you participate in your employer's retirement savings plan is the "saver's credit." You may be able to claim this credit on your federal tax return if you meet the income qualifications.

If your plan allows you to make after-tax "Roth" contributions, you might want to consider taking advantage of this opportunity, too, by designating some or all of your contributions as Roth contributions. If certain tax law requirements are met, the qualified Roth distributions you receive in the future will be tax free.

## Symphony of Savings

	Tax-deferred Plan	Taxable Account
Monthly pretax income available for saving	\$100	\$100
Federal income taxes (15%)	– 0	– 15
Monthly amount saved	\$100	\$85
Average annual total return	5%	4.25% (5% minus 15% income tax)
Account value in 30 years	\$83,226	\$61,696
Federal taxes payable upon distribution (15%)	– 12,484	– 0
Total accumulated for retirement	\$70,742	\$61,696

Example assumes monthly compounding. This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. Your savings amount, investment results, time frame, and tax rate may be different. Source: NPI

## Reducing Taxes Refrain

Annual Plan Contribution	Taxable Income	Federal Income Taxes
0	\$26,000	\$3,483
\$1,200	\$24,800	\$3,303

**Difference = \$180**

Assumes the taxpayer files as a single individual in 2009. Your taxable income, filing status, contribution, and tax savings may be different. Source: NPI



## ANY QUESTIONS?

**Q.** *I'm thinking of taking a break from making contributions to my retirement plan for a little while. Is that a good idea?*

**A.** When money is tight or you have a major expense ahead — such as buying a home or financing a child's college tuition — it's natural to want to free up money by decreasing certain expenditures. Not contributing to your retirement savings plan is a way to increase your take-home pay. Unfortunately, it also is a way to significantly *decrease* the money

you'll be able to accumulate for retirement. So, no, taking a break from saving for retirement is generally not a good idea.

### Put Your Future First

So many people put their long-term needs, such as saving for retirement, behind short-term needs and wants. When retirement is still a long way off, it's tempting to put contributions to your employer's retirement plan on hold so that you can meet current financial demands. But, if you keep putting off saving for retirement, you might not have enough money to live on when the time comes for you to stop working.

### Stick with the Status Quo

You're already in the habit of saving for retirement in your employer's plan. And it's easy, since your contribution is automatically deducted from your pay and deposited in your plan account. Over time, contributions and compounded investment earnings can really add up. If you stop making contributions, even for a little while, the amount of money you'll have available at retirement may be much less than what you could have accumulated if you never took a break.

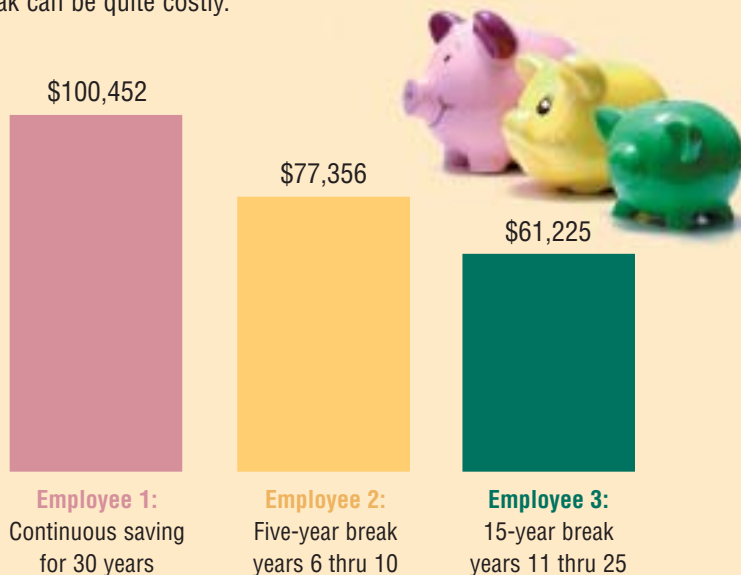
### Short Breaks Easily Stretch into Long Breaks

If you take a break from saving for retirement to take care of a current financial need, your intentions may be to resume saving as soon as it's resolved. Yet another financial concern may crop up, postponing when you resume making contributions even further. Before you know it, years will have gone by without your saving for retirement.

If you don't save enough for retirement, you may be forced to work past your targeted retirement age on a full- or part-time basis or settle for a much lower standard of living during retirement. A better idea is to continue saving for retirement in your employer's plan and look for other places in your budget where you can cut back when money is tight.

### Beware of Taking a Break from Saving

Three employees save \$1,200 annually for retirement. One saves continuously for 30 years. One takes a five-year break after five years and then resumes saving. And a third saves for ten years and then takes a 15-year break before resuming saving for retirement for five more years. Each earns an annual average total return of 6%. As you can see, a savings break can be quite costly.



This is a hypothetical example used for illustrative purposes only. It does not represent the results of any particular investment vehicle. Your results will be different. A 6% average annual return compounded monthly and monthly contributions are assumed. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal.

Source: NPI

## The Choice Is Yours

**W**ho is the beneficiary of your retirement plan account? If you joined your plan a while ago — and haven't reviewed your beneficiary designation since then — you may not even remember who you chose.

It's a good idea to review your primary and contingent beneficiary designations periodically to make sure they are still appropriate. This is especially true if you experience a life changing event. Significant events that warrant a beneficiary review include:

- Marriage
- Divorce
- Addition of a child
- Death of your primary or contingent beneficiary

If you find that you want to change any of your beneficiary designations, you may be able to. Before you change a beneficiary designation, however, you should consider the impact it may have on your overall financial and estate planning.

### Selecting Your Spouse

Your spouse may be an obvious first choice. If you're gone, your plan assets can help provide support for your

surviving spouse. There are legal restrictions if you decide you want someone other than your spouse to be designated as your primary beneficiary. Your spouse will need to sign a written consent form waiving his or her rights to your plan assets.

### Choosing Your Children

You may decide that you want your children to receive your retirement plan assets. If they are already adults, this may be a good way to help them after you're gone. But, if they're still minors upon your death and are designated as primary beneficiaries, it's important to know that most plans will not directly transfer plan assets to minors. Instead, a court will appoint a trustee or guardian to receive the money on your children's behalf. This legal process will likely take a while, during which time your plan assets probably won't be available to your children when they may need financial support. Investment restrictions also commonly exist in a court-appointed financial guardian situation.

Instead, you could name a trust as the primary beneficiary of your plan assets. Then name your children as primary

beneficiaries of the trust. You can appoint a trusted individual or a financial institution to act as trustee and carry out your instructions. However, a trust must meet strict IRS requirements to qualify as your designated plan beneficiary. So make sure you meet with your financial advisor and attorney before setting up a trust.

### What About a Will?

In your will, you choose who will receive certain assets after you're gone. But keep in mind that those assets generally don't include the assets in your retirement plan account. Your will probably won't control the distribution of your plan assets. Instead, those assets generally will pass to the person or persons you chose as your account beneficiary(ies). So make sure you review your beneficiary choice periodically to ensure that your retirement account assets go to the individuals you intend.