

## Find Out What Other Plan Participants Say

Here are highlights of the Missouri Deferred Compensation Plan Communication Preference Survey results.

A special "Thank You" to the 10,245 Plan participants who took the time to share their opinions. These results are valuable for tailoring Plan information and services based on what matters most to participants.

**What's on your mind?** According to participants, the topics of greatest interest are the Plan's features and the basics of saving and investing. Other subjects that appeal to participants are advanced investing (34%), understanding taxes (33%), and how the financial news could affect them (30%).

**Are you wired?** Your peers say they are! When it comes to receiving Plan information, it is all about options. Preferences include: e-mail (53%), video on the Plan Web site (16%), webinars (11%), live chat (5%), blog (1%), RSS feed (1%), and 50 people listed Twitter (less than 1%).

But they still had strong preferences for the traditional ways, too: receiving printed material by mail (64%), attending an informational meeting (27%), or talking with a Plan representative by phone (13%).

See how your peers answered some of the survey questions. The top preferences by the majority appear to the right. ●

### What topics are of most interest to you?

Explanation of Plan features	4,706	47%
Basic information about saving and investing	4,524	45%
Advanced information on saving and investing	3,407	34%

### Is the amount of information you receive about the Deferred Compensation Plan appropriate?

Yes, the right amount	6,958	68%
No, not enough	3,116	30%
No, too much	171	2%

### Which would be your preference for receiving Deferred Compensation Plan information?

Printed information in the mail	6,489	64%
E-mail	5,342	53%
Informational meeting in my area	2,768	27%
Phone call with Plan representative	1,256	13%

### Would you like to receive more electronic communication (e.g., e-mail)?

Yes	5,708	57%
No	4,317	43%

### Do you read the newsletter mailed with your quarterly statement?

Yes	8,643	84%
No	1,602	16%

Of the 34,322 participants who received the survey, 30% responded. Most (88%) were active employees with the State. The others were a mix of active college or university employees (1%), retirees (8%), and terminated employees (1%).

## Legislature to Decide Plan Match for 2011

The Plan match was suspended effective for March 31, 2010 paychecks through June 30, 2010 by the State Division of Budget and Planning to cut costs and help balance the State budget. All Plan participants received a letter about this change within days of the February 3 announcement. More information will be posted on the Plan Web site as it becomes available.

It is unknown at this time if the match will remain in the Fiscal Year 2011 budget, beginning July 1, 2010, as was initially recommended by the Governor. That budget is currently making its way through the legislative process and final determination will be made in May of this year. State economic conditions may affect the State's ability to restart the incentive payment. ●



## Who's Your Beneficiary?

If you don't know, it's time to make sure your designations are up to date. Manage your beneficiary information online! Now, there are no more forms to fill out. Just log on to the Plan Web site, then click on **Beneficiary Information** under **Personal Information** in the **My Account** section to review, add, or edit your beneficiary.

## Assessing where you stand

The recession and market swings have caused many investors to question their investment strategies. You may want to review the possible benefits of rebalancing your retirement account investments with your financial adviser — and avoid trying to time the market.

When the market is volatile, it could be tempting to cash out of stocks and jump back into the market later when times are better. The trouble is, even seasoned investors prove time and again that no one can reliably predict when stock prices will rise.

A recent study by market research firm DALBAR, Inc., found that fund investors' returns dramatically lag the broad market, primarily because they choose the wrong times to jump into and out of stocks. For the 20 year period ending December 31, 2008, investors earned an average annual return of just 1.9 percent, compared with 8.4 percent for the S&P 500 Index.<sup>1</sup> With this in mind, you may consider "staying the course" instead of attempting to time the market.

Stocks' poor performance over the last decade means your Plan account's equity allocation is probably smaller than it was originally. If you have too little invested in stocks, you may not benefit fully from any rebound that could occur, potentially making your portfolio more conservative than you intended and reducing its long-term returns.

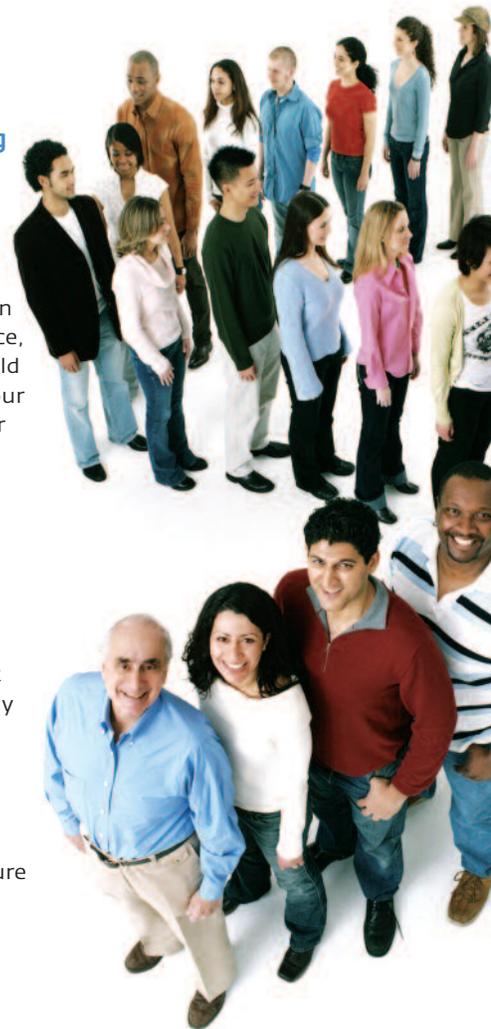
One possible solution to consider: Compare your account's original target asset allocation with its current allocation. If there's a difference, you may need to rebalance. Rebalancing could help restore your portfolio's allocations to your original investment strategy. Reviewing your strategy with your financial adviser can help you determine if any changes are necessary.

Take advantage of your Plan's options for rebalancing by phone or online to help you maintain your asset allocation on an ongoing basis.

Although you may use rebalancing and asset allocation as part of your investment strategy to help manage risk, neither assures nor guarantees better performance and can't prevent loss in declining markets.

Remember: regardless of market conditions, a solid investment strategy helps you structure and hopefully maintain an account that can manage market swings. ●

<sup>1</sup> DALBAR, Inc., "2009 Quantitative Analysis of Investor Behavior." The Standard and Poor's 500 Index follows 500 of the largest U.S. companies. An index is not managed and cannot be invested in directly.



## What's the difference between a tax-free and a tax-deferred account?

Tax-free and tax-deferred accounts offer ways to save for retirement, although each has different advantages.



**You fund a tax-free account with after-tax dollars.** In the future, you pay no taxes on what you withdraw from the account as long as certain qualifications are met. Take a Roth IRA, for example. Your Roth contributions don't reduce your taxable income, but your withdrawals are tax-free if you hold the account for at least five years and you are over age 59½. There's no deadline for taking withdrawals from a Roth IRA. If you wish, you never have to take any withdrawals and can leave the entire account to your heirs.

**A tax-deferred 457 Plan account gives you an immediate tax break because your taxable income is lowered by the full amount of your contributions.** In addition, the investments in the account are allowed to compound untaxed until distributed. When you take a withdrawal or receive a distribution from the account, you pay taxes on the amount. Keep in mind that you may be in a lower tax bracket after you retire. You can't postpone withdrawals from a tax-deferred account indefinitely. Tax laws require you to take annual withdrawals known as Required Minimum Distributions in the year you reach age 70½, or in the year you retire, whichever is later.

Talk with a tax attorney and a financial professional before making investment decisions. ●

# Test your knowledge of risk

True or false:

1. The right investment strategy can eliminate risk altogether.

2. Investing in stock mutual funds in retirement is too risky.

3. Dollar-cost averaging is a form of diversification.

Answers:

1. **False.** You can't invest without taking on some form of risk, whether it is market risk (the chance a drop in the overall market will negatively affect your funds), inflation risk (the chance that your savings won't keep up with the rising cost of living), interest rate risk (the chance that changing interest rates depress the value of your investments) or credit risk (the chance that a bond-issuer defaults). However, you can attempt to manage risk in your account.

2. **False.** Stock mutual funds do carry risk, but there are other risks if you don't invest in these options such as outliving your nest egg. Long-term savers and retirees who invest too conservatively may need to reconsider their "defensive" investment strategy. Historically, stocks have tended to bring greater returns than bonds and cash funds,<sup>1</sup> which may help investors reach their retirement goals. Also, there is the potential of risk reduction when you invest your money in a mutual fund that invests in hundreds or thousands of different stocks. That's automatic diversification.

3. **False.** Dollar-cost averaging is an investment technique that can help manage risk. By making set contributions into an investment account on a regular basis (by automatically having money taken out of your paycheck and invested), you buy more shares when prices are low and fewer shares when prices are high. As a result, you may ride out any price fluctuations that come your way. Systematic investing also may help reduce the stress of deciding how much money to invest and where to invest it. Of course, systematic investing does not ensure a profit or guarantee against loss in declining markets. Diversification is a different investment technique that involves investing in different types of investments to help reduce risk but it also cannot protect against losses in down markets.

<sup>1</sup> Ibbotson Associates' *Stocks, Bonds, Bills and Inflation 2007 Yearbook: Market Result for 1926–2007*. Past performance is no guarantee of future results.



## Financial planning after you retire

During your working career, you may have done all or most of your own financial planning. As a retiree, you might benefit from getting some professional advice.

Retirement financial planning may not be something that you have done before — and you are likely to live in retirement for a long time. An adviser who specializes in issues affecting retirees could help you anticipate and plan for different scenarios, such as:

- Choosing different types of investments to help your money outlast you
- Withdrawal strategies to help make your retirement assets last longer
- Managing or reducing taxes on your retirement income
- Financing health care in the later years of your retirement
- Estate planning to accomplish what you hope for your heirs

In evaluating advisers, you may want to ask about their:

- Years of experience
- Expertise in financial planning for retirees
- Credentials and specialized training

Check with your Plan to learn about resources available to retirees. Ask your attorney or tax adviser to recommend names of retirement financial planners. Or you could try the *Locate an Advisor* feature on the Certified Retirement Advisors, Inc., education program Web site at <http://www.crfa.us>.

# The debit card difference

If you're breaking the credit card habit, you're probably using your debit card (also called a check card) more than ever. Debit cards, often branded with a Visa or MasterCard logo, are the electronic equivalent of checks. When you use them, money is withdrawn directly from your checking or savings account. No muss, no fuss, right? Well, there are pitfalls smart consumers should be aware of.

 **Pitfall: Less buyer protection.** Making purchases is riskier when you pay by debit card. If you pay by credit card and your merchandise doesn't show up or isn't the quality you expected, you can contest the charge without paying while your card issuer investigates. If you use a debit card, your bank isn't required to get involved.

 **Protect yourself: Use debit cards only at trusted retailers.** Use credit cards online and when buying expensive goods like electronics, in case anything goes wrong.

 **Pitfall: Electronic fraud.** Thieves now have hand-held skimmers that copy your debit or credit card information and allow them to make clones of your cards. They can use the fake cards to clean out your bank account almost immediately.

 **Protect yourself: Use credit cards instead of debit cards at restaurants and gas stations** where employees take your card out of your sight and to a cashier. If your credit card is used fraudulently, you can contest the bad charges.

 **Pitfall: Stealth overdraft fees.** Remember when your debit card would be declined if you didn't have enough money in your account? These days, banks let you overdraw by offering "courtesy overdraft loans" and then charge you an average of \$34 for them, according to the Center for Responsible Lending.

 **Protect yourself: Sign up at your financial institution for real overdraft protection,** often a free service. You can link your debit card to a savings or other account, so funds are transferred if you accidentally overdraw. Or see if your bank will send messages to your e-mail account or cell phone if your balance falls below a set amount.

 **Pitfall: Surprise holds.** Gas stations and hotels can freeze funds in your checking account when you use a debit card to make sure they'll get paid before you pump gas or use the mini bar. According to the American Bankers Association, these holds disappear within a few days. However, if you keep a low checking account balance, holds can cause you to overdraw your account.

 **Protect yourself: Use credit cards to reserve hotel rooms.** Pay in cash or by credit card at gas stations. If you must use your debit card for gas, don't sign for the transaction. Instead, use the keypad to type in your Personal Identification Number (PIN). Doing so eliminates the hold.

Ultimately, debit cards can be great money management tools — as long as you understand how they work, and what can go wrong. ●



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## quarterly calendar

The New York Stock Exchange is closed:

- Monday, May 31, 2010
- Monday, July 5, 2010

Transactions made on these days will be processed the following business day.