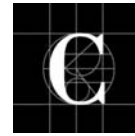


# Focusing Your Future



CAPTRUST

Summer 2008

## When the Going Gets Tough...

... **t**he tough keep investing. When the stock market is down and economic news is troubling, you may start reconsidering your retirement plan investments. Should you switch out of stocks for a little while? As tempting as that may be, your smartest move actually may be to step back and look at the big picture.

### Expect Fluctuations

The economy and the investment markets can be cyclical in nature. In the past, economic slowdowns eventually have been followed by rebounds. (Past performance is no guarantee of future results.) So even when the markets are stormy, it's likely that brighter days are on the horizon. If you overreact when the market is down and sell your stock investments, you could miss out on a potential recovery.

### Rebalance Your Portfolio

One action you may want to take during a market decline is to rebalance your portfolio. When stock prices decline, the percentage of your portfolio that is invested in stocks may become smaller than you originally intended. That means your portfolio is "unbalanced." To rebalance, you may want to sell some bond and/or cash equivalent investments and purchase some stock investments. Rebalancing during a decline has a bright side: Shares of stock funds may be bargain priced.



### Adjust Your Attitude

Other than rebalancing, it may be best to stick with your plan and sit tight during a bumpy stock market ride. Keeping the following guidelines in mind will help.

*You're a long-term investor.* When retirement is several years away, you have time for your investments to potentially recover from the stock market's downturns.

### *A loss on paper isn't a "real" loss.*

It's disconcerting to see a drop in the value of a fund or portfolio in your retirement account. However, it's only a loss on paper. It doesn't become a real loss until you actually sell and switch out of the losing investment into something else. A market rebound

can quickly erase a paper loss if the investment's value rises.

### Get Tough!

Sticking with your long-term investment strategy when the going gets tough may not be easy. But it may be the best way to ride out the storm and eventually achieve your retirement goals.



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## Built-in Benefits

Cars come equipped with cup holders, roof racks, and air conditioning. Vacuum cleaners have special attachments that make the job easier. And your employer's retirement plan has plenty of attractive features, too. When you make the most of your plan's built-in benefits, you have a great opportunity to build a financially secure retirement.

### Saving Made Easy

First, your plan is a convenient way to save for retirement. All you have to do is decide how much of your pay you want to contribute. Then that amount is automatically taken out of your paycheck and deposited into your plan account each pay period. If possible, increase the amount you contribute each year. Over time, your additional contributions can make a big difference in the size of your account at retirement.

### Tax Benefits

When you participate in your company's retirement plan, you have an opportunity to reduce your federal income taxes. If you make contributions on a pretax

basis,<sup>1</sup> you don't have to pay current income taxes on the money that goes into your account. During your working years, you also don't have to pay taxes on any growth in your plan investments as long as your money stays in the plan (or another tax-deferred account). (Pretax contributions and earnings are taxable upon distribution.)

Here's how your plan reduces current taxes. When you make pretax contributions to your plan, your taxable income is reduced by the amount of your contributions. That means you actually pay *less* federal income tax because you're saving for retirement. For you, it's a win-win situation. You're accumulating money for retirement *and* reducing your current tax bill.

### Opportunities for Diversification

This is another important built-in benefit. Diversification<sup>2</sup> can help protect your account from losses — or, hopefully, minimize them — if any one investment declines in value. Your retirement plan provides the opportunity for diversification because each fund or portfolio

the plan offers already holds a number of securities. Investing your contributions in separate funds representing the three asset types — stocks, bonds, and cash equivalents — can increase diversification.

### A Proven Investment Strategy

And finally, your plan's automatic contribution feature lets you use the investment strategy of dollar-cost averaging.<sup>3</sup> With dollar-cost averaging, you invest a set amount of money in the same investment on a regular basis. Your contributions buy more shares when prices are low and fewer shares when prices are high. As a result, your average cost per share generally is lower than the average price per share for the same period.

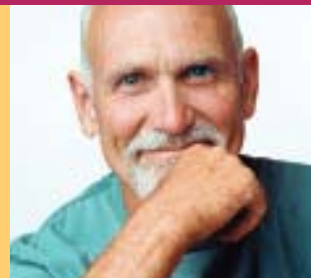
<sup>1</sup> Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

<sup>2</sup> Diversifying does not ensure a profit or protect against loss in a declining market.

<sup>3</sup> Investing regular amounts steadily over time (dollar-cost averaging) may lower your average per-share cost, but this investment method will not guarantee a profit or protect you from loss in declining markets. Effectiveness requires continuous investment, regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.

## Built-in Tax Savings

When you make pretax contributions to your plan, the tax savings are built in. Conrad and Kim earn the same salary. Conrad contributes to his employer's retirement plan; Kim does not. Compare the amount of federal income tax Conrad and Kim each pay.



	Conrad	Kim
Taxable income before contribution	\$40,000	\$40,000
Annual amount saved in plan pretax	\$4,000	0
Taxable income after contribution	\$36,000	\$40,000
Federal income taxes	\$5,344	\$6,344
<b>Annual tax savings</b>	<b>\$1,000</b>	<b>0</b>

This is a hypothetical example used for illustrative purposes. It assumes the taxpayers file as single individuals in 2008. Your income, tax liability, contribution amount, and annual tax savings will be different.

Source: NPI

## ANY QUESTIONS?

**Q.** *My goal is to accumulate over \$200,000 in my plan account for retirement. Is that possible?*

**A.** It may be! You've taken an important first step by setting a goal. The next step is understanding how to achieve it. Depending on your situation, you can use one or more of the following approaches to help you reach your goal.

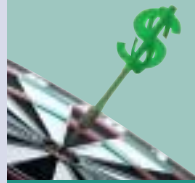
### Invest for a Long Time

If you started saving for retirement early in your career, time is on your side. Why? The longer you have to save and invest for retirement, the more time your money has to accumulate and benefit from potential compound growth — the reinvestment of investment earnings to produce more earnings.

### Increase Your Contribution

No matter when you started saving, the more you contribute to your plan each pay period, the better your chances of achieving your savings goal. If you contributed only a small percentage of your pay when you first joined your plan, steadily increasing that amount could have a big impact on your account balance. If you got off to a late start, larger contributions can help make up for lost time. Look at how much you're contributing. Then look closely at your spending. Can you find some extra dollars to contribute so you can reach your goal?

### The \$200,000 Challenge



If you want to accumulate \$200,000 more in your retirement plan account, look at the number of years you have before retirement, the amount you can contribute, and your investment return. Here are hypothetical examples of how an investor could accumulate \$200,000 in retirement savings.

TIME	Average Annual Total RETURN	Monthly CONTRIBUTIONS
40 years	6%	\$100
	9%	\$43
25 years	6%	\$289
	9%	\$178
15 years	6%	\$688
	9%	\$529

These are hypothetical examples used for illustrative purposes only. They are not representative of any investment vehicle. Monthly compounding is assumed. Your investment results will be different. Source: NPI

### Invest Wisely

Another approach you can use to reach your goal is to choose investments with the potential to produce strong returns. Historically, stocks have outperformed bonds and cash equivalent investments over longer time periods. (Past performance is no guarantee of future results.) Investing a greater portion of your account in the stock

investments your plan offers may help you reach your savings goal. Keep in mind, however, that stock investments can be volatile. To help manage risk, you may want to include more conservative investments in your portfolio as well. The right asset allocation for you will depend on your risk tolerance, time frame, and personal investing goal.



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## Got Style?

**S**weats or suits? Red convertible or blue hybrid hatchback? The clothes and cars you like reflect your personal style.

Just as there are different types of clothes and cars, there are different types of stock investments. When you understand the differences, you'll be better able to select investments that are the right style for your retirement account.

### Value or Growth?

Stocks often are identified as either value or growth. Value funds or portfolios invest in stocks that are considered undervalued based on a company's earnings, book value, cash flow, and other factors. Growth funds or portfolios invest in stocks of companies that are expected to have significant earnings growth. If you're not sure about a stock fund's style, its prospectus will provide that information.

### Large, Mid, or Small Cap?

"Cap" refers to a company's market capitalization. Market cap is calculated by multiplying the current price of a company's stock by the total number of shares outstanding.

Large-cap companies tend to be older and well-established. Small-cap companies often are small, developing businesses. And mid-cap companies are in the middle of the two. Once again, if you're not sure if a stock fund invests in large-, mid-, or small-cap companies, check its prospectus.

### Mix and Match

You don't have to choose just one type of stock investment for your retirement plan account. In fact, it may be a good strategy to include funds or portfolios with different investing styles. That's because different types of stock may react differently to different economic conditions. If you aim for diversification, you'll be in a better position to benefit when a particular style is performing well. Of course, diversification does not ensure a profit or protect against loss in a declining market.

Before you choose any stock investments, be sure you understand and are comfortable with the risks involved in equity investing.

