Maximize Your Retirement Investments

By the Editors of *Kiplinger's Personal Finance*

The quality of your retirement will depend largely on how you save and invest today.

To put your retirement plan on track and keep it there, you need a few basic rules. One way to master retirement planning is with the booklet *Maximize Your Retirement Investments*. Here's a sample of information in the booklet:

Rule #1: Time is on your side.
Retirement is a long-term goal. Whether you're just starting your career or counting down your final years until retirement, one of your key investment allies is the "magic of compounding"— your interest earns interest and profits build on profits automatically. Your nest egg will grow more quickly if you continue to add to it year after year.

Rule #2:
All Investing involves some risk.
A willingness to take some risk with your money today provides you with the chance to earn a bigger return in the future. In fact, the hidden risk of retirement investing comes from not taking enough risk. In effect, you swap one kind of risk—investment volatility—for another: the risk that your nest-egg performance won't keep up with inflation or that you'll outlive your money.

Rule #3: Diversification works.
By dividing your retirement money among several types of investments—that is, diversifying your portfolio—you can reduce your risk and increase your opportunity for higher returns. No investment performs well all the time, but when one is down, something else is likely to be up.

Creating the Right Investment Mix

Your investment choices fall into three broad categories: stocks, bonds and cash.

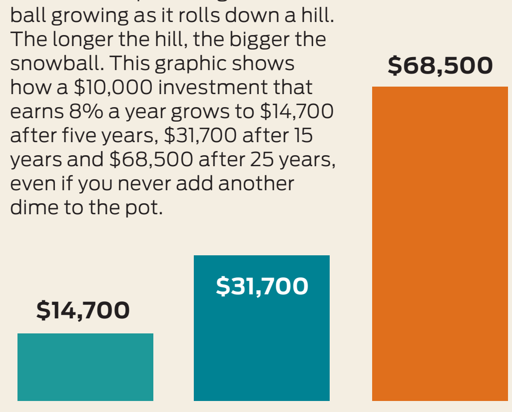
When you buy a stock, you are purchasing an ownership share in the company that issues it. If the company performs well, you reap the rewards as share prices increase. If the company performs poorly, the value of the stock declines. Some stocks pay dividends, which are profits the company distributes to its shareholders.

A bond is an IOU issued by a corporation or a government. When you buy a bond, you are making a loan to the issuer. In return, the company or government agrees to pay you a fixed amount of interest, usually twice a year, until the bond matures.

Over the long term, the performance of both corporate and government bonds has lagged the stock market. But if stocks are too unsettling for you, or if you have fewer than ten years until retirement, you may want to add modest amounts of bonds or other fixed-income vehicles to reduce the overall risk level of your portfolio. The additional diversification and safety will make for a smoother ride toward retirement.

THE MAGIC OF COMPOUNDING

Think of compounding as a snowball growing as it rolls down a hill. The longer the hill, the bigger the snowball. This graphic shows how a $10,000 investment that earns 8% a year grows to $14,700 after five years, $31,700 after 15 years and $68,500 after 25 years, even if you never add another dime to the pot.



Mutual Funds

A mutual fund pools money from many investors and buys a portfolio of stocks, bonds or a mix of both designed to achieve a specific investment goal.

Mutual funds offer a combination of services that are ideal for retirement investors. This brand of professional management is especially well suited for beginning investors who worry about their ability to select appropriate stocks or bonds. But even experienced investors and those with large portfolios can benefit from what mutual funds have to offer: instant diversification, automatic reinvestment of earnings and easy-to-monitor performance.

OPEN HERE FOR MORE

STATE SECURITIES REGULATORS

State Securities Regulators have protected investors from fraud for more than 100 years. Securities markets are global, but securities are sold locally by professionals who are licensed in every state where they conduct business. State Securities Regulators work within your state government to protect investors and help maintain the integrity of the securities industry.

Your State Securities Regulator can:

- Verify that a broker-dealer or investment adviser is properly licensed;
- Provide information about prior run-ins with regulators that led to disciplinary or enforcement actions; serious complaints that may have been lodged against them; their educational background and previous work history;
- Provide a Web site, telephone number or address where you can file a complaint; and
- Provide noncommercial investor education and protection materials.

For contact information for your State Securities Regulator, visit the North American Securities Administrators Association (NASAA) Web site at www.nasaa.org and click on "Contact Your Regulator."

HOW TO ORDER INFORMATION

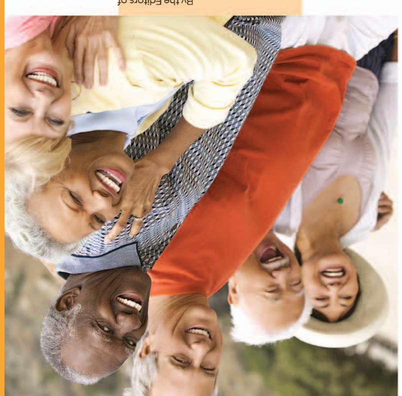
Get more resources and tools
A variety of noncommercial investor education and protection materials, including booklets, videos and curricula, are available and can be downloaded for educational purposes at **www.investorprotection.org**.

About the Investor Protection Trust
The Investor Protection Trust (IPT) is a nonprofit organization devoted to investor education. More than half of all Americans are now invested in the securities markets, making investor education and protection vitally important. Since 1993 the Investor Protection Trust has worked with the States and at the national level to provide the independent, objective investor education needed by all Americans to make informed investment decisions. For additional information, visit www.investorprotection.org.

About the Investor Protection Institute
The Investor Protection Institute (IPI) is an independent nonprofit organization that advances investor protection by conducting and supporting unbiased research and groundbreaking education programs. IPI carries out its mission through investor education, protection and research programs delivered at the national and grassroots level in collaboration with state securities regulators and other strategic partners. IPI is dedicated to providing innovative investor protection programs that will make a meaningful difference in the financial lives of Americans in all walks of life and at all levels of sophistication about financial matters. For additional information, visit www.iInvest.org.

Maximize Your Retirement Investments

A step-by-step guide to building a secure nest egg through an employer-based plan or on your own.



In partnership with

By the Editors of *Kiplinger's Personal Finance*

How to master the three key rules for saving for your retirement.

Maximize Your Retirement Investments

Many investment vehicles help you build your nest egg.

Best Places to Save

The key to a successful retirement-investment plan lies not only in choosing the right investments but also in choosing the right places to keep them.

Over the years, Congress has created numerous ways for retirement investors to shelter their dollars during their working years, allowing their savings to grow unfettered by taxes until withdrawn in retirement. In recent years, that save-now-tax-later model has been turned on its head with the Roth IRA and Roth 401(k) options, which offer no upfront tax break but provide tax-free income in retirement. Now you can choose which account or combination of accounts best suits your retirement goals.

In addition to IRAs for individual investors, there are a variety of workplace-based accounts: 401(k) plans, used by private employers; 403(b) plans, used by schools, hospitals and other nonprofit organizations; 457 plans, used by state and local governments; and the Thrift Savings Plan, for federal workers. Self-employed individuals can put away more than twice as much as the average employee each year using special retirement accounts, including SEPs and solo 401(k) plans.

Getting the Money Out

Because the aim of 401(k) plans is to encourage saving for retirement, the IRS puts restrictions on taking the money out too soon. You generally can't have it back until you leave the company—or reach age 59½.

When you leave the job, how the money is treated depends on your age and what you do with it. You have four choices: Leave it with your former employer's plan; transfer it to your new employer's plan, if allowed; roll it over to an IRA; or cash it out. The first three choices have no immediate tax consequences. The last one does and it can be costly, both immediately and in the long run. You'll owe taxes on your distribution, plus a 10% penalty if you are younger than 55 in the year you leave your job. It could also take a big bite out of your future retirement nest egg.

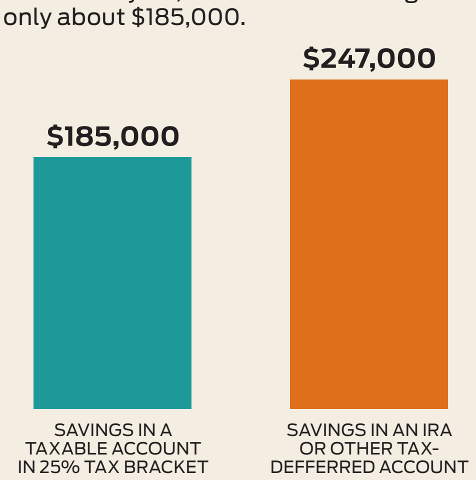
Protect Your Money

Securities laws require brokers and advisers and their firms to be licensed or registered, and to make important information public. You can find out whether brokers are properly licensed in your state and whether they have had run-ins with regulators or received serious complaints from investors by contacting your states securities regulator. For contact information for state securities regulators, go to the North American Securities Administrators Association Web site (www.nasaa.org).

More information. To read the full-length *Maximize Your Retirement Investments* booklet, visit www.investorprotection.org or contact your State Securities Regulator's office.

TAX-DEFERRED SAVINGS BENEFIT

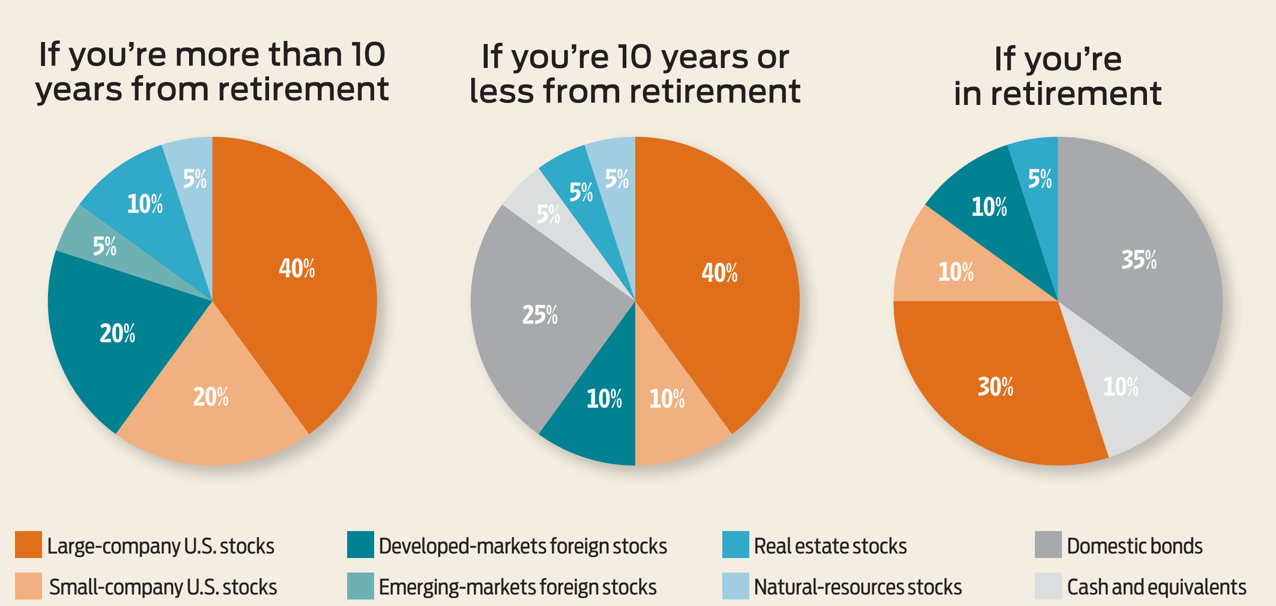
A yearly $5,000 IRA contribution earning 8% per year over 20 years will grow to more than $247,000. If those savings were held in a taxable account and taxed in the 25% tax bracket each year, the account would grow to only about $185,000.



THE TRADITIONAL RISK PYRAMID

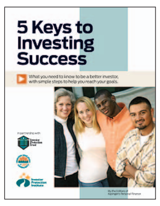
The higher up the pyramid, the higher your potential reward and the greater your risk of loss—and the smaller the proportion of your investments.

GUIDELINES FOR YOUR RETIREMENT SAVINGS AT EVERY STAGE

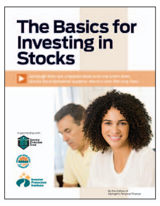


MORE INFORMATION ABOUT INVESTING

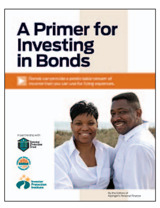
The following booklets from the Editors of *Kiplinger's Personal Finance* magazine and the Investor Protection Trust are available at your library and offices of State Securities Regulators.



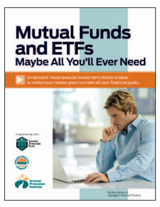
Five Keys to Investing Success
Make investing a habit
Set exciting goals
Don't take unnecessary risks
Keep time on your side
Diversify



The Basics for Investing in Stocks
Different flavors of stocks
The importance of diversification
How to pick and purchase stocks
When to sell
Key measures of value and finding growth
What's your return?
Consider mutual funds



A Primer for Investing in Bonds
How do bonds work, anyway?
How much does a bond really pay?
How to reduce the risks in bonds
Going the mutual fund route



Mutual Funds and ETFs: Maybe All You'll Ever Need
Mutual funds: The best investment
The different types of funds
How to choose funds
Assembling a portfolio
Sources of mutual fund information
Where to buy funds

Maximize Your Retirement Investments
Three key rules
Creating the right investment mix
Investing on target
Best places to save
Guidelines for saving at every life stage
Getting the money out and creating an income stream
Protect your money: Check out a broker or adviser

Getting Help With Your Investments
Do you need a financial adviser?
Who's who among financial advisers
How to choose an adviser
How to open an account
5 questions to ask before you hire an adviser
What can go wrong
How to complain

Where to Invest Your College Money
The basics of investing for college
Investing in a 529 savings plan
Locking in tuition with a prepaid plan
Other tax-favored ways to save
Tax credits for higher education
Save in your child's name?

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