

Future Values

Strategies to build your wealth for today and the future

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The Drive To Diversify

When it comes to investing, your retirement plan puts you in the driver's seat. Which investments should you choose? Think about how far you have to go to reach your financial goal, the speed you are comfortable traveling at, and when you want to reach your destination. When all is said and done, you may decide that choosing a variety of "rides" is the best way to get where you want to go.

Carload of Choices

Your retirement plan probably offers you several investment choices, including stock, bond, and cash equivalent investments. Stocks can be compared to a speedy sports car in that stock values can change very fast. Of the three major asset classes, stocks have the best potential to provide long-term capital growth and returns that outpace inflation. Yet stocks also have a high potential for losses. Bonds are more like a steady sedan — they have the potential for moderate investment returns and less risk of loss than stocks. And cash equivalents resemble a slower moving RV. There's little risk of investment loss with cash equivalents, but they may not produce returns that stay ahead of the inflation rate.

Slow, Fast, and Steady

You don't have to choose just one investment when you're saving for retirement. In fact, investing in a variety of investments from different asset classes — a strategy known as diversification* — can help you manage investment risk.

Choosing both stock and bond investments for your portfolio — or a fund that invests in both asset classes — may be a good idea because the stock and bond markets often react differently to the same economic conditions. When stocks are down, bonds may be up, and vice versa. Also including cash equivalents in your mix can add stability.



Go Your Own Way

How you divide your investments among the different asset types should depend on your risk tolerance and the number of years you have before you plan to retire. A mix that includes a higher percentage of stocks may be right earlier in your career. As you near retirement, however, you should consider shifting more of your money into bonds and cash equivalents to reduce your portfolio's exposure to risk.

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



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Remember To Rebalance

The rocky economy may have taken a toll on your retirement savings. And what about your portfolio's asset allocation? You may discover that how you split your money up among stocks, bonds, and cash equivalents has changed from what you originally intended. If so, this may be a good time to rebalance your portfolio.

How It All Started

When you joined your employer's plan, you decided how to divide your investment dollars among the asset classes. Your allocation probably reflected your goals, risk tolerance, and investment time frame. If retirement was a long way off, you may have been comfortable with a portfolio that was heavily weighted in stocks. If you were getting closer to retirement, you may have had a higher portion of your portfolio in bonds and cash equivalents.

What Happened Next

Performance differences can cause an otherwise properly diversified* portfolio to become unbalanced. For example, suppose you had allocated 75% of your portfolio to stock investments. Then, the value of many of those stock investments declined significantly. Instead of representing 75% of your portfolio, stocks now represent 60% of your portfolio. Your portfolio



may now be more conservative than you had originally planned. If you don't rebalance your portfolio, you could be at risk of not achieving your long-term investment goals.

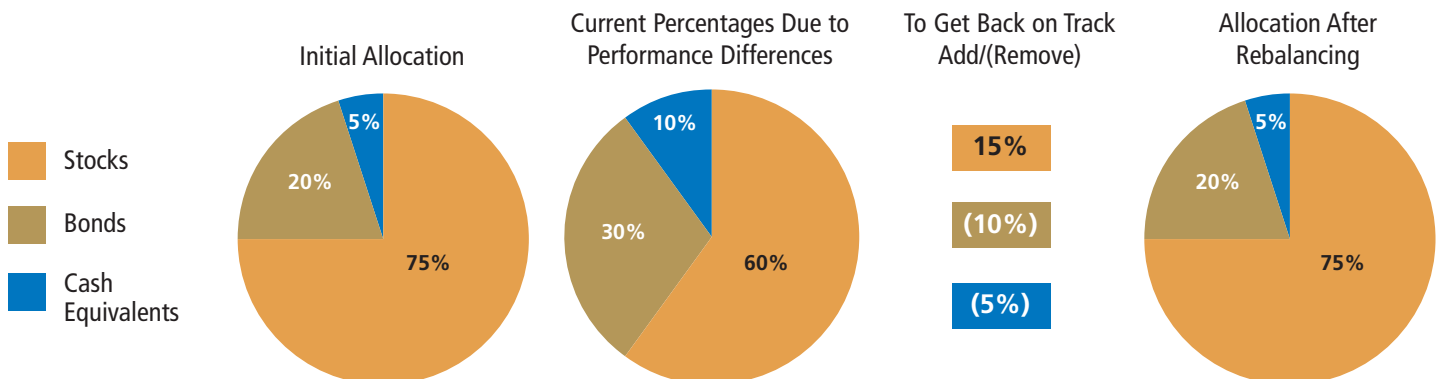
Getting Back on Track

Rebalancing is relatively simple. You can transfer more of your existing money into investments in the asset class that has become too small and leave less in the asset class that is too large. Or you can direct your new contributions to investments in the underrepresented asset class until your portfolio is back in balance.

It may be difficult to move money into an asset class or market sector that has produced poor returns recently. However, you should keep in mind that the investment markets have a history of ups and downs. An investment that is performing well now could decline in the future. And asset classes that currently are underperforming could soon rebound.

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

Getting Back in Balance



This sample allocation is an illustration only. In applying any asset allocation model to your individual situation, you should consider your other assets, income, and investments (for example, your home equity, IRA investments, savings accounts, and other retirement accounts) in addition to the balance in this plan. Source: NPI

Don't Wait To Save More

Does it seem like it's never a good time to save more for retirement? Do other financial needs always seem more pressing? Whether it's repaying a college loan, buying a car, taking a vacation, saving for a house, or just paying household bills, there are always going to be pressures on your budget. If you keep waiting for a "good" time, you may never increase the amount you are saving. Then you could be at risk of not having a retirement that's financially secure.

Don't Leave Your Future to Chance

Because the future is impossible to predict, you can't know exactly how much money you're going to need for retirement. But you do know that the more money you save now, the better off you're likely to be later on. That's why it's smart to save as much as possible in your retirement plan.

Timing Is Everything

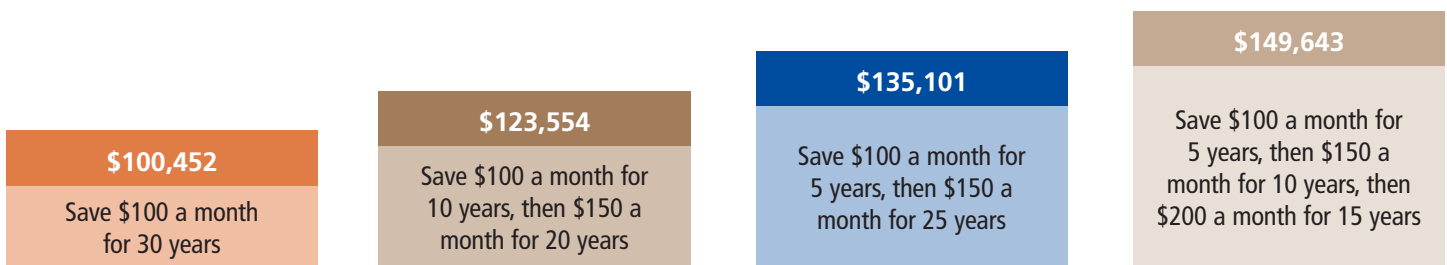
The sooner you start saving more for retirement, the better. An early start will give your money more time to benefit from compounding. If you wait too long to start saving more, your money will have less time to grow. Delaying a contribution increase could mean that you'll have to put aside larger amounts later to reach your retirement savings goal.

So make the choice today to make saving for retirement a priority. Take a close look at your budget to find places where you can cut back a little. Adding those few extra dollars to your retirement savings plan could make a big difference in your account value over time.



A Little More Now, a Lot More Later

Increasing the amount you save for retirement earlier in your career may make a big difference in the amount you have when you're ready to retire. Compare the account value after 30 years of four different saving strategies.



This is a hypothetical example used for illustrative purposes only. An average annual return of 6% and monthly compounding is assumed. It is not representative of any particular investment vehicle. Your investment results will be different.
Source: NPI

Power Up!

Compounding is a powerful tool when you're saving for retirement. Just by keeping your money in your plan account and letting it grow, over time you can significantly increase the amount you'll have available when you're ready to retire.

Compounding is the reinvestment of investment earnings to produce more earnings. Combined with regular contributions, compounding can make a big difference when saving for retirement. You can make an even bigger difference if you increase the monthly amount you are saving.

When you participate in your employer-sponsored plan, you also benefit from tax deferral.* The money you save in your

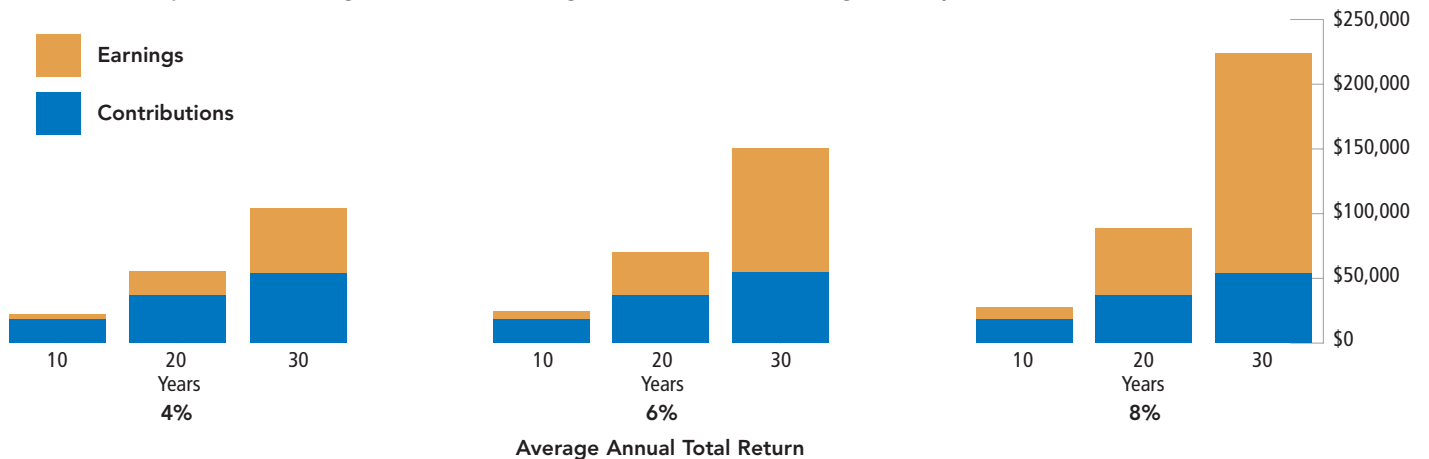


plan won't be taxed until you withdraw the money from the plan. Since your money isn't reduced by current income taxes, there's more of it that can potentially benefit from compounding, which may significantly increase the value of your account.

** 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.*

The Power of Compounding

Over time, compounded earnings combined with regular contributions can significantly increase the value of a retirement account.



This chart assumes a contribution of \$150 per month to a tax-deferred retirement account. It assumes monthly compounding. Balances will be subject to income taxes upon withdrawal. This is a hypothetical example used for illustrative purposes only. Your investment results will be different.

Source: NPI

Additional Resources

For more information about any of the topics discussed or to schedule a consultation with a trust or financial advisor, please contact:

Canton – Bob Stark – 330-498-1551

Akron – Sam Lincoln – 330-384-7060

Medina – Paul Kipfstuhl – 330-384-7261

Mentor – Karen Manning – 440-953-2179

Elyria – Bob Dlugosz – 440-329-3264

Cleveland – Lou Lajoe – 216-694-5656

Toledo – Mickey Cooper – 419-720-1521

Wooster – Robbie Ross – 330-263-3202

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