OUTLOOK

Plan for your retirement

The Basics of Investing

Your retirement savings plan may be your best chance to build a financial future you can rely on. But how to navigate your investment choices? Start at the beginning.

Make a plan for your plan

What are your goals? How much of your final working income will you need to live on in retirement? And when do you want to retire? Once you know the answers, you can create a plan that's right for you.

Learn the key concepts

Asset allocation and **diversification.** They're two sides of the same coin: **Allocation** describes which *classes*, or types, of assets to invest in (equities [stocks], fixed income [bonds], cash equivalents). **Diversification** can help answer the question, which *assets*? But both reflect the adage, "Don't put all your eggs in one basket."

The reason: Almost *any* investment can lose value, yet the safest may not provide the returns you'll need to finance your future. So don't rely on one type of investment to reach your long-term goals. This includes your *own* company's stock. You may be confident about your company's management but tying your financial future to just one stock can be risky for most retirement plan investors.

Don't rely on one type—let alone one investment—to reach your long-term goals.

So, *diversify*—spread your risk across *different* investments. It won't *guarantee* profits or protect against loss. But it helps ensure that trouble in one area won't drag down your whole portfolio.

Risk/reward. It's the key trade-off investors face: In general, the higher the potential payoff, the greater the risk. This is especially true when you look beyond the major asset classes (from riskiest: stocks, bonds, and cash) to their many *sub*-classes.

For example, newer, "small-cap" stocks offer potentially higher rewards—but also pose more risk—than long-established, "blue chips." Likewise, U.S. government bonds (despite the recent credit rating downgrade, Treasuries are still considered among the safest investments) aren't in the same risk arena as overseas "emerging markets" bonds.

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That's why you should seek a comfortable balance between risk and reward, and think about ways to diversify. Mutual funds, which can hold hundreds of securities, are a good starting point. But their investment focuses can vary widely. So, consider several different funds to cover all your bases, or choose an "asset allocation" fund that could do it for you.

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Compounding. No need to return to math class. Just know that your investment earnings are added to your balances, where they can compile earnings of their own. Result: Over time, even small, regular contributions could help your nest egg grow larger.

Rebalancing. Once you have an investment strategy, try to maintain it as long as it meets your needs. Rebalancing your portfolio can help. For example, say your strategy calls for 50% stocks, 40% bonds, and 10% money market (cash). If your stock holdings have outperformed the others over several years, your current account balance could comprise 65% stocks, 30% bonds, and 5% cash—a riskier mix than you'd planned. To get back in balance, you'd need to sell some stock fund shares, and buy bond and money market funds.

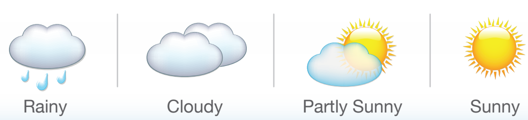
Think ahead. Take action now.

Stay diversified among stocks, bonds, and cash, in a mix that make sense for *your* time horizon, risk tolerance, and financial situation. Specifically:

- ✔ **Diversify** based on your "time horizon" (how long until you'll need the money) and "risk tolerance" (how comfortable you are with investing's ups and downs). Your plan may offer options that help you do so with a single investment decision.
- ✔ **Take the long view.** Focus on long-term goals, not short-term performance. And keep saving steadily, to let the power of compounding put time on your side.
- ✔ **Review** your portfolio at least once a year, and **rebalance** if market performance has caused your asset allocation to stray from your intended mix.

Visit **divinvest.com** or call **800-755-5801** for more information about creating and maintaining your strategy.

Brighten **your** outlook.



This information is general and should not be considered as investment advice. Each individual's situation is unique, and you should consider your risk tolerance, personal circumstances, and complete financial situation.

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