

SMART Plan

# Update

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YOUR 457 DEFERRED COMPENSATION PLAN NEWSLETTER

EDUCATE

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## A Retirement Strategy for the Ages...All of Them

*Why participating in the Massachusetts Deferred Compensation SMART Plan is a good idea for anyone at any age.*

In retirement planning, there is no generation gap. Each generation may have its own priorities, but regardless of your age, participating in the SMART Plan can be one of the most convenient and effective ways to save for retirement.

Studies show that most people want to have the same lifestyle—or better—in retirement as they do when working. They also show that roughly half of us underestimate how much retirement savings we'll need to meet that goal.<sup>1</sup> Most financial advisors say you'll need about 70 percent of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.<sup>2</sup> The SMART Plan can help you get there.

So whether you download your music a song at a time or still spin vinyl LPs, it's never too early to begin saving for retirement—and it's never too late.

Here are some reasons why SMART Plan participation makes sense at any age.

### Generation Y: Time Is on Your Side

Contrary to what some may think, you can still live your life and prepare for your future.

### Saving for Tomorrow Can Put More in Your Pocket Today

Credit card debt, student loans, rent, food, shoelaces . . . it's a daunting list. And for most newcomers to the working world, setting aside hard-earned dollars for a retirement that's decades away can be a low priority. But enrolling in the SMART Plan is not only a good idea for your future, it can also make sense for your current finances.

Here's why: Because your contributions come out of your paycheck before Uncle Sam takes his cut of income taxes, your actual taxable income is lower. In other words, the government takes a smaller bite out of each paycheck.



A LETTER FROM  
TREASURER TIMOTHY P. CAHILL

Dear SMART Plan Participant,

This spring, as you start to plan your upcoming vacations, take a moment to think about your future and your retirement options. When it comes to planning your retirement, there is no right or wrong age, so what better time to start than the present? The article "A Retirement Strategy for the Ages...All of Them" offers information and tips on retirement planning for every age – 30's, 40's, 50's and beyond.

As you start to consider your future plans, many of you may question if you are ready to take the next step into retirement. The Retirement Decision Seminar is a great educational resource. "Retirement: Are You Ready?" on page 4, can point you in the right direction and alert you to seminars in your area.

The SMART Plan is happy to announce that on July 1, 2010, we will be implementing the 2055 SMART Path Retirement Fund. Please see page 2 for highlights about the fund. As we get closer to the target date please keep an eye on our website for any updates on the 2055 Fund.

This addition of the SMART Plan newsletter offers several articles and helpful tools to assist you in assessing the present course for your retirement account. Our website, [www.mass-smart.com](http://www.mass-smart.com) offers a range of tools needed to help plan your retirement. Contact your local SMART Plan representative with any questions you may have.

Sincerely,

TIMOTHY P. CAHILL  
SMART PLAN  
PARTICIPANT  
STATE TREASURER &  
RECEIVER GENERAL



## SMARTPath 2055 Retirement Fund – A New Choice Effective July 1, 2010

Diversification<sup>3</sup> is one of the keys to a successful investment strategy, but choosing individual funds and monitoring those funds over time can be challenging. If you don't have the time, desire or experience to build and monitor your own diverse investment portfolio, the SMARTPath Retirement Funds may be right for you. One of the advantages of choosing a SMARTPath Retirement Fund is that you are choosing an investment strategy that lasts a lifetime.

And now the Massachusetts Deferred Compensation SMART Plan offers you a new choice – the SMARTPath 2055 Retirement Fund. **Effective July 1, 2010**, the SMARTPath 2055 Retirement Fund will be added to the investment options available through the SMART Plan.

The SMARTPath 2055 Retirement Fund is designed for:

- A participant who anticipates retiring in or around 2055
- A participant who wants a long-term investment strategy that changes over time as his or her target retirement date approaches
- A participant who wishes to take advantage of a complete, diversified investment portfolio in one simple step

The date in a Target Date Fund represents an approximate date when an investor would expect to start withdrawing their money or when an investor expects to retire. The principal value of the funds is not guaranteed at any time, including the target date.

For more information about the SMARTPath 2055 Retirement Fund, visit [www.mass-smart.com](http://www.mass-smart.com) > Invest > **Fund Fact Sheets** or call the SMART Plan Customer Service Center at **(877) 457-1900**.

### Youth Has Its Advantages

But the biggest advantage is your age. As a Gen Y-er, time is definitely on your side. You have years to go before you retire, so you can take advantage of investments that offer a higher return potential. Even though these investments can be riskier than other choices, you have the time to recover from any potential losses.

Maybe you're telling yourself that because you have so much time, there's no rush to start saving for retirement. But ask yourself this question: Have you ever heard anyone who is retired say that he wished he had saved less for his future?

#### The Gen Y To-Do List:

- Enroll in the SMART Plan as soon as you become eligible.
- Increase your contributions.
- Choose investments that offer the best mix of risk and return for your age and retirement goals.

### Generation X: Responsibilities

You thought you'd never see the day, but some of the songs you loved in the '90s are actually considered "oldies." Not to worry. It happens to everyone, and it doesn't mean you're over the hill. In fact, when it comes to retirement planning, Gen X-ers have the best of both worlds. You're entering your prime earning years, and you have a long investment horizon.

So you can contribute more to your nest egg and still capitalize on investments with a high return potential.



# r the Ages (continued)

## Pay Yourself First

From your family to your mortgage to your career, your list of responsibilities seems to grow every day. But despite all of the demands on your time and finances, one thing you shouldn't neglect is saving for your retirement.

It's human nature to procrastinate on tasks that don't need your immediate attention. Fortunately, the SMART Plan makes it easy to pay yourself first. Your contribution to your future comes out of your paycheck automatically, before anyone—even the taxman—can stake his or her claim. And your contributions can continue to grow tax free until you make a withdrawal (which is usually when you retire).

## Give Yourself a Raise

Already participating in the SMART Plan? Great! Now may be a good time to increase your contribution. Gen X-ers are building career momentum, so it's the ideal time to begin setting aside even more for your retirement. As a Gen X-er, you may also have a comfortably long investment horizon that allows you to capitalize on investments with higher potential returns, while leaving you time to recover from any potential losses.

### The Gen X To-Do List:

- Enroll in the SMART Plan if you haven't already.
- Increase your contribution rate.
- Adjust your investment mix for the right balance of risk and return for your age and retirement goals.

## Boomers: Peace, Love and Retirement Savings

Remember when 50 sounded old? When you finally get there, it doesn't seem that way. The retirement you've been planning for is now within sight. The fact is your 50s are a great time to reenergize your retirement planning. Even if you're new to the retirement savings game, you can still make up ground on the road to retirement.

## Time to Play Catch Up?

Reaching the 50-year milestone comes with a unique perk: catch-up contributions. Maybe you haven't contributed as much as you should have. Maybe you can finally afford to contribute more. Whatever your circumstances, the SMART Plan allows you to make additional contributions—known as “catch-up contributions”—when you reach age 50.

Are catch-up contributions right for you? It depends on how much you've accumulated in your nest egg, when you plan to retire and how much retirement income you'll need for the lifestyle you want. To make an informed decision, you'll need a detailed picture of what your living expenses will be compared to your retirement income. Your local SMART Plan representative can help walk you through some of these questions.

## Ratchet Back the Risk

You'll also want to determine whether the mix of investments in your portfolio matches your changing risk tolerance. The closer you get to retirement, the less investment risk you'll want to carry. If it's been a while since you've updated your investment mix, it's probably time for a tune-up.

### The Boomer To-Do List:

- Enroll in the SMART Plan if you haven't already.
- Increase your contribution rate.
- Calculate how much retirement income you'll need based on your goals and expectations.
- Begin making catch-up contributions if your retirement savings don't match your retirement goals.
- Ensure that your mix of investments matches your reduced risk tolerance.



# Required Minimum Distributions 2010

Required Minimum Distributions (RMDs) generally are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 70 ½ years of age or, if later, the year in which he or she retires. The RMD rules apply to all employer sponsored retirement plans, including profit-sharing plans, 401(k) plans, 403(b) plans, and 457(b) plans.

Due to the challenging economic environment, the Worker, Retiree, and Employer Recovery Act of 2008 was signed into law on December 23, 2008. The Act waived 2009 RMDs, which meant that a SMART Plan account owner who turned 70 ½ in 2009 was not required to take his or her first RMD (the 2009 RMD), which normally would have had to have been distributed by April 1, 2010.

It's important to note that the 2009 RMD waiver does not affect RMDs required for 2010. Therefore, a SMART Plan account owner who turned 70 ½ in 2009 will still be required to take his or her second RMD by December 31, 2010.

Source: <http://www.irs.gov/retirement/article/0,,id=96989,00.html>

# Retirement: Are You Ready?

As many of us approach the retirement years, we find ourselves asking the question, "Am I Ready?" Retirement often conjures pictures of relaxation and new adventures – a reward for a life of hard work. The fact is that in retirement you will need an income stream to fund not only the daily needs in retirement, such as housing and food, but also to fund those adventures you've looked forward to pursuing.

As a SMART Plan Participant, you have some retirement decisions to consider with regards to your SMART Plan account. Understanding the challenges and decisions that lie ahead can help you plan more effectively. Join us for a Retirement Decisions Seminar. Visit [www.mass-smart.com](http://www.mass-smart.com) > **Educate** > **Educational Seminars** for the most up to date seminar schedule.<sup>4</sup>



## GOT QUESTIONS? NEED ANSWERS?

### SMART Plan Customer Service Center<sup>4</sup>

Call us today at **(877) 457-1900!**  
Available Monday through Friday  
from 9:00 a.m. to 8:00 p.m. ET

### Regional Service Center Waltham

255 Bear Hill Rd.  
Waltham, MA 02451  
Available Monday through Friday  
from 9:00 a.m. to 5:00 p.m.

### Boston

One Ashburton Place, 12th Floor  
Boston, MA 02108  
Available Monday through Friday  
from 9:00 a.m. to 5:00 p.m.

### Boston

31 St. James Avenue, Suite 810  
Boston, MA 02116  
Available by appointment

### Springfield

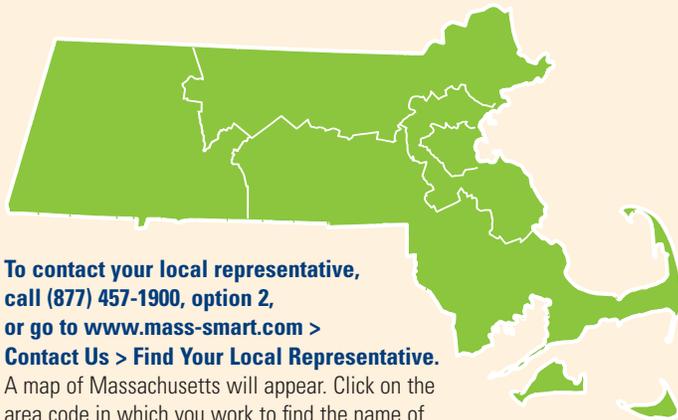
436 Dwight Street, Room 109  
Springfield, MA 01103  
Available Monday,  
Wednesday and Friday  
from 9:00 a.m. to 5:00 p.m.

### Worcester

2 Chestnut Place/22 Elm Street  
Worcester, MA 01608  
Available Monday and Thursday  
from 9:00 a.m. to 5:00 p.m.  
Tuesday, Wednesday and Friday  
from 9:00 a.m. to 3:00 p.m.

### Quincy

859 Willard Street  
Quincy, MA 02169  
Available by appointment



To contact your local representative,  
call **(877) 457-1900, option 2,**  
or go to [www.mass-smart.com](http://www.mass-smart.com) >  
**Contact Us > Find Your Local Representative.**

A map of Massachusetts will appear. Click on the area code in which you work to find the name of your local representative.

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<sup>1</sup> Employee Benefit Research Institute, "The 2006 Retirement Confidence Survey," April 2006, #292.

<sup>2</sup> Source: Social Security Administration <https://www.socialsecurity.gov/planners/morecalculators.htm>

<sup>3</sup> Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

<sup>4</sup> Access to the SMART Plan Service Center and Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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