

SMART Plan

# update

SUMMER 2010 VOL 7, NO 2

YOUR 457 DEFERRED COMPENSATION PLAN NEWSLETTER

EDUCATE

FOR MORE INFORMATION: GO TO WWW.MASS-SMART.COM

## Revisiting Your Nest Egg

### Four tips to help stretch your funds through retirement

In 2008 and 2009, the United States experienced its worst recession in 80 years.<sup>1</sup> Chances are, the slump took a bite out of your retirement savings account, including the SMART Plan. If you had intended to retire soon, you may be wondering what you should do to make sure your savings last through your golden years. Here are three things to consider:

#### Increase contributions to your Plan. In

**1** 2010, you may contribute as much as \$16,500 to a workplace retirement savings plan such as the SMART Plan. If you're age 50 or older, you can also make an additional "catch-up contribution" of as much as \$5,500, for a total contribution of \$22,000. If you have under-contributed to the SMART Plan or another employer-sponsored retirement plan in the past, you may be able to contribute up to an additional \$16,500 in 2010 through a "special catch-up contribution."<sup>2</sup> This special catch-up is permitted only during the three consecutive years prior to, but not including, the year you attain normal retirement age.

#### Manage Your Account.

**2** When it comes to investing, people have different comfort levels and experience.

Managing your retirement account is important not only during the accumulation phase, but also through retirement. To learn more about the Two Paths for Investing for Retirement, including the Reality Investing<sup>®</sup> Advisory Services, contact a local SMART Plan Representative at (877) 457-1900, option 2 or go to [www.mass-smart.com](http://www.mass-smart.com) > Contact Us > Find Your Local Representative.



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A LETTER FROM  
TREASURER TIMOTHY P. CAHILL

Dear SMART Plan Participant,

The summer season brings longer days, more family activities, and time to reflect on the future. There is no better time than now to start planning your retirement. The article on this page, "Revisiting Your Nest Egg," explains just how easy it is to stretch out your retirement funds. Make the most of this valuable information so you can plan the future of your dreams.

This edition of the SMART Plan newsletter offers two new articles that you may find helpful, "Dollar Amount vs Percentage of Eligible Pay" and "Retirement: Are You Ready?" The information provided in these articles is a great resource for all participants in the plan. Utilize the long days of summer to set aside time and read about improving your retirement today.

The SMART Plan would like to remind you that on July 1, 2010, we will be implementing the 2055 SMART Path Retirement Fund. Please see page 2 for highlights on the fund. You may also contact your local SMART Plan representative for any further questions you may have.

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 Seminars are great educational resources, please look over the back page to find out when the next seminar is going to be held or go to our website, [www.mass.gov/smartplan](http://www.mass.gov/smartplan). The website also offers a wide range of tools needed to help plan your retirement.

Sincerely,

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



# Dollar Amount vs Percentage of Eligible Pay

## Which is the right choice for your SMART Plan contributions?

At first glance, the opportunity to elect a set dollar amount to contribute to your SMART Plan may seem like a good choice. You'll know exactly how much is being deducted from your paycheck on a pre-tax basis, each and every time.

There is, however, a distinct advantage when choosing to contribute with a percentage of your eligible pay. In an effort to maximize your retirement savings potential, choosing a percentage means that each time your pay increases (whether permanently or for a single paycheck), you will also make an increased contribution to your SMART Plan.

Let's look at a specific example: let's assume Brandon makes an annual salary of \$30,000 and chooses to contribute \$50 twice a month. In this scenario, if he chooses a contribution rate of 4%, he still ends up contributing \$50 twice a month. The difference is if Brandon receives a salary increase of 3% for an annual salary of \$30,900. By electing a percent contribution, Brandon's retirement contributions automatically increase to \$51.50 twice a month – with no involvement from Brandon. It happens automatically!

Non-state employees should check with their payroll to confirm that both dollar amount and percent elections are available.



## SMARTPath 2055 Retirement Fund Effective July 1, 2010

Diversification<sup>4</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 was 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



For more information 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.

*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.*

<sup>4</sup> Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

# Let Go of Your Emotions

Emotion motivates many investors. Understanding this human tendency may help you avoid common investment mistakes.

An individual who held funds that matched the S&P 500's return from 1990 to 2009 would have earned an annualized gain of 8.20%. But the typical equity fund investor earned an average annualized return of just 3.17%, according to research firm DALBAR Inc.<sup>5,6</sup> DALBAR attributes this shortfall to investors' tendency to invest in stock funds after the market rises and sell after the market declines—that is, to buy high and sell low.

## When emotions rule

Behavioral economists have documented and categorized a number of common emotion-driven investment errors:

**Loss aversion:** People tend to fear losses more than they enjoy gains.<sup>7</sup> As a result, you may be tempted to hold much of your retirement savings in cash investments, which tend to be stable but don't offer the long-term growth you may need to reach your goals.

**Herding:** Individuals often make the same choices they see other people making. "Following the herd" may blind them from making decisions based on their own financial goals.

It may be impossible to remove emotion entirely from your investing decisions. However, you can help manage your reaction to the market's ups and downs by reviewing your investments on a regular schedule—say every three months. This way, you'll have time to think through your decisions, rather than react emotionally to headlines.

<sup>5</sup> Past performance is not a guarantee or prediction of future results

<sup>6</sup> "Quantitative Analysis of Investor Behavior," DALBAR, Inc. 2010

<sup>7</sup> Nudge: Improving Decisions About Health, Wealth and Happiness, Richard H. Thaler and Cass R. Sunstein, 2008

GWFS Equities, Inc is not affiliated with DALBAR, Inc.

## Revisiting Your Nest Egg

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**3 Work a little longer.** Not only will you continue earning income for more years, you can also keep making tax-deferred contributions to your SMART Plan. What's more, you can delay collecting Social Security benefits. You could start receiving them at age 62, but they will be larger if you work until your full retirement age—and larger still if you work until age 70. In fact, your Social Security benefit increases 8% each year you put off retirement between ages 65 and 70.<sup>3</sup>

**4 Be realistic.** Balance your expectations for retirement. Think in terms of postponing retirement, scaling back planned expenses, and shifting priorities to get the lifestyle you envision in retirement in line with what you can currently afford.

<sup>1</sup> National Bureau of Economic Research, 2009.

<sup>2</sup> The Special Catch-Up and Age 50+ Catch-Up provisions cannot be used in the same year. You should evaluate which catch-up provision is most favorable for you.

<sup>3</sup> ssa.gov

## Understanding The Income Fund Trading Restrictions

What is a 90-calendar-day equity wash restriction, and what does it have to do with your SMART Plan account? When transferring assets from The Income Fund, you cannot redirect those assets directly into competing investment options: the Vanguard Reserve Prime Money Market or the TD AMERITRADE SDB Money Market. Instead, any monies transferred from The Income Fund must first be transferred to one of the other core funds in the SMART Plan. The monies must remain in that core fund for 90 calendar days before they can be transferred into the competing investment options.

In addition, once a transfer out of The Income Fund is initiated, all investment options are restricted from transferring into the competing investment options for 90 calendar days. Therefore, if you want to transfer monies into the Vanguard Reserve Prime Money Market or the TD AMERITRADE SDB Money Market, you should transfer any amounts from the core funds before you initiate an Income Fund transfer.

Equity wash restrictions are in place to protect The Income Fund from any potential instability caused by sudden mass transfers to the competing investment options. Customer Service Representatives can answer any questions that you may have regarding the trading restrictions. Representatives are available Monday through Friday from 9:00 a.m. to 8:00 p.m. ET at **(800) 457-1900**, option 0.

*An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.*

# 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 also 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>8</sup>

DATE	TIME	ADDRESS	LOCATION
Monday, July 26, 2010	10 & 11 a.m.	Taunton State Hospital	Gifford Building Conf Room
Thursday, July 29, 2010	9:00 a.m.	One Ashburton Place	21st Floor Conference Room
Thursday, July 29, 2010	9:00 a.m.	Town of Westminster	Town Hall
Thursday, July 29, 2010	10:00 a.m.	City of Gloucester - City Hall	2nd Floor Auditorium
Wednesday, August 4, 2010	11:00 a.m.	City of Holyoke - Dwight Street	Council Chambers, City Hall
Wednesday, August 4, 2010	9:00 a.m.	Salem State - Ellison Campus Center	Presidential Conference Room
Tuesday, August 10, 2010	10:30 a.m.	One Ashburton Place	21st Floor Conference Room
Wednesday, August 25, 2010	12:30 p.m.	Springfield State Building	Basement - Room B42
Monday, September 13, 2010	4:00 p.m.	Saugus Town Hall - 298 Central Street	Second Floor
Wednesday, September 22, 2010	4:00 p.m.	Springfield State Building	Basement - Room B42
Thursday, September 23, 2010	10:30 a.m.	One Ashburton Place	21st Floor Conference Room
Tuesday, September 28, 2010	10:30 a.m.	One Ashburton Place	21st Floor Conference Room
Wednesday, October 13, 2010	4:00 p.m.	Springfield State Building	Basement - Room B42

## 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.

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

### Quincy

859 Willard Street  
Quincy, MA 02169  
Available by appointment

### 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.

### Springfield

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



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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*Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information you may obtain mutual fund prospectuses and disclosure documents from your registered representative. For prospectuses related to investments in your Self-Directed Brokerage (SDB) account, contact TD AMERITRADE at 1-866-766-4015. Read them carefully before investing.*

<sup>8</sup> Access to the SMART Plan Service Center and website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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