SMART Plan update

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YOUR 457 DEFERRED COMPENSATION PLAN NEWSLETTER

EDUCATE

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One Year Later ...

One year ago, retirement plan participants were witness to the market meltdown in a very personal way. Years of saving and investing for the future were seemingly wiped away in the blink of an eye. On March 9 of this year, stocks hit a bottom with both the S&P 500® and the Dow closing at 12-year lows. The hardest hit were those plan participants between the ages of 45 and 65 who had worked for more than 20 years—their balances were down an average 17.5% in 18 months.*

For those SMART Plan participants approaching retirement, the question of the hour is how do you recover what's been lost? How long will it take? And what can you do to help reach your retirement goals?

Those participants who continued to contribute to their retirement plan during this recent period of market volatility have a head start on recovery. How long it takes to recover your losses will depend on two key factors:

- How much you contribute to your account as a percentage of your current balance
- How much of a return your portfolio will generate going forward

Let's look at an example. Assume your SMART Plan was worth $100,000 at the start of 2008 and has fallen 20%, leaving you with an $80,000 balance. If your portfolio is generating an 8% annual return and you contribute $8,000 to your account every year (that is, 10% of your current balance), estimates show it will take you roughly 16 months to restore your balance to $100,000.* Considering that saving for retirement is a long-term goal, this is a relatively "quick" recovery.

In all, whether you are approaching retirement or have many years to go, it is important to:

- Contribute an adequate percentage to the SMART Plan to make a difference
- Continue to contribute to your SMART Plan regardless of market conditions
- Diversify your contributions so that your portfolio rate of return has the opportunity to recapture any recent losses[1]

* FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes an 8% annual rate of return, with no withdrawals. Rates of return may vary. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The accumulation shown above would be reduced if these fees had been deducted. Source: CNNMoney.com; July 15, 2009; http://finance.yahoo.com/focus-retirement/article/107337/your-401k-getting-back-what-you-lost.html?mod=fidelity-readytoretire

A LETTER FROM TREASURER TIMOTHY P. CAHILL

Dear SMART Plan Participant,

Saving money, building your portfolio and managing your assets are important aspects of retirement planning. An equally important, though often overlooked component of your retirement planning is understanding just how the savings you have worked so hard to build will be used after you retire.

For those participants who have retired or are about to retire, the article on pages 2-3 offers suggestions on how to budget your retirement savings so that you can afford to live a lifestyle after retirement similar to the one you lived before it.

As a SMART Plan participant, you are an active investor in the market and are subject to its fluctuations. Regardless of which direction the market is currently trending, it's important to always keep sight of your long-term retirement goals and manage your assets accordingly.

The article to the left, One Year Later, takes a look at the financial crisis that began one year ago and the steps you can take today to help speed your portfolio's recovery to its pre-crisis level.

The SMART Plan is proud to offer you a wide range of tools and services to help guide you while mapping out your financial future. For more information on some of these services, please read the article on page 4 or contact your local SMART Plan representative.

Sincerely,

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

SMART PLAN — MASSACHUSETTS DEFERRED COMPENSATION — SAVE MONEY AND RETIRE TOMORROW

ALSO IN THIS ISSUE: BUDGETING FOR RETIREMENT • TIPS ON FINANCIAL ADVICE

Budgeting for Retirement:

When people hear "retirement planning," they tend to think of everything that goes into building a nest egg: the process of planning, saving and investing for a life after work. But what if you've already retired or plan to retire in the very near future—when you've already accumulated most of your nest egg? Is there any planning left to be done?

The answer is yes. One of the most overlooked aspects of retirement planning is budgeting. In fact, having a strategy for living on your retirement income is as important as your saving and investing strategy. Disciplined budgeting is the cornerstone of that post-retirement game plan.

Many financial advisors say you'll need around 80% of your working income to support a similar lifestyle in retirement. But whether or not your retirement income adds up to that 80% figure, a budget can help you make the most of the income you do have.

Understand Your Retirement Cash Flow

Budgeting, the process of ensuring that your expenses don't exceed your income, helps you successfully manage your cash flow. To understand your cash flow, you need a detailed picture of your monthly income and expenses.

Let's look at income first. Retirement income can come from a variety of sources, including the SMART Plan, Individual Retirement Accounts, Social Security benefits, a defined benefit pension plan, other savings and investments or wages from a part time job. One of the biggest challenges with developing a retirement budget is adapting to the relatively fixed income these sources provide.

Important Items to Consider

Then there are expenses. While you can't always increase your retirement income, you can control expenses. A retirement budget is an exercise in defining what you need, what you want and what you can afford—and then prioritizing your spending accordingly. Following are some things to keep in mind as you develop a realistic picture of your expenses.

- Home – Even if you own your home—or plan to use your home equity as a source of retirement income (by downsizing or through a reverse mortgage)—housing will still be a retirement expense. At a minimum, you'll continue to face the costs of property taxes, insurance and upkeep. Many people can also add homeowner association dues to the list of monthly housing expenses.
- Health – Predicting your healthcare costs is a difficult process. And the further you look into the future, the more difficult it becomes to predict with accuracy how much you'll spend on insurance, prescriptions, out-of-pocket expenses and deductibles. As you make your retirement budget, keep in mind that healthcare costs will represent one of your largest expenses in retirement.
- The Necessities – Food, utilities, transportation, clothing … obviously, you'll still need these things in retirement. But how will those needs change? Will you still need a fully stocked wardrobe of business attire? Will you need a new car, or will you be able to make do with what you have? Will you eat out more when you retire, or will you finally have the time to master cooking your own French cuisine?

  While you can't eliminate the necessities, you can find ways to cut costs and cut back. Also, consider whether all of your necessities are really necessary. For example, do you really need a second car and the insurance, fuel and upkeep costs that go with it?
- The Unexpected – We've already defined budgeting as the art of successfully balancing income and expenses. But what about those expenses you can't predict? Inflation, illness and accidents all complicate the process of long-term budgeting. Ideally, your budget will allow you to maintain sufficient cushion for crises and unforeseen expenses.

One final word on expenses: The broad categories listed above are the obvious costs you'll face; however, if you're really committed to pinching pennies, you need to keep an eye out for the small budgetary "leaks" that can add up to significant expenses. Things like never-used gym memberships, out-of-network ATM fees, and automatic renewal of magazine subscriptions can keep your budget off balance.

Time Is Money—Even in Retirement

Many people automatically assume that they'll be spending less money in retirement than they did when they were working. They fail to recognize that they typically have more time in retirement—more time for shopping, more time for traveling, and more time to pursue their interests. Some retirees are surprised to find that they spend more money to fill up the increased time they have, especially the recently retired who are taking full advantage of their newfound freedom from the workday world. The lesson? As you budget, keep in mind that you may spend more than you expect on leisure and travel in the earlier years of your retirement.

Tips on Financial Advice

In today's world, you probably come across a lot of people who offer what they believe is sound financial advice. Although many financial advisors are in touch with what is going on in today's economy, take a moment to do your research before making big financial decisions. Because let's face it, at the end of the day, the financial decisions you make affect your money and your future.

As a participant in the SMART Plan, you have a multitude of resources at your fingertips. First and foremost, your SMART Plan is a retirement plan consisting of a diversified investment selection that is monitored regularly to give you competitive offerings. You also have a team of dedicated local representatives who are there to assist you with any questions and to go through the SMART Plan's options with you. And let's not forget the host of online resources you can access, including DreamTracker℠ and the Paycheck Comparison tool. DreamTracker is a tracking tool that analyzes whether you are on track to satisfying your retirement needs. The Paycheck Comparison tool will show you the power of tax-deferred savings and how tax deferral affects your take-home pay.

Before you make any big financial decisions, utilize your Plan's resources and do the research. Your SMART Plan is designed to give you innovative tools and resources to guide you to a bright retirement, so take advantage of it today! Visit www.mass-smart.com > Educate > Planning Tools & Calculators to check out the resources available to you, or to set up an appointment with a local representative, call (877) 457-1900 (option 2).

GOT QUESTIONS? NEED ANSWERS?

SMART Plan Customer Service Center[2]
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.

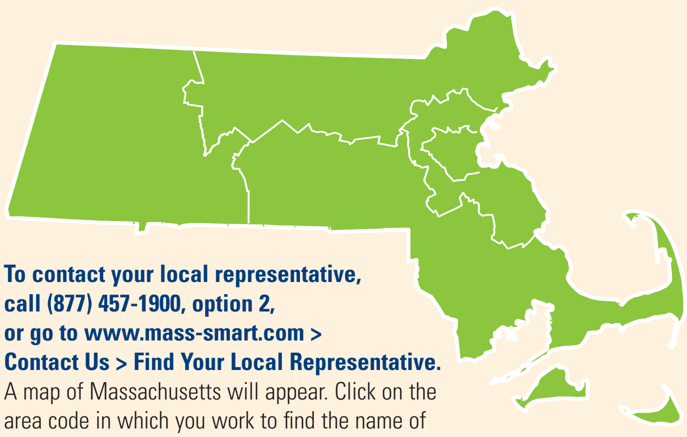
Boston
31 St. James Avenue, Suite 810
Boston, MA 02116
Available by appointment

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.

Framingham
945 Concord Street
Framingham, MA 01701
Available by appointment

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 > 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.

1 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.
2 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.

Core securities, when offered, are offered through GWFS Equities, Inc.

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