FALL 2004

FINANCIAL footnotes

In this issue:

Three Basics of Retirement Planning

Properly preparing for retirement means making good decisions, not just lucky guesses.

These three basic principles can help motivate you to make the best decisions that might make your financial future brighter. The key is being "in the know."

1 Know Thyself

Create an asset allocation by identifying your investor type

Investing isn't about making a few guesses and wishing for some magic. It's about taking the time and making the effort to get to know yourself as an investor. Many people fail to realize that this is critical to developing an investment strategy.

As a start, determine what type of investor you are and which investments offered by your retirement plan may suit your needs. Use this information with any other investment planning educational materials available to you.

That's Me to a T

Read the following statements. Rank yourself on a scale from 1 to 5 as to whether you agree or disagree with each statement. Circle your choice.

A. I am a knowledgeable investor who understands the trade-off between risk and return, and I am willing to accept a greater degree of risk for potentially higher returns.
1 2 3 4 5

B. I am willing to invest on a long-term basis.
1 2 3 4 5

C. If one of my investments dropped 20% in value over six months due to a stock market fluctuation, I would hold on to that investment, expecting it to recover its value.
1 2 3 4 5

D. I have saving vehicles other than this retirement plan that make me feel secure about my financial future.
1 2 3 4 5

1 = strongly disagree
2 = disagree
3 = neutral
4 = agree
5 = strongly agree

Now, add up the numbers you circled and see where your score falls on the Investor Profile below. Remember, neither the five statements nor your total score is meant to tell you which investments to choose. Rather, the questionnaire may help you better understand your objectives and feelings about risk so you can select investments that are right for your situation.

4-8	**Conservative**
9-14	**Moderate**
15-20	**Aggressive**

Conservative Investor types enjoy safety and stability for their money (money market investments, stable asset funds and some bond funds are popular investment choices). But remember, not having enough money when you retire is a big risk too! Keep in mind how much time you have until retirement and the effect inflation (the rise in the cost of living) may have on your investments.

Moderate Investor types prefer some balance between lower and higher risk investments (bond funds and balanced funds—which invest in a mix of stocks and bonds—are popular investment choices). Moderate investor types are comfortable with some market volatility. Review your situation at least once a year to make sure you're still comfortable with how you're allocating your money to various investment options.

Aggressive Investor types are comfortable with taking on the higher risk associated with the chance for higher returns (stock funds as well as international and sector funds are popular investment choices). You're comfortable knowing that your investments can lose significant value at times as you pursue higher returns over the long term. Review your situation at least once a year and keep in mind how much time you have until retirement.

2 Know the risks...

Create an investment strategy that addresses all potential risks

Knowing what kind of investor you are will help you determine the types of investments with which you are most comfortable. But your investment plan can get off course quickly if you don't identify all the potential risks involved with investing—and formulate a strategy to deal with them.

...And How to Manage Them

There are five common types of investment risk and practical strategies to help minimize the risk from each investment:

Business risk is the risk that an investment may lose value because a particular company or industry hits the skids. The technology stock crash of 2000 is a good example. To help minimize this risk, invest in mutual funds that focus on different industries, and limit the amount of any individual stock you own, such as company stock.

Market risk is the chance that the value of your investments will decrease in the financial markets. Keeping a portion of your money in non-equity investments such as bonds or stable value funds helps minimize this risk.

Inflation risk is the likelihood your investments won't keep pace with inflation (the rise in the cost of living). Historically, the consumer price index has risen an average of 3% each year. This risk is best countered with an asset allocation weighted with stock funds, which historically have outpaced inflation.

Interest rate risk is a common risk faced by bond investors. These investors may see a drop in the value of their investments when interest rates rise. Again, keeping some of your money in stock funds can help counteract this risk.

International risk is faced by foreign or global fund investors who may see their investment's value decline from political, economic or currency instability in foreign markets. Help minimize this risk by investing in multiple foreign markets, in addition to the U.S. markets.

3 Know Needs vs. Wants

Taking an early cash distribution may do more harm than good

Cashing out—or taking a full distribution from a retirement savings plan account—is one of the biggest mistakes individuals can make with their retirement savings. Cashing out of a retirement plan will result in applicable federal income tax for the current tax year and carries a 10% penalty tax for those under age 59½.[1] And it's even worse if you have a state or local tax as well. That can make a real dent in your financial future!

Know the Numbers

Hypothetical Withdrawal:	$10,000
Less: Federal Income Taxes @ 25%[2]	(2,500)
Less: State Income Taxes @ 5%	(500)
Less: Early Withdrawal Penalty @ 10%[1]	(1,000)
Net Proceeds: (and loss of tax-deferred compounding advantage)	**$6,000**

Is your financial future worth only $.60 on the dollar? ■

1 The 10% early withdrawal penalty does not apply to 457 plan withdrawals.
2 Based on 2004 federal tax rates for a married couple filing jointly, earning $60,000 together.

For account or investment-related issues, contact:

KeyTalk®: (800) 701-8255*

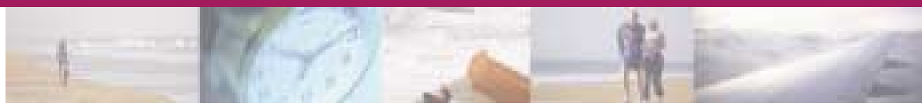
www.gwrs.com*

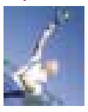
(TDD: 1-800-766-4952)

G3784FF (10/15/2004)

Retirement in Motion

Tips and resources that everyone can use.

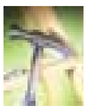




Boomers on the Brink

Issues participants face as they approach retirement.

Most retirees want to live in their homes during retirement. And the same holds true for pre-retirees age 50 to 65, says the Future of Retirement Living, a study conducted by the MetLife Mature Market Institute with AARP Health Care Options. 90% of pre-retirees surveyed say they want to spend retirement in a familiar place, and a similar number expect to do so independently. However, pre-retirees are increasingly open to the possibility of living in adult retirement communities or 55+ communities after they retire.



Tools and Techniques

How accurate is your retirement planning?

I plan to work:

___ Until I'm 65

___ As long as I can

___ Only until I can afford not to

Most people still talk about 65 as the "right" retirement age and, these days, more than half of workers (54%) expect to work to age 65 or older, while more than two-thirds (68%) say they plan to work "after" retiring. However, the average retiree today leaves the workforce at age 62—and 37% of those retirees quit working earlier than they had planned or wanted to. More than a third said health problems or a disability resulted in an early departure, while 28% said the early exit was the result of changes within the organization. Survey results taken from the *2004 Retirement Confidence Survey*.[2]

Quarterly Reminders

Things to keep in mind.

- Complete a retirement needs calculation at www.asec.org by filling out the "Ballpark Estimate" worksheet.
- To make managing your investment strategy easier, consider rolling over any plan assets from prior employers into your current account.[3]

Q & A

Common questions asked by plan participants.

Can creditors of my company have access to the money in the company's retirement plan?

Employee assets (including those of company officers who are plan participants) cannot be reached by the employing company or the company's creditors, no matter what the financial crisis, including bankruptcy. Individual accounts are also immune from the creditors of individual employees.

Corner on the Market

Basic financial terms to know.

Cyclical Stock. This is a term used to describe a stock that rises quickly when economic growth is strong and falls rapidly when growth is slowing down. An example is the automobile market, because as growth slows in the economy, consumers have less money to spend on new cars. Non-cyclical stocks would be companies that are in industries like healthcare, where there is constant demand through good times and bad. ■

2 Published by the Employee Benefit Research Institute and Matthew Greenwald & Associates.

3 Assuming you are eligible to receive a distribution from your previoius plan(s). Check with your plan administrator for details.

Redemption Fee Notice

Beginning January 1, 2005, some fund companies may impose early redemption fees on certain transfers, redemptions or exchanges if assets are held less than the period stated in the fund's prospectus or other disclosure documents. Participants are encouraged to always review the prospectus and/or disclosure documents, which identify any restrictions and/or redemption fees that the fund may implement and when such restrictions and/or redemption fees might apply. Please keep in mind as you manage your account that your retirement plan is intended for long-term investing. ■

Tips for the Young Investor

How younger workers can get ahead in the personal finance game

Maybe you're a new college grad just starting your career. Or perhaps you've decided to skip college and start establishing yourself in the work world right away. No matter which group you belong to, here are some valuable financial tips to help you along the way.

Respect the cash. Enjoy the money you make, certainly. Use it to make your life easier. But don't abuse it. Always pay your bills on schedule!

Pay yourself first through your retirement plan. Invest in yourself by starting early (subject to your Plan's minimum age requirements). Depending on your current age, you may have over 45 years to invest—that's a huge amount of time to have your money working for you! Retirement may seem like a far off concept, but think of it this way: by saving just $100 per month for the next 45 years, you could have over half a million dollars saved by the time you retire. And a $200 per month savings plan could potentially grow to over $1,000,000. (Assuming a hypothetical annual rate of return of 8%, compounded monthly).

Establish credit. Get a credit card. But carry only one with the lowest possible annual percentage rate you can get. Pay off your bills in full and on time and you'll establish credibility as a borrower.

Buy renter's insurance. This is protection worth having. Premiums usually don't cost much, averaging $10–$12 a month for $30,000 in property coverage and $100,000 in liability coverage. Replacing your TV, stereo and iPod due to burglary or fire could set you back a lot more.

Consider buying disability insurance. Younger people without dependents don't really need life insurance, but disability insurance is another matter. Your greatest asset is being able to earn a living. What if that were to disappear? Employers frequently offer disability insurance at a discounted rate. If yours does, take advantage!

Toss the ATM card. ATM cards are keys to a cash machine, which can be very dangerous. Use a debit card instead, that is prepaid with money from your checking account. Debit cards can help you control your spending and keep you within a budget—an extremely valuable habit to get into when you are young. ■

Great-West Retirement Services℠

Please Note: This newsletter does not constitute investment or financial planning advice.

We'd like to hear from you. Please send your questions/comments to:

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