SMART Plan update

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YOUR 457 DEFERRED COMPENSATION PLAN NEWSLETTER

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

EDUCATE

The Four Pillars of Retirement Readiness

Creating a strategy to retire on time, and with enough money to live comfortably, often seems confusing and difficult. Focusing on four simple factors, or "pillars," that impact your retirement readiness will help create a clear path to a more financially secure retirement.

The first pillar of retirement readiness is to develop a realistic goal for **retirement age**. This is the age at which you will have enough money saved so that you can maintain your standard of living in retirement. Ideally, the money you saved will produce enough income to support your lifestyle for the rest of your life. If you work for income after your retirement age, it should be because you want to and not because you have to.

The second pillar depends on what you think your retirement lifestyle will cost: your **retirement income**. How much money do you need each month during your non-working years? Is it 100% of what you earn now? Or can you live on less? As retirement approaches, answers to these questions may become clearer. Establishing a goal for planning purposes is critical.

Pillar number three is your needed monthly **savings rate**, or your retirement savings per paycheck. By determining when you need the money (retirement age), how much money you need (retirement income), and your current savings, you can determine the cost of that retirement today. Saving enough each month is critical to a successful journey to retirement. Even if you learn that your needed monthly savings rate is more than you can currently afford, you can lessen the impact of a large increase in your savings rate by signing up for auto-deferral increases, which easily and automatically increase your deferrals over time. Or you can adjust other goals, like maybe working a little longer or paying off bills so you can live on less.

Continued on page 4

A LETTER FROM TREASURER STEVEN GROSSMAN

Dear SMART Plan Participant,

In the months ahead, there are a number of opportunities to make thoughtful preparation for retirement. Since planning for retirement involves considering so many facets of your life, we at the SMART Plan spent some time synthesizing *the four pillars of retirement readiness*: retirement age, retirement income, savings rate, and investment allocation. By considering each component individually, you can apply a methodical approach to a complex topic. Our SMART Plan is structured so that you can walk through each of those steps on your own, through the Plan's target date funds or by enlisting the assistance of the Reality Investing® Advisory Services provided by Advised Assets Group, LLC, a federally registered investment adviser.

Part of your strategy will depend on your current age. If you are younger, take advantage of the time you have and make modest automatic increases now that will pay off in the long term. If you are closer to retirement and are worried you have not yet saved enough, plan now to take advantage of "catch-up contribution" years when you are eligible (three years before normal retirement age).

In our ongoing effort to bring the best deferred compensation plan to Massachusetts state and municipal employees, we are working hard to continuously improve the award-winning SMART Plan. We are also happy to remind you that investing after-tax dollars is now possible through the *SMART Plan Roth* option. Lastly, as part of our ongoing commitment to keeping you informed about retirement planning, the SMART Plan will offer several valuable seminars in the coming months. The SMART Plan plays a vital role in saving for a vibrant retirement and these sessions will help you map out how to make that successful retirement possible.

Thank you for your continued interest in the Massachusetts SMART Plan.

Sincerely,

STEVEN GROSSMAN
SMART PLAN PARTICIPANT,
STATE TREASURER & RECEIVER GENERAL

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

Playing Catch Up

Tips for reaching your retirement savings goal—even if you're behind

Are you behind on saving for retirement? You're not alone. Nearly half of workers born between 1948 and 1964 appear to be at risk of outliving their retirement savings.[2] And more than one-quarter of workers don't think they have enough money to pay for basic expenses in retirement.[3] If you're younger, retirement may seem light years away, but like many workers in their 30s and 40s[3], you may already be behind on saving.

Here's what investors at different life stages can do to save more for retirement.[4]

THE YOUNGER YEARS *(20s to Mid-40s)*: Take advantage of the decades ahead to get on track.

Step up your savings

As a young investor, you have the luxury of time. Even a small increase in the amount you are contributing to the SMART Plan can make a big difference. You can even set up auto-deferral increases on the SMART Plan website so your contributions will automatically increase by an amount you set so you don't even have to remember to do so. In 2014, the IRS allows you to contribute up to $17,500 pre-tax to the SMART Plan.[5]

Over 750 of your fellow SMART Plan participants have set up auto-increases!

Don't tap your nest egg

It can be tempting to make an early withdrawal from your retirement savings, but if you do, you'll pay ordinary income taxes on the money. Moreover, you'll lose the potential growth that money may reap over time.

Go for potential growth

Financial professionals generally recommend that investors in their 30s and early 40s hold at least 70% to 80% of their retirement portfolio in equities. But many investors in that age group don't hold nearly that much, according to data compiled for smartmoney.com by the Employee Benefit Research Institute.[6] Since you can sacrifice potential growth by playing it too safe, it's important to hold an age-appropriate, diversified portfolio.[7]

MIDLIFE AND RETIREMENT YEARS *(Late 40s and Beyond)*: Consider your options.

Minimize a shortfall

If you're age 50 or older, in addition to the $17,500 you're allowed to contribute you can make an extra $5,500 in "catch-up contributions." If you are within three years of normal retirement age, special catch-up provisions allow you to contribute even more. Review the table below and if you haven't maxed out, look for ways to cut back elsewhere so you can boost your contributions.

2014 CONTRIBUTION LIMITS	
Contribution Limit (Under age 50)	$17,500
Age 50+ Catch-Up	$23,000
Special Three-Year Catch-Up	$35,000

The additional amount you may be able to contribute under the special three-year catch-up contribution will depend upon the amounts that you were eligible to contribute in previous years but did not. If you are eligible for both catch-up options, you cannot contribute to both in the same year.

Keep working

If you're able to work longer, you'll save more and give your savings more time to potentially grow. Or consider part-time work or a career change to do something you love. You'll likely earn less, but the extra income will offset your living expenses and help you stretch your retirement savings.

2 "The EBRI Retirement Readiness Rating," July 2010, ebri.org.
3 "2012 Retirement Confidence Survey," ebri.org.
4 This is not intended as financial planning or investment advice. Representatives of GWFS Equities, Inc. are not registered investment advisors and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.
5 irs.gov
6 "What's Gen X So Scared Of? Stocks." May 5, 2011, smartmoney.com.
7 Diversification does not ensure a profit and does not protect against loss in declining markets.

Behavior Modification

Why investors often act irrationally—and how to avoid it[4]

LOSS AVERSION. Some investors dislike acknowledging a loss so much that they hold a poorly performing investment for years, hoping to "break even," instead of selling it to reinvest in something more promising.

HERD MENTALITY. If your investment choices are based on what everyone else is doing, you risk overpaying in bull markets and missing out on bargains in bear markets.

FRAMING. Investors respond to identical facts differently, depending on how they're presented. An investment described as having a 50% chance of failure, for example, is seen as riskier than one described as having a 50% chance of success.

OVERCONFIDENCE. We often attribute good returns to our personal investing skills. In a bull market, this can make us opt for high-risk investments instead of a diversified portfolio.

Stay Focused

Take emotions out of investing decisions by creating an asset allocation plan that fits your needs and sticking with it.[8] Rebalance your portfolio periodically to restore your desired mix.[9] Stay on course by investing steadily, whether the market is heading up or down. Your money will automatically buy more shares when prices are low and fewer shares when prices are high. Finally, don't forget the big picture: Consider how your entire portfolio is doing instead of focusing only on an asset that's currently underperforming.

8 Asset allocation does not ensure a profit and does not protect against loss in declining markets.
9 Rebalancing does not ensure a profit and does not protect against loss in declining markets.

SMART Seminars

SMART Retirement & Beyond Seminar
Join us for "SMART Retirement & Beyond," a retirement planning seminar series for Massachusetts state employees, sponsored by the Office of the State Treasurer, the State Board of Retirement, and the SMART Plan.

The seminar series is designed to provide you with the information and tools needed to help you achieve a financially secure retirement. Representatives from the Group Insurance Commission will be on hand to answer questions. To register for this seminar, visit **www.mass.gov/retirement**.

Wednesday, May 14	State House, Gardner Auditorium, 12:00 PM - 2:00 PM

SMART Retiree Advocate Seminar
The SMART Plan is also offering several Retiree Advocate seminars. SMART Plan retirees and employees approaching retirement can join a Retiree Advocate seminar focused on how the SMART Plan can help you through retirement.

Wednesday, April 23	One Financial Plaza, 1350 Main Street, Springfield, 5:00 PM-7:00 PM
Monday, May 5	Middlesex Community College, 10:00 AM-11:30 AM
Wednesday, May 28	Westfield State University, Horace Mann Center, 6:00 PM-8:00 PM
Thursday, June 19	City of Melrose, Memorial Hall, 590 Main Street, 11:00 AM-1:00 PM
Tuesday, June 24	City of Worcester Library, 3 Salem Square, 4:30 PM-6:00 PM

The Four Pillars of Retirement Readiness *(continued)*

The fourth and final pillar of retirement readiness is to develop, implement and maintain an **investment allocation**.[1] It can be confusing to create and manage a good mix of investments. However, we now know that creating and managing a well-allocated investment mix that fits your retirement goals is critical to your success. Investing in a variety of assets might help your account stay healthy even when one area of the economy isn't doing well. It's important to think long term and not overreact to short-term investment results.

The SMART Plan provides advisory tools to help you develop and manage your retirement readiness strategy. The tools can help you decided if your goals for retirement age and retirement income are realistic.

They can also offer assistance with how much you need to save from each paycheck in order to reach those goals. And, finally, they can look at your unique situation to create an investment strategy that fits your needs. You can access the Reality Investing® Advisory Services, provided by Advised Assets Group, LLC, a federally registered investment adviser, either online at **www.mass-smart.com** or by speaking with an investment adviser over the phone at **(800) 634-5091**.

There is no guarantee that participation in the Reality Investing® Advisory Services will result in a profit or that your account will outperform a self-managed portfolio.

1 Asset allocation and diversification do not ensure a profit and do not protect against loss in declining markets.

REMINDERS

Effective February 1, 2014, the SMART Plan changed the name of The Income Fund to the **SMART Capital Preservation Fund.** This is only a change in name to more closely reflect the fund's investment objective. The fund's objective and managers have not changed.

You can also now contribute after-tax dollars to your SMART Plan account with the new **SMART Plan Roth option**. Visit the website or contact your representative to learn more.

GOT QUESTIONS? NEED ANSWERS?

SMART Plan Customer Service Center
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.

Correspondence should only be directed to the Regional Service Center in Waltham.

Boston
One Winter Street, 8th Floor
Boston, MA 02108
Available Monday through Friday
from 9:00 a.m. to 5:00 p.m.

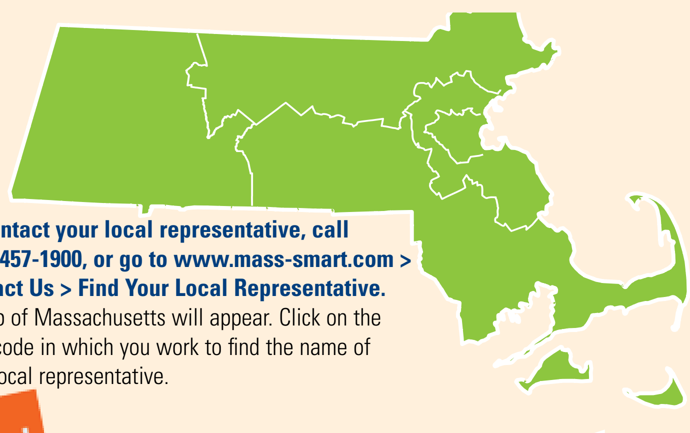
Additional location on St. James Avenue
Call us today at **(877) 457-1900**
Available by appointment

Quincy
Call us today at **(877) 457-1900**
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.

We've Moved

Springfield
One Financial Plaza
1350 Main Street, Suite 1005-D
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, 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.

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Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.