Strategies

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Partners in Retirement Solutions

Fall 2011 / Vol. 17 / Issue 3

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Should I Invest in International Funds?

International funds, if offered by your workplace retirement plan, provide the opportunity to benefit from diversity and growth around the world.

Diversify your investments

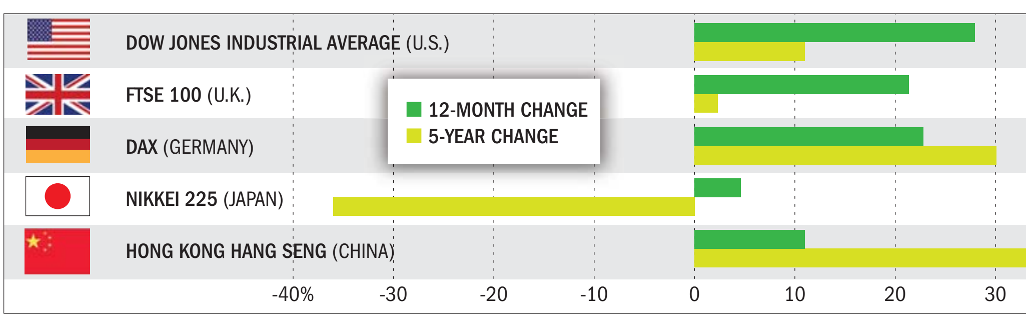
One strategy for protecting and growing your retirement savings is diversification. A well-diversified portfolio might include stock and bond funds and a mix of different types of investments within those categories. Investments that represent various industries and regions across the globe tend to move up and down at different times. Holding a mix of these investments may help to smooth returns without sacrificing growth.

Your employer may offer an international index fund or a "global" fund that invests in both U.S. and foreign stocks. A domestic stock fund may also provide some participation in the international markets because the companies in which it invests often generate revenues from abroad.

*"2010 WFE Market Highlights," World Federation of Exchanges.
Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses.

Foreign Exposure

Returns on stocks abroad move independently from U.S. stock markets and can provide balance to your portfolio. But foreign investing still poses risks, such as unpredictable governments, and economic challenges, such as high inflation in China and credit issues in Europe.[1] Unless you have decades of investing ahead, you may wish to consider limiting your international holdings to just a small percentage of your investments because you'll have less time to recover from a sudden loss.



Visit To help you determine how much to save—given an investment strategy appropriate for your age—go to Planning Calculators under Tools & Resources at **divinvest.com**.

[1]"Five Ways to Invest Globally," smartmoney.com, July 9, 2010. Chart data as of 6/30/11. Source: *The Wall Street Journal.*

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FAST FACTS

Save for Financial Emergencies

If tomorrow you discovered you had a leaky roof, could you afford to fix it? In a June survey, fewer than half of Americans said they had an emergency fund—that is, enough money set aside to cover living expenses for three to six months.[1]

A financial cushion will help you avoid having to tap your workplace retirement account, allowing its growth to continue uninterrupted.

Here are three ways you can build emergency savings:

1. Automate: Each pay period your bank can transfer a fixed amount from your checking account into savings. Start with $25 a week; that adds up to $1,300 in the first year alone.

Tote It Up

$25 = $1,300

weekly savings = annual savings

2. Save a windfall, such as a tax refund.

3. Pay off debt, starting with the credit card with the highest interest rate. Once the debt is cleared, save the same monthly amount in your rainy-day account.

[1] "Financial Security Index Emergency Savings," bankrate.com, June 24, 2011.

Tax-Smart Investing

QUESTIONS & ANSWERS WITH SmartMoney THE WALL STREET JOURNAL.

Q What are the advantages of saving money in a pretax workplace retirement plan account?

A Pretax retirement accounts such as 401(k)s, 403(b)s, and 457s are effective long-term savings tools. One reason is their ability to shelter money from taxes: You aren't taxed on the dollars you contribute to the plan—or on any money your investments earn—until you start taking withdrawals. By deferring a certain percentage of your salary to your plan, you potentially lower your tax bracket. What's more, you can reinvest every penny of your investment earnings, rather than paying a portion of them to Uncle Sam.

Q How does tax deferral help my savings grow?

A The tax-deferred returns your investments earn potentially can generate even more returns—a phenomenon known as compounding. Basically, compound interest is interest paid on both the principal and any money earned on that principal. For example, if you earn 6% annually on a $10,000 initial investment, you would have $10,600 at the end of the first year. If you earn the same 6% the next year, the interest is applied to the new amount, $10,600, and you would have $11,236 [$10,600+($10,600 x .06)]—and so forth.*

Q What else can I do to make the most of this account?

A Consider saving as close to the maximum allowed by your plan. The IRS limit for most plan contributions is $16,500 for 2011 ($22,000 if you're age 50 or older). You may not be able to afford contributing that much now, but you may wish to make it a goal, gradually increasing the percentage you defer from your salary each year. Many plans do this automatically. If your employer matches a portion of your contributions, consider contributing enough to qualify for that match. After all—it's like free money. ■

*For illustrative purposes only. Actual results will vary.

All investments involve risk, including loss of principal, and there is no guarantee of profits. You should carefully consider your objectives, risk tolerance, and time horizon before investing.