

# Retirement ESSENTIALS

SAVING : INVESTING : PLANNING

WINTER 2012

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Notice

"An investment in knowledge  
always pays the best interest."

—Benjamin Franklin

## Fund Update

Effective November 1, 2011, the Invesco Balanced-Risk Commodity Strategy Fund [102] was added to the investment option line-up of the Portfolio Director®, Portfolio Director Advantage® and Equity Director<sup>SM</sup> Fixed & Variable Annuity products. The fund's investment objective and strategy is to seek total return by investing in derivatives and other commodity-linked instruments that provide exposure to the following four sectors of the commodities markets: agriculture, energy, industrial metals and precious metals. For more information, contact your advisor or visit [VALIC.com](http://VALIC.com).

Effective June 1, 2011, for IL policyholders only, any reference in the contract to "spouse" or "Spousal Beneficiary" is amended to include civil union or domestic partners. However, the Federal Defense of Marriage Act states that neither civil union partners nor same-gender married couples are married under federal law. Therefore, any favorable tax treatment provided by federal tax law to a spouse or Spousal Beneficiary is NOT available to a civil union partner or spouse of a same-gender marriage. For questions, please consult your tax advisor.



## Stick With Your Strategy

When the stock market turns volatile, it can be tempting to sell your stock funds. However, when planning for retirement, giving up stocks' long-term growth potential can be riskier than holding on to them. Remember: Stocks can potentially recover. During the 12 months following every bear market from 1973 to 2009, large-cap stocks have gained an average of 38%.<sup>1</sup>

### Get—and stay—on track

The best way to balance the twin goals of minimizing risk and building your retirement plan account savings is to establish an asset allocation—a mix of stocks, bonds and cash investments that suits your needs—and stick to it. It's important to revisit that allocation

regularly. (For more on asset allocation, see "Ask Us" on page 2.)

### Rebalance annually

Over time, large gains or declines in an individual investment or the stock market can cause your portfolio to drift away from its target allocations. At the beginning of each year, consider rebalancing your portfolio: Simply shift savings out of an asset class that exceeds your target and into one that has become too small a portion of your assets. You can generally do this on your plan administrator's website, and your VALIC financial advisor is always available to help.

<sup>1</sup>Standard & Poor's.



> To help you plan and invest for retirement, visit the Retirement Planning section at [VALIC.com](http://VALIC.com).



### Mix It Up

## Last-Minute Tax Moves

2011 is history, but there are still a few things you can do to take advantage of that year's tax breaks and set yourself up for the 2012 tax year:

- > **Fund an IRA** in addition to contributing to your workplace plan. You can contribute up to \$5,000 by April 17.<sup>1</sup>
- > **File your FSA claims** (flexible spending account) for healthcare and dependent care. Deadlines—typically in March and April—vary by company, so ask your benefits provider for the date.
- > **Review your withholdings.** Ideally, you want to avoid the ill effects of having too little or too much money withheld from your paycheck during a given calendar year—incurring a penalty or giving the IRS an interest-free loan, respectively. Make any adjustments to ensure that your money is working for you.

<sup>1</sup>irs.gov.

### Ask Us

## Find Your Balance

**Q** Am I invested too conservatively or too aggressively?

**A** When you have decades until retirement, you may feel more confident about investing aggressively. Through your mid-40s, stocks generally can comprise most of your portfolio.<sup>1</sup>

### The fear factor

Many of today's young investors, haunted by the 2008 downturn, invest too conservatively. These investors sacrifice stocks' long-term upside potential and risk falling short of their retirement goals. In a 2010 survey of mutual fund investors by the Investment Company Institute, only 22% of retirement investors under age 35 said they were willing to take substantial or above-average risk in their portfolios, compared with 30% in 2001.<sup>2</sup>

### Risk and reward

Stocks are more volatile than fixed-income investments, but as long as your time horizon is longer than 10 years, that risk can be offset by gains. In fact, investors during the worst 10-year period for owning stocks since 1926 (between 1929 and 1938) realized annualized losses of just 0.9%, adjusted for inflation. By contrast, the average annualized return for all rolling 10-year periods was 10%.<sup>3</sup>

### A diversified approach

Consider a stock allocation of at least 75% and as much as 90%, with the rest in bonds. Be sure that your stock funds represent a wide variety of industries and types of stocks (large cap, small cap, etc.). Diversification helps to minimize the risk that your investments will decline together; if one of your funds is taking a hit, others may be rallying.

As you near retirement, you can gradually reduce your stock holdings to dial back your risk exposure—striking a balance between conservative investments designed to protect your gains and stocks that may help you beat inflation.



<sup>1</sup>"Retirement Guide for 20- and 30-Somethings," February 3, 2009, smartmoney.com.

<sup>2</sup>2011 Investment Company Factbook, ici.org.

<sup>3</sup>"The Asset Allocation Fallacy," April 9, 2011, *The Wall Street Journal*.

- > To find out more about asset allocation and diversification, visit the Learning Center at [VALIC.com](http://VALIC.com).

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<b>For our marketing purposes</b> – to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	Yes	No
<b>For our affiliates' everyday business purposes</b> – information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes</b> – information about your creditworthiness	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

<b>Questions?</b>	Call 1-800-448-2542 or go to <a href="http://www.VALIC.com">www.VALIC.com</a>
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