VALIC

Retirement ESSENTIALS

SAVING : INVESTING : PLANNING

WINTER 2012

"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℠ 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**.

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%.[1]

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.

[1]Standard & Poor's.

> To help you plan and invest for retirement, visit the Retirement Planning section at **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 ($6,000 if you're age 50 or older) by April 17.[1]

> **File your FSA claims** (if you still fund flexible spending accounts) 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.

[1]irs.gov.

Ask Us

Find Your Balance

Q Am I invested too conservatively or too aggressively?

A Bond funds and cash investments should probably comprise the majority of your portfolio. But don't abandon stocks altogether: You'll forgo stocks' growth potential and risk inflation whittling away at the purchasing power of your savings. If, for example, inflation averages 3%, 10 years from now, you will need to withdraw 30% more from your savings to purchase the same goods and services.[1]

Conservative concerns

You may have heard the investment adage that you should subtract your age from 100 to determine how much of your portfolio should be allocated to stocks. For example, a 65-year-old investor would devote 35% of his funds to stocks and ratchet that down to 25% by age 75.[2] But because of longer life expectancies, investors who follow that adage may run out of money in retirement.

Dial down slowly

One in four of today's 65-year-olds will live to age 90, and one in 10 to age 95.[3] For many Americans, that means funding as many as 30 years in retirement. So instead of giving up a significant amount of stocks' growth potential at age 65, you could start with a stock allocation of 45% and then consult a financial advisor about lowering it from there, taking into account factors such as health considerations.

Create a safety net

If you're comfortable taking on more risk, consider shifting five years' worth of living expenses into a safe, liquid account, such as a money market or savings account as a backup. This way, if the market takes a dive, you'll potentially have savings to live on while the market recovers.[4]

[1]"How to Deal With Inflation Risk in Retirement," March 7, 2011, marketwatch.com.

[2]"The Asset Allocation Fallacy," April 9, 2011, *The Wall Street Journal*.

[3]"Don't Join the Ostrich Generation," September 17, 2011, *The Wall Street Journal*.

[4]"Top 5 Last-Minute Retirement Tips," November 2, 2007, smartmoney.com.

> To find out more about asset allocation and diversification, visit the Learning Center at **VALIC.com**.

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What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and income. • Account balances and retirement assets. • Investment experience and risk tolerance. When you are no longer our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons VALIC chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does VALIC share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	Yes	No
For joint marketing with other financial companies	Yes	No
For our affiliates' everyday business purposes – information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call 1-800-448-2542 or go to www.VALIC.com

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How does VALIC protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does VALIC collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • seek advice about your investments or tell us about your investment or retirement portfolio • tell us about your investment or retirement earnings We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates everyday business purposes — information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • Our affiliates include the American General family of companies and the SunAmerica companies.
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • We do not share your personal information with nonaffiliates so that they can market to you
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • Our joint marketing partners include companies with which we jointly offer investment products

Other important information

You have the right to see and, if necessary, correct personal data. This requires a written request, both to see your personal data and to request correction. We do not have to change our records if we do not agree with your correction, but we will place your statement in our file. If you would like a more detailed description of our information practices and your rights, please write us at: VALIC, PO Box 15648, Amarillo, TX 79105-5648.

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