progressive strategies FINANCIAL GROUP

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Obstacles to Avoid on the Road to Investment Growth

You're in the driver's seat when it comes to choosing investments for your retirement savings. Make too many wrong turns, however, and you may not achieve your long-range financial goals. Here are some common roadblocks to avoid.

The Poor-Diversification Block

You're free to choose from the range of investment options your plan offers, but concentrating too much of your retirement money in one investment type may not be wise. Some investments do much better than others -- at times no one can predict. By investing in a well-thought-out mix of investments, you'll give yourself an opportunity to take advantage of whichever asset type happens to be thriving at a particular time.

Choosing a mix of different investments (diversification) is also a proven strategy for managing investment risk.[1] When one type of investment is down, another may be up or holding steady, adding stability to the overall value of your account.

When planning your investment mix, remember the differences in growth potential of the various asset classes. For instance, the historical returns of investments such as money market funds are often close to the rate of inflation and may be too low to deliver the long-term growth you need.[2] On the other hand, if you have a heavy concentration of potentially high-earning stocks and the market performs poorly, you risk losing a lot of the value of your account, at least temporarily.[3]

The Quick-Escape Block

Expect the stock market to decline at times. It's inevitable -- only the timing is uncertain. When stock prices drop, don't automatically veer off course by moving your stock investments to bonds or another asset class that may be doing better at the time.[4] Instead, it may be prudent to "stay the course" so that you'll be in a better position to benefit from potential future growth down the road.

The Spend-the-Future Block

If you change jobs, you'll have the option of cashing out your retirement account. You may be tempted to take the money and spend it, especially if the amount isn't very large. But, if you spend your retirement money, making up for it later may be very difficult.

The chart below shows just how costly spending a retirement nest egg can be. A much better strategy: Roll over your retirement money into an individual retirement account (IRA), into your new employer's tax-deferred retirement plan, if allowed, or leave it in your current plan, if allowed. You'll likely still be able to choose how your retirement money is invested. And you'll keep it working for you until you're certainly going to need it -- after you retire.

The "Cost" of Withdrawing $25,000

	Retirement Account Balance at Age 30	Amount Withdrawn at Age 30 When Changing Jobs	Balance at Age 65
Employee A	$25,000	$0	$512,786
Employee B	$25,000	$25,000	$225,132
		Cost of Early Withdrawal	**$287,654**

Assumes: $125 monthly contributions and 7% average annual investment returns between ages 30 and age 65. Withdrawals are subject to income taxes at then-current rates and a possible 10% additional federal tax if withdrawn prior to age 59½. The chart does not reflect these costs. This is a hypothetical example. Your investment return and contributions will vary.

Source: DST Systems, Inc.

[1]*There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not assure against market risk.*

[2]*An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.*

[3]*Investing in stocks involves risks, including loss of principal.*

[4]*Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.*

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