

# Your RETIREMENT Matters



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**Ever** feel the need to make a change? Sometimes it's your outfit; others, it's the TV station. And sometimes it's one of your retirement plan investments. Changing investments, however, is not a decision you'll want to make quickly. It's a good idea to carefully consider your decision to sell an investment. Here are some situations when making a change might make sense for you.

## Quick Change?

### *Poor Performance*

Short-term declines in an investment's performance may not be a cause for concern. But if an investment performs poorly for an extended period, there may be a problem. Take a close look at the investment and compare its performance to its benchmark index. If an investment consistently underperforms its index, you may want to make a change.

### *Unbalanced Portfolio*

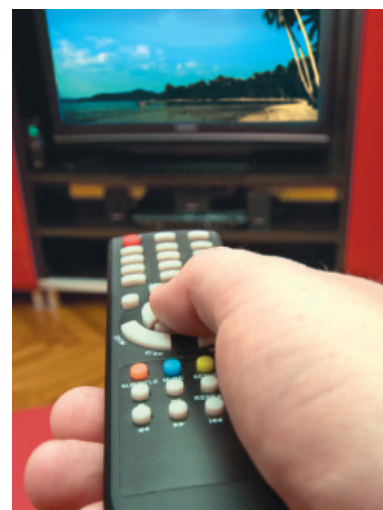
Over time, some asset classes are likely to outperform others. This may cause your portfolio's asset allocation to become more aggressive or conservative than you want. To rebalance your portfolio, you can move money out of investments in asset classes that have become overweighted into others that have become underweighted. Or you can direct new contributions into the underrepresented asset type until your portfolio is back in balance.

### *New Risk Tolerance*

As you experience changes in your life, your risk tolerance may also change. It's a good idea to review your investment strategy periodically and make sure it still fits your personal situation. If not, you may need to make a change to your investment mix.

### *Nearing Retirement*

As you near retirement, you need to look closely at your exposure to risk. If your retirement portfolio consists primarily of stock investments, your risk exposure may not be appropriate for your time frame. Generally, your investment strategy should become more conservative as you approach retirement because your investments don't have as much time to recover from losses. However, you'll probably want to keep some stock investments so your portfolio has the potential to stay ahead of inflation.





# Controlling Cash Flow



**A**re you worried your retirement plan account isn't on track to meet your long-term goals? One way to pick up the pace is to spend less so you can save more. If you think you're already saving as much as possible, take a second look. You may find areas where you can cut back now so you'll have more money saved for your future.

### Track Your Spending

To figure out where your money is going, track your spending for a month or two. First, make a list of your fixed expenses, such as rent or mortgage payment, car loan payment, and insurance premiums. Next, look at what you are spending on expenses that can vary, such as food, transportation, clothing, entertainment, etc. Also calculate the monthly amounts

for any semiannual and annual expenses, such as property taxes.

You'll also want to keep track of what you spend each day for little purchases, such as coffees, snacks, and music downloads. These small purchases can add up significantly over a month.

There are a number of online budgeting tools and phone apps that can help you keep track of your spending. Or you can simply write down the amounts. Whatever your method of keeping track, it will help you figure out where you can spend less.

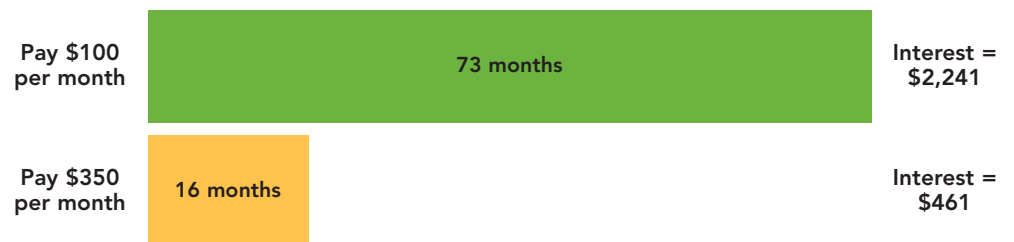
### Deal with Debt

If you carry a balance on your credit cards, you're paying interest on that balance. Income you spend on credit card payments is money you aren't

## Pay More So You Can Save More

The faster you pay off your credit card balance, the lower your interest payments and the sooner you'll be able to save even more for retirement. Compare the difference between paying \$100 a month and \$350 a month on a \$5,000 credit card balance.

### \$5,000 Credit Card — Payoff Timeline



This is a hypothetical example used for illustrative purposes only. It assumes an interest rate of 13%.

Source: NPI

# Invest Instead

When you're looking for places where you can cut back so you can save more for retirement, one area to focus on is what you spend on the things you *want* but don't really *need*. For example, you may want to upgrade your car's GPS, but do you really need to?

Money you spend now on nonessential items is money you won't have to spend in the future on the essentials. Your retirement may last a long time, and inflation likely will increase the prices of the things you need — health care, for example. The more money you can save, the better off you may be during retirement.



Funds you invest instead of spending have the potential to grow significantly over time in your plan account. So, think twice before you buy. Making some small sacrifices now could pay off in the future and mean a more comfortable retirement.

## Investing Advantage

See what might happen if instead of spending money on the items below, you invest it in your plan account.

Instead of buying:	You invest and potentially accumulate this much after:			
	10 years	20 years	30 years	40 years
\$150 GPS	\$301	\$606	\$1,217	\$2,447
\$300 premium concert seats	\$603	\$1,212	\$2,435	\$4,893
\$1,000 plasma TV	\$2,010	\$4,039	\$8,116	\$16,311

The prices shown are hypothetical. This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. The chart assumes a 7% average annual total return compounded monthly. Your investment results will be different. *Source: NPI*

saving for retirement. If you're only making the minimum payment each month, you could end up paying a lot of interest over a long period of time. Make it a priority to pay down any credit card balances you are carrying. Then you will have more money available to save for retirement.

### Increase Savings

Once you know exactly where your money is going, you can look for places to cut back. Creating a spending plan will help you take control of your finances. Your retirement plan's automatic payroll deduction feature can make it easier to save more each month.

Controlling your cash flow and saving more in your employer's plan can help you meet your long-term financial goals.



# Risk Reminder

**W**hen you're investing for retirement, you don't want to forget about risk. There's always the potential to lose money that you've invested to make money. While you can't avoid risk completely when you're investing, you can learn how to manage your exposure to the different types of investment-related risk.

When you choose a variety of investments from within each asset class, you'll add another level of diversification to your portfolio. For example, consider choosing stock funds or portfolios that invest in different industries or different size companies.

### Interest-rate Risk

Rising and falling interest rates will affect your bond investments. The values of existing bonds generally will decline when interest rates rise since newly issued bonds will pay higher rates. You can manage interest-rate risk by choosing funds or portfolios that hold bonds with a variety of maturities.

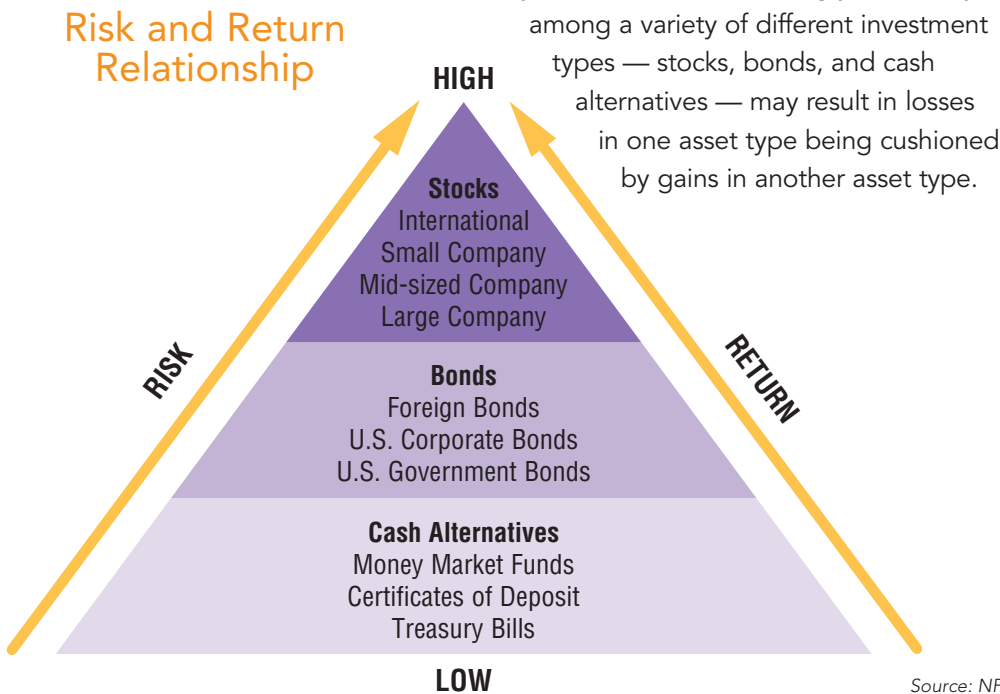
### Inflation Risk

Over time, inflation increases the prices of the items you buy. Even a low rate of inflation can have a significant impact after a number of years. So you'll need more money during retirement to maintain a comfortable standard of living. If you choose only conservative investments that don't keep up with the inflation rate, your retirement savings might not keep up with rising costs. Consider including investments, such as stocks, that have the potential to earn returns that outpace inflation.

*\* Diversification does not ensure a profit or protect against loss in a declining market.*

### Market Risk

Your stock and bond holdings generally will lose value when the overall stock or bond market declines. One way to manage market risk is to diversify\* your investments. Dividing your money among a variety of different investment types — stocks, bonds, and cash alternatives — may result in losses in one asset type being cushioned by gains in another asset type.



This publication is designed to provide useful information about retirement plans and investing your plan account savings. While the information contained herein was obtained from reliable sources, it cannot be guaranteed as to completeness or accuracy. Before acting on any of the information provided, consult your professional advisor.