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Retirement on the Brain



Your Retirement Plan:
Don't pass up the perks

Your Retirement Plan

Understanding the advantages of your retirement plan is crucial in making wise savings and investment decisions. *Your Retirement Plan* explains the basic principles of how your defined contribution plan can be helpful as you plan for your future in retirement.

What is a retirement plan?

In the past, it was not unusual to spend your entire career working for the same company. When you retired, the company paid you a pension and sometimes covered your health care costs. Today, many American workers are in charge of planning ahead for their own retirement years using a “defined contribution” retirement plan. And while it’s not quite as simple as sitting back and letting your employer handle the details, it certainly offers you a great deal more control over your future.

As an employee, you can fund your retirement plan account with money that is automatically deducted from your paycheck. You then decide how to invest the money based on your life goals, your tolerance for risk and your time remaining until retirement. One of your plan’s most attractive features is that the government does not tax any contributions, capital gains, dividends or interest until money is withdrawn.¹



Defined benefit plans are also known as pension plans. The benefit, usually in the form of a monthly income amount, is determined by a formula based on criteria such as length of employment and salary.

Defined contribution plans are funded primarily by your own contributions. These retirement accounts grow based on the amount contributed and investment returns. Common defined contribution plans include 401(k), 403(b) and 457 plans.

¹Contributions to Roth accounts are made after taxes. Earnings then grow tax-free and qualified distributions are not subject to federal income taxes.

Your retirement plan: An appealing way to save

It's simple

You determine how much to save and where you want to invest. The money gets deducted from your paycheck and put straight into your retirement plan account. Once you've made your investment choices, you don't have to think about saving — it's automatic.

Taxes on contributions and investment gains are deferred

Contributions you make to your account are not subject to federal income taxes until you retire or decide to withdraw your money. This does two things. First, it lowers your current tax burden, as your income will be reduced by the amount you contribute. Second, any investment gains and earnings also enjoy tax deferral until distribution, when your tax rate will possibly be lower.

Those tax advantages help your money grow

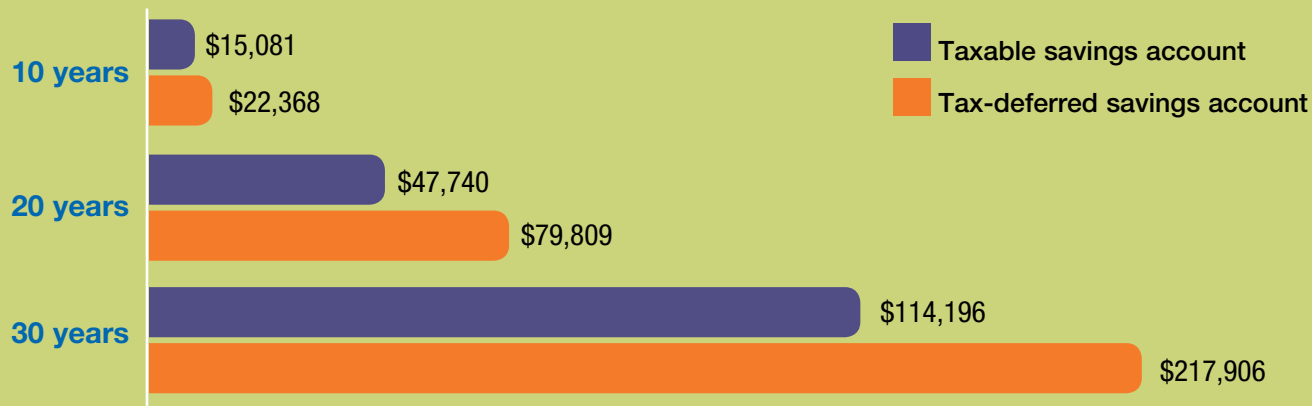
Small amounts of money, when left to compound over long periods of time, can potentially grow into much larger amounts of money. The dividends, interest and capital gains within your account — and not immediately taxed by the government — can compound for years, until you're ready to withdraw the money. This tax-deferred compounding can really add up over time.

The match can't be beat

Some employers offer to match a portion of your contribution as an incentive to help you save for retirement. Your company may offer to match the first four percent of the money you contribute from your paycheck, for instance. This means that if you contribute

The Power of Tax-Deferred Compounding

Use this chart to compare the returns of a tax-deferred account to a regular taxable account.



This chart is hypothetical and for illustrative purposes only and is not intended to be a projection of future values of any product. The investment return and principal value of an investment will fluctuate and an investor's interest, when redeemed, may be worth more or less than the original investment. Past performance is no guarantee of future results. The Standard imposes certain asset-based fees and administrative fees. These charges were not included; if they were, the tax-deferred performance would have been lower. Withdrawals prior to age 59 1/2 may be subject to a 10 percent federal income tax penalty. This illustration assumes a \$25 weekly contribution, a 25 percent federal income tax rate, a gross annual growth rate of 8 percent, and a 3 percent annual wage increase with a corresponding increase in weekly contributions. Note that lower maximum tax rates on capital gains and dividends could make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the investments shown. Please consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision as these may further affect the results of the comparison. Withdrawals from the tax-deferred account will be subject to federal and possibly state income tax.

4 percent of your pay, your company will add that same amount to your account. You gain ownership of the company match according to a vesting schedule. If your company offers a match, you have a sure-fire way to increase the amount of money entering your account.

You decide how much to save

Unlike traditional pension plans, your retirement plan gives you, the employee, the ability to determine how much you save. However, it does not guarantee a fixed amount of monthly income at retirement.

As a retirement plan participant, the amount of money you contribute to your plan is one of the most significant factors in how much cash flow you will have in your retirement years.

How much money will you need to save for retirement? Financial experts suggest living on about 80 percent of your pre-retirement income when you retire. Use the chart below to see how much income that could mean to you and how much you should save each month to reach that goal.

You decide where to invest

Your contributions are invested according to your instructions, chosen from the investment options available in your plan. Usually, your plan will offer a variety of investment options, ranging from lower-risk money market funds to higher-risk stock investments. These options give you quite a bit of discretion over how much risk you're willing to take, and lets you choose an investment plan that works best for you. Over time, as your priorities change, you can make adjustments to your investments to keep them in line with your needs.

A Basic Guide to Saving for Your Income and Age

Gross yearly income before retirement	Total savings required to provide 80% of income with Social Security	Monthly savings needed if you start saving at age 25	Monthly savings needed if you start saving at age 35	Monthly savings needed if you start saving at age 45
\$20,000	\$227,555	\$49.42	\$88.92	\$176.92
\$30,000	\$413,053	\$89.67	\$161.42	\$321.17
\$40,000	\$617,430	\$134.08	\$241.17	\$480.00
\$50,000	\$808,147	\$175.50	\$315.83	\$628.50
\$60,000	\$1,066,401	\$231.58	\$416.67	\$829.25
\$70,000	\$1,319,994	\$286.67	\$515.75	\$1,026.42
\$80,000	\$1,557,343	\$338.17	\$608.50	\$1,211.00
\$100,000	\$1,774,777	\$443.58	\$800.83	\$1,600.83

Calculations assume the participant plans to retire at age 65 with a life expectancy of 86. The assumed annual rate of return on investments is 8 percent and the assumed inflation rate is 3 percent. This example is hypothetical and for illustrative purposes only and is not indicative of the performance of any specific investment. Investment return and principal values will fluctuate so your investment, when redeemed, may be worth more or less than its original cost. Past performance is no guarantee of future results. Total savings requirements are calculated for a 25-year-old participant.

Investing is systematic

Because retirement plan contributions are systematically taken from your paycheck, you regularly invest the same dollar amount regardless of fluctuations in market prices. In effect, your plan automatically practices dollar-cost averaging, a simple and effective approach to investing. When the price of a fund rises, you'll buy fewer shares, and when the price dips, you'll buy more.

While dollar-cost averaging does not ensure a profit or protect against loss in declining markets, it takes the emotion out of investing and can help lower your average cost-per-share in the long run. Consider the following example:

Dollar-Cost Averaging at Work

Sam's retirement plan automatically deducted \$100 from his paycheck every month and invested it in a diversified fund. When the fund's price dropped, Sam purchased more shares, resulting in a lower cost-per-share than the average price over a one-year period.

Month	Amount Invested	Average Share Price	Number of Shares Purchased
January	\$100	\$20	5
February	\$100	\$25	4
March	\$100	\$20	5
April	\$100	\$16	6.25
May	\$100	\$16	6.25
June	\$100	\$10	10
July	\$100	\$5	20
August	\$100	\$8	12.5
September	\$100	\$10	10
October	\$100	\$16	6.25
November	\$100	\$20	5
December	\$100	\$25	4
	\$1,200	\$16 (avg. price)	94.25 shares

Avg. cost per share = **\$12.73** (\$1,200 investment ÷ 94.25 shares)

This example is hypothetical and for illustrative purposes only and is not indicative of the performance of any specific investment. Past performance is no guarantee of future results. Systematic investing does not ensure a profit or protect against a loss in declining markets.

You can take it with you

The money you save in your retirement plan is portable, meaning you keep it if you change jobs or retire. You have many choices. You can leave it right where it is, or you can roll it over into a retirement plan at your new employer. You may also roll it into an IRA, or you can withdraw the money. If you begin making withdrawals before retirement age, though, be aware that you will pay taxes and penalties on the money you withdraw.

Guided Planner

Making saving and investment decisions can be overwhelming, but you are not alone. The Guided Planner is a user-friendly, web-based tool that can help you make the choices that are right for your circumstances, risk tolerance and timeline until retirement.

Most importantly, Guided Planner can help answer the questions you likely have as you look ahead to retirement. How much do I need to save? And where do I invest it?

You can access the Guided Planner through retirement.standard.com. Simply login to Personal Savings Center and select Guided Planner from the Retirement Planning Resources menu.

It's a savings plan — not a bank account

While retirement plans are a great way to save, they do differ from traditional savings accounts in many important ways. The crucial thing to remember is that they are designed to help you save for retirement. The best way to accomplish this goal is to keep your savings untouched until you plan to retire.

However, should you find that you need to access the money in your retirement plan account, there are some options.

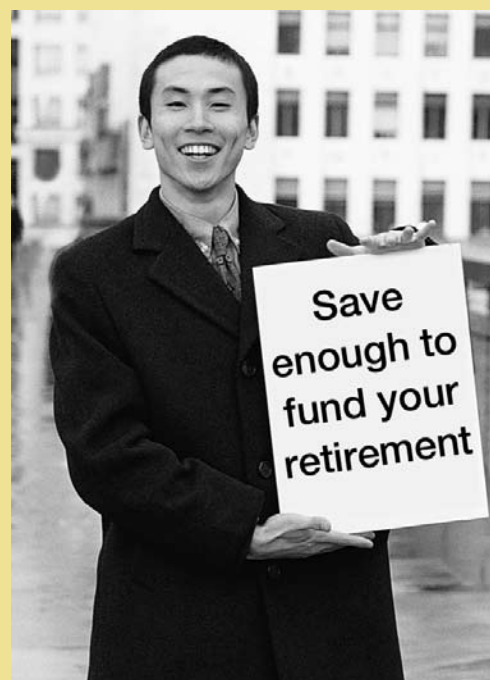
Loans

Some retirement plans allow employees to take loans from their accounts, and some also allow hardship withdrawals. Loans provide you with the opportunity to borrow money from yourself and then pay yourself back, on a fixed schedule, with interest. Often, you will be limited to borrowing up to half of your account balance up to a maximum of \$50,000. Some plans also provide for hardship withdrawals in the event of a severe financial need. Hardship withdrawals are subject to taxes and, depending on the type of hardship, a 10 percent penalty tax as well.

Early withdrawals

Should you decide to remove money from your retirement plan account before you reach retirement age, you will usually be required to pay an early withdrawal penalty as well as immediate taxes on the money you withdraw. While these taxes and penalties take a bite out of the money you will receive, the greater loss comes when you factor in how that money might have grown and compounded over time had you left it invested.

Whether you're a few years or a few decades from retirement, a retirement plan provides you with an appealing option for saving. Don't pass up the perks — talk to your benefits administrator about your plan today!





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Plan sponsors and participants should carefully consider the investment objectives, risks, charges and expenses of the investment options offered under the retirement plan before investing. The prospectuses for the individual mutual funds and The Standard's Group Variable Annuity Contract and each underlying investment option in both the group variable annuity and group annuity contain this and other important information. Prospectuses may be obtained by calling 877.805.1127. Please read the prospectus carefully before investing. Investments are subject to market risk and fluctuate in value.

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