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Fidelity INVESTMENTS

connect

with your financial future™

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GETTING RETIREMENT READY

A message from Cynthia Egan,
Executive Vice President, Fidelity Investments Tax-Exempt Services Company

We get ready for work (and the kids ready for school), ready to watch our favorite sitcoms, ready to hit the town, ready for bed. This perpetual state of readiness, unfortunately, doesn't always apply to one of life's most important events: retirement. Sure, we may understand that one day we will retire, but setting a retirement savings plan in motion—and staying on top of it—can often seem intimidating.

In this issue of *Connect*, we present the five steps of retirement readiness, and explain how, collectively, they can help you stay on track for a secure financial future. You've already covered step No. 1 by participating in a retirement plan, so give yourself a pat on the back. In subsequent issues, to better prepare you for the challenges that lie ahead, we will provide further insight into what retirement readiness means to you. Get ready. The future starts now!

ask us:

Q What does "rebalancing" mean and what kind of impact can it have on my retirement plan?

A Rebalancing means maintaining a mix of investment options in your retirement savings plan that supports your long-term investment strategy. It is recommended that you contact Fidelity at least once annually to discuss your asset allocation and ensure that it is appropriate for you and meets your goals. To determine the target asset mix appropriate for you, check out Fidelity Portfolio Review. Log on at **www.fidelity.com/atwork**, go to the Tools & Learning tab, then Investing for the Future.

Q What does the expression "pay yourself first" mean?

A Paying yourself first means shifting money from your paycheck into savings before you spend it on anything else. If you wait to save until there's extra money in your checking account, you'll never put any significant amount away. A good goal is to earmark 10% to 15% of your gross annual income to savings. This could come entirely from your paycheck or a combination of your paycheck and an annual raise or bonus. If you're fortunate enough to receive an inheritance or other financial windfall, consider devoting a large chunk of it to savings.

NetBenefits℠
Web sites
Online calculators
The 60-Second Retirement Challenge℠
Books

Secure Your Financial Future

Introducing the five steps of retirement readiness

Ready, set, retire! OK, so it's not as easy as that to sail off into the golden sunset of retirement. It takes planning and dedication to ensure that your retirement will be what you've always hoped it would be. In fact, there are five major steps to retirement readiness. Here's the good news: If you've enrolled in a retirement savings program, you've got **STEP 1** covered. But without acting on the other four steps, it's a cornerstone without a house. So let's move on to the next steps:

STEP 2 **Adopt an appropriate asset allocation.** The way you divide your savings among the major investment categories, such as stocks and bonds, can directly affect the amount you may potentially earn from the money. Choose a mix of investments that's appropriate for your goals, risk tolerance, and time horizon. A young person should start with a more aggressive asset mix, then, as retirement approaches, shift toward safer, more conservative investments. Call Fidelity today at **1-800-343-0860**, and we'll help you establish an asset allocation that is right for you.

STEP 3 **Maximize your savings.** We all have different expenses in our lives that are important to us. Retirement savings should be listed among them. By saving early and often, you'll thank yourself down the road. Got a raise? Put it into retirement savings. Save money by eating out less or driving that car another year or two. Think you're doing all you can to contribute to your retirement? Take The 60-Second Retirement Challenge℠ today by going online at **www.fidelity.com/atwork/challenge**, or call a Fidelity Retirement Services Specialist at **1-800-343-0860**.

STEP 4 **Stay on track.** On your way to retirement, life brings many challenges. You may change jobs, have children, need to care for aging parents, or purchase a new home, among other things. Be sure to keep putting dollars toward your retirement, even as your situation continues to change. At any point, you can calculate how much you need for retirement and determine how close you are to your goal. To find out more about what you can do to meet your retirement goals, log on to your account today at **www.fidelity.com/atwork**. Go to Tools & Learning, click Retirement Calculators, then Retirement Quick Check.

STEP 5 **Turn your assets into income.** The day you retire is a major life event. Building and implementing a retirement plan that gives you an income each month to support you is key, but what matters most is ensuring that you can realize the retirement lifestyle that is unique to you and your situation. Fidelity has a variety of tools and resources that can help with this process. To find out more about retirement readiness and what it means to you, call Fidelity at **1-800-343-0860**.

A 4-Step Plan to Tackle Credit Card Debt

Excessive credit card debt can make it difficult to pursue long-term goals like saving for retirement. To help you manage debt and free up money you can put to work for the future, Karen Gross, president of the Coalition for Consumer Bankruptcy Debtor Education (**www.debtoreducation.org**), offers the following four-step formula.

1. Don't rush into any impulsive arrangements. "Don't panic," Gross advises. "It's essential to pause, take a deep breath, and look carefully at possible solutions."

2. Examine your situation. While your debt problem may be serious and appear urgent, first get an accurate sense of the extent of your situation. "Take time to assess, compare, and contrast multiple solutions," Gross says.

3. List your options, including the pros and cons of each. For example, while a home equity loan may seem like an appropriate solution, it's not always the best course of action because it can put your home at risk.

4. Pay at least the minimum amount due on all your credit cards. This last step is critical because of the "universal default" clause, which permits a credit card company to raise your interest rate if you're late on another company's credit card or any other outstanding loan.

Don't stop there. By monitoring your spending more closely, you free up money for retirement. To figure out how soon you can pay off your credit card debt—and how much interest you will pay—use the debt reduction calculator at **www.money.cnn.com/tools**.

5 SMALL WAYS TO SAVE BIG

Sometimes it's the little things that count. Imagine what would happen if you put some of the money you spend going out to dinner or buying on impulse toward saving for retirement. Simple trade-offs really can add up over time.

TRADE-OFFS	SHORT-TERM SAVINGS	SAVINGS OVER 30 YEARS
Getting take-out vs. dining out once a month	$45/month	**$83,001**
Spending less on dry cleaning	$7.50/week	**$60,099**
Buying cappuccino every other day instead of daily	$7/week	**$56,092**
Exercising at home vs. gym membership	$300/year	**$44,573**
Renting a video vs. seeing a movie once a month	$11/month	**$20,289**

These hypothetical examples of savings in a tax-deferred account are based on a 9% annual rate of return compounded at the same rate as contributions over a 30-year period, and are not meant to reflect the performance of any investment product. Your own investment returns may be more or less than these examples, and income taxes and penalties may be due when you withdraw from your account. You may not be able to invest the contribution at the same rate as periodic savings because of investment minimum requirements.

PERSONAL FINANCIAL CALENDAR

Get into the habit of tackling one major financial task each month, and the benefits (that is, the money you save) will keep piling up. Here's what we suggest for the fourth quarter:

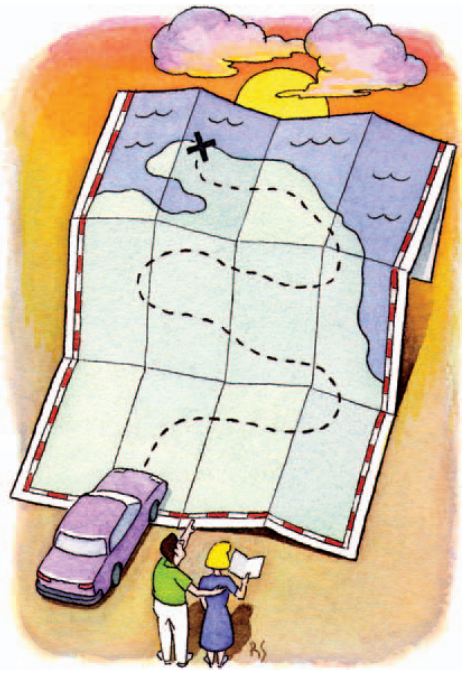
> OCTOBER During the holiday season, the plastic flies around like snow in a blizzard. But if you can't pay cash, chances are you can't afford it. Create a meaningful budget for those holiday purchases, and start saving now to fund them.

> NOVEMBER Look into ways you can reduce your 2005 tax bill. Investigate charitable donations (goods or monetary), itemizing vs. the standard deduction, shifting assets to your children, and tax credits you may be eligible for.

> DECEMBER Start thinking about next year: Look into fringe benefits at work like tuition reimbursement and health- or dependent-care savings accounts. Most important, don't forget to bump up your retirement savings, which can provide the added benefit of reducing your income taxes.

Road Map to Retirement

A retirement mission statement can provide direction and purpose



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Just as many tax-exempt organizations rely on a mission statement to set the tone and direction for their future, you should develop one to capture your thoughts on how you want to live your life in retirement—the things you want to do, the goals you want to achieve, the passions you want to pursue. To create an effective retirement mission statement, consider these tips.

DARE TO DREAM. Now is the time to determine your vision for your golden years. If you're married, determine whether you and your spouse share the same dreams—and how to reconcile any differences if you don't. Create a list of nonfinancial goals. How do you see your retirement? Will you work or not work? Travel or hang around at home? Sell your house and relocate, or stay put?

MAKE SOME ASSUMPTIONS. Contemplating life in retirement can be a fun exercise, but the creation of your mission statement should involve some basic assumptions, including when you plan to retire and a general idea of what your expenses will be. Although nothing is set in stone, these assumptions can help you determine if your financial and nonfinancial goals are realistic.

KEEP IT SIMPLE. A retirement mission statement should be brief, from a short paragraph to a page. It should also be simple, but detailed enough so that you have something to refer to in gauging how you are doing along the way.

DON'T HIDE IT AWAY. Keep your mission statement where it is easily accessible—on your desk, in your wallet, on the hard drive of your computer, or anywhere else where you are most likely to look at it from time to time. What's more, review the mission statement at least once a year or when you have a significant life change, such as marriage.

> *CONNECT* WANTS TO HEAR FROM YOU

Tell us how you are planning and saving for retirement, and we may share your story in a future edition of *Connect*! E-mail us today at **Connect@fmr.com**.

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