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fall 2003

savings in the spotlight

a message from John W. Callahan,

President, Fidelity Investments Tax-Exempt Services Company

Welcome to the fall issue of *Connect*—a quarterly newsletter exclusively for retirement plan participants. Saving is the focus of this issue of *Connect*. When it comes to saving, most likely we all need to be better at it. The greatest obstacles seem to be where we get the "extra" money to put aside, and once we find it, where we invest it. We've included insights on topics you've told us are important to you: managing debt and reducing monthly spending. We hope you find this issue of *Connect* a valuable resource when planning for your future.

connect with us

Many readers indicated that they want more information about saving, financial planning, and account management tools. What would you like to see in future issues of *Connect*? To tell us, visit **www.fidelity.com/atwork/connect**.

opportunity knocks—learning to make the most of your savings

Saving for retirement and other major goals may be more important than ever given today's economic environment. Following are some tips that may help you make the most of your savings and find more money to set aside for the long term.

Remember that a little could mean a lot—Even if you can only squeeze a little extra savings from your budget, it could make a difference. Assume that you can contribute an additional $20 a week to your retirement savings plan. After 25 years, you could potentially have an additional $76,589, assuming a hypothetical 8% annual rate of return.[1]

Don't overlook tax savings—The 2003 federal tax act may have left you with extra money you didn't expect. Many people began receiving more take-home pay when the amount of federal income tax withheld from paychecks was adjusted for new tax rates. Some people will also benefit from a larger child tax credit and a larger standard deduction for married couples filing jointly. Visit **www.irs.gov** for more on the tax act and what it may mean for you.[2]

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opportunity knocks ▸ *from page 1*

Focus on your savings percentage—Contributing a percentage of your salary toward your goals may help you be a more disciplined saver. By doing so, the actual dollar amount you set aside will increase automatically if your salary rises thanks to an annual merit increase. To learn more about why it's important to maximize your savings efforts, visit the Savings Action Center at **www.fidelity.com/atwork**.

[1]This hypothetical example is based on monthly contributions to a tax-deferred retirement plan and an 8% annual rate of return compounded monthly. Your own plan account may earn more or less than this example, and income taxes will be due when you withdraw from your account. Investing in this manner does not ensure a profit or protect against loss in declining markets.

[2]Fidelity has not been involved in the preparation of the content supplied at this site and does not guarantee or assume any responsibility for its content.

Fidelity does not provide tax advice, and the information provided in this article is general in nature and should not be considered tax advice. Consult with a tax professional regarding your specific tax situation.

LIFE & MONEY

take charge of your debt

Debt can open a lot of doors in modern life, including the door to a new home or a college education. But it can also make it difficult to pursue long-term goals like retirement. Here are some ideas for managing debt that may help free up money you can put to work for the future.

Consolidate debt at a lower rate—Consolidate high-interest debt, from car and student loans to credit card debt, using a lower-interest rate credit card or loan, such as a home equity loan. Visit **www.bankrate.com** to learn more about your options.[1]

Pay more than the minimum—If you have credit card or other high-interest debt, try to pay more than the minimum each month. For example, assume you owed $8,000 at a 14.71% interest rate (recent national averages)[2] and paid only the minimum amount due each month. It would take nearly 20 years and cost more than $7,200 in interest expense to pay it off. However, if you paid just $50 above the minimum each month, you could be debt free in seven years at a cost of about $3,500 in interest.

Pay cash for purchases—If you can't afford to pay for something now, try to wait until you have the cash to buy it.

Don't stop there. Monitor your spending closely to spot opportunities to reduce it.

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[2]Sources: Cardweb.com for national averages; Standard & Poor's for calculations. Hypothetical example assumes that minimum monthly payment is the greater of 2.5% of the balance or $20.

three tips to stop spending leaks

We all spend a little money here and there that we know we probably shouldn't. Over time those "drops in the bucket" could be put to good use, such as saving for retirement. Here are some suggestions to help plug the leaks.

1. Make a budget. The budget calculator ("How Much Am I Spending") at **www.asec.org** might help.[1] Include entertainment, vacation, and holiday spending so you're not surprised when credit card bills arrive.
2. Spot ways to save on utilities, such as using energy-saving settings on appliances. Check **homeenergysaver.lbl.gov** for more tips.[1]
3. Refinance your mortgage if it could lower your interest rate. There are tools at **www.bankrate.com** that you can use to decide.[1]

To see the impact of everyday spending, try the Spend or Save Calculator at **www.fidelity.com/atwork** (under Tools & Calculators).

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your next move: investing newfound savings

When investing new savings, whether in your retirement savings plan or in a personal account, such as an IRA or college savings account, you may want to simplify the process by considering "lifecycle" funds, such as the **Fidelity Freedom Funds®**. The investment mix of each fund is automatically adjusted to become more conservative over time. Just pick the fund with the target date nearest to the year you want to retire.

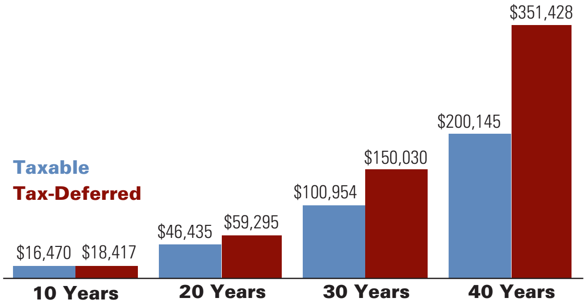
Fidelity Freedom Funds may be available in your retirement savings plan or through a personal investment account. For more information about these funds, visit **www.fidelity.com/atwork/freedom**.

For more complete information about these funds, call or write Fidelity for free prospectuses. Read the prospectuses carefully before you invest.
Strategic Advisors, Inc., a subsidiary of FMR Corp., manages the Fidelity Freedom Funds.
Neither diversification nor asset allocation ensures a profit or guarantees against loss.
Brokerage services provided by Fidelity Brokerage Services, LLC, Member NYSE, SIPC.

INVESTING INSIGHTS

time and tax benefits: could they help stretch your savings?

Compounding is what happens when investments earn returns and those returns then earn returns themselves. When you save in an account that's tax deferred—like your retirement savings plan account, an IRA, and certain other personal investment accounts—the IRS allows you to defer (delay) paying income taxes on any earnings until you make withdrawals.[1] Money you'd otherwise pay in taxes can remain invested and potentially enhance the effect of compounding.



The chart above demonstrates the potential of time and tax deferral when they work together. It shows the growth of $100 monthly investments in a taxable and a tax-deferred account. The results assume an 8% average annual return and a hypothetical 25% tax rate on the taxable account. Keep in mind that the money in the tax-deferred account would eventually be subject to income taxes upon withdrawal.

This chart assumes a hypothetical $100 monthly investment and an 8% rate of return, compounded monthly, with the earnings from the taxable investment taxed annually at a hypothetical federal income tax rate of 25%. The "tax-deferred account" bar in the chart shows the total amount you could have after certain periods. Tax-deferred earnings and taxable contributions will be taxed at the time of withdrawal at the tax rates in effect at that time. Your own account may earn more or less than this example.

[1]Be sure you understand the tax consequences of any withdrawal or distribution before you initiate one.

got a minute?

visit the savings action center

To see if you're on track to meet your retirement goals, take Fidelity's 60-Second Retirement Challenge. All it takes is a visit to the Savings Action Center at **www.fidelity.com/atwork** where you can answer eight easy questions and gain valuable information to help you plan for the future.

ASK US

calling all questions: let us hear from you

If you're going to make wise decisions about your retirement savings plan, you'll need to ask questions now and then. Below are a couple we commonly hear.

I'm behind with my retirement savings, but I've heard that once I'm 50 I can contribute more. Is that true? Tax rules allow individuals who are 50 and older to make "catch-up contributions" to retirement savings plans and IRAs.[1] Plan rules vary, however, so speak with a Fidelity Retirement Services Specialist.

I have savings in an old employer's plan. Can I move them to this account? A Fidelity Retirement Services Specialist will be able to tell you whether your plan accepts such "rollovers" and what steps you'll need to take. Be sure you understand the tax consequences of any withdrawal or distribution before you initiate one.

To ask your own questions, call Fidelity toll-free at **1-800-343-0860** or at the toll-free number on your statement. You can also visit **www.fidelity.com/atwork** for additional information, articles, and tools.

[1]*Participants may be eligible to make a catch-up contribution if they have deferred the maximum amount allowed under their plan(s) due to IRS and plan limitations and/or restrictions.*

RETIREMENT RESOURCES

learning the e-asy way with NetBenefits℠

Visit NetBenefits℠ any time to manage your retirement savings plan account, and while you're there, take a few minutes to sharpen your saving and investing skills. NetBenefits now offers three of Fidelity's exclusive e-Learning℠ Workshops—savings planning, investment strategies, and mutual funds. Why are they an effective way to learn?

You decide when to participate in an e-Learning Workshop and set the pace you prefer.

As you go through the workshops, the program will suggest relevant content based on how you've answered questions about your investment knowledge.

Any work you complete in the workshop is automatically saved, so you can come back later and finish if it's more convenient.

The e-Learning Workshops are linked to related areas of NetBenefits, so you can apply what you learn on the spot.

Take advantage of the workshops and other user-friendly features of NetBenefits by logging on at **www.fidelity.com/atwork**. All you need is your Social Security number (or Customer ID) and Personal Identification Number (PIN), which you can create online if you don't already have one.

For more complete information about these funds, call or write Fidelity for free prospectuses. Read the prospectuses carefully before you invest.

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