

Insight

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Kansas Public Employees Deferred Compensation Plan

Welcome to the new Kansas Public Employees Deferred Compensation Plan newsletter. You'll receive *Insight* quarterly with your account statements. You can expect timely Plan news and valuable information about planning and investing for retirement. We hope you find it useful.

Manage your account online

It's convenient to manage your account online. Go to ingretirementplans.com/custom/ks. Click **Account Access** and login, then select your Plan for:



- Instant account access
- Tools and calculators
- Educational information

If you've never logged in, it's simple to start. Enter your Social Security number, personal identification number (PIN from ING), and e-mail. Create a User ID and password. Choose a security question and answer it. When you come back, you'll only need your User ID and password.

Change deferral amounts

To change how much you contribute each pay period, click **My Account > Contributions > Change**. You can choose a dollar amount or a percent of your pay.

Update your beneficiary

Click **My Account > Beneficiary Information > Modify Primary Information** or **Modify Contingent Information**.

You can choose beneficiaries to receive the money in your account if something happens to you. By checking your beneficiary information from time to time, you can be sure the right person will receive your money. It's especially important to check your beneficiaries whenever you have a significant life event like marriage, divorce, or the birth of a child. As your life situation changes, so could your choice of beneficiary. You can update your beneficiary anytime. Changes made online are effective immediately.

Size up your progress

Have you ever wondered how your savings efforts compare to other Kansas State employees? Just go to ingretirementplans.com/custom/ks and click on **What do other people do?** Based on age and salary, you can see what other State employees are contributing and how much they have saved, on average. ●

See the big picture

A new online calculator combines KPERs and Social Security estimates and your savings to give you "a big picture" for your retirement income.



My RetirementWIZARDSM estimates the annual retirement income you might expect from all three sources. It has many of the same features as ING's Financial Analysis tool used by the Plan representatives. Much of the information about KPERs and Social Security is preloaded into My RetirementWIZARDSM. You can also enter information yourself. Best of all, this is an online tool you can use on your own and get updated results anytime.

If your retirement income analysis shows a shortfall, the calculator will show you what you would need to save to potentially make up the difference.

Running "what if" scenarios can help you see if you're saving enough for retirement, and help you make informed decisions.

See the new My RetirementWIZARDSM at www.ingretirementplans.com/custom/ks. ●

(800) 232-0024

<http://ingretirementplans.com/custom/ks>

Should you continue investing during a recession?

Today's markets can test an investor's patience. Three steps could help you stay confident while investing for your retirement.



1 Don't miss the potential rebound.

Historically, stocks have recovered from short-term declines. Despite 2008's 37% decrease, Standard & Poor's 500 Index¹ posted a 10% annualized gain during the last 25 years through December 31, 2008.²

In fact, one of the biggest risks to investors isn't short-term declines — rather, it's inflation. If your investments grow at a rate that is less than the rate of inflation, you can lose purchasing power. For your portfolio to potentially grow, your returns must exceed the inflation rate. Historically, stock returns have outpaced inflation by an average 6.2% a year since 1945.² Investing during a declining market may present a possible opportunity to buy investments at potentially lower prices. Remember, past performance doesn't guarantee future results.

2 Maximize your savings.

Uncertainty in a recession may lead some individuals to cut back on saving and investing and wait for good times to return. However, this reaction ignores the reality that it takes years of steady saving and careful investing to hopefully accumulate assets that could generate enough after-tax, after-inflation income for years to come.

Pursue saving and investing for the long term. If you can afford to, consider increasing the amount you set aside each year or whenever you get a raise.

3 Choose a mix that's right for you.

Diversifying your investments can help you create an investment mix that may be able to withstand market fluctuations, although it does not assure a profit or protect against loss in declining markets.

The way you invest depends on your age, objectives, and comfort with investment risk. For instance, people close to retirement often seek a lower-risk mix of investments but may still include a smaller allocation of stock investments for potential growth to hopefully help their savings last for decades. ●

¹ The S&P 500 Index tracks the stocks of 500 widely held U.S. corporations, representing more than 70% of the value of the U.S. stock market. Investors cannot directly purchase or invest in an index.

² Ibbotson Associates, a Morningstar company. Data as of February 2009.

Out from under

Are you swamped with credit card debt? There is no investment strategy anywhere that pays off as well — and with less risk — as eliminating high-interest debt.

Reducing high-interest credit card balances as quickly as possible is one of the wisest things you can do under any market condition. What you save on monthly credit card payments frees up money for other uses, such as adding to your retirement plan accounts.

¹ These Web site addresses are provided for your information only. ING does not endorse or accept any responsibility for the content, products, and/or services provided at non-ING sites. You should review a Web site's privacy policy before providing any type of personal information.

Prioritize your payments

Write down the balance you owe, the interest rate you pay, and your credit limit on each credit card. Then create a repayment schedule. Concentrate on paying off the card that charges the highest rate first. Focus, too, on getting your outstanding balance on each card well below the credit limit to lessen your vulnerability to over-the-limit fees. Note: Never miss a payment. If you do, your interest rate may be raised on that card and others after credit card companies review your credit history.

Look for a lower rate

Consider transferring your balances to a lower-rate card. You can do side-by-side comparisons of other cards on www.cardratings.com, www.bankrate.com, and www.creditcards.com.¹ Be sure to check the transfer fees. If you find a low advertised rate, note how long the low rate lasts and make sure you qualify. Sometimes, it will depend on your credit rating.

Turn over a new leaf

Limit use of credit cards while paying off your debt. If you can, consider making all purchases with cash. Experts say no one needs more than two or three credit cards. But keep your oldest card; this can help your credit score by showing how long you've had credit. When you're debt-free, consider saving for the long term by perhaps increasing the amount you contribute to your retirement plan accounts. ●

Go green and keep more green

Going green to help the environment makes life better for you and future generations. And cutting expenses can produce extra cash that could go toward your retirement savings.

Here are some simple things you can do to save money and the environment.

- Set your thermostat a few degrees higher to save on cooling costs this summer.
- Replace older incandescent bulbs with compact fluorescent light bulbs (CFLs).
- Unplug appliances and shut off lights when you're not using them.
- Wash clothes in cold water and hang laundry to dry outside to lower energy costs.
- Take shorter showers to reduce water use and lower your water and heating bills.
- Choose native plants that can tolerate drought for your garden.
- Use cell phones and computers as long as possible, then recycle or donate electronics responsibly to help reduce hazardous waste.



- Walk or ride a bike to save on gas and parking costs while running errands.
- Tune-up your car and change the oil regularly to increase gas mileage.
- Carry a reusable water bottle instead of paying for bottled water that generates container waste.
- Borrow from libraries or friends instead of buying books and movies.
- If your bank or retirement plan offers electronic account statements, sign up for online delivery instead of mailed paper copies. ●



What's in the economic stimulus plan for retirees

The government's economic stimulus plan includes changes that aim to put more money in people's pockets to spend and help revive the nation's economy.

Retirement income. If you're a recipient of Social Security, Supplemental Security Income (SSI), Railroad Retirement, or Veterans Administration benefits, you collected a one-time payment of \$250 in May or June. Retired government employees not eligible for Social Security benefits will get a \$250 credit when they file their 2009 tax returns.

Withholding rules. The Internal Revenue Service (IRS) issued new tax tables that lowered the tax withholding rates for retirees and employees starting April 1.

If you get income on a regular basis from your retirement accounts or annuity, you may be seeing a little extra with each payment because less federal income tax is being withheld. Of course, if no taxes are withheld, you won't see any difference in your payments. The change does not apply to lump sum payments.

No retiree tax credit. The stimulus plan included a new tax credit on earned income such as wages reported on Form W-2. This credit helps employees offset the impact of lower withholding on their 2009 and 2010 tax bills. However, retirees who receive retirement income reported on Form 1099-R are not eligible for this credit.

Impact on tax return. Getting more with each retirement plan or annuity check throughout the year might affect your tax situation next April. If you typically receive a refund, this could lower the amount of the refund. Or if you normally pay taxes, you could owe more, depending on your circumstances.

If you want to avoid any tax surprises, you may want to review your situation. Ideally, you want your withholding to cover your tax liability. For a quick analysis, you can use the new withholding calculator for retirees at www.irs.gov.

You don't have to do anything. However, if you wish, you may adjust the amount of taxes withheld from your retirement income. Ask the company that sends your scheduled payments how to file a new Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Since ING does not offer legal or tax advice and tax issues can be complex, consult your tax or financial adviser before changing your withholding. ●

Test your knowledge of investing in a bear market

Should I keep saving for retirement even though I have experienced losses?

One of the best ways to help replenish your retirement assets is to boost your savings efforts, if you can. Continuing to save — and hopefully increasing your contributions to your retirement accounts — could help keep you on track for retirement. By purchasing stocks when prices are lower during a bear market, you could potentially experience investment gains when the market recovers.

Should I pull my money out of stocks and invest more conservatively until the market recovers?

If you are still comfortable with your long-term asset allocation and personal risk assessment, you might not need to readjust your investment strategy. It is your personal decision. However, if you pull out of the market, you might miss the beginning of its eventual recovery. Historically, stocks have produced some of their strongest returns as they rebounded from their low points. This may not always be the case as market performance can be highly volatile and unpredictable.

Research by Dalbar, Inc., found that investors' tendency to jump out of the market after declines caused their returns to lag the market dramatically. Dalbar discovered that the average investor earned an annualized return of only 4.48% during the 20 years between 1988 and 2007, compared with an 11.81% return for the S&P 500.¹ The lower return came as a result of moving in and out of the market at inappropriate times, missing the best days of the recoveries.

What does history tell us about market downturns and recoveries?

Stocks historically begin recovering before a recession ends.² To avoid missing the eventual rebound, you may want to be patient. Consider the stock market's five worst individual years between 1926 and 2007: 1930, 1931, 1937, 1974, and 2002. The S&P 500's average cumulative loss for those years was 30.4%. By contrast, the index scored an average cumulative return of 72.8% for the five-year periods that followed each of the down years.³

Bear in mind that past performance does not guarantee future results. You should always consider your financial ability to continuously invest in up as well as down markets. Ultimately, the decision whether to invest or not is yours.

This article is not intended to provide investment advice. Consider working with a financial professional to discuss your personal situation when making investment-related decisions.

¹ Dalbar, Inc., *Quantitative Analysis of Investor Behavior 2008*. QAIB uses data from the Investment Company Institute (ICI), Standard & Poor's, and Barclay Capital Index Products to compare mutual fund behavior with an appropriate set of benchmarks. The study utilizes the net of aggregate mutual fund sales, redemptions, and exchanges each month as a measure of investor behavior. These behaviors are then used to simulate the "average investor." Based on this behavior, the analysis calculates "average investor return" on both a cumulative (total) and annualized basis. These results are compared to respective indices.

² "Does Sector Rotation Signal Recession?" Standard & Poor's, November 26, 2007.

³ Ibbotson Associates, a division of Morningstar, Inc. Stock market returns represented by the performance of the S&P 500.



You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. Fund prospectuses and an information booklet containing this and other information can be obtained by contacting your ING local representative. Please read the information carefully before investing.

IMPORTANT INFORMATION

Variable investment options are considered long-term investments designed for retirement purposes. Money taken from the Plan will be taxed as ordinary income in the year the money is distributed. Account values fluctuate with market conditions and when redeemed, the principal may be worth more or less than the amount originally invested.

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