WHAT'S MY NAME?

TULARE COUNTY DEFERRED COMPENSATION PLAN

457 DEFERRED COMP PLAN JANUARY 2004

WHAT CAN THE "DEFERRED COMP" PLAN DO FOR ME?

How are you planning for your retirement? Does that day seem so far off that you really don't give it much of a thought? Is your retirement date drawing so very close that you are now concerned that you may not have enough funds to retire comfortably? If you are a full-time employee of Tulare County, did you know that you can be investing in three separate retirement programs all at the same time?

Tulare County and its employees make mandatory contributions into the federal Social Security system. The County and its eligible employees also make mandatory contributions into the County's retirement plan. But many employees have yet to take the additional step of preparing for retirement by participating in the voluntary Deferred Compensation program also offered by the County of Tulare.

Why should I participate in Deferred Comp?

Besides being an effective vehicle for adding to future retirement benefits, the Deferred Compensation program allows you to make contributions on a "tax deferred" basis. This means that contributions into your deferred comp account are deducted from your pay first; taxes are then withheld on the remainder of your pay. By lowering the amount of your taxable income you will owe fewer taxes to Uncle Sam at the end of the tax year.

When is a good time to get started?

Now! Actually, the younger you are the better. Consider these examples:

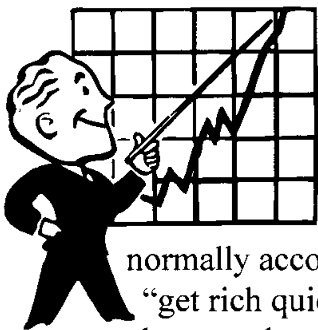
Ricky Ricardo invests $10,000 at age 25. Assuming an 8% annual rate of return, Ricky will have a total of $217,245 in his account at age 65. This is without any additional investment made into the account by Ricky!

Fred Mertz also invests $10,000 and earns 8% annual rate of return. But Fred waits until he is 35 to make his investment. By the time he is age 65, Fred's account will have grown to $100,626 - less than half the amount in Ricky's Account!

In this issue...

Are high rates of return realistic in today's markets?

It may be difficult to accomplish a return rate of an amount as high as 8% in the current financial markets. But what should be remembered is that saving for retirement is a **long-term** proposition. Reaching your retirement goals is not normally accomplished through a "get rich quick" approach. The best results are achieved by developing a systematic savings plan. The Deferred Compensation program, along with the County's Retirement plan and your Social Security benefits, can help you to retire comfortably and perhaps at an earlier age than what you might otherwise have thought possible.

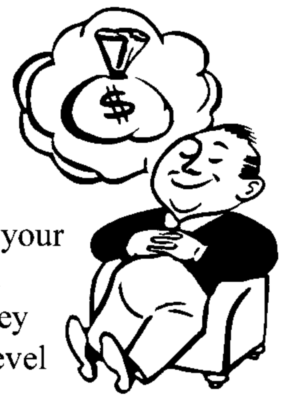


Employees are encouraged to meet with the representative from Great West to gain a better understanding of how a small, but regular, investment in the County's Deferred Compensation program may be a significant step in developing your long-term financial plan. Remember that no one plans to fail, but many fail to plan! ❧

SUCCESSFUL INVESTMENT STRATEGIES REQUIRE DIVERSIFIED, DISCIPLINED APPROACH

A key component to any investment plan can be summed up in a single word - diversification. Diversifying investments, whether they are in a portfolio held by an individual or by an institution, helps to reduce the risk of a loss in assets. Over time, a well-diversified investment portfolio will generally record higher financial gains than does a portfolio that relies on only a small number of investments.

In developing an effective investment portfolio, the average investor may wish to consider meeting with a professional financial planner. It is also advisable to review your level of "risk tolerance," or the level of risk you are comfortable with taking. A simple, but often effective rule of thumb for looking at the risk of a particular investment is the "sleep at night rule." If participating in a certain investment is causing you to lose sleep at night, then you've probably exceeded your level of risk tolerance! An individual's age is also a key factor in determining the level of risk that one could, or is willing to take. Most younger investors can afford to make investments with higher levels of risk than can those people who are approaching retirement or who are already retired.



One way to reduce the risk in your investment portfolio, and still meet your long-term objectives, is to spread your investments over a number of asset types, or classes. Most individual investors are familiar with the three major asset classes: stocks (or equities); bonds (also called fixed income); and real estate. Obviously, each of these asset classes carry with them different levels of risk, as well as different expected rates of return. The key for the individual investor is to find a combination of these investments that will keep the level of risk tolerable while also providing an acceptable rate of return.

If you want to try to develop your own asset allocation model you may wish to consider the following suggestions listed in the "CCH Retirement Planning Guide." Depending upon your age, objectives and risk tolerance, you might:

- put 50% to 60% in equities; the remainder in fixed income instuments
- place 40% in stocks; 30% in fixed income instruments; 20% in real estate; 5% in money market funds; and 5% in other investments
- invest one-third in growth stock funds; one-third in bond funds; and one-third in balanced funds (ones that invest in both stocks and bonds)
- subtract your age from 100 and invest that percentage amount in stocks; invest the balance in fixed income instruments

As you can probably see, the combinations of diversification strategies are unlimited. It is not the purpose of this article to favor any one particular strategy over another. Once again, the use of a professional financial planner could prove to be very valuable in helping the individual to find the right mix of investments that will allow the person to meet her/his financial goals. ❧

HELP US NAME THIS NEWSLETTER!

You may have noticed that this newsletter has no name. We are conducting a contest for the best name for the deferred compensation newsletter. Any County employee may participate. Send your entry to Jimmy Allen, County Auditor-Controller and Deferred Compensation Committee Chair, at the Tulare County Courthouse, Room 101-E, no later than February 27, 2004. The winner will be selected by the Deferred Compensation Committee and will receive a twenty-five dollar gift card to Borders, donated by Great West. All decisions of the Deferred Compensation Committee will be final. ❧

CONTACT INFORMATION:

Tulare County Deferred Compensation Plan
www.tularecoauditor.org/deferredcomp/

If you are interested in finding out more about the 457 deferred compensation plan for Tulare County, please contact:

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This newsletter is a product of the Tulare County Deferred Compensation Subcommittee.

Design by Shelly DiCenzo