

Great Expectations!



Tulare County Deferred Compensation Plan Newsletter

October 2005

OPEN ENROLLMENT AND THE DEFERRED COMP PROGRAM

The County's Open Enrollment meetings from October 17th through November 4th are a great time to look into the Deferred Compensation Program! Our Great West representative, Stephanie Henry, always sets this time of year aside just to meet with employees interested in starting in the program or who have questions about the variety of investment options open to plan participants. She can meet with you personally in order to help you devise a strategy for using the Deferred Compensation Program to your fullest advantage. We encourage you to call Stephanie at (559) 967-2280 to make an appointment. ☎

INVESTMENT TYPES AND STYLES

As many investors already know, a key component to any successful investment plan is achieved through diversifying your investments, that is by not placing "all of your eggs into the same basket." Diversification, whether 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.

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 some of the major asset classes: stocks (or equities);

bonds (also called fixed income); cash (and cash equivalents) and real estate. But it is also important to understand how these asset classes work and the differences between each of them.

Stocks allow investors to actually own a piece of a company or corporation as represented by the number of "shares" that are purchased. Your hope as an investor is that after buying your shares the company will prosper and your investment will increase in value. This would allow you to sell your shares and earn a profit. Additionally, many companies will pay shareholders a small percentage of the corporation's profits, or "dividends," each year. Dividends can be an important source of investment income that can then be used for further investments and for increasing your overall portfolio.

Over time, two distinct styles of investing in stocks have developed. Some investors prefer to invest in companies that show great potential for growth. Such companies may be large or small, but a key for the "growth" style of equity investor is that the corporation is one that shows signs of being able to have sustained growth over a long period of time. Other investors look to buy share in companies that may be under-appreciated by most investors. "Value" investors are those people who feel that they can find a "great deal" on a company that may be undervalued at the present time but which show signs of staging a comeback. Although there are other characteristics that differentiate the growth and value styles of investments in equities, our purpose here is to point out that different investment styles exist. When investing in equity mutual funds, the individual should

become familiar with the style of investing that the fund will follow.

Unlike stocks, which convey ownership (although it may be small) in a company, **Bonds** are financial instruments that represent a “debt investment.” Bonds are issued by companies (and also federal, state and local governments) that wish to raise money for any of a variety of reasons. When you invest in a bond you receive a fee (interest), for lending your money to the organization that has issued the bond. You are also promised that the money will be paid back to you over a set period of time. Because they provide a set rate of interest to be paid and will do so over a set period of time, bonds are generally considered to be “safer” investments than stocks. However, bonds are also expected to provide a lower level of returns than will equities.

One final class of investment that is helpful for the new investor to understand is **cash**. At first glance “cash” may not seem like an asset class at all. But in fact, over time a number of different investment instruments have been determined to be so safe that they are viewed as being the equivalent to having cash in your pocket. As a result, many people will allocate at least a part of their investments to certificates of deposits (CDs), U.S. Savings Bonds, U.S. Treasury bills, money market accounts, or other short-term investments that allow them easy access to their funds while still earning something on their money.

How you invest and diversify your portfolio is a personal decision that is based upon factors such as your age, level of income, and risk tolerance. If you are trying to achieve better diversification within your investments, you may wish to speak with a qualified financial planner to help get you started. If you are a participant in the County’s Deferred Compensation Program, you may also want to meet with the Great West

representative, Stephanie Henry, in order to gain a better understanding of the various investment funds, and investment styles, available to plan participants. Feel free to contact Stephanie at (559) 967-2280. ☎

ADDITIONAL NEW FUNDS ADDED TO DEFERRED COMP PROGRAM

At the most recent meeting of the Deferred Compensation Committee, it was decided to add Index Funds to the list of fund options from which plan participants can choose. Index funds offer members an additional opportunity for diversification of their investment portfolios, while keeping costs to the individual at a low rate. The new investment opportunities added by the Committee are part of the Dreyfus family of funds and are as follows:

Dreyfus International Stock Index
Dreyfus Mid Cap Index Fund
Dreyfus Bond Market Index Fund

If you are interested in learning more about these new investment options, contact Stephanie Henry at Great West for more information. ☎

CONTACT INFORMATION

Tulare County Deferred Compensation Plan:
www.co.tulare.ca.us/government/auditor/defercomp/default.asp

If you are interested in finding out more about the 457 Deferred Compensation Plan for Tulare County, please contact:

Stephanie Henry

Website: www.gwrs.com
E-Mail: stephanie.henry@gwrs.com
Phone: 559-967-2280
Fax: 559-622-0407

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