

Commerce Concepts

Market Updates, Asset Allocation and Investment Education for Plan Participants and Individuals

What to Do After You've Been Auto-Enrolled

At one time, the only way you could join your company's 401(k) plan, 403(b) plan, or 457(b) plan was to put pen to paper and sign yourself up by filling out the appropriate forms. Now, though, in an effort to help participants increase their retirement savings, some employers have begun enrolling their employees automatically. With automatic enrollment, you don't fill out a form to opt into your company's retirement plan; you only fill out a form to opt out of it.

At first glance, automatic enrollment sounds like a no-brainer – without doing anything, you're on your way to saving for retirement. But don't just assume that the investment decisions your employer has made on your behalf are right for you. Instead, take charge of your own retirement savings right now by following these four steps.

Step 1: Get the facts

If you work for a company that offers automatic enrollment, your employer will typically enroll you once you meet the retirement plan's eligibility requirements, and will begin to direct a certain percentage of your paycheck (your contribution rate) into the investment fund the company has chosen as its default. Don't make the mistake of thinking you have to stick with the default elections your employer has chosen for you.

Once you've been automatically enrolled, you can increase (or decrease) your contribution rate, move money from one investment option to another, or even opt out of the plan altogether.

Your employer is required to send you information about the plan provisions and your investment options, along with specific instructions on how to opt out if you choose not to participate in the plan. Read the documents you receive (including your plan statements), and ask questions about anything you don't understand before making any investment decisions.

Step 2: Consider your contribution rate

Like many people, you may be tempted to stick with the contribution rate your employer has chosen for you. But this contribution rate (typically 3 percent) may be less than you need to contribute to reach your retirement savings goal.

Find out, too, if your company offers matching funds (employers who offer matching funds to traditionally-enrolled plan participants must offer the same match to automatically enrolled participants). If so, try to contribute at least enough to receive the full match.

Step 3: Review your investment options

The most common default investment options chosen by employers are money market funds and stable value funds. Employers often choose conservative funds such as these because they offer capital preservation. But investing in a conservative fund may not be the best option for you. Depending on how much you need to save for retirement, how far away you are from retirement, and your tolerance for risk, you may



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(See page 3 for more details)

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Market Update

Through June 30, 2011

		Trailing Returns			
		3 mos.	12 mos.	5 yrs.	10 yrs.
Blue Chip U.S. Stocks	Dow Jones Industrial Average	1.42%	30.37%	4.96%	4.20%
Large-Company U.S. Stocks	S&P 500	0.10%	30.69%	2.94%	2.72%
Non-U.S. Stocks	MSCI EAFE US\$ (Gross Div)	1.83%	30.93%	1.96%	6.12%
Small-Company U.S. Stocks	Russell 2000	-1.61%	37.41%	4.08%	6.27%
U.S. Bonds	Barclay's Capital US Aggregate	2.29%	3.90%	6.52%	5.74%
Cash Alternatives	Citi 3 Month US Treasury Bill	0.02%	0.13%	1.87%	2.01%

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends.

Source:
Raymond James Financial Services

Economic Outlook

Gross Domestic Product: 3Q11 estimates 2.0% to 3.0% GDP growth.

Employment: Job losses continue to trend at a low level. Hiring picked up into early 2011, but slowed in May. State and local government job losses are expected to remain elevated.

Consumers: Aggregate wage income growth has been moderately strong, but higher food and gasoline prices have drained consumer purchasing power.

Housing/Construction: The spring housing season has been a disappointment, and little improvement is expected over the near term.

A further downtrend in home prices would continue to exacerbate problems in the housing sector.

Manufacturing: Growth in exports has been strong, but is likely at risk as the global economy slows. Inventories have been in good balance relative to the pace of sales.

Prices: Higher food and energy prices have boosted headline consumer price inflation. These prices are likely to decline in the near term, but we may see some minor second-round effects in core inflation. Labor cost pressures and inflation expectations remain contained.

Stocks Post Strong Finish But End Second Quarter Flat

- Investors have been cheered recently by robust U.S. manufacturing data, progress in preventing Greece's debt woes from spreading to the Eurozone, and a decline in oil prices. After declining about 7% from their April 29 highs, stocks rallied strongly in the last part of June to regain almost all their lost ground. Equities are now entering the second half ahead for the year despite a flat second quarter.
- The Federal Open Market Committee policymakers lowered their projections for growth and employment for both this year and next. Federal Reserve Chairman Ben Bernanke said the Fed doesn't have a "precise read" on why this slower pace of growth is persisting and called the pace of progress "frustratingly slow."
- The sharp reversal of equities as the 2nd quarter transitioned to the 3rd is a reminder of the volatility of today's markets as well as the folly of trying to time short-term swings in stock prices. The bull market that began in March 2009 has now experienced eight corrections of more than 5%. Just a year ago, stocks declined a full 16% on fears of a slowing U.S. economy and Greek debt contagion – in other words, some of the same concerns troubling investors today. While that's no guarantee that stocks will resume their upward climb as they did in 2010, it is reason not to react hastily to downdrafts. Ultimately, stock prices reflect the current health and ongoing prospects of the companies they represent, with the latter factor, of course, influenced by the outlook for the economy as a whole.

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want to redirect some of your contributions into more aggressive options that, although more volatile, offer the potential for more long-term growth.

Step 4: Check up on your plan at least once a year

Even if you've decided to stick with your company's default options for now, review your investment options at least once a year, keeping in mind the following questions:

- Are you saving enough?
- Can you afford to contribute more?
- Are the investments you've chosen still appropriate for your age and risk tolerance?
- Do you need to redirect all or some of your contributions to better target your retirement savings goal?

As you make decisions, think about your overall retirement plan, including where your retirement money will come from (e.g., Social Security, 401(k) plan, pension plan), the major expenses you might have (e.g., housing, medical care), and the lifestyle you hope to lead (e.g., traveling frequently, owning a second home).

Did you know? If your employer is a client of The Commerce Company, you have access to free investment advice on your employer-sponsored retirement account. To take advantage of this service, or for more information, send an email to advice@thecommmco.com.

Common Insurance Mistakes We All Make

We all know we need insurance. It's a valuable tool to protect our families from unforeseen events that can severely damage their financial futures, but it does not often get much of our attention.

We have compiled a list of common insurance mistakes to help you make sure you and your family are properly insured before it's too late.

- 1. Not having any life insurance** – Life insurance has two basic purposes: to provide estate liquidity and to provide sufficient assets for a surviving family to live on after the wage-earner has passed away.
- 2. Having too much life insurance** – If substantial assets are accumulated, then survivors may already be adequately provided for.
- 3. Not having life insurance on a non-working spouse** – The value of a “non-working” spouse, which can be substantial, is often overlooked.
- 4. Buying life insurance on children** – Such coverage rarely makes economic sense unless the policy pays interest which is tied to current market rates. The premium dollars could be better spent by contributing to a custodial account for the child's future education needs.

5. Underinsurance of personal residences – Most homeowners obtain homeowner's coverage and then forget about it. They may fail to realize that if construction costs increase at 8% per year, the replacement cost of a property doubles every nine years. Determine what your house (not counting the land) is really worth and then see if it matches your coverage.

6. Having medical insurance with inadequate lifetime limitations – With the ever-increasing cost of medical care, it is easy to incur very high expenses for an extended hospital stay. Many policies cover only \$100,000 to \$150,000. The minimum coverage an individual should have is \$250,000 to \$500,000.

7. Not having disability insurance – You've probably heard it before. Your family's single greatest asset is more than likely your ability to earn a living.

8. Having a disability policy with too restrictive a definition of disability – Many policies cease coverage if the insured can perform any occupation after the second year of coverage.

9. Holding a disability policy after retirement – Make sure you aren't paying premiums in retirement for a policy you may no longer need.

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with the answer to this question:

What is the typical automatic enrollment contribution rate?

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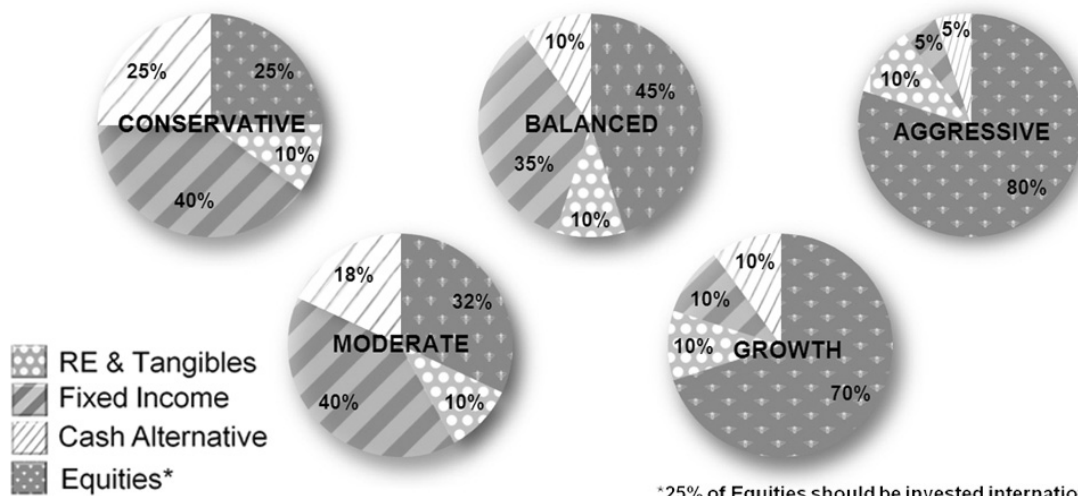
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Asset Allocation *Our suggested allocations reflect:*

- We are decreasing Cash Alternatives in all models by 5-13%. The allocations are being dispersed into either Fixed Income or Equities, depending upon the model.
- A resolution of the debt ceiling crisis is likely going to be accompanied by a scaling back in governmental expenditures, which should give entrepreneurs and businessmen the confidence that deficits are being tackled.
- Given the heightened level of economic uncertainty, some degree of investor caution is warranted. That said, we believe fears of a possible double dip are overblown and growth should improve by the end of the year. We anticipate leaving our newly adjusted allocations unchanged through the remainder of 2011.
- The unemployment rate in June was little changed at 9.2 percent. The June report is historically fickle, being influenced by students leaving jobs taken while attending school and heading home for the summer.