NJ TRANSIT DEFINED CONTRIBUTION PLANS

SPRING 2009

FINANCIAL Footnotes

A retirement planning newsletter
brought to you by Great-West Retirement Services®

On the Double

How long will it take to grow your savings?

Popularized by Albert Einstein's ideas on compounding, the *Rule of 72* estimates how long it will take an investment to double in value at a given rate of return.[4] You determine this by dividing the rate of return into 72. Say you have an investment paying 6% interest per year. Divide 6 into 72 and you'll see that the value of your investment will double in 12 years (72 ÷ 6 = 12).

You can also do it in reverse. Say you want to double your money in 12 years. Dividing 12 into 72 shows that you need an investment that returns 6% a year (72 ÷ 12 = 6). Taxes aren't taken into account, but for a shorthand method of figuring out how quickly you can double your money, the Rule of 72 can't be beat.

4. nationmaster.com. The origins of the Rule of 72 date back over several centuries. An early reference to it can be found in "Summa de Arithmetica," by the 15th-century Italian mathematician Fra Luca Pacioli. It is not a guarantee of future results.

Have Questions? Need More Information?

Web site*:	www.25GONJT.com
KeyTalk®*:	800-25-GO-NJT (800-254-6658)

CB1033FF_1Q09 (4/1/2009) PT75974

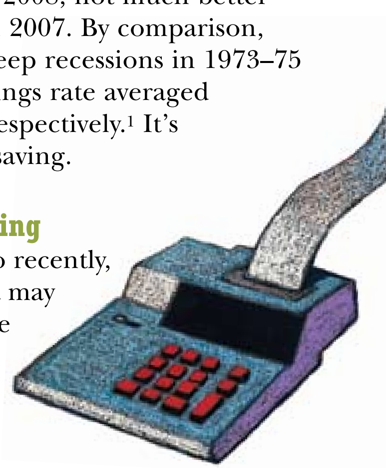
Ramp Up Your Savings

Stay focused on retirement

A recession marks an opportunity to review your saving and spending priorities. Are you as diligent a saver as you think?

Since the late 1980s, Americans' ability to save has steadily withered. The national savings rate, as a percentage of disposable income, registered at 1.7% in 2008, not much better than the 0.6% rate in 2007. By comparison, during the last two deep recessions in 1973–75 and 1981–82, the savings rate averaged 10.5% and 11.05%, respectively.[1] It's time to get better at saving.

Rethink your spending



If you haven't done so recently, look for cutbacks that may allow you to save more for retirement. For example, you might shop around for a less expensive car or

Continued inside

Great-West RETIREMENT SERVICES®

Ramp Up Your Savings

Continued from cover

homeowner's insurance or raise the deductible on your existing policies. Consider putting off big-ticket upgrades, like a new television set, and check your recurring expenses for things you may not be using, like online services or a club membership.

Save that windfall

Workers this year are bracing themselves for smaller raises and bonuses, if any are in the offing at all. If you're lucky enough to get one, try to save it rather than spend it. Likewise, any kind of financial windfall, such as an inheritance, can cover some recurring expenses or get rid of lingering credit-card debt—allowing you to increase the percentage of your salary that you contribute to your retirement savings plan.

Ideally, you should save the maximum amount possible. For 2009, you can contribute up to $16,500 to a workplace retirement plan. Workers age 50 or older can add $5,500 or more in catch-up contributions, depending on the type of plan.[2]

Maximize opportunities to save more

To help you build your retirement savings, many employers offer preset savings increases—a built-in way to boost your retirement account balance.

It's worth making the effort today to help you get closer to where you'll want to be in retirement.

1. U.S. Department of Commerce, Bureau of Economic Analysis.
2. For information about workplace plan contribution limits, visit irs.gov.

In 2008 the national savings rate was just 1.7% of disposable income. It's time to get better at saving.

Hold Onto Your RMDs

Congress suspends required minimum distributions for 2009

A new rule may bring some relief to retirees whose savings have deteriorated due to the bear market.

Once you turn age 70½, you are generally required to take a yearly required minimum distribution (RMD) from tax-deferred retirement accounts. These RMDs also apply to tax-deferred accounts you've inherited, regardless of your age.

However, a new federal law has suspended this RMD rule for 2009. The reason: Congress wants to avoid forcing people to withdraw money from these accounts in a severe market downturn. Of course, you can still take distributions if you wish to do so. If you receive your annual RMD automatically, consult your account custodian immediately to find out whether the suspension takes place without any action on your part or if you have to establish your preference.

A word of warning: The new suspension applies only to 2009 calendar year RMDs. It doesn't affect 2008 RMDs. If you turned age 70½ in 2008, your deadline for taking your 2008 RMD is April 1, 2009—and you must still take it.[3]

For answers to frequently asked questions about RMDs, go to **irs.gov**. For information about how to calculate your RMD, see IRS Publication 590.

3. Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.