

To our Valued Clients,

There can be no denying that we live in interesting, exciting, and sometimes turbulent times. While some would like to feel that "The Great Recession" is at last behind us, it seems that the financial world still makes headlines every day with new crises. We should all say a silent prayer of hope for the citizens of Japan – they will need it. We are faced with a looming state and federal debt crisis, aging population, and sweeping geopolitical changes that cast doubt on all of our financial futures.

Gone are the times when a good education would all but ensure a good job and a secure retirement. Many employees choose not to rely exclusively on social security or a pension to support them in retirement; which is why more and more employees are choosing to take control of their own financial future by turning to 403(b) plans as a way to help supplement their retirement planning.

403(b) plans are unique in the sheer number of investment options that you have to choose from – unlike most 401(k) plans. Additionally, many plans offer loan and hardship withdrawal features that give you great flexibility to access money during significant circumstances in your life, such as the purchase of a home. Many employers allow you to participate with multiple Service Providers- each of which offers unique products tailored to meet the needs of every type of investor imaginable. The choices can be overwhelming; but the good news is that a little knowledge can go a very long way.

To help participants build a strong foundation of investment knowledge, OMNI will be launching a 403(b) literacy initiative this spring called "403(b) Why Me?®". The program – the first of its kind in the country – will feature a video on the benefits of enrolling in a 403(b) program and the "cost of waiting". We expect the video to be available for use by the employer and on our website in the coming weeks.

Our goal is to provide information about not just *how* to utilize your plan, but *why* it is beneficial to do so. Whether you are a new hire or veteran employee, the benefits to investing are the same; and regardless of your investing strategy there are best practices which we all should follow when planning for our retirement. I hope that you share our excitement as we continue to investigate the inner workings of your 403(b) plan!

Best Regards,



Rodney H. Williams, President, CEO
The OMNI Group, Inc.

Learning the Lingo

The 403(b) world is full of technical terms and jargon that can be confusing to beginners and veteran investors alike. Here are some quick explanations of the most common terms:

Tax Sheltered Annuity (TSA) is a commonly used term that is simply another word for a 403(b) retirement plan.

Service Providers are companies that offer 403(b) investments; also commonly referred to as a "fund company" or "vendor."

Investment Vehicles are where you actually invest funds withdrawn from your paycheck. Each Service Provider offers numerous Investment Vehicles designed to meet the needs of certain types of investors. Every Investment Vehicle has its own unique advantages and risks, so be sure to do your homework to decide which one is right for you!

Fund Performance is used to describe how the funds you have invested in your 403(b) plan have grown within a certain period of time. Fund performance is normally expressed as a percentage, and is sometimes referred to as a "Rate of Return."



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403(b) Why Me?®

How Does Your Money Grow?

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THE OMNIGROUP

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How Does Your Money Grow?

In our last edition, we took an in-depth look at the immediate benefits of investing in your 403(b) plan. There is no denying that you can realize significant advantages up front by reducing your taxable income; but that's not why most people choose to contribute.

The real payoff to investing in a 403(b) comes when you retire. In many cases, it is possible to retire with an account balance FAR in excess of the sum of your contributions. This tremendous level of growth is the product of a variety of forces that go to work on your contributions the moment you begin investing.

Investment Performance: Funds contributed to your 403(b) are invested in either an annuity contract or custodial account (mutual fund). There are innumerable investment vehicles that are available in 403(b) plans, ranging from funds focused on specific industries to mutual funds that encompass a tremendous variety of different businesses around the globe. While selection of specific investment vehicles often requires the input of a financial advisor, the basic principles of investment performance are simple.

We all know that every investment carries some degree of risk; but the good news is that market forces can also

work in your favor. For example, if you invested \$10,000 in a 403(b) mutual fund that experienced 10% growth, the value of your account would then be \$11,000. While this is of course a simple example, historically, investments have yielded a return of between seven and nine percent each year.

While it is impossible to make guarantees about how your investments will perform, it is likely that over time the value of your account will increase significantly and those increases become even more impressive when we account for some of the other factors at work in your plan.

Compounding: We all remember learning about compound interest in school, but seeing it at work on your money can be a real eye opener. Using the example below,

let's assume that you invested \$10,000 in your plan, and experienced a rate of return of 10% - leaving you with an investment worth \$11,000. Here's where things get interesting; any further appreciation in the value of your shares will include the \$1000 you just earned. If next year's rate of return is also 10% you will be left with an investment value of \$12,100 thanks to the additional returns you earned on last year's growth.

Over time, the implications of compounding can be staggering. Let's take a look at what happens to a one time contribution of \$10,000 that is allowed to compound for a period of years. Remember- this chart assumes that there are no further contributions. In practice, most employees continue contributing for much of their career.

Value of \$10,000 invested in a 403(b)

	3% rate of return	5% rate of return	10% rate of return	12% rate of return
10 Years	\$13,439	\$16,289	\$25,937	\$31,058
20 Years	\$18,061	\$26,533	\$67,275	\$96,463
30 Years	\$24,272	\$43,219	\$174,494	\$299,599
40 Years	\$32,620	\$70,399	\$452,592	\$930,510
50 Years	\$43,839	\$114,674	\$1,173,908	\$2,890,022

Time: The Final Piece of the Puzzle

Market performance and compounding can make a tremendous difference in the value of your 403(b), but there is a third variable that can be just as important: the length of time your funds have been invested.

It is never too early (or too late) to start saving for retirement, even small contributions can add up to big returns over the long haul. The 50 dollars you invest at the beginning of your career will have many years of exposure to market forces, and will be able to grow much more than the larger contributions you might make as you near retirement. Take a look at the performance of two fictional 403(b) plans below for an example.

Sally plants the seeds of a successful retirement early, allowing many years of exposure to positive market forces. Even if the market dips for a few years, the damage to the value of her 403(b) has plenty of time to heal before withdrawal.

Harry, Sally's brother chose to start investing later, and like many Americans he sacrificed his retirement nest egg for the sake of pursuing other goals. Although he made larger contributions than Sally, his contributions had much less time to grow, and were at much higher risk of suffering in poor market conditions.

