CAPTRUST | Financial Advisors

CAPTRUST: 401(k) / 403 (b) Participant Questions & Answers

The following list of questions/answers represent several current issues that may be on retirement plan participants' minds. Our goal is to help provide you with some perspective on current market developments and assist you in understanding what it all means.

Q: I am very concerned about whether or not my retirement assets are kept in a safe place. Where is my retirement money held?

Answer: The United States government has very strict regulations on retirement plan management. The Employee Retirement Income Security Act (ERISA) is a federal law that establishes standards your retirement plan must follow. ERISA requires your qualified retirement plan assets be held in a Trust by a Trustee. Assets in this trust must be held in separate accounts from other Trustee assets. By law, the Trust assets are excluded from any bankruptcy proceedings that the Trustee may be a part of. ERISA law receives significant attention from your plan sponsor, plan advisor, investment managers in your plan, and the financial services industry in general.

Q: I have heard about lots of financial services companies in trouble. Negative stories about companies like Lehman Brothers, Fannie Mae, Freddie Mac, AIG, and other large institutions seem commonplace. How confident can I be about the stability of the financial system?

Answer: Current events in markets across the world have put a significant strain on many companies. The Federal and State Governments are working hard to balance stepping in when they deem it necessary and being overly protective of companies within our economic system. The government has several tools at their disposal to help mitigate this strain, and they are using some of those tools now. Further, investors and private companies have an interest in helping to ensure markets function. While we do not minimize recent market events, we do think the financial system will endure through the collaborative efforts of both public and private forces.

Q: Various markets have been really weak lately, and all I hear and read about is that this is the worst environment in years. Have markets acted like this in the past?

Answer: The answer is yes. The financial markets have persevered through several challenging business environments throughout history. For some perspective, in every year since 1972, the US stock market has experienced at least one negative monthly return according to CAPTRUST research. Thus, an "intra-year" fall is very common in the stock market. In fact, the average of those intra-year drops has been over 8%, and the average time it takes to fully recover those drops is 10 months. The stock market is a lot higher now than it was in 1972 despite these intra-year fluctuations, so patience has paid off.

Q: Would I be better off just pulling my money out of the market and letting things work themselves out?

Answer: No. According to CAPTRUST research, market timing often leads to mediocre and in some cases very poor results. The market tries to anticipate or discount the future, so by the time the economy has fully recovered from its current weakness, the financial markets will have likely already moved. As previously mentioned, patience has paid off over time. Further, a key goal when investing is keeping up with inflation, or the general increase in prices of goods and services over time. Sitting in cash has not been a successful strategy for keeping up with inflation.

Q: What are steps that I can take to make recent market events less painful as I think about my own retirement?

Answer: Several things can help.

First, you need to take an honest assessment of where you are in life relative to your retirement goals. Your time horizon is a very important component when thinking about your retirement money and the strategies you deploy to help meet those goals.

Second, you need to relate your time horizon with how much investment risk you are willing to take with your retirement account. While diversifying or spreading your money across stocks, bonds, and cash investments is always a good idea, ensuring diversification the closer you are to retirement is critical. For participants who do not want to control this diversification process directly, options may exist within your retirement plan to help you with this process. (For example, Recommended Allocation Strategies, Lifestyle, and/or Target Date Funds).

Third, you need to consider the long term when assessing current market conditions with your unique goals. In the US, life expectancy is 78 years, a full thirteen years after the traditional retirement age of 65 years. So the message is that investing doesn't end with retirement as the average American lives long after retiring.

Q: Who can I talk to for more details?

Answer: CAPTRUST, your plan advisor, has a toll-free participant line to help you with your retirement questions. The number is **1.800.967.9948** and representatives are available between 8:30 am and 5:30 pm EST. We are ready to help you navigate this period and relate it back to your unique retirement goals.

1.800.216.0645
www.captrustadvisors.com