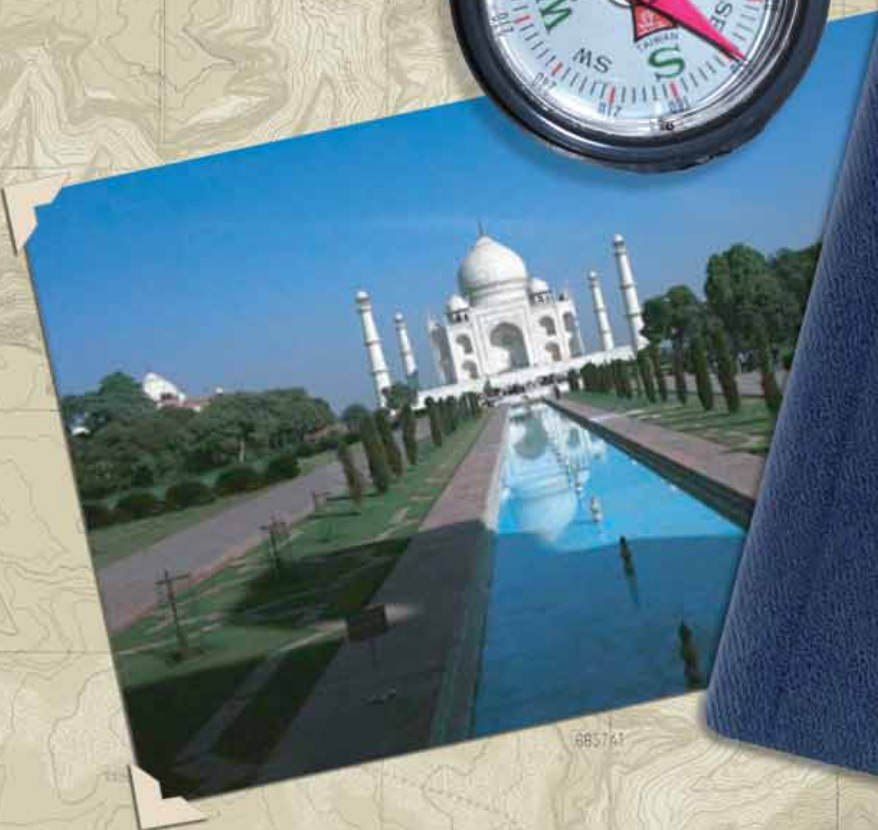


Investing is a Lifelong Journey

USING YOUR RETIREMENT PLAN WISELY



ABC Company
HR Department

Dear Paul,

The ABC Company is proud of its 401(k) Plan. If you use it wisely and take full advantage of it, this plan could easily become your most valuable tool for achieving financial independence and retirement security.

This enrollment kit is broken down into several short sections. They are:

- why you should be investing in the 401(k) plan and how the traditional and Roth 401(k) accounts differ;
- an explanation of Targeted Retirement Portfolios;
- the plan's highlights;
- the fund fact sheets;
- enrollment forms.

If you have any questions about the 401(k) Plan, please contact the call center at 1-555-000-000 or visit <http://www.plansite.com>.

And remember: **Achieving financial independence is your responsibility. Sign up today!**

John Jones
Director, Human Resources

Traditional and Roth 401(k) Accounts: Your Tools for Achieving a Comfortable Retirement



"All aboard!"

The reality of today's world is that you are responsible for providing your own financial security during retirement. Social Security alone will probably not be enough to provide you with the retirement lifestyle you desire.

The 401(k) plan provides a great opportunity to set aside money for retirement while you are working. In fact, because of your employer's match and the tax benefits of the plan, it is probably the best retirement investing opportunity you will ever get.

When you enroll in the plan, you choose the amount that will be set aside and in which professionally managed investment options it will be invested. Moreover, the money you contribute to your account and all of the growth it generates belongs to you and you alone. Only the match is subject to the plan's vesting schedule (see plan highlights.)

What tax benefits do I gain by participating in the 401(k) plan?

401(k) plans offer three tax benefits, and each participant determines how to combine them to his or her advantage. You decide:

- whether all or just a part of your contributions are pre-tax (tax deductible);
- which portion of your account will grow tax-free or tax-sheltered;¹
- whether all or just a portion of your withdrawals during retirement will be taxable or tax-free.

There is also a fourth tax benefit. You do not have to pay current income taxes on your employer's match when it is deposited into your account. Taxes are paid only when that money is withdrawn from your account.

I thought all my contributions were pre-tax. Are you saying they may not be?

That's right. On January 1, 2006, Roth 401(k) accounts were born. Prior to that day, all your contributions to the 401(k) plan were pre-tax. Contributions to a Roth 401(k) account are not pre-tax. These contributions are made with after-tax dollars.

Having to pay taxes on my contributions seems like a disadvantage to using a Roth 401(k) account instead of a traditional account. Does a Roth account offer any advantages?

Yes. You do not have to pay income taxes on the money you withdraw from the account (as long as withdrawals start after age 59½ and the account has been open for at least five years²). With a traditional 401(k), you have to pay income taxes on your withdrawals.

The table below is based upon current tax law and compares these accounts.

Tax Benefit Comparison	Traditional	Roth
Contributions	Pre-tax	Taxable
Growth of Contributions	Tax-sheltered	Tax-free
Withdrawals	Taxable	Tax-free

¹ Roth accounts are tax-free (subject to certain restrictions that will be discussed later). This means that you do not pay any taxes on either the contributions' growth or your withdrawals during retirement. The traditional account is tax-sheltered. Taxes are paid only when withdrawals are made from the account.

² In addition, you do not have to pay income taxes on disability benefits and if you die, your beneficiaries will not have to pay income taxes on the benefits they receive.

Can I split my contributions between the traditional and Roth accounts?

Yes, you can. You decide whether and how you want to divide-up the contributions at the time you make them. However, once you make a contribution to an account (for example, the Roth), you can't move that money to the other account (in this case, the traditional).

How you divvy-up your contributions does not affect how much you can put into the plan or your eligibility for your employer's match. The match, however, is always deposited into a traditional account.

Both types of accounts are portable, meaning that you can take your money with you if you change jobs. If your new employer's 401(k) plan has the type(s) of account(s) in which you are currently invested, you may be able to roll your money over to that plan. If the new plan doesn't have the same types of accounts, or if you do not want to transfer your savings to the new plan, you can roll your money into the appropriate (traditional or Roth) IRA.

Do I really care which account I use?

Yes you do, but there is no simple answer to the question of which one to use. In fact, it is quite possible that you could benefit by contributing to each account.

To make an informed decision, you must take other factors into consideration, such as:

- future changes in income tax laws and rates;
- your future earnings and your other likely sources and amounts of retirement income;
- future inflation rates (since inflation erodes buying power, a dollar today is worth much more than a dollar 20 or 40 years in the future);
- how long you will live.

Even if you had that knowledge, however, the size of your retirement nest egg would probably still be the single most important factor in determining if you are going to have a comfortable retirement.

That's helpful, but I would still like some more insight into the tax consequences of using each account.

The question you are really asking is: Am I better off:

- paying taxes on my contributions while I am working but then receiving my 401(k) withdrawals tax-free; or
- paying no taxes on my contributions today but paying taxes on the money I withdraw during retirement?

To answer this question, let's create an imaginary co-worker and call her Mary. Let's assume that Mary:

- wants to retire in 20 years;
- plans on making annual contributions of \$3,000 to her 401(k) account;
- can earn 6% on her retirement money, regardless of where it is invested;
- plans, at retirement, on rolling her nest egg over to an IRA and withdrawing the same amount each year;
- will pay taxes at the marginal rate of 25% throughout her life (the effect of rate changes will be discussed a little later);
- will live for 20 years after retiring.

(Since your employer's match is always deposited into the traditional account and taxed only when withdrawn from the plan, the match has been deliberately omitted from this example so you could focus on the taxation of your contributions.)

If all these assumptions work out, her nest egg at retirement will be \$116,978. With this size nest egg, she

will be able to withdraw \$9,621 annually for 20 years.

Now we will make one more assumption: If Mary invests in the traditional account, she will spend the additional income generated by the tax deductions on her contributions.

The following table summarizes the tax consequences of putting \$3,000 into each account.

Tax Benefit Scenario	Traditional	Roth
Taxes paid on each 401(k) contribution	\$0	\$750
Dollars freed-up by not having to pay taxes on contributions	\$750	\$0
Tax paid on annual retirement income	\$2,405	\$0
Inflation-adjusted value of taxes paid on withdrawals after 20 years at 3% inflation	\$1,332	\$0

Wow! At first glance, the Roth 401(k) looks like it can save me a lot of taxes. After seeing what those savings are in inflation-adjusted dollars, I am not so sure.

You are absolutely right and that is why there is no simple answer to your question. The Roth 401(k) can definitely reduce the total amount of taxes you pay in the long run. But remember, in this example, it was only after 20 years that Mary received her first income tax-free retirement benefit. It then took another 9 years for her to recover the taxes she paid while working. It would be a much longer period if we factored in the effects of inflation.

Are you saying that when it comes to taxes, “a bird in the hand is worth two in the bush?”

It may be if your tax bracket isn't going to change. If you think you are going to be in a lower tax bracket during your retirement, you may want to still use the traditional account. However, if you have a long life and good investment growth, the Roth account may work out to your advantage.

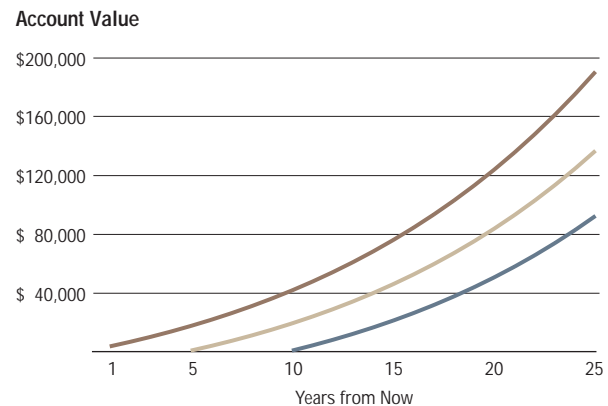
If your tax bracket is going to be higher during retirement, then using a Roth account for a portion of your contribution is definitely worth considering. Dividing your contributions between the traditional and Roth accounts is known as defensive tax planning (or tax risk diversification).

(Using a baseball analogy, defensive tax planning won't enable you to hit a tax homerun, but you won't strike out either. You simply get on base. When it comes to taxes, hitting singles and doubles is not a bad result.)

Are there any steps I should take to maximize the size of my retirement nest egg and the likelihood my retirement will be comfortable?

There certainly are, and they include:

- Enrolling in the 401(k) plan today. The following chart illustrates the price you can pay by waiting 5 or 10 years to start your retirement savings program.



401(k) Account Value in 25 Years		
Starting Now	—	\$189,698
Waiting 5 Years	—	\$135,969
Waiting 10 Years	—	\$91,640

Chart Assumptions			
Current Annual Salary	\$30,000	Contribution	6%
Annual Salary Increase	2%	Employer Match	50% on first 6% of pay
Annual Investment Return	6%		

- Contributing enough to qualify for 100% of your employer's match.
- Defining your retirement goals and determining how much more (over and above what you are contributing to get 100% of your employer's match) you should be investing to achieve those goals. Periodically you should review your goals and check to see if you are on track to achieve them.
- Paying attention to how you use your plan's investment options. If you are uncomfortable making asset allocation decisions (dividing your money among the different funds), get help from a financial professional.

Having a financially secure retirement depends primarily on the size of your nest egg. How large your nest egg will be is a function of how much you invested, how your 401(k) contributions were allocated, and the length of time they were invested. Taxes, especially when they are paid 20 or 30 years in the future, are of secondary importance.

Get on the path to a financially secure retirement. Before doing anything else, enroll in the 401(k) plan.



Introducing XYZ Investments' Targeted Retirement Portfolios—Sensible investing made easy

The Targeted Retirement Portfolios are a great tool for those participants who want to leave their investment decisions up to a professional.

The portfolios' managers assume that the participants who are investing in one of these portfolios are going to retire in or around the year mentioned in the portfolio's name. They also assume that all your retirement assets are invested in the portfolio and that funding for retirement is the portfolio's sole goal. The managers also assume that assets other than this portfolio will be used for emergencies or funding a child's education.

The current investment mix of each portfolio as well as its annualized returns over the past 1, 3, and 5 years

can be found on the portfolio's Fact Sheet. Please keep in mind that the investment mix used by one of these funds 5 years ago can be quite different than it is today because the fund's managers change the mix as retirement gets closer. Please refer to the fact sheets and prospectuses for more information.

If at any time you wish to assume responsibility for investing your contributions, you can use the plan's other investment options. For information about these options, contact the call center or go to the plan's website.



Plan Highlights



The following is a brief overview of the Plan's key features. This is not intended to replace the Plan's Summary Plan Description (SPD), which is a legally required document that provides a more detailed discussion of the Plan's provisions. You can obtain a copy of the SPD from either your Human Resource department or the Plan Administrator.

Eligibility

You can participate in the Plan after you have completed six months of service with the Company.

Entry Dates

You can sign-up to participate in the Plan on the first of any month following six months of service.

Annual Salary Deferral Limits

Federal law permits you to defer any portion of your salary up to \$14,000 in 2005. If you make the maximum contribution and are age 50 or older, you can also make a catch-up contribution of \$4,000 in 2005. Your contributions plus any employer contributions made on your behalf may not exceed the lesser of 100% of your compensation or \$42,000 in 2005. These limits may be increased in the future.

Changes in Salary Deferral Amounts

You may change your deferral amount at any time by calling the Plan Administrator's Hot Line or by going to its web site. The change will be effective as soon as administratively possible.

Year of Service

A year of service is defined as any year in which you work at least 1,000 hours.

Company Match

Your employer will contribute 50¢ for each \$1 you defer.

Profit Sharing Contributions

The Company may make profit sharing contributions to the Plan on your behalf. The decision whether to make these contributions as well as their size will be made each year by the Company.

Rollover Contributions

Your 401(k) Plan will accept rollovers. These rollovers may come from tax deductible contributions and/or balances from other retirement plans in which you have participated or the earnings and tax-deductible or tax-deferred balances in IRAs. For specific information on what types of assets may be rolled into this Plan, please contact your Human Resource Department or the Plan Administrator.

Plan Vesting Schedule

The Plan's vesting schedule describes the portion of the money in your account that you own. Your salary deferrals, rollover money, and any investment earnings in those accounts are always 100% vested.

All company contributions made on your behalf, matching or profit sharing, vest after five years of service. This means that you must work at the Company for five years (at least 1,000 hours a year for 5 years) before you own all the contributions made by the Company during your first five years of full time employment. Once that five year period is met, all Company contributions will vest immediately.

Years of Service	Vested Percentage of Company Contributions
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

Investment Changes

You may change the investment allocations of your existing account balances and/or change the investment selections for future contributions at any time and as often as you like. You may do this by calling the Plan Administrator's Hot Line or by going to the Plan's web site. The change will be effective as soon as administratively possible.

Distributions

Plan distributions can occur only for the following reasons: separation from service, permanent disability, death, or retirement on or after you reach age 65. At age 59½, even if you are still employed, you are permitted to take distributions from your salary deferral account. Any distributions you receive prior to age 59½ may be subject to a 10% early withdrawal penalty.

When you retire or terminate employment, you may receive your account balance in a single lump sum payment or installment payments. You may also request that the plan trustee transfer your account balance to an IRA of your choice or to your next employer's plan (assuming it accepts rollovers).

All money distributed from the plan is generally taxed as ordinary income in the year you receive it. If all or a portion of the distribution is rolled over to an IRA or another qualified plan, taxes will be deferred until a later date. The taxation of distributions should be discussed with your tax advisor.

Loan Option

You may borrow no more than 50% of your vested account balance up to \$50,000. The minimum loan amount is \$1,000, and you may have only one outstanding loan at anytime. If after establishing your initial loan, you find that you must increase your borrowing, you can restructure the existing loan. For the exact amount available for a loan, call the Plan Administrator's Hot Line or go to the plan's web site.

Loan amounts paid to you are not taxable if they are repaid in a timely manner. The loan's maximum length can be 5 years; 10 years if the money is used to purchase a primary residence. Loan repayments are made through salary deduction each pay period on an after-tax basis.

Hardship Distributions

A "financial" hardship is defined as a heavy and immediate financial need that cannot be satisfied by other resources available to you, including taking a loan from the vested portion of your 401(k) plan account. Hardships include: preventing eviction from or foreclosure of your primary residence; paying for post-secondary education for you or an immediate family member; paying for unforeseen medical expenses; or purchasing a primary family residence. For the exact amount available for a hardship withdrawal, call the Plan Administrator's Hot Line or visit to the Plan's web site.

Hardship distributions made prior to your attainment of age 59½ may be subject to a 10% penalty and will be taxed as ordinary income in the year received.

FUND FACT SHEETS

The following pages will allow you to gain a greater understanding of the individual fund options. For more information on each of your investment options, contact the call center (1-800-000-0000) or go to our web site (www.planwebsite.com).

FUND FACT SHEET

Note:

This fund fact sheet and 'How to read fund fact sheets' section is included within this booklet to show how they would fit into a complete enrollment booklet.

We can include prepared fund fact sheets (such as Morningstar) or design a customized version based upon your specifications.

FUND FACT SHEET

FUND FACT SHEET

Note:

This fund fact sheet and 'How to read fund fact sheets' section is included within this booklet to show how they would fit into a complete enrollment booklet.

We can include prepared fund fact sheets (such as Morningstar) or design a customized version based upon your specifications.

Enrollment Form

Use the forms in this section to apply to participate in the Plan or to change your salary deferral amount or Investment Selections. Please return the signed, completed forms to your Plan Administrator. If you have any questions concerning

your eligibility to participate in the plan, please contact your Plan Administrator.

PARTICIPANT NAME		SOCIAL SECURITY NUMBER		<input type="checkbox"/>	<input type="checkbox"/>
M SEX F					
ADDRESS					
CITY		STATE	ZIP		
HOME TELEPHONE NUMBER			EMAIL ADDRESS		
DATE OF BIRTH					

Salary Deferral Agreement

Complete this section if you are enrolling in the plan or want to change the amount of your salary deferral. By completing

this section, you agree to contribute a portion of your pay to the plan.

Select one of the following:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I wish to defer \$ _____ or _____ % of my compensation per pay period	I wish to change my deferral to \$ _____ or _____ % of my compensation per pay period	I do not wish to participate
Do you want to increase your 401(k) plan contribution by 2% each time to you get a pay raise?		<input type="checkbox"/> Yes <input type="checkbox"/> No



What if I change my mind?

You can stop participating in the plan, increase or decrease your salary deferral, or change your investment selections by submitting another copy of this form (with the updated information filled in) to your Plan Administrator.

You can also enroll in the plan or make these changes via the voice response system by calling 1-800-000-0000 or via the Web at <http://www.website.com/retirement>.

See the Plan Highlights section of this booklet for information regarding the allowed timing of changes.

(Continued on back)

Investment Selection

Complete this section if you are enrolling in the plan or want to change the allocation of your future plan contributions

FUND NAME	PERCENTAGE OF FUTURE CONTRIBUTIONS	PERCENTAGE OF CURRENT BALANCE	FUND NAME	PERCENTAGE OF FUTURE CONTRIBUTIONS	PERCENTAGE OF CURRENT BALANCE
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %
	_____ %	_____ %		_____ %	_____ %

Authorized Signatures

I acknowledge that I have read and understand all the plan provisions as outlined above.

_____	_____
PARTICIPANT SIGNATURE	DATE
_____	_____
SIGNATURE OF NOTARY OR PLAN OFFICIAL	DATE



What happens if I do not submit investment selections?

If you indicate that you want to participate in the plan by entering a salary deferral above, but do not fill out the investment selection section on the back of this form, your Plan Contributions (Salary Deferrals) will be invested in the default investment option selected by your Plan Administrator (often a money market or stable value fund).

If you were previously enrolled in another plan that has been taken over by this plan, the balances you had in the funds in your previous plan will be moved (mapped) into similar funds in this plan.

Beneficiary Form

Complete this form to if you are enrolling in the plan or want to change your primary or secondary beneficiary. To designate multiple primary or secondary beneficiaries, use

duplicate copies of this form. Make sure to include the percent of benefit each one should receive and that the sum totals 100%.

PARTICIPANT NAME		SOCIAL SECURITY NUMBER	
ADDRESS			
CITY		STATE	ZIP
HOME TELEPHONE NUMBER		EMAIL ADDRESS	
DATE OF BIRTH		DATE OF HIRE	

Marital Status

I am **married** and I understand that if I wish to name a beneficiary other than my spouse, I must complete the Spousal Agreement section below.

I am **not married** and I understand that if become married, my spouse will become my primary beneficiary.

Primary Beneficiary

BENEFICIARY NAME		
ADDRESS		
CITY	STATE	ZIP
HOME TELEPHONE NUMBER		
DATE OF BIRTH	SOCIAL SECURITY NUMBER	
RELATIONSHIP	PERCENT OF BENEFIT	

Secondary Beneficiary

BENEFICIARY NAME		
ADDRESS		
CITY	STATE	ZIP
HOME TELEPHONE NUMBER		
DATE OF BIRTH	SOCIAL SECURITY NUMBER	
RELATIONSHIP	PERCENT OF BENEFIT	

Authorized Signatures

PARTICIPANT SIGNATURE	DATE
SIGNATURE OF NOTARY	DATE

Spousal Agreement

I hereby acknowledge and accept my spouse's designation of a plan beneficiary other than me. I understand that, as a result of signing this form, I may not receive monetary benefits

(upon my spouse's death) to which I would have otherwise been entitled. I also understand that I cannot revoke the consent I am giving hereunder in the future.

SPOUSE'S SIGNATURE	DATE
--------------------	------



What is a Beneficiary?

Your primary beneficiary is the person who will inherit your retirement account if you still have a balance when you die (whether that is before or after you retire). You must also name a secondary beneficiary who will inherit your account if both you and the primary beneficiary die. For example, many people name their spouse as their primary beneficiary and their children as their secondary beneficiary.

What happens if I do not submit a beneficiary form?

If you die and have not designated a beneficiary, your account will be distributed in accordance with the laws in effect in your state at that time. Usually, if you have a surviving spouse, the proceeds go to him or her.

Can I change my beneficiary?

You can change your beneficiary by submitting a new beneficiary form to your Plan Administrator.

Paul Paulson
555 Street Ave, Apt 5
Cititown, ST 10000



Your Logo Here