

RIVERNORTH RETIREMENT PLAN NEWS

4th Quarter 2010

DID YOU KNOW?

Did you know that a 65-year-old couple retiring today will need \$250,000 to pay for medical expenses alone? According to a study conducted by Fidelity, health care costs are higher than expected and consume one-fifth of monthly budgets. This staggering number should raise concern among all Americans, regardless of age or proximity to retirement. More importantly, the statistic emphasizes the importance of reviewing your retirement goals and the amount you are saving for the future.

Source: Fidelity.com

QUESTIONS ABOUT YOUR OTHER INVESTMENTS?

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2010—The Year in Review

By: Chris Lakumb, CFA

Happy New Year! 2010 was an eventful year in many ways. Here is a short list of some of the major headlines:

Earthquake in Haiti kills more than 200,000, Iceland volcano grounds thousands of flights, Deepwater Horizon oil spill in Gulf of Mexico, Greek Debt Crisis/Bailout, Flash Crash (Dow Jones drops 900 points in a few minutes only to recover the losses minutes later), Health Care Reform signed by President Obama, Republicans score big gains in Congress, Ireland Debt Crisis/Bailout, North Korea and South Korea military tensions.

This is by no means an all-inclusive list of the major events that happened in 2010, just some of the ones that seemed to grab the attention of the media and markets. In the face of many seemingly negative headlines, one would think that the stock and bond markets could have lost ground in 2010. That was not the case. If you flip to the second page of this newsletter, you will see the performance for some of the indices used to track the movements in the stock and bond markets.

Many of these events, and the market volatility that accompanied them, could have led an investor with a long time horizon to bail out on his or her investment strategy. On average this did not happen. Even going back to the dark days of

late-2008 and early-2009, retirement plan investors have remained resilient and stuck with their game plan. To this point, they have been rewarded as the market has steadily climbed back towards the levels last seen in 2007. One additional thing to consider is that those investors who continued to save in their retirement plan when times were tough benefitted from investing in the market when prices were low.

So, what can you expect in 2011? Although stock market volatility has receded as of late (as measured by the VIX index), do not be surprised if another event similar to the ones listed above re-ignite market volatility. There are a few things that we are keeping an eye on. Debt problems will continue to weigh heavy on the finance industry and various governments as they seek to restructure/payoff a massive amount of debt accumulated over many years. You can expect uncertainty over commodity prices and their impact on global economic growth. There is also the big question of China's ability to balance their fight with inflation with continued economic growth. This may not be a "2011-issue," but we are always thinking about the time when politicians will openly discuss changes to the Social Security and Medicare systems to help reign in our budget deficit. Changes to these programs, long known as the "third-rail of U.S.

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politics,” may have a significant impact on our retirement planning process.

In summary, there is still a lot of uncertainty out there. Inevitably, some of these things will work out positively, and some will work out negatively. Uncertainty makes our job as retirement plan investors more difficult. We need to be diligent in focusing on our goals, while keeping an eye on our tolerance for risk. When things happen which negatively impact the economy and the financial markets, we need to ask ourselves the important question: does this change my long-term game plan? If the answer to that question is, “No,” then staying the course with your investment

strategy is typically the right move.

In any event, we strongly recommend that you invest 30 minutes this year to review the following: Retirement goals, risk tolerance, the amount you are saving, and your investment strategy. If you did not review these items in 2010, it is even more important that you take the time to review them in 2011.

All of us at RiverNorth Capital Management wish you a safe, prosperous, and merry New Year!

Until next quarter...

STOCK AND BOND MARKET RETURNS THROUGH DECEMBER 31, 2010							
Source: Morningstar	1 MONTH	3 MONTHS	YTD	1 YEAR	ANNUALIZED		
					3 YEARS	5 YEARS	10 YEARS
Citigroup 3 Month T-Bill	0.01%	0.04%	0.13%	0.13%	0.69%	2.30%	2.26%
Barclays U.S. Agg. Bond Index	-1.08%	-1.30%	6.54%	6.54%	5.90%	5.80%	5.84%
Dow Jones Ind. Avg.	5.33%	8.04%	14.06%	14.06%	-1.61%	4.31%	3.15%
S&P 500	6.68%	10.76%	15.06%	15.06%	-2.86%	2.29%	1.41%
Russell 2000	7.94%	16.25%	26.85%	26.85%	2.22%	4.47%	6.33%
MSCI EAFE	8.02%	6.23%	4.90%	4.90%	-9.72%	-0.26%	1.06%

Questions?

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