

RIVERNORTH RETIREMENT PLAN NEWS

2nd Quarter 2011

DID YOU KNOW?

Did you know that by increasing your contribution each year by 1%, you can potentially double the amount of money available to you in your retirement account compared to a person that never makes any increases. Giving a portion of any raise to your 401k plan is a great way to make an increase without feeling it in your pocketbook.

Did you know that for every ten years you delay before starting to save for retirement, you will need to save three times as much each month to catch up?

Source: *Savings Fitness: A Guide to Your Money and Your Financial Future*

QUESTIONS ABOUT YOUR OTHER INVESTMENTS?

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Getting an Early Start on Saving for Retirement

Many people assume they can hold off saving for retirement and make up the difference later. But this can be a costly mistake. Waiting too long to start saving can make it very difficult to catch up, and only a few years can make a big difference in how much you'll accumulate. This doesn't mean there's no hope if you haven't set aside anything for retirement yet. It just makes it all the more important that you implement a plan today.

Start saving now

Start saving as much as you can, as soon as you can. The earlier you start, the longer compounding can work for you. For example, a 20 year old who saves \$200 a month until age 65 and earns exactly 6% on saved funds annually would have accumulated around \$550,000. But a 40 year old contributing the same amount each month at the same earnings rate would have accumulated only \$138,600 by age 65.

Contribute \$200/month to age 65 at different hypothetical earnings rates

	Start at age 20	Start at age 30	Start at age 40	Start at age 50
2%	\$174,931	\$121,510	\$77,764	\$41,943
4%	\$301,894	\$182,746	\$102,826	\$49,218
6%	\$551,199	\$284,942	\$138,599	\$58,164
8%	\$1,054,908	\$458,776	\$190,205	\$69,208

(This is a hypothetical example and is not intended to reflect the actual performance of any specific investment. Earnings are pretax, and may be subject to income tax when distributed.)

Take advantage of employer plans

Chances are your employer offers a 401(k), 403(b), or similar retirement savings plan. You can contribute up to \$16,500 to a 401(k) plan in 2011. And if you're 50 years old or older, you can make additional "catch-up" contributions of up to \$5,500, for a total of \$22,000 in 2011.

Since pretax contributions are excluded from your paycheck, you'll enjoy an immediate tax savings when you contribute to one of these plans. For example, if your effective income tax rate is 30%, a \$22,000 annual pretax contribution will only "cost" you \$15,400 once the tax benefit is factored in. Of course, you'll have to pay income tax when you start receiving distributions from the plan, but it's possible you'll be in a lower tax bracket at that time (note that distributions made prior to age 59½ may be subject to a 10% additional penalty tax unless an exception applies). Your employer's plan may also allow you to make Roth contributions. There's no immediate tax benefit (contributions are made with after-tax dollars), but qualified distributions are entirely free from federal (and most states') income tax. Even if you can't contribute the maximum allowed, you should at least try to contribute as much as necessary to get any matching contributions that your employer offers. This is essentially "free money." However, you may need to work up to six years before you're fully vested in (that is, before you fully own) any employer matching contributions.

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Don't forget IRAs

You can contribute up to \$5,000 to an IRA in 2011. You can also make catch-up contributions to an IRA if you're 50 or older--up to an additional \$1,000 in 2011.

Your contributions to a traditional IRA may be deductible if neither you nor your spouse are covered by an employer retirement plan, or (if either of you are covered) your income falls within specified limits. Like pretax 401(k) contributions, deductible IRA contributions can result in an immediate tax savings, and as with 401(k) plans, withdrawals made prior to age 59½ may be subject to an additional 10% penalty tax unless an exception applies.

But even if you can't make deductible contributions to a traditional IRA, you can generally make nondeductible (after-tax) contributions. There are no up-front tax benefits, but your contributions will be tax free when withdrawn,

and any earnings will grow tax deferred until distributed.

If your income is within prescribed limits, you can also make after-tax contributions to a Roth IRA. In this case, even the earnings are tax-free if your distribution is "qualified." Distributions are qualified if you satisfy a five-year holding requirement, and the distribution is made after you reach age 59½, become disabled, or die, or the funds are used to purchase your first home (up to \$10,000 lifetime).

Make saving a priority

Saving even a little money can really add up if you do it consistently. Consider ways to free up more money to save for retirement--by reducing discretionary spending, for example. And, put retirement ahead of competing goals, even important goals like saving for your child's education.

STOCK AND BOND MARKET RETURNS THROUGH JUNE 30, 2011							
Source: Morningstar	ANNUALIZED						
	1 MONTH	3 MONTHS	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Citigroup 3 Month T-Bill	0.01%	0.02%	0.06%	0.14%	0.35%	1.87%	2.01%
Barclays U.S. Agg. Bond Index	-0.29%	2.29%	2.72%	3.90%	6.46%	6.52%	5.74%
Dow Jones Ind. Avg.	-1.10%	1.42%	8.59%	30.37%	6.09%	4.97%	4.20%
S&P 500	-1.67%	0.10%	6.02%	30.69%	3.34%	2.94%	2.72%
Russell 2000	-2.31%	-1.61%	6.21%	37.41%	7.77%	4.08%	6.27%
MSCI EAFE	-1.43%	0.33%	3.00%	26.70%	-4.60%	-1.29%	3.08%

Questions?

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