

Hark

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In This Issue:

- “Staying the Course” May Help You Weather Market Ups and Downs
- Ernst & Young Offers Investment Planning Reports
- Required Minimum Distributions Waived for 2009
- Considering Tapping into Your Retirement Funds?
- Required Annual Disclosure to Church Plan Participants



“Staying the Course” May Help You Weather Market Ups and Downs

Deciding how to manage your investments in today’s volatile financial environment can be a challenging task. While the General Board does not provide its participants with specific investment advice, it has always advocated—and continues to advocate—an *overall* approach of “staying the course.” This time-tested approach means staying focused on a long-term investment strategy and not making hasty decisions in response to short-term market fluctuations—even seemingly extreme ones. Staying the course also involves continuing to contribute regularly to your retirement account(s), even while the markets are declining.

Why stick to this approach when it might seem smarter to sell riskier investments and buy less risky ones until the markets recover? History provides the rationale for this investing philosophy.

(continued on page 2)



“Staying the Course” May Help You Weather Market Ups and Downs (continued)

Lessons Learned from History

The current economic and stock market downturn is unquestionably one of the most severe in U.S. history. In fact, the 10-year period through the end of 2008 saw the worst 10-year return for U.S. stocks since the Great Depression.

You probably have heard that “past performance is not a predictor of future results”—and it’s an important message to remember. At the same time, though, it’s worth looking at the markets’ historical performance following periods of poor returns. The table below shows that after six 10-year periods during which stocks produced the worst returns, the following 10-year periods provided double-digit or nearly double-digit compounded annual returns.

10-Year Period	Compounded Average Annual 10-Year Stock Return for the Period	Compounded Average Annual Stock Return for the Following 10-Year Period
1832-1841	1.1%	10.4%
1848-1857	0%	15.2%
1887-1896	2%	12.9%
1928-1937	-0.6%	9.7%
1965-1974	1.2%	14.8%
1999-2008	-1.5%	?

Source: Capital Guardian Trust Company

The Risks of Playing It Safe

While the stock market is declining in value, it might be tempting to take your assets out of the market altogether and put them into a low-risk savings account—securing a guaranteed, albeit low, return. But that seemingly “safe” strategy could actually prove to be a risky one! In periods of increasing inflation, a savings account with a fixed rate of interest may lose value (i.e., purchasing power) relative to other inflation-sensitive assets, such as stocks, real estate, commodities and U.S. Treasury Inflation-Protected Securities.

Investment Assistance Is Just a Phone Call Away!

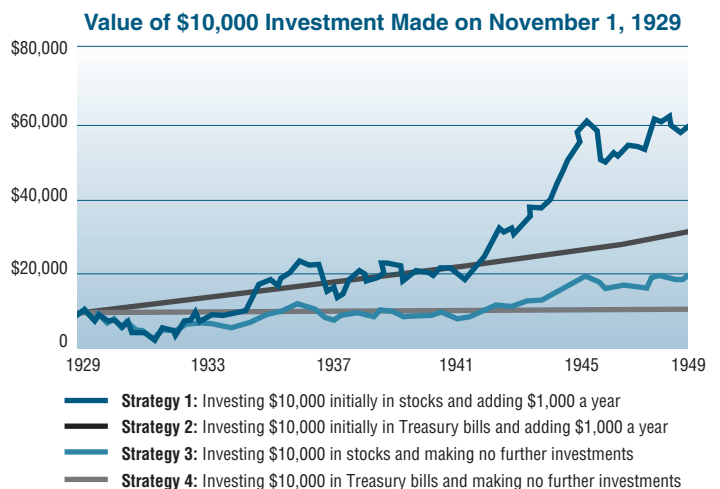
As a participant in one or more General Board-administered retirement plans, you may have access to professional investing guidance from Ernst & Young Financial Planning Services at no charge this year! Read the article on the next page for more information.

Let’s look at what would have happened to investors who pursued four different investment strategies during the 1929 stock market crash:

1. investing \$10,000 initially in stocks and adding \$1,000 per year,
2. investing \$10,000 initially in Treasury bills (considered the safest type of investment) and adding \$1,000 per year,
3. investing \$10,000 in stocks and making no further investments, or
4. investing \$10,000 in Treasury bills and making no further investments.

As shown in the chart below, it took about six years after the market crash for strategy 1 to catch up with the “safer” strategy 2. For the next five years, these two strategies tracked each other relatively closely. Eventually, though, strategy 1 significantly outperformed strategy 2. In fact, over the long term, stocks historically have averaged an annual return of 8% to 9%, while Treasury bills have averaged 5% to 6%.

And those who followed strategies 3 and 4—making no further investments—fared the worst.



Monthly returns are based on investment in the S&P 500 or six-month Treasury bills. Index performance is provided as a benchmark and is not illustrative of any particular investment—an investment cannot be made in an index.

Source: S&P

The hypothetical investors in the above example who stuck to a long-term, disciplined investment strategy accumulated significantly more wealth than those who made no further investments or those who chose to “play it safe” by investing in Treasury bills. Unfortunately, nobody—not even the most skilled financial professionals—can accurately predict when the markets will begin recovering. So, staying the course provides the best chance to achieve long-term investment goals.

Ernst & Young Offers Investment Planning Reports

As announced in last quarter's issue of *Hark*, Ernst & Young Financial Planning Services is available throughout 2009 at **no charge** to:

- active participants with an account balance,
- surviving spouses with an account balance, and
- retired and terminated participants with an account balance of at least \$10,000.

A unique feature of Ernst & Young Financial Planning Services is that it offers personalized planning reports to help you achieve a wide variety of financial goals. If you need some help with your investments, for example, you can call Ernst & Young and order an *asset allocation report*.

What's in an Asset Allocation Report?

Your customized asset allocation report will include the following three sections:

1. Executive Summary: This overview summarizes your current portfolio, suggested action steps (i.e., which assets to buy and which ones to sell) and your resulting "target portfolio."

2. Issues Surrounding Your Asset Allocation Decision:

This section addresses important information to consider when making investment decisions, such as:

- the principles and objectives of diversification;
- an overview of various asset categories, such as large-cap U.S. stocks, small-cap U.S. stocks, foreign securities and fixed-income securities;
- inflation's effects on your investments;
- the importance of portfolio rebalancing; and
- strategies for withdrawing money during retirement.



3. Appendix: This section contains the assumptions used in generating your report, based on information you provided to Ernst & Young.

Order a Report by Phone

If you would like an asset allocation report, just call Ernst & Young directly at **1-800-360-2539** between 9:00 a.m. and 8:00 p.m., Eastern time, Monday through Friday. An Ernst & Young financial planner will inquire about your:

- investment objectives;
- assets in General Board-administered plans, prior employers' plans and any-

where else you have your savings;

- investing time horizon;
- likely reactions to some hypothetical scenarios;
- risk tolerance; and
- feelings about inflation and its impact on your investments

After you receive and review your asset allocation report, you can call Ernst & Young as often as you like during 2009 and spend as much time on the phone as needed to discuss it.

Other Available Reports

You can order customized reports on many other topics besides asset allocation, such as:

- retirement planning;
- debt management;
- cash flow;
- net worth;
- estate planning; and
- planning for a large purchase, such as a home or vehicle.

Visit www.gbophb.org/sri_funds/planning.asp for more information about Ernst & Young Financial Planning Services.

Check out the Ernst & Young Financial Planning Center

All participants in General Board-administered plans—even those not eligible for Ernst & Young Financial Planning Services—have access to the Ernst & Young Financial Planning Center at no charge. This Web site offers a wealth of useful financial planning information, including:

- the *Understanding Personal Finances* newsletter;
- the *Financial Tip of the Week*;
- articles on a wide variety of financial topics;
- calculators to help you manage debt, develop a budget,

plan for retirement, compare auto loans, balance your checkbook, choose the right home loan, save for college and much more; and

- links to other useful Web sites.

Visit the Ernst & Young Financial Planning Center at <http://gbophb.eyfinancialplanner.com> (company code: gbophb; company program: gbophb).



Required Minimum Distributions Waived for 2009

As you may know, the Internal Revenue Service (IRS) requires participants in retirement plans to withdraw a portion of their benefit each year after turning age 70½ or, if later, retiring or terminating employment. These payments are known as *required minimum distributions* (RMDs). In general, RMDs must be distributed by December 31 of each calendar year. However, your first payment may be delayed until your required beginning date—April 1 following the year in which you turn 70½ or, if later, retire or terminate employment.

The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) waives 2009 RMDs from defined contribution (DC) plans. Therefore, the

General Board will not *automatically* issue 2009 RMDs from:

- the United Methodist Personal Investment Plan (UMPIP),
- the Horizon 401(k) Plan (Horizon),
- the Clergy Retirement Security Program DC account,
- the Retirement Security Program for General Agencies DC account, or
- the Ministerial Pension Plan.

However, participants may contact the General Board to request a distribution in 2009.

The General Board sent a letter last month providing more information about the 2009 RMD rules under WRERA to individuals already receiving RMDs and those whose required beginning date would have been April 1, 2010.

Please contact the General Board at **1-800-851-2201** if you have any questions about RMDs. Representatives are available from 8:00 a.m. to 6:00 p.m., Central time, Monday through Friday.

Required Annual Disclosure to Church Plan Participants

Retirement plans administered by the General Board of Pension and Health Benefits are church plans that are not subject to registration, regulation or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, Title 15 of the United States Code or state securities laws. Similarly, the administrator and the trustee of the plans and the entities maintaining any investment funds under the plans are not subject to those provisions of those acts or laws.

Therefore, plan participants and beneficiaries will not be afforded the protection of those provisions.

Considering Tapping into Your Retirement Funds?

During tough economic times, some people view their retirement accounts as a ready source of funds to help them manage debt, pay their rent or mortgage payments or meet other pressing financial needs.

New IRS regulations require that you submit proof of financial hardship when requesting a hardship withdrawal (but not a hardship loan) from a retirement plan. Depending on the type of hardship, you may need to submit a copy of a home purchase contract, tuition bill, foreclosure or eviction notice, etc. The revised *Hardship Withdrawal Form* provides more detailed information

If you're thinking about withdrawing money from your UMPIP or Horizon account, you might want to call Ernst & Young first. An Ernst & Young financial planner can explain the implications of a withdrawal, such as taxation and penalties, and maybe even help you find alternate solutions for meeting your financial needs.