

## A Letter From the VP

To our Valued Clients,

In the three years that I have been contributing to The OMNI Observer, not a single year has gone by when we have not made mention of adverse economic conditions. As I write to you today, dire financial news fills the headlines once again.

In uncertain times, there is often the temptation to slam on the breaks, and suspend contributions to your 403(b) or 457 plan. Especially when, thanks to the internet, many participants have been watching the value of their plans decrease on a daily basis.

There is no question that economic conditions affect us all, but I have found that many participants are unclear on HOW the value of their plan is affected by market performance.

As we discuss some of the particularities of investment vehicles in this edition of The OMNI Observer, it is important to remember that OMNI can only offer you a broad view of the tremendous number of investment vehicles that exist today. Our goal is not to give you financial advice, but to help you understand the terms you might hear when researching your retirement planning options.

As a 403(b) or 457(b) plan participant, you are in charge of the management of your investments, which certainly entails keeping an eye on the market. When doing so however, it is easy to become caught in a fearful mindset. For some, the current market situation might warrant immediate and drastic changes to their investment planning, while others might be better served by taking no action at all. Whatever your plan, remember that stormy markets have come and gone in the past, and remember that an informed decision is always better than a fearful one.

Best Regards,

Nina Rovinski, Vice President  
The OMNI Group

## 411 for your 403(b)

OMNI is proud to present 403bwhy.com, a new website designed to answer some of the most common questions posed by plan participants.

The website features two educational videos which help explain what a 403(b) plan is, as well as demonstrating some of the advantages of participation. If you are a new employee or have not contributed in the past, the videos also include detailed instructions on how to enroll in your employer's plan.

The presentation is approximately 10 minutes in length and can be accessed via OMNI's website at [www.omni403b.com](http://www.omni403b.com) or by going directly to [www.403bwhy.com](http://www.403bwhy.com). The website will require that you submit your first and last names, email address, date of birth, and employer name. A certificate of completion will be e-mailed to you after you have finished the video.

If you have any questions regarding 403bwhy.com or your plan in general, please do not hesitate to contact your OMNI's Customer Care Team at 877-544-6664.

Use the QR Reader on your phone for access to more information!



### Customer Care Team

Our Customer Care Team continues to operate from 7:30 a.m.- 5:00 p.m. ET, and currently boasts an answered call percentage of more than 97%! Our Customer Care Representatives stand ready to assist you with a variety of questions pertaining to SRA's, transaction requests, and any other concerns that might arise. Feel free to reach out to this dedicated team at 877-544-6664 for any of your 403(b) or 457 plan questions.

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# The OMNI Observer™



403(b) Why Me?®

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THE OMNI GROUP

Listens. Leads. Delivers.



## Choosing The Right Vehicle

Like most industries, the 403(b) world is filled with lingo, acronyms, and jargon that can be intimidating to beginners and veterans alike. One of the most commonly used terms is the phrase “investment vehicle.”

When most of us think of a vehicle, we think of something that is designed to get us from point A to point B - which is exactly what 403(b) and 457 plans are designed to do. Your plan, if properly managed, can carry you from where you are today to retirement and beyond-but it can't do that alone.

Choosing your investment vehicle can be a lot like choosing a car from the world's largest dealership. Some vehicles are designed for speed, others for reliability, and still others are meant to be as safe as possible. It is up to you to choose which one is best for the type of driving you plan to do.

While it would be impossible to review every “make and model” of investment vehicle, here is a summary of some common types of investment vehicles seen in 403(b) plans.

**Mutual Funds** - Offer a dizzying array of options. While the exact particularities of each fund vary, when you purchase shares of a Mutual Fund you are generally investing in a “collective investment” that can include a variety of stocks, bonds, or other instruments.

You may have heard of the importance of not putting all your eggs in one basket, or diversifying, as it is called in the industry. Mutual funds can be a great way to diversify, as each share might be based on dozens, or even hundreds, of different securities (see chart). Mutual Funds are usually professionally managed in an attempt to maximize performance, which can benefit investors who are looking for a ‘ready made’ investment vehicle.

Many mutual funds may invest in a specific geographic area (such as emerging or European Markets) or type of stock (such as ‘high-tech’ or energy stocks). Again, the options are almost endless; OMNI encourages any 403(b) participant to review the prospectus (or summary of goals) of any investment vehicle they may choose to utilize, or to obtain the services of a financial advisor for help in choosing the exact mutual fund that best meets your needs.



**Fixed Annuities** - Are one of the original 403(b) investment vehicles, and remain popular today. Generally issued by insurance companies, fixed annuities earn a guaranteed rate of return, which can be a real boon to participants who want to know exactly what they will have available in retirement.

Fixed annuities are not generally tied to market performance to the extent that mutual funds are. Accordingly, while the risk of using a fixed annuity is substantially lower, mutual funds can sometimes have a substantially higher potential rate of return.

**Variable Annuities** - Investors with other goals may want to look into another 403(b) standby, the Variable Annuity. Like a fixed annuity, variable annuities often guarantee a minimum rate of return; however variable annuities are also tied to market performance, which affords plan participants the chance to earn a greater rate of return in positive market conditions.

There are a countless number of investment products available to 403(b) investors- what we have included here is by no means a complete representation! Our goal is to help you learn to distinguish the different types of investment vehicles and how they work; there is no substitute for careful research and professional advice when selecting the investment vehicles that are right for you.

## How A Mutual Fund Works



Pre-Tax Dollars are deducted from your paycheck.



Your deductions are directed by OMNI to your 403(b) service provider, where they are used to purchase “shares” of the mutual fund(s) you have selected.



Every mutual fund has specific investment goals, and is professionally managed to attain those goals whenever possible.



The money you invest in your mutual fund is in turn used to purchase various securities - often chosen based on the investment goals of the particular fund in question. The value of your mutual fund shares may vary based upon the market performance of the securities in which it invests.

Many mutual funds invest in dozens (or even hundreds) of individual securities - allowing you to diversify without needing to manage hundreds of separate investments.

### Don't break the Limit

No matter what type of investment vehicle we choose, most of us want to reach our destination as quickly as possible. Just like any highway however, there are limits to be aware of; namely, the IRS Maximum Allowable Contribution (MAC) Limit. There are three separate contribution limits that 403(b) participants need to be aware of:

**The Base Limit:** In 2011 all employees are eligible to contribute up to \$16,500.

**The Age-Based Catch-up Extension** enables employees over the age of 50 to contribute an additional \$5,500 beyond the base limit, for a total of

\$22,000 in 2011. Eligibility for the age-based extension is both automatic and permanent.

The 15 year catch-up extension is available to certain employees with 15 or more years of service with their current employer. This year, the 15 year catch-up will allow eligible employees to contribute up to an additional \$3,000 beyond their age-based limit (\$19,500 for participants under the age of 50, or up to \$25,000 for participants age 50 and up).

The IRS typically increases 403(b) contribution limits every several years based on current economic conditions, with the last change taking place in 2009. Be sure to check our next edition for news on the 2012 limits!