Have you taken "stock" lately of how you're investing for your future?

YourROCKforRETIREMENT

Investing for retirement doesn't have to be difficult or complicated—although it may seem that way these days. The effects of market volatility cause many people to question their investment strategy. However, during challenging times, it is important to remember the basics of investing and the role they play in your retirement planning strategy. Let's start by taking a look at **risk**. What kinds of risk should you consider as a retirement investor?

Most retirement investors tend to focus only on market risk, but fail to think about inflation risk. *Both* kinds of risk are important to long-term investors, for very different reasons.

Action Plan for Retirement Investors

- Consider using asset allocation and diversification to help you manage both market risk and inflation risk.
- Visit **www.prudential.com/prep/yourmoney** to learn more about investing in difficult times.
- Consult your financial professional or a Prudential Retirement Counselor for help with retirement planning.

Market risk

As you may know, market risk is commonly associated with stocks—although bonds are also subject to this type of risk. Many individuals fear market risk, because they know that if stocks or bonds lose their value, the value of their retirement account will also decline. Of course, there is always the possibility that the value of retirement investors' accounts will decline due to the drop in the value of their investments—which we know from the market volatility we've seen recently. But what many investors don't realize is that another type of risk—inflation risk—is potentially *more dangerous,* because its impact is often overlooked.

Inflation risk

Inflation risk involves the possibility that the growth of an investment may not even keep pace with the average rate of inflation (which, in recent years, has been about four percent annually). In this sense, seemingly safe investments, such as stable value or fixed income funds, could actually prove to be the riskiest over time if they do not provide a return that outpaces inflation. *Why?* Because if you invest too heavily in these types of funds, your retirement account may not grow enough to provide you with the type of retirement income you'll need. **(This is an important point to keep in mind if you're considering transferring a large portion of your retirement account to fixed income or stable value funds.)** Fixed income investment mutual funds are subject to interest rate risk; their value will decline as interest rates rise.

Managing your exposure to risk

No matter what you do when you invest money, you'll always have to deal with risk. But it is important to keep it in the proper perspective. And there are two strategies—asset allocation and diversification—that can help you manage risk. **Asset allocation** is the process of investing your money in various types of investment asset classes (such as stocks, bonds and fixed income investments), thereby spreading your market risk. **Diversification** takes asset allocation one step further by investing in a variety of investments within those asset classes. Since different investments typically react differently to varying market conditions, these strategies may work in tandem to help reduce the risk you might face if you held only one type of investment in one asset class. Please keep in mind, however, that the application of asset allocation and diversification concepts does not ensure safety of principal and interest. **It is possible to lose money by investing in securities.**

Investing by the "numbers"

Many financial professionals advise that, as you approach retirement age, your allocation to stocks should gradually decrease. But that doesn't mean you shouldn't consider investing in stocks at all in your 50's and 60's—because even when you begin to take withdrawals from your retirement account, a large portion of your money may still remain invested for a number of years. And during that time, you'll want to be able to take advantage of the potential that stocks have for growth.

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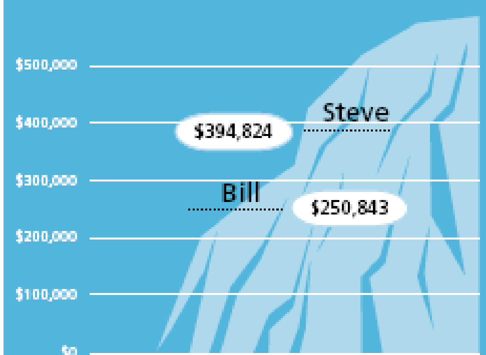
A tale of two friends

Bill and Steve, same age, start work on the same day at the same place. Each friend has $4,000 per year contributed to his retirement account. So far—everything is the same. But let's see what investments they choose, and see if that makes any difference.

Bill decides to "play it safe"—selecting a conservative investment so that he doesn't expose his account to market risk. With a predictable rate of return, his principal steadily accumulates interest over his entire career. He retires 30 years later with $250,843.

Steve, on the other hand, takes more risk and invests in a diversified portfolio of stocks and bonds. His account's return varies over his career—some years up more than 15 percent, others down more than 15 percent. Still, he retires 30 years later with $394,824.

How can playing it safe be so risky? By investing too conservatively, the risk is that Bill does not have enough money accumulated to fund his retirement.



Bill's account assumes investment in a lower risk stable value based investment option at a 4.45% rate of return, Steve's account assumes investment in a higher risk equity based investment option at a 6.85% rate of return. The compounding concept is hypothetical and for illustrative purposes only and is not intended to represent performance of any specific investment, which may fluctuate. No taxes are considered in the calculations; generally withdrawals are taxable at ordinary rates. It is possible to lose money by investing in securities.

The sidebar on the left shows an example of the advantage of using asset allocation and diversification versus "playing it safe" over the long term with conservative investments. During challenging economic times, it might be tempting to put your money only in conservative investments—even if you have many years until retirement. But the story of Bill and Steve highlights the impact that remaining diversified *throughout* your retirement planning years can have on your retirement nest egg. And, with the rising cost of living, it's critical to accumulate as much money as you can.

Ready to take action? Here's the assistance you need.

Today's volatile market conditions are confusing for many retirement investors. But you *don't* have to go it alone. To learn more about investing for the long term, visit **www.prudential.com/prep/yourmoney** and click on the "How to Choose Your Investments" link.

For complimentary personalized assistance with your retirement planning strategy, simply call **1-800-992-4472**. Retirement Counselors are available to speak with you Monday through Friday, from 8 a.m. to 6 p.m., Eastern Time.

It's easy to make the changes you need to—any time. Simply log in to your account by visiting **www.prudential.com/online/retirement**.

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