

Retirement Insight

IRA advice now available

Introducing Morningstar® Managed PortfoliosSM

Many investors are familiar with the Morningstar name. After all, Morningstar Investment Services, Inc. has been a leading provider of independent investment research to investors around the world for more than 25 years.

Now, as an account holder with Mercer Securities, you can tap into this expert research and analysis, as well as the professional investment advisory services of Morningstar Investment Services, Inc., through a new investment solution known as Morningstar Managed Portfolios.

Teaming up

In addition to objective and independent research, the Morningstar Managed Portfolios program gives you access to strategic asset allocation, a wide range of investment options, including mutual funds and exchange traded funds (ETFs), and proactive portfolio management that responds to market trends and changing risk. By combining all this with your financial advisor's knowledge of your financial targets and risk preferences, we can create an investment portfolio that aligns with your financial goals.

In other words, through this partnership, you get the benefits of a complex investment service, but with a simplified approach that makes sense – all for an inclusive annual program fee.* ❖

* A maximum annual fee of 1.26% will be charged to your account on a quarterly basis.

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How to get started

To take advantage of this offering, simply call 1-866-727-7277, Monday through Friday, between 8:00 a.m. and 6:30 p.m. Eastern Time, to speak with a Mercer Securities representative, who will help you identify your unique circumstances and financial goals, work with you to complete your profile questionnaire, and provide you with your personalized investment proposal and recommended strategy.

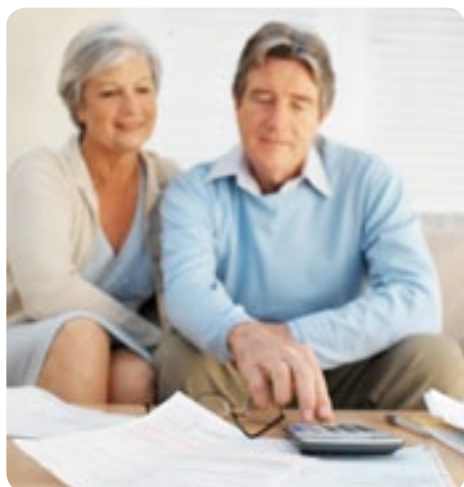
Or to learn more about Morningstar Managed Portfolios, log on to www.mercerwealthsolutions.com.

Strategies for volatile times

How to invest rationally, even in down markets.

According to research firm DALBAR, Inc.,¹ an individual who held funds that matched the S&P 500's return from 1988 through 2008 would have earned an annualized gain of 8.35%. Meanwhile, the typical equity fund investor would've earned an average annualized return of just 1.87%.

DALBAR attributes the shortfall to investors' tendency to invest in stock funds after the market rises and to sell after the market declines – or “buy high and sell low.” During the recent market downturn, many investors locked in losses on their stock funds due to this tendency to sell after a market drop.



When emotions rule

The common emotion-driven errors that behavioral economists have identified include:

Loss aversion. People tend to fear losses more than they enjoy gains.² As a result, you may be tempted to hold a large portion of your IRA money in a conservative investment, although it may not offer the long-term growth you may need to reach your goals.

Herding. Individuals tend to make the same choices they see other people making. As investors see others profiting from, say, real estate, they begin to buy real estate, too — even if they know home prices may be too high and ripe for a fall.

Anchoring. Investors often make decisions based on the first numbers they see. Say you buy a fund for \$10 a share. If the fund's price rises, you may not want to pay the higher price for new shares because you are “anchored” to the lower price — even if the fund is still appropriate for your investment needs.

A long-term plan can help

It may be impossible to remove emotion entirely from your investing decisions, but the following strategies can help keep your investing rational:

Invest on autopilot. By establishing an electronic funds transfer through your IRA provider, you can automatically contribute to your IRA from your bank account on a monthly or quarterly basis. By contributing to your account throughout the year – instead of just once at tax time – you can worry less about whether you've chosen the single best time of the year to invest.

Limit how often you adjust your portfolio. Review your investments on a regular schedule — once every three months, perhaps — rather than making changes in response to financial news or a friend's investment tip. The fact is, sticking to a long-term investment strategy in both bull and bear markets can help keep you on course toward achieving your financial goals. ■■

¹ “Quantitative Analysis of Investor Behavior,” Dalbar, Inc., 2009.

² *Nudge: Improving Decisions about Health, Wealth, and Happiness*, Richard H. Thaler and Cass R. Sunstein, 2008.

RMD rules for 2009

The Required Minimum Distribution (RMD) rule – which applies to traditional Individual Retirement Accounts (IRAs) and employer-sponsored retirement plans like 401(k) and profit-sharing plans – affects investors who are age 70½ or older.

Normally, this rule requires retirement plan participants to withdraw a specified amount of money – an RMD – from their retirement account each year beginning when they turn age 70½ or retire, whichever is later. Under the original RMD rules, participants who were 70½ or older in 2009 would have been required to take their 2009 RMD by April 1, 2010, and then take their 2010 RMD by December 31, 2010.

However, in late 2008, Congress passed a law that temporarily waived RMDs for account owners 70½ or older in 2009. The result was that, depending on plan terms, retirees would not be forced to withdraw money from accounts that had been hit hard by falling stock values. This one-time 2009 RMD waiver does not affect RMDs required for 2010, so, account owners who are 70½ in 2009 must still take their 2010 RMD by December 31, 2010, even though their 2009 RMD was waived. RMD rules also apply to distributions to beneficiaries. These rules are particularly complex, so it's best to contact a tax or financial advisor. ■

What do you know about dollar-cost averaging?

Take the following quiz to test your knowledge about this time-tested investment principle.

1. What is dollar-cost averaging?

- A way to protect your savings by opening certificates of deposit (CDs) with staggered maturity dates.
- A strategy that is based on investing the same amount of money at set intervals over time.
- A method by which people seek investment gains by comparing the U.S. dollar to foreign currencies.

2. What is the benefit of dollar-cost averaging?

- When investment prices are low, you buy more shares.
- All of your savings will be exposed immediately to the market's potential growth.
- Your investments will be profitable.

3. Dollar-cost averaging also:

- Prevents the possibility of investing all your money just before the market falls.
- Is a convenient way to remove emotion from your investment decisions.
- Guarantees positive returns.

Answers

1. b. Dollar-cost averaging is a form of diversification. Instead of spreading your money across different asset classes to reduce your risk of loss, you spread your money over time — to reduce the average cost of your investments.

2. a. By investing the same amount of money on a regular basis, regardless of the market's ups and downs, you buy more shares when prices are low and fewer shares when prices are high. Using this strategy, investors typically pay a lower average price per share than if they tried to pick the best time to invest.

3. a and b. Dollar-cost averaging means you won't have to choose the "right time" to put your money to work — so you don't have to worry that the market might drop right after you invest all your assets. Keep in mind that no system can guarantee positive returns. Dollar-cost averaging does not ensure a profit or protect against a loss in a declining market.

Understanding market indices

What makes market indices go up or down?

Market indices, such as the Dow Jones Industrial Average, are often used by investors to assess the general trend of the stock market. The Dow provides a mathematical average of the stocks of 30 large U.S. companies that represent a range of business sectors, such as telecommunications, retail, and finance.

Another popular index is the Standard and Poor's 500 Index (S&P 500), which is comprised of the stocks of 500 U.S. companies – with market capitalizations greater than \$3 billion¹ – from a vast number of industries.

News reports, rumors, interest rate changes, mergers and acquisitions, and investor emotion can all cause stock prices – and in turn, market indices – to go up and down. Essentially, big or unexpected news often causes investors to get nervous, and they tend to sell, usually causing stock prices and therefore the indices to fall. Then as the prices go down, investors start to buy again, stock prices begin to rise, and the indices go up.



While market indices can offer one view of the health of the economy, they are not an exact or definitive measure. It's important to remember that when investing for retirement, you should keep your long-term goals in mind and not focus too much on daily changes in the market.

¹ Standard and Poor's S&P 500 fact sheet, 6/09.

Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus containing these and other details about any fund, please call 1-866-727-7277. Read this information carefully before making any investment decisions.

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Roth rules change

Starting January 1, 2010, the \$100,000 income limit for converting a Traditional IRA or employer-sponsored retirement plan to a Roth IRA will be eliminated. In addition, the restriction on spouses who file a separate return has been eliminated. This expands the number of people who can take advantage of Roth IRAs. (The income limits for funding a Roth have not changed; they remain at \$120,000 for individuals and \$176,000 for joint returns.)

An important point to remember, however, is that when you convert assets from a Traditional IRA to a Roth, you have to pay income taxes on all before-tax contributions and earnings that you convert. But if you convert your IRAs to a Roth IRA in 2010, you can spread this tax bill equally over the next two years.

There are other rules related to Roth IRAs that you should be aware of. You need to hold a Roth IRA for five years and be at least age 59½ for withdrawals to be tax free. Bottom line is that you should consult a financial advisor to make sure you are taking advantage of any new rules relating to Roth IRAs.