Summer 2010

Seligman Investments

Focus on
Retirement

Confidence in a comfortable retirement

Economic volatility in recent years has undermined workers' confidence in a comfortable retirement. Although many have adjusted their plans accordingly, there are still plenty of Americans who cling to unrealistic expectations about their ability to maintain their standard of living in retirement.

The 20th annual *Retirement Confidence Survey* (RCS), conducted by the Employee Benefit Research Institute (EBRI), captures some worrying trends in Americans' expectations and preparations for retirement. More than half of workers surveyed describe themselves as at least somewhat confident of having enough money to live comfortably throughout their retirement years. At the same time, most respondents report having a relatively small nest egg — under $25,000. In a troubling paradox, 31% of workers who have not saved anything toward retirement remain at least somewhat confident of having enough income during retirement.

Expectations vs. reality

The RCS indicates that workers have some plans to compensate for their insufficient savings, but that these strategies may not be realistic.

Working longer?

EBRI's annual surveys show that the age at which workers plan to retire has increased over time. However, the age at which people *actually* retire has remained steady over the same period. Year after year, the RCS has found a substantial percentage of retirees (41% for 2010) who report being forced to retire earlier than planned, most often due to health problems or disability.

Spending less?

Among workers, 57% expect their living expenses to be lower in retirement; however, only 49% of actual retirees report spending less. And 40% of retirees indicate that their health care costs have been higher than planned.

Earning income during retirement?

Some form of paid employment during retirement is expected by 70% of workers, but only 23% of actual retirees report employment income.

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Your retirement savings plan

Perhaps these survey results will prompt you to reassess your own retirement savings plan. Are your expectations realistic? Here are a few ways to get your plan back on track:

Set a goal.

Only 46% of workers surveyed have tried to calculate how much money they will need to save for retirement. Of those, 14% described their calculation method as “guessing.” If you don’t really know how much you’ll need to retire comfortably, how can you know how much you should be saving? Once you have a realistic goal, you can form a plan for reaching that goal.

Get the facts on Social Security.

Although a majority of RCS respondents have low levels of confidence that Social Security benefits will be maintained at current levels, 77% of workers still expect Social Security to be a source of income in retirement. To get an idea of your monthly benefit at age 62 (early retirement), full retirement age (which varies depending on your year of birth) or at age 70, visit www.ssa.gov to use the Social Security Administration’s online Retirement Estimator.

Save now, and make sure you’re saving enough.

If you fail to save enough today, you could be facing a lower standard of living in retirement. Growing a retirement nest egg isn’t easy, so make the most of the resources you have. If you aren’t saving, start today. If you’re already saving through your employer-sponsored retirement plan, consider increasing your contribution rate. Also, take a look at other savings vehicles, such as Individual Retirement Accounts, which offer tax advantages to retirement savers.

And remember, you don’t have to go it alone.

A professional financial advisor can give you valuable guidance in calculating your savings goal and devising your retirement investment strategy — so you can feel more confident in a comfortable retirement.

Making the case for mid-cap stocks

“Medium” doesn’t necessarily mean “just average, so-so.” “Medium” can be something special — especially when it comes to investing.

Traditionally, investors seeking long-term growth in the stock market have trusted their assets to “blue chips” — large, established companies that have historically offered strong growth over the long term. And some look to small-company stocks, which offer the potential for even more growth over time, though with increased short-term volatility. But the medium-sized companies in between are often overlooked by investors.

What are mid-cap stocks?

Stocks, which represent ownership of a company, can be classified according to the size of a company. Size is measured using market capitalization (market cap), which represents the total dollar value of a company’s shares. The capitalization range for mid-caps is generally considered to be between $2 billion and $10 billion.

Mid-cap companies have made it past the less stable start-up period, but are not yet fully mature. And while they may not yet be the established powerhouses of the S&P 500, they are typically growing faster and have the greater flexibility of smaller, leaner organizations.

Diversifying your portfolio with mid-cap stocks.

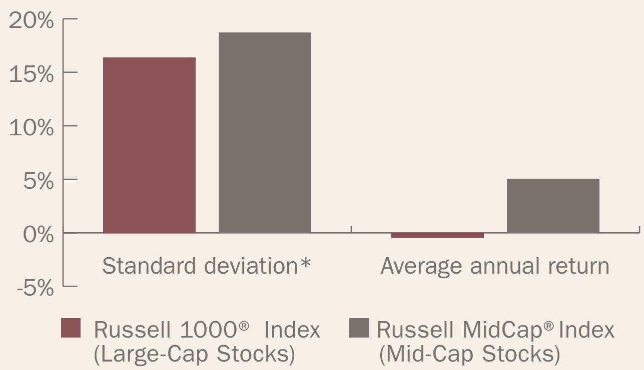
Historically, investors who have held mid-cap stocks over long periods have benefited from stronger growth than a similarly held investment in large-caps, while exposing their assets to only slightly more investment risk. For example, comparing equal hypothetical investments in the Russell 1000 and Russell Midcap Indices over the 10 years ending 12/31/09, the mid-cap investment outperformed the large-cap investment with only a small increase in the risk factor. (See chart at right.)

Clearly, a prudent approach to seeking long term growth in the stock market should involve diversifying assets among a variety of asset classes and market capitalizations. Mid-caps can offer the long-term investor another growth alternative that complements small- and large-cap stocks, and may even help moderate overall portfolio investment risk. The next time you and your financial advisor examine the asset allocations within your retirement investments, consider discussing the potential benefits of including mid-caps in your portfolio.

Investments in mid-capitalization companies involve greater risks and potential volatility than investments in larger, more established companies.

Comparing risk and reward

A small increase in risk… and an increased return
1/1/00–12/31/09



Source: Columbia Management.

Past performance does not guarantee future results.
The indices are shown for illustrative purposes only and do not reflect the performance of any Seligman mutual fund, or any other investment portfolio. Index returns assume the reinvestment of any distributions and do not include sales charges. The Russell 1000® Index, an unmanaged index, measures the performance of the 1000 largest companies within in the Russell 3000® Index. Russell MidCap® Index, an unmanaged index, measures the performance of the 800 smallest companies in the Russell 1000® Index. Investors cannot invest directly in these unmanaged indices.

*Standard deviation is a common measure of investment risk, indicating how widely performance has varied from the average. A higher standard deviation indicates greater potential volatility.

A professional financial advisor can add value to your portfolio

Take a quick glance at any newsstand or bookstore and you'll find endless variations on the theme of achieving financial security. Try searching the Internet for the phrase "beat the market" and you'll trigger an avalanche of investment websites. With so much information out there, what more could a professional financial advisor possibly have to offer you?

Specialized knowledge, training, and experience.
Sure, there's plenty of information available to any would-be investor, but sifting through all the facts and theories takes a great deal of time — time that you may not have. A qualified professional has access to data, time for thorough research, and, most important, the knowledge, training, and experience to properly evaluate this information.

Guidance in a complex financial world.
Today, you have an incredible variety of financial products and investment options to choose from. Understanding all the options and keeping up with new opportunities isn't for amateurs. Professional insight can help narrow the choices to those that really suit your needs.

A complete, long-term financial plan customized for your personal needs.
More than just picking stocks or mutual funds, a professional advisor can help integrate your various financial goals and needs into one coherent plan. By understanding your unique personal goals, he or she can recommend a detailed strategy for reaching them — as well as monitor and adjust this plan over time.

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***A professional financial advisor can add value to your portfolio**, continued from page 3*

Objectivity and discipline.

A financial professional can also offer objective assessments of market developments. This is especially critical during turbulent times, when investors tend to act emotionally instead of rationally. This "voice of reason" role is important, because failure to stick to a long-term strategy can be costly. Your financial advisor can provide a sensible, long-term perspective to deter you from making impulsive decisions that may have negative financial consequences.

Common misconceptions about professional financial advisors

Only rich people need a financial advisor.

You don't have to be rich to have important financial goals, such as homeownership, college education, and a comfortable retirement. Don't your goals deserve the attention of a professional, too?

It costs too much to use a financial advisor.

Financial advisors are compensated for the services they provide, just like any other professional. But keep in mind that a good advisor adds real value by helping you make the most of your money — not to mention saving you time and stress.

With a financial advisor, I'll beat the market every year.

Short-term outperformance isn't the best way to evaluate a professional advisor. After all, an important part of the advisor's job is to avoid short-sighted moves that may jeopardize your long-term success. Instead, you should consider whether your advisor is following the plan you agreed on for seeking both your short- and long-term goals.

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