



QUESTIONS & ANSWERS:

Economic Conditions & Your Deseret Mutual Benefits

Q: *How safe is my money in Deseret Mutual's Thrift Plan?*

A: The Thrift Plan uses institutional mutual funds that include stocks, bonds, and cash investments. Because you're investing in mutual funds, there is no guarantee of return or principal. But proper diversification and a patient long-term investment approach can significantly reduce the level of risk in your account.

Most institutional mutual funds employ an extremely large pool of money. Often many billions of dollars in size, the typical mutual fund invests in hundreds of individual stocks and bonds. So the size of a mutual fund and the number of holdings it contains provide significant protection against the failure of an individual company. Plus, the Thrift Plan's mutual funds are selected in a demanding screening process by Deseret Mutual's Investment Team.

Q: *What is a mutual fund?*

A: A mutual fund is a professionally managed investment product that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the pooled money into specific securities (usually stocks or bonds). When you invest in a mutual fund, you are buying shares of the mutual fund and become a shareholder of the fund.

Mutual funds provide an excellent tool for retirement investing because they are very cost efficient, easy to invest in (you don't have to figure out which stocks or bonds to buy) and provide inherent diversification.

Q: *How safe is Deseret Mutual's Money Market fund?*

A: The money market fund in Deseret Mutual's Thrift Plan is the *Vanguard Admiral Treasury Money Market Fund*. The fund's objective is to provide current income while maintaining liquidity and a stable share price of \$1. While money market mutual funds are generally not guaranteed, remember this fund invests solely in short-term direct government obligations like U.S. Treasury bills that are backed by the full faith and credit of the U.S. government.

Q: *Is all of my retirement income based on the performance of the stock market?*

A: No. In fact, retirement income is typically driven by two or three principal sources: government (Social Security), employer-sponsored defined benefit pension plans and/or defined contribution

401(k) voluntary savings plans. And as an eligible Deseret Mutual participant, you actually have access to all three — Social Security, the Master Retirement Plan, and the Thrift Plan!

Your Master Retirement Plan benefit is an extremely valuable source of retirement income and is fully funded by your employer. When you retire, it's paid to you as a guaranteed fixed annuity. Your Social Security benefit from the government is also paid as a guaranteed fixed annuity. For the average career employee with a Deseret Mutual participating employer (based on \$50,000 final average salary and 30 years eligible service), Social Security represents approximately 40% of retirement income and the Master Retirement Plan benefit represents 35%. That means about 75% of your retirement income is not exposed to market risk!

Your Thrift Plan savings represents about 25% of your retirement income. And it's your only retirement benefit that's affected by market fluctuations. The Thrift Plan also allows you the flexibility to increase your benefit through consistent contributions and prudent investment choices. Remember, patient, diversified investing can significantly reduce market risk and maximize potential long-term returns.

Q: *When financial markets are down, should I move my money out of stocks or change my investment mix?*

A: As long as you're appropriately invested in a diversified mix, moving money out of the stock market during turbulent times is generally a mistake. Historically, the stock market has always rebounded following periods of decline. So withdrawing your money from the stock market in a downturn will prevent you from benefiting from subsequent rebounds and participating in future stock market gains.

Q: *My balance keeps going down, even though I'm adding money to my account every paycheck. Should I stop contributing when financial markets are declining?*

A: Each time you contribute money to your Thrift Plan account, you're buying mutual fund shares. And mutual fund share prices fluctuate constantly, historically trending upward over time. So when stock market prices are higher, you purchase fewer shares and when prices are lower you're able to buy a greater number of shares. This is known as "dollar-cost averaging."

Accumulating as many shares as possible at the best possible prices is essential to experiencing long-term growth in your investment account. That's why it's not only beneficial, but it's critical that you continue to contribute to your account when financial markets are down. Also remember that as long as you consistently contribute at least 5% to your account, your employer provides a 4% match, which means you're getting an immediate 80% return on your investment!

Q: *During financial market downturns, should I take my money out of the stock market and put it in the bank?*

A: Because the mutual fund shares you own in your Thrift Plan account represent an asset, selling that asset (withdrawing your money) during market downturns would imply realizing a loss on your investment and prevent you from benefiting in any future market gains. Of course, IRS regulations restrict "early" withdrawals.

So please remember, no matter how much the price of your mutual fund shares may decline during economic downturns, you still own the same amount of shares in your account. What's fluctuating is the market-appraised price of each share, not the quantity you own. And in spite of short-term market declines or "corrections," these shares or assets historically appreciate — or increase in value — over time.

In the same way the appraised price of your home may go up or down from one year to the next, you do not own any less or any more of your home. And, moreover, you would normally avoid selling it when the real estate market is low so you can take advantage of the long-term appreciating value of your asset.

Again, a patient and disciplined approach, using a diversified investment mix, is your best defense against periodic market declines. Plus, this approach gives you the most potential to profit from the long-term growth of your investment.

Q: *What if I'm close to retirement when financial markets are down? Do I need to change my investment mix and/or postpone my retirement?*

A: First of all, it's important to remember you do not have to roll your money out of the Thrift Plan or close your account when you retire. In fact, the plan is designed for you to use throughout your entire retirement to supplement fixed streams of income like your Master Retirement Plan benefit and Social Security.

Many participants find they don't need to withdraw their money when they retire. Because you want your money to last as long as you're alive, your investment time-horizon may still be many years in length. So market declines should not have a significant impact on your planned retirement date.

Q: *When should I change my investment mix?*

A: The best time to consider changing your investment strategy is when your own investment time horizon changes. In other words, as long as your current investment allocation is consistent with your time horizon, you should not consider volatility or perceived changes in financial markets as a reason to change your investment mix.

Q: *How do I know if I am using the right investment mix?*

A: Deseret Mutual's Investment Team has designed preset investment mixes to help you choose an appropriate allocation for your money. These preset mixes combine the Thrift Plan's 11 mutual funds based on your investment time horizon, or the length of time before you'll need to access your money. There are four preset mixes to choose from:

<i>Preset Mix</i>	<i>Time Horizon</i>	<i>Investment Mix</i>	
Short Term	0 – 4 years	70% fixed income	30% stock
Intermediate Term	5 – 11 years	40% fixed income	60% stock
Long Term	12+ years	20% fixed income	80% stock
Stock Only	12+ years	0% fixed income	100% stock

* The Stock Only mix is for the more aggressive investor.

Q: *Are my Thrift Plan contributions invested in a bank and are they insured by the FDIC?*

A: Your contributions are not invested in a bank and are not covered by the Federal Deposit Insurance Corporation (FDIC).

Q: *How can I find out where my money is invested?*

A: Besides viewing your quarterly statement, you can login to your Thrift Plan account on our Web site at www.dmba.com any time and view updated information on the position and performance of your investments. Deseret Mutual's Savings Team and Financial Planning Group are also happy to help you better understand where your money is allocated, as well as the nature of your investment. You can reach us during regular business hours at 1-801-578-5600 in the Salt Lake City area or toll free at 1-800-777-3622.

Q: *Does stock market volatility affect my Master Retirement Benefit?*

A: Your Master Retirement benefit is fully funded by your employer. Your benefit is also insured by the Pension Benefit Guaranty Corporation, or PBGC. When you retire, this benefit will be paid to you as a guaranteed fixed monthly payment. You do not control or participate in the investment performance of the plan's assets. And your monthly benefit is based on your age, eligible years of service, and final average salary.