myFuture

The Source for Retirement Planning and Investing

Merrill Lynch Wealth Management®
Bank of America Corporation

Issue 3, 2011

How confident are you about retirement?

A recent survey shows that a realistic look at retirement planning may be in order. Many workers have been overconfident and are finding themselves unprepared.

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These bad habits can reduce returns

There's evidence that poor investment performance is often the result of ingrained behavior patterns.

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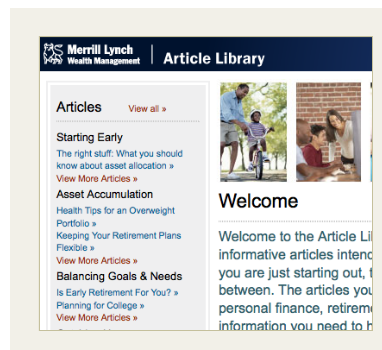
Tuition is paid for. Now what?

You've written the last tuition check and celebrated your child's graduation. Now, it's time to focus on your next major financial goal: retirement.

Benefits OnLine® Spotlight

Introducing the Article Library

Coming later this summer to Benefits OnLine, the Article Library will give you easy access to information intended to help you at each stage of your life.



CONTACT US

Visit Benefits OnLine: **www.benefits.ml.com**

Changing jobs or retiring? To learn about your distribution choices, call the Retirement Education Services team at **1-877-637-1786**

How confident are you about retirement?

The Retirement Confidence Survey is conducted each year by the Employee Benefit Research Institute to measure attitudes about retirement among Americans. The 2011 survey found retirement confidence at a 21-year low.[1]

However, the EBRI researchers believe this could be a positive sign — many workers had been overconfident about retirement. Taking a more realistic look at how much you might need for retirement could be the first step in making the necessary changes to help you prepare. So consider these questions:

- If you're not confident in your prospects for retirement, what can you do to improve your situation?
- If you are confident, do you have a solid, logical basis for that confidence, or are you only guessing?

The following facts and ideas may help you stay on track.

Key Results of Recent Surveys

The oldest baby boomers turn 65 this year and many have too little in their 401(k) plan accounts to help replace pre-retirement income.[2] Younger workers also report low savings rates, and 36% expect to retire beyond age 65.[1]

Among those responding to recent surveys:

- 27% are "not very confident" and 21% are "not too confident" about their ability to prepare for retirement.[1]
- Only 42% have calculated what they will need to save for retirement.[1]
- 34% have no retirement savings.[3]
- 56% have less than $25,000 in savings, excluding their homes and any traditional pensions.[1]
- 51% are at risk of having a lower standard of living in retirement. That rises to 61% if healthcare expenses are included, and rises to 65% when long-term care expenses are considered.[4]
- 32% of respondents ages 65 to 69 are still in the workforce.[1]

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Take a fresh look at your plans for the future

If you feel unprepared for a financially secure retirement, the following steps may help.

1. Set your retirement goal.

> ***Key Fact:*** *The Retirement Confidence Survey found that only 42% of workers surveyed had calculated their goal.*[1]

An important step in planning for the future is estimating how much you will need for maintaining your standard of living in retirement. Those who had done the calculation expected to need much more than those who hadn't. Even when they set a higher savings target, those who calculated their goal were more confident that they could achieve it. They also were more likely to increase their contribution rates to their employer-sponsored retirement plan.[1]

The Retirement Planning Calculator is available at **www.benefits.ml.com**. You can use the calculator to help you set your retirement goals and then check your progress along the way. You'll also see suggestions that could help you make progress toward your goals.

2. Contribute as much as you can.

> ***Key Fact:*** *Those who participate in their employer-sponsored retirement plan are more than twice as likely as those who do not to report retirement assets of at least $50,000.*[1]

If your retirement calculation uncovers a savings gap, it may be time to consider increasing your 401(k) contributions. The Retirement Planning Calculator can show you how contributing more could improve your chances of reaching your goal. If you can't afford to contribute that much right now, consider increasing your contributions gradually — perhaps 1% or 2% each year — until you reach your contribution target.

Keep in mind that the Retirement Planning Calculator only provides an estimate. Your actual needs may vary depending on factors such as your life expectancy, future health and retirement lifestyle.

3. Focus on your asset allocation.

> ***Key Fact:*** *19% of workers who calculated their retirement savings goal changed their investment mix.*[1]

Your 401(k) plan lets you invest your contributions across different asset classes, including stocks, bonds and cash equivalent investments. How much you direct to each asset class — your "asset allocation" — is a critical factor in determining your long-term investment performance. Since each asset class may react differently to different economic conditions, and each offers different potential risks and returns, owning a mix of all three can help you manage risk while offering the potential for long-term growth. How you allocate your retirement plan contributions will depend on your goal, time frame and risk tolerance.

In the short term, it can be tempting to change your asset allocation or individual investments in response to the market's ups and downs. But experts encourage investors to keep a long-term view. See the article, "These bad habits can reduce returns," also in this issue of myFuture.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

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4. Stay realistic.

> ***Key Fact:*** *74% of workers say they plan to work for pay in retirement.[3]*

You may be better able to make informed decisions if your expectations about the future remain realistic. For example, you may decide to work for pay in retirement to help make ends meet. Also, there is no way to predict how your investments will perform over the long term. Your portfolio's performance will depend on the funds you have chosen and the cumulative performance of the assets held by those funds.

Learn more and take action

To calculate your progress toward accumulating enough for retirement:

- Log on to **www.benefits.ml.com** > Advice & Planning > Retirement > Tools > Retirement Planning Calculator.

To increase your contributions to your employer-sponsored plan:

- Log on to **www.benefits.ml.com** > 401(k) Plan > Current Elections > Contribution Rates.

To learn more about asset allocation:

- Log on to **www.benefits.ml.com** > 401(k) Plan > Advice & Planning > Investing. ■

[1] *"The 2011 Retirement Confidence Survey: Confidence Drops to Record Lows, Reflecting 'the New Normal'," EBRI Issue Brief, no. 355 (Employee Benefit Research Institute, March 2011). The Retirement Confidence Survey, conducted annually by the Employee Benefit Research Institute, surveys attitudes about retirement among working-age Americans and retirees. The 21st annual survey was conducted in January 2011, and included 1,258 Americans age 25 and older.*

[2] *Based on data compiled by the Federal Reserve and analyzed by the Center for Retirement Research for The Wall Street Journal, as reported in The Wall Street Journal, "Retiring Boomers Find 401(k) Plans Fall Short," February 19, 2011.*

[3] *From the Harris Poll, a survey of 2,151 people conducted by Harris Interactive in November 2010.*

[4] *From the October 2011 National Retirement Risk Index (NRRI). NRRI is a special project of the Center for Retirement Research at Boston College.*

Benefits OnLine® Spotlight

Introducing the Article Library

Coming later this summer to Benefits OnLine, the Article Library will give you easy access to information intended to help you at each stage of your life. You may be starting out, transitioning to retirement, or somewhere in between. For each life-stage, the Library offers articles on investing, personal finance, retirement and more. Here's a preview of what you'll find.

Welcome to the Library

The "Welcome" page makes it easy to find articles on retirement and other financial topics designed to help you work toward your goals. Select from:

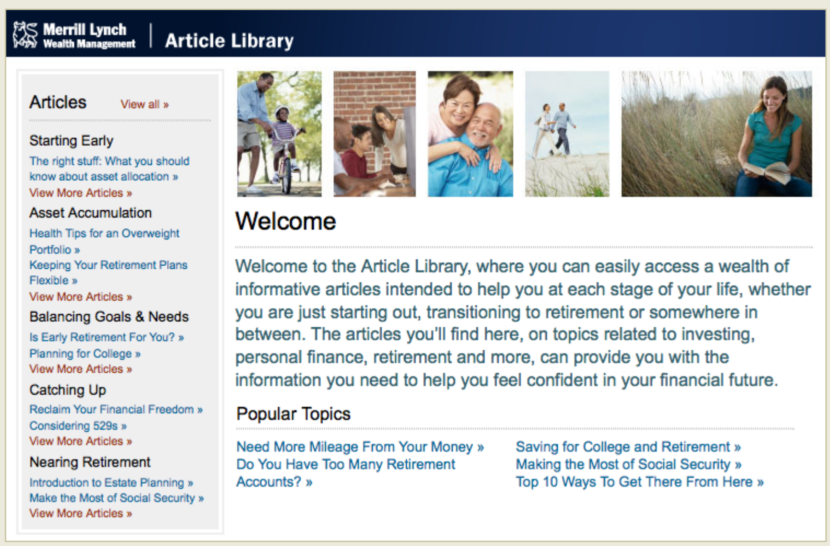
- Featured "Popular Topics," or
- The five different "life-stage" categories shown on the next page.

Articles for your current stage of life

The life-stage categories are designed to help you:

- Save time.
- Focus on information you can use today.
- Build your knowledge through each stage of your lifetime.

Of course, you can explore any section of the Library, and some articles will apply to more than one life-stage. New articles will be added as they become available.



The screen shots shown are intended to illustrate the functionality and services available to participants on Benefits OnLine. They are not meant as exact representations of the screens available through your plan.

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Which life-stage fits your situation?

You decide which life-stage best fits your situation. Consider these examples:

1. Your first life-stage as an adult is a chance for “starting early.” This is important because the sooner you start preparing for your financial future, the better — generally in your 20s.
2. In your next life-stage, the focus may switch to “asset accumulation.” This is a time for assessing your situation, taking advantage of your retirement plan and other employer benefits, and saving for other goals outside the plan — typically in your 30s.
3. You may be “balancing future goals with current needs” in your next life-stage, as you balance your financial future with the need for handling other, immediate expenses such as mortgage and college expenses — probably in your 40s.
4. The next life-stage is a time for “catching up with your goals.” This is your opportunity to maximize retirement contributions and accumulate wealth during this major phase of your career – after age 50.
5. “Transitioning to retirement” is the next life-stage. This period is key to fine-tuning your plans for retirement — often in your late 50s or 60s.

A closer look at the Article Library

Articles cover a wide range of topics such as investing, personal finance, college planning and retirement.

- Links to life-stage categories and featured articles for each category are listed on the left.
- “Article Contents” includes links within an article so you can skip ahead to specific sections, or return to a section you want to read again.
- Select the “Printer friendly version” to download a PDF you can print or save.

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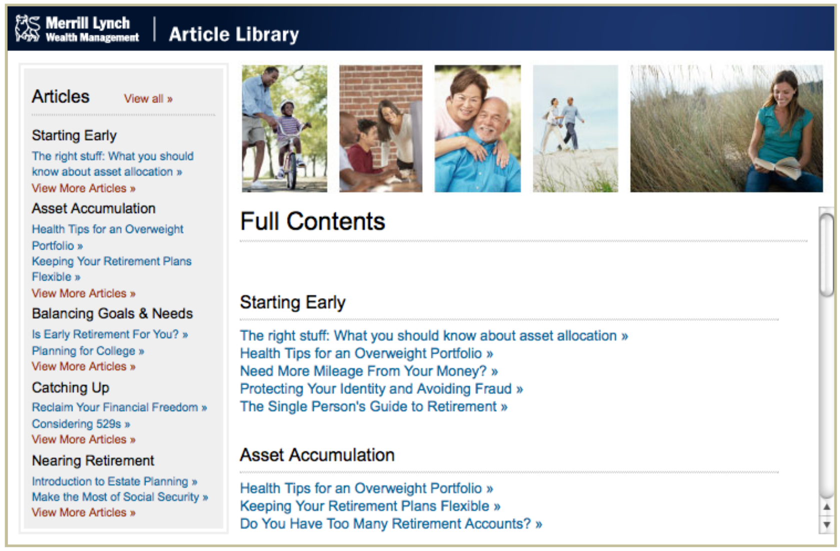
Browse the Full Contents

On the "Welcome" page, simply scroll down past "Popular Topics" to see the Full Contents of the Library.

- Articles are listed under the related life-stage categories.
- Certain articles will appear more than once because they apply to more than one life-stage.
- Articles will be added from time to time.

Visit the Library often to see what's new.



This Library is always open

The Library is "open" virtually 24 hours a day, seven days a week. To get started:

1. Log on to www.benefits.ml.com.
2. On the Home Page, click the "Article Library" link.
3. The Article Library Welcome page will open automatically. Select the life-stage category and articles that interest you.

Watch Benefits OnLine for the Article Library in summer 2011. ■

investor toolbox

These bad habits can reduce returns

Do you blame your investing blunders on bad luck? A bad market? There's evidence that poor performance is often the result of ingrained behavior patterns.

Experts in behavioral finance have identified certain predictable patterns of behavior that lead investors to make the same mistakes over and over. Here are six common behaviors that can deal your investments a substantial setback — and some changes that can help you avoid them.

1. Too much trading

Too much trading can be costly, time consuming and generally bad for performance. Some frequent traders may be trying to "time the market" — believing they can guess when different types of assets will rise and fall in value. Active traders tend to underperform the market. Their trading can become a vicious circle of market timing errors, followed by attempts to correct those mistakes, which only continues the pattern. Men are more likely to be active traders than women. As a result, single women tend to outperform single men with their investments.[1]

Break the habit of too much trading. Recognize the pattern, create a plan for investing that matches your risk tolerance and time horizon, and stick to it. Enlisting the help of a professional financial advisor can help you maintain the discipline you need.

2. Following the crowd

When the markets are sinking or soaring, it's easy to get swept up in the moment and follow the crowd. Examples of this are some of the infamous market "bubbles" of the recent past. Two decades ago, biotechnology stocks captured the imagination of many investors. A year or two of soaring returns were followed by a sharp decline. A decade ago, the pattern was repeated with Internet-related technology stocks. In the mid 2000s, it was the housing market. By the time there's a "crowd" to follow, the popular investment sector already may have peaked. Typically, the last investors to join the trend pay the highest prices for their investments and are hurt the most when the bubble pops.

Avoiding the crowd mentality means tuning out the hype that often comes from the media or even the neighbor next door. Consider a more useful investor habit — maintaining a portfolio based on your time horizon, risk tolerance and long-term goals. With that approach, it may be easier to ignore the crowd and stay focused on your goals.[2]

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3. Too close to home

It's only natural that investors favor what they know. You may invest most of your money in U.S. markets and ignore international investments because it feels comfortable. You may own shares in a local company because — well, it's local. You may hold onto your savings bonds because your family gave them to you. When your attachment to an investment is more emotional than rational, it can cloud your decisions. A financial advisor can help you sort out your reasons for holding onto certain investments, and help you make choices that fit your investing goals.

4. Hanging onto your losses

One of the hardest things for many investors to do is to sell a loser. In fact, some investors will sell winning investments and hold on to losing investments on the theory that they haven't really lost anything until they actually sell. Researchers at the University of California have found that this approach often leads to the opposite of what was intended: Loss averse investors sell their top performers, hoping their losing investments will rebound. In fact, the exact opposite often happens. The losers continue to sink and the winners continue to climb — after they have been sold.[3]

But if you have identified an investment that has clearly underperformed over time, consider taking the loss and choosing another investment with the potential for positive returns. If you keep waiting to break even, you may lose even more ground.

5. Taking too much credit for your own success

Behavioral finance studies show that investors often process rational information in an irrational way. For example, investors have a tendency to overreact to their own success — especially when the broad markets are climbing and almost any investment has the potential to rise. A lot of investors misjudge their skill level in a rising market, but don't know what to do in a down market. One strategy is to maintain your long-term perspective, even when the markets turn downward. And seeking help from a financial advisor can help you make informed decisions.

6. Under-diversifying

Diversification has proven to be one of the single most important steps you can take toward long-term investment success. You know better than to put all your eggs in one basket. But even if you invest in a number of mutual funds, you may not be as diversified as you need to be. Make sure your funds don't overlap with too many holdings in similar assets. It is important to have exposure to many different markets and sectors. Consider assets that can help reduce the volatility of your portfolio because the same economic conditions that cause some to fall may cause others to rise. Diversification can reduce volatility in your portfolio and reduce risk, while providing the potential for investment growth (but it cannot ensure a profit or protect against loss).

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Look at your own investment habits

When you look at these six behavior patterns, you can see that most are based on emotions. Is that any way to make effective investment decisions? If you recognize yourself in any of these behavior patterns, resolve to break those habits. Remember, it's not just the choices you make, but the mistakes you avoid that can help you invest successfully over time.

Learn more and take action

To learn about investing principles:

- Log on to **www.benefits.ml.com** > Advice & Planning > Investing.

To review the investment choices offered by your plan:

- Log on to **www.benefits.ml.com** > 401(k) Plan > Investments > Investment Choices & Performance.

To contact a Merrill Lynch Financial Advisor:

- Call 1 (800) MERRILL (637-7455).

[1] *Multiple research from Brad M. Barber and Terrance Odean: http://faculty.haas.berkeley.edu/odean/Papers%20current%20versions/Individual_Investor_Performance_Final.pdf; http://faculty.gsm.ucdavis.edu/~bmbarber/Paper%20Folder/QJE%20BoysWillBeBoys.pdf; http://faculty.haas.berkeley.edu/odean/Papers%20current%20versions/Online%20RFS.pdf*

[2] *Research by Brenda Spotton Visano, http://www.jstor.org/stable/3487980*

[3] *Research by Terrance Odean, http://faculty.haas.berkeley.edu/odean/Papers%20current%20versions/AreInvestorsReluctant.pdf*

market beat

Tuition is paid for. Now what?

You've looked forward to this day for as long as you can remember. Your child (or the youngest of your children) is graduating from college. Your next financial steps can make a real difference in your retirement.

You've written the last tuition check, celebrated your youngest child's graduation and sent the new grad into the job market with a sense of satisfaction — and relief. Now, it's time to focus on your next major financial goal: retirement. If you're fortunate enough to have a time horizon of 10 to 20 years, the steps you take today can make a significant difference in the size of your nest egg and create a sense of financial security. Here are four things you can do to help ensure a smooth transition from one financial goal to another.

1. Tackle your debts

Of course you'll celebrate this important event in your family's life. Then what? It's tempting to take the money you're not spending on college and indulge yourself, but the sense of financial freedom you can feel when you eliminate debt can be more rewarding. If you're like most parents, you have taken out loans or tapped the equity in your home to help pay for college. Make it a priority to pay off this debt as soon as you can. Create a plan that will reduce your debt — and even leave you debt-free — by the time you expect to retire. Then discipline yourself to stick with it: An automatic payment plan can help.

2. Ratchet up your retirement savings

Take advantage of every opportunity to contribute to a tax-advantaged retirement plan. If you participate in a workplace 401(k) plan, aim to contribute the maximum amount ($16,500 in 2011). After age 50, you may be eligible to contribute even more through "catch-up" contributions (up to $5,500 in 2011). And even if you're contributing the maximum to your 401(k), both you and your spouse are eligible to contribute to an IRA. Although you probably can't deduct your contribution from your taxable income, any earnings are tax-deferred. If retirement is still 10 to 20 years away, you could potentially accumulate a significant amount of money if you put all of these opportunities to work for you.[1]

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3. Rethink your lifestyle

When the nest is empty, it's time to take a good look at the nest itself. Does it make sense to downsize your home? Say goodbye to the neighborhood you've known for years? Move to another state — where living costs may be lower? If you downsize, you may be able to eliminate your mortgage payment, or tap some of the equity in your home for income in retirement.

With your children gone, there may be other ways to save on household expenses, such as cutting back on family health club memberships, premium cable services and extra phone lines. You may even save on your auto insurance if your children have left home and no longer drive the family car. Keep in mind that any cost savings you can achieve can free up even more money to pay off debt and save for retirement.

4. Review your financial plan

As with any new life stage, it's important to use the opportunity to review your financial plan. Start with a fresh look at how your investments are allocated. Depending on where you are on the road to retirement, it may be time to start reducing your exposure to more volatile assets — or reallocating to assets with the potential to provide retirement income. Start thinking about consolidating your financial accounts with an eye toward simplification. And revisit your estate plan, including your beneficiary forms, to make sure that everything is up to date.

The transition from being a parent with children in college to an empty-nester with an eye on the future offers the potential for a variety of emotions: nostalgia, relief, satisfaction and excitement. Take time to savor your family's achievements. Visualize the retirement you hope for. Then get started with a plan.

Investing involves risk, including the possible loss of the principal value invested.

Learn more and take action

To change your 401(k) asset allocation:

- Log on to **www.benefits.ml.com** > 401(k) Plan > Funds Transfer.

To increase your 401(k) contributions:

- Log on to **www.benefits.ml.com** > 401(k) Plan > Current Elections > Contribution Rates.

To learn more about managing your retirement income:

- Log on to **www.benefits.ml.com** > Advice & Planning > Retirement > Living in Retirement > Manage Your Retirement Income.

And, to learn about Merrill Lynch's Retirement Income Service:

- Contact Merrill Lynch at 1-866-MLAdvice (1-866-652-3842). ■

[1] *Taxes are due upon withdrawal of any investment earnings and any pre-tax contributions from a traditional IRA. If you take a withdrawal prior to age 59½, you may also be subject to a 10% additional federal tax.*

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