

**Planning for your future  
is easy and convenient—  
with GoalMaker**

Prudential   
**SmartSolution IRA**

your Rock for Retirement®





## “How should I invest my money?”

That’s the one question investors ask more than any other—with good reason. Choosing your investment mix just might be the most important step you take when it comes to preparing for a secure retirement. An investment strategy—called *asset allocation*\*—could help you build a better financial future.

This guide is designed to help you learn about asset allocation and educate you about the tools that can help you put together your personal investment strategy. It’s easier than you think!

**Asset:** Any item of economic value owned by an individual or organization. Examples include cash, investments, a house, a car, and other property.

**Asset class:** An investment category, such as stocks, bonds, and stable value investments.

## How asset allocation works

Simply put, asset allocation\* is the process of spreading your money across different kinds of asset classes, such as stocks, bonds, and stable value investments. By dividing your portfolio among a variety of investment classes, you minimize your reliance on any one investment and help manage your investment risk. Historically, the markets move in cycles—generally, when one kind of investment is performing well, another may not be performing as well. Changing economic and financial market conditions affect asset classes differently. And, since you don’t know which asset class will perform well next year or the year after, having a variety of asset classes in your portfolio may help you to better weather the rough spots in the market.

Imagine you have a window in your home that has just one pane of glass. Now imagine your neighbor’s kids are playing baseball in the backyard. What would happen if their future superstar hit a home run through your window? The entire sheet of glass would break...and need to be replaced.

Now let’s see what would happen if you had a window with four panes of glass. When the ball goes through one of the panes, the others stay intact.

That’s what asset allocation is like. Even if one of the investments in your portfolio is not performing well, there’s a good chance that others are.

It’s similar to the old saying... don’t put all your eggs in one basket.

*\*Application of asset allocation does not ensure safety of principal and interest. **It is possible to lose money by investing in securities.***

## Investment basics: An overview

Retirement accounts typically offer investors a range of investment options that invest in many types of securities.\* There are four main types of investments in which investors typically may invest: stable value, fixed income, balanced, and stock/equities.

**Stable Value:** These investments combine safety of principal with money-market-like liquidity and seek to produce rates of return which are superior to money market funds over the long term.

**Fixed Income:** Fixed income investments invest in corporate and government bonds. They can go up or down in value each day, so they carry more risk than stable value investments, but also offer more opportunity for a potentially larger return.

**Balanced:** Balanced investments combine fixed income and stock components to offer you a combination of the stability of interest income and the growth potential of stock investments. As a result, these investments typically do not experience the full ups and downs of the stock market. Because balanced investments tend to be a “one size fits all” solution, we will not consider them for our asset allocation discussion.

**Stock/Equities:** Stock/Equity investments own shares of corporations, which provide investors a chance to participate in the profits—or losses—of those corporations. Stocks have the potential for higher returns, but they carry more risk than other investment options. There are many types of stock investments, each categorized by the size or market capitalization of the companies they invest in, the investment style followed by the fund manager, and the geographic focus of the fund.

### Size of market capitalization:

- Large-cap: over \$10 billion
- Mid-cap: \$2 billion to \$10 billion
- Small-cap: under \$2 billion

### Investor style:

- Growth: the stocks are expected to grow faster than the economy
- Value: the stocks are thought to be a bargain because they have been undervalued or overlooked by investors
- Blend: these investments combine both growth and value stocks

### Geographic focus:

- Domestic: invests primarily in U.S. companies
- Global: invests in both U.S. and foreign companies
- International: invests primarily in foreign countries



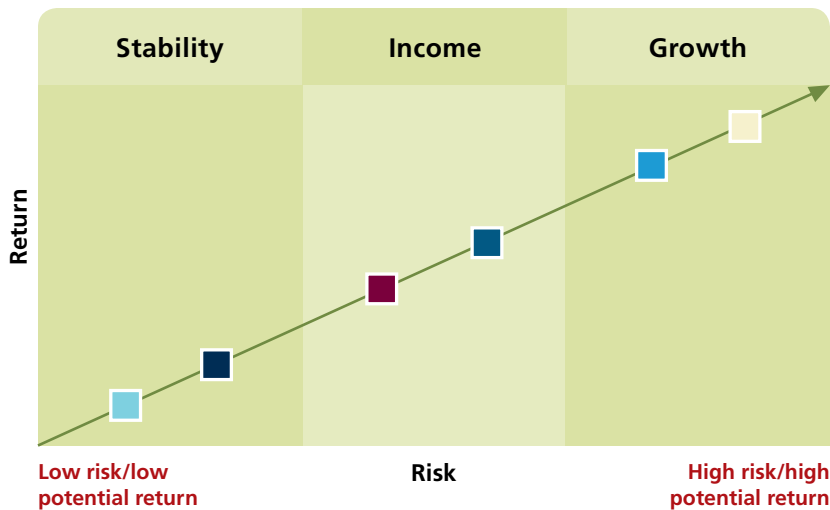
*\*This section is designed to provide you with general information about different types of investments. Not all retirement accounts offer investments in every category.*

## Managing risk

Risk—like it or not, is a fact of life. It's also a fact of investing, because anything you do with your money involves some risk. Understanding the different kinds and degrees of risk and their relation to an investment's potential return can help you make smarter investment decisions. The graphic below shows the relationship between risk and the potential for return.

Generally, in order to reach your long-term financial goals, you should consider investing in an assortment of investment options that have good long-term growth potential, but that also fall within your own investor style window.

Keep in mind that your investor style will probably change over time. Generally, the younger you are, the more risk you should be able to take. As you get closer to retirement, you may find yourself investing more conservatively.



- Global/International Stock
- Small-Cap Stock
- Mid-Cap Stock
- Large-Cap Stock
- Fixed income
- Stable Value

**Market risk:** refers to the possibility that investors will lose money due to the decline in the price of their investments. Stock investments are most commonly associated with market risk.

**Inflation risk:** refers to the possibility that the growth of an investment may not keep pace with the average rate of inflation. In this sense, seemingly safe investments such as stable value or fixed income can be the riskiest over time if they do not outpace inflation.

**Investor style:** determined by an investor's risk tolerance along with intended years to retirement.



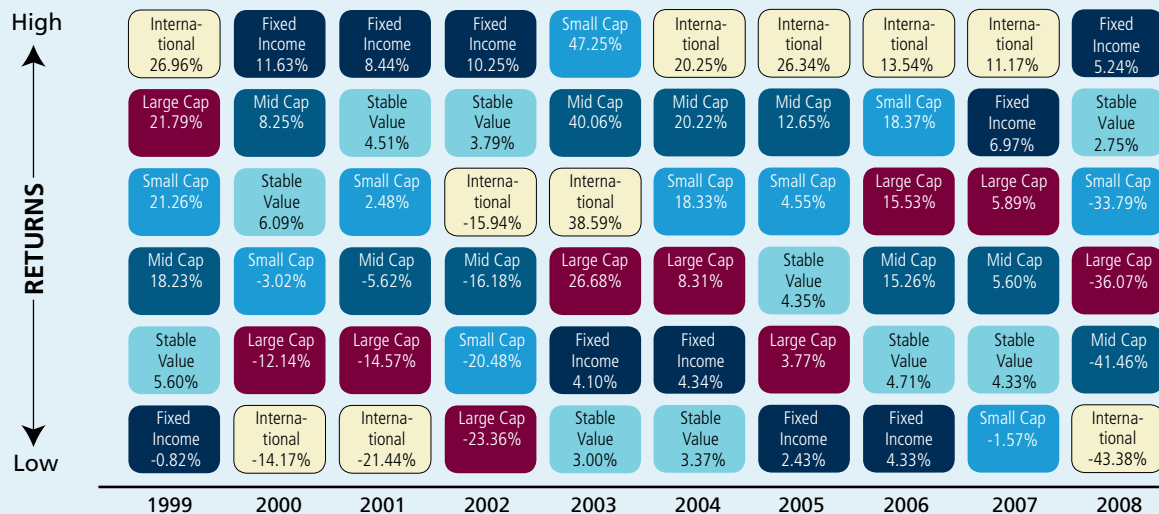
## Diversification's role in asset allocation

Diversification\* takes asset allocation one step further by investing in a variety of investments within each asset class (for example, large-cap vs. small-cap, growth vs. value, etc.). Diversification spreads risk around and helps even out the return of an asset class even though its individual investments may move up and down over time. Asset allocation and diversification work together to help manage risk. Keep in mind, however, that asset allocation does not guarantee a profit or protect against a loss.

Throughout history, investments of all types have moved in cycles. For decades, investors have tried to find patterns and trends in these cycles with little success.

The chart below shows annual rates of return from 1999-2008 for six major investment categories: stable value, fixed income, large-cap stock, mid-cap stock, small-cap stock, and international stock. The investments are ranked from best performer at the top to worst performer at the bottom for each year. As you can see, there is no pattern because the market is unpredictable.

### Asset class performance by year



- Stable Value: 5 Year Treasury Note Yield Index
- Fixed Income: Barclays Capital Aggregate Bond Index
- Large Cap: Russell Top 200® Index
- Mid Cap: Russell MidCap Index
- Small Cap: Russell 2000® Index
- International: Morgan Stanley Capital International EAFE Index

Past performance of investments or asset classes does not guarantee future results. Indexes are unmanaged - it is impossible to invest directly in an index.

\*Application of diversification does not ensure safety of principal or interest. It is possible to lose money by investing in securities.

## GoalMaker—An easy solution for targeting your investment choices

GoalMaker is an asset allocation program offered through your Prudential Smart Solution IRA. GoalMaker can help you target the asset classes best suited to your retirement goals. All you need to do is follow three easy steps:

### Step 1: Determine your investor style

Investor style can be defined as how comfortable you are with short-term swings in the market. Everyone is different, but investors generally fall into one of three categories. Take a closer look at the descriptions to the right and write the corresponding letter in the box below the chart (If you need more help, take the investor style quiz at the end of this guide). Then identify the number of years you have left to retirement and write the corresponding number in the box below the chart. Once you have completed this step, you have determined your investor style code and you're ready to move to step 2!



### Step 2: Select your GoalMaker portfolio

Now that you have your investor style code (e.g., M03, C02, R01, etc.), and you understand it reflects both your investor style and your years to retirement, you have a simple formula to find your model investment portfolio. Refer to your Prudential Smart Solution Investor Toolkit to find your model investment portfolio. Match your code to the corresponding portfolio and ensure the mix is appropriate for you. If it is, then you've done it—asset allocation made simple!

#### Conservative

C

- Concerned about short-term ups and downs in the market
- Want to minimize risk and maintain principal
- Seek stability and little fluctuation in the value of investments

#### Moderate

M

- Willing to sacrifice safety of principal for potentially greater returns
- Can tolerate modest market fluctuations
- Concerned with safety, but wants to stay ahead of inflation

#### Aggressive

R

- Seek to maximize investment returns
- Can tolerate substantial market fluctuations
- Accept greater risks in exchange for prospect of greater rewards

Investor style	Code	Years to retirement
Conservative	C	01 0-5
		02 6-10
Moderate	M	03 11-15
		04 16+
Aggressive	R	
My investor style code is:	<input type="text"/>	<input type="text"/>





### Step 3: Put GoalMaker to work for you



Are you ready to choose GoalMaker as your asset allocation program? Call 1-877-778-2100 and say "IRA" when prompted. A Retirement Counselor\* can help you set up your Prudential SmartSolution IRA today.

\* Retirement Counselors are registered representatives of Prudential Investment Management Services LLC who may receive compensation based on your decision to either keep your funds in your employer-sponsored retirement plan or roll over to an IRA through Prudential. The timing of these compensation payments for an IRA rollover is more favorable than for remaining in the plan. Should you choose to roll to an IRA, such compensation does not differ based on which IRA you choose or how your money is invested.

The IRA is not affiliated with the employer-sponsored plan or plan sponsor, and a rollover to an IRA means you are no longer part of an employer-sponsored plan. Once assets are rolled over to an IRA, they normally cannot be rolled back to a former employer's plan. The Prudential SmartSolution IRA product invests in Prudential managed funds. JennisonDryden is a Prudential subsidiary and Prudential earns fees for managing these accounts. These fees are described in the prospectus for each fund.

### GoalMaker makes it easy to stay on track

To help you keep your retirement goals on track, GoalMaker quarterly rebalances your account to ensure that it matches your chosen Prudential SmartSolution IRA portfolio.

Rebalancing is important because sometimes one investment option in your portfolio may grow (or decline) faster than another, throwing your original asset allocation off balance. During Automatic Rebalancing, money is moved among the investments in your GoalMaker portfolio to maintain your original allocation percentages.

Remember, as your goals and years to retirement change, you can select a new portfolio at any time.

For more tools, helpful articles, online courses, and educational resources, visit the Prudential Retirement Education and Planning (PREP) website at [www.prudential.com/prep](http://www.prudential.com/prep).

## Investor Style Quiz\*



Circle the score for your response to each statement.

- 1 | The possibility that I won't achieve a high enough rate of return over the long term.

*I am very concerned* ..... 10  
*I am somewhat concerned* ..... 7  
*I am not concerned* ..... 3

- 2 | The loss of "buying power" or "quality of life" from the effects of inflation.

*I am very concerned* ..... 6  
*I am somewhat concerned* ..... 4  
*I am not concerned* ..... 1

- 3 | Wide swings in the value of my account over 1–3 months.

*I am very concerned* ..... 0  
*I am somewhat concerned* ..... 4  
*I am not concerned* ..... 12

- 4 | Wide swings in the value of my account over 1–2 years.

*I am very concerned* ..... 2  
*I am somewhat concerned* ..... 6  
*I am not concerned* ..... 12

- 5 | Which of the following causes you the most concern about the investments in your account?

*My future ability to get back at least the same amount of money that I put in* ..... 2  
*That my money is not earning enough* ..... 6  
*How much I have gained or lost this month* ..... 0

- 6 | One of the investments in your plan has performed very well for a few years. If it suddenly dropped 15% in 3 months, what would you do?

*Sell immediately* ..... 0  
*Hold it* ..... 6  
*Buy more* ..... 8

- 7 | Your experience with stock investments.

*A great deal* ..... 6  
*A fair amount* ..... 4  
*Very little* ..... 2  
*None* ..... 1

- 8 | Your comfort level with stock investments.

*A great deal* ..... 12  
*A fair amount* ..... 10  
*Very little* ..... 4  
*None* ..... 0

- 9 | Your experience with bond investments.

*A great deal* ..... 5  
*A fair amount* ..... 3  
*Very little* ..... 2  
*None* ..... 1

- 10 | Your comfort level with bond investments.

*A great deal* ..... 7  
*A fair amount* ..... 4  
*Very little* ..... 3  
*None* ..... 0

Please add up the points corresponding to each of your answers to determine your total score.

**Conservative 0 – 40 pts**

**Moderate 41 – 60 pts**

**Aggressive 61+ pts**

Now go back to the model portfolio chart and select the one that best fits your needs.

\* This quiz is designed to be used as a guide only and is not intended as financial advice. Your financial decisions should not be based solely on the score you have obtained using the worksheet.



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The fees associated with account balances remaining in the plan will be different from, and are likely to be less than, the fees associated with a rollover IRA. You should review your Plan's provisions to determine whether you are permitted to keep your account balance in the plan sponsored by your former employer or discuss rollover provisions in your new Employer's plan. You may contact Prudential at 1-877-778-2100 to obtain a comparison of fees between your former employer's plan record kept by Prudential and an IRA.

The GoalMaker portfolio allocations were developed by Morningstar Associates, LLC within a set of guidelines determined by Prudential. The extent to which Morningstar Associates' recommendations are implemented within the models is at the sole discretion of Prudential.

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Investment advisory services provided by Global Portfolio Strategies, Inc., a registered investment advisor and Prudential Financial company.

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