Know your options, make decisions, and move ahead

Hanford Site

Dealing with life transitions

- What's next for me?
  - What if I can't get another job quickly?
  - Will my money last until I land somewhere?
  - Should I go back to school?
  - What if I have to move?
  - What if . . . what if . . . what if?

Agenda

- Your planning opportunities.
- Your retirement plans.
- Investing today.
- Where to go from here.

Your planning opportunities

Your separation pay

- Distribution options.
  - Lump sum.
  - Deferred payment.
- Tax issues.
  - Flat 25% federal income tax withholding.
  - FICA (Social Security and Medicare).
  - State and local taxes.
  - Beware of tax bracket creep.

2012 tax rates

Single	
Taxable income	Tax bracket
$0–$8,700	10%
$8,700–$35,350	15%
$35,350–$85,650	25%
$85,650–$178,650	28%
$178,650–$388,350	33%
More than $388,350	35%

Head of household	
Taxable income	Tax bracket
$0–$12,400	10%
$12,400–$47,350	15%
$47,350–$122,300	25%
$122,300–$198,050	28%
$198,050–$388,350	33%
More than $388,350	35%

Married filing jointly or qualifying widow(er)	
Taxable income	Tax bracket
$0–$17,400	10%
$17,400–$70,700	15%
$70,700–$142,700	25%
$142,700–$217,450	28%
$217,450–$388,350	33%
More than $388,350	35%

Married filing separately	
Taxable income	Tax bracket
$0–$8,700	10%
$8,700–$35,350	15%
$35,350–$71,350	25%
$71,350–$108,725	28%
$108,725–$194,175	33%
More than $194,175	35%

Get organized!

- Conduct a family conference.
- Use financial planning tools.
  - Complete a net-worth statement.
  - Develop a spending plan.

Net Worth Worksheet

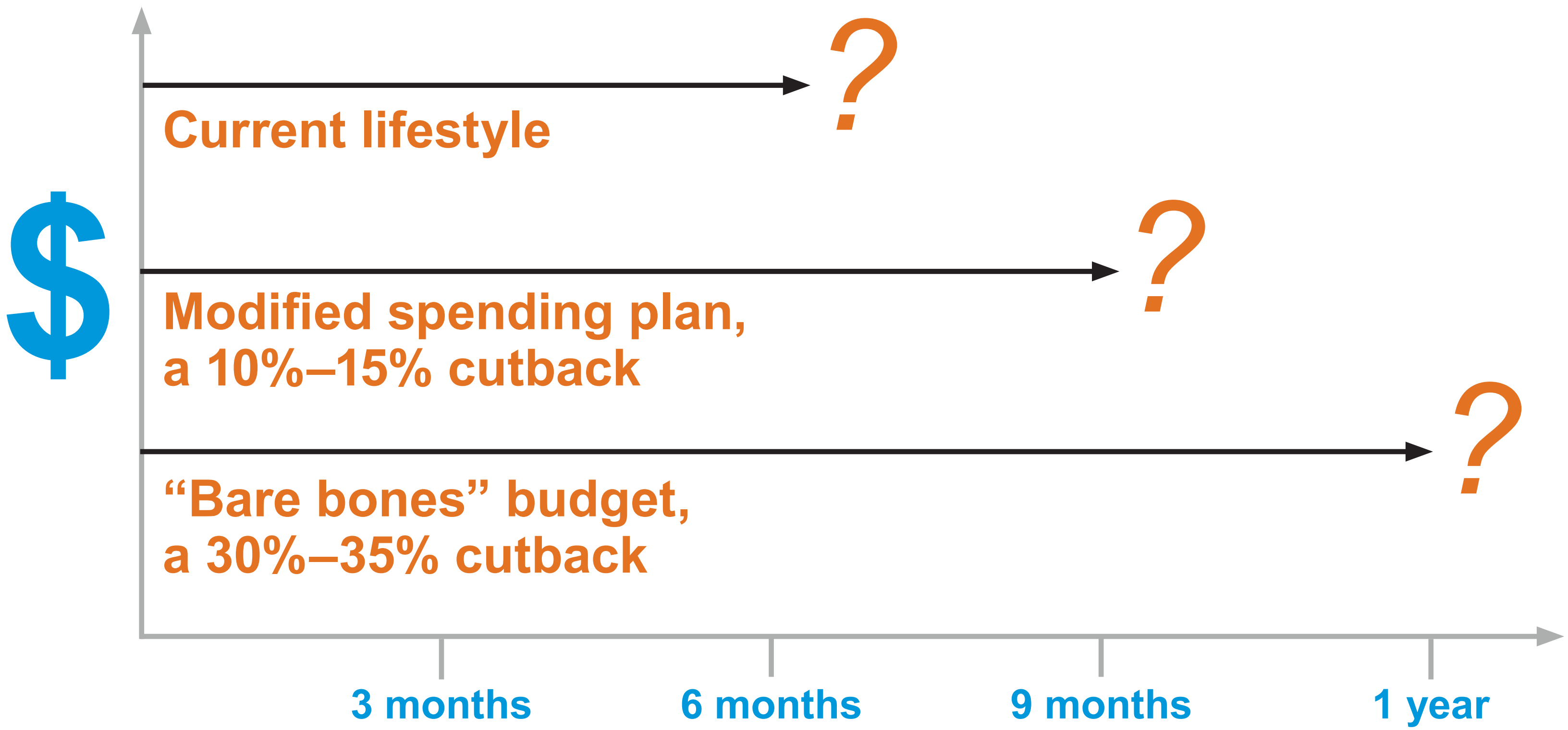
	Assets–What you own	Value
Current assets	Cash on hand	
	Checking accounts	
	Savings accounts	
	Money market accounts	
	Short-term CDs	
	Cash value of life insurance	
	Other	
	1. Total current assets	

	Liabilities—What you owe	Value
Current liabilities	Department store credit cards	
	Major credit cards	
	Back taxes	
	Medical and dental bills	
	Other	
	6. Total current liabilities	

Spending Plan Worksheet

Part 1	How much money do you make?
Part 2	Do you save enough for retirement?
Part 3	Where do you spend your money?
Part 4	How does your spending compare?

Use the Spending Plan Worksheet to determine your financial staying power



How long will . . .

- Other reliable income.
- Cash on hand.
- Separation pay (if applicable).
- Unemployment compensation (if applicable).
- Investments you can liquidate.
- Other financial resources.

. . . carry you?

What’s next for you?

- Get another job ASAP.
- Get another job eventually.
  - Take time off to reconsider life goals.
  - Change careers.
  - Go back to school.
  - Relocate.
- Retire.

Short-term solutions

- Unemployment compensation.
  - Apply in your state of residence.
  - Taxes and withholding (Form W-4V).
- Other savings.
  - Personal investments.
  - Consider tax implications.

IRA withdrawals

- Roth IRA withdrawals.
  - Roth IRA contributions are not taxed or penalized.
- Traditional IRA withdrawals.
  - Substantially equal periodic payments (SEPP) can help avoid penalties.
- Consult your tax advisor.

When taking withdrawals from a traditional IRA before age 59½, you may have to pay ordinary income tax plus a 10% federal penalty tax. When taking withdrawals from nonqualified Roth IRA assets, you may have to pay ordinary income tax plus a 10% federal penalty tax on the earnings. Roth assets are generally nonqualified if you are not yet age 59½ and the Roth account has been open less than five years.

Medical insurance

- Displaced Worker Medical Benefits (DWMB).
- Retiree health care benefits.
- COBRA benefits.
- Spouse's plan.
- New employer benefits.
- Private insurance.

DWMB

- Employer-provided health, life, PAI, AD&D insurances at active employee rates for up to one year.
- Year Two—premium changes to 50% COBRA rate.
- Year Three—premium changes to 100% COBRA rate.
- Only eligible if not eligible for any other insurance coverage (Medicare, military, spouse's, etc.).

COBRA

- Take your employer-provided health insurance with you.
- Pay full premium plus 2%.
- Eighteen months maximum.

Private medical insurance: The HSA option

- Must participate in “high deductible” health care plan.
- May not participate in any other health care plan.
- Tax-deductible contributions.
- Tax-free withdrawals for medical expenses.
- Amounts unused in any year can be carried over.

Your retirement plans

Hanford 401(k) Plan

- Distribution options.*
  - Leave it in the plan.
  - Take it in cash.
  - Roll it over to a new employer plan.
  - Roll it over to an IRA.

*Tax implications: You will be responsible for paying any federal, state, local, or foreign taxes on a distribution or withdrawal. Early withdrawals may be subject to a 10% federal penalty tax. To the extent required by law, Vanguard will make the appropriate withholding for tax purposes.

Leave it in the plan

- More than $1,000 minimum balance, until age 70½.
- Can take time to decide what to do.
- Eligible for IRA rollover at any time.
- Maintain tax deferral.
- Investment options limited to plan offerings.
- Age 55+ rule.

If you terminate employment in the year in which you reach age 55 or older, you will owe ordinary income tax payments but not the 10% federal penalty tax on withdrawals from your employer's plan.

Take it in cash

- Taxed as ordinary income.
- Subject to required 20% tax withholding.
- May be subject to 10% early withdrawal penalty.
- Loss of tax-deferred growth.
- Temptation to spend money earmarked for retirement.

If you terminate employment in the year in which you reach age 55 or older, you will owe ordinary income tax payments but not the 10% federal penalty tax on withdrawals from your employer's plan.

Roll it over to a new employer plan

- Trustee-to-trustee transfer.
- Governed by new employer plan rules.
- Different investment options.

Former employer plan → New employer plan

Roll it over to an IRA

- Trustee-to-trustee transfer (no taxes withheld).
- Maintain tax deferral.
- Increased investment options.
- Withdrawal flexibility after age 59½.

Former employer plan → IRA

Converting an IRA to income

What monthly payment can you get for $100,000?

Joint and 100% survivor benefit starting at:	One-time premium	Monthly annuity
Age 62	$100,000	$462
Age 65	$100,000	$483
Age 75	$100,000	$615

Source: Vanguard and Hueler investment Services, April, 2012.

Summary of choices

	Tax deferral	Withdrawal flexibility	Investment choices
Take in cash		✓	✓
Leave it in the Plan	✓	✓	
Roll over to new employer plan	✓		
Roll over to traditional IRA	✓	✓	✓

Outstanding plan loans

- Continue to repay loan.
- One year from separation date to pay off loans.
- Any unpaid balance is considered a taxable distribution.
  - Subject to ordinary income tax.
  - Pre-tax contributions and all earnings subject to early withdrawal penalty (unless you will be at least age 55 in the year of separation).

Investing today

Where should you start?

- Set aside for your short-term needs.
  - Savings account.
  - Cash reserve.
  - Money market account.
  - Money market mutual fund.

When ready . . .

- Revisit your long-term investments.
- Update your investment mix.
  - Retirement assets.
  - Other investments.

Decisions under stress

- Financial stress can lead to unwise financial moves.
- Two examples:
  - Chasing performance.
  - Playing it super safe.

Chasing performance

- January 1, 2008.
  - Stock market delivered an average annual return of 13% for the past five years.
  - You like the idea of a 13% return.
  - You invest all you can in the stock market.

Returns based on S&P 500 Index, 2003 to 2007. Past performance is no guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

How’d it work out?

- The stock market had one of its worst years ever.
- –37% in 2008.

Returns based on S&P 500 Index.

Playing it super safe

- January 1, 2009.
  - Your 2008 experience scared you away from the stock market.
  - You put the money you have left in a mattress.

How'd it work out?

- The stock market bounced back.
- 26% gain in 2009 and 15% in 2010.

Returns based on S&P 500 Index.

Classic mistakes

- Losing sight of your goals and risk tolerance.
- Trying to time the market.
- Having unrealistic expectations.

Tune out what you can’t control.
Focus on what you can control.

Classic guidelines

- Identify your goals and time horizon.
- Match your investments to your risk tolerance.
- Think long term.
  - Have the patience to ride out the down years.
- Have realistic market expectations.


How do you know what mix is right for you?

Two investment strategies

- Managed for you:
  - Select your retirement date.
  - Choose your fund.
  - Allow Vanguard to manage it.*
- Managed by you:
  - Complete the "Investor questionnaire."
  - Choose your investment mix.
  - Consider your funds.
  - Monitor your investment mix.

Please note that Vanguard only handles the portfolio rebalancing and portfolio construction for Target Retirement Funds.

*Even though Target Retirement Funds simplify investing, you should still check your asset mix from time to time to ensure the portfolio is in line with your current situation.

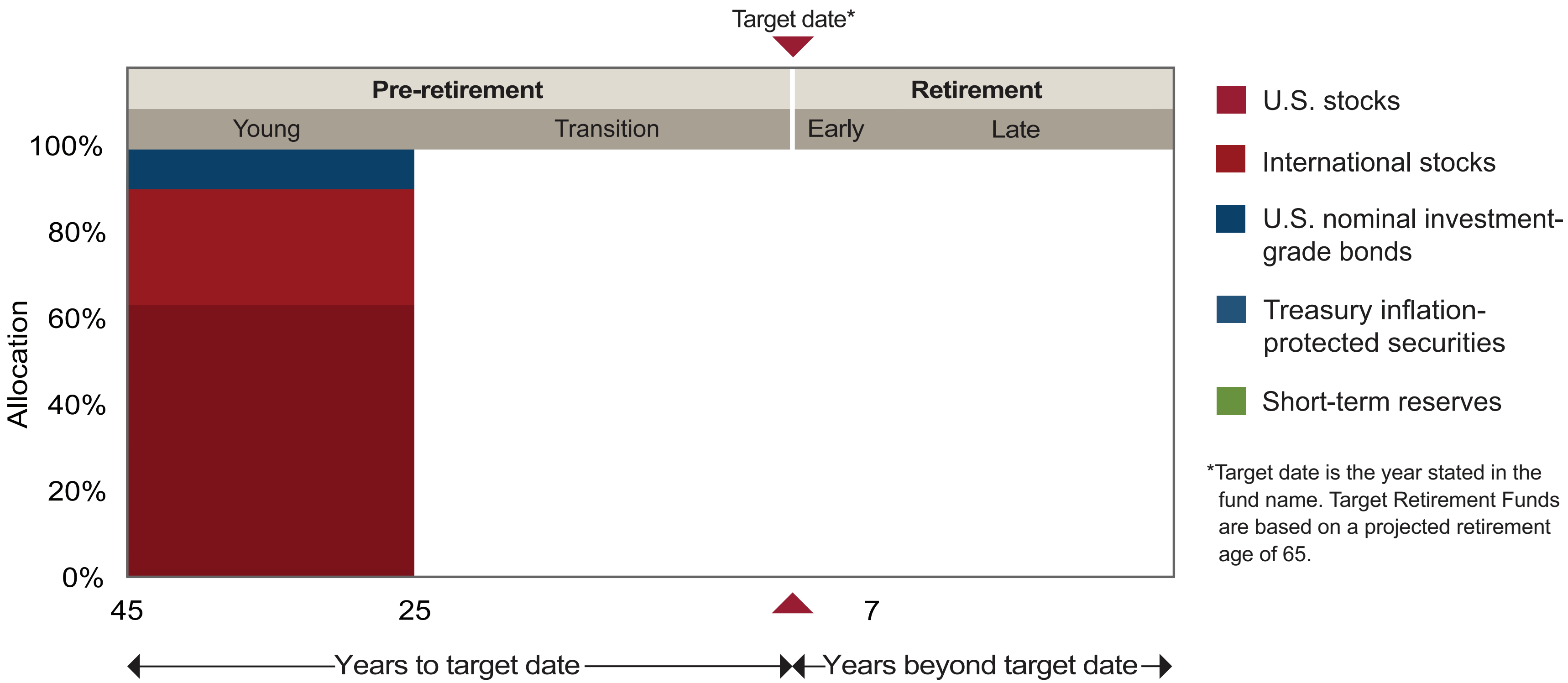
Vanguard Target Retirement Funds

Consider the fund nearest your projected retirement date:

– Vanguard Target Retirement Income Fund
– Vanguard Target Retirement 2010 Fund
– Vanguard Target Retirement 2015 Fund
– Vanguard Target Retirement 2020 Fund
– Vanguard Target Retirement 2025 Fund
– Vanguard Target Retirement 2030 Fund
– Vanguard Target Retirement 2035 Fund
– Vanguard Target Retirement 2040 Fund
– Vanguard Target Retirement 2045 Fund
– Vanguard Target Retirement 2050 Fund
– Vanguard Target Retirement 2055 Fund
– Vanguard Target Retirement 2060 Fund

Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in a Target Retirement Fund is not guaranteed at any time, including on or after the target date.

Each fund's investment mix changes over time



*Target date is the year stated in the fund name. Target Retirement Funds are based on a projected retirement age of 65.

All investing is subject to risk. Investments in bond funds are subject to interest rate, credit, and inflation risk. While U.S. Treasury or government agency securities provide substantial protection against credit risk, they do not protect investors against price changes due to changing interest rates. Although the market values of government securities are not guaranteed and may fluctuate, these securities are guaranteed as to the timely payment of principal and interest. Foreign investing involves additional risks including currency fluctuations and political uncertainty.

Source: Vanguard Center for Retirement Research.

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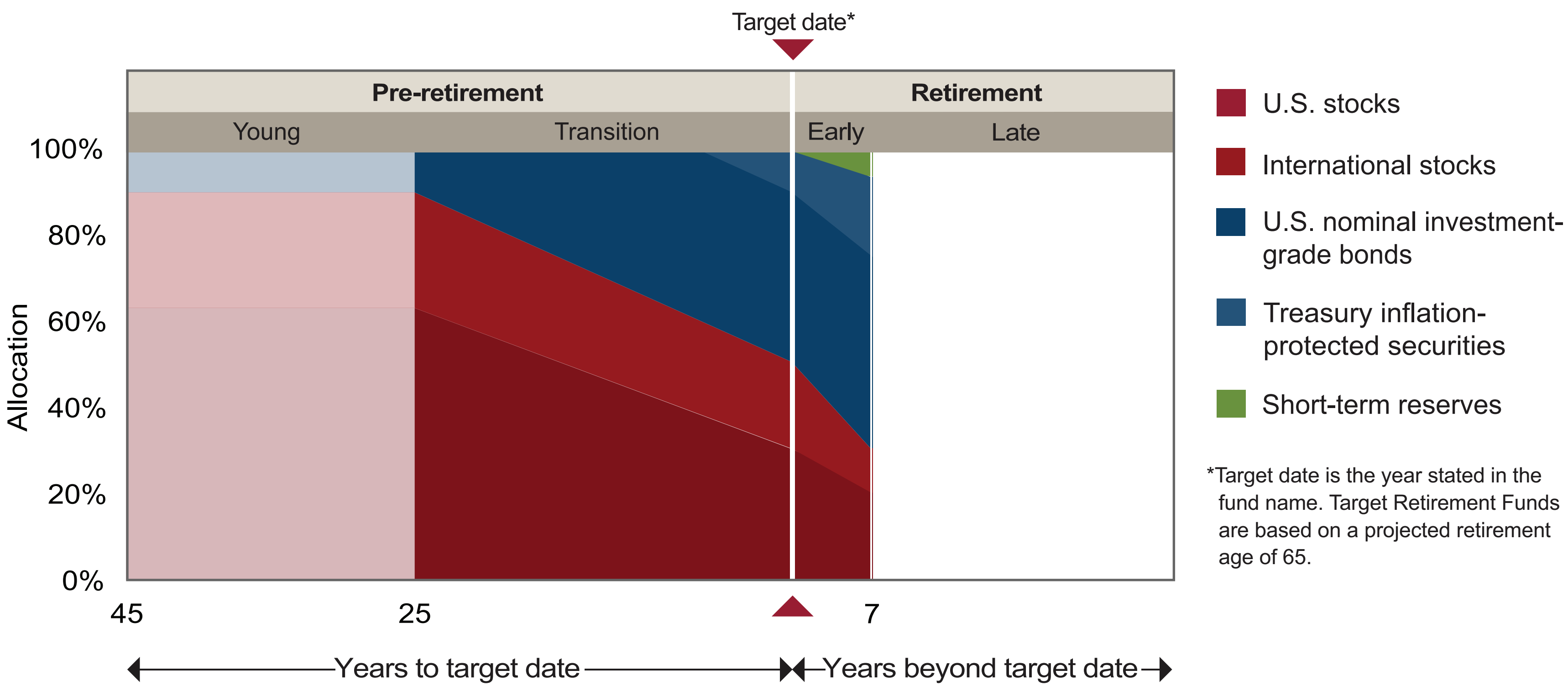

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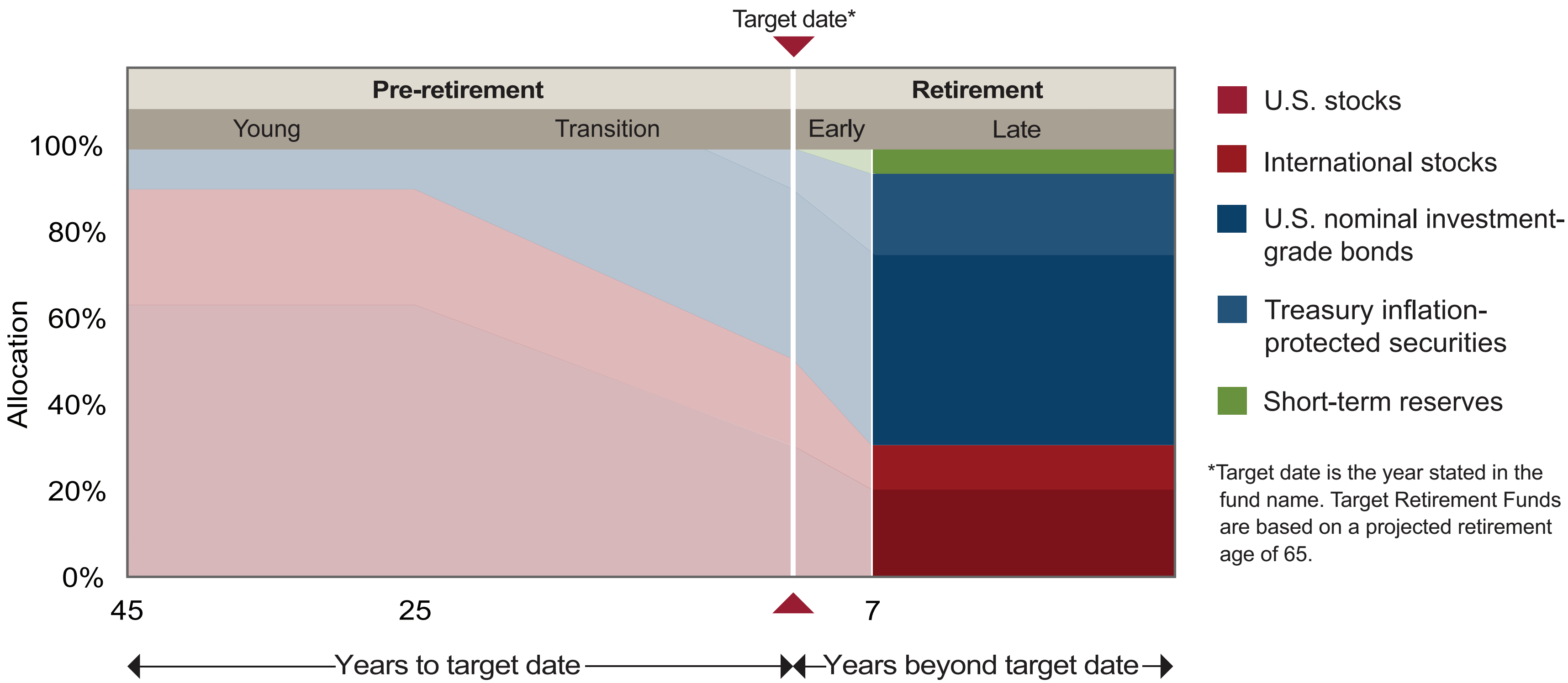

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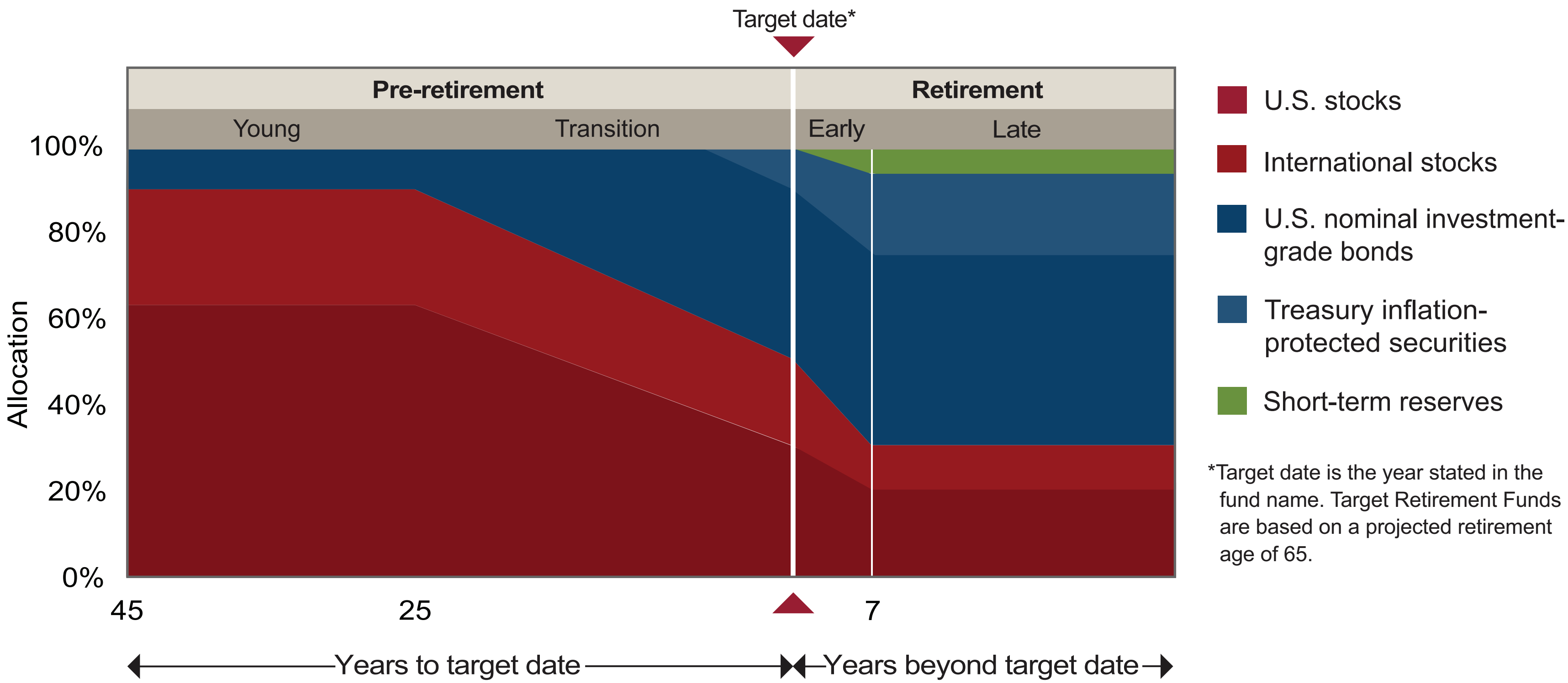

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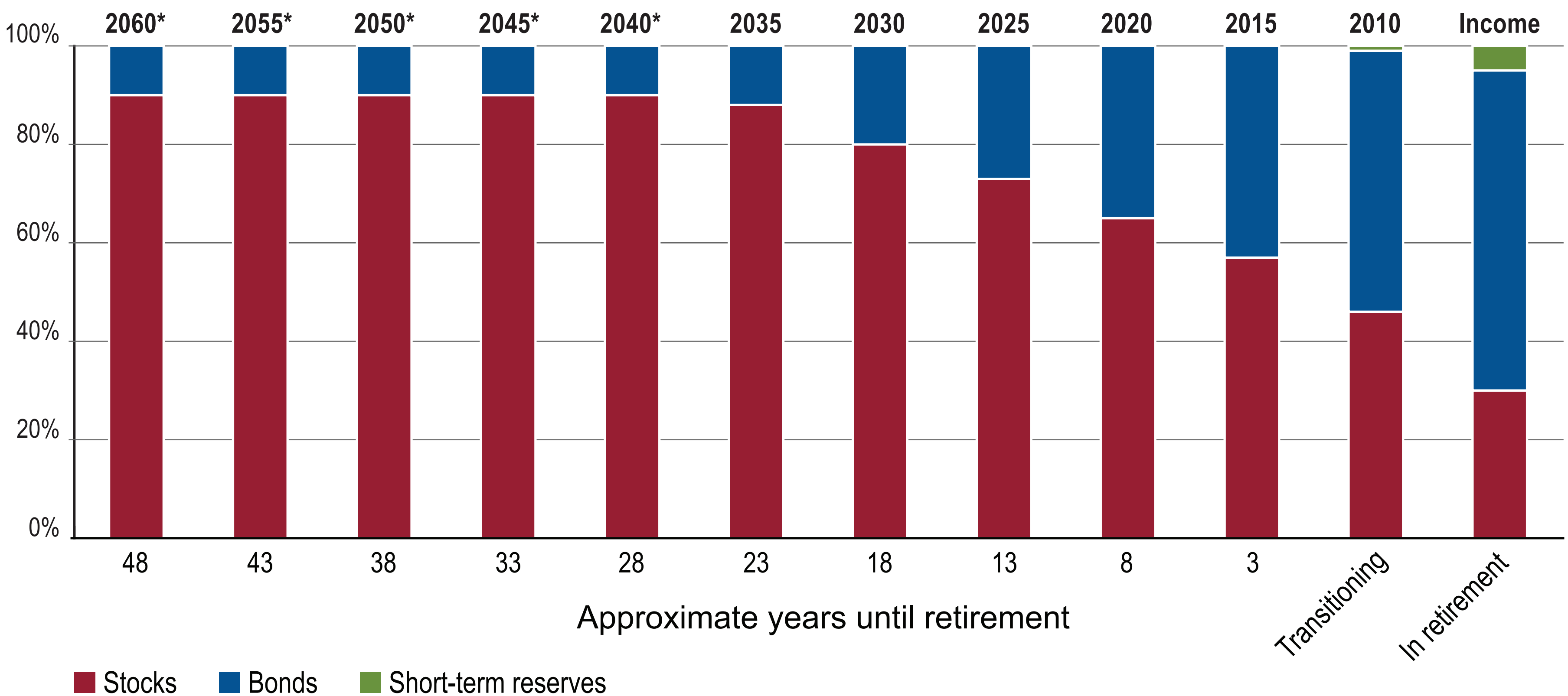
Source: Vanguard Center for Retirement Research.

Vanguard Target Retirement Funds

Investment mixes



*The target allocations of the funds dated 2040 through 2060 are currently identical; however, as time passes, each fund will gradually shift its emphasis toward a more conservative allocation depending on the maturity date of the fund.

Note: Allocation targets for each fund. Allocations for the date-specific funds will shift their emphasis (from stocks to bonds and short-term reserves) over time based on an assumed retirement age of 65.

If you think you'll retire significantly earlier or later, you may want to consider a fund with a more appropriate asset allocation.

All investing is subject to risk, including possible loss of principal. Bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments.

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What are you looking for? SEARCH

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Investor Questionnaire

Answer these questions with one specific financial goal in mind, such as retirement. Don't use this questionnaire for goals that require you to spend all of your money for the goal within the next two years. Savings for short-term objectives should be invested in stable instruments—primarily short-term reserves.

To determine your investment approach for other goals, fill out the questionnaire as many times as you like, with a different goal in mind each time.

1. I plan to begin taking money from my investments in . . .

- ○ 1 year or less
- ○ 1-2 years
- ○ 3-5 years
- ○ 6-10 years
- ○ 11-15 years
- ○ More than 15 years

2. As I withdraw money from these investments, I plan to spend it over a period of . . .

- ○ 2 years or less
- ○ 3-5 years
- ○ 11-15 years
- ○ More than 15 years

Need more help?

Call **Vanguard Participant Services: 800-523-1188** Monday through Friday from 8:30 a.m. to 9 p.m., Eastern time.

Investment mix matters

	Overall score	
Income	7–22	100% bonds
	23–28	20% stocks 80% bonds
	29–35	30% stocks 70% bonds
Balanced	36–41	40% stocks 60% bonds
	42–48	50% stocks 50% bonds
	49–54	60% stocks 40% bonds
Growth	55–61	70% stocks 30% bonds
	62–68	80% stocks 20% bonds
	69–75	100% stocks

Stocks Bonds

All investing is subject to risk. Investments in bond funds are subject to interest rate, credit, and inflation risk.

Risk versus potential reward

Model portfolios 1926–2011

	Your asset allocation	Average annual return	Number of years with a loss	Average loss
Income	100% bonds	5.6%	13 of 86	–3.1%
	20% stocks, 80% bonds	6.7%	12 of 86	–4.0%
	30% stocks, 70% bonds	7.3%	14 of 86	–4.9%
Balanced	40% stocks, 60% bonds	7.8%	16 of 86	–5.9%
	50% stocks, 50% bonds	8.2%	17 of 86	–7.4%
	60% stocks, 40% bonds	8.7%	21 of 86	–7.7%
Growth	70% stocks, 30% bonds	9.0%	22 of 86	–9.2%
	80% stocks, 20% bonds	9.4%	23 of 86	–10.6%
	100% stocks	9.9%	25 of 86	–13.2%

The performance data shown represent past performance, which is not a guarantee of future results. Average annual benchmark returns are calculated for the designated time period using applicable index returns (as noted below) that are weighted based on the suggested mix. When determining which index to use and for what period, we selected the index that we deemed to be a fair representation of the characteristics of the referenced market, given the information currently available. For U.S. stock market returns, we use the Standard & Poor's 90 Index from 1926 through March 3, 1957; the Standard & Poor's 500 Index from March 4, 1957, through 1974; the Wilshire 5000 Index from 1975 through April 22, 2005; and the MSCI US Broad Market Index thereafter. For U.S. bond market returns, we use the Standard & Poor's High Grade Corporate Index from 1926 to 1968; the Citigroup High Grade Index from 1969 to 1972; the Lehman Brothers U.S. Long Credit AA Index from 1973 to 1975; the Barclays Capital U.S. Aggregate Bond Index from 1976 to 2009; and the Spliced Barclays U.S. Aggregate Float Adjusted Bond Index thereafter. Index performance is not illustrative of any particular investment because you cannot invest in an index.

Source: Vanguard.

Consider your funds

Short-term reserves

Vanguard Retirement Savings Trust II

Bonds

Metropolitan West Total Return Bond Fund Class I
Vanguard Inflation-Protected Securities Fund
Vanguard Total Bond Market Index Fund

Balanced (stocks and bonds)

Dodge & Cox Balanced Fund

All investing is subject to risk. While U.S. Treasury or government agency securities provide substantial protection against credit risk, they do not protect investors against price changes due to changing interest rates. Although the market values of government securities are not guaranteed and may fluctuate, these securities are guaranteed as to the timely payment of principal and interest. Investments in bond funds are subject to interest rate, credit, and inflation risk.

Consider your funds

Stocks

American Beacon Small Cap Value Fund Institutional Class

American Funds The Investment Company of America Class R-5

Hotchkis and Wiley Mid-Cap Value Fund Class I

Vanguard 500 Index Fund

Vanguard Capital Opportunity Fund

Vanguard Explorer™ Fund

Vanguard Mid-Cap Index Fund

Vanguard PRIMECAP Fund

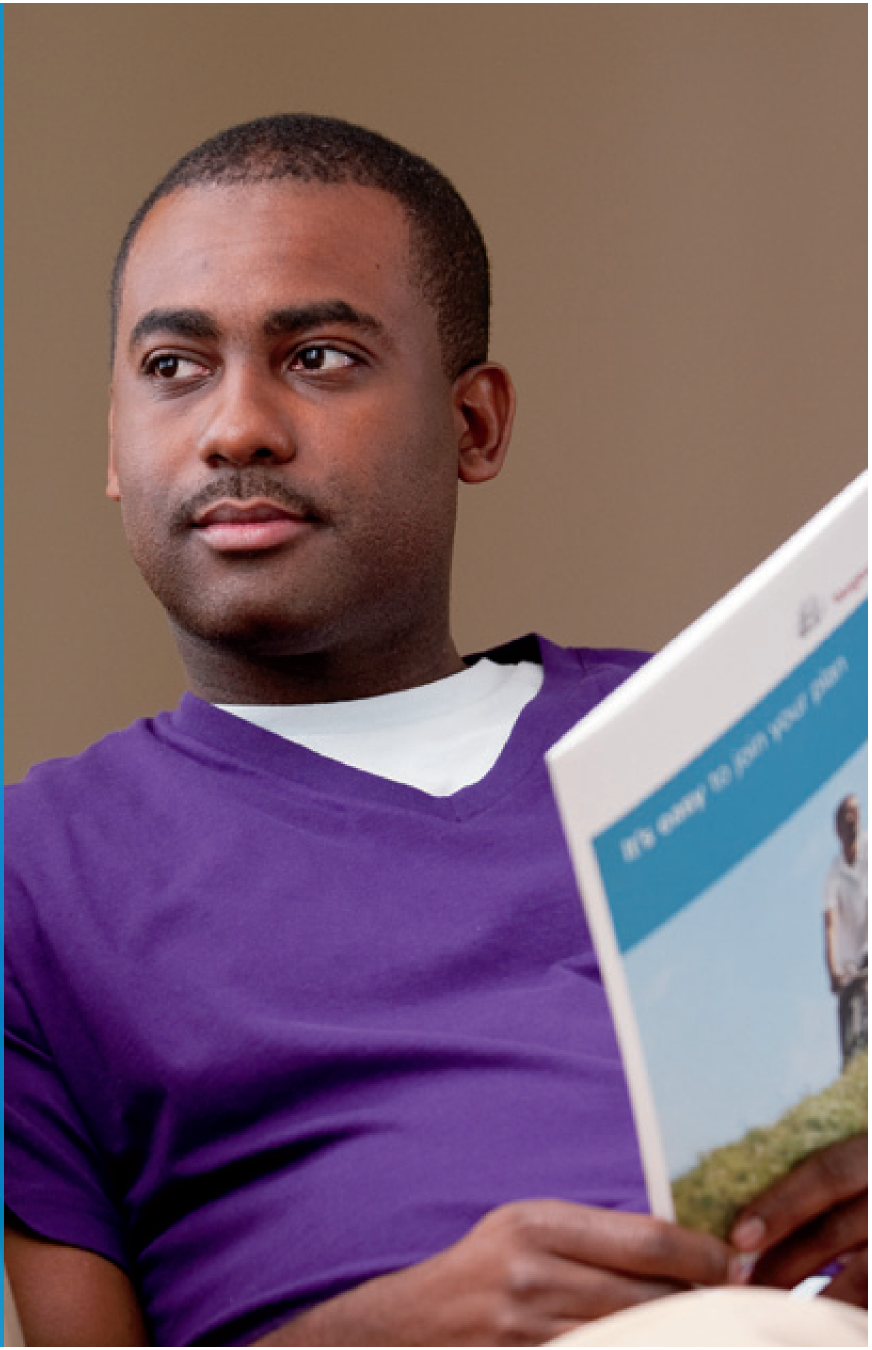
Vanguard Small-Cap Index Fund

American Funds EuroPacific Growth Fund Class R-5

DFA Emerging Markets Value Portfolio

All investing is subject to risk. Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks. Stocks of companies in emerging markets are generally more risky than stocks of companies in developed countries. Foreign investing involves additional risks including currency fluctuations and political uncertainty.

Where to go from here



Your action steps

Immediate.

- Determine your financial staying power.
  - Strive for accuracy.
  - Be realistic.
- Plan for health care.

Your action steps

When ready, decide what to do with:

- Retirement plans.
- Investments.

Working with a financial planner

Questions to ask:

- What are your credentials?
- What services do you offer?
- How are you compensated?

Partnering with Vanguard

- IRA rollovers.
- Vanguard Brokerage Services®.
- Annuities.
- 529 College Savings Plans.

Vanguard Brokerage Services is a division of Vanguard Marketing Corporation, Member FINRA.
The Vanguard Group, Inc., offers annuities through nonaffiliated insurance companies.

Partnering with Vanguard

Vanguard can help with an IRA rollover:

- Guide you through the process.
- Help you with the paperwork.
- Discuss investment options.

Vanguard on the web

- **Vanguard.com**
  - View and manage your account.*
  - Receive account statements, confirmation notices, and tax forms electronically.*
  - Access planning tools and educational materials.
  - Research funds.
- **Vanguard app** (for Android™, iPad®, iPhone®)
  - It's all at your fingertips.

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Where to go for help

Hanford 401(k) Plan.

- Distribution options.
- Loan information.
- Investment education and plan information.
- All questions about the 401(k) plan.

For more information about Vanguard funds or an annuity, visit vanguard.com, or call 800-522-5555 to obtain fund and annuity prospectuses. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus: read and consider it carefully before investing.

For more information about any 529 college savings plan, contact the plan provider to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other information; read and consider it carefully before investing. If you are not a taxpayer of the state offering the plan, consider before investing whether your or the designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Vanguard Marketing Corporation serves as distributor and underwriter for some 529 plans.

Vanguard Retirement Savings Trust II is not a mutual fund. It is a collective trust available only to tax-qualified plans and their eligible participants. The collective trust mandates are managed by Vanguard Fiduciary Trust Company, a subsidiary of The Vanguard Group, Inc.

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an unwavering focus on clients, exceptional value, and plain talk.