



## **Wall Street—what does it really mean to my 401(k) investment?**

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Over the last few weeks, the news has been filled with mergers, bankruptcy and big bailouts. Household-name financial companies are struggling, and they're reaching out to the government for help. So, what does this mean to you and your 401(k) Savings Plan?

Regardless what's in the news, it's definitely smart to monitor your 401(k) Savings Plan account and stay aware of financial market activity. However, be sure that you don't make impulsive decisions about your investments based on a single news article or water cooler conversations. In order to avoid making decisions you'll regret, you should always arm yourself with information. So, we're providing a few basic facts to help clear up some of the most common questions about 401(k) Savings Plans and the stock market.

### **Fact #1: By their nature, stocks experience volatility.**

We all know that ups and downs are a part of any stock market investment. However, these past few weeks the market has experienced more ups, downs, twists and turns than almost anyone could have predicted. While the future is never guaranteed, the best rule of thumb may be the same one you've heard for years: keep a long-term focus and don't panic.

### **Fact #2: While some financial management companies are having problems, you need to separate the company from the assets they manage for investors, like you.**

The funds that investment companies manage are separate from the value of that investment company itself. Just because a financial company is bought or sold or requires financial assistance doesn't mean the funds they manage or the assets within those funds are at risk.

Of course, if you own individual stock in an investment company – or any other company – that is facing hard times, the value of your stock may go down. And, when several companies or an industry have a hard time, it is not uncommon for Wall Street to react, causing the market to experience swings due to speculation.

### **Fact #3: Your 401(k) plan investments are in a trust for the exclusive benefit of plan participants – they are always protected and out of reach of others.**

As you contribute money to your 401(k) Savings Plan, the plan buys shares of the investments you choose. Those investments are held in a trust – out of reach of your company and your company's creditors. That means your retirement investments belong to you and are not mixed with the corporate assets of your employer or record keeper. In the unlikely event of a corporate failure, your retirement assets will be protected.

**Fact #4: A diversified portfolio is likely to be your best bet to weather volatility in the market.**

A diversified portfolio means that you invest in a variety of stocks, bonds and stable value investments (such as the Interest Income Fund) to lower your risk of loss. So, if one stock hits hard times, your entire portfolio won't suffer as hard a blow. Diversification provides some protection when the market goes down, but still lets you win when the market goes up. Diversifying your 401(k) is not a guarantee against loss, but it will help you minimize your risk. In fact, diversification is such a respected investment strategy that companies are required by law to advise plan participants of the importance of diversifying their retirement savings for their long-term retirement security.

The Department of Labor stated the following:

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. Although diversification is not a guarantee against losing money, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk. It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals.

Please see the following Department of Labor web site <http://www.dol.gov/ebsa/investing.html> for additional sources of information on investing and diversification.

Remember, the 401(k) Savings Plan is a self-directed investment plan. Decisions you make for the investment of your accounts in the Plan are yours and yours alone. The 401(k) Savings Plan investment funds offer a range of low- to higher-risk investments. More specifically, the 401(k) Savings Plan offers options in indexed funds, target age retirement funds, stable value fund as well as a self-directed brokerage window. You can make 401(k) Savings Plan investment changes by logging on to PowerLine website at [www.jcpenneypowerline.com](http://www.jcpenneypowerline.com).

**Fact #5: The 401(k) Savings Plan offers two services from Financial Engines to help you make investment decisions.**

Financial Engines was founded in 1996 by Nobel laureate Bill Sharpe on the belief that everyone should have access to independent, high-quality investment advice—regardless of wealth or investment experience.

The first service, Online Advice, allows you to receive specific advice about which investments to choose and how much to invest in each one. You then use that information to make your own decisions and manage your own account. The second service, Personal Asset Manager, offers financial professionals to manage your savings for you for an additional fee. You can get information on both of these services by logging on to PowerLine Web site at [www.jcpenneypowerline.com](http://www.jcpenneypowerline.com).

You can also find more detailed information on “Managing Your Account” and “Investing Your Savings,” including the different level of risk for each investment fund offered under the Plan, in *Your Benefits Book 2, 401(k) Savings Plan* which can be found at the following Web site:  
[http://g75v47q60.info/spd\\_401k/index.html](http://g75v47q60.info/spd_401k/index.html).

**Fact #6: A 401(k) Savings Plan is still one of your best opportunities for long-term savings.**

The JCPenney 401(k) Savings Plan allows you to save for your retirement on an automatic basis through payroll deductions. And, after you have completed one year of service the Company matches your contributions (up to 6% of pay) with each pay period. That’s free money!

Saving money in your 401(k) Savings Plan may be difficult at times – especially as some funds decline in the current market conditions. But continuing your 401(k) savings may be the smartest move in the long run.

**Fact #7: The 401(k) Savings Plan is designed as a long-term savings program, but you may be able to take a loan or withdraw money from the Plan while you are still an active Associate.**

401(k) Savings Plans are given special tax advantages that allow you to make before-tax deposits. Because of these advantages, IRS rules only allow you to withdraw funds from your 401(k) during your employment at JCPenney if you have a severe financial hardship or after you reach age 59½. And, you can’t withdraw deposits made in the current calendar year.

To qualify for a financial hardship withdrawal under IRS rules, you must:

- Have no other funds available to you
- Withdraw only enough money necessary to meet the need
- Serve an immediate financial need with the withdrawn funds

Financial hardship withdrawals are allowed to:

- Purchase your primary home (not including mortgage payments)
- Prevent eviction from or foreclosure on your primary home
- Pay higher-education tuition and room and board for the next 12 months for you, your spouse or your dependent children
- Pay tax deductible medical expenses for you, your spouse or your dependent children (if not paid by insurance)
- Pay for funeral expenses for a family member
- Pay expenses related to repair or damage to your primary home

**Fact #8: The JCPenney Benefit Plans Investment Committee (BPIC) monitors the investment funds of the 401(k) Plan.**

As the investment fiduciary, the Benefit Plans Investment Committee at JCPenney is responsible for monitoring the investment objectives, managers and investment funds of the 401(k) Savings Plan.

We hope these facts are helpful. Remember, detailed information on your 401(k) Savings Plan is available in *Your Benefits Book 2, 401(k) Savings Plan*. You can review *Your Benefits Book 2* online by logging on to PowerLine and selecting Plan Information. There you can get more specific information on how the plan works, investing and saving options, loans and withdrawals, tax details and plan administration.