

A man and a woman are looking at a map outdoors. The woman is on the left, wearing a blue sweater, and the man is on the right, wearing a red sweater. They are both looking down at the map, which is spread out on a surface. The background is a blurred outdoor setting with greenery and trees.

How to Enroll

the best plan for your future

Convenient payroll deductions

It's easy to save through your plan. There are no deposit slips to fill out, no checks to mail, no waiting for the next available teller. The money you save comes out of your pay before you get it, which means you're less tempted to spend it.

In fact, many people who join their plan say they forget that they're saving at all. Their employer's plan makes saving automatic, placing them on the path to financial security.

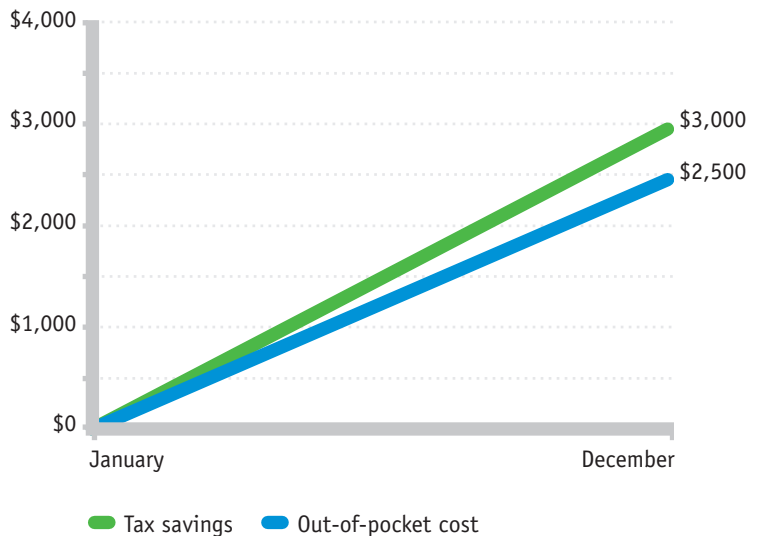
An immediate tax break

Every dollar you save is deducted from your paycheck before income taxes are withheld. So you receive an immediate tax break of at least 10% of the amount you contribute, depending on your tax bracket. Saving pre-tax dollars means your money goes further when you contribute it to your employer's plan.

When you take taxes into account, it costs less than you might expect to save in the plan, as Figure 1 shows.

Pat saves \$3,000 a year in his employer's plan. At tax time, that \$3,000 isn't counted with his income. As a result, he saves \$450 in taxes. (Pat is in the 15% bracket.) When all is said and done, it costs Pat just \$2,550 out of pocket to accumulate \$3,000 in plan savings.

Figure 1. Pat's contributions add up fast



This hypothetical example assumes no gain or loss from investments.

Tax-deferred growth

All earnings from your plan investments escape taxation until you withdraw your money, most likely in retirement.*

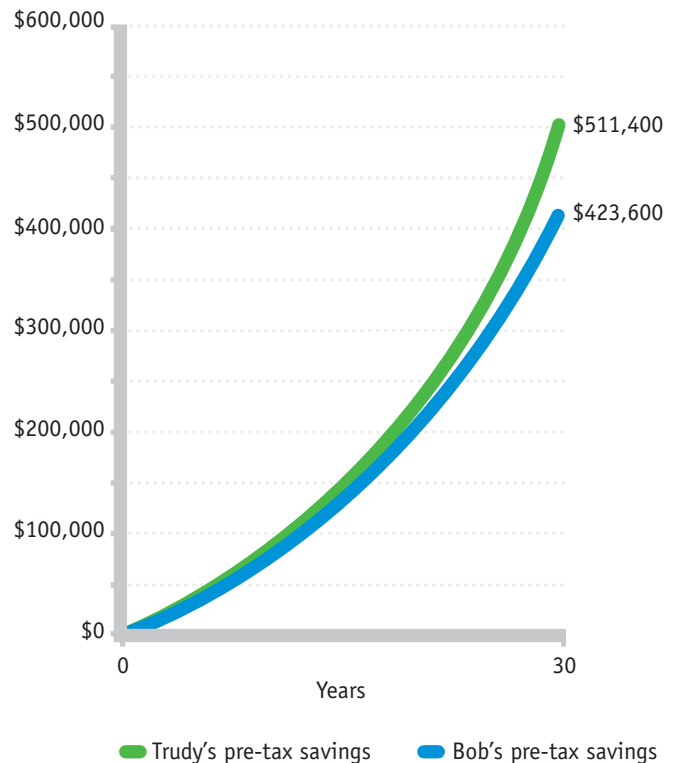
You avoid the expense—and the hassle—of paying taxes on your plan earnings every April. Even better, 100% of your plan balance can remain at work earning a return. Sound like a minor detail? It's not.

In Figure 2, Trudy and Bob each save 10% of pay for 30 years in an investment returning 8% annually. But Bob saves his money in a taxable account, while Trudy saves in her employer's plan. The result? Before taxes are taken into account, Trudy has saved \$87,800 more than Bob.

*If you take withdrawals from the plan before age 59½, you may owe ordinary income taxes plus a 10% federal penalty tax on the amounts withdrawn.

Bob and Trudy each earn \$30,000 a year at the start. Bob is taxed on his earnings every year for 30 years. Because Trudy has invested her money in a tax-deferred plan, her account is not subject to taxes during this 30-year period. At the end of this 30-year period, Trudy will pay taxes on amounts withdrawn at her tax rate, while Bob will continue to pay taxes on any earnings.

Figure 2. The tax-deferred difference



This example is hypothetical and does not represent the returns from any particular investment. It assumes a 15% tax bracket and a 4% annual salary increase.

Recently lowered tax rates on dividends and capital gains may make the taxable investment more favorable and the difference between taxable and tax-deferred ending balances less. Any future changes in the tax treatment of investment earnings may further impact the comparison. Investors should consider their time horizon and current and expected future tax rates before making an investment decision.

»» quicktips

You have control. You decide how to invest among your plan's options, and you're free to change your mind at any time.

If you change jobs, you're free to take your money with you . . . no questions asked. And if you're entitled to any employer contributions through vesting, you can take them with you as well.

In an emergency, money may be available from your plan account. Of course, it's best to keep all of your money in the plan earning a return for your retirement. After all, that's what you're saving for. But it's comforting to know that your money is there should you need it. It's your money—you're in control of it.



get under way . . . today

1. Decide how much to contribute.

Experts say you'll need 70% to 80% of your preretirement income to live as well in retirement as you do today. For most of us, Social Security will cover less than half of that.

That's why you need to save the maximum you can in your employer's plan. Experts recommend that you save 10% to 20% of your income annually for retirement. If you must save less, increase your contribution rate the next time you get a raise.

2. Choose your investment mix.

Complete the Investor Questionnaire included in your enrollment kit. It will suggest a mix of investments for your retirement savings based on the length of time you have to invest, your investment experience, and your risk tolerance.

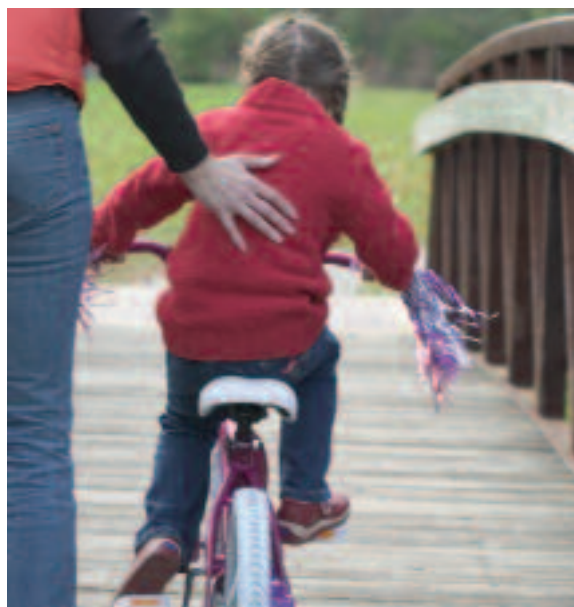
3. Select your funds.

Look through your fund information to find the funds that fit your investment mix. Does your plan offer a balanced fund—one that owns a mix of stocks and bonds? If it matches your chosen investment mix, that one fund could be all you need.

Looking for a stock fund? Start with one that owns large-company U.S. stocks like those in the Standard & Poor's 500 Index.

4. Enroll today.

Just provide your name, address, Social Security number, and the saving and investment selections you've made today to enroll in your plan. It's that easy.



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For more information, contact Vanguard. Vanguard offers a full range of services to meet your investment needs, including both taxable and tax-exempt investment accounts, IRAs, brokerage services, personal financial planning, and more.



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