JANUS

HELPING YOU GO FARTHER

REPORT

RETIREMENT PLANNING

Step by Step

Sometimes, statistics can tell two sides of the same story. For example, most Americans believe they are on the right path to planning for retirement, as six in 10 say they are confident they will have enough money to live comfortably after their working days are over.[1] However, research shows that half of all workers today have saved less than $50,000 for retirement.[1]

Perhaps this seeming disconnect can be explained by the fact that successful retirement planning isn't easy–what with thousands of investment choices, frequent market volatility and the simple fact that no one can accurately predict how things will turn out in 20 or 30 years.

MORE INSIDE →

JANUS CAN HELP

Online Resources

These resources can help you approach retirement planning step by step and keep your long-term investing plan on track.

- **General Investment Planning** janus.com/tools
  Define your objectives and estimate what investments may help you get there.
- **Janus' Automatic Investment Program** janus.com/aip
  Just tell us your bank information, how often you'd like to invest and the amount of each investment. We'll take care of the rest.

A program of regular investing does not assure a profit or protect against depreciation in a declining market. Since a consistent investing program involves continuous investment in securities regardless of fluctuating prices, you should consider your financial ability to continue purchases through periods of various price levels.

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Falsely confident or not, many Americans appear headed toward retirement with savings accounts that will be strikingly underfunded. And there is a current of apprehension among millions of baby boomers, some of whom are starting to arrive at retirement's door.

Glenn Bishop, a certified financial planner in Carrollton, Texas, sees and hears the worry. "I get a lot of people who come to me and ask if they're saving enough for retirement," says Bishop. "They're very concerned about not having enough money to last them the rest of their lives."

What Bishop tells his anxious clients is that they need a plan–a strategy for successful retirement investing–that's laid out step by step.

STEP 1
Decide When You Want to Retire

This depends on multiple factors, observes David M. Cordell, Ph.D., CFA, CFP®, CLU, director of Finance Programs at the School of Management, The University of Texas at Dallas.

"The decision is part psychology, part math and part discipline," says Cordell, the author and editor of numerous books on financial planning, including *Fundamentals of Financial Planning* (*Diversification Series*). "Most people decide the age at which they want to retire regardless of their financial condition and are terribly disappointed if they find that their finances will not allow them to retire when, and in the style, they had expected."

By approaching retirement planning systematically, you can keep your long-term plan on track.

Cordell notes that many Internet-based programs can estimate, under specific assumptions, if you should have enough money to retire when you want to and with the type of lifestyle you desire. These include the Retirement Investing Planner from Janus, which you can access at janus.com/retirement.

If the numbers aren't adding up for you, Cordell identifies five options:

1. **Delay retirement.** This will give your investments more time to grow and reduce the number of years your retirement savings will have to support you.
2. **Save more.** Spend less now by scaling back your current lifestyle.
3. **Seek a higher return.** Shift more of your assets to growth investments. Note, however, that this can substantially increase your risk (see page 5 for "What Is Risk?").
4. **Accept a lower standard of living during retirement.** Lower your expectations to ensure you don't deplete savings.
5. **Be forced to spend down principal during retirement.** Note, however, that this will reduce assets you can pass along to heirs, and it could increase the risk that you will outlive your assets.

STEP 2
Understand Your Risk Tolerance

When considering risk, it's important to understand the difference between your risk tolerance as an investor and your portfolio's risk tolerance.

"An individual's risk tolerance," Cordell explains, "is a function of two primary elements: risk attitude, which reflects the individual's willingness to take monetary risk, and risk capacity, which reflects the individual's financial ability to take monetary risk–for example, his or her assets, income, debt, family situation, age, etc."

The risk of the portfolio–that is, the variability of returns and/or the probability of loss–must not be out of balance with the individual's risk tolerance, Cordell explains.

From Bishop's perspective, many of his clients don't fully appreciate the role risk plays in their investment strategy. "For example, I see people who have a lot of their retirement money invested in their company's stock," he says. "Even after corporate disasters at Enron, WorldCom and elsewhere, they don't realize the risks they are taking.

"I try to get these people to diversify into other investments, but it's hard to get everyone to agree."

STEP 3
Determine How Much Money You'll Need

The rule of thumb used to be you would need 70% to 80% of your pre-retirement income per year in retirement. More recent estimates, inflated by the prospect of huge potential future health care costs, suggest having access to more than 120% of your pre-retirement income.[2] In any case, Cordell suggests, come up with a rough budget and work from there.

"Remember," he says, "retirees don't have to pay Social Security tax, and their Social Security benefits are taxed preferentially. Also, some people will pay off their homes before they retire. They also will probably have lower transportation and clothing expenses, though other costs may go up."

For his part, Bishop recommends taking a conservative approach when calculating retirement expenses. With his own clients, he focuses on worst-case scenarios, with clients hypothetically living to age 99, entering retirement in the midst of a bear market, or being hit by high long-term care bills. Then he uses advanced software projections to "stress-test" clients' portfolios.

Falsely confident or not, many Americans appear headed toward retirement with savings accounts that will be strikingly underfunded.

STEP 4

Choose Mutual Funds That Meet Your Risk/Reward Profile

Recognizing the importance of selecting the right funds, Bishop screens funds for specific criteria. Each one he recommends must:

- Offer broad diversification.
- Charge no front- or rear-loads.
- Keep expense ratios low.
- Fit into a client's personal asset-allocation model.
- Be run by a portfolio manager or team with a long, consistent track record.

To help you discover your own risk/reward profile, Janus offers a short Investor Profile quiz, developed by Wilshire Associates, which you can access at janus.com/assetallocation.

STEP 5

Regularly Review and Rebalance Your Portfolio

Even after you've created a suitable portfolio, your work is not done. You may want to meet regularly with an investment advisor to review and rebalance your assets, as necessary.

"I recommend evaluating a portfolio at least annually," says Cordell, "both to monitor the portfolio's risk/return profile and to see if the client's personal situation has changed.

"In general, most financial advisors suggest decreasing the equity percentage in the portfolio as the investor grows older. While this may reduce risk, it may also reduce returns. Ironically, since equities have historically outperformed fixed-income securities, the equity percentage typically rose in the portfolio unless it was rebalanced."

Successful retirement planning isn't easy. But by approaching the process with a careful, step-by-step strategy, you can overcome some daunting obstacles and keep your long-term plan on track.

Beware of Inflation

Why might it be important that your investments be at least partly allocated to growth securities, such as stocks and stock mutual funds? Because inflation, the continuous rise in the cost of goods and services, never sleeps. It is the thief in the night, stealing from the purchasing power of your savings.

Decline in the VALUE of $100,000*

LAST 20 YEARS	LAST 30 YEARS
DOWN TO: $54,809	DOWN TO: $29,641

*Based on inflation data provided by the Bureau of Labor Statistics, 2008. Past performance is no guarantee of future results. The hypothetical example does not represent the returns of any particular investment.

[1]Source: 2008 Retirement Confidence Survey, EBRI.

[2]Source: http://www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=5312.

Diversification and asset allocation do not guarantee a profit or protect against loss.

Keep in mind that investing involves risk. The value of your investments will fluctuate over time and you may gain or lose money.

Past performance is no guarantee of future results.

A retirement account should be considered a long-term investment. Retirement accounts generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. For more detailed information about taxes, consult your tax attorney or accountant for advice.

The sale of an investment for the purpose of rebalancing may be subject to taxes.

For tax-related questions, please consult your attorney or accountant for advice.

Any portfolio risk management process discussed includes an effort to monitor and manage risk which should not be confused with and does not imply low risk or the ability to control risk.

Seeking Balance

Janus Balanced Fund provides access to both stocks and bonds

Most investors need slices of both stocks and bonds in their asset allocation pie. But knowing when one asset class offers better opportunities than the other can be tricky, as different economic conditions tend to favor one over the other.

MARC PINTO

GIBSON SMITH

Janus Balanced Fund, which includes both stocks and bonds, can help investors achieve this kind of diversification. "When we see an opportunity in equities," says Marc Pinto, the Fund's equity portfolio manager, "we will shift into proportionally more stocks, and vice versa."

The Fund gives Pinto and Gibson Smith, who runs the bond portion, the ability to respond to market conditions by moving into whichever type of investment they feel is best-suited at a particular time.

Working Together

The pair starts with approximately a 60/40 equity/bond split. From here, their insights of market conditions and opportunities guide the exact mix of stocks and bonds. If they believe better prospects exist in one asset class, they adjust the portfolio accordingly.

"Ultimately we are trying to position the portfolio for where we believe the best risk-reward is between equities and fixed income," says Smith, who is also Janus' co-chief investment officer.

Today's mix is 53% stocks and 47% bonds*, reflecting the pair's belief that companies have less access to reasonably priced debt than they did in 2007, which can weaken a firm's balance sheet, says Pinto. "A year ago, we were in a very equity-friendly environment," he adds. "Fast-forward a year and from the equity standpoint, we believe the ability for a company to leverage its returns is limited, so we've taken a higher position in fixed income."

As the economy strengthens, however, Pinto and Smith expect to shift a greater portion of the Fund's assets into stocks.

Going for Growth

That said, Pinto's equity strategy is to seek growing companies with dominant market positions. He focuses on large, established companies because he believes that today's uncertain market climate gives such firms an edge.

"Typically these companies are very strong in their segment and may have the ability to control their own destiny, much more so than companies that are struggling to maintain their market share," he says.

Specifically, Pinto looks for firms that can grow sales at twice the rate of Gross Domestic Product (GDP) growth. For example, with GDP growth measured at 2.8% in the second quarter of this year[1], Pinto seeks companies that can raise their revenues by 5% to 6% a year. "That can potentially translate into double-digit earnings growth," he says.

The Bond Play

In the bond segment, Smith has veered toward treasury bonds rather than corporate issues because in the volatile market environment of the past year, he believes they have a better risk-reward profile. "The bond portion of the Fund serves as an anchor seeking to provide stability," he explains.

Further, Smith believed that declining interest rates over the past year would provide favorable returns on treasuries. With less credit available to consumers, he believed spending would drop, which would slow economic growth and bring down interest rates. That's a potential benefit for bondholders because as interest rates fall, the value of the bonds they own typically increases. For example, at the end of September 2007, the 10-year treasury yielded 4.6%. A year later, the yield was down to 3.7%.[2]

But now, Smith believes the tide could be turning in favor of corporate bonds. He's taken the opportunity to sell some treasuries at a profit and move those proceeds into corporate bonds, which generally have more risk–but also the potential for greater returns. With markets continuing to be volatile, moves like these help Pinto and Smith find what they believe are the best opportunities for investors.

Visit janus.com/balanced to learn more about Janus Balanced Fund

*As of September 5, 2008.

[1]Source: Bureau of Economic Analysis.

[2]Source: U.S. Treasury Department.

What Is Risk?

Avoiding loss is not a risk-free approach

Sometimes it seems as if there is no end to the different types of risk that confront investors: market risk, company risk, interest-rate risk, credit risk, etc.

But in most investors' minds, there is just one primary risk: the risk of *losing their money.* And because losing money is what most people fear the most, they often choose conservative investments that are incapable of delivering the growth potential needed to reach long-term savings goals like retirement.

The fear of losing money must be balanced against the need for asset growth.

Investing too conservatively can be just as risky as investing too aggressively, maintains Glenn Kautt, CFP®, chief investment officer of The Monitor Group in McLean, Va., and author of *Stochastic Modeling: The New Way to Predict Your Financial Future.*

"Our natural aversion to losing money must be balanced against the need for asset growth," Kautt cautions. "The future is uncertain and the markets are constantly changing. But the decision to save for a long-term goal like retirement requires that people accept a long-term view of investing."

Be Realistic

Kautt advises investors to take a realistic view of the financial markets. "There are times when you will have to ride out some downturns," he says. "Your investments may decline, but stay patient, and don't make impulsive decisions."

To ensure that his clients stay on track for the long run, Kautt helps them understand the concepts of probability and risk. "We use the analogy of discussing the weather," he explains. "People are familiar with weather forecasting–how predictions are presented as probabilities–and this helps them understand what could happen in the markets. Clients can then decide if they are comfortable with certain levels of investment risk."

Kautt also is a proponent of rebalancing, which involves periodically adjusting your portfolio assets to keep them aligned with your original objectives and your risk tolerance.

Many investors will initially diversify their holdings across different asset classes and sectors. But over time, Kautt notes, market performance can cause your asset values to drift–to the point where your portfolio becomes more aggressive or more conservative than you'd like.

"Rebalancing tends to help manage risk," says Kautt. Over time, rebalancing your portfolio may improve your chances for a comfortable retirement by attempting to reduce volatility and increase growth potential.

A program of regular investing does not assure a profit or protect against depreciation in a declining market. Since a consistent investing program involves continuous investment in securities regardless of fluctuating prices, you should consider your financial ability to continue purchases through periods of various price levels.

Diversification, asset allocation and rebalancing do not guarantee a profit or protect against loss.

Keep in mind that investing involves risk. The value of your investments will fluctuate over time and you may gain or lose money.

The sale of an investment for the purpose of rebalancing may be subject to taxes.

At What Price?

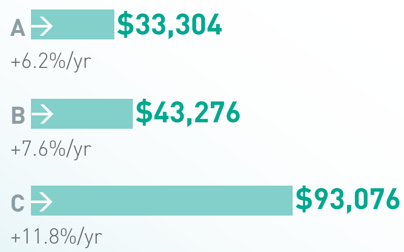
Trying to reduce the risk of loss is a good thing, but at what cost? Consider this scenario:

- Three hypothetical investors each had $10,000 to invest for 20 years.
- Investor A wanted the relative stability of a short-term bond fund.
- Investor B was willing to take a bit more risk with an intermediate-term bond fund.
- Investor C accepted the volatility of a stock fund in exchange for higher growth potential.

How did each investor do?

GROWTH OF $10,000

For the 20-year period ending 12/31/07



Past performance is no guarantee of future results.

This hypothetical example is for illustrative and educational purposes only and does not represent the performance of any mutual fund or other investment. Taxes were not considered. The short-term bond fund is represented by the **Lehman Brothers 1-3 Year Gov't/Credit Index**, which includes all publicly issued, fixed-rate, investment-grade domestic debt issues with maturities between one and three years. The intermediate-term bond fund is represented by the **Lehman Brothers Aggregate Bond Index**, which includes government securities, mortgage-backed securities, asset-backed securities and corporate securities. The stock fund represented by the **S&P 500® Index**, one of the most commonly used benchmarks for the overall U.S. stock market indexes are unmanaged and not available for direct investment; therefore, index performance does not reflect the expenses associated with the active management of an actual portfolio. Sources: Dalbar, Inc. and Lipper, Inc.

Decade of Consistency

Janus Mid Cap Value Fund celebrates its 10-year anniversary with top returns

Shareholders of Janus Mid Cap Value Fund can celebrate its 10th anniversary with a record of out-performance versus its benchmark, the Russell Midcap Value Index, since its inception.*

Today's uncertain investing climate provides a good opportunity to demonstrate how Mid Cap Value aims for superior returns by focusing on downside protection. Fund managers Thomas Perkins and Jeffrey Kautz have accomplished this by employing a long-term approach to stock picking that examines a stock's downside risk before looking at its upside potential. In turbulent economic times, preventing losses has an even bigger impact on shareholders' long-term returns, Perkins and Kautz believe.

"We always look at how much money we could potentially lose before we look at how much we could make by investing in a stock," says Kautz. "Our goal is to post strong absolute returns when times are good, and set ourselves apart from our peers by attempting to minimize loss in down markets."

Margin of Safety

The duo focuses on buying mid-sized companies–those with market capitalizations of $3 to $20 billion–because those firms "tend to be more mature and less volatile than small caps, and less complicated financially than large caps," Perkins explains.

In their analysis, they seek out firms that have recurring cash flows, strong balance sheets–meaning they are taking in more money than they are spending–and low debt ratios, as well as those trading at a modest stock price and that have significant inside ownership. Over the long run, such companies are better able to withstand the stress of a downturn, Perkins and Kautz believe.

For example, when homebuilding stocks roared between 2000 and 2005,[1] the pair took the opportunity to sell their stakes at a profit. While the stocks did continue to rise for a time after they sold them, "we have a very disciplined process that led us to sell the stocks to invest in opportunities with better risk-reward prospects," Kautz explains. This turned out to be a good call, as homebuilding stocks subsequently fell 80%[2] from their 2005 peak.

Similarly, when real estate[3] stocks faltered and energy prices were low in the late 1990s, the Mid Cap Value Fund took sizable positions in these industries believing they would revive. At the time, oil traded at just $12 a barrel[4] and the real estate boom of the early 2000s had not yet begun. Today oil sells for about $60 a barrel[5] and companies in the industry have realized significant profits. Likewise, real estate rose significantly during the time the pair owned stocks in the sector, only to plunge in the past year[3] after they had sold most of their positions.

Opportunities Today

While trying to avoid losses is one part of the Perkins/Kautz strategy, the other is finding names with the potential to outperform, which Janus Mid Cap Value has capably done throughout its 10-year history. The economic downturn has presented Perkins and Kautz with just such buying opportunities.

"On a relative basis, we've tended to do better in the more volatile markets," Perkins says. They have recently found well-priced stocks among health care, energy, industrials and technology. "Within these industries, we've found individual stocks we believe have good balance sheets, strong cash flows and very reasonable valuations," Perkins adds.

That's a plan that they believe will serve shareholders well for at least another 10 years, if not longer.

The Fund will normally invest at least 80% of its net assets, measured at the time of purchase, in the type of securities described by its name.

Funds that invest in Real Estate Investment Trusts (REITs) may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographic region. REITs may be subject to risks including, but not limited to: legal, political, liquidity, interest rate risks, a decline in the value of real estate, risks related to economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrowers. To the extent the Funds invest in foreign REITs, the Funds may be subject to fluctuations in currency rates or political or economic conditions in a particular country.

*For the 10-year period ending October 31, 2008, Janus Mid Cap Value returned 11.36% while the Russell Midcap Value Index returned 5.74%.

[1, 2]Source: usatoday.com/money/markets/2008-02-27-home-builder-stocks_N.htm

[3]Source: reit.com/portals/0/files/nareit/htdocs/members/library/annualreturns.xls

[4]Source: inflationdata.com/inflation/inflation_rate/Historical_Oil_Prices_Table.asp (date to come)

[5]Source: msnbc.msn.com/id/12400801/

IRAs Are Still the One

A conventional, yet effective, retirement solution

With all the attention paid to 401(k) plans in recent years, it's easy to forget about the old, reliable Individual Retirement Account (IRA). But that could be a mistake, according to Sarah Holden, senior director of retirement and investor research at the Investment Company Institute.

"For many people, the IRA is a viable and constructive savings vehicle," says Holden. "Traditional IRAs have been around so long (since 1975) that we sometimes take them for granted." One drawback was that the contribution limit was stuck at $2,000 a year until 2002. But in recent years, it has been indexed annually for inflation, and this year you can contribute up to $5,000 (or $6,000, if you're age 50 or over and eligible) to an IRA.

If you own a Janus IRA, you can make your maximum annual contribution in minutes by visiting janus.com/IRA.

"With $4.7 trillion in assets,[1] IRAs still represent the largest piece of the retirement savings pie," Holden notes. "And we continue to see steady IRA rollover growth from 401(k) money that workers take with them when they leave their jobs."

There are several different types of IRAs, including Traditional and Roth IRAs for individuals and the SEP-IRA for small business owners. Some key IRA benefits:

Potential for immediate tax savings—Depending on the type of IRA you choose, whether or not you participate in a retirement plan at work and your income level, your annual IRA contributions could be tax-deductible.

Tax-deferred growth—In all types of IRAs, the money in your account grows tax-deferred until you begin making withdrawals. Withdrawals taken prior to age 59½ are generally subject to taxes, including a 10% federal tax penalty, and possible loss of principal. But qualified withdrawals from Roth IRAs are tax-free.

A broad choice of investments—You can invest your IRA money in one or more mutual funds and benefit from diversification among stock, bond and money-market securities. You can also purchase individual stocks, bonds and other instruments in many IRAs.

Each type of IRA has its own particular set of provisions and potential benefits. For details, visit the Janus Retire-ment Center at janus.com/retirement.

IRAs can be an especially useful retirement tool for the 57% of "prime working-age Americans" (defined as 25 to 64 years old) who have no retirement plan at work.[2] However, only 14% of American households made IRA contributions in 2006, perhaps underscoring investors' unfamiliarity with IRAs.[3]

For her part, Holden remains an enthusiastic supporter of the IRA. "IRAs are still a bedrock savings vehicle," she concludes. "I believe many Americans could enhance their retirement by taking a fresh look at what IRAs have to offer."

[1]Source: Investment Company Institute, The U.S. Retirement Market, 2007.

[2]Source: Center for Retirement Research, 2008.

[3]Source: Investment Company Institute, most recent data available.

For tax-related questions, please consult your attorney or accountant for advice.

An IRA should be considered a long-term investment. IRAs generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. Maximum contributions are subject to eligibility requirements. Depending on your eligibility, you may not be able to contribute the maximum amount. For more detailed information about taxes, consult IRS Publication 590 or your tax adviser regarding your personal circumstance.

Diversification and asset allocation do not guarantee a profit or protect against loss.

Keep in mind that investing involves risk. The value of your investments will fluctuate over time and you may gain or lose money.

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus containing this and other information, please call Janus at 800.525.3713 or download the file from janus.com. Read it carefully before you invest or send money.

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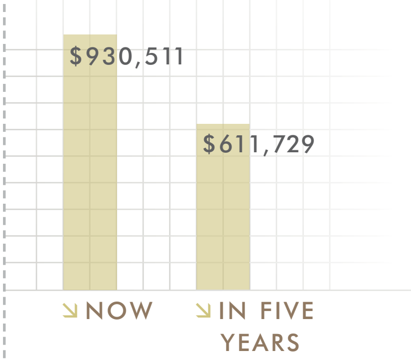
The Cost of Waiting

Waiting just a few short years to start investing in an IRA can be costly. For example, assume that:

- You're 30 years old
- You expect to work until age 65
- You can contribute $5,000 a year to an IRA
- You anticipate an 8% annualized return

IRA VALUE AT AGE 65 IF YOU START SAVING:



The cost of waiting in this example is *more than $300,000.*

Performance is not guaranteed. This hypothetical example is for illustrative and educational purposes only and does not represent the performance of any mutual fund or other investment. Contributions made at the beginning of each year. Taxes were not considered.

Reduce retirement stress. Maximize your IRA.

Markets may go up and down but your long-term plan for retirement should stay the course. An easy way to remain focused on your retirement goals is to make your maximum annual IRA contribution. Janus makes it simple. A Janus IRA is easy to manage and gives you access to funds backed by powerful research. So pay yourself today and stay on track for tomorrow.

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An IRA should be considered a long-term investment. IRAs generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. Maximum contributions are subject to eligibility requirements. Depending on your eligibility, you may not be able to contribute the maximum amount. For more detailed information about taxes, consult IRS Publication 590 or your tax adviser regarding your personal circumstance.
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