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Employees Risking Safety of 401(k)'s
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Over the past decade most workers had wisely diversified out of their employer's stock. With large companies like Enron, WorldCom, and other high-profile corporate blowups, we've seen the high level of danger inherent in portfolios heavily weighted in 1 or 2 stocks.

Despite these warning signs, employees' enthusiasm for company stock has experienced a sharp reversal. According to Hewitt Associates, workers poured $65 million into employer's shares in the month of January alone. In addition to allocating a large portion of their 401(k) funds to employer stocks, workers also reduced their allocations in conservative and other stock holdings.

Let's take a deeper look into why this is a dangerous and irrational move.

Loading up on company stock increases the riskiness of your portfolio in 2 ways. First, you are exposing yourself to the possibility that your company may go under similar to Bear Stearns and Lehman Brothers. Bear Stearns for example, dropped nearly 93% over the course of a weekend back in March of 2008. In this case, not only would your retirement portfolio be in shambles, but you might also find yourself out of job come Monday morning.

The next reason this is an irrational move is the increase in volatility. Heavily weighting your portfolio in one stock reduces diversity and subsequently increases volatility. This places your account value at a greater chance of experiencing larger swings. Consequently, while you may experience great returns while the company is thriving, you are just as likely to experience equal, if not worse, losses when the company struggles. Basically, the payoff you're likely to receive from your company stock doesn't adequately compensate you for the risk you are taking.

We understand that turning towards your company shares during an economic downturn may seem like the safe thing to do. However, we strongly encourage you to keep no more than 5% of your account balance in company stock. Anything above this amount increases your exposure to volatility and therefore magnifies your risk. If you would like additional advice regarding your 401(k) allocations, please visit our 401(k) Help Center online www.townsendretirement.com or call us at 303.452.5986.

Diversification may help reduce, but cannot eliminate,risk of investment losses. Historical performance relative to risk and return points to, but does not guarantee,the same relationship for future performance. There is no assurance that by assuming more risk, you are guaranteed to achieve better results.

This is not a recommendation to buy or sell securities, or of any particular asset allocation strategy. These investment guidelines are not intended to represent investment advice that is appropriate for all investors. Each investor's portfolio must be constructed based on the individual's financial resources, investment goals, risk tolerance, investing time horizon, tax situation and other relevant factors. Please discuss with your financial advisor before implementing an investment plan.

Sources: (Laise, Eleanor. ""Despite Risks, Workers Guzzle Company Stock"." *Wall Street Journal)*
*(*Updegrave, Walter. "Danger: high levels of company stock." *Money Magazine* January 8, 2009 Web.20 May 2009. <http://money.cnn.com/2009/01/07/pf/expert/company_stock.moneymag/index.htm>.)