Spring 2005

On Track

JOHNSON TRUST

INVESTMENT REPORT FOR PLAN PARTICIPANTS

A Bargain on Contributions

Everybody loves a bargain. When you contribute to your retirement plan, that's exactly what you get. You don't have to pay federal income tax on your contributions — or on plan investment earnings — until you eventually withdraw money from your plan. This is called "tax deferral." And it can really help make saving for your future more affordable.

Automatic Discount

Your employer subtracts your contribution from your pay *before* calculating federal income-tax withholding. This gives you an automatic discount on the cost of participating. For example, if your tax rate is 15%, each dollar you contribute costs only 85¢ in take-home pay. The higher your tax rate, the bigger the discount, as the chart shows.

Discounts on Contributions

Your Federal Tax Rate	$750	$1,000	$3,000
	ANNUAL PLAN CONTRIBUTION		
10%	$675	$900	$2,700
15%	$638	$850	$2,550
25%	$563	$750	$2,250
28%	$540	$720	$2,160
33%	$503	$670	$2,010
35%	$488	$650	$1,950

COST IN TAKE-HOME PAY

Source: NPI

And Maybe a Rebate

You *may* also qualify for a rebate from Uncle Sam on some of your contributions. When you file your tax return, you could get a tax credit *if you meet the income requirements*. The credit is 50%, 20%, or 10% of contributions up to $2,000.

For example, if you contribute $1,800 to your retirement plan during the year, file a joint tax return with your spouse, *and* have $30,000 or less of adjusted gross income, you'll get a $900 credit (50% of $1,800).

Don't Miss Out

Reaching your long-term savings goal will be easier if you take advantage of the tax deals on retirement plan contributions. Your plan administrator can give you information about increasing your contribution or enrolling in the plan.

You’re in the Driver’s Seat

You don’t have to know how to tune up the engine to drive a car. And you don’t have to be an investment pro to take charge of your retirement savings. All you have to do is decide how much to contribute, choose how to invest your contributions, and track your results. That said, remembering a few investment basics will help you steer your account in the right direction.

Risk and Return Ride Together

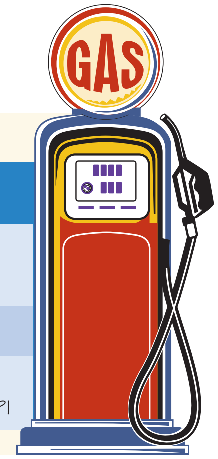
Some investment types are riskier than others. Higher potential investment returns usually accompany the higher risk. Investments with high risk have more growth potential than medium-risk investments and much more growth potential than low-risk investments.

Growth Variations from Performance Differences

A retirement plan account’s total value after 30 years of $150 monthly contributions

Average Annual Total Return	7%	5%	3%
Total Value	$182,996	$124,839	$87,411

These are hypothetical examples. Your returns and contribution amounts will be different. Source: NPI



Stocks Often Lead

Although past performance doesn’t predict future returns, historically, stocks have performed better than bonds and cash equivalents over the long term. Yet, at times, bonds and cash equivalents have outperformed stocks. Stocks are also much more volatile than bonds and cash equivalents, so investors should be prepared for ups and downs and the possibility of losing money.

Bonds Usually Run Second

Bonds have historically been much less volatile than stocks, with long-term returns that have been in between stocks and cash equivalents. Like stocks, bonds have recorded some years with poor returns or losses. Generally, bond values drop when interest rates rise. And the bond market gains when interest rates fall.

Cash Is Slow but Steady

Cash equivalent returns have usually been lower than stock and bond returns. The risk of losing money by investing in cash equivalents is also low. The steady returns of cash equivalents can help to compensate for times when stocks or bonds perform poorly.

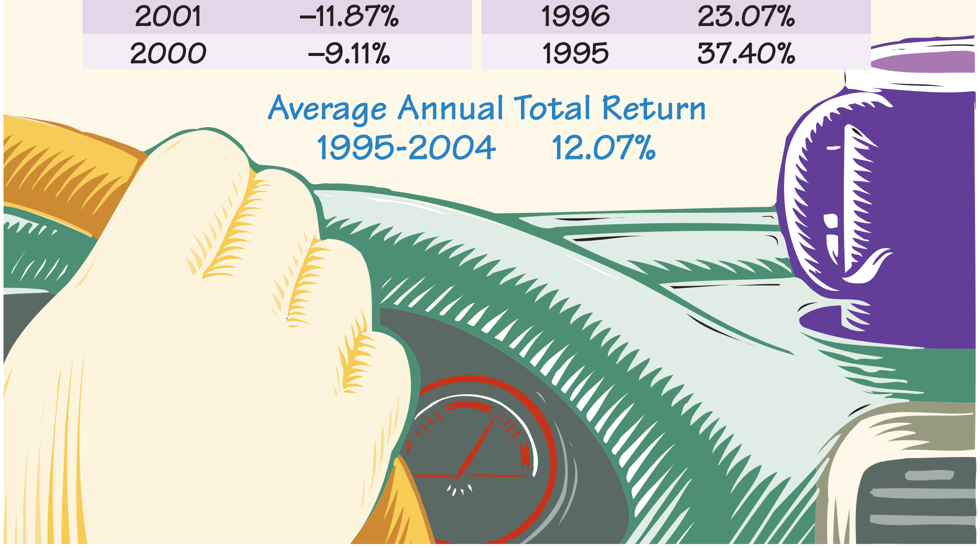
Diversification Adds Risk Control

If you invest in a diversified mix of different investment types and one investment type drops in value, only *part* of your portfolio is affected. Diversification doesn’t ensure a profit or protect against loss in a declining market. Still, it’s a key strategy that you can use to manage investment risk on the road to reaching your long-term goals.

Short-term Stock Market Volatility *Versus* Long-term Returns

Year	Annual Return*	Year	Annual Return*
2004	10.86%	1999	21.04%
2003	28.68%	1998	28.58%
2002	–22.10%	1997	33.40%
2001	–11.87%	1996	23.07%
2000	–9.11%	1995	37.40%

Average Annual Total Return
1995-2004 12.07%



*Measured by the S&P 500 Stock Index, an unmanaged index of the stocks of 500 major corporations. Stocks, whose value will fluctuate with market conditions, represent shares of ownership in a corporation. Future returns may or may not be enough to overcome possible annual declines. Past performance does not guarantee future returns. Your investment returns will be different. Source: Russell Data Services