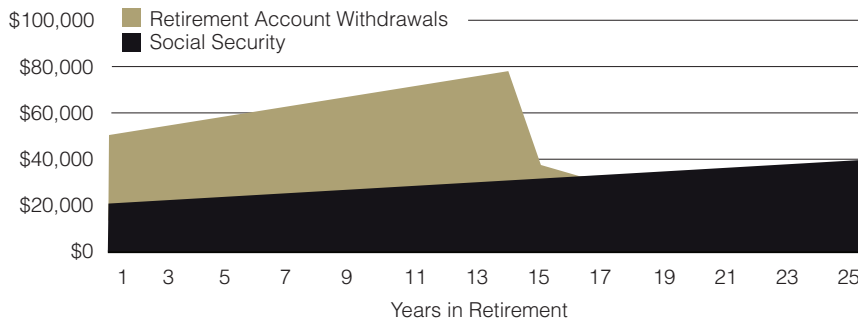


John,

Your retirement planning has two weak links:

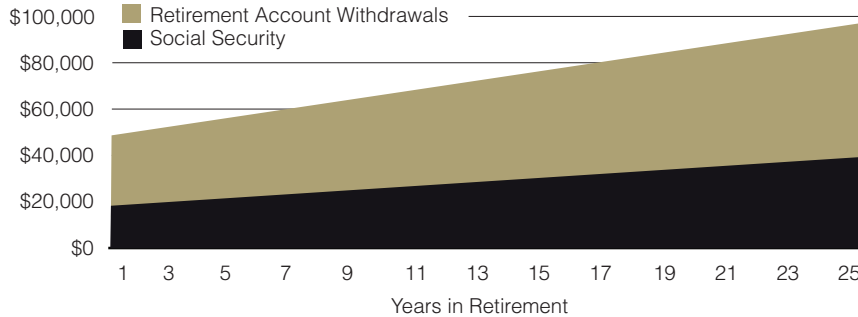
- ✦ your contributions may not provide a comfortable retirement (as shown below);
- ✦ your account may not be adequately diversified (as discussed on the next page).

Projected retirement income making your current 3.0% contribution*
(Projected account balance at retirement: \$306,782)



Your contribution	3.0%
Your employer's contribution	1.5%
Total contribution	4.5%

Projected retirement income making the suggested 5.8% contribution*
(Projected account balance at retirement: \$459,337)



Your contribution	5.8%
Your employer's contribution	2.9%
Total contribution	8.7%

* Given the assumptions below, you are projected to need \$47,131 of income in your first year of retirement. Social Security is projected to cover \$24,141 of this amount. Thus, it is projected that you will need to withdraw \$22,990 from your nest-egg in your first year of retirement. In subsequent years, you will need to increase your withdrawals to keep up with inflation.

As the top chart shows, at your current contribution rate, your nest-egg is projected to be consumed after 16 years of retirement. If you increase your contribution to 6%, however, your nest-egg is projected to last for your entire life expectancy (as the bottom chart shows).

Assumptions

Current age	35	Social Security benefit at retirement	\$24,141	Pre-retirement investment return	8%
Current balance	\$10,000	Annual increase in Social Security benefit	2%	Post-retirement investment return	6%
Current salary	\$25,000	Post-retirement life expectancy	25 years	Employer match:	
Salary growth rate	3%	Inflation rate	3%	50% on the first	
Replacement ratio	80%			6% of pay contributed	
Retirement age	65				

Although this report is based on information about you provided by your plan, it is only preliminary in nature and should not be treated or interpreted as an exhaustive, comprehensive analysis of your total financial situation. In addition, all the assumptions used in this report are for illustrative purposes only and are not guaranteed. You should not consider them predictive of the future. It is up to you to periodically review where you are along the road to retirement. You might find that you have more or less money than you had anticipated.

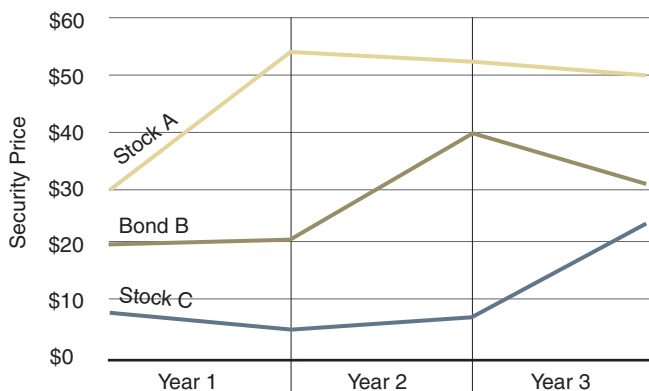
Let's now address the second weak link.

Your account does not appear to be adequately diversified. Since many investors don't appreciate the value of diversification, we thought it would be helpful to briefly summarize this concept for you.

Why should my account be diversified?

If you had a perfect crystal ball, you would invest all your money in the single security (Stock A) that would have the highest return over the next year (or quarter or month; see Figure 1). At the end of the year, you would sell the security and reinvest your profits in the security that would have the greatest return over the next year (Bond B). In the third year, all your money would be invested in Stock C. You would keep repeating this process. After all, you would have found the perfect way for getting rich.

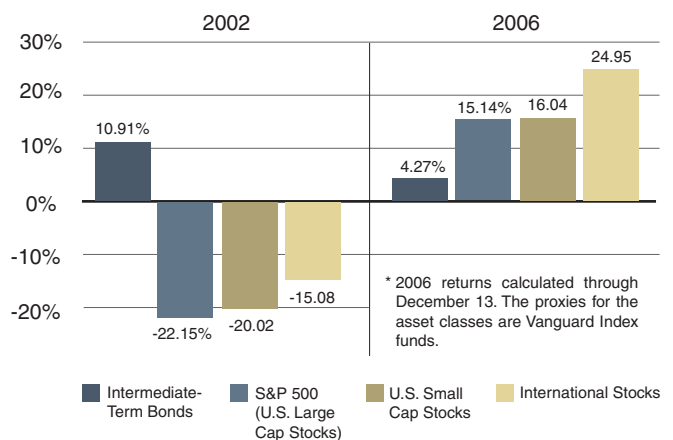
Fig. 1. Change in Value of Hypothetical Securities Over Time



In the real world, consistently selecting the winners (the individual stocks or bonds with the best returns) or even good performers is an impossible task. That is why we hedge our bets and use investment options that contain many (are *diversified* among) stocks and/or bonds.

To complicate matters further, the different asset classes (such as large cap stocks and short-term bonds) behave like individual stocks and bonds. Sometimes an asset class goes up, other times it goes down, and often it just muddles along (see Figure 2). This is why a well-diversified 401(k) account includes investment options that represent many different asset classes (such as international stocks, large, small, and mid-cap US stocks, bonds, and money market

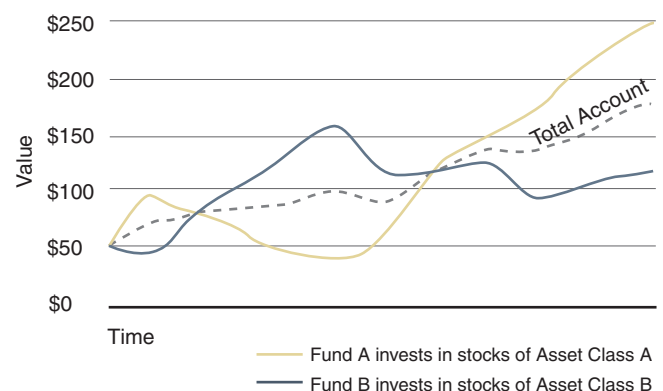
Fig. 2. Annual Total Returns By Asset Class for 2002 and 2006*



funds). The process of diversifying a portfolio among asset classes is known as asset allocation.

Your investment options, then, are funds that represent the various asset classes and contain many individual stocks and bonds. By divvying up your account among the funds wisely, the power of diversification will be put to work for you: your account's volatility (its ups and downs) should be reduced, and its growth should be steadier (see Figure 3).

Fig. 3. The Power of Diversification (Less Volatility & Steadier Growth)



How am I supposed to know what diversification scheme makes the most sense for me?

By including Targeted Retirement Portfolios among the investment options, your fiduciaries have helped you tackle this problem.

Introducing XYZ Investments' Targeted Retirement Portfolios—Sensible investing made easy

The Targeted Retirement Portfolios are a great tool for those participants who want to leave their investment decisions up to a professional.

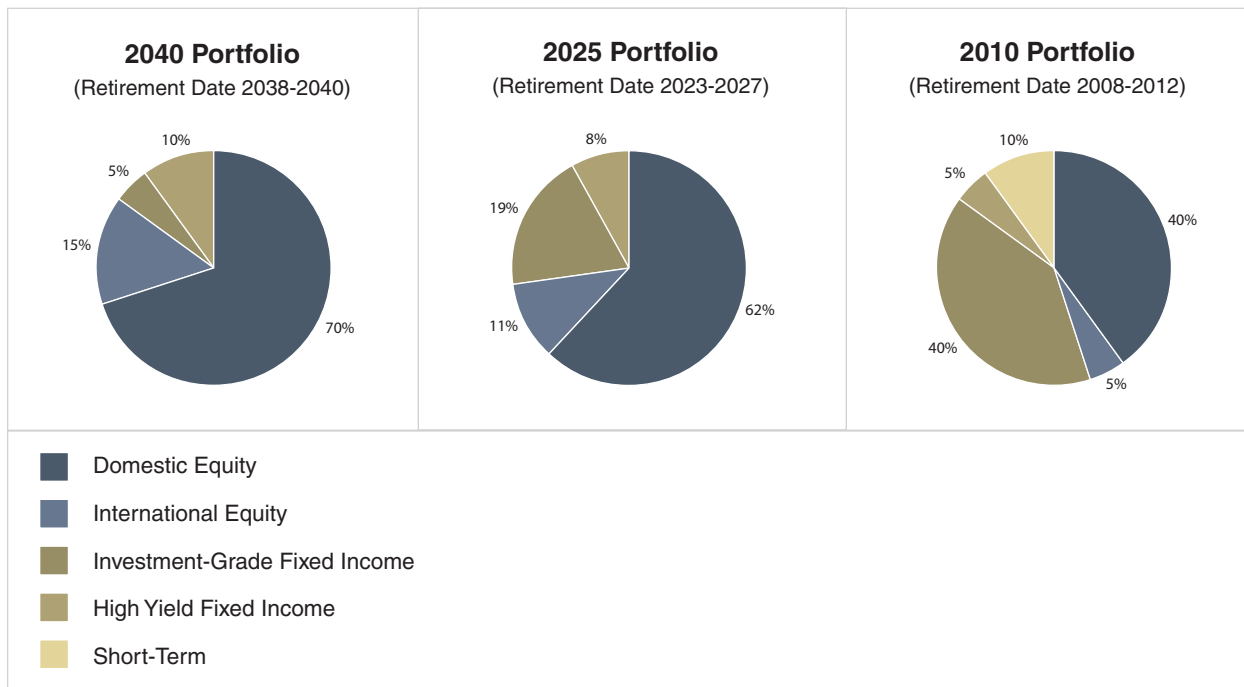
The portfolios' managers assume that the participants who are investing in one of these portfolios are going to retire in or around the year mentioned in the portfolio's name. They also assume that all your retirement assets are invested in the portfolio and that funding for retirement is the portfolio's sole goal. The managers also assume that your other assets will be used for emergencies and other non-retirement needs like funding a child's education.

One of the principal advantages of using these funds is that their managers do all the work for you. Not only do they decide on the asset allocation (how much is invested in stocks and bonds), but they change that mix over time. The portfolio's target date

(the approximate time you wish to retire) determines how much of the fund will be in stock. The longer the target date extends into the future, the greater will be the amount of stock in the fund.

The allocations of three of the available Targeted Retirement Portfolios (2010, 2025, and 2040) demonstrate this. If you plan on retiring around 2010, 45 percent of the 2010 Portfolio is invested in stock. If you won't retire for about another 35 years, about 85% of the 2040 Portfolio will be invested in stock. If you select the 2025 Portfolio, 70 percent of your account will be in stock.

If at any time you wish to assume responsibility for investing your contributions, you can use the plan's other investment options. For information about these options, contact the Service Center (1-800-992-2185) or go to the plan's website, www.plansite.com.



John Doe
1265 Mahogany St.
Huntington, DE 26758

It's easy to increase your contributions and/or reallocate your funds to a Targeted Retirement Portfolio. Call the call center (1-800-992-2185), or visit the plan's website, www.planwebsite.com.

ABCO, Inc.