YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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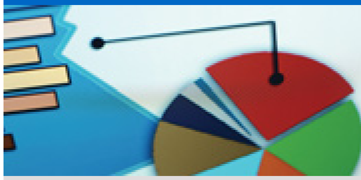

Should Gold Have a Place in Your Portfolio?

If you follow the financial news, you may have noticed a recurring theme of gold trading at or near a new high. Before deciding whether gold has a place within your portfolio, make sure you understand the factors that drive demand as well as how gold historically has complemented other financial assets.

Recent Trends

According to the World Gold Council, demand in 2010 has been driven by a growing desire for jewelry in China and India, strong interest from European and U.S. investors in the wake of economic instability, concerns about the potential for sovereign debt defaults, and fears about the potential for a "double dip" recession.[1]

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All of these concerns have driven the price of gold to all-time highs. But is this recent surge justified or are bullish "gold bugs" inflating a bubble that will soon pop?

Those who question current valuations point to the period between January 1979 and January 1980, when the price of gold more than tripled from $227 to $678 an ounce. As valuations subsequently declined, investors who purchased gold at its January 1980 inflation-adjusted peak would have had to wait until April 2007 -- more than 27 years -- to break even.[2] This example does not mean that gold is set to take another fall, but it points to the investment risk of purchasing an asset that has experienced significant surges in value.

Ways to Buy Gold

There are three ways to include gold within an investment portfolio: gold bullion, stocks or bonds issued by companies in gold-related industries, and pooled investments such as mutual funds.

Type of Asset	How It Works	Considerations
Bullion (jewelry, coins, or bars)	Typically purchased or sold through a gold dealer.	Prices offered by dealers may not be uniform and may not reflect published prices on the London fix. Less liquid than other forms of gold. Need to arrange for storage, insurance, and other safeguards.
Stocks or bonds issued by companies in gold-related industries	Purchased through a financial advisor or directly through a brokerage firm. Pricing data widely available. Depending on the security, may have high degree of liquidity.	Performance is influenced by trends in the stock market. Trading fees will apply. Investing in stocks involves risk, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.
Mutual funds	Purchased directly through the mutual fund company or through a financial intermediary (such as an investment advisory or brokerage firm). Pricing data widely available. Usually have high degree of liquidity.	Performance is influenced by trends in the stock market. Trading fees may apply as well as expenses such as front- and back-end loads, management fees, administrative fees, short-term redemption fees, and continuous deferred compensation charges. Investing in mutual funds involves risk, including loss of principal.

If you are evaluating whether gold is a suitable investment given your situation, consider its potential diversification benefits when included in a portfolio along with other assets. Historically, the correlation between gold and other financial assets -- including domestic stocks, U.S. government bonds, foreign stocks, REITs, and cash -- has been low, meaning that if these assets decline in value, gold may hold steady or increase, helping to reduce a portfolio's overall volatility.[3]

[1]Source: Gold Supply and Demand Q1 2010, World Gold Council and GFMS Ltd.

[2]Source: Standard & Poor's. Gold is represented by the 4 p.m. London fix.

[3]Source: Standard & Poor's. Gold is represented by the 4 p.m. London fix, foreign stocks by the Morgan Stanley Capital International EAFE Index, real estate by the NAREIT Equity REIT Index, cash by a composite of the yields on 3-month Treasury Bills and the Barclays 3-Month Treasury Bill Index, domestic stocks by the S&P 500, domestic bonds by the Barclays U.S. Government Bond Index. For the period beginning January 2, 1973, through June 30, 2010. Past performance does not guarantee future results.

Nearing Retirement? Prepare for the Next Financial Phase

The advantage of maintaining tax-deferred investments for as long as possible is their ability to compound on a pre-tax basis and thus offer greater earning potential than their taxable counterparts.

If you plan to retire sometime soon, congratulations! But before kicking back, you'll need to address a few financial matters. Decisions made now could make the difference between your money outlasting you or vice versa.

Calculating Your Retirement Needs

When retirement was years away, calculating how much income you may need may have involved a lot of estimates. Now you can be more accurate. Consider the following factors:

- **The length of your retirement.** The average 65-year-old man can expect to live about 17 more years; the average 65-year-old woman, 20 more years, according to the National Center for Health Statistics. Have you accounted for a retirement of 20 years or more?
- **Earned income.** Working during retirement, even on a part-time basis, can reduce your need to tap retirement assets for ongoing living expenses.
- **Your retirement lifestyle.** Your lifestyle will help determine how much income you'll need to support yourself. A typical guideline is 60% to 80% of your final working year's salary, but if you want to take luxury cruises or start a business, you may need 100% or more.
- **Health care costs and insurance.** Most Americans are not eligible for Medicare until age 65, and even then, Medicare doesn't cover everything. You can purchase Medigap supplemental insurance to cover some of the extras, but even Medigap does not pay for long-term custodial care, eyeglasses, hearing aids, and other ongoing essentials. For more on Medicare and health insurance, visit www.medicare.gov.
- **Inflation.** Because the rate of inflation can vary over time, it's a good idea to tack on an additional 4% each year to help compensate for increases in the cost of living.

Running the Numbers

The next step is to identify potential income sources, including Social Security, pensions, and personal investments. Also review your asset allocation -- namely, how you divide your portfolio among stocks, bonds, and cash.[1] Are you tempted to convert all of your assets to low-risk securities? Such a move may place your assets at risk of losing purchasing power due to inflation. You may live in retirement for a long time, so try to keep your portfolio working for you both now and in the future.

A New Phase of Planning

Once you've assessed your needs and income sources, it's time to look at tapping your nest egg. First, determine a prudent withdrawal rate. A common approach is to liquidate a maximum of 5% of your principal each year in retirement; however, your income needs may differ.

Next, you'll need to decide when and how much to withdraw from your tax-deferred and taxable investments. Investors are required to take annual withdrawals from employer-sponsored retirement plans and traditional IRAs after age 70 1/2. Be aware that these withdrawals are subject to federal income tax.[2]

The advantage of maintaining tax-deferred investments for as long as possible is their ability to compound on a pre-tax basis and thus offer greater earning potential than their taxable counterparts. In contrast, long-term capital gains from the sale of taxable investments are currently taxed at a maximum of 15%.

Your financial professional can help you determine a strategy that may help maximize your annual income while minimizing the impact to your overall portfolio.

[1] *Asset allocation does not assure a profit or protect against a loss in a declining market.*

[2] *Withdrawals from tax-deferred accounts made prior to age 59 1/2 may be subject to an additional 10% penalty. In the case of employer-sponsored plans, there are special rules that apply to plan participants aged 55 and older who separate from service.*