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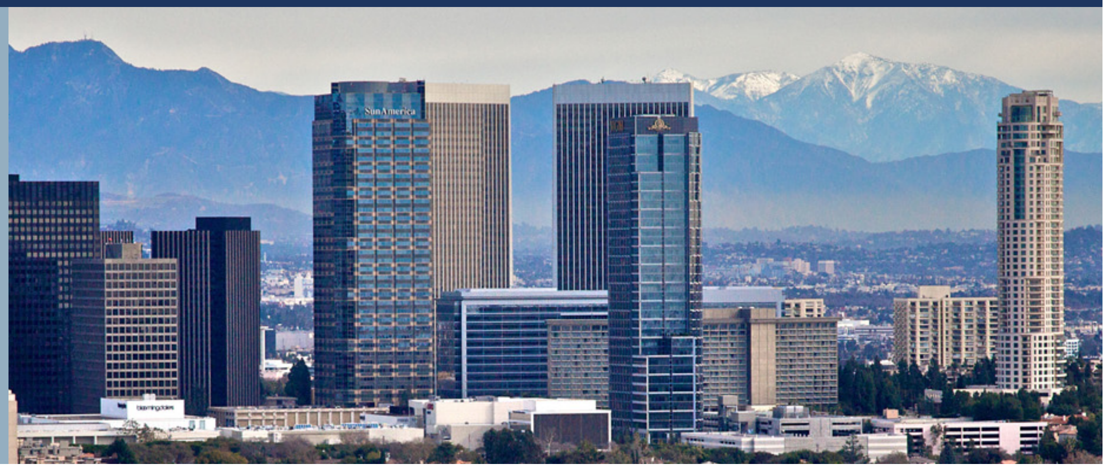
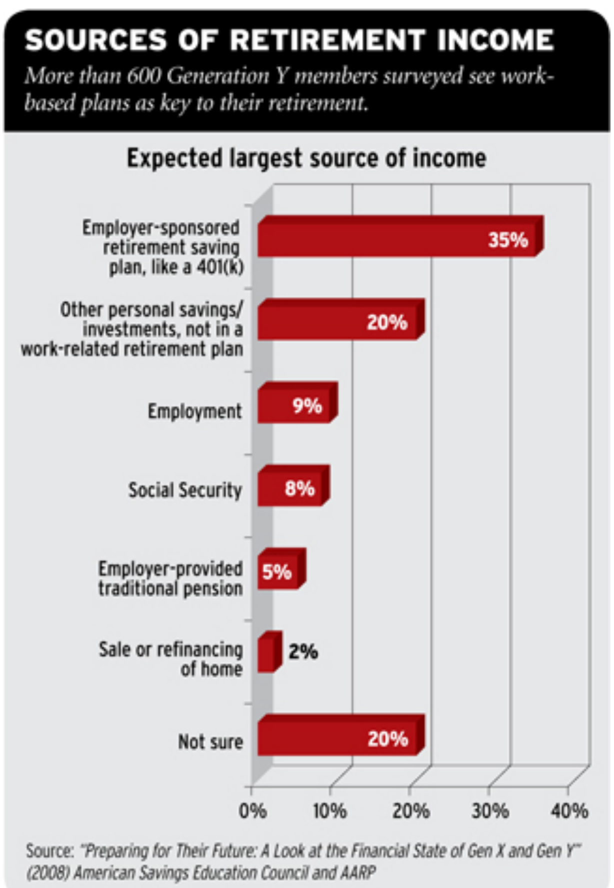


THE RETIREMENT DILEMMA FACING "GENERATION Y" WORKERS

More than 600 Generation Y workers (20-30 years old) were surveyed recently by the American Savings Education Council, and here is what the survey participants had to say about their retirement expectations:



Yet, even though these young workers believe that Social Security will still be a factor in their retirement, current projections are that the Social Security Trust Fund, which stood at $2.5 trillion at the end of last year, will run out by 2037. That's at least 10-15 years before "Generation Y" workers will reach retirement age, assuming that Congress does not increase the current retirement age requirement.

Compounding the Social Security uncertainty, a MetLife poll, last year, of nearly 700 "Generation Y" workers found that about 40% of these young workers were not saving for retirement at all.

As a final obstacle to a successful retirement, the survey showed that 60% of these young employees have been taking cash distributions from their 401(k) plans when they left their employer. A plan participant pulling $5,000 out of his or her 401(k) at age 25, which might only be worth $3,500 after taxes and penalties, could cost the participant $75,000 at retirement assuming it might average 7% per year to age 65.

Looking at these figures, it's pretty obvious that young workers are not only suffering from the poor economy we are experiencing, but that they may be faced with a retirement that is going to be far below their expectations.

WORKERS IN THEIR 50'S ALSO FACE A PROBLEM

Here is some important data from a survey of workers in their 50's conducted by the Employee Benefit Research Institute/ Investment Company Institute and MFS Investment Management

At least 44% of plan participants with $100,000 in their retirement plan do not know how much money they will need to save in order to leave the work force and retire. The median balance workers over 50 had saved, however, was only $43,700 at year-end 2008.

About 6 % of workers who have reached the age of 50 and have been offered their company's stock as an investment for their 401 (k) have 80% of their total retirement in those company shares and fully 17% of those surveyed have at least 40% of their retirement savings in shares of their employer company's stock.

About 60% of 401(k) participants, through the year 2009, have invested in stock mutual funds, balanced accounts and target-date mutual funds, and employer stock. Those investments have benefited considerably due to the gains experienced this year by the stock market.

Employees who were 50 years old who had been in their 401 (k) plan for at least 6 years had an average of $139,932 in their account. This figure was up from $106,850 at the end of 2008 but still below the $146,877 reached in 2007.

Finally, we can describe the average potential American retiree today as:

1. Retiring at age 62
2. Will spend 18 years in retirement
3. Has average income of $50,000
4. Will receive 43% of his or her income from Social Security
5. Will spend 10% of retirement income on healthcare premiums
6. Is already $50,000 in debt.

Not a pretty picture!

If either of the above scenarios is an accurate description of your retirement dilemma, it's time for you to get serious about your potential to retire on time by continuing to work longer than you had anticipated or by starting to save aggressively. We do want to caution you that if your nest egg has been hit hard by the economic recession that began in 2008, you might not be able to recoup your account balances by using investment returns alone.

TARGET DATE FUNDS:

This table may help you find the asset mix you need to optimize your future investment returns. In addition to these asset allocations, Target Date funds have now become quite popular with retirement plans, particularly for plan participants who do not chose to make their own asset allocation decisions. Target Date funds are funds that automatically shift asset allocations over time, reducing risk as the participant's retirement date nears.

Performance of Various Asset Classes in the "Lost Decade"
Annualized Returns in U.S. Dollars for 10 Years Ended December 31, 2009

Fixed Income		Equities	
High Yield Bonds	7.08%	REITs	10.47%
Foreign Government Bonds	6.67	Emerging Markets	10.11
Corporate Bonds	6.58	Mid-Cap Stocks	4.98
U.S. Government Bonds	6.15	Small-Cap Stocks	3.51
Treasury Bills	2.84	Foreign Stocks	1.58
		Large-Cap Stocks	**-0.95**

Performance of these asset classes is based on the following market indices: J.P. Morgan Global Government Bond, Barclays Capital U.S. Corporate Investment Grade, Barclays Capital U.S. Treasury, Credit Suisse High Yield, Citigroup 3-Month Treasury Bill, Wilshire Real Estate Securities, MSCI EAFE, MSCI Emerging Markets, Russell Midcap, Russell 2000, and S&P 500.

WHAT TO DO NOW!

Examine your spending habits and look for ways to increase contributions to your retirement plan. If your employer pays a match on your company 401(k) contributions, make sure you contribute enough to capture the entire match. This is "found" money.

Consider if you will be able to continue working past your current retirement target age. Discuss this possibility with your employer.

HOW MUCH IS ENOUGH

While there are many formulas that have been used to determine exactly how much you need to accumulate in your retirement account in order to assure that you don't run out of money as you age, here is our take on the question:

1. Some investment advisors use 5%-7% yearly withdrawal rates from your retirement accounts as a reasonable and safe figure for a retiree. We believe that 4%, adjusted for inflation each year is a better number. For example: If you have saved $200,000 in your 401(k) and IRA accounts, you might want to consider $8,000 per year as your maximum withdrawal rate; particularly in the first year. Each year following your first year of retirement, adjust the 4% withdrawal rate for inflation.
2. If you are planning to use 4% withdrawals as your guideline, you might want to consider investing half of your retirement savings in a diversified stock mutual fund and half in a diversified bond fund. If you elect to place all of your retirement savings in a bond fund, your withdrawal rate should be less than 4%.
3. If you are within 5-10 years of retirement and, after doing the math, you think that you might not be able to live off of 4% of your projected retirement savings, plus social security, it's time to get tough on your spending habits and time to begin an aggressive debt reduction program.
4. For many plan participants, the largest expense in their budget is their mortgage. Mortgage rates haven't been this low in many years, and now might be a good time to see if your home can be refinanced with lower monthly payments.
5. Remember, every year you stay in stocks, you increase the possibility that markets will rise and enlarge your portfolio.

OTHER THINGS TO CONSIDER

If you find that you will definitely not have enough saved for your scheduled retirement, all still might not be lost. The financial services industry is an evolving sector of the U.S. economy, and many new retirement products are appearing on the market for retirees. A representative at S.L. Reed & Company will be happy to explain what products might be available to soften the blow of the shortfall.

One thing is certain; now is not the time to be complacent. Here are a few additional sources of cash that you may want to explore:

1. If you have a cash-value life insurance policy you may be able to use the cash from the policy to purchase a cheaper term-life policy for the same insurance benefit.
2. Even though there may be taxes and penalties in tapping a 529 qualified savings account you have established, it could be a source of additional retirement cash.
3. Think about a home equity line of credit for use in an emergency.

COMING UP SHORT AT RETIREMENT

You have done all that you can to increase your retirement savings and cut your expenses and debt, and you think that you are still not going to have enough in your investment accounts to carry you through your retirement years.

How can you be sure?

Log onto: www.slreed.com and click on the header titled CALCULATOR.

You will find a number of different calculators for your use that allow you to make various assumptions regarding your finances and retirement needs.

If you have difficulty inputing any of your assumptions or calculations, simply call S.L. Reed & Company at 310-893-3030 and a representative will be glad to help you and make some suggestions and assist you with some personalized assumptions.

We believe that this is something that should be addressed sooner rather than later, for obvious reasons. Time is not on your side and with the future so uncertain, it would be wise to get all of the facts and work on a plan that makes sense that will incorporate your personal needs and thoughts about risk.

HAS ANYTHING CHANGED?

S.L. Reed & Company can help:

401(k) Rollover from Previous Employer
Rollover IRA out of a Retirement Plan
Traditional or ROTH IRA
Taxable Accounts
Ready to Retire?

Additionally, we can work with you on:

Managed Accounts

For Assistance call:

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