QUARTERLY RETIREMENT REVIEW

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EUROPE'S FINANCIAL CRISIS

The structural factors driving the crisis are difficult to resolve, so the crisis is likely to be around at some level for at least several more years. Here is an explanation of what we believe to be a key factor that needs to be watched in determining if the financial crisis is improving or heating up again:

Economic Growth

Economic growth in the eurozone turned negative in the fourth quarter of 2011 due to the combination of fiscal austerity and bank deleveraging. The decline in growth is continuing based on surveys of purchasing managers who have pointed out that eight of the seventeen member countries are already experiencing a recession.

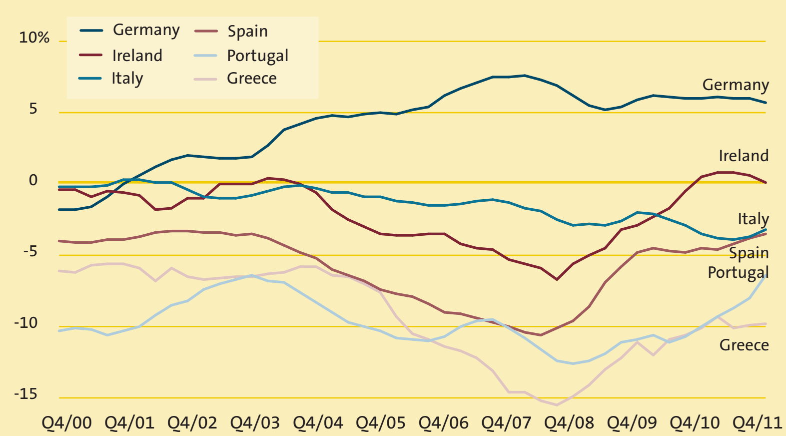
A return of economic growth would increase the odds that the crisis will be resolved successfully. Certainly, such growth would assist fiscal consolidation, government revenue and spending adjustments in those countries with high budget deficits.

Economic growth would also mean increased export levels from peripheral eurozone countries, thereby, providing support for the process of private sector deleveraging. And economic growth, of course, would improve asset quality at eurozone banks, boosting confidence and capital ratios.

Eurozone's Competitive Divergences

Current Account Balances as a Percentage of Gross Domestic Product (GDP)

National current account balances measure the difference between a country's imports and exports, plus income from foreign sources and other foreign transfers. They are one measure of a country's competitiveness. While Germany enjoys a current account surplus, all periphery nations except for Ireland are running deficits. Current account deficits indicate the extent to which domestic investment must be financed by foreign savings.



Quarterly data from Q4/2000 to Q4/2011.

Source: Haver Analytics.

It is important, however, that economic growth across the eurozone not become too unbalanced among the seventeen nations. The recent pattern has been modest positive growth in core eurozone countries, and negative growth in the periphery countries. This imbalance has led to wide divergences in economic outcomes. For example, Germany's unemployment rate is only 5.8%, while Spain's unemployment rate is 23.3% and rising. It will be very difficult for the current crisis to be resolved as long as such divergences continue to persist.

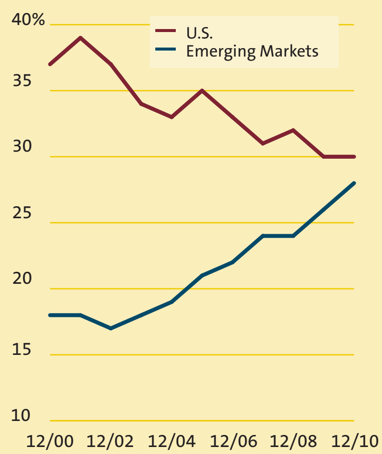
NEW PLACES FOR POTENTIAL INVESTMENT

Developing or "Frontier Markets" are rapidly gaining investor attention by offering compelling long-term opportunities in some of the world's smaller but fastest-growing economies.

Many retirement plan investors have long shunned these developing and sometimes exotic markets because of their volatility and relatively high risks. It is entirely possible, however, that these investors could be missing out on the long-term growth potential of companies that are making significant strides in far-flung countries that often boast high growth rates, attractive demographic profiles, and rapidly expanding consumer bases.

Many financial advisors see the pace of the transformation in these markets accelerating, and note that many countries, particularly in Africa and the Middle East, are beginning to show the kind of promise that gave previous rise to the powerhouse emerging markets of China, Brazil, and India only a couple of decades ago. *(See the Share of Global Private Consumption Chart.)*

Share of Global Private Consumption
As of December 2010



Source: Morgan Stanley Research.

Over the past decade, these frontier markets outperformed emerging markets in a few years, but lagged emerging markets overall and were, generally, more volatile.

Still, economic growth rates of more than 6% across many "Frontier Markets" have made them potentially more promising than in the past as indicated in the table below.

It is important, however, to remember that investments in "Frontier Markets can be extremely volatile, and plan participants who might consider including such investments in their retirement accounts need to review their retirement account risk parameters.

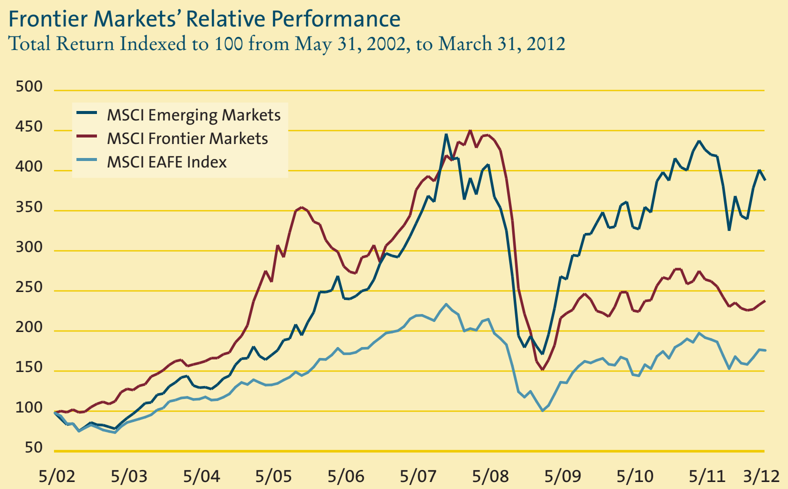
Frontier Market Growth
Annual Average Gross Domestic Product Growth

2000–2010 Actual		2011–2016 Projected	
Angola	10.8%	Mozambique	7.7%
Myanmar	10.6	Zambia	7.4
Nigeria	8.7	Ghana	7.3
Kazakhstan	8.6	Tanzania	6.9
Chad	8.2	Vietnam	6.8
Ethiopia	8.1	Indonesia	6.8
Cambodia	7.9	Kenya	6.4
Rwanda	7.7	Ethiopia	6.4
Mozambique	7.4	Nigeria	6.3
Vietnam	7.2	Congo	5.6

Note: Growth rates projected in 2010 and 2011 by the International Monetary Fund (IMF). For some nations for some other recent years, actual growth rates are IMF estimates.

Source: IMF.

For example, while the majority of Africa's almost one billion people live on less than $2 a day, the continent's middle class is growing rapidly, now accounting for 34% of the population, about 315 million people, according to the African Development Bank. In the case of Africa, we are reminded of the old adage that the investments are often best made where the difference between perception and reality is the greatest. *See the graph below:*



Note: MSCI EAFE Index reflects stocks in the international markets of Europe, Australasia, and the Far East.
The MSCI Frontier Markets Index measures performance of 25 frontier equity markets.
Source: MSCI RIMES.

YOUR LONGEVITY

We write quite a bit about running out of money during your retirement for a very good reason; the number of retirement plan participants who are not saving enough is enormous. The actuarial work that has gone into the "death" calculus is staggering, but the results of the studies have become compelling.

Start with $1.6 trillion, which is the current amount invested in life insurance annuities; and other investment products typically tied to the longevity of the owner. Add another $6.5 trillion. That's the amount in private and government pension plans, according to the Investment Company Institute. Now throw in another $4.3 trillion in 401(k) plans and other defined-contribution plans, plus $4.6 trillion in IRAs; then add $10.5 trillion from the face value of individual life insurance policies in force in the U.S., and you get a sense of why these studies are so important. These numbers, without including Social Security, add up to close to $27 trillion.

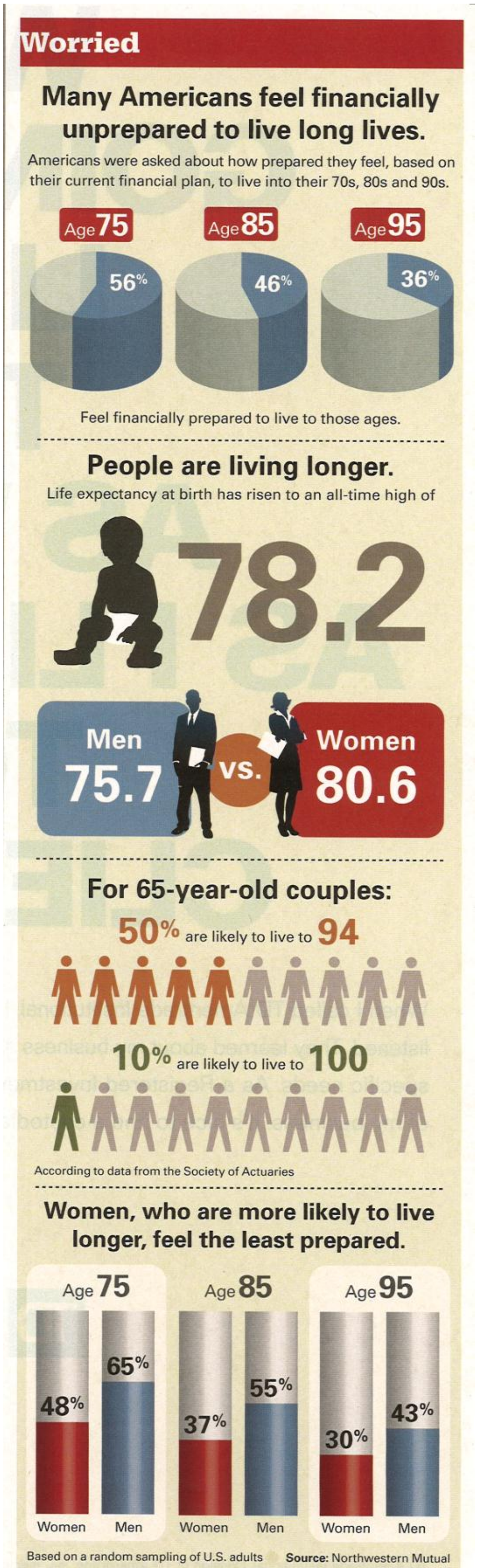
Now let's look at the potential longevity number in retirement.

The average American who manages to live to the age of 100 will spend $3.5 million in his or her adult lifetime. Let's do the math:

By the time you are 50 years old you will have spent $1,564,740. A 50-year-old today can expect to live until age 81; during those additional 31 years he/she will spend an additional $1,432,980. If you live an extra 4 years past 81, you'll need an additional $157,650, and if you live another 9 years you'll need an additional $315,290; make it to age 100 and the additional money needed could be $630,580. You can expect your health care costs to grow exponentially from age 50 to your mid-90s.

Now let's see how many Americans think they are financially prepared to spend their expected years in retirement.

How prepared are you?



HAS ANYTHING CHANGED?

S.L. Reed & Company can help:

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Annuities
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Additionally, we can work with you on:

Managed Accounts

For Assistance call:

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