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UBS Structured Products

Pursue Your Retirement Goals With Greater Confidence

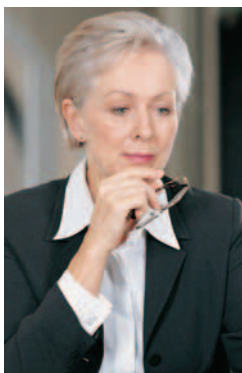
We all have our unique vision of what retirement will be. Transforming your own vision into reality may depend on how effectively you can protect your wealth and maintain your lifestyle as you enter retirement.

Generating returns necessary to keep pace with the cost of living usually means having to increase your allocation to riskier asset classes such as equities or commodities. In retirement, however, it is especially important to find the right balance between risk and return. One way is to add Structured Products to your holdings, which can provide potentially higher returns of riskier asset classes while limiting your downside exposure.

At UBS, we offer structured product strategies that can help protect your capital while participating in market returns.

100% Principal Protection Notes (PPNs)

PPNs are an attractive complement to traditional bond investments. PPNs protect 100% of your investment if held to maturity and provide participation in the growth of an underlying asset such as a stock, basket of stocks, indexes and commodities. The return on PPNs at maturity varies based on the performance of the underlying asset, providing the opportunity to outperform the total interest payments you would have received on a typical bond.



Case Study

A recent retiree, Helen is concerned about taking on additional investment risk. But exposure to riskier asset classes may provide the returns necessary for the retirement she envisions. Her portfolio is 50% equities, 40% bonds and 10% cash. Her bond holdings include several fixed interest rate bonds paying an average interest rate of 5%.

Strategy

Helen's Financial Advisor recommends investing a portion of her bond portfolio into a 100% Principal Protection Note linked to the S&P 500, which would protect her investment at maturity and pay an additional payment if the index rises over the term of the note.

Helen's PPN

Investment in PPN:	\$10,000
Additional payment at maturity (if index return is positive)	Index return x \$10,000
Time to note maturity:	7 years

Example Outcomes

The index rises by 75% over the 7-year term of the PPN. At maturity, Helen receives her initial \$10,000 investment plus an additional \$7,500 payment based on the return of the index (75% index return x \$10,000 investment), or a gain of 75%, equivalent to an annualized return of 8.32%.

If Helen had kept her bond portfolio unchanged, she would have been paid an average interest rate of 5% for seven years, for a total return of 35% (or \$3,500 in interest per \$10,000). In this example, the PPN would have outperformed the bond portfolio.

Conversely, if the index declined by 20% over the 7-year term of the PPN, Helen would receive her \$10,000 investment and be protected from the decline in the market. Because no additional payment was made on the PPN, the PPN would have underperformed the bond portfolio by the interest paid on the bond portfolio (35% or \$3,500).

End Benefit

PPNs allow you to participate in the positive performance of the underlying market while protecting your investment at maturity from any negative performance.

Performance Securities with Partial Protection (PSPPs)

PSPPs protect the first 10-25% of your investment at maturity and provide greater participation than PPNs in the growth potential of a specific market. With PSPPs, you will only have downside market exposure beyond a specified protection level.



Case Study

George is five years from retirement and looking for strategies to grow his investment portfolio, which is 55% equities, 40% bonds and 5% cash. He has some international exposure through an Exchange Traded Fund (ETF) and wants more international exposure, but is concerned about taking on more risk.

Strategy

George's Financial Advisor recommends investing a portion of his equity portfolio in a PSPP linked to an international index. The PSPP provides him with international equity exposure but also provides protection from moderate market declines if held to maturity.

George's PSPP

Investment in PSPP:	\$10,000
Participation rate:	120%
Protection percentage:	20%
Time to note maturity:	4 years

Example Outcomes

The level of the index rises by 40% over the 4-year term of the PSPP. George receives his initial \$10,000 plus an additional \$4,800 based on the return of the index (120% participation x 40% index return x \$10,000 investment). His investment results in a gain of 48%, or an annualized return of 10.30%.

Had George invested his \$10,000 in an ETF that tracked the performance of the index, he would have a gain of \$4,000, or 40%, equivalent to an annualized return of 8.78%.

Conversely, if the market had declined by 30% over the term of the PSPP, he would have been exposed to any decline in the index beyond the 20% protection percentage, and would have received back \$9,000 of his investment at maturity, a loss of \$1,000, or 10%, equivalent to an annualized return of -2.60%.

Had John kept his \$10,000 invested in an ETF that tracked the performance of the index, he would have realized a loss of \$3,000, or 30%, or an annualized return of -8.53%.

End Benefit

PSPPs can provide enhanced exposure to the performance of the underlying market while protecting a portion of the investment at maturity.

Depending on your specific retirement goals and degree of comfort with risk, we can help you identify a strategy that best suits your needs. To learn more about Structured Products and how they can help maximize your retirement planning strategy, please call me.

Examples are for illustrative purposes only and do not convey any information regarding actual circumstances or profits. These examples assume no dividends paid on the index and do not take into account the effect of taxes or transaction costs.

The returns on structured products are linked to the performance of the relevant underlying asset or index. Investing in a structured product is not equivalent to investing directly in the underlying asset or index. Clients should carefully read the detailed explanation of risks, together with other information in the relevant offering materials, including but not limited to information concerning the tax treatment of the investment before investing in any structured product. Structured products are debt obligations of the issuer. Investors should be comfortable with the credit risk of the issuer before purchasing a structured product. UBS Financial Services Inc. does not guarantee in any way the financial condition of the issuer or the accuracy of any financial information provided by the issuer.

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