UBS

# UBS Financial Services Inc.
# Retirement Savings Asset Allocation Guide

**Planning how to invest your retirement savings may be one of the most important decisions you'll ever make. Among the many investment strategies you can use, asset allocation is one of the most powerful and can serve as a valuable "blueprint" for your financial future.**

## Asset Allocation

### What is an Asset Allocation Strategy?

Asset allocation is the disciplined process of strategically dividing your money among a range of asset classes, such as stocks, bonds and stable value investments, each of which has different risk and return characteristics. (See the following pages for a description of each asset class and the risks typically associated with each.)

Taking into consideration your goals, time horizon and tolerance for risk, you can develop a focused, strategic approach to investing that can help you pursue individual goals within your risk profile.

### How Does Asset Allocation Work?

Asset allocation works on the principle that your investments in various asset classes will react to changing market trends with different growth rates and levels of volatility. For example, while one investment may suffer a decline due to market fluctuation, another investment may simultaneously increase in value and offset the decline.

## Focus on the Long Term

It is also important to remember that asset allocation is essentially a long-term strategy. It isn't about short-term investment returns or outperforming the stock market for the moment. The idea is to select an asset allocation and stick with it through the inevitable stock market ups and downs—reassessing as necessary and rebalancing when appropriate, while taking into account life events or changes in your risk profile.

It is important to note that asset allocation does not assure a profit or protect against a loss in declining markets.

The asset allocation strategies set forth in this Retirement Savings Asset Allocation Guide and the Guide itself are current as of August 2007. UBS Financial Services Inc. has changed its asset allocation strategies in the past and may do so in the future as circumstances warrant. Please contact your plan administrator or UBS Financial Services Inc. Financial Advisor for confirmation that you are using the most up to date version of the Guide.

## Factors to Consider

Your asset allocation strategy will also help you sharpen your focus on your retirement goals and how to get there. In determining your strategy, you will have to consider some very influential and important factors:

- What is your time horizon? (When will you need to start withdrawing your retirement assets?)
- How do you feel about risk? (Can you withstand volatile market conditions for an extended period of time?)
- What are your retirement goals? (How much money will you ultimately need?)

Keep in mind that your company's retirement plan represents only one aspect of your overall retirement savings strategy. In applying your asset allocation strategy to your individual situation, you should also consider other assets, income and investments, including home equity, individual retirement accounts (IRAs), personal savings, Social Security and other retirement savings plans.

## The Importance of Periodic Reviews

As with any long-term plan, it is important to periodically analyze and reevaluate your goals, objectives and overall strategy. Make sure any changes in your life situation are reflected in your investment choices. Planning for retirement today means taking responsibility for your financial future.

## Determining Your Personal Asset Allocation Strategy

UBS Financial Services Inc. offers a valuable guide to help you determine your individual asset allocation strategy—the *Retirement Savings Assessment Questionnaire*—found on the following pages. Once you have answered the questions concerning your current retirement savings situation, risk tolerance and time horizon, your score will correspond to one of the six asset allocation strategies designed to help you begin working toward your specific goals.

Each asset allocation strategy represents a blend of different asset classes that are available through investment options offered by your plan. The strategies range from an investment mix that provides the least potential for appreciation with the least amount of volatility (Conservative) to one that offers the greatest potential for appreciation with the greatest potential for volatility (Very Aggressive).

## About the Asset Classes

### Stable Value Investments

"Guaranteed investment contracts" and "bank investment contracts" (together, "GICs") are agreements issued by various insurance companies, banks or other financial institutions. The "guarantee" in a GIC fund refers to the guarantee by the issuers of specific rates of return for stated periods of time. All guarantees are based on the claims-paying ability of the issuer. A GIC fund consists of a variety of these contracts, each with its own fixed rate of interest for a set amount of time.

Money market funds invest in commercial paper, government securities, certificates of deposit and other highly liquid securities, and pay rates of interest. The fund's net asset value strives to remain a constant $1 a share; only the interest rate goes up or down.

*Investors in money market funds should be aware that an investment in the fund is neither insured nor guaranteed by the U.S. government. There can be no assurance that the fund will be able to maintain a stable net asset value at $1.00 per share or unit.*

Participants can rely on stable value investments to provide a relatively consistent rate of return; however, they may offer limited potential for appreciation.

### Bonds

Bonds represent a loan from the purchaser of the bond to the company or government that issues the bond. In return, the issuer pays the purchaser interest until the "maturity date" (the date the loan is repaid) of the bond. The value of a bond investment usually rises when interest rates decline and decreases when interest rates rise. Although bonds can offer the investor a relatively less risky alternative to stocks, a bond fund's yield and value of its portfolio fluctuate and can be affected by changes in interest rates, general market conditions and other political, social and economic developments.

### Stocks

A stock represents ownership in a company. Purchasers own a portion of that company and can participate in that company's potential for capital appreciation. A stock fund might invest in large, medium, small and/or international company stocks, which are described below. Generally, the value of a stock investment increases during periods when stock markets rise and decreases when stock markets fall, although there is lower correlation between large and small/medium company stocks in rising or falling markets.

#### *Large Company Stocks*

Large company stocks (large-cap stocks) are typically issued by well-established companies with market capitalizations of $15 billion or more. Market capitalization is the value of a company's outstanding shares in the marketplace. Large company stocks tend to be less volatile over the short term than small and medium company stocks.

#### *Small and Medium Company Stocks*

Small company stocks (small-cap stocks) are issued by companies that have market capitalizations under $2 billion. Small-cap companies are subject to a greater degree of change in earnings and business prospects than are larger, more established companies. Medium company stocks (mid-cap stocks) are issued by companies that have market capitalizations between $2 billion – $15 billion. Investments in small and medium company stocks can be more volatile over the short term than investments in large company stocks. However, they can offer investors greater potential for appreciation.

#### *International Stocks*

International stocks are issued by foreign companies. These companies are subject to the same risks as those mentioned in the previous stock descriptions. Also, foreign stock investments may have the following additional risks: currency fluctuation, market illiquidity, political risk and the lack of adequate or timely company information. Because they may react differently to market fluctuations, international stocks may offer an effective counterbalance to domestic stocks.

## Asset Class Risks and Rewards

Each asset class—and each investment option—has different risks and objectives, and tends to perform differently during various market cycles.

- Stocks historically have shown greater growth potential than other types of investments and have experienced the most volatility risk. Volatility risk is the risk that the value of your investments will fluctuate over time and could drop in value.

- Bonds have less volatility risk than stocks but historically are subject to credit risk and interest rate risk. Credit risk is the risk that the company issuing a bond may be unable to pay interest or repay principal. Interest rate risk refers to the fact that the value of bonds may go up or down when interest rates fluctuate. For example, when interest rates rise, the value of a bond will decline, and vice versa. Historically, bonds, when compared to stocks, offer less growth potential.

- Stable value investments have the least volatility risk, but offer the least potential for appreciation in value. Stable value investments may be subject to credit risk or inflation risk. Inflation risk is the risk you may not earn enough of a return on your money to cover inflation and the purchasing power of your savings could be reduced.

Overall, when choosing your investment strategy, you should keep in mind the risks and potential rewards associated with each asset class.

## Rebalancing Your Account

Because the performance of the various asset classes will vary, over time you can expect your retirement account's asset allocation percentages to become out of balance from your original strategy. Rebalancing your account simply means reallocating your investments back to your initial asset allocation strategy. Using your retirement account statement, you can compare your current asset allocation with your original asset allocation strategy and determine when it's time to rebalance.

# Retirement Savings Assessment Questionnaire

**Please answer the following questions. Then, add up the numbers in the parentheses ( ) next to your selected answers to compute your overall score.**

## Savings Profile

1. What percentage of your total retirement savings does this retirement savings plan account represent?

   A. More than 75% ________ (0)

   B. 51% to 75% ________ (1)

   C. 25% to 50% ________ (2)

   D. Less than 25% ________ (3)

2. Over the next 10 years, how will the amount of your annual contributions to this retirement savings plan most likely change?

   A. Decrease from current level ________ (0)

   B. Remain about the same ________ (1)

   C. Increase slightly ________ (2)

   D. Increase substantially ________ (3)

## Risk Measurement

3. The graph below is a hypothetical illustration of the risk and return trade-off for five portfolios that represent a different allocation of stocks, bonds and cash. For each hypothetical portfolio, the bar shows an example of a potential range of returns in a calendar year, while the box at the bottom illustrates possible "worst-case scenarios" over four consecutive quarters. Keep in mind that actual results may be lower or higher than those shown.

   Weighing these assumed ranges of return relative to the corresponding level of risk, which hypothetical portfolio represents a level of risk you would feel the most comfortable accepting?

   Please select one of the following:

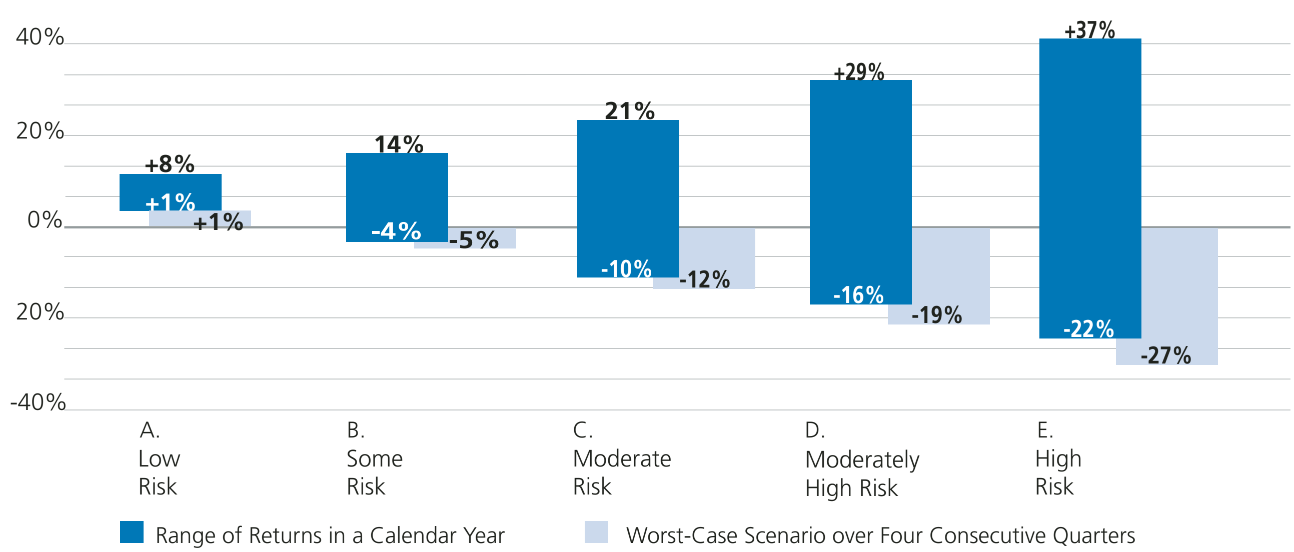
   A. Low risk ________ (10)

   B. Some risk ________ (40)

   C. Moderate risk ________ (70)

   D. Moderately high risk ________ (100)

   E. High risk ________ (130)




The figures included in the graph are hypothetical and for illustrative purposes only. These returns do not represent and are not intended to predict the future performance of any specific investment or security. The value of your investment will fluctuate and you may lose money.

4. Which of the following statements best characterizes your risk/return objectives?

   A. I am primarily interested in maintaining my current retirement savings and I am not prepared to accept higher fluctuations in the value of my retirement savings. ________ (0)

   B. I prefer to sustain only moderate fluctuations in the value of my retirement savings to achieve moderate returns. ________ (8)

   C. In order to achieve a higher return, I am prepared to accept higher fluctuations in the value of my retirement savings. ________ (15)

5. An investment that you expected to have a high return over time has declined in value. At which point would you move your money to a different investment?

   A. When the investment's value declines by more than a few percentage points. ________ (0)

   B. When the investment's value declines by more than I expected the investment to return. ________ (8)

   C. I am unlikely to change investments after significant declines as long as I believe there is still the potential to achieve the expected return. ________ (15)

## Investment Time Period

6. How soon do you plan to withdraw a substantial portion of your retirement savings plan account balance?

   A. In less than 5 years ________ (0)

   B. In 5 – 10 years ________ (6)

   C. In 11 – 20 years ________ (8)

   D. In more than 20 years ________ (10)

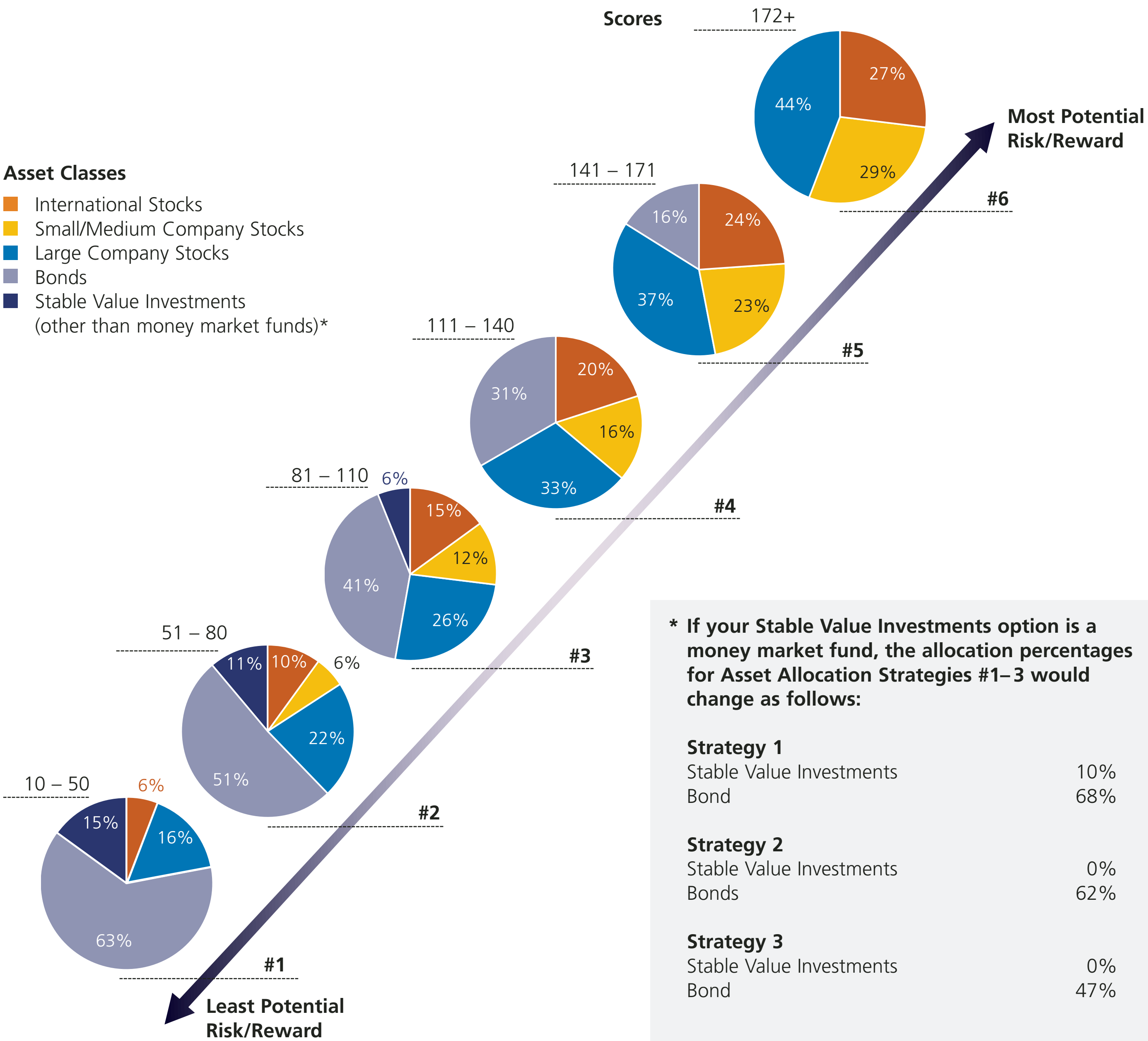
**My Score** ________

**Congratulations!**

**By completing this Questionnaire you've taken the first step in developing your asset allocation strategy.**

**Now, find the asset allocation strategy on the next page that coincides with your overall score and decide if it's appropriate for you.**

# Determining Your Asset Allocation Strategy




*** If your Stable Value Investments option is a money market fund, the allocation percentages for Asset Allocation Strategies #1–3 would change as follows:**

**Strategy 1**

| | |
|---|---|
| Stable Value Investments | 10% |
| Bond | 68% |

**Strategy 2**

| | |
|---|---|
| Stable Value Investments | 0% |
| Bonds | 62% |

**Strategy 3**

| | |
|---|---|
| Stable Value Investments | 0% |
| Bond | 47% |

Your UBS Financial Services Inc. Financial Advisor may provide you information with respect to specific investments available under your qualified retirement plan and the asset classes (shown in the pie charts on this page) into which they are classified. There may be other investments offered under each asset class with similar risk and return characteristics. Information with respect to any such investment is available from or through your employer or plan administrator. The information and materials presented here are not based on your particular financial situation or needs and do not constitute a recommendation by UBS Financial Services Inc., any UBS Financial Services Financial Advisor, or UBS Fiduciary Trust Company. You are not required to implement any of the asset allocation strategies included in this booklet and you must make your own independent decisions regarding the selection of specific investments in your plan account. UBS Financial Services Inc. will not monitor the ongoing use of this Retirement Savings Asset Allocation Guide or individual participant asset allocation strategies and investment choices.

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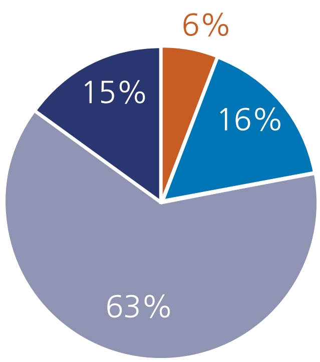
# Asset Allocation Strategies

**Below are descriptions of the types of investors that may be most appropriate for each asset allocation strategy. The asset allocation strategies are intended only as a starting point for developing your strategy. Review each description to see which one you identify with and if it correlates to the asset allocation strategy indicated by your Questionnaire score.**

### 1. Conservative Strategy*



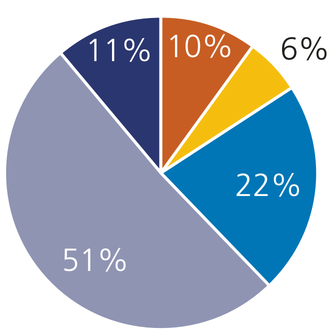

- 6% International Stocks
- 16% Large Company Stocks
- 63% Bonds
- 15% Stable Value Investments

**May be appropriate for an investor who:**

- Is approaching retirement (age 60 or over) and wants little exposure to stock market fluctuations in anticipation of needing to withdraw investment savings soon, or
- Is a younger investor with a very low tolerance for risk, or
- Is anticipating the need to withdraw money from the plan, demanding stability in the full account value.

*This investment strategy carries the least volatility risk. However, over the long term, it is subject to the most inflation risk.*

### 2. Moderately Conservative Strategy*




- 10% International Stocks
- 6% Small/Medium Company Stocks
- 22% Large Company Stocks
- 51% Bonds
- 11% Stable Value Investments

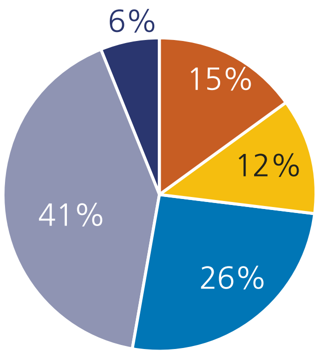
**May be appropriate for an investor who:**

- Is drawing closer to retirement (age 50 – 60) and wants some exposure to stock market growth, but predominantly prefers the stability of fixed income investments, or
- Is a younger investor with a low risk tolerance, or
- Is anticipating a need to withdraw money from the plan and, therefore, wants most of the assets in the account to have little exposure to stock market fluctuation.

*This investment strategy is predominantly conservative with relatively small exposure to stock investments and, therefore, offers a higher inflation risk than the subsequent Moderate or Aggressive Strategies.*

*If your Stable Value Investments option is a money market fund, the allocation percentages for Asset Allocation Strategies #1– 3 would change as noted on the page titled "Determining Your Asset Allocation Strategy."

### 3. Moderate Strategy*



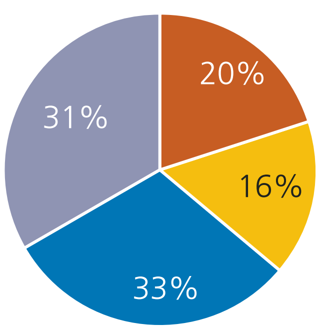

- 15% International Stocks
- 12% Small/Medium Company Stocks
- 26% Large Company Stocks
- 41% Bonds
- 6% Stable Value Investments

### May be appropriate for an investor who:

- Has quite a few years to go until retirement (age 40 – 50) but prefers a more even mix between the stability of less volatile fixed income investments and the potential for growth offered by stocks, or
- Is a younger investor who does not have a high risk tolerance and is willing to forego potentially higher investment returns for the comfort of a less volatile overall investment strategy.

*This strategy is for an investor who can withstand some fluctuation in the overall value of the account, but cannot tolerate the level of risk associated with the subsequent Aggressive Strategies. This strategy has less volatility risk and offers, over the long term, less protection against inflation than the subsequent Aggressive Strategies.*

### 4. Moderate Aggressive Strategy




- 20% International Stocks
- 16% Small/Medium Company Stocks
- 33% Large Company Stocks
- 31% Bonds

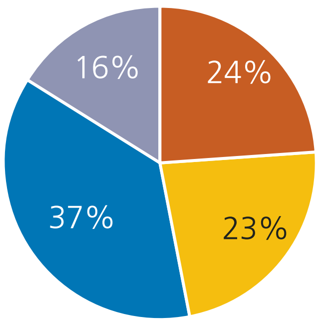
### May be appropriate for an investor who:

- Has quite a few years to go until retirement (age 35 – 45) but prefers a moderate growth approach that balances the relative stability of bond investments with the potential for growth offered by stocks, or
- Is a younger investor who has a moderate risk tolerance but still seeks potentially higher investment returns.

*This strategy is for an investor who can withstand some fluctuation in the overall value of the account but cannot tolerate the level of risk associated with the Very Aggressive or Aggressive Strategies. This strategy has less volatility risk and offers, over the long term, less protection against inflation than the Very Aggressive or Aggressive Strategies.*

*If your Stable Value Investments option is a money market fund, the allocation percentages for Asset Allocation Strategies #1–3 would change as noted on the page titled "Determining Your Asset Allocation Strategy."

### 5. Aggressive Strategy



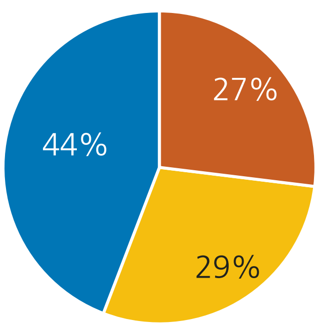

- 24% International Stocks
- 23% Small/Medium Company Stocks
- 37% Large Company Stocks
- 16% Bonds

### May be appropriate for an investor who:

- Has many years to go until retirement (age 30 – 40) and has the ability to ride out stock market fluctuations in pursuit of higher growth. This investor desires to have stock market exposure with less volatility risk than the Very Aggressive Strategy, or
- Is somewhat closer to retirement, but is willing to accept the risk of seeking higher returns in a shorter time frame.

*This strategy, like the Very Aggressive Strategy, is for investors with a fairly high tolerance for risk. In comparison to the Very Aggressive Strategy, it carries less volatility risk and offers less potential protection against inflation over the longer term.*

### 6. Very Aggressive Strategy




- 27% International Stocks
- 29% Small/Medium Company Stocks
- 44% Large Company Stocks

### May be appropriate for an investor who:

- Has many years to go until retirement (age 20 – 30) and can ride out stock market fluctuations in pursuit of higher growth potential, or
- May be closer to retirement but has a very high tolerance for risk and is seeking to maximize the potential for higher growth in assets, regardless of possible large fluctuations in account value. This investor may also have more plan assets to invest or other assets outside of the plan.

*This strategy is for investors with the highest risk tolerance. Compared to the other strategies, this strategy has the most volatility risk but, over the long term, offers the most potential protection against inflation.*

# Additional Information

UBS Financial Services Inc. and UBS Fiduciary Trust Company utilize the services of the UBS Financial Services Inc. IS Portfolio Management and Design Group to arrive at their strategic asset allocation strategies. The IS Portfolio Management and Design Group's process combines the science of mean-variance optimization and statistical models with the art of capital market experience and the judgment of seasoned investment professionals. The process begins with mean-variance optimization to define the "efficient frontier" of mixes of the broad asset classes: U.S. equity, U.S. fixed income, non-U.S. equity and cash. The "efficient frontier" refers to a statistical representation of the most appropriate blend of these asset classes to provide the highest overall return for a given level of risk. The optimization process uses a proprietary set of capital market assumptions, which includes the expected return, risk and correlations of the different asset classes. The capital market assumptions used are developed in conjunction with UBS Global Asset Management's Asset Allocation and Risk Management team. UBS Global Asset Management* employs an integrated approach where correlation, risk and return assumptions are developed by analyzing the relationship between an asset class and a common set of factors. In keeping with the "strategic" nature of our allocation process, the time horizon for the capital market assumptions is seven to ten years. The current inflation assumption utilized in the allocation process is 2.4%, and the current capital market assumptions (i.e., return and risk) are set forth in the chart below.** UBS Financial Services Inc. reviews the assumptions with UBS Global Asset Management on a regular basis to ensure they accurately reflect any structural changes that are deemed to be occurring in the capital market landscape. Since the optimization process is purely quantitative, we apply a qualitative overlay based on investment judgment, investor demographics and industry trends to arrive at asset allocation strategies. This includes the allocations to equity and fixed income assets that are further segmented into subclasses and investment styles.

| | **Return** | **Risk** |
|---|---|---|
| Large-Cap | 8.2% | 14.7% |
| Large-Cap Value | 8.0% | 14.6% |
| Large-Cap Growth | 8.3% | 16.4% |
| Mid-Cap | 8.5% | 15.9% |
| Mid-Cap Value | 8.2% | 15.4% |
| Mid-Cap Growth | 8.5% | 17.8% |
| Small-Cap | 9.0% | 19.2% |
| Small-Cap Value | 8.3% | 17.1% |
| Small-Cap Growth | 9.7% | 24.1% |
| Smid-Cap | 8.7% | 17.0% |
| Smid-Cap Value | 8.3% | 16.0% |
| Smid-Cap Growth | 9.0% | 19.9% |
| REITs | 7.1% | 12.4% |
| Developed Markets | 8.4% | 17.0% |
| Taxable Fixed Income | 5.8% | 5.5% |
| Short/Intermediate Fixed Income | 5.5% | 3.9% |
| Long-Term Fixed Income | 6.5% | 9.3% |
| Cash | 4.8% | 0.4% |

The following indices were considered in determining the capital market assumptions for the related asset class:

| **Asset Class/Style Name** | **Index Name** |
|---|---|
| U.S. Equity | Russell 3000 |
| Large-Cap | Russell 1000 |
| Large-Cap Value | Russell 1000 Value |
| Large-Cap Growth | Russell 1000 Growth |
| Mid-Cap | Russell Midcap |
| Mid-Cap Value | Russell Midcap Value |
| Mid-Cap Growth | Russell Midcap Growth |
| Small-Cap | Russell 2000 |
| Small-Cap Value | Russell 2000 Value |
| Small-Cap Growth | Russell 2000 Growth |
| Smid-Cap | Russell 2500 |
| Smid-Cap Value | Russell 2500 Value |
| Smid-Cap Growth | Russell 2500 Growth |
| REITs | FTSE NAREIT Equity REITs |
| Developed Markets | MSCI EAFE Net |
| Long Term Fixed Income | Lehman Brothers Long Government/Credit Index |
| U.S. Fixed Income | Lehman Brothers Aggregate |
| Short/Intermediate Term Fixed Income | Lehman Brothers Intermediate Aggregate |
| Cash | Citigroup 3-Month T-Bill |

* UBS Global Asset Management is a wholly owned subsidiary of UBS AG.
** As of July 1, 2007.

It is important that you understand the ways in which we conduct business and the applicable laws and regulations that govern us. As a firm providing wealth management services to clients in the U.S., we are registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Though there are similarities among these services, the investment advisory programs and brokerage accounts we offer are separate and distinct, differ in material ways and are governed by different laws and separate contracts.

It is important that you carefully read the agreements and disclosures that we provide to you about the products or services we offer. While we strive to ensure the nature of our services is clear in the materials we publish, if at any time you seek clarification on the nature of your accounts or the services you receive, please speak with your Financial Advisor.

For more information, please visit our website at **www.ubs.com/workingwithus**



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