citi smith barney

# Dialogues » WEALTH STRATEGIES FOR DISCUSSION

We know how hard you worked to accumulate your wealth, and that key concerns go beyond investing in stocks and bonds. We make wealth work by helping you determine what's important to you, then developing actionable strategies to help you realize your goals and guard against the things that might undo them.

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## Proceeding with Confidence Amid Uncertainty

If stock market volatility and financial industry turmoil have left you feeling concerned about the economy or maybe a little anxious about your retirement plan, you are not alone. In fact, the two biggest questions clients have been asking as of late are, "Is my money safe?" and "Should I change my investment strategy—or just pull out of the stock market altogether?"

In terms of the first question, you enjoy several layers of account protection as a Smith Barney client. Most notably, your assets belong to you by law, so even in the unlikely event of the Firm's insolvency, your fully paid securities are not available to the general creditors of Smith Barney or to our parent company, Citi. Ask us for more details about account protection.

Being on a big ship when the seas get rough adds an element of reassurance. With its strong balance sheet and strong credit ratings, Smith Barney's parent company, Citi, is one of the largest and most stable financial institutions worldwide. Starting in the fourth quarter of 2007, the company took decisive steps to bolster its base by raising $49.7 billion in capital. We continue to be strongly positioned to make commitments to—and find solutions for—our clients in these extraordinary times.

As for whether to move your money out of the stock market, one piece of advice bears repeating: Overreacting to events as they unfold can compound the damage as you could end up selling at the bottom or missing a subsequent market recovery. To help protect against the anxiety that volatility can create, we can work together to develop or update a diversified investment plan that reflects your long-term goals and tolerance for risk. Then, by reviewing it on a periodic basis, we can alter it as your needs change—or help you stick to it when the market makes you jittery.

Between account protection, the strength of Citi and a sound investment plan, it is our aim to help you move forward with confidence knowing that you've got the right things in place to enable your wealth to work hard for you. ■

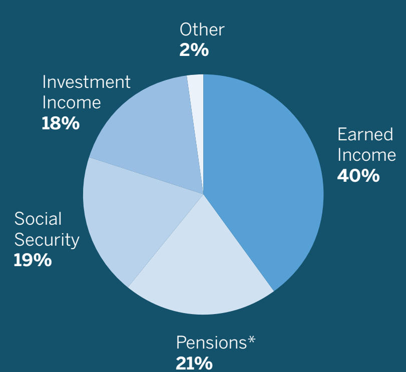
By the Smith Barney Division of Citigroup Global Markets Inc.

# Cracking Your Nest Egg

With so much focus these days on saving for retirement, it's easy to overlook an equally critical step that relates directly to your future security—how successfully you convert your savings into retirement cash flow.

This process might sound simple, but it prompts several key questions: Which account should you draw from first? How do you keep your remaining assets growing? And, perhaps most important, how much can you take out each year without running out of moneyz

### SOURCES OF RETIREMENT INCOME




Data: Morningstar, 3/1/07.
*Includes all defined benefit and defined contribution plans.

### WITHDRAWAL RATES

Not surprisingly, an aggressive withdrawal rate increases the likelihood of depleting your assets prematurely. Generally, 4% per year (indexed for inflation) has been the recommended withdrawal rate for most people. But one size does not fit all and 4% may be more—or less—than you need.

We can help develop a withdrawal strategy aimed at giving you as much as possible—especially in the early, active years of your retirement. For example, we may recommend an initial rate to be increased every year by inflation. Or you may withdraw a fixed percentage of the previous year's ending portfolio value, with no increase for inflation. A more conservative option would be to increase the rate for inflation only in years when your investment returns are positive.

Once you have settled on a withdrawal rate, it's important to stick to it and avoid altering your spending patterns dramatically. Increasing your withdrawal rate even slightly can jeopardize your standard of living later in retirement, compromise your ability to meet unexpected expenses and decrease the amount you're likely to leave to heirs. On the other hand, decreasing your rate might cause you to unnecessarily sacrifice your standard of living in your early retirement years, when you have the greatest chance to truly enjoy your newfound time.

### ORDER OF DEPLETION

Conventional wisdom says to draw down taxable accounts first and keep tax-deferred accounts growing. For many people, that rule of thumb holds true; but again, for others it may not apply. Wealthier investors, for example, may want to spend tax-deferred assets with the intention of bequeathing taxable assets, which receive more-favorable tax treatment when inherited. Other investors may want to sell low-basis assets first, so they don't incur the income later and trigger higher taxes on their Social Security benefits.

You've worked too hard saving for retirement to not get the most out of it. We can help you craft a strategy for withdrawing income in a tax-efficient way. And together, we can review your situation on a regular basis to make sure you stay on track for the retirement you deserve. ■

> "Before you retire, the concept of income is simple. You live primarily on your paycheck and perhaps supplement that with income from investments and other sources. But the money you live on in retirement often comes from many sources and can differ for each person"

# Time Is Money:

## Deciding When to Take Social Security

One of the few things you can control about Social Security is when to start collecting it. Should you take it when you become eligible at age 62, wait until "normal" retirement age (a function of your birth date) or consider delaying your benefits past normal retirement age?

To help you make this decision, consider that, on average, Americans are living longer than ever before. Clearly, the longer you expect to live, the more sense it makes to delay taking Social Security. But of course, each person's circumstances and needs are different—here's a look at how timing can affect the benefits you receive.

### EARLY BENEFITS

The soonest you can collect Social Security is age 62. But taking payments at 62 will result in a permanently reduced benefit, ranging from a 20% reduction for people born in 1937 up to 30% for those born in 1960 or later. You may want to consider early benefits if you need income but prefer to leave your portfolio intact, or if you intend to invest the benefits to try to earn a more competitive return (though there's no guarantee you will do so).

### FULL BENEFITS

Eligibility for full Social Security benefits varies according to the year you were born. Depending on how long you worked and how much you earned over your lifetime, the maximum benefit you could collect at normal retirement age (65 years and 10 months) is $2,185 per month in 2008. Consider waiting for full benefits if you plan to work until age 65, if you want to ensure a larger survivor's benefit for your spouse or if family history and good health may lead to an above-average life expectancy. Refer to the Social Security website (http://www.socialsecurity.gov/OACT/quickcalc/when2retire.html) to calculate your "breakeven" age, when the accumulated value of higher benefits from postponing retirement will start to exceed the value of lower benefits from choosing early retirement.

### THE DOLLAR BENEFITS OF EARLY, NORMAL AND DELAYED RETIREMENT

Assumptions
Date of Birth: 01/01/1948
Current Earnings: $100,000

| | Monthly Benefit in Future Dollars[1] |
|---|---|
| Start at Age 62 | $1,612 |
| Start at Age 66 | $2,392 |
| Start at Age 70 | $3,680 |

Source: Social Security Administration Web Site: Quick Calculator

[1]Assumes increase in future prices and earnings

### AGE TO RECEIVE FULL BENEFITS AND REDUCTION FOR EARLY BENEFITS

| Year of Birth | Normal Retirement Age | Percentage of Full Benefits at Age 62 |
|---|---|---|
| 1937 or earlier | 65 | 80.0 |
| 1938 | 65 and 2 months | 79.2 |
| 1939 | 65 and 4 months | 78.3 |
| 1940 | 65 and 6 months | 77.5 |
| 1941 | 65 and 8 months | 76.7 |
| 1942 | 65 and 10 months | 75.8 |
| 1943 – 1954 | 66 | 75.0 |
| 1955 | 66 and 2 months | 74.2 |
| 1956 | 66 and 4 months | 73.3 |
| 1957 | 66 and 6 months | 72.5 |
| 1958 | 66 and 8 months | 71.7 |
| 1959 | 66 and 10 months | 70.8 |
| 1960 or later | 67 | 70.0 |

Source: Social Security Administration 2008

### DELAYED BENEFITS

If you continue working beyond your normal retirement age, you will be eligible to collect a permanently increased Social Security benefit when you do retire. Approximately 8% more per year will be added automatically to the permanent benefit amount for every year you wait. Delaying benefits past age 70 will generally add nothing more to your monthly benefit.

To help assess your situation, refer to your personalized Social Security Statement, which estimates the monthly Social Security benefits you may qualify for (go to http://www.socialsecurity.gov/mystatement for a copy of your statement). Decisions regarding retirement, including when to take social security, can have a significant impact on your financial security. Talk to us today about scheduling a personal retirement check-up, or about our wide-ranging collection of resources available to assist you in your planning needs. ■

### It's Up to You

You will not automatically receive Social Security benefits when you become eligible. You must apply for the benefits, which can be done online, by calling 1-800-772-1213 or by visiting a Social Security office. And remember, Social Security benefits are taxed as ordinary income in the year of payment.equal parts.

## MARKET TRENDS

| | RECENT | 1 YEAR AGO | % CHANGE | 5 YEARS AGO | % CHANGE |
|---|---|---|---|---|---|
| DJIA | 8,829.04 | 13,371.70 | -33.97 | 9,782.46 | -9.75 |
| S&P 500 | 896.24 | 1,481.14 | -39.49 | 1,058.20 | -15.31 |
| NYSE Comp | 5,599.30 | 9,791.05 | -42.81 | 6,073.02 | -7.80 |
| Amex Comp | 1,364.01 | 2,359.85 | -42.20 | 1,098.10 | 24.22 |
| Nasdaq Comp | 1,535.57 | 2,660.96 | -42.29 | 1,960.26 | -21.66 |
| Russell 2000 | 473.14 | 767.77 | -38.37 | 546.51 | -13.43 |
| Prime Rate | 4.00 | 7.50 | | 4.00 | |
| Federal Funds Rate | 0.50 | 4.50 | | 0.94 | |
| 3-Month Treasury Bill | 0.04 | 3.14 | | 0.93 | |
| 10-Year Treasury Note | 2.91 | 3.94 | | 4.33 | |
| 30-Year Treasury Bond | 3.44 | 4.38 | | 5.13 | |
| Municipal Bonds * | 5.39 | 4.39 | | 4.66 | |
| Corporate Bonds ** | 7.44 | 5.66 | | 5.01 | |

Rates here are guidelines to general trends. They do not represent actual transactions or individual securities.

These rates have been obtained from sources believed to be reliable. No guarantees are offered as to accuracy.

* 20-Year General Obligations A1-Rated (Source:The Bond Buyer)

** 10-Year Industrial A-Rated (Source: Smith Barney)