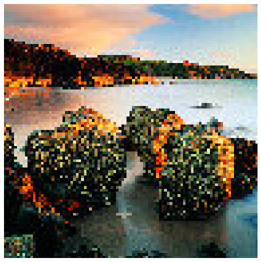
WORKING WEALTH℠ AT SMITH BARNEY

DIALOGUES

FINANCIAL STRATEGIES FOR DISCUSSION℠



A comprehensive approach to wealth management begins with defining important goals and assessing your current financial situation. Next, we create a financial plan that's based on your values and goals. To help you meet your ongoing needs, let's schedule a time to discuss your objectives.

Courtesy of:

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Approaching the Unpredictable

If you could predict the future, just think how different your life would be—you'd always know which day to bring an umbrella, you'd never have to grapple with tough choices like whether to accept that new job offer or buy that new house and you'd be hailed as a genius for your uncanny ability to pick the Super Bowl winner each year.

But you can't predict the future, so you do what everyone else does—you try to make the best possible decisions for your situation based on the information that is available. As a prudent investor, this approach should carry over to your investment portfolio, which is why you hear and read so much about the concepts of *asset allocation* and *diversification.*

The whole point of asset allocation (the spreading of funds across different asset categories, such as stocks and bonds) and diversification (the spreading of funds across different investments *within* each asset category) is to help smooth some of the surprising and turbulent price swings that are an inevitable part of life in the financial markets. By spreading out your investments, you also spread out—and possibly reduce—your overall risk. What's more, you may improve your longer-term returns as well, by giving your portfolio the opportunity to spend more time compounding and growing and less time trying to play the market's ups and downs.

A prudent, long-term investment strategy built on the sound principles of asset allocation and diversification may help your investment portfolio be more successful in today's uncertain world. We can review your current strategy and allocation to see if there's an opportunity to make your wealth work harder for you—and to do so with less risk.

And take comfort in knowing that life is much more interesting when it includes the occasional surprise.

Diversification does not ensure against loss.

Ways to Protect Yourself Against Identity Theft

While we can't promise that you won't become a victim of identity theft, there are measures you can take to help reduce your chances. Consider the following steps.

- **Protect your mailbox.** In the wrong hands, your incoming mail (e.g., credit card bills, bank statements, etc.) can be a treasure trove of information. If you don't have a locked mailbox, remove your mail soon after delivery or ask your local post office about centralized mail delivery. Also, deposit outgoing mail in post office collection boxes to lower your risk of identity theft.
- **Protect your wallet.** Even if you don't carry a lot of cash, your wallet is probably filled with credit cards, PIN numbers, health insurance IDs, etc. Keep items with personal information at home and do not share this information with friends or acquaintances. Also, don't carry your Social Security card in your wallet or write down the number on anything you carry. Finally, destroy all receipts when you no longer need them.
- **Protect your credit and debit cards.**
  - Only carry the credit/debit cards you use daily. Cancel those you don't use.
  - Check your credit card bills and bank statements monthly for suspicious activity. Many banks now offer online banking services, allowing you to check transactions more frequently. The quicker you detect a problem, the less damage there will be.
  - Instead of signing the back of your credit/debit card, write "check photo id" in the signature block. If your bank issues credit/debit cards that display your photograph on the front, consider this option.
  - Make copies of the front and back of all credit/debit cards. Place the copy in a secure location (not your wallet). If your cards are stolen or lost, you'll have all the relevant information to contact the card issuers and report the lost or stolen items.
  - A good deal of stolen personal information comes from "pre-approved credit" offers you receive in the mail, and then discard unopened. A thief can use these applications to apply for credit in your name. To stop these offers, call 1-888-5-OPTOUT.
- **Protect your glove compartment.** For many of us, our glove compartment is a mobile filing cabinet that contains vehicle registrations, insurance cards, bills, credit card receipts, and the like.
- **Protect your trash.** Take the time to remove documents with personal information. Most people cannot imagine anyone actually sifting through garbage bins, so they throw out things like unsolicited credit card applications, old bills, expired credit cards, unused checking account deposit slips, and countless other papers. For an identity thief, "dumpster diving" can provide a rich harvest of personal information to help claim your identity. To thwart this, consider purchasing an inexpensive home paper shredder from your local office supply store.

Check your credit card bills and bank statements monthly for suspicious activity. The quicker you detect a problem, the less damage there will be.

- **Protect yourself.** If a thief wants to steal your identity, he/she may just ask for it. Posing as your bank, your insurance company or even your doctor's office, the thief calls you on the telephone, gives a plausible story and asks for personal information. If you are asked for any type of personal information, call the company using the customer assistance number shown on your account statement or bill (not the number given by the caller). Verify with the customer service department that the call is legitimate. If the call is not, you will have alerted the company of a potential fraud.

IRA Rollovers: Stashing Your Retirement Nest Egg

Whether you are a Boomer saying goodbye to the daily grind or a Gen-Xer moving on to the next level of your career, retirement or a job change can create an ideal time to ask yourself what you want to do with your accumulated retirement funds. Unfortunately, there is no cookie-cutter answer to this question.

In pondering the next steps for your nest egg, you will need to assess the distribution options available to you and decide which ones will help you accomplish your goals. Here are just a few important reasons to consider an IRA rollover:

- You retain the tax-deferred status of your retirement investments.
- You have a broader array of investment choices in a self-directed IRA—and can craft a more appropriate portfolio to generate retirement income.
- You can structure a payout plan at any age that avoids the usual early-withdrawal penalty tax.
- An IRA rollover accommodates more customized beneficiary designations than most retirement plans.

Another important benefit of an IRA rollover is that it allows a surviving spouse to continue seamlessly with the IRA account—or consolidate it into his or her own IRA. Other beneficiaries, such as your children or grandchildren, also can receive payments from an inherited IRA over the course of their entire lives (this "stretch-IRA" strategy lets them take advantage of tax-deferred compounding while giving them the ability to spread the income-tax liability over many years). All IRA beneficiaries will be able to invest their self-directed IRA portfolios according to their individual needs.

The Rollover Reconsidered

There are some situations where rolling over your nest egg to an IRA may *not* be a desirable course of action. Here are a few of those possible situations:

- If you retire between age 55 and 59½ and need income from this retirement account, you may want to leave some or all of it with your former employer in order to receive penalty-free distributions. (Income taxes are due upon withdrawal.)
- You were born before Jan. 1, 1936 and want to elect 10-year averaging tax treatment for your distribution from the employer plan. (ten-year averaging—which is also available to the beneficiary of someone born before Jan.1, 1936—is not available if you roll over to an IRA.)
- You are able to transfer from one employer's plan to another.
- You prefer the investment choices offered by your former or new employer's 401(k).

Note: If your balance is less than $5,000, you may not be able to leave your 401(k) with your employer.

Of course, a decision to *not* roll over your retirement nest egg to an IRA could impact your spouse, who down the road may have to deal with a former employer's plan representatives at a difficult time and make quick decisions—especially if immediate income is needed. Your spouse can roll over to an IRA in his or her own name, but if younger than age 59½, he or she will be at a disadvantage if income is needed. A spouse who inherits an established IRA can receive penalty-free withdrawals from that account at any age (taxes are due on withdrawals). As for nonspouse beneficiaries, the Internal Revenue Service issued regulations in 2007 that allow them to request a rollover to a beneficiary IRA. Unfortunately, the regulations are not mandatory for plan sponsors, so there is no knowing if your plan will allow your children or grandchildren to take advantage of an IRA rollover and the "stretch-IRA" strategy. It is then possible that your retirement assets could be exposed to immediate taxation.

To help you arrive at the best answer for how to manage your retirement account, we have a host of resources you can take advantage of, including a comprehensive planning tool that factors in elements such as any education funding you may be planning for your children or grandchildren. At Smith Barney, we want to help you consider the possibilities, weigh the outcomes and make informed decisions that result in your wealth working hard for you.

Employer Stock and Your Retirement Plan

If a portion of your retirement plan consists of employer stock, net unrealized appreciation allows you to take a distribution of your shares and pay income taxes based on the cost basis rather than the market value. Ask your Financial Advisor for a copy of the report *Net Unrealized Appreciation on Employer Stock* or for a complimentary net-unrealized-appreciation analysis to compare the IRA-rollover and NUA strategies.

Citi's Proud History

100 Countries. 200 Years.

Citi is today's pre-eminent financial services company, with some 200 million customer accounts in more than 100 countries. Our history dates back to the founding of Citibank in 1812, Bank Handlowy in 1870, Smith Barney in 1873, Banamex in 1884 and Salomon Brothers in 1910.

On June 16, 1812, with $2 million in capital, Citibank first opened for business in New York City as the chartered City Bank of New York. At the time, James Madison presided over the affairs of our nation, while Samuel Osgood took the reigns as the City Bank's first president. Circumstances that June were challenging as war officially broke out between the United States and Great Britain.

Two years before, in 1810, a group of U.S. congressman led by Henry Clay and John Calhoun, known as "The War Hawks," pressed President Madison for a stronger military stance against Great Britain whose naval forces were seizing U.S sailors and cargoes on the high seas. Finally, on June 1, 1812, a mere two weeks before the City Bank prepared to open its doors, the United States declared war on Great Britain. Our young nation, ill prepared to fight, incurred severe losses as British troops won many battles, eventually marching on toward the Capitol and setting fire to the White House. Meanwhile, back in New York, the City Bank resiliently forged ahead, helping the city and its people, businesses and merchants meet their day-to-day financial needs.

The war of 1812 eventually ended with the signing of a peace treaty in Europe in December of 1814. From that point forward and through many different leaders and economic environments, the United States and Citibank continue to grow and prosper. Today, Citibank is proud to offer innovative financial solutions to individuals and institutions throughout the world. From our modest beginnings over two hundred years ago, we have become a recognized leader in world-class banking and investment services.

The formation of Citi in 1998 created a new model of financial services organization to serve its clients' financial needs. Other major brand names under Citi's trademark red arc include Citibank, CitiFinancial, Primerica, Citi Smith Barney and Banamex.

As the company continues to evolve, it's increasingly evident that such a large, complex grouping of businesses can indeed succeed. With nearly 350,000 employees working in more than 100 countries and territories, Citi's globality and diversity contribute to its continued success.