

QUARTERLY RETIREMENT REVIEW

COMPLIMENTS OF:

KENNETH G. KILPO

MANAGING DIRECTOR - ADVISORY SERVICES

PHONE: (310) 893-3016 EMAIL: KILPO@SLREED.COM

PUBLISHED BY

S.L. REED,

ROBERT W. NICHOLS, CEO

1-866-SLREED1 (757-3331)

JUNE 2009 ISSUE

HISTORICAL STOCK MARKET RECOVERIES

At the recent low on March 9, 2009, the S&P 500 Index had fallen almost 57% from its peak. If this proves to be the low for this bear market, it will make this the second-worst bear market of all time. Only the 1929-1932 collapse of 86.2% that ushered in the Great Depression will have topped the most recent decline.

While retirement plan participants are naturally despondent over the startling stock market decline, history does provide some reason for hope. As seen in the chart below, markets have always recovered, and investors may get their retirement savings back to even faster than expected if they continue contributing to their retirement plan.

Whatever the current value of your retirement account might be, it's worth noting that stock prices have historically bottomed well before the economy and corporate earnings begin to improve. Based on the 10 bear markets since 1949, bear markets, on average ended 4.8 months before the end of the economic recession and 5.9 months before the trough in corporate earnings that typically comes after a recession end.

If the past is prologue, the future should be brighter. Historically, after stocks have reached levels similar to the recent March low, the median 10-year annualized return was 15.4%.

Bear Market Characteristics and Recoveries

S&P 500 Stock Index

Trough	% Decline	Duration (Months)	Trailing P/E Ratio	10-Year Treasury Yield	Inflation	Time to Break Even*
10/9/2002	-49.1%	31	19.8x	3.9%	2.0%	2 Years, 7 Months
10/11/1990	-19.9%	3	13.1	8.7%	6.4	9 Months
12/4/1987	-33.5%	3	12.6	9.0%	4.3	1 Year, 9 Months
8/12/1982	-27.1%	20	8.8	13.1%	6.0	1 Year, 11 Months
10/3/1974	-48.2%	21	8.3	7.9%	11.8	3 Years, 9 Months
5/26/1970	-36.1%	18	14.0	7.9%	6.0	2 Years, 3 Months
10/7/1966	-22.2%	8	14.8	5.0%	3.8	1 Year, 3 Months
6/27/1962	-28.0%	6	16.1	3.9%	1.2	1 Year, 5 Months
10/22/1957	-21.5%	15	12.2	4.0%	2.9	2 Years
Average	-31.7%	14 Months	13.3x	7.0%	4.9%	2 Years
Current Bear Market **	-56.8%	17 Months	13.6x	2.9%	-0.2%	

* Assumes reinvestment of stock dividends.

** As of March 9, 2009.

Unlike investments in stocks, investments in Treasury bills are insured as to the timely payment of principal and interest.

Sources: T.Row e Price, Strategies Research Partners. Recovery time calculated by The Leuthold Group.



S.L. Reed and Company

11111 Santa Monica Boulevard, 12th Floor Los Angeles, CA 90025

Page 1

SAVING ENOUGH TO BE ABLE TO RETIRE

If you think you should stop contributing to your retirement plan during these uncertain times, here are a few statistics that might cause you to change your mind:

In the year 2005, a 65-year-old couple had more than a 50% chance of one of them living to age 90, and a 23% chance of one of them living to age 95, according to the Society of Actuaries. Retirees also are not only living longer but staying active longer, and that tends to increase their income needs.

Another of the key findings is that if retirees restricted their initial withdrawal to 4% of their nest eggs (and increased each year's withdrawal amount by 3% for inflation), then even a very conservative, all-fixed-income portfolio would provide a greater than 90% chance of not running out of money over 30 years.

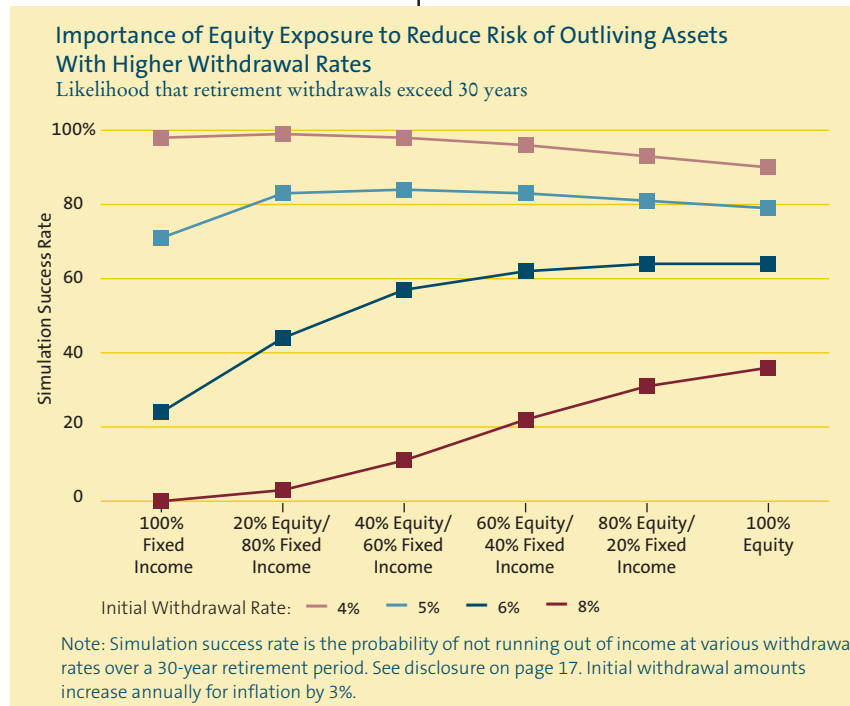
The problem is that relatively few retirees have saved enough or are so restrained in their withdrawals.

According to a 2007 survey by the Profitsharing/401(k) Council of America, the average 401(k) plan participant's saving rate is only 8.8%, including employer contributions; far less than the 15% saving rate recommended.

Actually, the average withdrawal rate for participants 60 to 69 years old from 401(k) plans is usually estimated to be more than twice as much as the recommended 4%. We would also point out that without sufficient equity exposure, retirees' chances of not outliving their assets will, likely, fall sharply at these higher withdrawal rates. *(See the chart below.)*

At a 5% withdrawal rate, retirees potentially run the best chance of not running out of money, using a portfolio that includes 40% equities.

With 6% and 8% withdrawal rates, even greater allocations to equities might be required for better outcomes; although these results still fall far short of a 90% chance of success.



YOUR GOAL

With all of the above said, your goal should be to save enough to generate the income you are going to need for 10, 20 or even 30 years of retirement. To do that, should you get out of the stock market now? If you have already moved your retirement funds out of equities, when should you get back in?

Uncomfortable as investing might seem right now, you may look back, at some point in the future, and think that the 2009 stock market was the “investment opportunity of a lifetime.” If investing now seems too risky, consider a time-tested strategy for easing back into equities through dollar-cost averaging. This approach allows you to invest a certain amount at regular intervals, rather than making one lump-sum investment. This way, you increase your contributions at a pace you’re comfortable with.

CONTROL WHAT YOU CAN

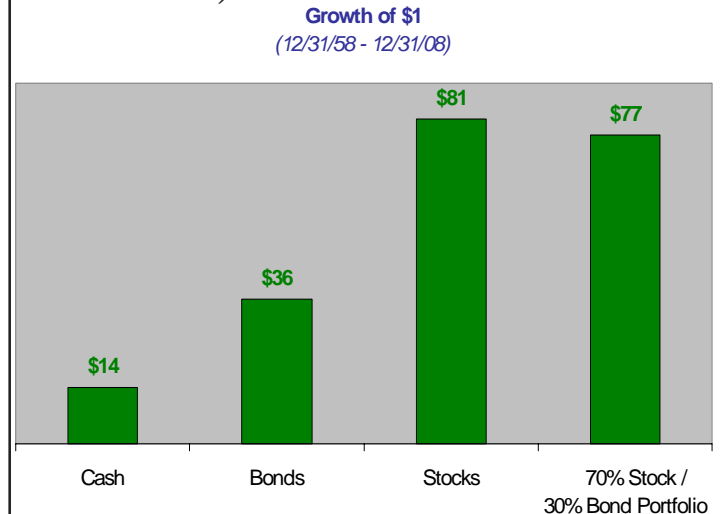
You can’t control the economy. You can’t control the stock market. But you can control your budget. You can also control how much you add to your savings and retirement. You can also certainly control the timing of when you retire, and how much you need to maintain your retirement lifestyle.

Rather than obsess over such things as the economy and the stock market, which you have no control over, focus on the things you can. Such an approach can do more than help rebuild your savings. It can help build a sense of empowerment, which is not such a bad thing, particularly when daily headlines can shake your confidence.

“WAITING IT OUT”

As tough as last year was for investors, sitting on the sidelines could be worse.

Over the long term, equities have outperformed fixed-income investments (bonds) and “cash” (CDs and money market funds) hands down. (See the chart below.)



“Cash” is represented by the Ibbotson Associates SBBI 30-day Treasury Bill Index, which is made up of short-term, fixed-income debt obligations issued by the U.S. government. “Bonds” are represented by the Ibbotson Associates U.S. Long-Term Government Bond Index, which is made up of fixed-income debt obligations issued by the U.S. government with approximately 20 years to maturity. “Stocks” are represented by the S&P 500 Index, a list of 500 widely held U.S. common stocks frequently used as a measure of U.S. stock market performance. These unmanaged indexes do not represent the performance of any specific fund and are not available for direct investment. Source: The Hartford

SOCIAL SECURITY CHANGES

Two relatively small recent changes involving retirement plan distributions and Social Security could mean more money for retirees.



The first change, announced last October, was the Social Security Administration's decision to boost payments to retirees by 5.8%, a result of relatively high inflation during the preceding 12 months.

This compares with Social Security's long-term assumption of a 2.8% cost-of-living increase each year. That means recipients' payments this year and each year going forward will be three percentage points higher than had been assumed.

That change could result in a total of more than \$35,000 in additional benefits for 70-year-old retirees over the next 25 years.

The second change, signed into law in December as part of the Worker, Retiree and Employer Recovery Act, could be potentially even more valuable for retirees.

The Act suspends, for 2009, the required minimum distributions (RMDs) that holders of individual retirement accounts (IRAs), 401(k)s, 403(b)s, and other defined contribution retirement plans must take each year, beginning the year they reach age 70½.

The potential benefit of skipping the RMD is shown on the chart below.

Potential Benefit of Skipping 2009 Required Minimum Distribution (RMD)

Normally, investors with assets in individual retirement accounts (IRAs) must begin to withdraw minimum amounts annually starting at age 70½. In 2009, however, they can skip this required minimum distribution (RMD) so that money could remain invested tax-deferred over a longer period of time. The chart shows what these amounts could grow to by age 95, assuming a \$500,000 balance at the end of 2008 and a 7% annual return.

Age in 2009	2009 RMD Not Withdrawn*	Accrued Value at Age 95
70	\$18,248	\$55,564
75	21,834	53,907
80	26,738	53,870
85	33,784	55,614
90	43,860	58,172

* RMD value is determined by dividing the total IRA value (\$500,000) by an estimated age-based factor, which decreases with age. For this example, the IRS Uniform Lifetime Table (Table III) was used to determine the applicable age-based factor. Values are in nominal dollars.

Sources: T.Rowe Price

Now is the time to reevaluate the amount of money you will need for retirement and to realize that you are likely to live a lot longer than you think.

Has anything changed?

S.L. Reed & Company can help:

- 401(k) Rollover from Previous Employer
- Rollover IRA out of a Retirement Plan
- Traditional or ROTH IRA
- Taxable Accounts
- Ready to Retire?

Additionally, we can work with you on:

- Managed Accounts

**For Assistance call:
Ken Kilpo (310) 893-3016**

How to Contact Us:

By Phone: (866) SLREED1
(310) 893-3030

By Facsimile: (310) 893-3031

By Mail: 11111 Santa Monica Blvd.
Suite 1200
Los Angeles, CA. 90025

