Leigh Baldwin & Co.

Investment Brokerage

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LEARN HOW TO MAXIMIZE YOUR RETIREMENT DOLLARS

Term Returns

Whether you are building assets for retirement or you are already retired, consider stocks or stock mutual funds. Historically, stocks have provided better returns than any other financial investments and have far outpaced inflation. (Mutual fund companies will redeem outstanding shares at the current net asset value which is determined at the close of the business day. The net asset value (NAV) will fluctuate with market conditions. It is important to remember that when redeemed, the mutual fund net asset value may be worth more or less than the original cost.)

Develop a diversified investment plan

Today's retirement investor must be more self-reliant than ever before. Taking advantage of the options that you have may make all the difference between a fulfilling and a financially strained retirement. One of the best ways to reduce overall risk and improve long-term returns is to allocate assets among stocks, bonds and cash to suit your goals, tolerance for risk, and investment time frame. Call your ***Leigh Baldwin & Company*** investment advisor for planning and investment advice. ■

"Breakfast on Wall Street"

Listen to Leigh Baldwin and Ken Iselmoe every week as they host "Breakfast on Wall Street" each Sunday morning at 8:00 a.m. on WKXZ 93.9 FM or at 10:00 a.m. on WHEN 620 AM. They will take a look at the week on Wall Street in their own inimitable style.

Leigh Baldwin & Co. Investment Brokerage Newsletter

Third Quarter, 2007

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The Eighth Wonder of the World

The "Seven wonders of the World" refer to remarkable structures of classical antiquity, such as the Acropolis in Athens and the Great Wall of China. According to Albert Einstein, compound interest is the "Eighth Wonder of the World" and the most important discovery by mankind. Einstein's reasoning was simply mathematical; the power to compound interest on interest is amazing. For example, if Christopher Columbus had placed a single penny in a six-percent interest bearing account when he discovered America in 1492 and withdrew the interest yearly, the value of the interest now would be 31 cents. Certainly, that would not be enough to report to the King and Queen of Spain about. However, if Columbus had left that same penny to compound the interest, the value of that penny over all these years would be worth close to **$1 billion dollars**.

Compound interest has a dark side, as well, as it can work both ways. As many Americans are funding their lifestyles through the use of debt (loans), the long-term cost can be catastrophic. One great analogy is to compare compound interest and compound debt to a snowball. Incurring debt is similar to rolling a snowball uphill, and earning interest can be compared to rolling a snowball downhill, using gravity to accelerate the motion. The longer you push uphill, the more actual interest you pay. The more you roll down the hill, the faster and faster you earn interest, and the growth in your snowball (or investment) takes on a magical state.

The key then is to decide if you want to be a debtor and ultimately work for your money or if you want to be an investor and have your money do the work for you. It does not make sense to have money in an interest-bearing account and have large loan balances, too. The interest on loans is usually higher and should be paid off first. Remember, the cost of interest on loans is twofold…the actual cost and the huge lost opportunity of not compounding.

Action Plan:

- ☑ Control borrowings, and use the savings to begin using time and compounding to your advantage.
- ☑ Develop portfolios that do not have wide swings in performance but have positive long-term realistic goals.
- ☑ Invest in companies that do the same…ones that generate consistent rates of return and ones that do not carry too much debt.
- ☑ Finally, time is the key element to the momentum and magic of compounding. Begin today, and make your dreams become your own personal "Eighth Wonder of the World".

Featured Stocks for the Third Quarter 2007

Home Depot (HD): Home Depot, the large home improvement chain, has suffered for the last five years. It has struggled first under the less than inspiring leadership of its previous CEO and more recently, with the dramatic, if not predictable, slowdown in the housing and refinancing markets. Currently trading at about $29 per share, the stock is near 52-week lows and well off its all-time high of about $80 in 2000. In retail, location is everything. HD dominates its closest competitors with regard to the number of stores and customer availability. It has begun to reduce some costs, most importantly through the sale of its wholesale unit. HD may have a bounce towards the end of the year or into 2008.

Brookfield Asset Management (BAM): BAM is your chance to own the company managed by J. Bruce Flatt, considered by many to be the Warren Buffett of Canada. BAM is an asset management company that looks for sustainable and long-term growing cash flows. With high barriers to entry, BAM invests in a diverse range of investments, including property, power and infrastructure assets and financial services. For example, it owns properties ranging from the World

Financial Center in New York, to those located in the Canary Wharf Estate section of London and over $3 billion dollars of timber. The stock is down from yearly highs and is in the process of divesting Brookfield Infrastructure Partners in an IPO.

Mutual Funds to Watch for the Third Quarter 2007

Oppenheimer Active Allocation Fund (OAACX): This is a collection of mutual funds that seeks long-term growth of capital with a secondary goal of current income. It is comprised of 10 or more different mutual funds that represent assets from U.S. stocks, fixed income and international equities. In addition, its managers employ "other" market strategies. The key to this fund is the "other" as 20% of the fund is described as its "tactical component." This means that its managers use sophisticated trading strategies in order to capitalize on temporary market aberrations. ■

Investment Strategies

How to Maximize Your Retirement Dollars

One day you wake up and realize that retirement is just 15, 10, or maybe even 5 years away. Suddenly, that long-awaited event may seem to be approaching too fast.

To avoid unpleasant surprises, begin now to complete a pre-retirement checklist of tasks that will help you to put your financial life in order. You need to begin planning for your post-working life immediately. ***Remember that the best time to plant a tree was 20 years ago; the second best time is now.***

Plan for Your Future

Planning for retirement can often seem like a daunting task. After all, you are making preparations for what can be nearly a third of your life. However, it does not need to be intimidating.

Today you have more control over planning for your retirement than ever before. Despite declining pension coverage and an uncertain future for Social Security, there has never been a better time to take control of your retirement planning. All it takes is determination, foresight, and most importantly, knowledge about the investment choices available to you.

Action Plan: Retirement Investing

- ☑ **Carefully assess your retirement needs.**
- ☑ **Try to take full advantage of salary deferrals into retirement plans sponsored by your employer.**
- ☑ **If you are self-employed, look into establishing a retirement plan for your business.**
- ☑ **Contribute the maximum to a tax-deferred IRA account.**
- ☑ **Consider the advantage of Roth IRA's versus regular IRA's.**
- ☑ **Supplement your tax-deferred accounts with regular, taxable investments.**
- ☑ **Try to match your investment allocation to your retirement time frame; do not be too conservative.**
- ☑ **Build retirement assets.**
- ☑ **Develop a diversified investment plan.**

Assessing Retirement Needs

Start saving for retirement as early as possible. It is estimated that retirees will require approximately 70% of their pre-retirement income in order to maintain their same lifestyle after retirement. Someone earning $70,000 prior to retirement will need at least $49,000 in income per year after retirement.

Fortunately, many of you will not be starting from ground zero. You may have to make up for lost time; but most likely you already have managed to save something. The following chart illustrates how to calculate what you will need to save every year assuming an investment return of 10 percent and an inflation factor of 4 percent.

Years Until Retirement:	Multiply Assets by:
5	1.61
10	2.59
15	4.18
20	6.73
25	10.83
30	17.45
35	28.10

Consider that Bill and Mary are 40 years old, and they plan to work until age 65. They have saved $30,000 in a pension plan. Their goal is to retire with $50,000 in income, assuming 4 percent inflation.

Since they plan to retire in 25 years, the above chart shows that their present assets will be worth approximately $324,900. According to the chart on the next page, they will need a total of $1,332,918 in assets to generate the targeted income of $50,000. Given the $324,900 that they will have by retirement, they will still need to accumulate more than $1 million in the next 25 years. That might seem impossible, but they can accomplish their goal with annual savings of $10,186.

ASSETS NEEDED AT RETIREMENT TO GENERATE FROM $15,000 TO $50,000 IN YEARLY INCOME

Nest Egg Needed Based on the Number of Years Before You Retire

Retirement Income Annually Generated	5 yrs	10 yrs	15 yrs	20 yrs	25 yrs	30 yrs	35 yrs
$15,000	$182,498	$222,037	$270,142	$328,668	$399,875	$486,510	$591,913
20,000	243,331	296,049	360,189	438,225	533,167	648,680	789,218
25,000	304,163	370,061	450,236	547,781	666,459	810,849	986,522
30,000	364,096	444,073	540,283	657,337	799,751	973,019	1,183,827
40,000	486,661	592,098	720,377	876,449	1,066,335	1,297,359	1,578,436
50,000	608,326	740,122	880,472	1,095,562	1,332,918	1,621,699	1,973,044

That will bring them to their $1 million goal.

Let us look at the factors that can make this possible. First, all of the figures are based on tax-deferred investing. Investors must have a pension program to which they can make contributions. Second, they must save much more aggressively than ever before.

Use Tax-Deferred Investing

For most Americans, their tax-deferred pension is the quickest vehicle with which to make up for lost time. Today these pensions are largely deferred-compensation plans to which you can contribute voluntarily. To accelerate the accumulation process, contribute every penny that you can afford, and ask your employer if you may contribute more than the maximum amount in after-tax contributions. At least you will be earning subsequent interest and gains tax-deferred.

Options for the Self-Employed

Defined-contribution plans are not only for large corporations. Small businesses and self-employed individuals may be able to take advantage of the same benefits by establishing their own plans.

1) Keogh Plans
These plans may be established by a sole proprietor or partnership. You make contributions to the accounts of eligible participants (yourself included), and these contributions may be deductible to your business.

2) Simplified Employer Pension (SEP) Plans
As an employer or sole proprietor, you may make contributions to the IRA's of your employees (including to yourself). These contributions may be deductible to your business.

3) Savings Incentive Match Plan to Employees (Simple) Plans
Small businesses may establish these plans to allow their employees to make salary deferrals to IRA's. These contributions may be matched by the employer and are deductible to the business.

Regular IRA or Roth IRA?

Considering the similarities and differences, it may be challenging to choose the IRA vehicle that is appropriate for you. While your ultimate choice should depend heavily on your individual financial circumstances, there are some points to consider:

1) If you cannot take a deduction for your regular IRA contribution, consider making a nondeductible contribution to a Roth IRA.

2) If you do qualify for a deduction and think that you will be in a lower tax bracket at retirement, you may be able to build a larger nest egg. In order to accomplish this goal, you must invest the full amount in a regular IRA. Then you must invest your tax savings in a regular, taxable account.

3) If you are interested in contributing to a Roth IRA but cannot due to income limits, consider contributing to a traditional IRA. This is possible as long as your total 2007 IRA contribution does not exceed $4,000 per year ($5000 for age 50 and above).

4) If you invest through an employer-sponsored retirement plan (such as a 401k) with limited employer matching contributions, consider deferring the maximum allowable matched amount into the plan. Then supplement that with investments through a Roth IRA.

5) In general, the further you are from retirement, the more attractive a Roth IRA may be.

Building Retirement Assets

As you approach retirement, you might be tempted to shift all of your savings into CD's, bonds, or money market funds that return fixed rates of interest. ***Resist this temptation!*** Your investments should not retire when you do. Therefore, retirees must balance three conflicting objectives: income, growth, and low volatility.

Fortunately, there are numerous intelligent methods of investing in stocks and bonds that have the potential to boost investment returns, revitalize your retirement savings, and provide you with a more secure financial future.

1) Investigate Fixed Income Opportunities
Your ***Leigh Baldwin & Company*** investment advisor can show you an array of fixed income securities that may be especially suitable to tax-deferred retirement accounts. However, the relative safety and liquidity of each should be carefully reviewed.

2) Build a Bond Ladder
Laddering means allocating your money among bonds that mature at different intervals, such as 2, 4, 6, 8, and 10 years. Laddering may give you the opportunity to reinvest at higher yields as interest rates rise. As a result, laddering often produces higher returns than do short-term investments.

3) Consider Convertible Securities
Convertible securities are exchangeable into shares of the issuer's common stock. They offer the attractive yields of bonds plus the growth potential of equities. (Convertibles may appreciate less than common stocks do in rising markets.)

4) Invest in Stocks or Stock Mutual Funds for Higher Long-