

Time to Review, Reassess and Rebalance

It's the start of a new year and a perfect time for you to sit down with your financial advisor to go over the "Three Rs" of investment portfolio management – Review, Reassess, Rebalance.

Review: If you haven't done so already, prioritize a portfolio review at least on an annual basis. With your detailed year-end statements in hand, the beginning of the year is especially ideal. Take advantage of this wealth of information and time!

Reassess: Make sure your asset allocation mix hasn't changed to the point where it is no longer meeting your investment objectives. Your financial advisor can help you evaluate your overall financial goals and risk tolerances and make changes accordingly.

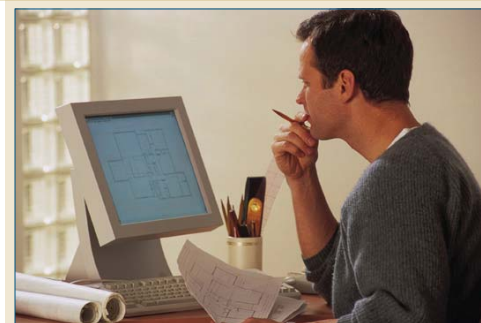
Rebalance: The easy part is recognizing that portfolio changes are necessary. The hard part is taking the next step. It's the act of rebalancing that typically causes problems and slows down the process.

REBALANCING FOR LONG-TERM SUCCESS

Most investors don't like the idea of selling their portfolio's "winners" and buying more of the "losers." However, the purpose of rebalancing isn't to identify short-term fads or market trends, but to work toward stated investment objectives for the long term. In order to develop personal objectives, you should work with a financial advisor to take an annual risk assessment test so that these objectives are designed to specifically address your goals in terms of both return and risk. Your investment plan objectives will then provide guidelines for how your target portfolio's risk adjusted return profile should look over time, allowing for different investment time horizons (e.g., your IRA may be a longer term investment than others in your portfolio).

While rebalancing does not guarantee higher returns in all cases, here is one example of its benefits: Let's say you decided to invest in a 70% stock and 30% bond portfolio beginning in 1997 using the Russell 3000 Index (dividends reinvested) as a benchmark for stocks and the Lehman Brothers Intermediate Aggregate Bond Index (dividends reinvested) as a benchmark for bonds. If you invested the monies and never changed your allocation, your portfolio would have yielded an average annual return of 7.97% over the next 10 years. However, if you had rebalanced annually at the beginning of each year, your portfolio would have returned 8.32% annually. The result is a higher return, while maintaining your original stated investment objectives.

Over time, your asset allocation will naturally drift with movements in the markets, so it is important to focus on your stated long-term objectives, instead of the latest



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REBALANCING FOR LONG-TERM SUCCESS (CONTINUED)

short-term results. Human psychology drives investors to chase the winners, and unfortunately, at times, to add monies to the hottest portions of their portfolios right before the market segment corrects. Whether pursuing potentially short-lived trends pays off or not, it changes the risk profile of the portfolio. If you can resist the urge to follow ever-changing market trends as they happen, you can avoid poor investment risk management and more importantly, sub-par returns. Putting a sound investment philosophy into meaningful practice, however, requires that you address the “Three Rs” on a regular basis. This will help improve your chances of meeting your long-term investment objectives.

2007 LIMITS

IRS LIMITS	AMOUNT
Annual limit on 401(k) and 403(b) elective deferrals	\$15,500
Annual limit on 401(k), 403(b) catch-up contributions	\$5,000
IRA contribution limit (Traditional and Roth)	\$4,000
IRA catch-up contribution limit (Traditional and Roth)	\$1,000
Social Security limit	\$97,500
Medicare (HI)	No limit

Additional Notes

Annual returns for benchmarks*:

Year	Lehman Agg ¹	Russell 3000 ²
	Bond	Index
1996	9.65%	31.78%
1997	8.69%	24.14%
1998	-0.82%	20.90%
1999	11.63%	-7.46%
2000	8.44%	-11.46%
2001	10.25%	-21.54%
2002	4.10%	31.06%
2003	4.34%	11.95%
2004	2.43%	6.12%
2005	4.33%	15.72%

¹ Measures the returns representative of a broad fixed income market and is comprised of the Lehman Brothers Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index.

² Measures the returns representative of a broad U.S. equities market and is comprised of the 3000 largest U.S. companies, representing approximately 98% of the U.S. equity market.

*Source: Bloomberg

To speak with a MullinTBG Advisor, call 888-866-8242, Monday-Friday, 9:00am-5:00pm Pacific Time.