

THE RETIREMENT INCOME COMPASS

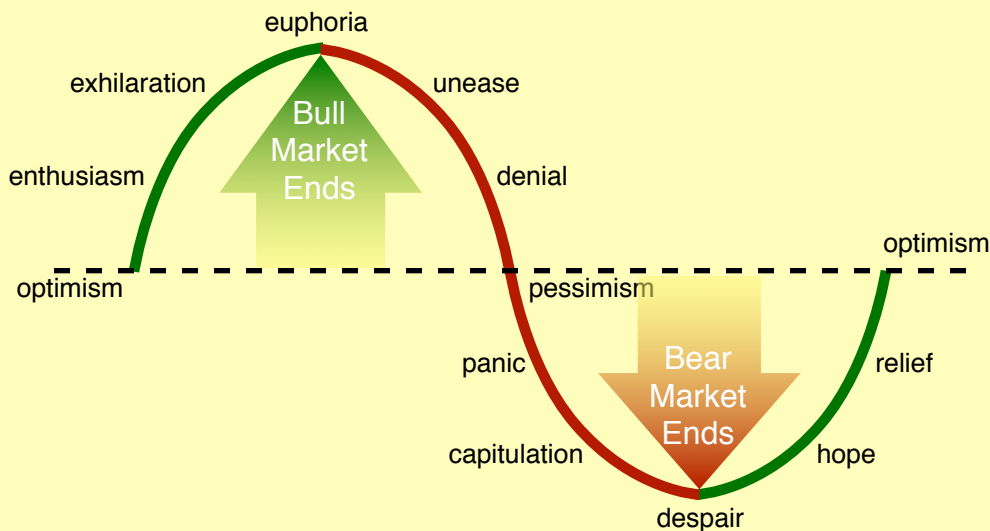
BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

Navigating Challenge/Compass Advantage

The Market's Emotional Roller Coaster

How to deal with the ups and downs

Maintain Discipline = Key to Long-Term Success



*Past performance is not indicative of future results.

Don't Let Your Emotions Succumb to the Stock Market Roller Coaster

It's normal for people to have emotional reactions to the stock market's ups and downs. You can expect your emotions to follow the movement in the market. As prices go up, you'll feel good about yourself, your portfolio, and even your advisor. Optimism turns to enthusiasm, then exhilaration and peaks at euphoria.

Inevitably, the markets move down through unease and denial, to panic, capitulation, and finally despair when the market news is the most bleak. As prices drop, you'll feel bad about yourself, your portfolio, and even your advisor. Behaviorists have found that for investors the pain of loss is about twice as keenly felt as the good feelings generated by an equivalent gain. Bear markets are, therefore, the more dangerous time. Emotions tell the panicky investor he/she should do something.

The Value of Your Advisor As Navigator Through Bear Markets

Emotions make it easy for an investor to lose sight of the reason for stock market investing—his/her planned retirement income withdrawals are built on the historical premium return of stock market investment.

Stock market investing is an act of faith. It is faith in the United States, and in an increasingly global capitalist system. (There are very few noncapitalist countries left in the world.) In the long run, stocks reward investors for taking the risk of owning stocks. But that is true *only* if investors have faith the market and the discipline to ignore the emotions stirred by the market and the noise of the financial media. Having a well-thought-out plan is only a necessary condition for success, not a sufficient one. The sufficient condition is having the discipline and patience to stay the course when emotions are telling you to do something.

What Others Are Saying

An Important principle for [retirement income] success is that fundamentally changing one's portfolio when one's long-term goals have not changed is virtually always wrong and will depress returns.

This is most glaringly true in decisions to get out of the stock market [in the midst of a bear market], with the intention of getting back in at a 'better time.' In order to do this successfully, you have to be right twice.

You won't be.

Warren Buffet observes, "The stock market is a highly efficient mechanism for the transfer of wealth from the impatient to the patient."

—Nick Murray
*Behavioral Investment
Counseling*

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What to know...
and how to go

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