

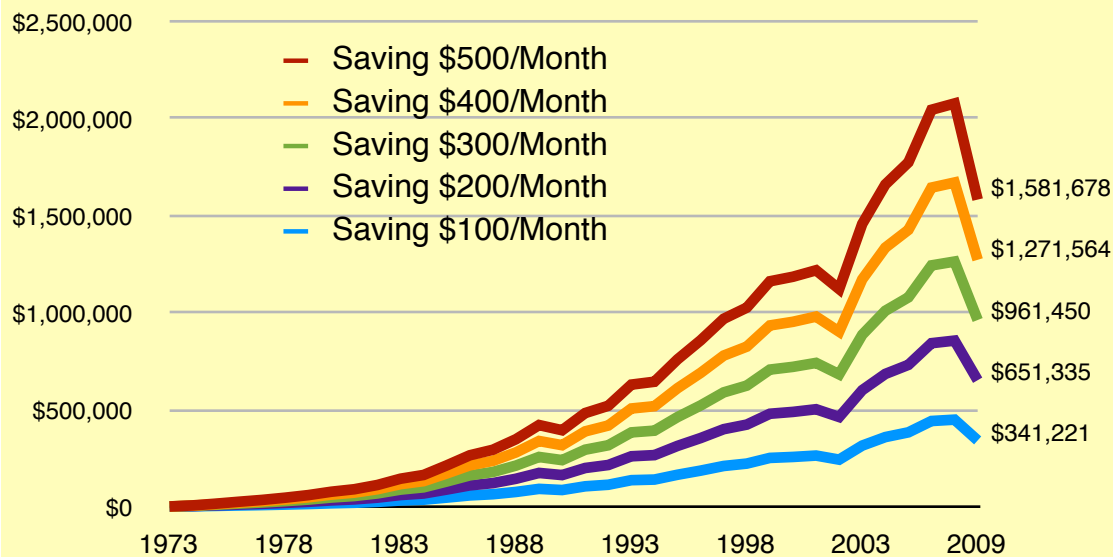
THE RETIREMENT INCOME COMPASS

BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

Navigating Challenge/Compass Advantage

Cutting Back on Saving for Retirement Can Be Costly

Growth of a \$1,000 Retirement Account with Various Monthly Savings Rates, 1974-2008



Growth represents diversified portfolios: 60% stocks, 40% bonds. Past performance is no guarantee of future results.

The graph above depicts hypothetical growth for five investors who started contributing to their retirement plans 35 years ago, each in a different \$100/mo. increment.

The \$300,000 difference

Invested in a globally diversified portfolio of 60% stocks & 40% bonds, each \$100/mo. savings increment would have a difference from the next increment of over \$300,000 after 35 years.

What would each \$300,000 mean for you at retirement? At a starting 5% withdrawal rate \$300,000 would add \$15,000 to your annual portfolio withdrawal at the start of retirement, ($\$300,000 \times 5\% = \$15,000$).

The Challenge

As can be seen in each line of the chart, the five portfolios had a drop in value of almost 25% in 2008. As the captain of your own retirement the historic drop might cause you to consider eliminating or cutting back on retirement plan contributions.

The biggest planning mistake you can make in distressing times like these is to reduce the amount you're saving for retirement. During market downturns, when everybody tends to focus on the 'here and now,' make sure you don't lose sight of your long-term goals. Maximizing your portfolio withdrawals in retirement is your long-term retirement income goal.

Make small sacrifices for big gains

If you're thinking about cutting back on your 401(k) contributions, think again. In fact, savings should be the last area you think about when cutting back; the focus should be on reducing unnecessary spending. Staying on track doesn't mean you have to make enormous sacrifices; it can be as simple as bringing lunch to work or taking public transportation more often.

Remember, the factor that will most affect your income during retirement is your savings rate during your working years.

Saving for Retirement Back in Vogue

There is a silver lining in these dismal economic times.

'For those just entering the work force, and even for boomers getting closer to retirement, the notion of saving for retirement is back in fashion for all age groups,' Washington-based AARP, which represents seniors, said in a study issued today.

Of those who have started cutting back on spending or saving more:

- 73% are doing so to save more for retirement
- The most common retirement accounts are the 401(k) and IRA

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What to know...
and how to go

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