



The Distribution Phase of Retirement

Why Consider the DAP Model Portfolios?

Creating sustainable retirement income portfolios is both an art and science. Multiple uncertainties and assumptions complicate the task, as individual investors must balance portfolio stability and growth in order to meet future liabilities. Furthermore, portfolio withdrawals amplify the impact of market declines in the distribution phase. The shift from the accumulation to the distribution phase of investing requires new thinking about risk and risk metrics. Many of the DAP participants have found the Model Portfolios to be the ideal vehicle for this complicated task.

The "new math"

While average returns are useful in the accumulation phase, they are less meaningful in planning for cash outflows. The math changes at the beginning of the distribution phase.

Asset diversification is an integral part of successful investment planning for both phases. In the accumulation phase, a well-diversified portfolio can help reduce volatility, enhance compounding effects and build wealth. With patience, discipline and the luxury of time, investors can generally withstand shorter term declines and meet their accumulation goals.

The difference in the distribution phase is that regular portfolio withdrawals compound losses. The arithmetic, slow-and-steady approach of the accumulation phase suddenly gives way to more complex calculations based on the compounding effects of negative cash flow. Declines that are compounded by regular withdrawals can lead to a reduced capital base and ultimately to unrecoverable losses.

The shift to shortfall risk

Planning for the distribution phase must shift from simple math to models based on multiple assumptions. In addition to estimating realistic future capital market returns, two crucial decisions are withdrawal rates and asset mixes. If miscalculated, any one of these three factors can determine whether or not assets will last a lifetime. The central focus in the distribution phase becomes shortfall risk, or the risk of outliving one's money. Prominent studies of portfolio sustainability suggest a maximum annual withdrawal rate of 5% over 30 year periods, adjusted annually for inflation. To counter the effects of inflation on one's buying power, one must achieve the right balance between risk avoidance and growth opportunities. Long-term retirement portfolios need healthy exposure to equities, although the optimal mix depends on a retiree's age or phase of retirement.

A good tool available to the DAP participants for helping with planning your distribution phase is "My Plan" on Fidelity's www.401k.com web site. In addition, the DAP Models with their asset diversification, periodic rebalancing, active management and low fees, are excellent investment choices for a participant's portfolio during the distribution phase. Depending on one's risk tolerance, there is a Model available to provide the balance between risk avoidance and growth opportunities.

Below, we have listed the yearly performance of the Model Portfolios since the inception of the Directed Account Plan. There are many success stories of participants who have grown their DAP balances during their distribution phase. Their success comes from ignoring the short term fluctuations in the markets and the solicitation of their assets by outside advisors, investment companies and insurance companies along with taking modest (4% - 6%) distributions. The DAP Plan serves its participants well during the accumulation phase and continues to serve them well in the distribution phase. It is a retirement plan to feel good about no matter what part of the life cycle you happen to be in.

Marty Zygmund
Executive Director

The Directed Account Plan Model Portfolios Summary of Annual Performance Results

Year	Conservative	Moderate	Aggressive
Jul - Dec 1993	3.83%	6.81%	7.86%
1994	1.51	0.64	-0.16
1995	18.38	22.23	24.92
1996	11.83	14.26	15.57
1997	15.72	17.01	17.72
1998	12.34	15.62	14.95
1999	11.01	22.28	28.67
2000	3.05	-1.79	-2.93
2001	0.89	-4.56	-6.72
2002	-5.12	-13.22	-16.51
2003	15.39	25.77	31.27
2004	8.41	11.17	12.94
2005	5.80	7.79	8.37
2006	9.72	11.97	13.99

Jul 1993 - Dec 2006 (13.5 years)

Best	18.38	25.77	31.27
Worst	-5.12	-13.22	-16.51
Average	8.16	9.51	10.28
Loss Years	1	3	4

includes excerpts from *The Winter 2007 American Funds Insights* article titled, "The New Math of the Distribution Phase"

Performance

The Directed Account Plan Quarterly Review

April 2007

Fund Performance

as of March 31, 2007

Funds & Portfolios	2005	2006	Ytd 2007	3 yr. avg.	5 yr. avg.	10 yr. avg.
Stable Value Fund	5.41%	5.21%	1.28%	5.20%	5.12%	5.80%
Lehman Br. 1-3 yr. Govt./Treas.	1.73%	4.12%	1.40%	2.40%	3.26%	4.87%
Value Stock Fund	6.56	16.93	2.91	12.62	9.39	10.73
Russell 1000 Value Index	7.05	22.25	1.24	14.42	10.25	10.85
Equity Index Fund	6.16	15.50	1.24	10.80	7.23	8.43
Russell 3000 Index	6.12	15.72	1.28	10.84	7.23	8.69
Growth Stock Fund	9.68	5.79	1.90	9.71	6.23	6.71
Russell 1000 Growth Index	5.26	9.07	1.19	7.01	3.47	5.51
International Stock Fund	18.92	27.41	4.23	20.47	16.26	10.06
MSCI EAFE Net Dividend	13.54	26.34	4.08	19.83	15.78	8.31
Div. Small Co. Stock Fund	5.30	14.54	3.08	10.88	9.14	12.06
Russell 2000 Index	4.55	18.37	1.95	12.00	10.95	10.23
Conservative Portfolio	5.80	9.72	1.60	7.86	6.65	7.56
Conservative Composite Index	3.67	10.07	1.34	6.50	5.45	6.83
Moderate Portfolio	7.79	11.97	2.09	10.09	8.07	8.75
Moderate Composite Index	5.18	12.97	1.65	8.86	6.96	7.32
Aggressive Portfolio	8.37	13.99	2.39	11.39	8.99	9.53
Aggressive Composite Index	6.05	15.50	1.84	10.70	8.35	8.02

Fund Component Weighting

These tables represent component weightings for individual investment funds as of March 31, 2007.

	Weightings	Net Value of Funds (\$MM)
Stable Value Fund		\$303.8
Cash/BGI Money Market	15%	
PRIMCO GIC	45%	
Wellington Core Bond	40%	
Value Stock Fund		63.0
BGI Value Index	20%	
Neuberger Berman Regency	20%	
Morgan Value Strategy	20%	
Goldman Sachs Mid Cap Value	15%	
T. Rowe Price Value	15%	
CGM Focus	10%	
Equity Index Fund		26.3
BGI US Equity Index	100%	
Growth Stock Fund		27.2
BGI Growth Index	20%	
Wellington Mid Cap Opport.	15%	
Turner Mid Cap Growth	15%	
Marsico Focus	20%	
T. Rowe Price Growth Stock	15%	
Primecap Odyssey Growth	15%	
International Stock Fund		50.6
BGI EAFE Index	14%	
Am Century Instl. Intl. Disc.	10%	
Am Century Instl. Intl. Growth	10%	
Templeton Instl. Foreign Equity	12%	
First Eagle Overseas	12%	
Oppenheimer Intl. Sm. Co. A	10%	
Thornburg Intl. Value	12%	
Marsico Intl. Opportunities	12%	
Dimensional Em. Mkts. Value	8%	
Diversified Small Co. Stock Fund		48.7
BGI Small Co. Index	20%	
Dimensional US Micro Cap Port.	15%	
Royce Opportunity	15%	
Legg Mason Opportunity	10%	
Century Small Cap Select Instl.	15%	
Third Avenue Small Cap Value	15%	
Morgan Stanley US Sm. Cap Value Instl.	10%	
Conservative Portfolio		52.7
Moderate Portfolio		315.8
Aggressive Portfolio		25.1
Fidelity Funds Window		85.5
Total		\$998.7

Information was provided by The Directed Account Plan. Fidelity Investments is not responsible for its content.

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DAP Plan News

New Investment Managers Added to the DAP

Primecap Odyssey Growth (POGRX) and T. Rowe Price Growth Stock (PRGFX) were added to the Growth Stock Option in January. These new funds have strong track records and should provide more large cap exposure to this option. Morgan Stanley US Small Cap Value Instl. (MPSCX) was added to the Diversified Small Company Stock Option in March. This fund was screened for outperformance of peers and value exposure.

The new target allocations for these options are shown in the fund component weighting chart on this page.

Pension Protection Act of 2006 - Non Spousal Beneficiaries

Participants should be aware of the new rules regarding payment of death benefits to non spousal beneficiaries, effective January 1, 2007. The Directed Account Plan has revised its Plan Document to reflect the new Pension Protection Act of 2006 - non spousal beneficiary rules. These beneficiaries have always been allowed to stay in The Directed Account Plan. However, the

Plan Office staff can answer your questions concerning the new procedure for the payment of non spousal beneficiary death benefits.

More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the DAP Service Center telephone voice response system, available 24 hours a day. Customer service representatives are available 8:30 am to midnight, Eastern time Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) or dial the AT&T direct country code and 877-833-9900 (call collect) outside the U.S. Use Social Security number and PIN to access your account.

The intent of this communication is to provide useful information, not investment advice. Each participant in The Directed Account Plan is ultimately responsible to make his or her own investment decisions.