



The Pursuit of Guaranteed Returns

As Executive Director to The Directed Account Plan, it is a privilege to talk directly with the participants on a daily basis. As you can imagine, most discussions lately have centered on the performance of the markets, the safety of our Stable Value Option and the solicitation of participant assets by financial advisors selling Equity Indexed Annuities (EIAs). It seems when the markets are in a correction, financial advisors prey on investor's fears about the future of the markets and offer EIAs as a way investors can participate in the market without losing money. And while it's true that you probably won't lose money, in the long run, you will do better with a proper asset allocation strategy.

EIAs are insurance products that allow you to participate in the stock market 'good times' while being 'guaranteed' of earning a minimum of 3% during the 'bad times'.

Here are the main problems of EIAs:

- They tie up your money for 7 to 10 years or more, limiting your flexibility. If you need more than just a small portion of your money before then you will have to pay enormous surrender penalties that can be as high as 10%. You can lose principal because of these penalties.
- Any 'guarantees' are only backed by the strength of the issuing insurance company.
- Most EIAs will put a ceiling on how much you can earn, no matter how much the index goes up.
- Many EIAs have an asset fee that is subtracted from the ceiling. A 2% (200 bps) asset fee is common. With a 10% ceiling and a 2% asset fee, you can never earn greater than 8% in any one year.
- The insurance company determines the method of calculating the return. The result is that you lose control and could end up earning far less than the market index. Sometimes you need a PHD in Finance to understand how the return is calculated.
- The S&P 500 index used by most EIAs includes the capital gains return only and not the dividend return.
- You may not earn the 'guaranteed rate' on the full amount you invest. Some only pay the guaranteed rate on 90% of your original investment and then only if you stay in for the entire 7 to 10 years or more.

Everyone in the DAP can lock in a risk-free, no-loss portfolio by investing in the Stable Value Option with an expense ratio of 0.28% (28bps). Let's say you're rational and you simply want to limit losses. That can be done by investing in the Conservative Model Portfolio with its allocation - 60% Stable Value Option, 20% Equity Index Option and 20% Value Stock Option and an expense ratio of 0.39% (39bps).

Looking Back Ten Years

I've used an online Equity Index Annuity calculator (<http://www.annuity.info/EIA-Calculator.cfm>) to compare the performance of a sample Equity Indexed Annuity to the Conservative Model Portfolio. The table here shows the actual ten year returns of these two investments. Please keep in mind that past performance does not predict future results.

Marty Zygmund
Executive Director

Hypothetical Equity Indexed Annuity *

(calculations from online EIA calculator)

Date	S&P 500 Index	Interest Earned	Policy Value	Annualized Return
12/31/98	26.67%	16.73%	\$116,727	16.73%
12/31/99	19.53%	11.52%	\$130,177	14.10%
1/2/01	-12.66%	0.00%	\$130,177	9.19%
12/31/01	-10.53%	0.00%	\$130,177	6.82%
12/31/02	-23.37%	0.00%	\$130,177	5.42%
12/31/03	26.38%	16.07%	\$151,090	7.12%
12/31/04	8.99%	4.42%	\$157,769	6.73%
1/3/06	4.69%	0.27%	\$158,196	5.90%
1/3/07	11.65%	7.18%	\$169,552	6.04%
12/31/07	3.65%	0.39%	\$170,212	5.46%

* **Hypothetical Equity Indexed Annuity:** index = S&P 500 (no dividends), uses the past ten years of actual returns, \$100,000 initial investment, participation rate = 80%, asset fee = 3%, no cap, no distributions taken, product type = ratchet, annual reset period, averaging sum of monthly changes.

The Conservative Model Portfolio

Date	Actual Annual Return	Account Value	Annualized Return
12/31/98	12.34%	\$112,340	12.34%
12/31/99	11.01%	\$124,707	11.67%
12/31/00	3.05%	\$128,516	8.72%
12/31/01	0.89%	\$129,655	6.71%
12/31/02	-5.12%	\$123,023	4.23%
12/31/03	15.39%	\$141,961	6.01%
12/31/04	8.41%	\$153,901	6.35%
12/31/05	5.80%	\$162,831	6.28%
12/31/06	9.72%	\$178,660	6.66%
12/31/07	6.58%	\$190,408	6.65%

Links to Online Education on EIAs

<http://www.finra.org/InvestorInformation/InvestorAlerts/AnnuitiesandInsurance/Equity-IndexedAnnuities-AComplexChoice/index.htm>
<http://www.sec.gov/investor/pubs/equityidxannuity.htm>
http://www.nasaa.org/NASAA_Newsroom/Current_NASAA_Headlines/8986.cfm

DAP Plan News

Community America Credit Union Joins the DAP

On October 1, 2008, four hundred Community America Credit Union (CACU) employees will become participants of the Directed Account Plan. The employees of CUSO One LLC, a division of CACU and our Plan Sponsor have been participants since 2001. We welcome the opportunity to now provide this first class retirement savings plan to all of CACU's employees and their families.

Recent Manager Changes

The Board of Directors terminated The Legg Mason Opportunity Fund (LMOFX) in the Diversified Small Co. Stock Option. This fund was terminated due to consistent poor performance. The assets were temporarily reallocated to the BGI Small Company Index until a suitable small cap growth manager replacement is found.

Exchange Traded Funds (ETFs) Included in the DAP

Starting August 1, 2008, Exchange Traded Funds (ETFs) will become available in the BrokerageLink Option. ETFs are securities that closely resemble index funds, but can be bought and sold during the day just like common stocks. These investment vehicles allow investors a convenient way to purchase a broad basket of securities in a single transaction. For more information on this investment, please visit <http://www.sec.gov/answers/etf.htm> or call the Plan Office at 314-739-7373. ETFs are your highest risk instrument that require the ability to handle volatility in the market. If this is a suitable investment, visit www.401k.com or call the Dap Service Center to get started investing in ETFs.

Fund Performance

as of June 30, 2008 (in percentages)

Funds & Portfolios	2006	2007	Ytd 2008	3 yr. avg.	5 yr. avg.	10 yr. avg.
Stable Value Fund	5.21	5.21	2.35	5.18	5.07	5.53
Lehman Br. 1-3 yr. Govt./Treas.	4.12	7.10	2.11	4.70	3.32	4.74
Value Stock Fund	16.93	10.96	-6.34	8.86	12.18	6.99
Russell 1000 Value Index	22.25	-0.17	-13.57	3.53	8.92	4.91
Equity Index Fund	15.50	5.01	-11.09	4.61	8.29	3.31
Russell 3000 Index	15.72	5.14	-11.05	4.73	8.37	3.51
Growth Stock Fund	5.79	14.36	-8.89	6.89	10.19	2.72
Russell 1000 Growth Index	9.07	11.81	-9.06	5.91	7.32	0.96
International Stock Fund	27.41	20.44	-11.33	17.12	19.13	7.82
MSCI EAFE Net Dividend	26.34	11.17	-10.96	12.84	16.67	5.83
Div. Small Co. Stock Fund	14.54	-1.09	-9.95	2.79	9.23	7.34
Russell 2000 Index	18.37	-1.57	-9.37	3.79	10.29	5.53
Conservative Portfolio	9.72	6.58	-2.12	6.02	7.32	5.63
Conservative Composite Index	10.07	5.25	-3.66	4.47	5.45	4.53
Moderate Portfolio	11.97	8.48	-5.18	7.21	9.50	6.03
Moderate Composite Index	12.97	5.96	-6.35	5.43	7.55	4.20
Aggressive Portfolio	13.99	8.41	-7.05	7.47	10.57	6.26
Aggressive Composite Index	15.50	5.30	-8.15	5.75	8.92	4.34

Fund Component Weighting

These tables represent component weightings for individual investment funds as of June 30, 2008.

	Weight- ings	Net Value of Funds (\$MM)
Stable Value Fund		\$317.6
Dreyfus Govt. Money Market/CDs	15%	
Primco GIC	45%	
Wellington Core Bond	40%	
Value Stock Fund		50.3
BGI Value Index	20%	
Neuberger Berman Partners	20%	
Morgan Value Strategy	20%	
Goldman Sachs Mid Cap Value Instl.	15%	
T. Rowe Price Value	15%	
CGM Focus	10%	
Equity Index Fund		17.2
BGI US Equity Index	100%	
Growth Stock Fund		23.7
BGI Growth Index	20%	
Wellington Mid Cap Opportunity	15%	
Turner Mid Cap Growth	15%	
Marsico Focus	20%	
T. Rowe Price Growth Stock	15%	
Primecap Odyssey Growth	15%	
International Stock Fund		43.0
BGI EAFE Index	22%	
Am Century International Discovery	10%	
Am Century International Growth	10%	
Templeton Instl. Foreign Equity	12%	
Oppenheimer Intl. Sm. Co. A	10%	
Thornburg International Value	12%	
Marsico International Opportunities	12%	
Dimensional Emerging Markets Value	8%	
Royce International Value	4%	
Diversified Small Co. Stock Fund		30.2
BGI Small Co. Index	30%	
Dimensional US Micro Cap Portfolio	15%	
Royce Opportunity	15%	
Third Avenue Small Cap Value	15%	
Morgan Stanley US Sm. Cap Value Instl.	10%	
iShares Morningstar Small Growth Index	15%	
Conservative Portfolio		49.1
Moderate Portfolio		265.6
Aggressive Portfolio		20.0
Fidelity Funds Window		93.3
Total		\$910.0

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.

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