



## Investing Based on Time Horizon

**T**he length of time you plan to invest for retirement, known as your time horizon, is a key factor in investment decision making. It can form the basis of your investment strategy and help determine how much risk you're willing to take. To help identify your time horizon and the different stages of investing, take a look at the following categories:

### Long Time Horizon

*You've got your whole career ahead of you to save for retirement!*

When you're just starting your career, it's often hard to imagine where you'll find the money to save for retirement. It seems to take all your income just to make ends meet. But, from an investment point of view, this is by far the best time to start. If you have a Long Time Horizon, you are looking at 20 or more working years, followed by 20 or more retirement years. An investor in this time horizon can generally stand greater fluctuations in account value and potentially take on more risk. You might consider investing in a combination of all the DAP 401(k) **Equity Options** or the **Aggressive Model Portfolio**. Remember, starting early potentially gives your investments more time to compound and grow. (See charts.)

### Middle Time Horizon

*You're halfway there, but now is not the time to slow down your retirement investing!*

At this stage, you have 10 to 20 working years left, followed by another 20 or more retirement years to live life to it's fullest. You probably have a better idea of when you would like to retire and what you plan to do during retirement. You are also probably more aware of the importance of having a healthy personal nest

egg to help meet those goals. Depending on your comfort level of risk, you might consider a combination of all the DAP 401(k) **Equity Options** or the **Moderate Model Portfolio**.

### Short Time Horizon

*Retirement is so close, you can taste it!*

As retirement gets closer, you can better predict your needs. At this point, you have

tags working for you, and the earlier you start, the better off you may be. Every additional dollar you invest today may earn more because of tax deferral and compound growth than if you wait and invest later. Realistically, however, the practice of saving regularly may be tough. There are many reasons to stop investing. Major cash events strain any investor's resolve to hold the line on a retirement

savings account. Mortgages, weddings, college educations, and health care expenses require cash – sometimes unexpectedly. But, the fact is you really can't afford not to start saving now. A 401(k) contribution of just 3% or 5% of your annual base salary may help your tax-deferred retirement savings account begin to grow. Larger contributions may help even more. If you start now, try to build up to the 11% maximum you can contribute as soon as it's practical. When you retire, you'll look back and thank yourself for being clever enough to start investing early.

| How the numbers add up |                |                    |             |
|------------------------|----------------|--------------------|-------------|
| Years to Participate   | You Contribute | Your Account Earns | Grand Total |
| 35                     | \$35,000       | \$137,000          | \$172,000   |
| 30                     | \$30,000       | \$83,000           | \$113,000   |
| 25                     | \$25,000       | \$48,000           | \$73,000    |
| 20                     | \$20,000       | \$26,000           | \$46,000    |
| 15                     | \$15,000       | \$12,000           | \$27,000    |
| 10                     | \$10,000       | \$4,500            | \$14,500    |

The hypothetical chart above shows how time can make a difference in the size of your account balance. Each scenario below assumes you are investing \$1,000 a year at an assumed 8% annual return.

A person investing \$1,000 per year for 35 years would have accumulated a grand total of \$172,000. While a person participating for only 10 years would have a grand total of \$14,500. The earlier you begin participating, the greater your chances of meeting your retirement goals. This is a hypothetical example only. It does not reflect the return of an actual investment.

less than 10 years left to add to your retirement savings, followed by 20 or more rewarding retirement years. Investments with longer term growth potential can still be an important part of an overall investment plan, but as the time to retirement shortens, there may be less time for investments to grow and a greater need for stability. This may be the time to add more of the DAP 401(k) **Stable Value Option** to a combination of all the **Equity Options**, or the **Conservative Model Portfolio** or the **Moderate Model Portfolio**, based on your risk tolerance.

### Start Early and Maximize your Contributions

In the first phase you have many advan-

### Choose Wisely

Early on, your investment objectives and choices may depend largely on your time horizon because time gives you the greatest potential for compounded growth. It may be more appropriate to emphasize growth investments such as stock funds, which tend to realize their growth potential over long periods of time, rather than investments that aim to merely preserve capital.

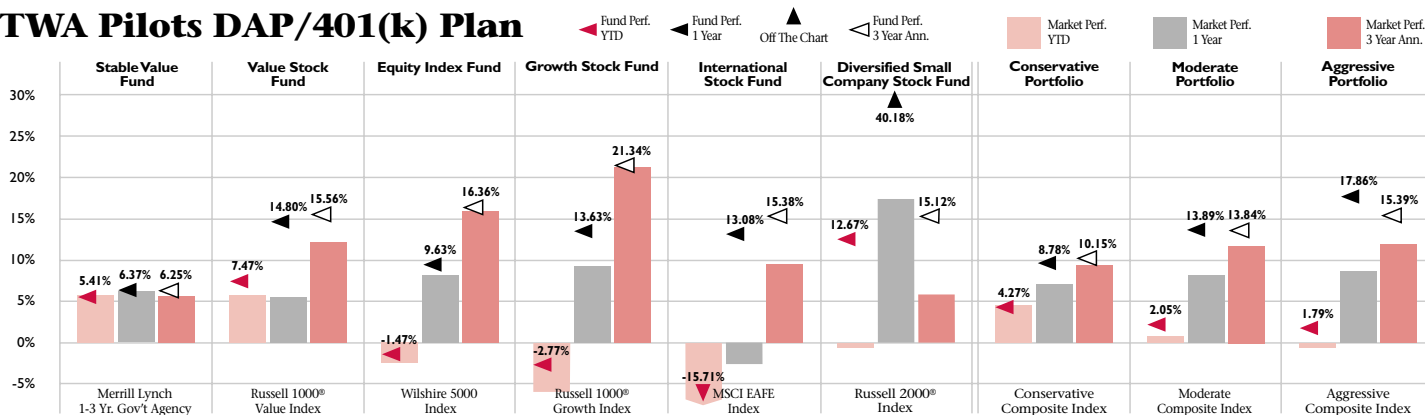
Toward the end of your earning years, and upon entering retirement, your objectives may change. For example, you may want to have a certain amount of money available for spending at a given time. One alternative might be to shift a certain portion of

*continued on back*

# Performance



## TWA Pilots DAP/401(k) Plan



**How To Read Performance:** The graphic display above shows fund performance as arrows and shows market performance, represented by the benchmarks, as bars. Fund and market performance YTD runs through October 31, 2000. Fund performance is reported net of all expenses. One-year performance runs from November 1, 1999 through October 31, 2000. Three-year annualized performance runs from November 1, 1997 through October 31, 2000. Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested in directly. Investments do not typically grow at an even rate of return and may experience negative growth.

### FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of October 31, 2000.

#### Stable Value Fund

|                       |                  |
|-----------------------|------------------|
| Cash/BGI Money Market | 5%               |
| PRIMCO GIC            | 45%              |
| Wellington Bonds      | Liq 10%/Core 40% |

#### Value Stock Fund

|                             |     |
|-----------------------------|-----|
| BGI Value Index             | 20% |
| Federated Stock Trust       | 20% |
| Legg Mason Spec. Inv. Trust | 10% |
| Morgan Core                 | 20% |
| Neuberger/Berman Focus      | 10% |
| Neuberger/Berman Regency    | 10% |
| T. Rowe Price Value         | 10% |

#### Equity Index Fund

|                     |      |
|---------------------|------|
| BGI US Equity Index | 100% |
|---------------------|------|

#### Growth Stock Fund

|                                  |     |
|----------------------------------|-----|
| BGI Growth Index                 | 20% |
| Janus Fund                       | 15% |
| Marsico Focus                    | 15% |
| MFS Institutional Mid Cap Growth | 10% |
| MFS Research                     | 15% |
| Turner Mid Cap Growth            | 10% |
| Vanguard US Growth               | 15% |

#### International Stock Fund

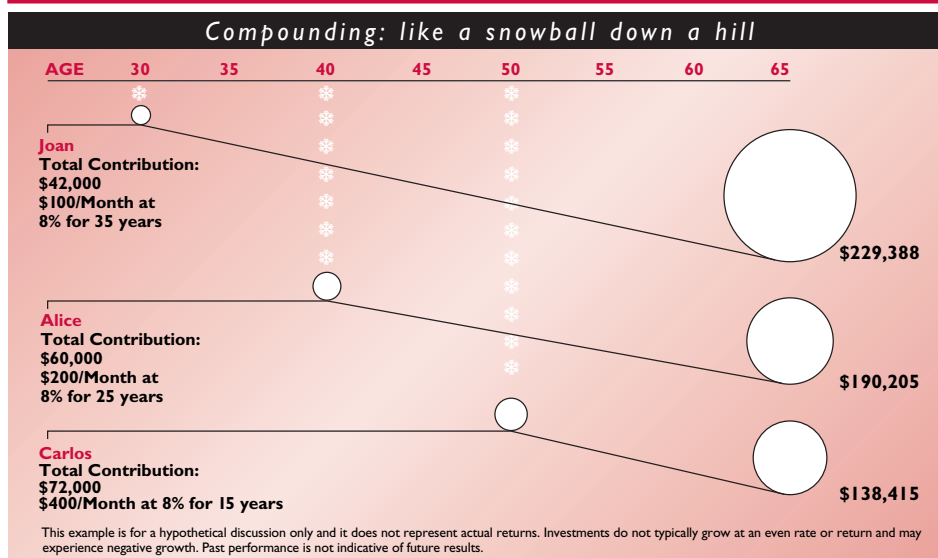
|   |     |
|---|-----|
| Am Century Instl. International Discovery | 30% |
| Am Century Instl. International Growth    | 25% |
| Janus Overseas                            | 25% |
| Templeton Instl. Foreign                  | 20% |

#### Diversified Small Company Stock Fund

|                                |     |
|--------------------------------|-----|
| Berger Small Cap Value         | 12% |
| BGI Small Company Index        | 20% |
| DFA 9-10 US Small Co.          | 12% |
| Franklin Small Cap Growth II   | 16% |
| MFS Instl Emerging Equities    | 16% |
| Royce Opportunity              | 12% |
| State Street Research Aurora S | 12% |

| Net Value of Funds (Millions)  | 401(k)         | DAP              |
|--------------------------------|----------------|------------------|
| <b>(October 31, 2000)</b>      |                |                  |
| Stable Value Fund              | \$31.4         | \$242.3          |
| Value Stock Fund               | 35.9           | 80.7             |
| Equity Index Fund              | 23.4           | 84.4             |
| Growth Stock Fund              | 29.6           | 129.0            |
| International Stock Fund       | 16.6           | 50.8             |
| Diversified Sm. Co. Stock Fund | 35.1           | 76.2             |
| Conservative Portfolio         | 3.4            | 43.2             |
| Moderate Portfolio             | 24.8           | 546.3            |
| Aggressive Portfolio           | 10.5           | 39.8             |
| Fidelity Funds Window          | 5.8            | 209.5            |
| TWA Company Stock              | 4.7            | —                |
| <b>Total</b>                   | <b>\$221.2</b> | <b>\$1,502.2</b> |

### Investing Based on Time Horizon *continued from front*



your investments to the Stable Value Fund or Value Stock Fund. The Stable Value Fund seeks to provide current interest-rate returns while keeping principal valuation changes to a low level. The Value Stock Fund would fit a conservative investor needing income and willing to accept a moderate amount of risk. This fund takes advantage of the inflation hedge provided by equities and at the same time keeps equity volatility at a low level.

There is no set formula, because everyone has different needs. But determining your time horizon is one of the first meaningful steps you can take when developing an investment plan and making investment choices that are right for you. **HU**

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Web Site: [www.4twadap.com](http://www.4twadap.com)

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Other Information:

TWA Pilots DAP/401(k) Plan  
3221 McKelvey Road, Suite 105  
Bridgeton, MO 63044-2551  
314-739-7373

