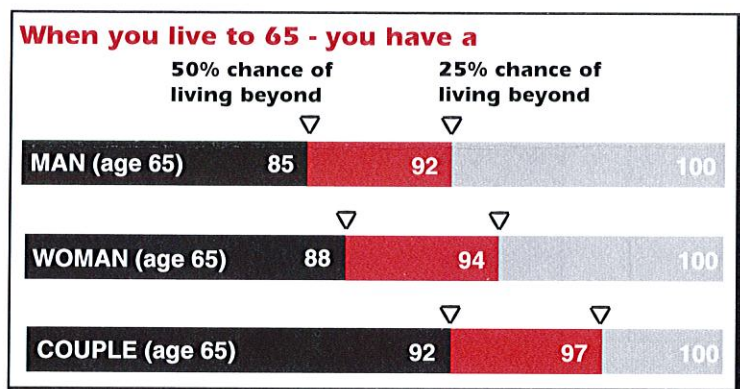




## LIVING IN RETIREMENT - Without Running Out of Money!



**Longer life spans mean that your Retirement Assets (DAP) must last longer than ever before.**

Americans are living longer today than at any other time in history. As a retiree, you should have one overriding concern: making sure your money lasts as long as you do. In this era of reduced return expectations and historic low interest rates, you face the difficult task of how to use your DAP without using it up. Start by figuring out how much monthly income

### Your 2002 Summary Annual Report is inside!

you need each month. Consider basic living expenses - food, taxes, clothing, shelter, insurance, entertainment and travel. Make sure you have these covered. Above this, you may want to plan for charitable giving and gifting to heirs.

Most retirees will cover the above with their A Plan, DAP, investment portfolio earnings, as well as Social Security checks. For most people to withdraw enough to cover their expenses will require more than a Stable Value investment in the DAP. Most participants will have to dip into principal to maintain their standard of living. So, a Stable Value investment alone will probably not do it. The tricky part is - how do you divide your DAP among the offered investment options? - and how much can you afford to withdraw each year?

#### Some key issues that are not easily answered -

How long do you expect to live?

Will your portfolio need to last the lifetime of a younger spouse?

**continued on page 3**

## Quicken Download Is Now Available!

You can download your DAP account information into Quicken software.

Go to [www.resources.hewitt.com/4twadap](http://www.resources.hewitt.com/4twadap).

- Click on "your customer ID and PIN for Quicken" at the top of your Home Page.
- Follow the instructions in Quicken to set up and activate online account services for the DAP.
  - The financial institution for your account is Hewitt Associates
  - Customer ID is your SSN-T6662 (xxx-xx-xxxx - T6662)
- PIN - Enter the same password or PIN that you use to log onto the website.

**note:** Quicken for Macintosh does not support DAP downloading, Quicken frequently asked questions are available on the Directed Account Plan website.

The 2001-2004 versions of Quicken will support DAP account downloading. Be sure you've downloaded the latest updates for your version of Quicken before you start your DAP download.

#### Quicken 2003

[http://www.intuit.com/support/quicken/updates/qkn\\_updates\\_onestep2003.html](http://www.intuit.com/support/quicken/updates/qkn_updates_onestep2003.html)

#### Quicken 2002

[http://www.intuit.com/support/quicken/updates/qkn\\_updates\\_onestep2002.html](http://www.intuit.com/support/quicken/updates/qkn_updates_onestep2002.html)

#### Quicken 2001

[http://www.intuit.com/support/quicken/updates/qkn\\_updates\\_onestep2001.html](http://www.intuit.com/support/quicken/updates/qkn_updates_onestep2001.html)



# Day Trading: Your Dollars at Risk

## The U.S. Securities and Exchange Commission posted an interesting article containing the following points:

- Day traders - Be prepared to suffer severe financial losses.
- Day traders do not "invest".
- Day trading is an extremely stressful and expensive full-time job.
- Day traders depend heavily on borrowing money or buying stocks on margin.

### So ...

- Don't believe claims of easy profits.
- Watch out for "hot tips" and "expert advice" from newsletters and websites catering to day traders.
- Remember that "educational" seminars, classes and books about day trading may not be objective.

### Finally ...

- Check out day trading firms with your state securities regulator.
- Check out <http://www.sec.gov/investor/pubs/daytips.htm> for details.

## COMPOUND RETURN

The "Rule of 72" is an easy method of estimating the number of years it will take for an investment's value to double. Simply divide 72 years by the investment's interest rate to find out how many years it will take to double the investment's value. For example, an investment earning 8 percent annually will take 9 years to double in value (72 divided by 8 = 9). At 9 percent, it will take 8 years; at 10 percent, 7.2 years, and so on.

From this we can conclude two things - it's good to make a high rate of return, and it's good to make a return over a long period of time. Compounding growth is exponential growth. If your investment is worth twice as much after 7 years, what will it be worth after 21 years? Not three times as much, not four times as much, but more than 7 times as much as your initial investment.

With long-term investing in a tax-deferred account (The Directed Account Plan), you get the full advantage of compounding return without paying taxes as your money grows.

## The Directed Account Plan - Summary Annual Report 2002

This is a summary of the Annual Report for The Directed Account Plan (formerly the TWA Pilots' Directed Account Plan, employer identification number 75-6646952, plan number 002) for the period January 1, 2002 through December 31, 2002. The Annual Report has been filed with the Pension and Welfare Benefits Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

### BASIC FINANCIAL STATEMENT

Benefits under the plan are provided by Mellon Trust (Boston Safe Deposit and Trust Company). During the plan year, expenses were \$152,408,000. These expenses included \$149,807,000 in benefits paid to participants and beneficiaries, and \$2,601,000 in administrative expenses. A total of 3,100 persons were participants in or beneficiaries of the plan at the end of the plan year.

The value of plan assets, after subtracting liabilities of the plan, was \$1,027,564,000 as of December 31, 2002, compared to \$1,284,167,000 as of December 31, 2001. During the plan year the plan experienced a decrease in its net assets of \$256,603,000. This decrease includes unrealized appreciation or depreciation in the value of plan assets; that is, the difference between the value of the plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. The plan had total loss of \$103,887,000, including a gain from employer contributions of \$3,000, a gain from employee contributions of \$2,066,000, and loss from investments of \$105,956,000.

### YOUR RIGHTS TO ADDITIONAL INFORMATION

You have the right to receive a copy of the full Annual Report, or any part thereof, on request. The items listed below are included in that report:

1. An accountant's report;
2. Financial information and information on payments to service providers;
3. Assets held for investment; and
4. Information regarding any common or collective trusts, pooled separate accounts, master trusts or 103-12 investment entities in which the plan participates.

To obtain a copy of the full Annual Report, or any part thereof, write or call The Directed Account Plan office, 3221 McKelvey Road, Bridgeton, Missouri 63044, (314)739-7373.

You also have the right to receive from the plan administrator, on request and at no charge, a statement of the assets and liabilities of the plan and accompanying notes, or a statement of income and expenses of the plan and accompanying notes, or both. If you request a copy of the full annual report from the plan administrator, these two statements and accompanying notes will be included as part of that report.

You also have the legally protected right to examine the Annual Report at the plan office, and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department should be addressed to: Public Disclosure Room, N-1513, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.



# Living in Retirement - Without Running Out of Money continued from page1

Do you want to leave an inheritance for children or a bequest to charity?

What kind of returns do you expect your DAP account to earn?

Despite all the variables, your answers will probably point to a narrow range of suggested distributions. Most financial planners recommend withdrawing no more than 6

percent of your portfolio each year. That is because you can't count on a diversified portfolio averaging more than 7 or 8 percent a year, and you have to leave some leeway to make up for any down years you might encounter. Counting the historic bear market of 2000, 2001 and 2002, our Conservative and Moderate Portfolios had a 10-year average annual return through September 30, 2003 of 7.82% and 8.42% respectively.

If you cannot rely solely on an investment in Stable Value to meet your needs, then you need to allocate some assets to the equity options to keep your portfolio growing even as

you pull money out. Most retired investors can't afford to absorb big losses. Stable Value can help cushion the downside, so a combination of Stable Value and equity options is best. Putting 40 to 65% of your money in the equity options is usually a good bet for growth with moderate volatility. The DAP Conservative and Moderate Model Portfolios address these allocation issues by mixing Stable Value with equity options and rebalancing as needed.

Choose the mix that is right for you. Keep your distributions at a reasonable level and enjoy retirement. **HU**

## Fund Component Weighting

*These tables represent component weighting for individual investment funds as of September 30, 2003.*

	Weight- ing	Net Value of Funds (\$MM)
<b>Stable Value Fund</b>		<b>\$383.8</b>
Cash/BGI Money Market	15%	
PRIMCO GIC	45%	
Wellington Core Bond	40%	
<b>Value Stock Fund</b>		<b>55.3</b>
BGI Value Index	20%	
Federated Stock Trust	20%	
Legg Mason Spec. Inv. Trust	10%	
Morgan Value Strategy	20%	
Neuberger/Berman Focus	10%	
Neuberger/Berman Regency	10%	
T. Rowe Price Value	10%	
<b>Equity Index Fund</b>		<b>36.4</b>
BGI US Equity Index	100%	
<b>Growth Stock Fund</b>		<b>42.6</b>
BGI Growth Index	20%	
Wellington Mid Cap Opport.	20%	
Turner Mid Cap Growth	20%	
TCW Galileo Select Eq. I	20%	
Marsico Focus	20%	
<b>International Stock Fund</b>		<b>19.4</b>
Am Century Instl. Intl. Disc	28%	
Am Century Instl. Intl. Growth	23%	
Templeton Instl. Foreign Equity	25%	
First Eagle Overseas	12%	
Longleaf Partners Intl.	12%	
<b>Diversified Small Co. Stock Fund</b>		<b>63.3</b>
BGI Small Co. Index	20%	
Dimensional US Micro Cap Port.	12%	
Royce Opportunity	12%	
MFS Instl. Emerging Equities	12%	
Janus Small Cap Value Instl.	12%	
State Street Aurora S	12%	
Franklin Small Cap Gr. II	20%	
<b>Conservative Model</b>		<b>47.1</b>
<b>Moderate Model</b>		<b>294.8</b>
<b>Aggressive Portfolio</b>		<b>22.0</b>
<b>Fidelity Funds Window</b>		<b>71.4</b>
<b>Total</b>		<b>\$1,036.1</b>

## ★★★ Important For Retirees ★★★

### December DAP Installments

Due to year-end account deadlines, the December DAP monthly installments will be moved up one week. You will receive the December installment on December 19th instead of December 26th. If you reached aged 70 1/2 this year or older and you have not taken out the minimum (see chart) for your age, the Plan will distribute the minimum required for you on December 19th. This will avoid the 50% IRS penalty on the required amount not taken.

**Any partial or lump distribution taken after December 19, 2003 will be dated 1-02-2004 or later.**

MRD - Minimum Required Distribution Table

Table III (Uniform Lifetime)			
Age	Distribution Period	Age	Distribution Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and over	1.9

**TABLE III:** for participants who do not have spouses who are more than 10 years younger. (See IRS Form 590 for other charts). Divide your December 31, 2002 DAP balance by the "Distribution Period" factor above to determine your minimum required distribution (MRD).



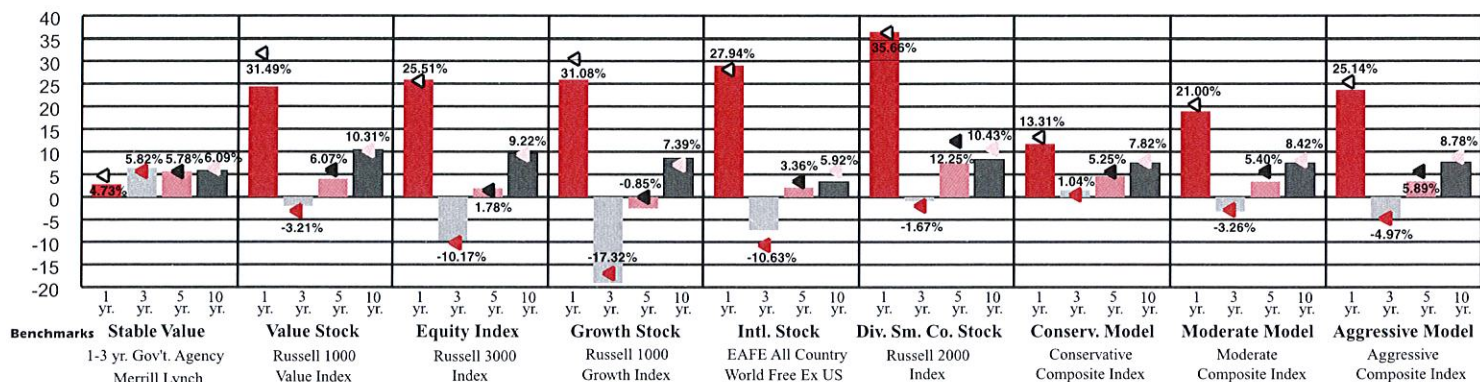
# Performance

The Directed Account Plan Quarterly Review

October 2003

## Performance Reported as of September 30, 2003

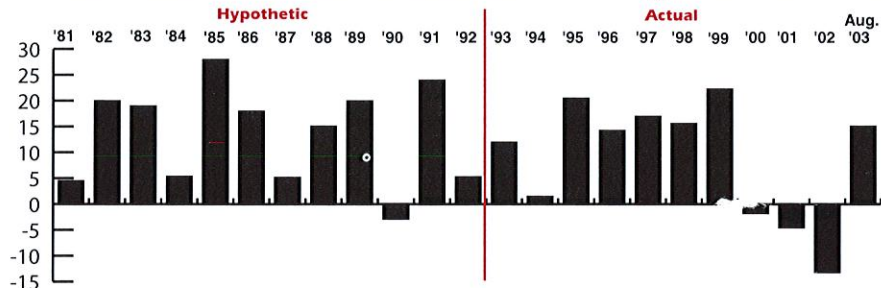
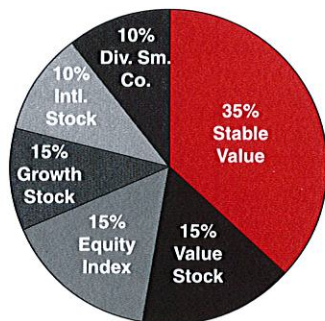
Fund performance is reported net of all expenses.



## The Moderate Model Portfolio

### 10 Year Annualized Return (as of 09/30/03)

Conservative Model 7.82%    Moderate Model 8.42%    Aggressive Model 8.78%



Highest 1 Year Return = 28.1%

Lowest 1 Year Return = -13.22%

Annualized 20 Year Return = 11.04%

## Example: participant who stayed in The Moderate Model Portfolio

**Captain John Doe (actual account)**  
(stayed in the Moderate Model, Installments at 8.5% rate)

October 1992 Balance -	\$459,134
Total Distributions -	\$422,760
(130 monthly distributions - \$3,252)	
August 2003 Balance -	\$530,000

approx. 1,200 Retirees receive monthly checks

### More information and Interacting with the Plan

To get daily NAVs, account balance information, or to make transfers, you may call the Benefits Express telephone voice response system, available 24 hours a day. Customer Service Representatives are available 8 am to 5 pm, CST Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) or 1-847-883-0471 (not toll-free) from a rotary telephone or outside the U.S. Use Social Security number and PIN to access your account. You may contact Fidelity at 1-800-881-4015, Monday through Friday 7:30 am to 7:00 pm, CST.

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

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

### Other Information:

The Directed Account Plan  
3221 McKelvey Road, Suite 105  
Bridgeton, MO 63044-2551  
314-739-7373

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.