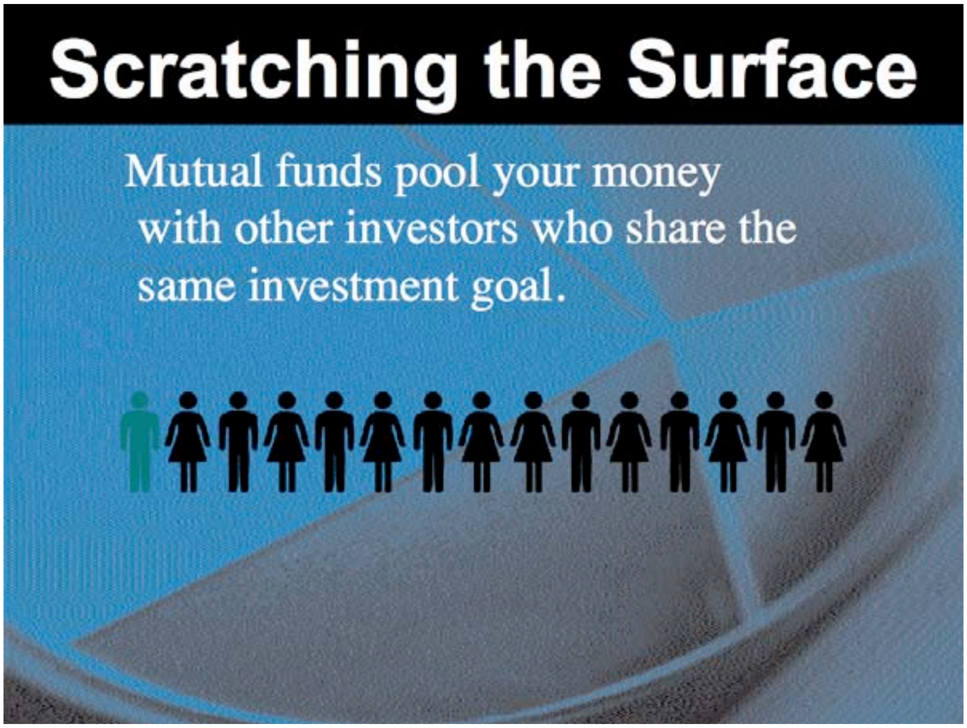
Hi, I'm _______________ from Kmotion. As part of our commitment to ongoing retirement planning education, we've created a brief seminar on the topic of Mutual Funds, called "Mutual Funds for your Future." At the end of this presentation you will have gained a new wealth of knowledge that can help you save for Retirement!

I' d like to talk briefly about how we' ve organized the information. There' s a lot to learn about mutual funds, and we use icons to help present the information in more manageable "bites." Here' s how the icons work…

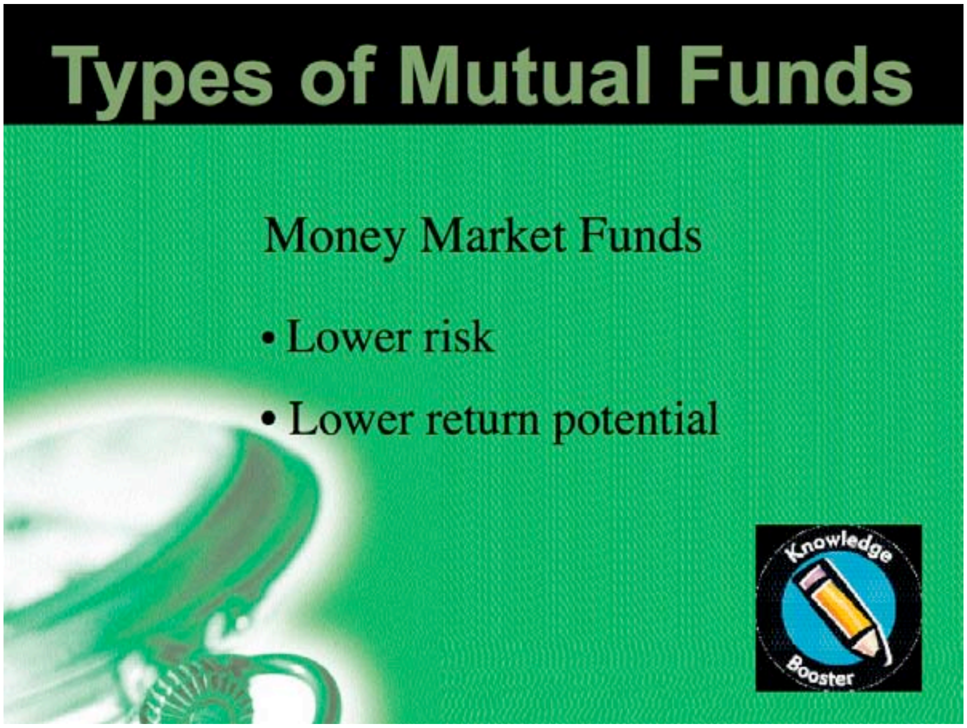
"Knowledge Booster" will challenge you to expand what you may already know about mutual funds and further you in your quest for knowledge.

And when you see the "Honor Roll" icon, you know we' re going to have to do some deep thinking! It will be an interactive exercise to help reinforce what we' ve just learned. We' ll complete these together, and see how you do along the way. Then, at the end of this presentation, we' ll take a short quiz to make sure you' ve got a solid understanding of mutual funds.



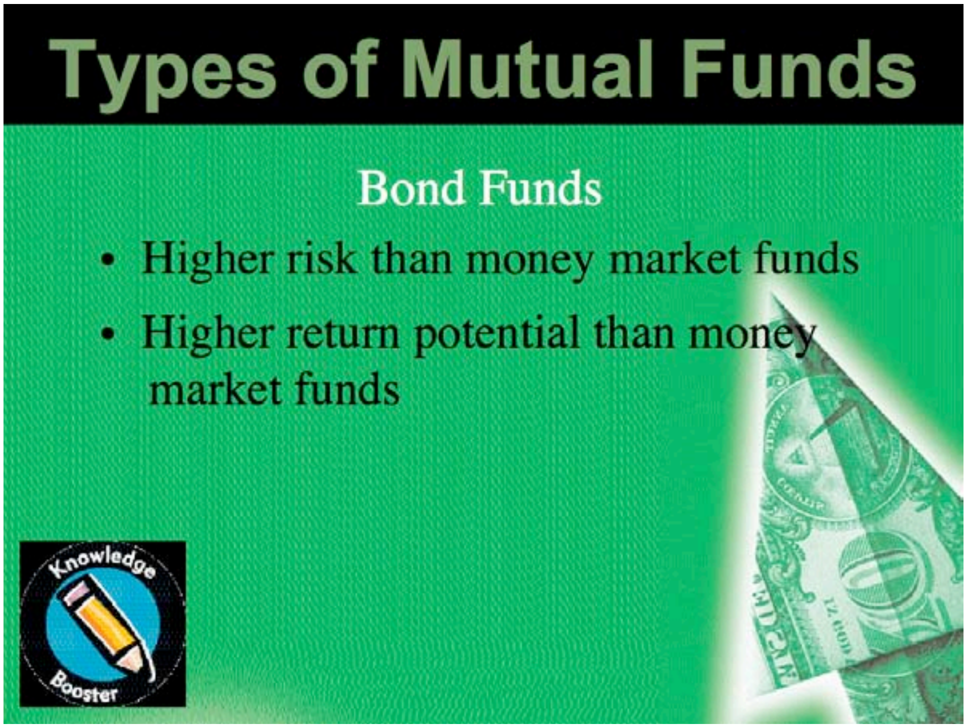
Let's start out with the basic concept behind a mutual fund: mutual funds pool your money with that of other investors who share the same investment goal. That's where the term "mutual" comes from. Investors in a particular mutual fund all have the same, or "mutual" investment goals.

The fund manager invests and manages the pool of money to try to achieve the desired goal. As a mutual fund investor, you own shares of all the fund's holdings. You share in the gains and losses that the fund's holdings produce based on how many shares you own.

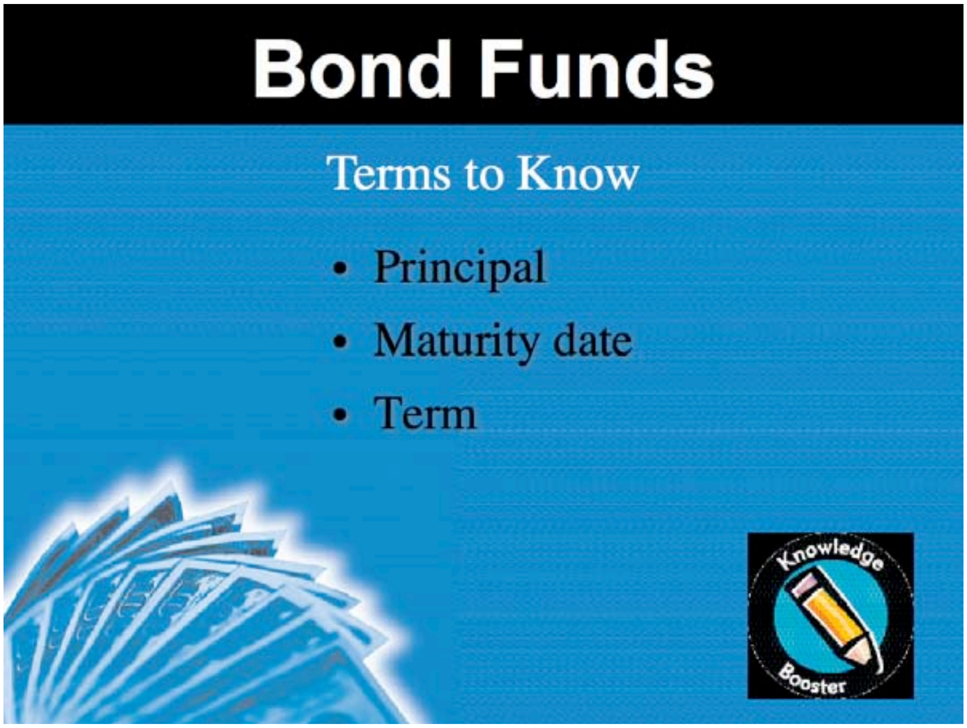


Let’s take a quick look at the 3 major types of mutual funds found in most retirement plans.

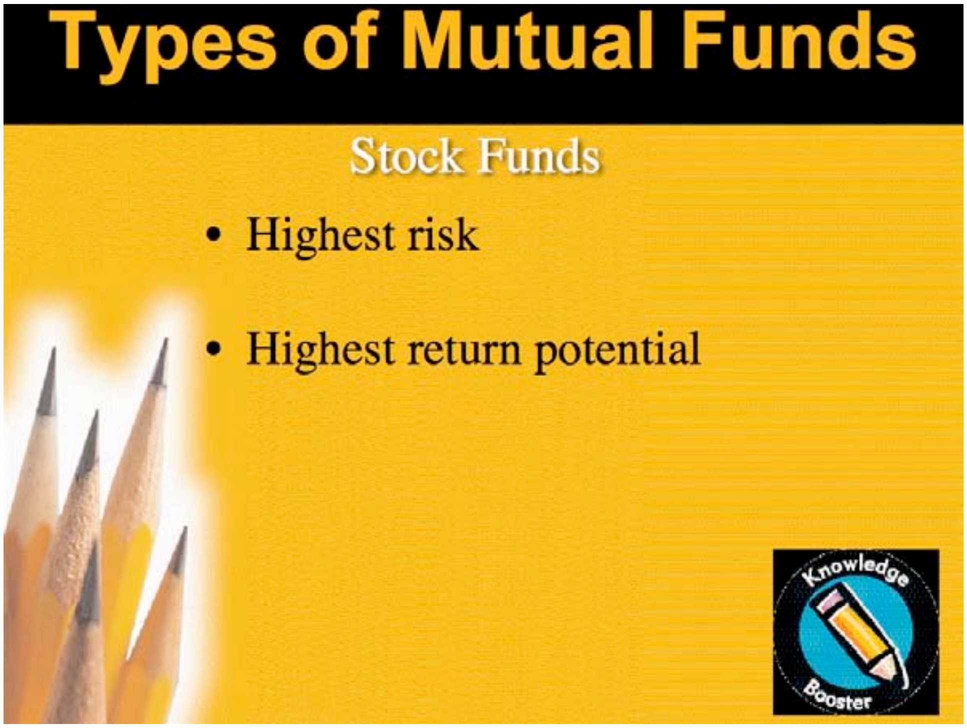
First, there are money market funds. These can include stable value investments. Generally speaking, money market funds invest your money in very short-term, high-quality securities issued by the U.S. Government and its agencies, U.S. Corporations, and state and local governments. They carry little market risk, but the trade off is that they offer a lower long-term return, which can weaken your strategy for growth and your ability to manage inflation risk. We’ll talk more about risk shortly.



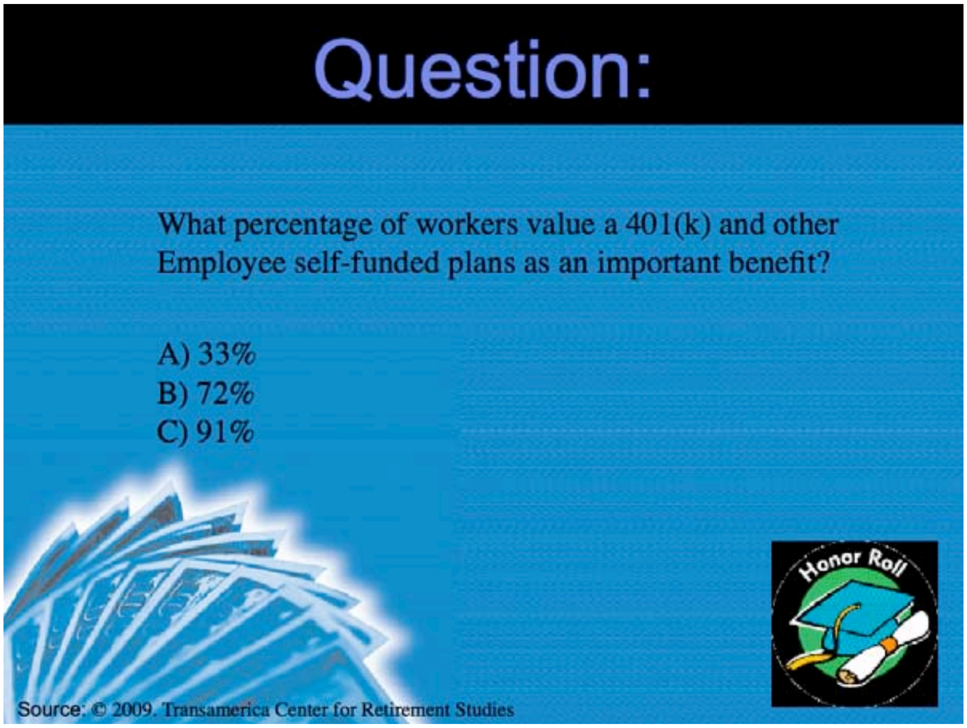
In addition to money market funds, there are bond funds. Bond Funds invest your money in bonds issued by corporations, governments, or government agencies. They have higher market risk than money market funds and have a higher potential return.



The issuers of the bonds in the fund’s portfolio are actually borrowing money from the investors in the fund for a specific period of time, known as the **term**. The money they borrow from the investors in the fund is known as the **principal.** They promise to pay it back with interest by a certain date, called the **maturity date**



The last type of mutual funds I’d like to talk about are stock funds. Stock funds make up the majority of investments in a typical retirement plan. Compared to bond funds and money market funds, stock funds represent the highest market risk, along with the highest return potential over the long-term. There are more stock funds (and more varieties of stock funds) than any other type of mutual fund.



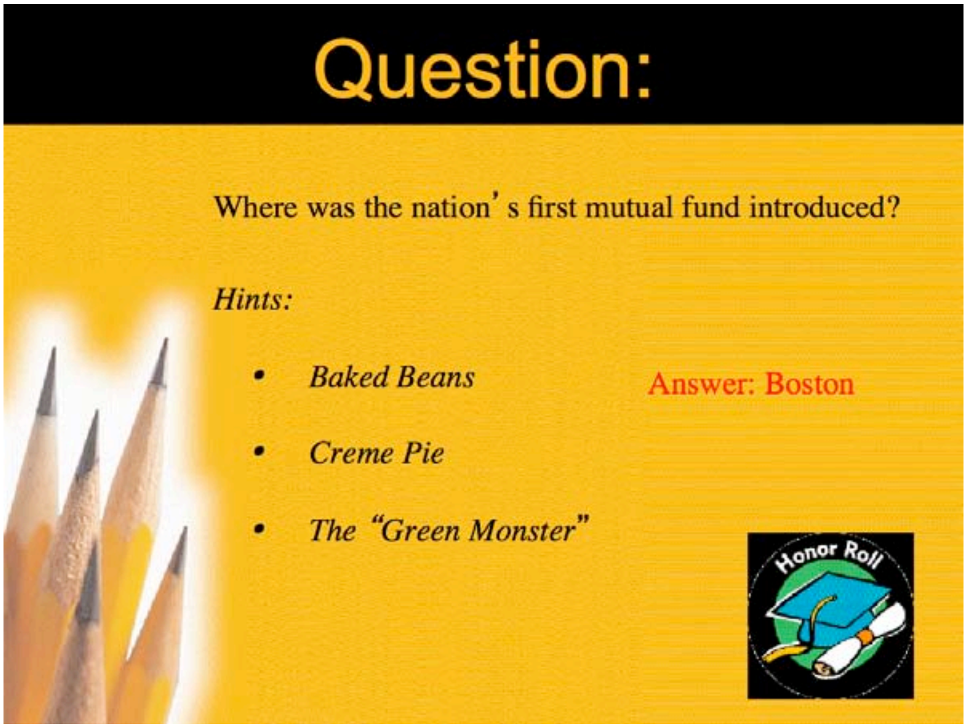
Are you ready for our first trivia test? Let's see how we do.

Can anyone tell me the percentage of workers who value a 401(k) and other employee self-funded plans as an important benefit

a) 33%; b) 72%; or c) 91%

How many say a? b? c?

Answer: C



Now, here's one that may stump you, unless you're a big baseball fan: where was the nation's first mutual fund introduced? Here are your hints: it's a city known for baked beans, cream pie and the "Green Monster."

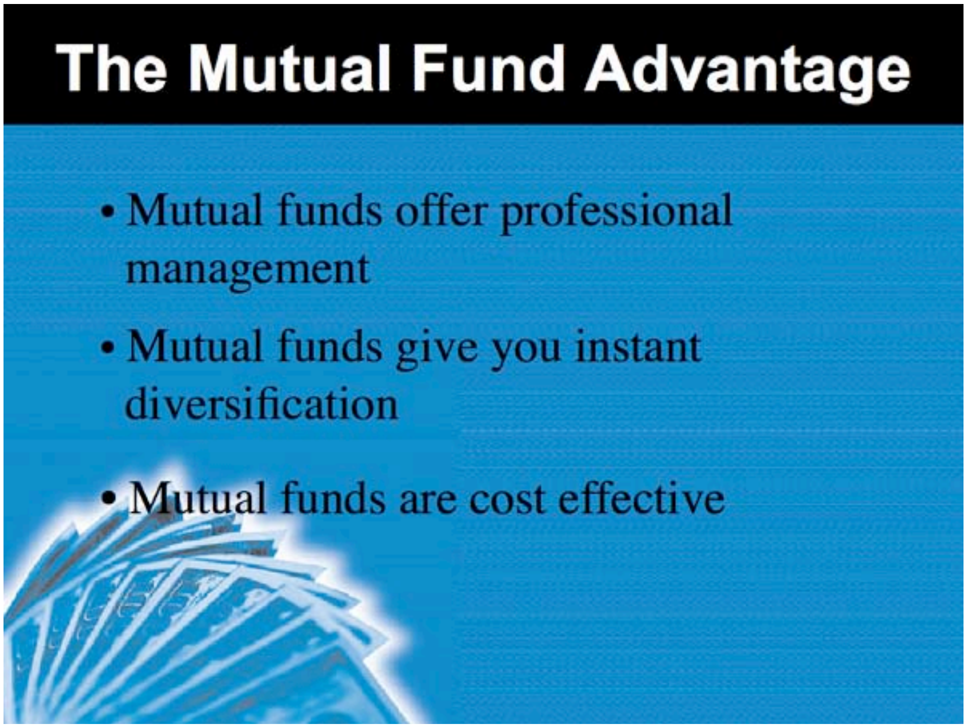
Any guesses?

The answer is: Boston.

The name of the fund is Massachusetts Investors Trust, and it is still in operation today. It was introduced to the public in Boston on March 21, 1924. At the end of the first year, the fund had 200 investors and $392, 000 in assets.

To put that in perspective, here are some fun facts:

Today, there are over 10,000 mutual funds in the U.S., with approximately 83,000,000 investors …and roughly $9 trillion in assets! And, by the way, in case you're not a big baseball fan, the "Green Monster" refers to the famous left field wall in Boston's Fenway Park, home of the Boston Red Sox.



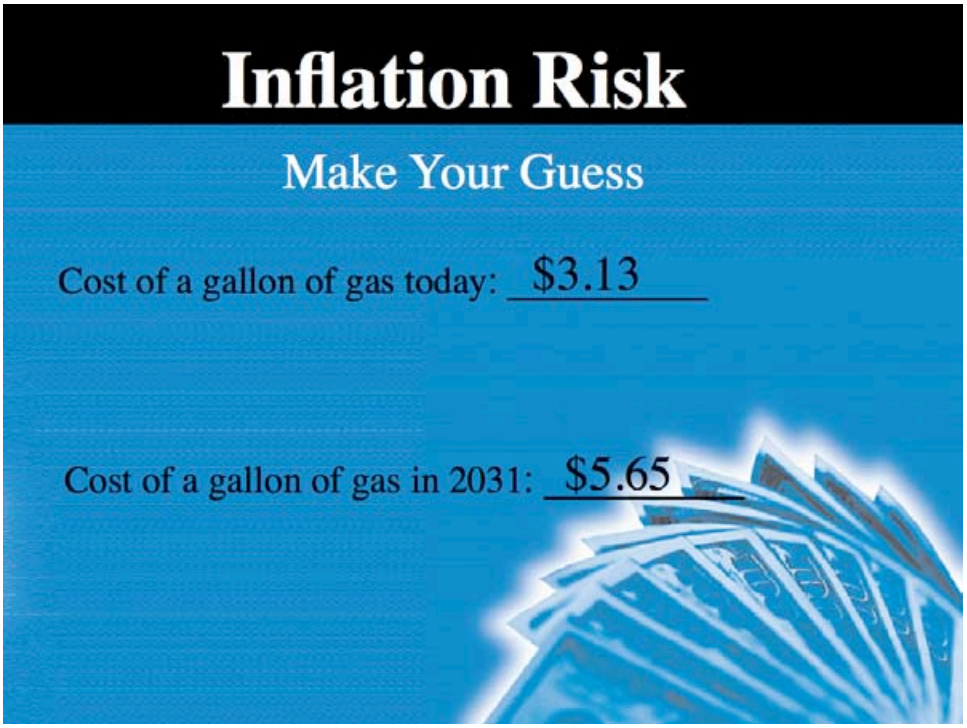
Let's take a brief look at the 3 major advantages of investing in Mutual Funds:

To begin with, mutual funds offer you professional management, which means that the money managers of the fund decide when to buy, sell or hold securities in the portfolio. They look at factors such as the financial health of a company, industry trends, and the general state of the economy.

Mutual funds also offer you instant diversification. By pooling your money with other investors, the fund manager can purchase a wider variety of investments than you could afford to buy on your own. A greater variety of investments can help you achieve diversification, which can help reduce risk.

Pooling your money with other investors is a smart way to invest because it's cost effective. By that I mean that even if you can only afford to contribute a small amount to your retirement plan right now, you can still participate in the stock market. No matter how much you invest, you still own a proportional amount of shares in all of the current holdings of the mutual fund. This would be unaffordable if you were to try to buy stock in each of those companies on your own.

In talking about these 3 major types of mutual funds, I' ve introduced a couple of terms that I' d like you to remember. One is inflation risk; the other is market risk. Can anyone tell me the difference between these 2 types of risk? We' re going to quickly cover the definitions of these two terms, and I' d like you to write down some notes in your handout in the space provided on page 2.



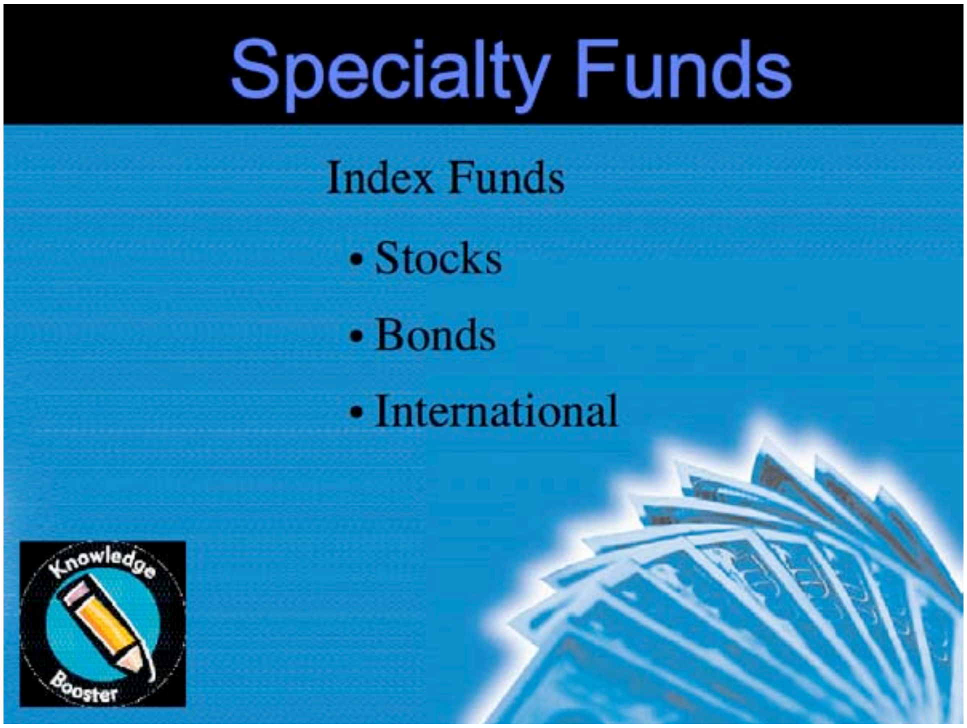
Inflation Risk is the risk that your investments will lose value because their returns will not keep up with the cost of living. Inflation has averaged about 3% over the last 75 years or so. Money market type investments have averaged about 4% and bonds around 5%. So, if you invest all your money in money market funds or bond funds, you may barely stay ahead of inflation over the long-term, and there is always a chance that you might even lose ground!

Answers to "Make Your Guess":

Today: around $3.13

In 2031: Over $5.65

Market Risk is the risk that the value of your investment will drop due to a decline in the financial markets. This is probably the most common risk that is talked about in the media. You hear about the market being "down" due to various factors, and maybe you see that your account balance is down when compared to last quarter's statement. Over the short term, stock prices can be very volatile. Because of this, stock funds have a high market risk associated with them. Bond funds have a moderate level of market risk and money market funds have the lowest level of market risk.



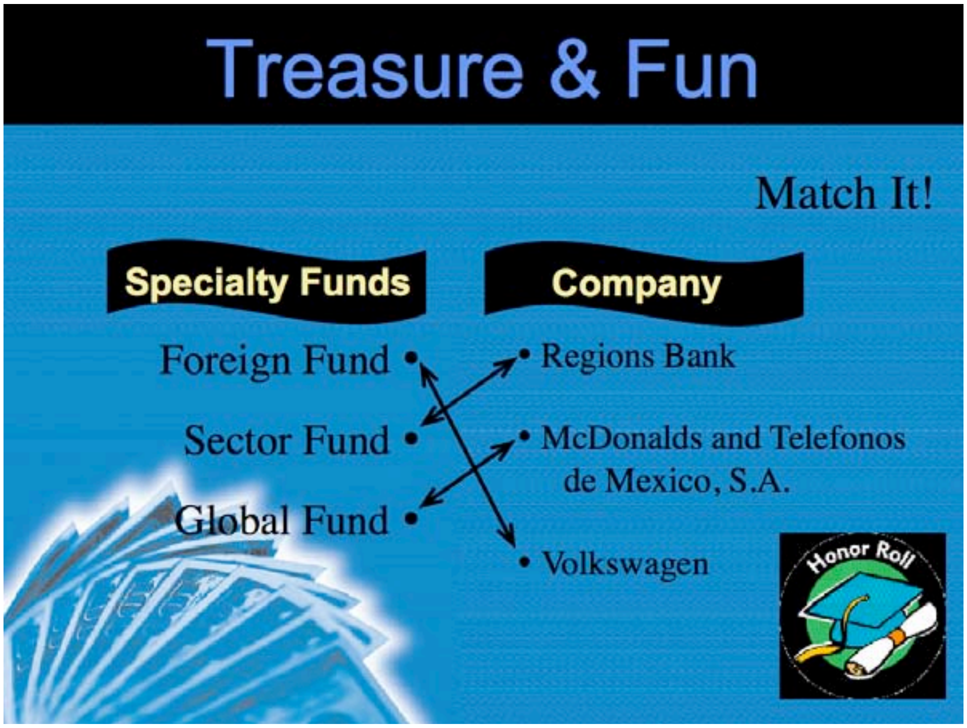
Now, are you ready to stretch your knowledge of stock funds a little further? Let's take a look at some different types of "specialty" stock funds found in most retirement plans. I want you to understand that this is all a part of learning about different diversification strategies.

Index funds are designed to produce the same return that you would get if you owned all the stock in a particular index, such as the S&P 500. There is a large universe of stock index funds that track almost every known index for large, mid-cap and small companies, as well as bond market indexes and several international indexes.

Global funds buy securities in countries all over the world, including the United States. In fact, some global funds may invest up to 75% of their assets in U.S. markets. As with foreign funds, global funds tend be of higher risk, due to changing political climates and the rise and fall of currency valuations.

Foreign funds buy securities all over the world, except in the United States. Foreign funds may offer you the opportunity to diversify into young, dynamic markets that are early in their growth cycle. Keep in mind that foreign stocks tend be of higher risk, due to changing political climates and the rise and fall of currency valuations.

Sector funds focus on the stocks of a particular industry or segment of the economy, such as technology, health care or financial services. Although sector funds may be more diversified than buying a single stock, there is nothing in the fund's portfolio to offset a downturn in its sector. Because of their volatility, sector funds are appropriate for investors willing to take on a great degree of market risk.



Here's another treasure map challenge: let's see if we can match up the following specialty fund categories with the type of company it might include in its holdings.

Answer:

Foreign Fund = Volkswagen

Sector fund = Regions Bank

Global Fund = McDonalds and Telefonos de Mexico, S.A.

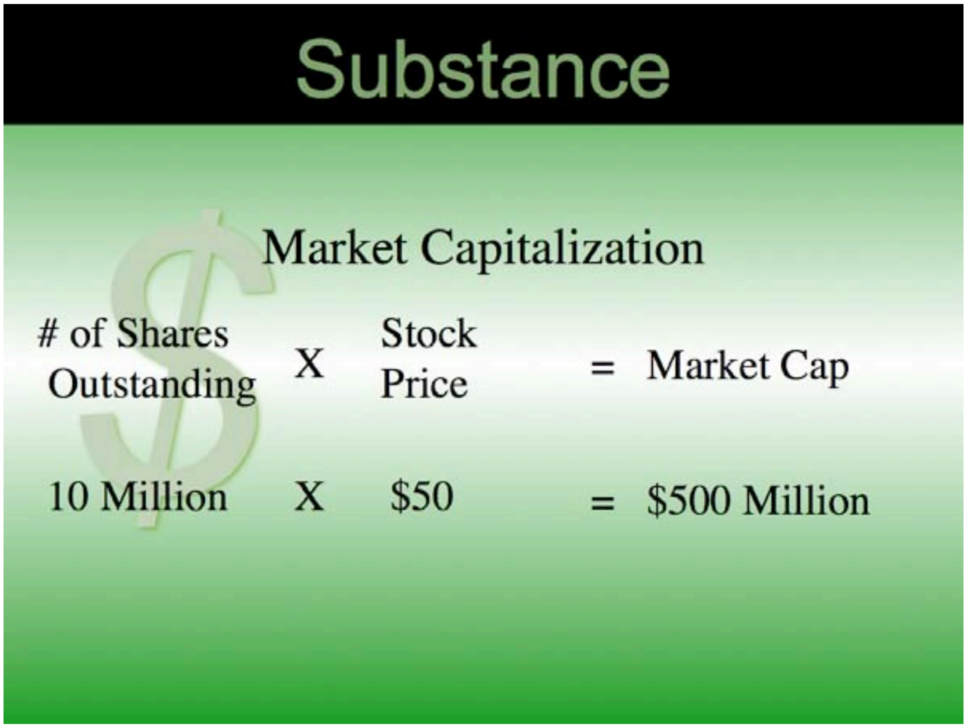
According to the Wall Street Journal, more than 75% of 401(k) assets are invested in stock funds! When it comes to stock funds, I' d like to dig a little deeper. Because investing in stock funds represents a significant opportunity for growth over the long-term.

We talked about inflation risk earlier. One way to manage this type of risk is to consider investing a portion of your money in stock funds, which historically have out-performed inflation over the long term. Remember, though, that past performance does not guarantee future results.

Remember our great principle of saving, pay yourself first? Well, it' s a good bit of advice. Take the money you' d normally spend on impulse items and have it deducted from your paycheck. Then you won' t have it to spend on unnecessary items.

You can do it! Finding extra money doesn't mean giving everything up, but it may mean becoming more aware of your finances and living within a budget.

Now you know how it' s possible to save more. But you may be wondering: how much is enough? What is the price of my retirement?



Stock funds are sometimes identified as large-cap, mid-cap, or small-cap. That's because these funds are designed to invest in companies of different sizes. Size is sometimes measured by something called market capitalization, or "market cap."

Market cap measures a company's size by multiplying the number of shares outstanding by the stock's price.

Here's an overview of the three market cap categories…

Large-Cap includes companies with over $10 billion in market cap. These are companies such as General Electric, Google, and IBM, which are well established and generally pay steady shareholder dividends. Their great size and maturity typically makes them less responsive to market conditions and slower growing…

On the flip side, however, their stability can help them to weather economic downturns and market volatility.

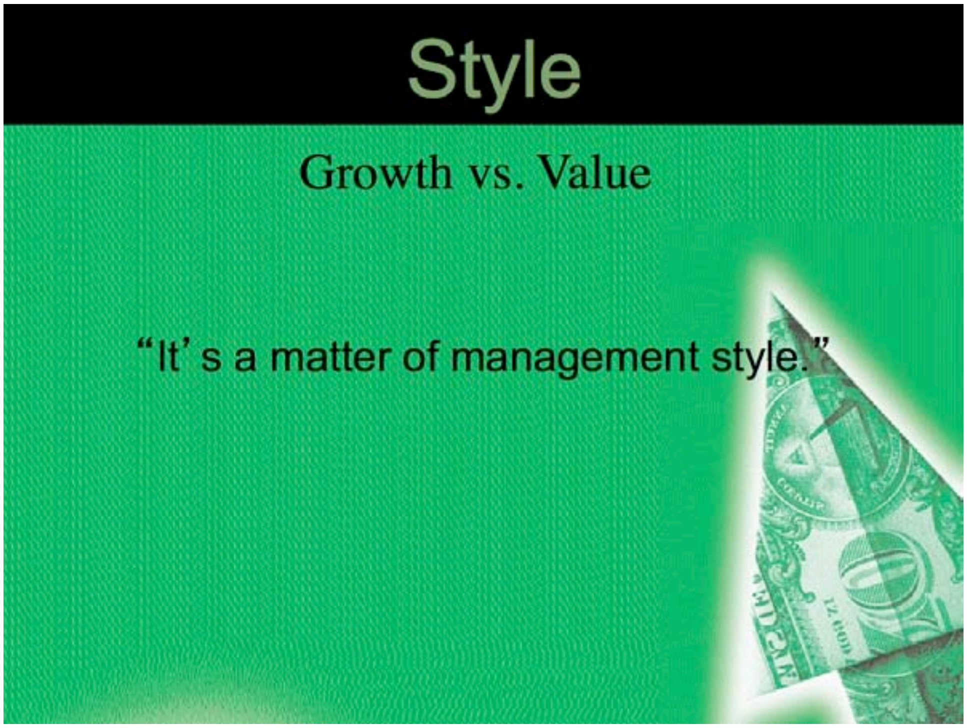
Mid-Cap includes companies with a market cap between $2 billion and $10 billion. Mid-cap companies are generally established companies, yet innovative and responsive with the potential for continued, healthy earnings growth. Their larger capitalization base tends to make them less risky than smaller-cap stocks, though typically with slightly lower long-term historical returns.

Small-Cap includes companies with a market cap between 300 million and 2 billion. Small-cap companies have the potential for rapid increases in earnings and growth. They can be highly volatile, but they are often viewed as companies that are on the cutting edge of their industries. Many small-cap companies effectively respond to market changes, but they may also have difficulty weathering economic downturns.

Let's test out our new knowledge and take the cap challenge. Are you ready?

If a company has 10,000,000 shares outstanding and a stock price of $50 per share, what is the company's market cap? (Answer: $500 million)

Would you classify this company as small-, mid-, or large-cap? (Answer: small-cap)



Some of the stock funds offered through your retirement plan may be categorized as either growth or value funds. The differences between the two are a matter of management style, which is the approach that a portfolio manager uses to choose the fund's investments

Two stock funds may have the same investment objective, such as long-term growth. But their holdings may be very different. A growth fund may invest in the stock of companies that the manager feels are up-and-coming new companies, or companies on the cutting edge of new technologies. It is usually companies with above average growth potential and above average returns. In its early stages, Microsoft fit into this category.

A value fund invests in stocks that the manager considers under priced and expects to rebound in value. Often this can include the stock of well-known companies.

Remember market risk? One way you can help reduce this risk is to diversify among different styles of stock funds. You may want to consider incorporating both growth and value categories of stock funds in your investment strategy. The reason is this: although both growth and value funds may provide strong returns over the long-term, their returns would probably be significantly different over the short-term. That's because growth stocks tend to do better under a different set of economic circumstances than value stocks (and vice-versa).

Staying informed. Make a note of the Social Sec. Website. It's the best way to stay up to date on what's happening. They've got some interactive calculators to help you figure out what your benefit may be when you retire.

Taking responsibility for your own financial security…

…and planning for retirement NOW, no matter what your age is.

But why is starting to save as early as you can so important?

When it comes to building your investment strategy, we can take this idea one step further. As you consider the stock fund options available to you, you might look for a large-cap fund that buys both value stocks and growth stocks. Or, you could consider a growth fund that buys both large-cap stocks and small-cap stocks. The important thing to keep in mind is that diversification isn't simply just choosing among different asset classes, such as stocks, bonds and money market investments. It can also be accomplished within an asset class, particularly stocks.

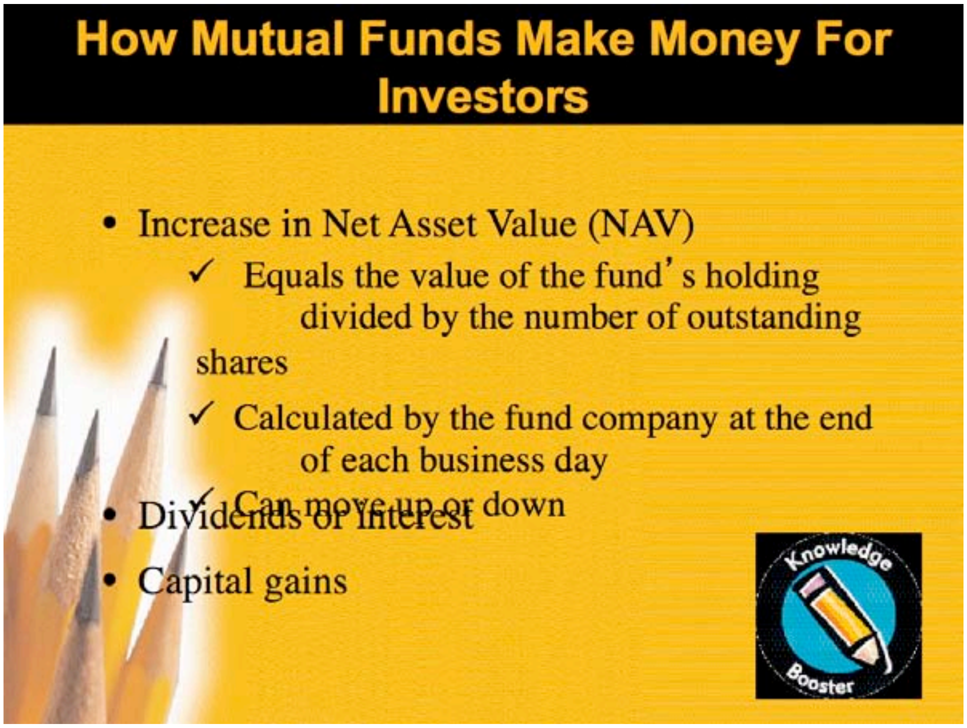
With all this talk about the advantages and benefits of investing in mutual funds, you may be wondering how the mutual fund company makes money. Let's take a quick look at the fees associated with investing in mutual funds.

Management fees are charged by the advisory firm for the investment management functions it performs. Such functions include the day-to-day tasks involved in the researching, buying and selling of securities on behalf of the fund.

12b-1 fees are charged in order to pay a portion or all of the costs of marketing and distributing the fund's shares to investors.

All mutual funds offered through retirement plans deduct management fees from the fund's total earnings. Some mutual funds also deduct marketing and distribution fees (12b-1 fees).

A load mutual fund charges you for the shares purchased plus an initial sales fee.



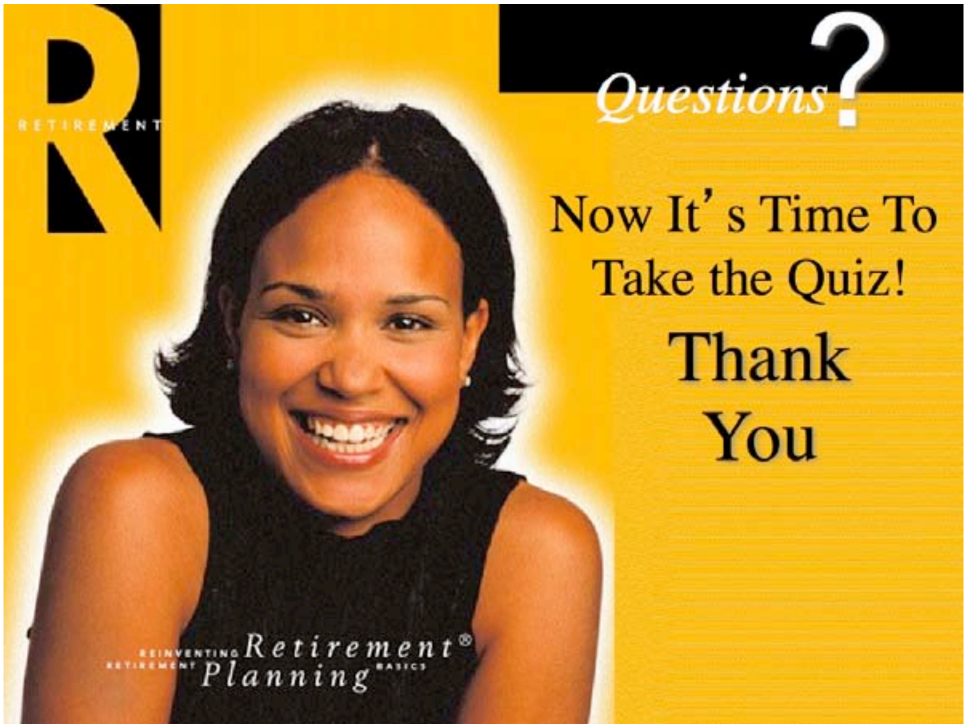
You're probably also very interested in how mutual funds make money for investors! There are three ways that they can accomplish this: through an increase in net asset value, known as "NAV"; by paying dividends or interest; and by distributing capital gains.

Let's take a closer look…

A fund's NAV is the current dollar value of one share in the fund. It's also the price the fund would pay you if you were to sell your shares. It is calculated at the end of each business day and can move up or down.

NAV is figured by totaling the value of all the fund's holdings and dividing by the number of its outstanding shares, less management fees.

When you invest in a mutual fund through your retirement plan, any interest, dividends and capital gains earned by the fund are reinvested in the fund, which buys you more shares along the way. In addition, no taxes are due on these earnings while they are in the Plan. This tax-deferred compounding can allow your account balance to grow much faster over the long term!



Well, we have almost completed this quest for knowledge! We've covered a lot of material today, and your attention and participation are greatly appreciated. Before we take our Mining For Mutual Funds quiz, does anyone have any questions about any of the things I've talked about? And by the way, please note that you can find out more on mutual funds by checking out the additional resources listed on the back page of your handout.

Presenter's Note: Run through brief instructions; give the teams 5 minutes to complete their answers; At the end of the quiz point out the "Know Your Fund" information on the back of the worksheet. Depending on time constraints, you can either cover it as part of the presentation, or make it a self-study exercise.