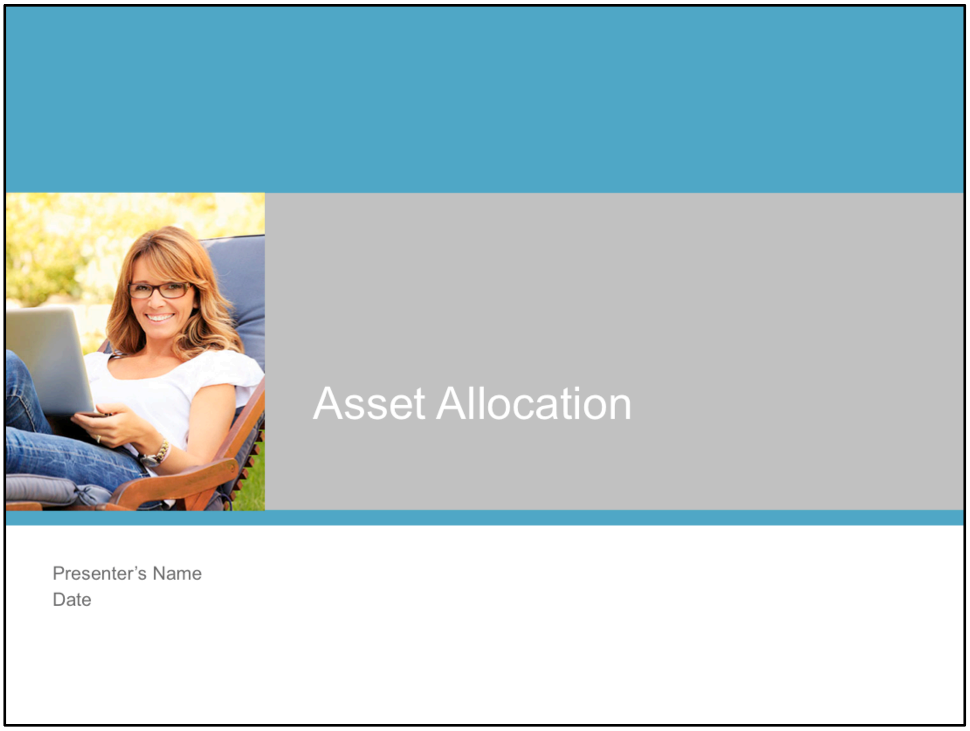

Good morning [good afternoon]. I’m ________________ (name), ______________ (title), with Regions Morgan Keegan Trust. We help your employer with your retirement savings plan.

Today, I want to prepare you for one of the important aspects of participating in your 401(k) plan: asset allocation.

Asset Allocation

Asset Allocation

- What is it?
- Why is it important?
- Tools
- Diversification
- Choosing your investment mix

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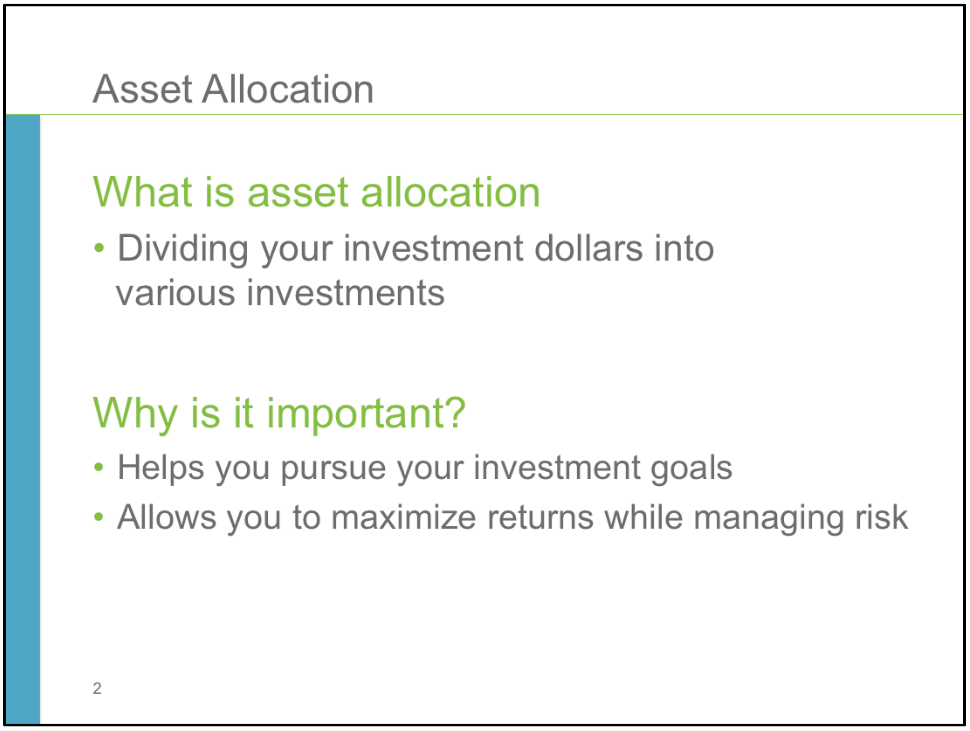
To help you become a more effective investor in your retirement plan, you need to understand what asset allocation is and why it is so important as you build or review your investment portfolio.

I'll also cover some of the tools that will enable you to put asset allocation to work for you.

We'll look at the concept of diversification, which is a key component of a successful investment strategy.

Finally, we'll look at the action steps you can take in constructing—or reviewing—your investment mix.



What is asset allocation? It's the process of strategically dividing your dollars among different types of investments to pursue a specific investment goal in the most effective way possible.

For our purposes today, it means deciding how to spread your retirement plan contributions among the choices in your 401(k) plan, with the goal of building financial security for retirement.

Why is this process important? Because it's a critical step in putting together your retirement saving portfolio so that your savings have the potential to grow over time and provide a secure financial future when you begin retirement.

It also helps you maximize your potential investment returns while at the same time effectively manage investment risks.

Asset Allocation

Asset Allocation Tools

- Determine what kind of investor you are

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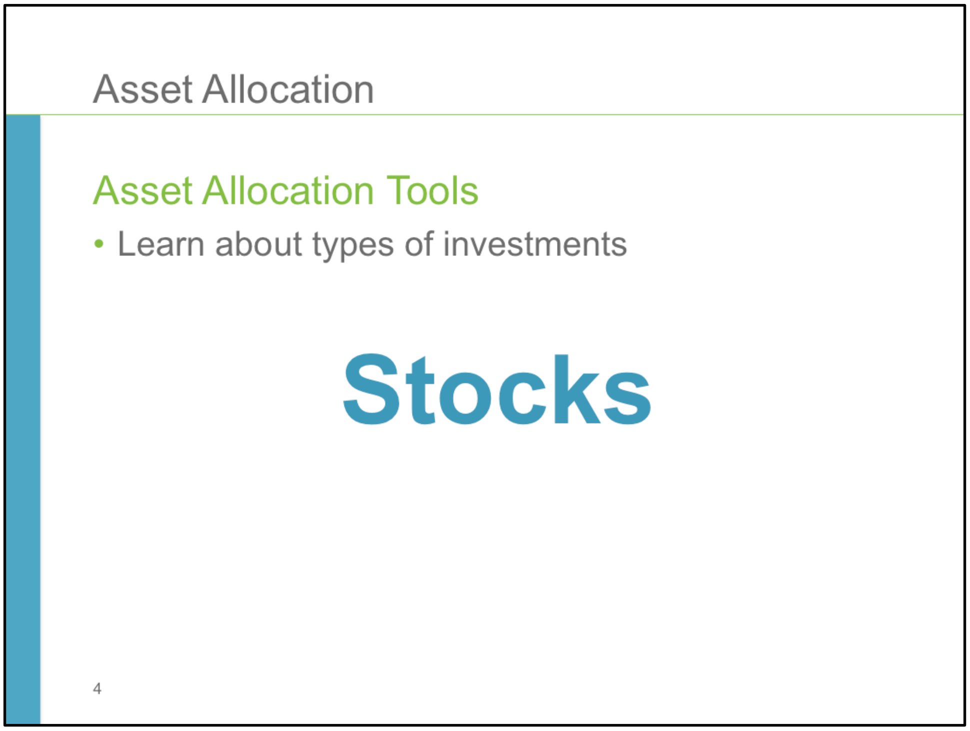
There are many factors that have an impact on your investment strategy, such as how many years you have until you'll need the money, your current lifestyle and financial situation, and what you want to pursue in retirement.

The best tool to start with is the quiz in the Asset Allocation Guide, which will help you identify what kind of investor you are. It will give you an indication of how you feel overall about investment risk.

A key factor is how you think you would handle occasional and unpredictable changes in the value of your investments. You need to know how much uncertainty you're willing to take on.

Once you have an idea about your risk tolerance, you need to strengthen your knowledge of the types of investments available in your retirement savings plan, which we'll cover next, and the risks involved in investing, which I'll cover shortly.



First, since we're focusing on your retirement plan today, let's take a quick look at what a mutual fund is, since these usually make up the majority of investment choices in retirement savings plans.

When you invest in a mutual fund, your money is pooled with the money of other investors who have the same, or mutual, investment goals. Mutual funds can consist of any mix of stocks, bonds and stable assets. Each mutual fund has a team of professional managers who perform the day-to-day tasks involved in researching, buying and selling investments on behalf of the fund's investors.

In most retirement savings plans, there are three broad types of investments available to plan participants.

The first is stocks. Quite simply, by investing in stocks, you are actually buying shares of ownership in a corporation. Stocks have the highest potential for growth over the long haul, but also carry a higher degree of risk. Historically, over long periods of time, stocks have had a greater rate of return than other types of investments.

Asset Allocation

Asset Allocation Tools

- Learn about types of investments

Bonds

Stable Value

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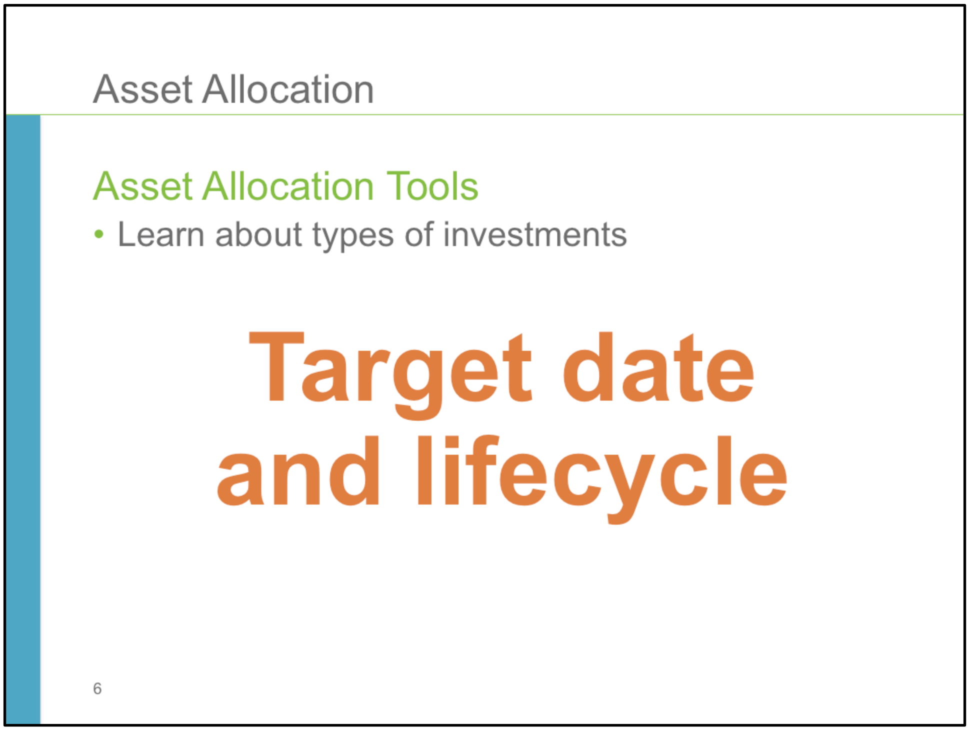
When you invest in bonds, you lend money to an organization, such as a company or the government, in exchange for interest payments. Also called fixed-income investments, bonds actually pay either fixed or variable interest rates. Principal value may fluctuate up or down, sometimes widely, but usually won’t vary as much as stocks. Bonds generally offer moderate risk and medium growth potential.

Stable value investments are also called cash equivalents. The goal is to maintain a steady, or stable, principal value that usually does not fluctuate. Examples are money market funds and Treasury bills. These types of investments offer lower risk, but also lower growth potential.



Increasingly popular, particularly in retirement saving plans, are target date funds, also known as lifecycle or lifestyle funds.

A target date fund specifies a year in which investors expect to need to start drawing money out of their investment.

Let’s look at an example of a Target Date 2030 Fund. Today, this fund (which is mix of stocks and bonds) will have most of its assets in stock investments, since the investor in this fund can be somewhat aggressive, since he or she has more time to ride out the inevitable ups and downs of the stock market. Bonds will make up a relatively small portion of the fund’s assets.

As the target year, 2030 in this example, approaches, the fund managers will move from a somewhat aggressive approach to a more conservative one. They will reduce the weighting of stocks and move more toward bonds in an effort to reduce risk and potentially provide some protection to the principal. This shift occurs gradually over the years. When the target year is reached, the fund will be heavily invested in bonds and far less in stocks.

Lifecycle and lifestyle funds operate in essentially the same manner.

These types of funds offer the advantage of gradual investment shifts over time that are handled by the fund managers. The investor doesn’t need to take any action to

Asset Allocation

Asset Allocation Tools

- Understand investment risks
  - **Business**
  - **Market**
  - **Inflation**
  - **Interest rate**
  - **International**
  - **Longevity**

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In the process of choosing your asset allocation, you've identified what kind of investor you may be and measured your risk tolerance. You've also explored what types of investments, or asset classes, you might want to consider.

Now you need to get acquainted with the types of risks in investing. Let's briefly review these, which are covered in more detail in your Asset Allocation Guide.

Business risk is the risk that an investment may lose value because a particular company or industry declines. Similarly, market risk involves the chance that volatility in the financial markets could cause your investment's value to go down.

Inflation risk is the chance that your investments won't keep up with inflation, which is the rise in the cost of living.

Bond investors can experience interest rate risk when the value of their bond investments can go down when interest rates go up.

International risk comes into play whenever there are political, economic or currency fluctuations in foreign markets.

Lastly, longevity risk is the chance that you may outlive your retirement savings.

How can we reduce some of these risks?

Asset Allocation

Diversification

- The meaning of diversification

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There's an interesting story of an entrepreneur that clearly demonstrates the meaning of diversification.

We're all familiar with the rolls of round candies called Life Savers. Life Savers were invented in 1912 by Clarence Crane. Mr. Crane made only the Pep-O-Mint flavor when he started.

A year later, Edward Noble approached Crane and suggested that different flavors of Life Savers would probably attract more customers and increase sales. Crane wasn't interested in this notion, but sold the Life Savers business the next year to Noble for less than $3,000.

Noble went on to develop a billion dollar business making different flavors of Life Savers. By diversifying his product, he appealed to more people. More important, he protected his business from the risk of one flavor losing popularity.

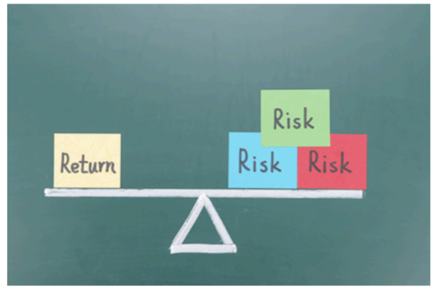
Diversification works the same way with investments. In terms of investing, diversification means spreading your money among several different types of investments (stocks, bonds and stable value assets) in order to balance the risks. It can help your total return over the long term.

The confidence that comes with having a well-diversified plan will also help you avoid the temptation to switch in and out of funds in hopes of finding a better return.

Asset Allocation

Diversification

- Balance risks



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Diversification helps to balance some of the risks inherent in investing. You'll remember that we talked about the various types of risks just a moment ago.

Here are some strategies to consider.

Manage market risk by considering stable value or cash equivalent investments, like money market funds.

When choosing stock funds, you may want to include both growth and value stock funds in your strategy. Growth funds choose stocks that are expected to produce above-average earnings growth. Value funds invest in stocks that are considered under-valued relative to their earnings. Of these two categories, growth funds are generally considered to be more speculative.

Manage business risk by looking at investments that are diversified among a number of different types of companies and industries.

Manage inflation risk by keeping some of your money in stocks, which historically have stayed ahead of inflation over the long terms. Remember, though, that past performance is no guarantee of future results.

Manage economic risk by diversifying into international funds as well as domestic funds, in both stocks and bonds. Keep in mind that foreign investing may be subject

Asset Allocation

Diversification

- Avoid overlap

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To make sure that your funds are as diversified as you would like them to be, examine your fund’s prospectus and annual and semi-annual shareholder reports. These documents describe the fund’s investment strategy, risks, performance, top holdings, and sector and industry allocations.

This review will help you determine if your investments have overlapping objectives and similar investments in terms of companies or industries.

Asset Allocation

Diversification

- Extend your asset allocation
- Review and rebalance

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Extending your asset allocation is a good way to avoid overlapping holdings. After selecting the right mix of stocks, bonds and cash, drill down farther and explore the different segments within the stock and bond markets.

U.S. stock funds can focus on large-cap, mid-cap and small-cap stocks. “Cap” is short for capitalization. It refers to a company’s total value, which is its number of shares of stock multiplied by the price per share. Large-cap stocks tend to be steadier performers while smaller-cap stocks often have better growth potential.

Value and growth are two distinct styles that fund managers may pursue. Growth and value investment styles tend to take turns outperforming one another over time.

Investing in a variety of funds can lessen the likelihood of overlap, improve your portfolio’s diversification and help you lower risk. You might want to consider further diversifying by combining international and U.S. stock funds or by investing in government and corporate bond funds or in short-term and long-term bond funds.

Creating your personal investment strategy is only a beginning.

As a disciplined investor, you should dedicate yourself to reviewing your strategy on a regular basis to make sure it is still consistent with your time horizon, investment return objectives and your risk tolerance.

Asset Allocation:
Choosing Your Investment Mix

Things to consider:

How much will you need?

Most financial experts estimate that you will need between **75%–100%** of your preretirement income to maintain your standard of living when you quit working.

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Asset Allocation:
Choosing Your Investment Mix

Things to consider:

How long will my money last?

Living 20 years in retirement is a realistic expectation. A 65-year-old man can expect to live to **84**. A 65-year-old woman can expect to live to **86**.

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Asset Allocation:
Choosing Your Investment Mix

Things to consider: **Inflation**

Inflation's Impact

Item	1984	2014	2044
Gallon of Milk	$1.52	$3.35	$8.13
Postage Stamp	$.14	$.44	$1.07
Cup of Coffee	$.15	$1.55	$3.76
Gallon of Gas	$.66	$3.90	$9.47
Movie Ticket	$2.35	$10.00	$21.85
Mid-priced Car	$3,579	$25,000	$60,682

Sources: 1984 prices are based on the historical Consumer Price Index (U.S. city averages). 2014 prices are based on general averages. Projections for 2044 prices assume a 3% annual inflation rate.

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The impact of inflation over many years can rob you of purchasing power and may require more growth-oriented investments than you think. Keep inflation in mind when choosing your investment mix.

Asset Allocation:
Choosing Your Investment Mix

Time is money!

THE RULE OF 72	Example
1. Take the rate of return you expect to receive on your investment	**8%**
2. Divide it into 72:	**72 ÷ 8**
3. The result is the number of years it will take for your investment to double:	**9**

Expected Rate of Return	Years for Investment to Double
6%	12 Years
8%	9 Years
10%	7 Years
12%	6 Years

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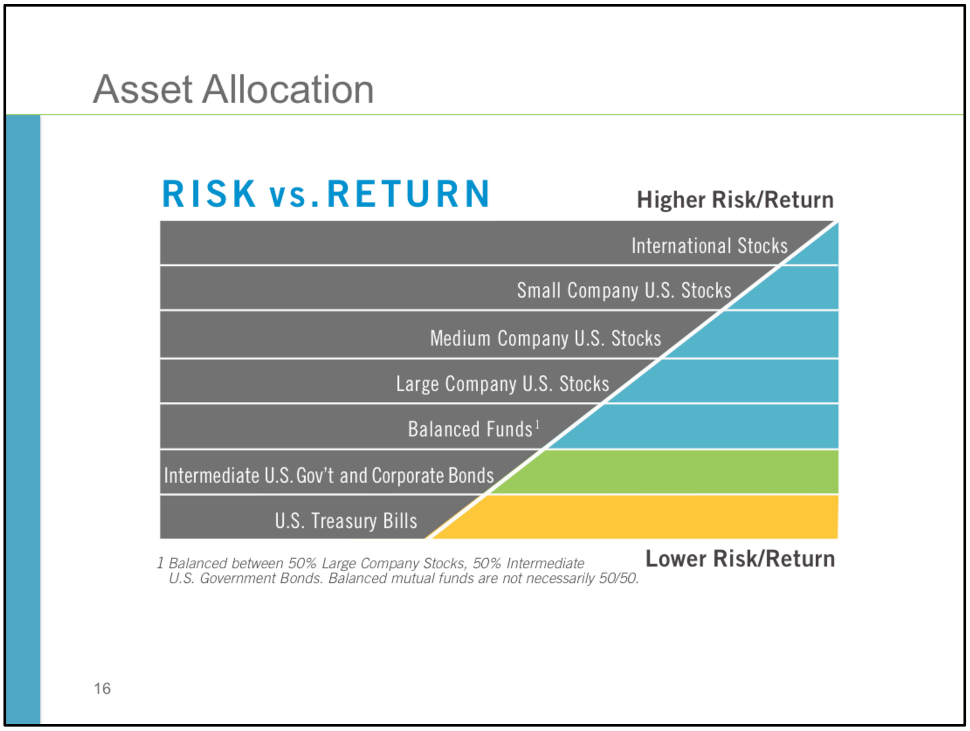
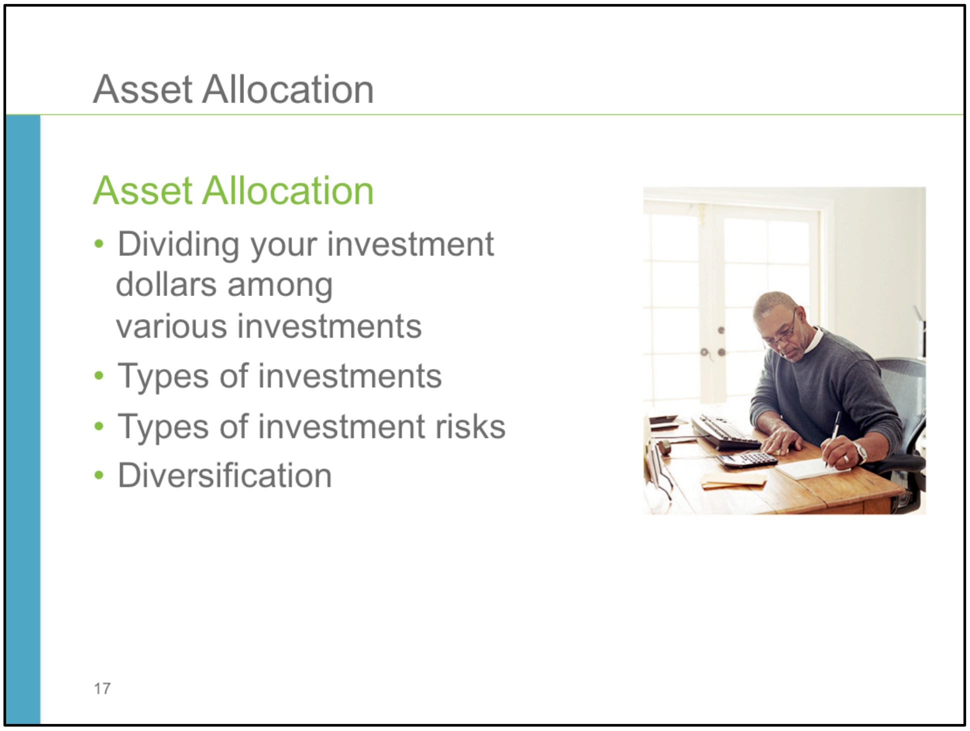
The role of time in building up savings is powerful. The earlier you start—regardless of how much you save each pay period—the better your chances are of having a financially comfortable retirement. You may have heard of something called the Rule of 72. It's a way you can estimate when an investment will double, using a rate of particular interest. As you can see from the chart, you divide the number 72 by the interest rate you believe you will earn. In this case, we used 8%. So every 9 years, someone who earns 8% on their investment can expect that investment to double. Pretend for a moment that someone age 20 had somehow saved $10,000. If she put it into an account earning 8% per year, and added nothing else to it, her investment would double 5 times by age 65. The result would be an account worth $320,000! Just think what would happen if she also invested regularly through her 401(k) plan.

Compounding is powerful. So if retirement seems so far away— that's great! A small sacrifice now, when you are the youngest you will ever be from today forward, may help you avoid having to make much bigger financial sacrifices later as you get closer to retirement.



Let's take a look at the risk and return spectrum. [Read/describe the contents of the chart.]

This helpful chart is in the Asset Allocation Guide for your future reference.



I'd like to briefly review what we've talked about today. We've looked at asset allocation, which is the process of allocating your retirement plan investment dollars among the investments available in your plan.

The purpose of asset allocation is to pursue a specific investment goal, such as saving for retirement, in the most effective possible way.

It's an important process because it can help give your portfolio opportunities to grow over time, while at the same time help you understand and manage the risks involved in investing.

A good starting point in asset allocation is identifying what kind of investor you are and developing a personal investor profile. The risk tolerance quiz in the Asset Allocation Guide will be a big help to you in this effort.

We also looked at the major types of investments, or asset classes:

- Stocks,
- Bonds,
- Stable value or cash equivalents, and
- Target date or lifecycle funds.

Asset Allocation

Asset Allocation

- Can maximize returns while managing risk
- What kind of investor are you?
- Model portfolios
- Risk and return

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Another aspect of asset allocation that we reviewed is how helpful model portfolios can be. You may want to review the model investment mixes in the Asset Allocation Guide to help you build your own portfolio or compare your current mix to models that take into account the number of years to retirement.

To get the big picture on how certain investments compare when you consider potential return and the risks associated with higher potential returns, we looked at what's called the risk-reward spectrum. The spectrum is also included in the Asset Allocation Guide so that you can refer to it again.

Asset Allocation

Questions?

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I appreciate your time today, and I hope I've been able to give you practical information about asset allocation that you can start using today.

Please keep the Asset Allocation Guide handy for future reference.

Are there any questions?