Wi$e Up Teleconference Call
April 28, 2006
Invest for Your Success
Questions and Answers

Angela Rizzolo: Well, thank you. We certainly have learned a lot from our three
speakers today. Let me just make sure – Nicholl, are you still on with
us?

Coordinator: I’m sorry; she has disconnected.

Angela Rizzolo: Okay. I knew she had another obligation, so if there are any questions
for Nicholl, perhaps our other two speakers can answer. And if not,
we’ll take your question and then post it later on on our Web site
(www.wiseupwomen.org) with an answer from Nicholl.

So, do we have any questions?

Coordinator: If anyone has a question or comment, please press star followed by 1
on your telephone touchpad. If you’re using speaker equipment, you
may need to lift your handset prior to pressing star 1. Should you wish
to cancel your question, please press star 2. Also, once you have
signaled that you have a question, you will be prompted to record your
first and last name for pronunciation purposes only.

Once again, that’s star followed by 1 on your telephone touchpad if
you have a question.

We have a question from Vincentia Georg.

Angela Rizzolo: Yes.

Vincentia Georg: Hello.
Angela Rizzolo: Yes.

Vincentia Georg: I need to find out more about how does the IRA work in regard to tax laws. The IRA regarding taxes, saving for retirement?

Angela Rizzolo: Anybody want to tackle that?

Mackey McNeill: Well, I will. This is Mackey McNeill, and I apologize I don’t have my tax – anymore you have to have your tax manual with you. I can’t recite tax laws off the top of my head. Congress makes it too complicated. But -- is it Vincentia?

Vincentia Georg: Uh-huh, yes.

Mackey McNeill: Vincentia, in general what happens is an IRA -- there are two kinds of IRAs: the basic IRA and a Roth IRA. A regular or basic IRA - you put money into an IRA and you get a tax deduction for that. The money grows tax-free, so the income from the IRA is not taxed to you as long as it’s in the IRA. And when you start to take the money out, as long as you take it out after [age] 59-1/2, all you have to pay is the income tax when you do take it out. So if you put say over the course of time you put $30,000 into an IRA and it grows to $90,000. You’ll eventually take that money out and that money will be taxed to you as ordinary income.

Vincentia Georg: And that’s at [age] 59-1/2?

Mackey McNeill: If you take it out before [age] 59-1/2, there’s a 10% penalty and you have to pay the income tax.
Vincentia Georg: Oh.

Alyssa Rakovich: Now, if you want to take money out prior to 59-1/2, there’s something called 729(t), which is substantial equal payments.

Mackey McNeill: Right, right. If you take a 72(t) distribution, which is – I don’t know if we want – are you looking to take a distribution prior to 59-1/2?

Vincentia Georg: There’s a possibility; I’m not quite sure. I’m only 51, and I have some time to go before retirement. Someone had told me about a Roth IRA, and I just wanted to know the difference between the IRAs, which one I should invest in. So which one do you think I should invest in; the basic or the Roth IRA?

Mackey McNeill: Well, the investments can be the same. The Roth IRA works very differently. So in other words when you ask what should you invest in, it’s really a matter of what tax attributes you want because you can purchase the same investment in the account.

Let me tell you a little bit. The Roth IRA works differently in that you do not get a [tax] deduction for the money that goes into the Roth IRA, and if you don’t need the money – I mean as the money grows you still don’t pay tax on it, but when you take the money out you don’t pay tax on it at all.

Vincentia Georg: Oh, so the Roth is even better.

Mackey McNeill: The Roth is much better if you have a long time period, but you lose the current tax deduction. So if the primary thing you want today is a tax deduction, the Roth doesn’t meet that objective. But if you’re
saying I can do without the tax deduction, but I sure do like the tax deferral, then the Roth is a good thing.

And I would also say to you, if you’re interested in providing an inheritance as part of your financial plan, something you’d like to do, the Roth is a nice tool to leave as an inheritance vehicle.

Vincentia Georg: Okay. And you can withdraw that money at 59-1/2, no penalty, no…

Alyssa Rakovich: You can actually take the money you put into a Roth out from a Roth.

Vincentia Georg: Oh, you can at any time?

Alyssa Rakovich: For certain things – first time home buying, certain medical expenses and education expenses.

Vincentia Georg: Okay. And now is there any penalty for that?

Alyssa Rakovich: No.

Mackey McNeill: You would have to pay tax on the earnings if you took the earnings out.

Vincentia Georg: Okay, only on the earnings.

Mackey McNeill: M-hmm. But your best benefit, Vincentia, is to leave it in there, obviously.

Vincentia Georg: Okay. All right. Okay, give me a rough calculation. I’m 51. I think the amount now you can actually contribute to the Roth IRA is how much, about $5,000?
Alyssa Rakovich: If you’re over 50, yes.

Vincentia Georg: Five thousand dollars.

Alyssa Rakovich: Forty-five hundred and then there’s a catch-up provision.

Vincentia Georg: Okay. 51 … So I would have to do that until I’m 60 – what is the retirement age, 62?

Angela Rizzolo: Depends upon your birth date for Social Security.

Vincentia Georg: Wow.

Mackey McNeill: But as long as you have earned income and you don’t have another retirement plan you can continue to contribute to the Roth.

Vincentia Georg: Okay. Okay, so about roughly how much would that be at age 62, 51 to 62?

Mackey McNeill: I don’t know. I would think there’s a lot of online calculators. I would suggest you go online and do it, you know, put your numbers in and your rate of return and do a calculation there.

Angela Rizzolo: This is Angie Rizzolo in Boston. If you go to www.fool.com there’s all kinds of calculators. [Note: The Ballpark E$timate (http://www.choosetosave.org/ballpark/) is an easy-to-use, two-page worksheet that helps you quickly identify approximately how much you need to save to fund a comfortable retirement.]

Vincentia Georg: www. What?

Vincentia Georg: Ford?

Angela Rizzolo: Fool, F-O-O-L.

Vincentia Georg: F-O-O-L.

Angela Rizzolo: There’s a number of other ones as well. You can also Google and put in financial calculators and you’ll get more than you’ll ever need in your lifetime.

Vincentia Georg: Okay. So what is the interest rate on Roth IRAs, do you know?

Angela Rizzolo: Depends upon where you’re going.

Vincentia Georg: Hmm?

Alyssa Rakovich: Depends on what investment vehicle you use.

Vincentia Georg: Oh, okay.

Alyssa Rakovich: You can put, you know, [money in] CDs, bonds, mutual funds; it depends on where you put the money.

Vincentia Georg: All right.

Angela Rizzolo: And the type of product and what it offers in terms of interest.
Vincentia Georg: Okay. I had another question [about] the risk of investment. … because I had them for three or four years, and practically everything I contributed to it went down the drain because of the market. And so now I’m trying to be very careful.

Cynthia Dawkins: Well, if you have additional questions you can always post them on the Women’s Bureau Web site [www.wiseupwomen.org], and we’ll try to get them answered for you.

Vincentia Georg: Oh, all right.

Cynthia Dawkins: You may want to give another caller a chance to ask a question. Thank you for calling.

Vincentia Georg: Thank you.

Angela Rizzolo: Lindie, any other calls?

Coordinator: Yes, Nancy Granovsky.

Angela Rizzolo: Hi, Nancy.

Nancy Granovsky: Good afternoon. I’ve enjoyed very much the presentations by all of the speakers, and I would like one of the two remaining speakers to address one of the things that we tend to see now in the investment world and that is the sort of proliferation of index mutual funds into a variety of sectors and also the same thing with exchange-traded funds. Could you address this and perhaps provide a little bit of guidance with regard to risk/return relationships?
Alyssa Rakovich: Sure. Mackey, do you want to take that, or do you want me to take that?

Mackey McNeill: Why don’t you take that?

Alyssa Rakovich: Okay. Mutual funds vary because we’re seeing, you know, there’s the Vanguard 500 Index Fund and then you can go out and you can buy the iShares Russell 1000 Growth Index. You can buy the SPDRs (Spiders), which is the S&P 500.

What’s the difference between buying the S&P 500 and buying a mutual fund that’s managed by a mutual fund manager? A mutual fund manager’s job, if it’s not an index fund, is to try and beat whatever index he’s put against. Now that mutual fund is going to have higher expenses because they’ve got to pay that manager, but hopefully the manager will try and outperform whatever index he’s based on.

It’s a difficult job for managers, so we’ve found that we’ve seen a lot of people buying index funds because they can get the performance of those various indices and they’re a lot less expensive. The average internal expense ratio is maybe .25%, which is one quarter of 1%, versus a managed mutual fund which will run anywhere from 1% to 2%.

Mackey McNeill: Nancy, I’d just add that, you know, to some extent it depends on your investment philosophy. Index funds and exchange-trade funds are a good way to pick up – I think, Alyssa, you talked about this – the return on an asset class.

Alyssa Rakovich: Exactly.
Mackey McNeill: Without, as she mentioned, without the expense.

Alyssa Rakovich: But you don’t get the management. So if you buy the S&P 500 you get the S&P 500. And if it’s down 23% in one year, which has happened, you’re down 23% in one year, whereas if you have more diversification or a money manager that his job may be to try and outperform or underperform, not take as much risk, as the index or take greater risk than the index.

And that’s important when you look at these mutual funds because some managers are going to try and have better performance and some are going to say well, we don’t care if we outperform in up markets, we just don’t want to lose you as much in down markets.

So it’s important to know what type of managers you’re buying if you’re not buying indexes.

Angela Rizzolo: Okay, is there another question?

Coordinator: Once again if you have a question or comment, please press star followed by 1 on your telephone touchpad at this time.

Angela Rizzolo: I guess while we’re waiting – this is Angie in Boston – can either of you talk a little bit about buying penny stocks or one stock at a time kind of programs? I know DRIP does something like that, correct?, where you buy one stock and then you just keep buying from the company?

Alyssa Rakovich: You have to buy the stock first but you can buy one share of the stock and then once you buy that one share you can get the phone number
for the company and call up the company and they’ll send you a form and you can actually set up an automatic investment into that company. And that works well for people if they have an interest in one stock.

I don’t believe in penny stocks. I think the important thing -- one of my rules to investing is always invest in quality.

Angela Rizzolo: Okay.

Alyssa Rakovich: And diversification. Those are two of the five rules. So I just -- you want to make sure that if you’re buying individual stocks -- and I have friends that love DRIPs because they have this one company, say it’s Apple Computer for example, and they’ve always like it; they had one; they believe in it, so they want to buy it, but it’s expensive to pay a commission every time.

Angela Rizzolo: Right.

Alyssa Rakovich: So they go direct to the company. That’s where I think it serves a purpose. Penny stocks I just don’t believe in.

Angela Rizzolo: So for any of us out here who like a certain company, if you just look up the company online and go somewhere to where it says buy stock, you can actually buy one stock?

Alyssa Rakovich: No, you have to first buy one share. You have to buy at least one share either on e-Trade or wherever you go, through a broker, anywhere.

Angela Rizzolo: Okay.
Alyssa Rakovich: And once you purchase that one share the company will have you on their books as a shareholder and you can set up a direct dividend reinvestment and a direct investment program with them. It’s something like $10 a year; it may have gone up a little bit, but that’s what it costs. And you can buy odd lots, so if you want to put $50 a month and the stock costs, you know, $39 you can buy quarter shares and you can put that whole $50 in.

Angela Rizzolo: Right, okay.

Mackey McNeill: Yeah, I would just echo the stay away from penny stocks comment. I don’t think that’s really appropriate for too many people out there.

Coordinator: We have a question from Jennifer Grand.

Angela Rizzolo: Go ahead, Jennifer.

Jennifer Grand: Hi, thanks for taking my question. I’m 24, and I’m just kind of getting started in the process here. And I’ve been putting aside some money into a Roth IRA, but I’m just a little confused over what is best to do with that. I have it in a mutual fund right now, but I don’t know that I’m able to, you know, compare the best mutual funds.

I was wondering if you could recommend maybe some Web sites that might be good or where to go for the best information.

Mackey McNeill: Jennifer, this is Mackey McNeill. Something I would recommend is, as you’re young, is there’s a group called the American Association of Individual Investors.
Mackey McNeill: It’s just – the Web site is www.aaii.com just an A and A and I and I.com. The membership is $45 a year I think, $40, $45 a year. So it’s very inexpensive, and it’s a purely educational association, so you don’t have to worry about anybody who has anything to sell or if the advertisers are maybe, you know, there’s no advertisers. It’s just purely educational. But I would recommend that you use that.

And the other thing I would say is that if you start looking at how money works, and I’ve forgotten which of the speakers talked about compounding, but really you have about six years before return makes a whole lot of difference. I would really kind of advise you differently than what most people would in that don’t do anything too risky with your money until you’ve got clear about how you’re going to invest it and what your investment strategy is and you’re comfortable with it. Of the three components of making money -- which are time, amount and return -- return makes very little difference in the first six years.

Now once your portfolio grows, and as you get out and you’re now – somebody talked about doubling your -- Rule of 72 tells you how often your portfolio will double – obviously, you know, if you have 1/2 million dollars and it’s doubling, it’s doubling to $1 million. Well, if you have $2000 it’s doubling to $4000, you know, it’s a little different.

So once you’re into your plans 9 to 12 years, in that timeframe, then return becomes critical. So in the beginning the most important thing is don’t lose the money.

Jennifer Grand: Right. Okay, thanks a lot.
Mackey McNeill: M-hmm.

Alyssa Rakovich: And if you have a parent, you know, if your parents have a trusted advisor that they work with, usually those advisors are willing to sit down with, you know, their clients’ children and help them do a financial plan.

Jennifer Grand: Okay, thank you.

Coordinator: LaVerne Ross?

Laverne Ross: Hi, this is LaVerne from the Denver, Colorado, area. My question was somewhat the same as Jennifer’s. I was with [company], and we lost a lot of our money through our 401(k) because a big portion of my money was in their stock, and their stock dropped down to about $1.50 a share. And, you know, you recommended to Jennifer to look at this one company.

If you were looking at – if you were to just pick companies right now that would be a safe investment based on Enron, the telecommunications businesses, where would you say would be a safer area to invest?

Mackey McNeill: Alyssa, I’ll let you take this one, but let me go back a minute, LaVerne. The AAII is not a company to invest in. It’s a Web site -- it’s a membership organization that helps you gain knowledge and understanding of investments.

LaVerne Ross: Okay.

Mackey McNeill: So it’s really a tool to put in your tool basket.
LaVerne Ross: Okay.

Alyssa Rakovich: The most important thing is there’s no safe investment, okay? It’s all a matter of what you’re willing to risk for what type of return you want to get. CDs aren’t even safe investments because are you willing to risk the fact that your principal is not growing to get a guaranteed rate of return, okay? So with anything that you put your money into there’s inherent risk.

What it seems like to me -- how far along are you from retirement?

LaVerne Ross: I am 10 years.

Alyssa Rakovich: Okay. There are a lot of investments out there that are available to you that would give you equity exposure because that’s what you probably need to rebuild your portfolio but protect your principal. And some of those may even be some annuity investments where you can get a guarantee on your principal so you can be guaranteed never to lose that money but have the upside of being able to participate in the market.

So I would search out for a reputable, you know, planner, certified financial planner or a registered representative or a brokerage firm in your area and sit down and talk to some people and try and get some good advice.

LaVerne Ross: Okay.

Angela Rizzolo: Okay, we have time for one more question.

Coordinator: I’m showing no other questions at this time.
Angela Rizzolo: Okay. Maybe I’ll go to the speakers. Any one last sentence you want to say to everybody?

No?

In that case, we’ll turn it over to Cynthia Dawkins who will give our closing remarks.