Retirement planning now: rebounding in a changed world
How has your retirement outlook changed since the crisis?

<table>
<thead>
<tr>
<th>Before financial crisis</th>
<th>After financial crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Positive</td>
<td>• Realistic</td>
</tr>
<tr>
<td>• On the right track</td>
<td>• More uncertain</td>
</tr>
<tr>
<td>• More optimistic</td>
<td>• Cautious</td>
</tr>
<tr>
<td>• In control</td>
<td>• Some long-term optimism</td>
</tr>
</tbody>
</table>
It’s not just your outlook that’s changed—it’s the world

<table>
<thead>
<tr>
<th>Strategies like “buy and hold” and “buy during the dips” haven’t always worked</th>
<th>Homes won’t provide as much equity to help support retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anxiety about job security is at a peak</td>
<td>A staggering federal deficit continues to make economic health uncertain</td>
</tr>
</tbody>
</table>
Getting retirement back on track

The realities of retirement
Growing and protecting assets post-crisis
How we can help you
The realities of retirement
New challenges as you head toward retirement

How do I repair my personal balance sheet?

How do I recapture the wealth I’ve lost?

How can I help protect myself from future losses?
Some enduring principles as you plan for retirement

Planning is the foundation for sound asset management

Be disciplined about saving and investing

Make the most of tax-advantaged plans

Take advantage of the strength of diversification

Diversification does not assure profits or prevent against losses in declining markets.
It’s important to prioritize your retirement goals

- **Needs**: True essentials like housing and health insurance
- **Wants**: Pursuits that can enhance our lives such as travel
- **Wishes**: Aspirations; the dreams you hope to fulfill
Growing and protecting assets post-crisis
Repairing your personal balance sheet

Retirement planning for many is being impacted by:

- Excessive “cash” or liquid funds on the sidelines
- High debt levels

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* WMR

**Average credit card debt per household with credit card debt: $15,788. Calculated by dividing the total revolving debt in the U.S. ($852.6 billion as of March 2010 data, as listed in the Federal Reserve's May 2010 report on consumer credit) by the estimated number of households carrying credit card debt ($54 million).
Some repair strategies:
better cash and debt management

### Cash balance management
Consider making cash work harder while maintaining liquidity by:
- Laddering assets through Treasuries or CDs with different maturities (6 months to 2 years)
- Managing spending to consider making more cash available for growth opportunities

### Debt management
Consider reducing debt by:
- Paying down your high-interest debt first
- Refinancing your mortgage and other debt
- Exploring alternative borrowing options such as securities-backed lending
Recapturing lost wealth on the way to retirement

The situation:

- Uncertainty has reduced our willingness to take risk
- Limited upside potential for markets expected in the near to medium term
- Yet, significant growth may be needed to meet goals
A few strategies at a glance

- Dividend growth stocks
- Tactical asset allocation
- Leveraged and structured products
- Covered calls
- Step-up bonds
- Master limited partnerships
Dividend growth stocks

Select dividend growth stocks offer advantages like:

- May have more attractive average yields than many other stocks
- Yields may be more stable in mature companies with potentially lower relative risk
- Historical and prospective dividend growth may provide enhanced yields over time

WMR Dividend Ruler Stocks must have dividend yield at or above the S&P 500’s average yield. Past performance is no guarantee of future results. There are no guarantees that dividend-paying stocks will continue to pay dividends. In addition, dividend-paying stocks may not experience the same capital appreciation potential as non-dividend-paying stocks.
Tactical asset allocation

<table>
<thead>
<tr>
<th></th>
<th>S&amp;P 500</th>
<th>Worst-performing sectors</th>
<th>Best-performing sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>-10%</td>
<td>Technology</td>
<td>-41%</td>
</tr>
<tr>
<td>2001</td>
<td>-13%</td>
<td>Utilities</td>
<td>-32%</td>
</tr>
<tr>
<td>2002</td>
<td>-23%</td>
<td>Technology</td>
<td>-38%</td>
</tr>
<tr>
<td>2003</td>
<td>26%</td>
<td>Telecom</td>
<td>3%</td>
</tr>
<tr>
<td>2004</td>
<td>9%</td>
<td>Healthcare</td>
<td>0%</td>
</tr>
<tr>
<td>2005</td>
<td>3%</td>
<td>Telecom</td>
<td>-9%</td>
</tr>
<tr>
<td>2006</td>
<td>14%</td>
<td>Healthcare</td>
<td>6%</td>
</tr>
<tr>
<td>2007</td>
<td>4%</td>
<td>Financials</td>
<td>-21%</td>
</tr>
<tr>
<td>2008</td>
<td>-38%</td>
<td>Financials</td>
<td>-57%</td>
</tr>
<tr>
<td>2009</td>
<td>26%</td>
<td>Telecom</td>
<td>9%</td>
</tr>
</tbody>
</table>

Best-performing sectors: 52% - Utilities, 2% - Consumer discretionary, 36% - Consumer discretionary, 29% - Energy, 32% - Telecom, 32% - Energy, -18% - Consumer staples, 62% - Technology

Worst-performing sectors: -41% - Utilities, -32% - Consumer discretionary, -38% - Consumer discretionary, -9% - Energy, 6% - Telecom, -21% - Energy, -57% - Consumer staples, 9% - Technology

Past performance is no guarantee of future results. The performance of the indexes does not illustrate the performance of any security. Individual investors cannot directly purchase an index.
## Structured products

### Advantages
- Can provide exposure to the market with lower capital commitment
- May be used as a partial replacement strategy for stocks
- Frees up more of your money for other opportunities

### Considerations
- Varying risk levels ranging from moderate to high depending on the specific underlying investment(s)
- All payments, including any available protection, are subject to the credit risk of issuer
- Limited or no liquidity
## Writing covered calls

### Advantages
- Provides additional income while holding stock position
- Lowers breakeven point on stock investments
- If call option expires without being exercised, the call may be written again

### Considerations
- Limits upside potential
- Does not protect you against downside risk
### Other nontraditional opportunities

#### Step-up bonds

- Above-average initial interest rates; issuer may call/redeem bonds at discretion
- Possible coupon increase in the future
- As with all callable corporate bonds, risks may include credit, call, interest rate and liquidity

#### Master limited partnership (MLP)

- Primary focus in energy infrastructure and related fields
- Can offer significant income, growth potential, tax deferrals
- High portion of returns are usually cash distributions
- Equity-like volatility means investors should be selective when considering MLPs

See important disclosure at the end of this presentation.
Striving to protect against loss: diversification and beyond

Diversification is always critical in managing risk, but…

There are other strategies that can help protect your investments

- Put option strategies
- Rebalancing your fixed income portfolio
- Treasury inflation-protected securities (TIPS)
- Variable rate bonds
- Annuities
Put option strategies

If you hold a stock but worry about downside risk…

But you don’t want to sell because you believe it may rise in value…

You can help protect against loss with a put option

Even if the stock price is down, you can sell at an established price with your put.
Review and rebalance your fixed income portfolio

A portfolio review can help you determine:

- If you’re overly concentrated in specific securities or industries
- Which choices make sense for your risk tolerance
- When a laddered portfolio with different maturity dates might make sense
Hedging against unfavorable events

<table>
<thead>
<tr>
<th>Concerns</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising inflation</td>
<td>• Treasury inflation-protected securities—adjusted for inflation</td>
</tr>
<tr>
<td>Rising interest rates</td>
<td>• Variable rate bonds</td>
</tr>
<tr>
<td></td>
<td>• Laddered portfolios with shorter average durations</td>
</tr>
<tr>
<td>Future income tax increases</td>
<td>• Tax-free municipal bonds in essential services (water, sewer revenue, etc.)</td>
</tr>
</tbody>
</table>
Variable annuities

Provide balance between protection and growth

You can typically choose subaccounts that invest in stocks and/or bonds or other investment options

The insurance company typically promises a minimum future income stream

Income can rise if value of underlying investments rises

Variable annuity products are sold by prospectus. For more complete information about a fund, including the investment objectives, charges, expenses and risk factors, contact a Financial Advisor for a free prospectus. The prospectus contains this and other important information that clients should review carefully before investing.

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How we can help you
Financial planning driven by your needs and goals

Our process is designed to:

- Help you identify your retirement goals
- Understand your asset allocation, income and expenses
- Assess whether you are currently on track to reach your goals
- Run hypothetical scenarios to weigh different options
Our conversations together

You | Priorities | Goals | Hopes | Fears | Assets | Risk tolerance

Your financial plan

Empathy | Understanding | Clarity | Insight | Analysis | Strategy | UBS Financial Advisor
What stands behind our work together

You

True wealth management | Experience and perspective
Our global presence | Private investor research | Integrated thinkers
Open product offering | Financial strength

UBS
Our next conversation

Personalized name
Contact info
Line 3
Line 4
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Individuals cannot invest directly in any index.

**Standard & Poor's 500 Index** – is a commonly recognized, market capitalization weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance. Covers 500 industrial, utility, transportation and financial companies of the U.S. markets (mostly NYSE issues). Individuals cannot invest directly in any index.

**Investor Suitability – Equity Risk.** The value of investments in equity securities will fluctuate in response to general economic conditions and to changes in the prospects of particular companies and/or sectors in the economy.

**Investor Suitability – Fixed income.** The value of the portfolio will fluctuate based on the value of the underlying securities. Two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments.

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Optional slides
Better sooner than later

The advantages of starting early

Assumptions: Based on $5,000 annual contributions. The early starter begins saving at 35 and the late starter at 45. Both save for 20 years at a 7% annual rate of return compounded monthly.

This illustration is hypothetical and not intended to represent the performance of any specific investment. Hypothetical rate of return is based on a UBS moderate portfolio model. Distributions from tax-deferred retirement accounts are subject to income taxes and a possible 10% early distribution penalty.

Source: UBS Wealth Management, as of July 28, 2010
The power of tax-deferred assets

Assumptions: $5,000 annual contributions for 20 years at a 7% annual rate of return compounded monthly and 28% effective federal income tax rate.

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable account</td>
<td>$269,221</td>
</tr>
<tr>
<td>Tax-deferred account</td>
<td>$527,801</td>
</tr>
</tbody>
</table>

$380,017 (after taxes)

This illustration is hypothetical and not intended to represent the performance of any specific investment. Hypothetical rate of return is based on a UBS moderate portfolio model. Distributions from tax-deferred retirement accounts are subject to income taxes and a possible 10% early distribution penalty.

Source: UBS Wealth Management, as of July 28, 2010