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The LegendEdge

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Planning for Long-Term Care Expenses



Failing to plan for the costs associated with long-term care can wreak havoc on your nest egg.

As the baby boomer generation ages, statistics indicate a growing need for long-term care. It is estimated that sixty percent of people who attain age 65 will require long-term care at some point in their lives.¹

But the need for long-term care is not limited to retirees. Studies reveal that 40% of people receiving long-term care services are working age adults, between the ages of 18 and 64.¹ Their need can result from chronic illness, injury or disability.

Many Americans are currently dealing with the emotional and financial impact of providing for the long-term care needs of a family member. In-home care is often delivered by a relative who may be burdened with both childrearing and elder care responsibilities. And while the services of a home health aide may be enlisted, the average annual cost of home care is well over \$20,000² for just 25 hours of care per week. By 2030, this cost is expected to reach \$68,000.³

Furthermore, the average annual cost of a semi-private

room in a nursing home is currently \$70,080.² By 2030, this figure is projected to skyrocket to \$190,600.³ With the average nursing home stay estimated at 2.6 years,⁴ the total cost will approach nearly a half million dollars!

Will you have saved enough to pay for these types of expenses? And, if you did, would you want to spend your savings on long-term care?

Unfortunately, some people believe that their health insurance, Medicare or Medicaid will foot the bill for long-term care. But most health insurance plans normally cover only acute care that is required for a short period of time. Medicare offers limited benefits for those who receive care in a skilled nursing facility following a hospital stay. Generally, Medicare recipients are disabled or have reached full retirement age as defined by the Social Security Administration. Medicaid is a government program designed to help those in dire financial need. In most cases, almost all of your assets and your spouse's assets must be depleted

before benefits will be paid, and even then Medicaid will not cover most home care, which is the setting most people prefer.

That's why many people seek to protect their assets by purchasing long-term care insurance. With long-term care coverage, it is possible to defray the expenses of extended care without placing your income, retirement nest egg and other investments at risk. In addition, long-term care insurance provides for increased control over your care choices and the peace of mind that comes with knowing your future needs are covered. ◀

¹ "Where does the Population Live and Who Cares for Them? LTC: Diverse, Growing Population Includes Millions of Americans of All Ages," U.S. General Accounting Office 1/01.

² MetLife Market Survey of Nursing Home and Home Care Costs; September 2004

³ "Can Aging Baby Boomers Avoid the Nursing Home?", Stucki, B. and Mulvey, J., American Council of Life Insurers, March 2000, p. 15

⁴ Conning & Company, "Long-Term Care Insurance – Baby Boom or Bust?", 1999, p. 15



Don't be a Victim of Identity Theft

While vigilance with your personal information may reduce the risk of identity theft, the reality is that no one is immune to this growing threat. A recent General Accounting Office report estimates that as many as 750,000 Americans are victims of identity theft every year. And that number may be low, as many people may not report the crime or even know they've been victimized. "Eighty percent of the victims who call us say they have no idea how it happened," says Joanna Crane, program manager of the Federal Trade Commission's Identity Theft Program.

It is important to understand how your privacy can be compromised, as well as the consequences of such a breach. The Federal Trade Commission (FTC) has compiled a few tips to help you decrease the likelihood that your identity will be stolen.

- Don't give out personal information on the phone, through the mail or over the Internet unless you've initiated the contact or are sure you are dealing with a legitimate organization.
- Treat your mail and trash carefully. Tear or shred charge receipts, copies of credit applications, insurance forms, physician statements, checks and bank statements, and credit offers. Furthermore, if you do not wish to receive credit card offers via the mail, you may opt out by calling 888-5-OP-TOUT (888-567- 8688).



- Ask about information security procedures in your workplace or at businesses, doctor's offices or other institutions that collect personally identifying information from you. Find out who has access to your personal information and verify that it is handled securely.
- Don't carry your social security card around with you; leave it in a secure place. Give out your SSN only when it is absolutely necessary. Ask to use other types of identifiers when possible. If your state uses your SSN as your driver's license number, ask to substitute another number. Do the same if your health insurance company uses your SSN as your account number.
- Be wary of promotional scams. Identity thieves may use phony offers to get you to give them your personal information.
- When ordering new checks, pick them up from the bank instead of having them mailed to your home mailbox. ◀

Eighty percent of the victims who call us say they have no idea how it happened.

—Joanna Crane, program manager of the Federal Trade Commission's Identity Theft Program

Source: www.consumer.gov/idtheft

2005 & 2006 Maximum Retirement Contributions & Over Age 50 Catch-Up Provisions

Retirement plan contribution limits have increased for 2006! As your career progresses, you may wish to periodically increase the amount you are saving for your future. This can mean the difference between reaching your goals and falling short. Congress has mandated higher contribution limits to enable you to retire more comfortably – the rest is up to you.

	Retirement Contributions		Over Age 50 Catch-Up Contributions	
	2005	2006	2005	2006
§403(b) Plans	\$ 14,000	\$ 15,000	\$ 4,000	\$ 5,000
Traditional IRAs	\$ 4,000	\$ 4,000	\$ 500	\$ 1,000
§457 Plans	\$ 14,000	\$ 15,000	\$ 4,000	\$ 5,000
Roth IRAs	\$ 4,000	\$ 4,000	\$ 500	\$ 1,000
§401(k) Plans	\$ 14,000	\$ 15,000	\$ 4,000	\$ 5,000
Simple IRAs	\$ 10,000	\$ 10,000	\$ 2,000	\$ 2,500

with *Shashi Mehrotra, CFA, Chief Investment Officer, Legend Advisory Corporation*

What are the most common investing mistakes?

One mistake that investors make is attempting to time the financial markets. If history is any guide, investors have generally bought and sold at the wrong time. For example, when the markets continue to climb for a long time, investors are prone to buying. I believe this is because they let greed get the best of them. On the other side of the coin, when the markets have been consistently beaten down over time, investors tend to be fearful, and that's usually the time they sell. These twin emotions of greed and fear compel investors to act in a manner that is the exact opposite of what they probably should be doing in order to be successful over the long-term. As far as timing the markets is concerned, many investors have consistently been wrong both on the buying side as well as on the selling side. Consider the following study by Dalbar:

T-Bill Return	SP 500 Return	Individual Investor Return
4.8%	13.2%	3.7%

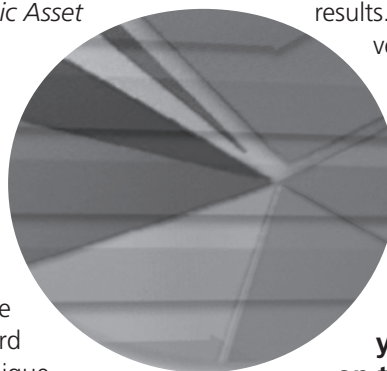
Source: Dalbar 2005 (Data period 1985-2004)

According to this study, the individual investor returns are about a quarter of the S&P 500 and even less than the 3-month Treasury Bill returns.

How do investors avoid these pitfalls?

By seeking out professional guidance. Financial markets tend to be volatile and the up and down swings can lead to anxiety for the investor. This sometimes results in selling holdings prematurely. Two sound strategies that can make the investment journey less stressful are investing in mutual funds and proper asset allocation. Mutual funds offer diversification and professional money management. Furthermore, investing in a mutual fund asset allocation program like Legend Advisory

Corporation's *Strategic Asset Management (SAM)* program may make a client's investment journey smoother, and therefore may lead to a better end result. A suitable asset allocation model takes into account the appropriate risk/reward trade-off, which is unique to every investor.



What do you mean by "risk/reward" trade-off?

By risk/reward trade-off, I mean that investors should look at both the potential risk and reward of an investment. An investor should not just look at the reward in terms of performance while ignoring risk.

As an example, over the past two years, I have been extremely bullish on international markets; more specifically, the Japanese equity markets and emerging markets, which are typically viewed as more aggressive asset classes. The investment committee allocated SAM portfolio assets according to our models and therefore, we have invested more in these two asset classes—in accordance with each portfolio's tolerance for risk. For that reason, these two asset classes have a greater representation in the more aggressive models, which are suitable for investors who can afford to take a greater amount of risk because they have a longer time horizon. The fact that these investors had a greater tolerance for risk allowed them to be rewarded with better performance for this time period.

During the same time period, investors in more conservative portfolios may not have participated in the returns of the emerging markets due to their lower tolerance for risk. Their risk/reward trade-off may dictate that emerging markets are too aggressive for their portfolios.

Of course, in both scenarios, past performance is not indicative of future

results. The principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original purchase price.

You mentioned international investing. What is your current perspective on the markets?

During the bull market of the 1990s, the international equity markets did not participate as much as the domestic equity markets in overall performance. I believe that international markets, particularly the Japanese and the other Asian markets, look very promising over the next five to ten years. Most of the financial market gains in 2005 were outside of the US, and I expect more of the same in 2006. For the last couple of years, I have been stubbornly bullish on the Japanese equity markets. I believe that Japan is well on its way toward the realization of a secular bull market. Japan's capitalization was approximately 150 percent of the US markets' capitalization in 1989 and currently it stands at about one fourth of the US market's capitalization. The Japanese dividend yield is more than two times what it was in 1989, and the Japanese equity market has more than doubled since its low in 2003. This could bring some cyclical weakness in the coming year, but over the long-term, I believe there is overwhelming evidence to support the case for more appreciation.

What is your outlook for the first half of 2006?

The global financial markets have enjoyed a cyclical bull for over three years. In my opinion, the first half of 2006 could be tricky as there is a good possibility the markets may get stuck in a consolidation phase. So far, our financial models have been fairly accurate in

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MARKET OUTLOOK

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predicting the areas of the globe that have recently offered better return prospects. Currently the models continue to favor international markets, particularly the Japanese equity markets. When the models change their direction, we will move assets in our SAM portfolios accordingly, in an attempt to take advantage of the changing investment landscape. ◀

Before investing in a mutual fund, consider its investment objectives, risks, charges and expenses carefully. The prospectus, which contains this and other information about the mutual fund, can be obtained by contacting Legend Equities Corporation. Please read the prospectus carefully before you invest or send money.

Direct investment cannot be made in any of the indexes cited and index performance is not indicative of any specific investment. Past performance is not indicative of future results.

Boomer BLURBS



The Baby Boom Generation includes more than 78 million people born between 1943 and 1964. This generation is the largest and most influential ever seen in one demographic. When it comes to retirement, Boomers clearly aspire to live actively.

- 76% of Boomers said unequivocally that their ideal life plan in retirement includes work.
- 42% expect to repeatedly “cycle” between periods of work and leisure, while 16% plan to work part time.
- 13% plan to start their own business while 6% plan to work full time.
- Only 17% hope to never work for pay again.

*(Source: Merrill Lynch study
“The New Retirement Survey” 3/04)*

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