



Sara E. Peterson

Registered Representative
Legend Equities Corporation

Clifford & Rano Associates, Inc.

57 Cedar Street
Worcester, MA 1609

Phone: 508-752-8284

Toll-free: 800-660-8284

Cell: 339-222-8844

Fax: 508-754-1489

sarapeterson@legendequities.com

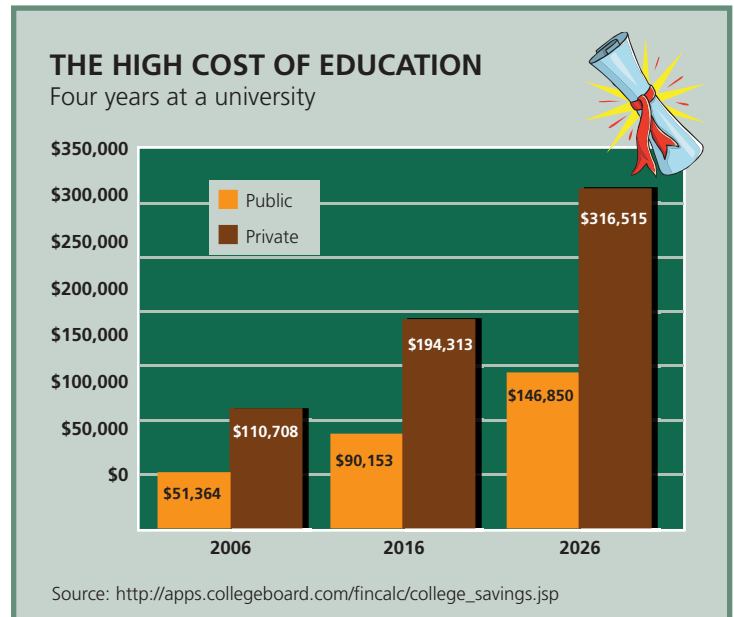
The LegendEdge

Third Quarter 2006

Combat the Costs of Higher Education with a College Savings Plan

Paying for college has never been easy, particularly for families with competing financial goals. According to the College Board's *Trends in College Pricing 2005*,¹ the average tuition for an undergraduate attending a four year public university has risen 7.1%—more than double the rate of inflation. With the cost of a college education continuing to escalate, planning ahead can mean the difference between having enough to meet future expenses, and falling short.

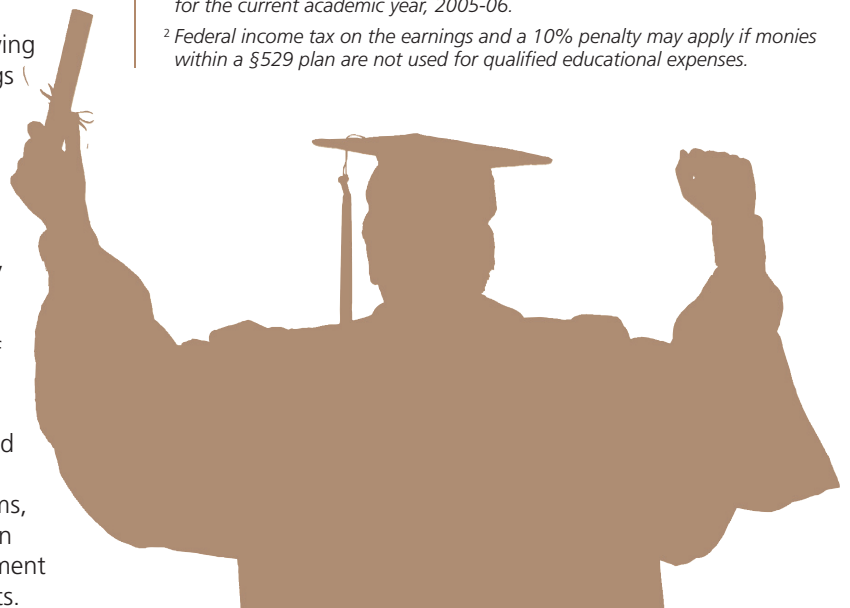
Many college savings vehicles are available, including tax-advantaged savings plans and loyalty programs. With tax advantaged plans, investment earnings are treated as tax-free if the distribution is for qualified higher education expenses.² This way, taxes will not erode your account, allowing more of your savings to work for you over time. Loyalty programs are often structured to provide cash back on everyday purchases, with rebates earmarked for the college savings plan of your choice. Other college savings options include prepaid tuition plans, credit card rebate programs, early retirement plan withdrawals, retirement plan loans and trusts.



But regardless of the strategy you employ, the most important thing is to begin. That's because when it comes to investing for the future, the power of time can make a little go a long way. ◀

¹ *Trends in College Pricing 2005* is based on data collected in the College Board's Annual Survey of Colleges, 2005-06. It reports tuition, fees, and other charges for the current academic year, 2005-06.

² Federal income tax on the earnings and a 10% penalty may apply if monies within a §529 plan are not used for qualified educational expenses.



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The Legend Group

Estate Planning – About Wills and Trusts

A will is a written document that essentially identifies who is assigned your property when you die. A trust is a legal arrangement specifying one or more people (“trustees”) to manage assets for someone else’s benefit (“beneficiaries”). You appoint the trustees and dictate the terms of how you want the assets managed and for whose benefit.

There are three basic forms of wills and trusts for estate planning purposes:

Simple will – This is a written document that indicates who gets your property when you die. You can change a will at any time, but it’s important to follow procedures under state law.

Testamentary trust – This is a trust created in a will. You appoint the trustee(s) and dictate the terms of how you want your assets managed. Ownership of the assets is transferred by your will to the trustee at the time of your death. The trustee then manages the assets according to the directions you set up in your will.

Revocable living trust – This is an agreement made outside of a will. It takes effect during your lifetime. Ownership of assets is transferred to a trustee, who may be you, while you’re alive. Assets in the trust are managed by the trustee according to the directions you’ve written in the trust agreement. You may change the terms of the trust, and you may declare it null and void and recover the assets you’ve placed into the trust.

Irrevocable trust – This additional trust tool enables you to transfer assets to a trustee. But unlike a revocable living trust, an irrevocable trust requires you to give up control of the assets. After you’ve placed the assets in the trust, you can no longer dictate how the assets are used or distributed. Irrevocable trusts can be employed in sophisticated strategies to reduce or minimize the impact of estate taxes.

While wills and trusts can serve as the cornerstones of your strategy, there are additional considerations when preparing a comprehensive estate plan. Other tools that are commonly utilized include:

Life insurance – While life insurance is typically used to protect a family from the premature loss of a primary income

Is Protection Part of Your Investment Plan?

A primary purpose for using insurance products within your investment planning process is to provide protection. Insurance products also may include characteristics that offer strategies for the potential accumulation or distribution of assets, legacy transfer or wealth transfer.

Your financial advisor can help you with your situation and determine what insurance products might best assist you. There are several specific products that might be appropriate.

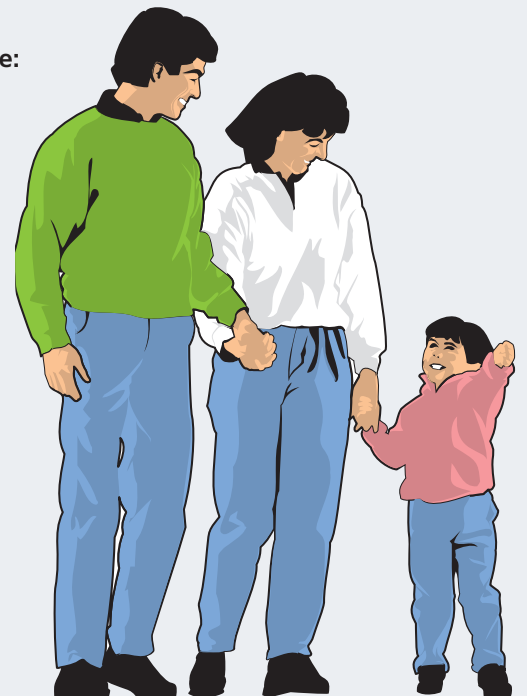
For insurance protection and legacy transfer, these include:

- 1. Term insurance**
For basic insurance protection, debt consolidation, mortgage cancellation, college funding and family income needs.
- 2. Long-term care insurance**
For health care needs not covered by Medicare.
- 3. Medicare supplemental insurance**
Designed specifically for the increasing amount of deductibles and co-insurance required each year in Medicare plans.
- 4. Disability income insurance**
To replace income due to a disabling accident, health issue or mental incapacity.
- 5. Group life and disability**
For employee life and disability insurance coverage for your business.

For broader accumulation and distribution strategies, there are:

- 1. Fixed annuities**
Provide both a fixed-investment rate as well as guaranteed income, with tax-deferred accumulation.
- 2. Universal life**
Offers life insurance protection with a fixed rate of guaranteed tax-deferred cash value.

Guarantees are subject to the claims-paying ability of the issuing insurance company. Talk to your financial advisor about your specific situation, and whether your needs are covered adequately. ◀



earner, it can also provide cash to your estate to pay debts, taxes or other expenses.

Durable power of attorney – This legal document gives power to a named person to act on your behalf. This power continues in effect if the person giving

power of attorney becomes disabled or incapacitated. A durable power of attorney can provide you with the comfort of knowing that your bills and taxes will be paid and your affairs can continue to be conducted—even if you can’t attend to them yourself. ◀

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

In the last *Market Outlook*, you stated that in addition to a bright future for the U.S. economy, favorable economic conditions exist outside the U.S. as well. But some investors are hesitant to include international investments in their portfolios. Why do you think this is the case?

Well, I think that some investors shy away from these securities because they hold the misconception that investing in international markets is riskier than investing in domestic markets. But it depends on how you perceive risk. I believe that excluding international investments can expose your portfolio to undue risk.

For example, over the past three years, the international markets have been outperforming the domestic markets. Legend Advisory Corporation correctly predicted this trend, and we have been increasing our exposure to international investments during this time period.

If you look even further back to equity market performance over the last five years or so, you'll see that Europe is up 70 percent, Japan is up 70 percent and emerging markets are up 200 percent while the S&P 500 is up just 35 percent. Investors who did not diversify internationally may have missed out on some of these larger gains that occurred outside of the U.S. That's why Legend Advisory Corporation focuses on asset allocation, which is the process of diversifying assets among a variety of investment types (i.e. stocks, bonds and cash) both domestic and international. Investors should keep in mind that successful investing may be accomplished by following the methods of diversification that have been tested over time. By owning the entire market and staying invested, an investor can be there during those times when wealth is created.

Another myth that investors hold is the belief that the domestic and international markets are highly correlated due to globalization. Correlation is a measure of how closely two variables move together through time. So a high correlation between two asset classes would mean that both tend to move in the same direction at the same time.

Many people falsely believe that because companies like IBM, Microsoft and Walmart have a global presence, there's no need to invest in European or Japanese companies if you own shares of these global organizations. But that's simply not a valid assumption. Different companies are exposed to different geopolitical circumstances depending on their locations.

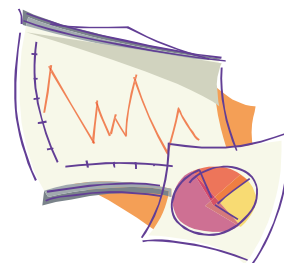
For example, election uncertainty in the U.S. may affect both IBM and Epson, a Japanese manufacturer of desktop computers and peripherals, but it won't have the same impact on each company. Furthermore, international companies without a U.S. presence may not be impacted at all. So you can see that companies at home and abroad are not as highly correlated as some may believe. This lower correlation underscores the importance of investing internationally.

You mentioned that both the domestic and international equity markets have been up over the past five years. What about times like this when these markets appear to be moving in tandem?

Well, even when domestic and international markets move together, they usually don't experience the same degree of movement. The scenario I mentioned earlier is a good example of this. While both domestic and international equities have been enjoying positive performance lately, European

and Japanese equities have appreciated twice as much as domestic equities and emerging markets equities are up more than five times as much.

While at times domestic and international equities may be more correlated in terms of direction, I believe the magnitude of their current performance differential emphasizes the importance of including international securities to create a well-diversified investment portfolio. In my opinion, omitting these investments is not prudent. Investors who do so risk missing out on opportunities like the one that is now before us, because some of the emerging markets are growing at rates that greatly exceed those of the U.S.



In addition, the case for emerging markets is stronger than ever because these markets have GDPs (Gross Domestic Products) that are about one twentieth the size of our GDP. Countries with smaller GDPs can be expected to grow much faster than the U.S. because they have a lot more room to expand. The U.S. GDP currently stands at about \$13 trillion—how much more can we grow? But emerging market economies such as India and China are growing at 9 percent and 11 percent a year respectively, compared to a long-term growth rate of just 3 percent for the U.S. And I don't expect our growth rate to accelerate any time soon. Basically, if an investor wishes to enjoy higher equity returns, I believe participation in the international markets is almost essential.

(continued on next page)

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.

Past performance is not indicative of future results. Investors' shares, when redeemed, may be worth more or less than their original cost.

Direct investment cannot be made in any of the indexes cited and index performance is not indicative of any specific investment. Investments in foreign securities involve risks relating to political and economic developments abroad, foreign taxation, currency exchange rate fluctuations, as well as differences in accounting standards.

Boomer BLURBS

Life Spans are Increasing



A recent survey of “pre-retirees” illustrated a general lack of understanding of the extended time horizon they would be living in retirement and of inflation’s full effect on the future value of their money. Specifically, they underestimated the life expectancy of a 65 year old (and how many years they are likely to spend in retirement), and they do not consider longevity a significant financial risk in terms of appropriately planning for their retirement.

- **Only 4 in 10 (37%)** recognize that an individual who reaches age 65 has a 50% chance of living beyond age 85.¹
- **Less than 2 in 10 (16%)** knew that there is a 25% chance that one or both of a 65 year old couple can live to age 97.¹
- **Only 14%** knew that there are 82,000 people who are 100 years old in the US.¹
- **Just 2 in 10 (23%)** understand longevity is the greatest risk facing retirees—even greater than inflation risk, selected by 41% of respondents.¹
- **For a couple retiring at age 65**, there is a 50% probability that at least one will live beyond age 90.² ◀

¹2003 National Survey of American Pre-Retirees, MetLife, June 2003

²Society of Actuaries, U.S. Center for Health, 2001

MARKET OUTLOOK

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What is your current perspective on the global markets?

I think we’re going through a slowing phase right now. Globally, everything is starting to moderate, but I really believe that this is the “pause that refreshes.” World markets are currently consolidating. They’re up a bit one day, then they’re down a little the next. They lack direction. So we’re in the doldrums right now, but I think this should be viewed as a time to get into the markets—when investments are fairly priced, at least for the short term, and earnings are very healthy. I do believe that the international markets are better-valued than the domestic markets, so we still maintain that the international markets will continue to outpace the domestic equity markets over the next couple of years. Investors who hold a diversified portfolio of both domestic and international debt and equity securities should be well-positioned to take advantage of market opportunities whenever and wherever they occur. ◀

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THE LEGEND GROUP
4600 EAST PARK DRIVE, STE. 300
PALM BEACH GARDENS, FL 33410