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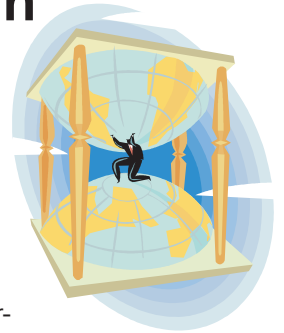
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The LegendEdge

Third Quarter 2007

Smart Reasons to Participate in Your Employers' Retirement Plan

Many employers offer tax-advantaged retirement savings programs, such as §403(b), §401(k) or §457 plans, to help their employees prepare for a secure financial future. Since contributions to traditional retirement accounts are invested on a pre-tax basis, participants realize immediate tax savings on their current income. In addition, any growth experienced within the account is also tax-deferred, putting more money to work for you over time. Some employers also offer Roth §403(b) or Roth §401(k) programs, which are funded with after-tax dollars. These accounts may grow tax-free, and all qualified distributions are tax-free. By regularly deferring a percentage of your salary to a retirement account, you have the opportunity to build a sizeable nest egg over time.



Traditional Retirement Accounts offer the following benefits:

Pre-tax Savings

Retirement account contributions are made on a pre-tax basis, enabling participants to realize immediate tax savings. Before any income taxes are taken out, your paycheck is reduced by the amount you decide to invest. Therefore, your total taxable income is less.

Tax-deferred Growth Potential

Taxes on earnings generated from your retirement account are deferred as well. Therefore, you don't pay taxes on anything that your deferred compensation may earn until you take a distribution—which may most likely be many years down the road.

Distributions

While your withdrawals will be taxed as ordinary income, the impact may be minimized as many investors find themselves in a lower tax bracket at retirement. Also, since these accounts were designed to provide income during your retirement years, there are penalties for early withdrawals. Each account type has different rules governing the timing of distributions:

§403(b)/§401(k) accounts¹

After you reach age 59½, penalty-free withdrawals are available on most §403(b) account assets—even if you are still employed. §401(k) assets can be withdrawn without penalty once you have reached age 59½ and have separated from service. §403(b)/§401(k) plan participants who terminate employment in the year they attain age 55 (or more) are not subject to the premature penalty. If you terminate your employment before you are 55, you may avoid the penalty through an IRS provision known as a §72(t) distribution. Furthermore, while distributions must begin no later than April 1 of the calendar year following the calendar year in which you attain age 70½, you have the option to delay the commencement of withdrawals if you are still working. This feature is particularly useful if you wish to leave a monetary legacy, as your funds will maintain their tax-deferred status for a longer period of time.

§457 accounts

§457 account assets can be withdrawn without penalty at any age, as long as you have separated from service. This enables participants to retire early with access to penalty-free distributions. Assets may also be withdrawn in the event of an unforeseeable emergency. §457 distributions must begin no later than April 1 of the calendar year following the calendar year in which you attain age 70½, unless you are still working.

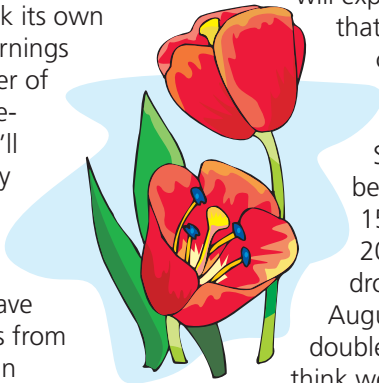
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— with **Shashi Mehrotra, CFA, Chief Investment Officer, Legend Advisory Corporation** —

What are some of the underlying factors that drive market cycles?

I believe corporate earnings are one of the main factors that drive markets up and down. Stock prices generally follow earnings over the long-term. The stocks of companies with growing earnings are attractive to investors because higher earnings tend to result in better investment returns. For example, if you buy a share of stock for \$50 in a company with growing earnings, you expect the company will make money and that you will be paid back more than the value of your original investment, either through dividends or appreciation in the price of the stock, or a combination of the two.

If you look at the recent history, earnings have been truly remarkable. In fact, corporate earnings have almost quadrupled since establishing lows in 2001, while the S&P 500 price index has just about doubled since the markets reached lows in October, 2002. I believe this is due to three key factors: the shrinking equity float, the ability of corporations to mitigate costs by outsourcing to India, China and other countries, and the markets coming off of historically low interest rates. (Equity float diminishes as a corporation buys back its own stock, which boosts earnings per share as the number of shares outstanding is reduced.) I think that we'll see the shrinking equity float and outsourcing trends continue, but not at the same healthy pace as they have in the past. The returns from outsourcing have begun



to diminish because companies have been capitalizing on this strategy for well over five years now. Also, I believe the markets will continue to benefit from the effects of the historically low interest rates, but again to a lesser degree than in the past since interest rates have trended up over the last few years.

If corporate earnings have quadrupled, why hasn't the S&P 500 index quadrupled as well?

One reason is rising interest rates. Short-term interest rates have moved up from one percent to 5.25% now. Long-term interest rates have also risen, although not as dramatically. As interest rates rise, the cost of borrowing—and doing business—also rises, leaving less room for earnings to grow.

The markets have experienced quite a run-up into July of this year. What are your thoughts on the turmoil that has been plaguing the markets since then?

The markets have been on the rise for five years running. That's why I stated in the Fourth Quarter 2006 *LegendEdge* that I believe the markets will experience some volatility and that a healthy, much-needed correction is on the horizon. Now, I believe that time has come. The S&P 500 is down -9.43% between July 19 and August 15, 2007, and the Russell 2000 Index saw a -12.18% drop between July 13 and August 15, 2007. That's a double-digit correction. And I think we'll continue to experience

some more volatility in the weeks to come. But I don't see this as a bursting of any bubble, or as evidence that the troubles in the housing and subprime lending markets are beginning to dampen the entire economy to the point of an impending recession.

How do you define a bubble?

In my opinion, there are two prerequisites for a bubble. First, global economic conditions need to be almost perfect, and second there should be ample liquidity. Three years ago, both prerequisites were essentially present. The economy was moving off of lows and growing very fast and interest rates were at 2% or less.

But with a bubble, there is more than just market dynamics in play. Investor emotions, namely greed and fear, are behind the creation and bursting of bubbles. A bubble occurs when prices rise beyond value—when you're paying too much for something, and it's not worth that much. Consider the tulip bulb frenzy in The Netherlands in the mid-17th century. Tulips were introduced to the country and quickly became a coveted status symbol. Their prices rose astronomically until they became so inflated that the momentum could no longer be sustained. People began to realize that the demand for tulips couldn't last and a widespread panic developed. Everyone was looking to sell at the same time and the market for tulip bulbs collapsed.

How long do you think the volatility will last?

Well, the fact that the stock market has only doubled while corporate earnings have grown four-fold leaves us

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.

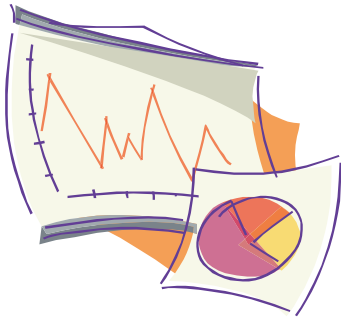
Past performance is not indicative of future results. Investors' shares, when redeemed, may be worth more or less than their original cost. Direct investment cannot be made in any of the indexes cited and index performance is not indicative of any specific investment. Investments in foreign securities involve risks relating to political and economic developments abroad, foreign taxation, currency exchange rate fluctuations, as well as differences in accounting standards.

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MARKET OUTLOOK

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with a lot more room to grow in terms of price appreciation, in my opinion. Now with that said, in October of this year, some of the adjustable rate mortgages are going to notch up, and I think that could cause a lot of emotional distress for the markets. I believe



we could see a second downturn at that time. But I think the mortgage problem is more of a consumer issue, and that we'll start to see some positive momentum coming from corporations, rather than the consumer base. I'd estimate that we can expect another six months of volatility before the markets take hold of the fundamentals—fundamentals that are in fact quite strong. But we might see a rather flat market for awhile after that.

What are some of the strategies that Legend Advisory Corporation is pursuing in light of the recent market turmoil?

I still believe that the international equity markets offer better prospects over the long term than the domestic equity markets. I don't think that this is the time to be extremely courageous. It's wise to be risk averse at this juncture. I think the low hanging fruit has already been picked. Things will be a little more difficult for the time being, and the allocations for our investment advisory portfolios reflect this opinion. During our last allocation, we moved money from higher beta (riskier) securities to blue chip and larger capitalization securities. We've also taken some money from emerging markets and domestic equities, and we bought money market securities and bonds with this in mind. ◀

Source: Bloomberg

Reasons to Participate in Your Employers' Retirement Plan

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Roth Retirement Accounts offer the following benefits:

Tax-free Growth Potential

While contributions are taxed upfront with a Roth account, both contributions and earnings may grow tax-free.²

Tax-free Retirement Income

Roth accounts can provide tax-free income during your retirement years since all qualified distributions from Roth accounts are tax-free. Roth accounts can be a better option for those who expect to be in a higher tax bracket during retirement.

Distributions

Roth §403(b) distributions may begin at age 59½, regardless of whether or not you are still employed, provided the account has been funded for at least 5 years.² Roth §401(k) distributions may begin once you attain age 59½, the account has been funded for at least five years and you have separated from service. Furthermore, while traditional §403(b)/§401(k) account distributions are mandatory at age 70½ (unless you continue working), Roth account distributions are not mandatory until the participant's death if the account is rolled over to a Roth IRA. This strategy postpones the taxation of your retirement assets for the maximum allowable time period.

Both Traditional and Roth Retirement Accounts enjoy:

The power of time: When you're saving for retirement, the power of time can make even a little go a long way. This is due to the principle of compounding. The sooner you begin, the more time your funds—and any earnings they may generate—will have to appreciate.⁴

Convenient payroll deductions: You decide how much you wish to contribute each pay period and that amount is automatically deducted from your paycheck and invested in your retirement account—before you have a chance to see or spend it.

Built-in dollar cost averaging: Dollar cost averaging is built-in to your retirement plan because a set percentage of your compensation is automatically invested at regular intervals. With dollar cost averaging, you buy more shares when prices are low and fewer shares when prices are high. Over time, the average amount paid (average cost) for each share will usually be less than the average price per share.³

Optional matching employer contributions: Your employer may elect to match a certain percentage of your contributions to your §403(b) or §401(k) account. This can be a major incentive to participate, as the amount your employer contributes to your account is money you receive above and beyond your regular salary. If you don't participate in the plan, or don't contribute enough to be eligible for the full employer match, you are effectively leaving money on the table!

The ability to create and direct a customized investment program: You have the freedom to choose and change your investments as necessary. This flexibility enables you to periodically modify the amount you contribute, select different investments from the plan's offerings, rebalance your portfolio and revise your asset allocation strategy to reflect your changing needs. Also, your account is portable. If you should leave your job, your account can be transferred to another eligible program or rolled to an IRA/Roth IRA.

¹A 10% penalty may apply for early withdrawal from a §403(b)/§401(k) account—i.e., before age 59½ unless taking advantage of a §72(t) distribution.

²In order for a Roth account to be distributed tax-free, it must be funded for a minimum of five years and distributions cannot be taken before the account holder attains age 59½. A participant would also qualify for tax-free distributions if the account was held for five years and the account owner became disabled (under the strict definition of disability of §72(p) of the IRS code). Furthermore, in the event of the account holder's death, beneficiaries would receive tax-free distributions if the account was held for at least five years. Otherwise, the distribution would be treated as part return of principal and part taxable earnings. A 10% premature withdrawal penalty may apply to the earnings.

³Dollar cost averaging does not assure a profit and does not protect against a loss in declining markets. Investors should consider their ability to purchase shares continuously during periods of falling share prices.

⁴Past performance does not guarantee future results. Investment returns will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original value.

Boomer Blurbs | Facts & Figures



A new study reveals the differing perspectives of various generations of women about retirement.

A 2007 Metlife Mature Market Institute® study entitled *It's Not Your Mother's Retirement*, reveals the differing perspectives of various generations of women about retirement, with a focus on the specific similarities and differences between mothers and daughters.

- **75%** of mothers retired before age 65 while just **37%** of their daughters expect to retire by that age. **17%** of daughters anticipate retiring at age 70 and another **6%** believe they may never retire.
- Married mothers are more likely than unmarried mothers to retire before age 55 (**26%** vs. **6%**) and married daughters are more likely than unmarried daughters to plan to retire before age 60 (**13%** vs. **8%**).
- **68%** of daughters indicate that employment will be a source of retirement income, compared to **28%** of mothers.
- **56%** of daughters expect their own retirements to be better than their mothers' while **41%** of mothers believe this statement to be true.
- Among those who reported that the quality of their mothers' retirements is less than excellent, **33%** of mothers and **32%** of daughters indicate financial problems as a reason. Mental health or disability was mentioned by **16%** of mothers and **25%** of daughters.

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