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RETIREMENT INVESTING

SPECIALIZING IN INVESTMENT MANAGEMENT AND ASSET PROTECTION

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Outlook

Last year, for the first time in 10 years, all three major equity indexes finished the year in negative territory. Many industry groups experienced steep declines after several years of record-breaking returns.

After surging more than 85% in 1999, the Nasdaq Composite Index declined more than 39% in 2000, its worst year since it was created in 1971. From its peak in March, the Nasdaq declined 54%. The Standard and Poors (S&P) 500 Index declined 10.14% for the year, its worst return since 1977. And the Dow Jones Industrial Average declined 6.18% in 2000. These are all unmanaged indexes which measure stock performance.

The following table illustrates annualized returns of these indexes in historical terms:

Index	1 year	5 years	10 years
DJIA	-6.18%	18.11%	17.82%
S&P 500 Index	-10.14%	18.32%	17.45%
NASDAQ	-39.29%	18.61%	20.78%

This turbulence in the stock market has undoubtedly created challenges for many investors. The downturns which we experienced in 2000, unlike others in our history, were not a matter of underlying, fundamental problems in the economy such as budget deficits or inflation. I believe that the structural underpinnings of the U.S. economy remain strong, and the building blocks are in place for a recovery. Inflation is benign, and valuations now appear to be in line with normal historical levels. For the first time in over a year, growth stock evaluations are in attractive territory.

There are many signs that we may be near a market bottom, including very high mutual fund cash and money market balances, and an Initial Public Offering (IPO) market that has virtually disappeared. Last year's declines were in a large part the result of the Federal Reserve's plan to keep inflation in check, and to correct some of the excessive euphoria of the past few years. Beginning with January's two interest rate cuts by the Fed, I believe that the pendulum has begun to swing from this negative, anticipatory mood, and investors will soon begin to focus on the upside potential for growth stocks.

Nursing Home Costs Not Getting Any Cheaper

According to MetLife Mature Market Institute, the average cost of a nursing home stay in the United States is \$153 per day, but there are large variations between metropolitan areas. Manhattan is the costliest at \$295 per day for a private room while Hibbing, Minnesota is the lowest at \$90, with prices dependent on supply and demand and the cost of living.

The study found that the cost of a home health care aid was \$16 per hour nationally. Home health care is most expensive in Hartford, CT, at \$24 per hour and least expensive in San Antonio, TX, at \$12 per hour.

Sandra Timmermann, Ed.D., Director of the MetLife Mature Market Institute, said these costs are particularly important to families choosing how to care for a loved one, especially because studies indicate that the average nursing home stay is two and a half years. "The projected average cost for one person is \$55,000 per year or \$139,500 for the average two and half years, causing many families to have to spend down their assets," she said. "Home health care can be more expensive if intensive round-the-clock care is required."

Timmermann said these figures could help consumers planning for their long-term needs and those considering whether or not they should purchase long-term care insurance. "The results can also be used to help people decide where one might want to retire," said Timmermann.

Want to see the costs in various cities in the United States? Check off on the attached reply coupon for a free table.

Retirement Savings

For many, it's clear that Social Security benefits and employer-provided retirement plan benefits may not be enough to achieve a comfortable retirement. Personal savings may be required to make it happen.

Making appropriate choices about retirement saving today can give you the financial freedom to make real lifestyle choices tomorrow. Knowing where you want to go, or knowing how much you think that you will need in retirement, play an important part in helping you determine how to get there.

The Traditional Individual Retirement Account (IRA) and the Roth IRA help make the challenge of saving for retirement easier. There are a variety of IRA options to choose. This means there is something for everyone. The best part is, you don't have to choose just one option. You may be able to use one or more of the following three IRA options to help you meet your retirement savings goals.

Traditional IRA

Individuals with compensation can contribute up to the annual limit of \$2,000 per tax year or 100 percent of compensation, whichever is less, and have until April 15 to contribute for the previous year. Wage earners filing joint returns can also contribute \$2,000 to an IRA for spouses who are not employed or earn less than \$2,000 in a given year. Subject to income eligibility limits, contributions may be tax-deductible. Any earnings will grow tax deferred. Distributions are generally taxable in the year distributed.

Roth IRA

Individuals with compensation can contribute up to the annual limit of \$2,000 per tax year or 100 percent of compensation, whichever is less, subject to income eligibility limits, and have until April 15 to contribute for the previous year. Wage earners filing joint returns can also contribute \$2,000 to an IRA for spouses who are not employed or who earn less than \$2,000 in a given year, subject to eligibility limits. All Roth IRA contributions are nondeductible. Individuals can also convert a

Traditional or Rollover IRA to a Roth IRA, subject to income eligibility limits. While the taxable conversion amount is included in income for the year of conversion, all qualified future distributions from the Roth IRA will be tax-free, if made after age 59-1/2 or on account of death, disability, or first-time home purchase, with a \$10,000 lifetime limit, and after the completion of a five-year holding period known as the aging requirement.

Rollover IRA

Individuals leaving a job and receiving an eligible rollover distribution from an employer-sponsored retirement plan can roll over that distribution to a Rollover IRA in order to maintain retirement savings in a tax-deferred account. Direct rollovers can avoid certain tax withholding and penalties that may be incurred upon receiving a cash distribution directly. If a distribution is made payable to a plan participant, it must be rolled over within 60 days of receipt in order to maintain tax-deferred status. Any earnings grow tax deferred, and distributions are generally taxable in the year distributed.

IRA Benefits

Tax-Advantaged Savings

Whether you are interested in a Traditional IRA, Roth IRA, or Rollover IRA, it is important to understand how and when contributions, any investment earnings and withdrawals are taxed. That way, you can make the tax-advantaged savings decisions that are best for you.

Tax-Deductible Contributions

The contribution that you make to your Traditional IRA each year may be fully or partially deductible or nondeductible. Roth IRA contributions are always nondeductible.

For individual filers who are not active participants in an employer-sponsored retirement plan, the \$2,000 annual contribution to a Traditional IRA is fully deductible.

If you or your spouse is an active participant in an employer-sponsored retirement plan and you fall

within certain income limits, you may make fully or partially deductible contributions to a Traditional IRA.

Tax-Deferred Earnings

Your account balances in a Traditional or Rollover IRA grow tax deferred. The benefits of tax deferral and compounding and the automatic reinvestment of any earnings in your IRA, can really help the growth of your retirement savings over time. Taxes due are determined when you take distributions from the account.

Tax-Free Distributions

While any earnings grow tax deferred in a Traditional IRA or Rollover IRA, distribution of any earnings from a Roth IRA may be withdrawn tax-free and penalty free if the five-year aging requirement is met and the withdrawal is made for one of the following reasons:

- attained age 59-1/2
- death
- disability
- first-time home purchase
(up to \$10,000 limit per lifetime)

Distributions from your Roth IRA may be withdrawn penalty free, but not tax free, for higher education expenses, with no dollar limit and substantially equal periodic payments, certain medical expenses in excess of 7.5% of adjusted gross income (AGI), and certain health insurance costs for the unemployed.

Should You Consider Converting to a Roth IRA?

I wish I could give a blanket answer to anyone who calls with this question, but there are two important variables which determine the correct answer:

1. Do you have the money to pay the taxes with non-IRA funds?
2. Will you be able to let the money in the Roth IRA continue to grow without withdrawal for at least five years?

If your answer is yes to both questions, then the conversion to a Roth IRA is “probably beneficial.” I say “probably beneficial” because there are other important factors involved.

It is important to understand the Roth IRA before making a change. If you or your spouse have an existing Traditional IRA or Rollover IRA, and your individual or joint adjusted gross income (AGI) is less than \$100,000, you can convert it to a Roth IRA. You are not eligible to convert if you are married and file separate tax returns, unless you have lived apart from your spouse for the entire taxable year.

Early Withdrawals

Any distribution of tax-deductible contributions, pretax rollover contributions, or earnings from your existing Traditional or Rollover IRA is taxable as ordinary income when withdrawn. With a Roth IRA, your distributions are tax-free after age 59-1/2 if you have met the five-year aging requirements. Your decision to convert may depend on such factors as the number of years until you retire and your anticipated tax bracket.

Keep in mind that except for certain qualified distributions, if you are under the age of 59-1/2 when you withdraw funds from a Traditional or Rollover IRA, a 10% early withdrawal penalty will apply. When you convert to a Roth IRA, the converted assets will be included in your ordinary income, but the 10% early withdrawal penalty will not apply to the amount converted if you are under the age of 59-1/2.

We can prepare an exact analysis for you about converting to a Roth IRA if you will provide us with certain information, such as a copy of your tax return and your IRA statement.

Fixed annuities, life insurance, and long-term care insurance are not offered by Great Nation Investment Corporation, but are offered through Martin Northern and Insurance Designers.

Note that investments compared to CDs and T-Bills are not insured while CDs are FDIC insured and the federal government guarantees T-bills. Nothing herein is intended to be legal or tax advice. Readers are encouraged to consult their accountant or attorney. Mention of a particular investment should not be considered a recommendation. Recommendations can only be made by determining investor suitability. Past performance is not a guarantee of future results and no investment strategy can guarantee positive returns. Annuities and Mutual Funds are sold by prospectus only, subject to availability. Any rates quoted herein are subject to change. The S&P 500 and Dow Jones Industrial Average are weighted, unmanaged indexes.

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RETURN THIS TO:
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Please send information on these topics mentioned in your newsletter:

- I would like the table on nursing home care across the United States.**
- I have been comparing long-term care policies, and would appreciate the assistance of a long-term care specialist in comparing the features and benefits of each.**
- I do not have any long-term care coverage. Please contact me regarding a free, no obligation consultation.**
- I would like more information about the benefits of the following retirement savings vehicles:**
 - Traditional IRA**
 - Roth IRA**
 - Rollover IRA**
- I think these people would like to receive your newsletter. (Please provide name and address with zip code):**

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Name _____

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