Guide to Retirement Planning

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In Your 40s

Retirement becomes a tangible, rather than an abstract, concept. This is the first time many folks start seriously thinking about saving.

With 20 years to go until your 60s, time is still your friend. However, you have less of it. In your 20s and 30s, you could put away a modest amount and expect it to grow substantially by retirement. If you are starting now, you will need to put aside more to reach the same total as a 30-year-old could generate with less. It's time to knuckle down and become a disciplined saver if you haven't started yet.

For many, the cost of living continues to rise. Second homes and Junior's college tuition often compete for your retirement dollar. Be aware that your aging parents may become new dependents in your household.

In Your 50s

Retirement is beginning to loom on the horizon. Time to get out the calculator and spreadsheet and crunch some numbers. Take your rough retirement plans from your youth and turn them into a more detailed plan. Figure out where you will live, how much it will cost, where your retirement income will come from, and when you will retire.

A child's college expenses, or caring for an elderly parent, may compete for your retirement dollars.

If you're currently in your 50s and looking at accounts decimated by recent market declines, the future may seem bleak. To have the retirement you want, you may need to consider working longer, scaling back your retirement expectations or saving more.

Retirement priorities:

- Put the max in your retirement plan at work and into an IRA.
- Take advantage of the catch-up contributions allowed by these plans.
- Try to contribute up to 20 percent of your income to retirement savings.

Investment strategy: It's time to think about shifting some of your retirement savings to more conservative investments, since you may need them soon. But don't sell all your aggressive holdings.

In Your 60s

This is a time when many folks transition their career life to retirement life. That doesn't always mean quitting work. Some folks will continue working for the stimulation it provides. Others will work because they need the income, or because they want to delay tapping their retirement savings.

Retirement priorities:

- Two to three years before you expect to retire, start planning your transition.
- If you haven't done so already, create a concrete retirement plan.
- Determine when you are eligible to begin drawing retirement benefits from sources such as Medicare, Social Security, work-sponsored retirement plans and your IRAs.
- As long as you have earned income, continue saving in a retirement plan at work and in an IRA.
- Make a catch-up contribution, on top of your full contribution.

Investment strategy: Continue shifting your retirement savings into more conservative investments. However, don't sell all your aggressive investments.

Many workers think their (investment) time horizon is the day they retire. Your time horizon is your lifetime. For a 60-year-old that could be still 20 plus years out. Don't give up on stocks.

In Your 70s

You must now begin taking withdrawals from your IRAs and your employer-sponsored savings plan, provided you are retired. You can no longer save in a traditional IRA, but you can still save in a Roth if you have earned income.

Some living costs will fall, but others, such as health care, will rise. You may still be working.

Retirement priorities:

- Plan how you will tap your retirement savings. You don't want to drain them prematurely. Consider hiring a good financial planner to help you.
- Do some estate planning.

Investment strategy: Much of your savings should be in conservative investments. But, remember you may still have another 15 or more years in retirement. Hold on to some aggressive investments, to provide the savings growth you will need in your 80s and 90s.

DAP Plan News

BENEFICIARY FORMS

Make sure your form on file is complete and reflects the proper person/persons/trust to receive your DAP assets in the event of your death. Notification of DAP participant's death should also be made to AMR at 1-800-447-2000 (select #2 for employee services). This will start the process to receive the residual term life insurance previously provided by TWA to retired pilots.

DAP Plan News

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TRADERS

The policy of 12 free trades with a $100 charge for each excess trade has been in effect for some time. Unfortunately this $100 charge does not always cover the expense to the Plan for the trade and has not discouraged some participants from excessive trading. Last year, during the period from January 1st through November 25th, 133 participants with a total of $94 million in assets had 12 or more trades (115 had 20 or more with one participant trading 77 times). The trading volume of these individuals totaled more than $2.78 Billion dollars or 29 times their total portfolio value. Most investment professionals would consider that to be excessive. One participant with over 60 trades was showing almost a 30% loss. Aside from the excessive trading causing individual losses, the transaction costs could be excessive for the Plan. The DAP Board of Directors is considering taking steps to further discourage excessive trading with the addition of redemption fees to each option. Many mutual funds have such redemption fees. The fee (1% is now charged in our International Option for short term trades of less than 30 days), paid by the trader is returned to the option or used to reduce all plan participant expenses. Expect more information on trading rules in 2003. We have a small group of traders that may be transacting at the expense of all Plan participants.

LOANS

As of December 31, 2002 there were 222 loans outstanding with a value of $2,969,502. Loans payments must now be made quarterly with the deadline being the last business day of March, June, September, and December. There is no grace period beyond the due date and loans will be defaulted for late payment. Call Benefits Express at 1-877-489-2327 for a payoff amount or a payment coupon book.

ROLLOVER TO THE DAP

The DAP continues to accept the rollover of retirement assets from AMR for pilots that have a balance in the DAP. You must request a rollover form from the DAP (Benefits Express) AND a "Request for Transfer of Retirement Funds" from AMR (through AA STL Flight Operations). The DAP cannot accept rollovers from non-qualified sources such as IRA's unless the IRA is 100% DAP money and earnings (conduit IRA) and you have a balance in the DAP.

MINIMUM REQUIRED DISTRIBUTIONS

If your age is or will be 70 Ω in 2003 you must comply with the IRS minimum distribution rules and regulations. Benefits Express will be mailing you a notification of your minimum (based on new IRS tables) required for this year if you are in the zone. If your requested monthly installments do not cover the IRS minimum for the year, Benefits Express will send you a supplemental installment check next December to meet the minimum. The plan does this to avoid a 50% IRS penalty that is levied against an individual who does not take their minimum. 153 Retirees received over $1.2 Million in MRD checks last December. The 2003 MRD notification will be mailed out within a few weeks.

Dips in the road to retirement are part of the ride

Looking back on a long history of the market

Declines of more than 15% in the S&P 500

Peak	Trough	% Decline
September 1929	June 1932	-83.8
March 1937	April 1942	-46.2
May 1946	June 1949	-16.3
August 1956	October 1957	-18.1
December 1961	June 1962	-26.9
February 1966	October 1966	-20.5
November 1968	May 1970	-33.0
January 1973	October 1974	-44.8
February 1980	March 1980	-16.7
November 1980	August 1982	-20.2
August 1987	December 1987	-32.8
July 1990	October 1990	-19.2
July 1998	August 1998	-19.1
March 2000	October 2002	-47.4

Does it feel like there couldn't be a worse time to be investing for retirement? A look in the rear-view miror can provide invaluable perspective on how common it has been to experience dips in the road to retirement. Take a look at the table to the left. It shows all declines in the S&P 500 in excess of 15% that have occurred since the crash of 1929.

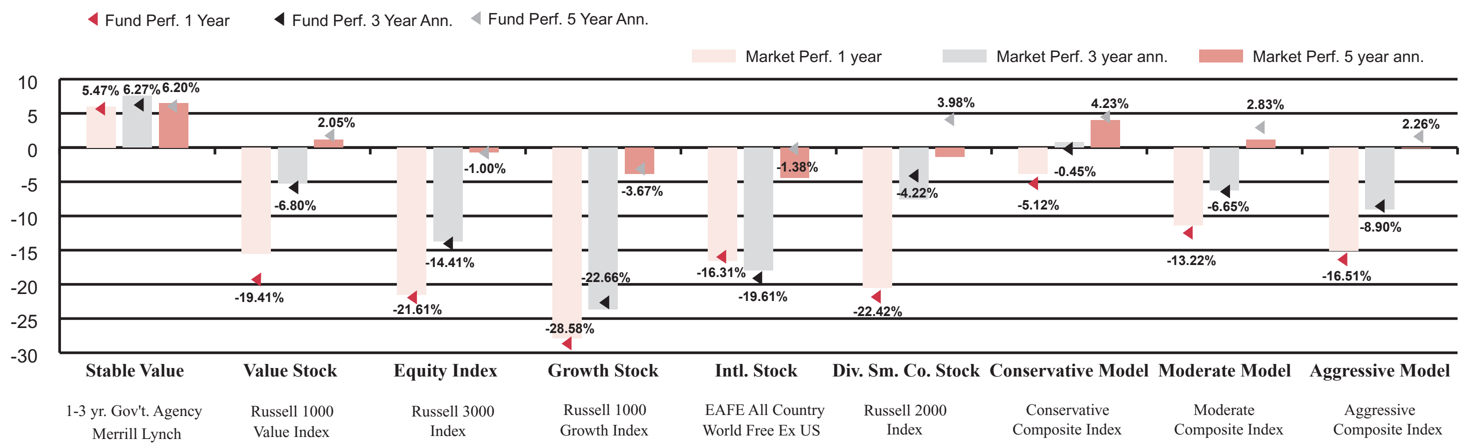
As you can see, the market has experienced a number of declines since its most dramatic drop 74 years ago. It's part of the ride. (Statistics reflect monthly reinvested dividends.) The secret to riding out those bumps in the road? **Stay the course**.

An interesting note: Since WWII, when S&P 500 five-year annual returns were below 0.0%, subsequent average annual total returns exceeded 14% in each five-year period following quarters ended 9/74, 12/74, 12/77 and 3/78.

Source: American Funds - Winter 2003 - Your Retirement Resource

Performance

The Directed Account Plan Quarterly Review January 2003



Fund Component Weighting

These tables represent component weighting for individual investment funds as of December 31, 2002.

Stable Value Fund	*Weighting*
Cash/BGI Money Market	15%
PRIMCO GIC	45%
Wellington Core Bond	40%
Value Stock Fund	
BGI Value Index	20%
Federated Stock Trust	20%
Legg Mason Spec. Inv. Trust	10%
Morgan Value Strategy	20%
Neuberger/Berman Focus	10%
Neuberger/Berman Regency	10%
T. Rowe Price Value	10%
Equity Index Fund	
BGI US Equity Index	100%
Growth Stock Fund	
BGI Growth Index	40%
MFS Instl. Mid Cap Growth	10%
Turner Mid Cap Growth	10%
TCW Galileo Select Eq. I	20%
Marsico Focus	20%
International Stock Fund	
Am Century Instl. Intl. Disc	25%
Am Century Instl. Intl. Growth	20%
Templeton Instl. Foreign Equity	20%
Janus Overseas	15%
First Eagle SoGen Overseas I	10%
Longleaf Partners Intl.	10%
Diversified Small Co. Stock Fund	
BGI Small Co. Index	20%
DFA US Micro Cap Portfolio	12%
Royce Opportunity	12%
MFS Instl. Emerging Equities	12%
Berger Small Cap Value Instl.	12%
State Street Aurora S	12%
Franklin Small Cap Gr. II	20%

How To Read Performance: The graphic display above shows fund performance as arrows and shows market performance, represented by the benchmarks, as bars. Fund and market one-year performance runs from January 1, 2002 through December 31, 2002. Three-year annualized performance runs from January 1, 2000 through December 31, 2002. Five-year annualized performance runs from January 1, 1998 through December 31, 2002. Fund performance is reported net of all expenses.

Contribution Limits

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sources combined, including any employer matching or profit-sharing contribution, and any employee after-tax contributions. For 2002, the maximum was the lesser of 100% of compensation or $40,000. The $40,000 limit will increase in $1,000 increments based on cost of living adjustments.

★ **If still working: Maximize your DAP/Supersaver contributions!**

Catch-up contributions

Depending on your plan rules, you may become eligible to make salary deferral, pre-tax, catch-up contributions beginning January 1st of the year you turn age 50. These contributions are in addition to your regular deferral contributions. Catch-up contributions started at $1,000 for 2002, and increase by $1,000 a year until they reach $5,000 in 2006. Thereafter, the maximum amount will be indexed in $500 increments.

Net Value of Funds (Millions) **(December 31, 2002)**	**DAP**
Stable Value Fund	$479.3
Value Stock Fund	48.2
Equity Index Fund	29.9
Growth Stock Fund	29.1
International Stock Fund	16.9
Diversified Small Co. Stock Fund	46.0
Conservative Portfolio	35.7
Moderate Portfolio	260.1
Aggressive Portfolio	18.4
Fidelity Funds Window	59.5
Total	**$1,023.1**

More information and Interacting with the Plan

To get daily NAVs, account balance information, or to make transfers, you may call the Benefits Express telephone voice response system, available 24 hours a day. Customer Service Representatives are available 8 am to 5 pm, CST Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) **or** 1-847-883-0471 (not toll-free) from a rotary telephone or outside the U.S. Use Social Security number and PIN to access your account. You may contact Fidelity at 1-800-881-4015, Monday through Friday 7:30 am to 7:00 pm, CST.

Informational Web Site: www.4twadap.com

Interactive Web Site: www.resources.hewitt.com/4twadap

Other Information:
The Directed Account Plan
3221 McKelvey Road, Suite 105
Bridgeton, MO 63044-2551
314-739-7373

Heads Up

The Directed Account Plan Quarterly Review January 2003

Guide to Retirement Planning

Investment education excerpts from Fidelity Investments and mPower Cafe

By Clifton Linton and Clint Willis

The ***good*** news is that Americans are living longer than ever; the ***bad*** news is that their retirement savings will need to last longer than ever. →

Bumps in the Road

The last three years have proved that over the short term the stock market can take away prosperity as often and as quickly as it creates it. After delivering an average annual return of 16% for the 15-year period ending in 1999, the Dow Jones Industrial Average posted a 6% decline in 2000 and a 7% loss in 2001 - the first time since 1978 that the index had suffered two consecutive losing years. The Dow lost 16.76% in 2002 - the first time since 1931 during the Great Depression that the index has suffered three consecutive losing years. (See "Dips in the Road to Retirement are Part of the Ride" article on page three.)

A 15 to 35 year retirement is increasingly possible, says the Financial Planning Association in its brochure, "Planning for the Stages of Retirement."

In Your 30s

Life's growing expenses (house and kids) start to demand more of your earnings. Against these demands, your income typically rises. The good habits you set today will help you down the road.

If you are able, at a younger age, to (consistently) set aside 10 percent of your income, you will be able to maintain your lifestyle in retirement. As a 30-something, time is still your friend.

Retirement priorities:

- Start doing some rough retirement planning. Think about the type of lifestyle you want.
- Pay off consumer debt and college loans. Debt reduces the amount you can devote to retirement savings.
- Learn how to juggle increasing costs against your need to save for retirement.
- Try to save at least 10 percent of your income toward retirement.

Investment strategy: Continue to maintain as aggressive an investment strategy as you are comfortable with.

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DAP Plan News

topics covered on pages 2 & 3

- **Beneficiary Forms**
- **Traders**
- **Loans**
- **Rollover to the DAP**
- **Minimum Required Distribution**

Contribution Limits

Contributions to the DAP are only allowed for CUSO One LLC employees.

The IRS imposes several limits on the amount that can be contributed to your 401(k) plan account in a year.

Pre-tax contribution

The maximum pre-tax amount you can contribute each year to your 401(k) plan account is determined by the IRS. For 2002, combined pre-tax contributions made to your employer-sponsored plan(s) could not exceed $11,000. As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001, the maximum pre-tax contribution limit will eventually increase to $15,000 as follows:

Year	Limit
2003	$12,000
2004	$13,000
2005	$14,000
2006	$15,000

After 2006, the maximum pre-tax contribution limit is indexed in $500 increments. These amounts are your pre-tax limit for the given year even if you work for more than one employer. Your plan may have its own limits as well.

Total contribution

The IRS has also set limits on the total amount that may be contributed to your 401(k) account from all

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