



Lifetime Saving Through the DAP/401(k)

Sometimes the best deals are right under your nose

The DAP/401(k) provides everything you need for a lifetime of retirement saving—both during your career as a TWA pilot and afterwards.

- **Services** similar to those offered by conventional investment managers but more individualized.
- **Low cost**, especially when compared with large brokerage houses and other investment managers.
- **Flexibility** to meet any investor's personal style, from the most removed to the most hands-on.
- **Investment options**, including three pre-mixed model portfolios, six stand-alone funds, and the Fidelity Funds Window.
- **Committee overview** and continuous investment monitoring.
- **Personal account access** via telephone.
- **Long-term benefits** of tax-deferred savings.

If you plan on leaving the DAP/401(k) some day, first consider the following advantages this Plan has over more traditional saving or investing vehicles.

Helping you beat inflation

The more inflation grows, the more it eats away the buying power of your dollars. The DAP/401(k) offers various stock funds, including the three model portfolios, to help you offset the effects of inflation. Stocks have beaten inflation by a wide margin over the long term. And while stocks carry risk, the risk diminishes the longer money remains in a well-diversified investment. If there were no inflation, "safe" low-return investments would make more sense. However, a guarantee on principal and modest interest doesn't offset inflation, and an investor may end up short of resources to fund life after work.

Making asset allocation simple

The DAP/401(k) is flexible. It can adapt to

the needs of active or retired participants, and it accommodates all investors' personalities.

For those who want risk protection and consistent performance, the three model portfolios can help take the guesswork out of creating a personal investment strategy. They accommodate three broad investment profiles: *conservative*, *moderate*, and *aggressive*. They use a selected mix of the six stand-alone investment options as underlying components.

"Hands-on" investors can create personal investment strategies using a combination of the six individual investment options, the model portfolios, and the Fidelity Funds Window option introduced late last year.

Competitive performance

Achieving performance that is competitive with the market is one of the challenges of managing any retirement plan. Since the DAP/401(k)'s inception in July 1993, the three model portfolios have met the challenge. Check their performance relative to their benchmarks on page two.

Tax considerations at retirement

Consider reserving your DAP/401(k) assets as your *final source* of supplemental retirement income, by leaving your account intact as long as possible until you turn 70-1/2, when the IRS requires you to begin withdrawals. Instead, you could liquidate other sources on which you have already paid taxes, such as passbook savings accounts or stock brokerage accounts. Your DAP-generated assets will have more time to benefit from compounding and tax-deferred growth. When you spend money from your account, the withdrawals are taxed at your current tax rates.

Still thinking about switching at or after retirement?

You'll be entering a new structure that

The Beneficiary Form

A little paper with a big impact

Have you checked your DAP/401(k) beneficiary form recently? If you do not have one, or if it is incorrect, your minimum distribution at age 70-1/2 could be affected.

The IRS requires participants in tax-deferred savings plans to begin withdrawing their money the year after turning 70-1/2, at the latest. The mandatory minimum distribution amount is based on your life expectancy or on the combined life expectancy of you and your beneficiary. If your beneficiary is younger, your minimum distribution will be smaller. This leaves more money in your account to benefit from tax-deferral and compounding. Therefore, it is very important to have your beneficiary's correct age on file. The Plan's recordkeeper calculates your mandatory distribution based on the beneficiary form information and actuarial tables provided by the IRS.

It is a good idea to review your beneficiary form every few years to ensure accuracy.

Contact Benefits Express to review your form or file a new one. The December 1994 DAP/401(k) update package included a DAP beneficiary form. **HU**

"Heads Up" Recognized for Excellence

"Heads Up" captured first place for excellence in ongoing investment education in the 1995 Pensions & Investments Investment Education Awards.

"Heads Up" was praised for targeting its audience with information unique to TWA's DAP/401(k) Plan and its participants' needs. The winners were selected from 103 entries from 62 companies and other defined contribution plan sponsors.

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Performance



See printed newsletter for performance

How To Read Performance: The graphic display above shows fund performance as arrows and market performance, represented by the benchmarks, as bars. Fund and market performance YTD runs through February 28, 1995. Performance since inception runs from July 1, 1993, when all six funds and three model portfolios became available to participants, through February 28, 1995. Component weightings within each fund are listed below. You'll also find a table with the value of the funds.

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of February 28, 1995.

Stable Value Fund	Weighting	
	Liq 10%/Core 40%	
Wellington Bonds		45%
PRIMCO GIC		5%
Cash		

Conservative Equity Fund	Weighting
Federated Stock Trust	21%
Morgan Core	21%
Neuberger/Berman Guardian	21%
USAA Mutual Income Stock	16%
Wells Fargo TAA	21%

Equity Index Fund	Weighting
Wells Fargo US Equity	100%

Growth Stock Fund	Weighting
Fidelity Contrafund	25%
Janus Fund	25%
20th Century Growth	25%
Vanguard World US Growth	25%

International Stock Fund	Weighting
EuroPacific Growth	38%
Templeton Foreign	38%
20th Century Intl Equity	10%
Morgan Stanley Instl Asian	7%
Morgan Stanley Instl Emerg Mkts	7%

Aggressive Growth Stock Fund	Weighting
AIM Constellation	20%
Fidelity OTC	20%
Fidelity Select	20%
PIMCO Adv. Oppty "A"	20%
20th Century Vista	20%

Net Value of Funds (Millions)	401(k)	DAP
(February 28, 1995)		
Stable Value Fund	\$25.0	\$112.5
Conservative Equity Fund	19.1	23.6
Equity Index Fund	2.3	15.0
Growth Stock Fund	3.4	22.5
International Stock Fund	13.2	51.6
Aggressive Growth Stock Fund	23.2	55.7
Conservative Portfolio	0.6	11.4
Moderate Portfolio	8.1	446.2
Aggressive Portfolio	2.6	12.8
Fidelity Funds Window	—	56.5

Protecting Your Assets

Where's your guidance coming from?

In volatile market situations, it's easy to lose sight of some basic tenets of smart retirement investing. Remind yourself of the following principles from time to time, especially when you're tempted to act impulsively or on a tip from someone else.

Take a long-term view. Investors with long-term goals such as retirement should worry less about their money's monthly, quarterly, or even annual performance. Instead, focus on creating a well-diversified investment portfolio that reflects your financial goals for retirement and your ability to accept risk.

Don't market time with retirement savings. The day-to-day movements of the capital markets and of short- and long-term interest rates are virtually impossible to predict with any degree of certainty or consistency. Unfortunately, market timers usually wind up buying high and selling low most of the time, reducing their long-term returns. If history is any guide, short-term market changes are merely speed bumps in the long road to profits for investors who develop and stick with a carefully planned personal investment strategy.

Invest for your personal situation. What works for your neighbor probably won't work for you. Your track record of good decisions could be destroyed in one fell swoop by taking a "hot tip" from your neighbor at the wrong time. You must take full responsibility for your financial

security. No one else can, not even the federal government or Social Security.

Consult with a financial professional any time you make a major decision. Be sure to check credentials. Any financial consultant you consider hiring should be licensed and well-versed in the specific services you require. **HU**

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may not be as accommodating to your personal investing style and habits. Transaction or management fees may increase substantially and you may have to pay penalties if you are under age 55.

As always, consult a financial expert before making any major decisions regarding your retirement investments. Then, take a fresh look at the DAP/401(k). You might discover that what you've been looking for has been here all along. **HU**

The intent of this communication is to provide useful information, not investment advice. Each participant in the TWA Pilots' DAP/401(k) Plan is ultimately responsible to make his or her own investment decisions.

More Information and Interacting with the Plan: To get account balance information, or to make transfers, call 1-800-828-8100 between 8 am and 5 pm, CST Monday through Friday. 1-708-883-0471 (not toll-free) from rotary telephone or outside the U.S. Use company I.D. 6662 followed by the # sign. Daily NAV, call 1-800-TWA-2017 (toll-free).

Additional comments and suggestions may be sent to:
TWA Pilots' DAP 401(k)
Investment Committee
3221 McKelvey Road, Suite 105
Bridgeton, MO 63044-2551

