

Heads Up



FUNDING A LIFESTYLE IN RETIREMENT

The Importance of Financial Planning

Financial consultants generally agree that you'll likely need from 70% to 80% of your pre-retirement income to maintain a similar lifestyle in retirement.

Where will this money come from? Social Security will provide some, and so may a traditional pension (the A Plan, if you have one, and the DAP). Some will come from investments like the 401(k), IRAs and other personal savings that you've set aside for retirement.

How do you convert investments like these into an income stream? In other words, how much money can you take out each year you're retired? An interesting challenge, and one that requires some thought from you on the following issues.

1) How many years will you live in retirement? According to the National Center for Health Statistics, a person who is currently 65-years-old is expected to live to age 82 on average. By the year

2011, the average age is likely to be 85. Based on your health and your family history, will you

live longer and need a larger account balance? Or, will you live fewer years, and need less? Also, keep in mind that women generally live longer than men – four years on average. Don't forget to include your spouse in your calculations.

2) What sort of investment return do you expect your account balance to deliver? Over the long term, since 1900, stocks have averaged about 10% annually. The actual number has varied considerably, though, over 1, 5, and even 10-year periods. Fixed income investments have returned around 6%. Going forward, some financial planners suggest you trim 1% from your expected long-term stock return number, given the lofty

levels of recent stock prices (for example, the DAP/401(k) Moderate Portfolio has averaged more than 15% per year since inception). If your portfolio is half stocks and half fixed income, these planners would "estimate" a future portfolio return of about 7½%. Your personal portfolio is probably different and you'll need to adjust the calculation accordingly.

3) Do you want your income stream to increase over time, offsetting inflation? Most financial planners would answer "yes." Otherwise, you will have to settle for less buying power as time goes on. If you use a 3%

run out of money before you run out of time. It may be best to err on the conservative side in retirement planning.

How Much Retirement Assets Do You Need?

The table below estimates how much you would need in your investment assets at retirement to be able to withdraw \$10,000 a year during retirement. We assume you will give yourself a cost of living increase of 3% each year of retirement. (So in year two, you withdraw \$10,300, in year three \$10,609, etc.) If you need \$20,000 or more a year for a 25-year retirement, you would need to multiply the account balance shown in the 25-year row by the appropriate number.

Balance Needed per \$10,000 Withdrawal (based on 3% inflation rate)

Future Return	5%	6%	7%	8%	9%
Length of Retirement					
5 years	\$48,131	\$47,249	\$46,399	\$45,580	\$44,790
10	91,850	88,179	84,750	81,541	78,537
15	131,560	123,637	116,448	109,915	103,964
20	167,630	154,352	142,649	132,300	123,122
25	200,393	180,961	164,305	149,963	137,556
30	230,153	204,011	182,204	163,898	148,432
35	257,184	223,979	196,999	174,892	156,626

Table depicts the amount needed to furnish a \$10,000 withdrawal at the beginning of each year over a fixed period if invested at a constant return and spent to zero at the beginning of the last year. It assumes retirement begins today. Actual participant asset requirements may vary depending upon the level and timing of actual returns.

annual inflation rate as a yardstick, a constant dollar income flow will lose purchasing power. After 24 years, it would only buy half of what it bought at the start. You could adjust by taking smaller withdrawals in your early retirement years. This change would keep your balance larger, giving your investments more principal with which to compound. This, in turn, could allow you to increase your income over time in line with inflation. Inflation over a long period of time has a major impact on the chart below.

You must grapple with all these questions if you really want to plan for a secure and satisfying retirement. Don't

give yourself an annual 3% cost of living increase. In order to do this, initial withdrawals would have to be lower than they would otherwise be if you did not plan on such "raises." Thereafter, these amounts can be increased by 3% each following year. (Multiply by 1.03 to see how much you can withdraw in year two.)

Are You on Track?

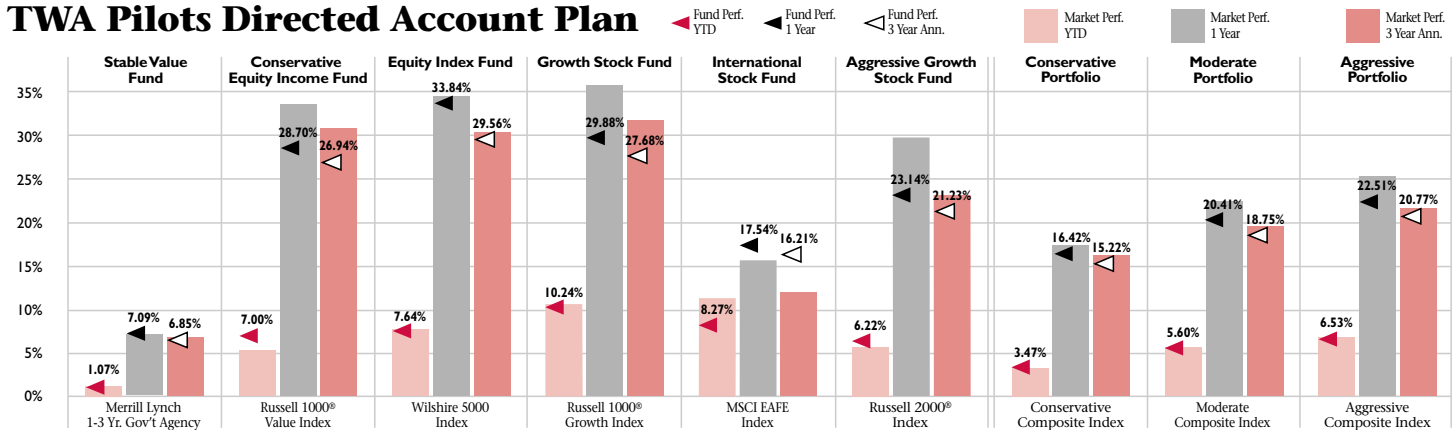
Will you, in fact, have enough replacement income to enjoy a comfortable and secure retirement? Don't be discouraged if you come out short the first time you run the numbers.

Continued on page 2

Performance



TWA Pilots Directed Account Plan



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 performance YTD runs through February 28, 1998. Fund performance is reported net of all expenses. One-year performance runs from March 1, 1997 through February 28, 1998. Three-year annualized performance runs from March 1, 1995 through February 28, 1998.

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of February 28, 1998.

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

Conservative Equity Fund	Weighting
BGI 100/0 U.S. TAA	20%
Federated Stock Trust	20%
Morgan Core	20%
Neuberger/Berman Focus	20%
USAA Income Stock	20%

Equity Index Fund	Weighting
BGI US Equity Index	100%

Growth Stock Fund	Weighting
Fidelity Contrafund	20%
Janus Fund	20%
MFS Research	20%
Vanguard US Growth	20%
BGI Growth Index	20%

International Stock Fund	Weighting
Am Century - 20th International GR	25%
EuroPacific Growth	25%
Janus Overseas	20%
Templeton Foreign	30%

Aggressive Growth Stock Fund	Weighting
BGI Aggressive Market Index	20%
DFA 9-10 US Small Co.	20%
Franklin Small Cap Growth	20%
Heartland Value	20%
MFS Instl Emerging Equities	20%

Net Value of Funds (Millions)	401(k)	DAP
Stable Value Fund	\$27.8	\$168.3
Conservative Equity Fund	40.7	105.8
Equity Index Fund	20.5	92.9
Growth Stock Fund	16.3	75.1
International Stock Fund	14.2	51.6
Aggressive Growth Stock Fund	26.4	56.3
Conservative Portfolio	3.3	39.4
Moderate Portfolio	18.8	517.2
Aggressive Portfolio	6.4	26.2
Fidelity Funds Window	—	132.7
TWA Company Stock	10.4	—
Total	\$184.8	\$1,265.5

Funding a Lifestyle *continued from front*

Future Return	Withdrawal Factor per \$100 (based on 3% inflation rate)				
	5%	6%	7%	8%	9%
Length of Retirement					
5 years	\$20.78	\$21.16	\$21.55	\$21.94	\$22.33
10	10.89	11.34	11.80	12.26	12.73
15	7.60	8.09	8.59	9.10	9.62
20	5.97	6.48	7.01	7.56	8.12
25	4.99	5.53	6.09	6.67	7.27
30	4.34	4.90	5.49	6.10	6.74
35	3.89	4.46	5.08	5.72	6.38

Table assumes a constant annual return and withdrawals at the start of each year. The table also assumes that the balance will be spent to zero at the beginning of the last year, and that the retirement begins today. Actual participant withdrawals may need to vary depending upon the level and timing of actual returns.

Manager Change/Fund Reallocation

The Investment Committee made the following option adjustments at their First Quarter 1998 Meeting:

- Conservative Equity Income Fund: Transferred assets from Neuberger Berman Guardian to Neuberger Berman Focus. Call Benefits Express for a prospectus.
- Growth Stock Fund: Terminated Fidelity OTC and reallocated assets.
- Aggressive Growth Stock Fund: Terminated AIM Constellation and reallocated assets.

See "Fund Component Weighting" for the new allocations.

Remember, you have some powerful levers at your command. For example, the age at which you begin your retirement, your savings rate, and your asset allocation. **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. 1-847-883-0471 (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). Fidelity Funds 1-800-881-4015.

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