



WHEN TEACUPS RATTLE IN THEIR SAUCERS

At this writing, the U.S. stock market is oscillating. Congress is arguing over a federal budget, long overdue, and the American military has troops in Bosnia despite mixed public approval.

Seems ripe for a potential downturn. As each provocative scenario replaces its predecessor, every prudent investor spends idle moments reflecting, "I wonder what's going to happen to my DAP/401(k) money tomorrow?"

One faction hears the rumblings and rushes to preserve what they've made so far. Many bailed out last summer when the Dow Jones Industrial Average fell back into the 4,600 point range. They missed some or all of a further 18% or so rise to its present 5,500-plus level. Others will mis-time the next correction, stay in the Stable Value Fund too long and settle for reduced return on their investments. While they ride at anchor in their "safe harbors," the higher growth days will likely pass them by. Interestingly, the blissfully innocent and truly enlightened share one common trait. Regardless of how the market behaves, they will "be in" for all the good days that follow the bad.

One way to appreciate the success shared by those who hang on is to look at the return *premium* stocks have earned over stable value investments after they've had down periods. A premium is the marginal return difference between two different investments.

Premiums

Many assume that, when the stock market has a bad year or two, bonds might outperform in following periods while the stock market recovers. Yet history shows differently. No matter how poorly stocks may perform in relation to

bonds, they rebound to generate much higher returns than bonds in the years that follow. In fact, since 1928, the broad stock market has consistently rebounded to outperform the broad bond market in the *very next year* whenever it has lagged. Overall, the stock market has earned a significantly higher return over time.

Stock investors who were out of the U.S. market just 1.2% of the best trading days, 1963-1993, missed 95% of the market's gain.

1995 study, U. of Michigan School of Business Administration

with this 65%/35% mix monthly regardless of market environment. But now you're considering a strategy to re-mix your portfolio to a 20% stocks/80% stable value portfolio every time bonds outperform stocks by 2% or more. You plan to go back to a 65%/35% mix only if stocks again outperform bonds by 2% for a two year timespan.

Historically, here's what would have happened to your overall returns if you maintained the 65%/35% mix versus re-allocating to the more conservative portfolio.

SIMULATED RETURNS THROUGH 1994, STATED IN ANNUAL AVERAGE RETURNS

	1928-1994	1946-1994	1960-1994
Current strategy: Hold the 65/35 mix	8.87%	9.32%	9.47%
Strategy under consideration: Re-allocate to 20/80	7.76%	8.18%	8.26%
Long Run Cost	1.11%	1.14%	1.21%

A bailing out strategy could cost you a great portion of potential wealth over a 35 year period, as from 1960-1994.

But how much? Observe what happens to a \$100,000 investment if you sacrifice

DAP/401(k) News

Free Investment Guide

A helpful new investment guide, "Building Your Nest Egg With Your 401(k)," is available from the DAP/401(k) office. This guide will help answer many of your questions about saving and investing for and during retirement.

Retirement Planning Software

A savings guide and portfolio planner software (IBM compatible only) is now available to DAP/401(k) Plan participants. The Vanguard Retirement Navigator offers simple explanations and colorful graphics to guide you through a two-step plan for a more comfortable future. It helps you address two tough questions:

- How much will I need for retirement?
- How can I invest to outpace inflation and meet my goals?

To receive a copy of this software, send a check for \$8 payable to TWA Pilots' DAP/401(k) to:

TWA Pilots' DAP/401(k) Plan
3221 McKelvey Road, Suite 105
Bridgeton, MO 63044
314-739-7373

Internet Addresses

Check out these Internet addresses for retirement savings education and Company news.

TWA

<http://www.twa.com>

Vanguard

<http://www.vanguard.com>

Fidelity

<http://www.fid-inv.com>

Frank Russell Company

<http://www.russell.com>

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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 April 30, 1996. Performance since inception runs from July 1, 1993, when all six funds and three model portfolios became available to participants, through April 30, 1996.

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of April 30, 1996. Weighting percentage does not include index fund target of \$20 million.

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

Conservative Equity Fund

Federated Stock Trust	20%
Morgan Core	20%
Neuberger/Berman Guardian	20%
USAA Income Stock	20%
BZW Global TAA	20%

Equity Index Fund

BZW Global US Equity	100%
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Growth Stock Fund

Fidelity Contrafund	20%
Fidelity OTC	20%
Janus Fund	20%
20th Century Growth	20%
Vanguard US Growth	20%
BZW Growth Index	

International Stock Fund

EuroPacific Growth	38%
Templeton Foreign	38%
20th Century Intl Equity	10%
Morgan Stanley Instl Asian	7%
Morgan Stanley Instl Emerg Mkts	7%
BZW EAFE Index	

Aggressive Growth Stock Fund

AIM Constellation	20%
DFA 9-10 US Small Co.	20%
Heartland Value	20%
PIMCO Adv. Oppty "A"	20%
20th Century Vista	20%
BZW Extended Market Index	

Net Value of Funds (Millions)	401(k)	DAP
(April 30, 1996)		
Stable Value Fund	\$23.9	\$105.2
Conservative Equity Fund	28.6	61.3
Equity Index Fund	6.8	38.0
Growth Stock Fund	8.0	44.5
International Stock Fund	14.4	49.0
Aggressive Growth Stock Fund	33.3	77.8
Conservative Portfolio	1.2	16.1
Moderate Portfolio	13.1	482.9
Aggressive Portfolio	5.2	21.1
Fidelity Funds Window	—	101.1
Total	134.5	997.0

When Teacups Rattle... cont. from front

a percent or two of return over time because you "bail out":

	10% return	9% return	8% return	7% return
\$100,000 for 5 years	\$161,000	\$154,000	\$147,000	\$140,000
\$100,000 for 10 years	\$259,000	\$237,000	\$216,000	\$197,000
\$100,000 for 15 years	\$418,000	\$364,000	\$317,000	\$276,000
\$100,000 for 20 years	\$673,000	\$560,000	\$467,000	\$387,000

Just 1% less return per year could cost you more than \$100,000 in 20 years.

It seems intuitive that a "bail-out" strategy may pay for itself by preserving principal for a short time horizon, five years or less. However, with the recovery periods that longer time horizons offer, bailing out will likely cost more than it

will preserve if you have a decade or more to invest. Consider your entire life expectancy when you think about your investment horizon.

Most professional money managers agree that the time to make asset allocation decisions is during the calm of "normal" market environments, not while facing unexpected declines or "once-in-a-

lifetime" opportunities. Pilots who have good strategies and keep good investment discipline under fire stand the best chance to enjoy prosperous retirements. **HU**

Benefits Express Closed

May 25, 26, and 27 for upgrades.

TWA Stock Option Coming Soon to the 401(k)

TWA company stock will soon be available through the TWA Pilots' 401(k) as a tenth investment option. Detailed information about the 401(k) stock option will be mailed to all participants as soon as administrative and legal requirements are completed.

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.

Other Information:

TWA Pilots' DAP 401(k)
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