Heads Up

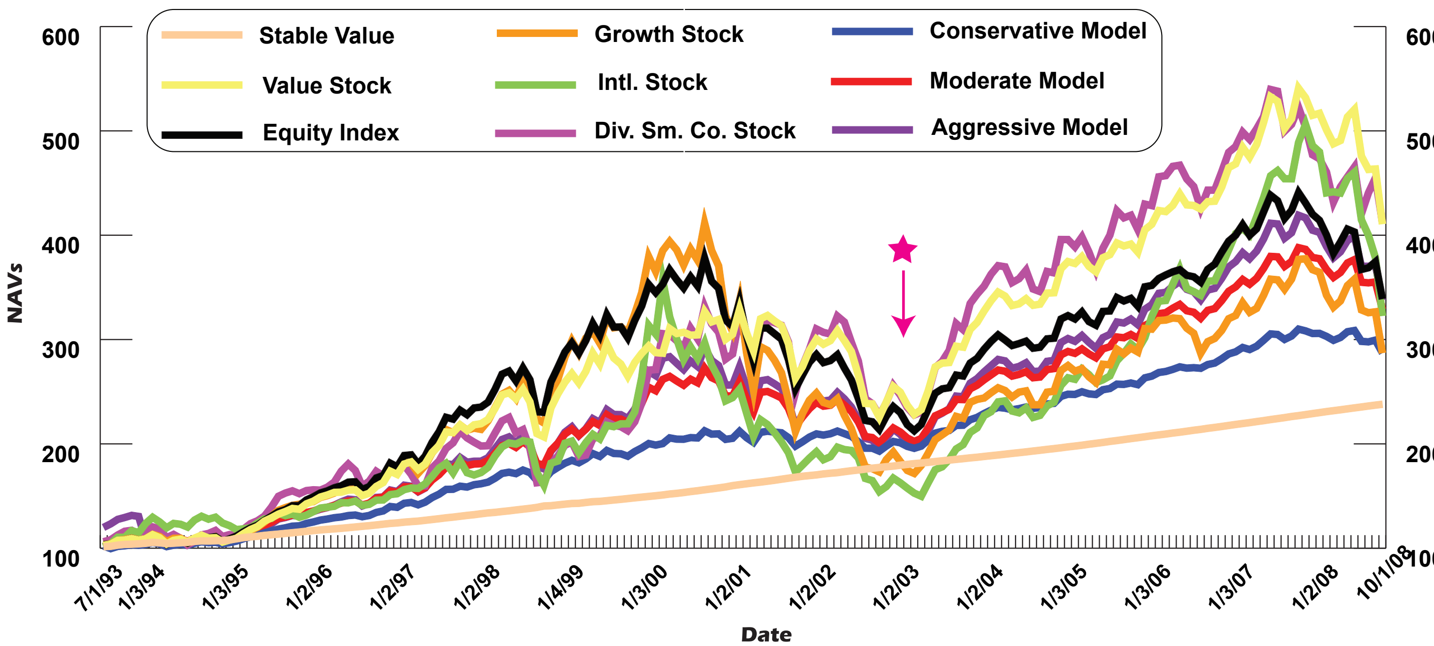
The Directed Account Plan Quarterly Review — October 2008

Market Declines - A History Lesson Revisited

During most of 2002, six years ago, many participants agonized over the stock market's steep decline that temporarily reduced much of their hard earned retirement savings. Do you remember the stress and uncertainty you experienced from February 2000 to April 2003? The DAP office received numerous phone calls from worried participants during this period. The October 2002 Heads Up newsletter addressed these fears with an article entitled, "Market Declines - A History Lesson". Ultimately this article's lessons were valuable as the market started rebounding in April 2003 and continued its upward movement through 2007. Those participants that rode out the storm and stayed put in their investments were rewarded. **As the current financial crisis looms over us right now, it would be worth your time to revisit *"Market Declines - A History Lesson"* and carefully read the article, *"Best Stock Returns Born Out of Troubled Times"*, both covered on pages 2 and 3 of this issue.**

The Directed Account Plan

Monthly Net Asset Values (NAVs) July 1, 1993 - October 1, 2008



The Directed Account Plan's Net Asset Value (NAV) graph illustrates the last market correction that we overcame. This graph plots all of the DAP Core Option and Model Portfolio Net Asset Values (NAVS) since the inception of The Directed Account Plan. The NAV is the market price of an investment on a given date. As you can see, the DAP's option and model prices have had their ups and downs over the past fifteen years, but all of their ending prices on September 30, 2008 are much greater than the starting price on July 1, 1993.

The performance* of the DAP options and models from July 1, 1993 to September 30, 2008 is as follows:

	Conservative Model	Moderate Model	Aggressive Model	Stable Value	Value Stock	Equity Index	Growth Stock	International Stock	Diversified Small Company Stock
Annualized Since Inception Return	7.18%	7.96%	8.35%	5.75%	9.51%	8.12%	6.98%	7.99%	9.32%
Cumulative Since Inception Return	187.83%	221.65%	239.94%	134.70%	299.55%	229.06%	179.68%	222.86%	289.17%
Growth of $10,000 Original Investment	$28,802	$32,173	$33,992	$23,451	$39,981	$32,892	$27,967	$32,273	$38,912

* The above performance and growth of $10,000 does not take into account distributions or asset re-allocation. Articles addressing taking distributions in declining markets are available at www.4twadap.com/headsup. Past performance is not a guarantee of future results.

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Market Declines - A History Lesson

Investment education article from American Funds - Retirement Planning Center

Stock market corrections are an inevitable part of investing. They're also the last things most investors want to experience. Still, it's good to face the fact that market declines are a natural part of the investment process. While the unprecedented bull market of the 1980s and 1990s led many investors to believe that stock prices would rise forever, recent market turbulence served as a wake-up call. Let's take a close look at what market declines are - how often they've happened, how long they've lasted, and what you can do about them. Although we can never know when a decline will occur, how you react to stock market declines could affect your long-term investment success.

Here is some historical background to help you put market declines in perspective.

Types of stock market declines

One of the problems in dealing with a decline is that you don't know at first whether it's just a slight dip or the beginning of a longer, more serious correction. A look back at the stock market history since 1900 shows that declines have varied widely in intensity, length and frequency. Routine declines of 5% or more (as measured by the Dow Jones Industrial Average, which is unmanaged) have occurred about three times a year and lasted an average of 47 days. In contrast, bear markets, when stock values fall 20% or more, have happened about once every 3-1/2 years and have lasted almost a year on average. The study below shows how frequently declines in the Dow Jones Industrial Average have occurred since 1900. As you can see, they have been regular events.

Lessons from market declines

While historical results are no guarantee of future performance, past market declines can provide some meaningful lessons.

A History of Declines *(as of June 2002)*

Type of decline*	Average frequency	Average length +	Last Occurrence
Routine (-5% or more)	about 3 times a year	47 days	May 2002
Moderate (-10% or more)	about once a year	113 days	Sept. 2001
Severe (-15% or more)	about once every 2 years	216 days	Sept. 2001
Bear Market (-20% or more)	about once every 3-1/2 years	336 days	Sept. 2001

Source: Capital Research and Management Company
* As measured by the unmanaged Dow Jones Industrial Average
+ Assumes 50% recovery of lost value

Lesson 1: No one can consistently predict when market declines will happen.

It's easy to look back today and say with hindsight that the stock market was overvalued at a particular time and due for a decline. But no one has been able to predict market declines on a consistent basis. In January 1973, a *New York Times* poll of eight market authorities predicted that the market would "move somewhat higher" in the future. The Dow industrials proceeded to decline 45% over the next 23 months. Then, although almost no one predicted it, the Dow rose 38% in 1975.

Lesson 2: Since 1982, market declines have been brief and, for the long-term investor, relatively painless. Yet a broader look at history shows that while long-term investors have come out ahead, often the pain has been substantial.

After the 1929 crash, it took investors 16 years to see the value of their investments restored if they purchased them at the market high. But after the 1987 crash, it took 23 months to get back. In 1990, it took only eight months. All cases assume dividends were reinvested.

Lessons 3: Successful market timing during a decline is extremely difficult because it requires two near perfect actions - getting out at the right time and getting back in at the right time.

Getting out of a bear market is easy - all you have to do is sell. A common mistake investors make is to lose patience and sell at or near the bottom of a downturn. But even if you have decent timing and get out early in a decline, you still have to figure out when to get back in. A bear market is not usually characterized by a straight-line decline in stock prices. Instead, the market's downward trend is likely to be jagged - showing bursts of stock price increases and then declines.

Living with a market decline isn't easy, but if you understand these lessons, you'll be a more intelligent investor.

The following article on page 3 provides another history lesson to draw upon during this current financial crisis.

Best Stock Returns Born Out of Troubled Times

September 26, 2008

Editor's Note: The following article was produced by Fidelity's Market Analysis, Research, and Education (MARE) group, a unit of FMRCo. that provides timely analysis on developments in the financials markets.

U.S. financial crisis and stock market volatility challenge investor fortitude ...

During the past couple of weeks, the corporate landscape on Wall Street changed dramatically, as tumbling security prices and a widespread credit crunch caused a crisis in the U.S. financial system that led to bankruptcies, acquisitions, and massive federal government intervention.

Stock market volatility soared during the past week, which featured an 8% decline for the S&P 500® over three consecutive trading days, culminating in a 26% fall from the index's October 2007 highs. [1]

But, staying invested during turbulant times has been rewarding...

The recent decline in the U.S. stock market can serve as a reminder that some of the best periods to have entered the market have been during periods of particularly gloomy sentiment and high volatility. For example:

Since 1926, the best five-year return in the U.S. stock market began in May 1932 -- in the midst of the Great Depression -- when stocks rallied 367%.

The next best five-year period (when the stock market rose 267%) began in July 1982 amid an economy in the midst of one of the worst recessions in the post-war period, featuring double- digit levels of unemployment and interest rates.

Three Best Periods to Enter the U.S. Stock Market Since 1926

Date	Subsequent 5-Year Return	Coincident Event
May 1932	367%	Great Depression
July 1982	267%	Worst Recession in Past 25 Years
Dec 1994	251%	Most Dramatic Fed Tightening in Past 20 Years

U.S. stock market returns represented by total return of the S&P 500® Index. Three dates determined by best five-year market return subsequent to the month shown. The S&P 500®, a market capitalization-weighted index of common stocks, is a registered service mark of the McGraw-Hill Companies, Inc. and has been licensed for use by Fidelity Distributors Corporation. Sources: Ibbotson, FMRCo. (MARE) as of August 31, 2008.

Investment Implications

Investors might use these lessons from history to remember that during some of the most challenging economic backdrops in history, investing in stocks -- not fleeing them -- has been for some a worthwhile decision.

Waiting until the backdrop feels "safe" to invest in stocks historically has not been a good method of achieving future returns. Many of the best periods to have been invested in stocks were during those environments that were among the most unnerving.

Past Performance is not a guarantee of future results

1. The 8% decline from September 15-17, 2008. The 26% decline from October 11, 2007 through September 17, 2008. Source: FactSet, FMRCo. (MARE) as of September 19, 2008.

All indices are unmanaged and performance of the indicies include reinvestment of dividends and interest income, unless otherwise noted. Indices are not illustrative of any particular investment and an investment cannot be made in any index.

Investment decisions should be based on an individual's own goals, time horizon, risk tolerance, financial situation and evaluation of a security. Fidelity or the Directed Account Plan is not recommending or endorsing any particular investment. Diversification does not ensure a profit or guarantee against a loss.

DAP Survey - Your Voice Matters

The Directed Account Plan is considering ways to enhance the Plan by offering a Guaranteed Lifetime Income Option using the Moderate Model. An online survey has been created to determine your level of interest in the Plan offering this new potential option.

Please take a few minutes of your time to complete this survey and provide your own opinion about this potentially new option. This short survey should only take about five to ten minutes of your time.

Rest assured that your response will remain completely anonymous so please provide your candid answers.

How do I get Started? Simply visit the DAP website at www.4twadap.com. Look for the Survey button in the middle of the homepage. Click on this link to start the survey.

DAP Plan News - Recent Manager Changes

The following manager changes took place in September 2008. In the Stable Value Option, the Dreyfus Govt. Money Market Fund was replaced with the Dreyfus Cash Management Fund. The Value Stock Option was rebalanced to decrease the target allocation of JP Morgan Large Cap Value from 20 percent to 15 percent. As a result, T. Rowe Price Value was increased from a 15 percent to 20 percent allocation. A new fund, Brown Capital Mgmt. Small Co. Instl. was added to the Diversified Small Co. Stock Option. You can read more about this new fund at www.4twadap.com. This new fund was given a 10 percent allocation in the option while iShares Morningstar Small Cap Growth Index was reduced from a 15 percent to 5 percent allocation. These recent manager changes are shown in the Fund Component Weighting table on this page.

Fund Performance

as of September 30, 2008 (in percentages)

Funds & Portfolios	2006	2007	Ytd 2008	3 yr. avg.	5 yr. avg.	10 yr. avg.
Stable Value Fund	**5.21**	**5.21**	**3.49**	**5.10**	**5.07**	**5.42**
Lehman Br. 1-3 yr. Govt./Treas.	4.12	7.10	3.52	5.14	3.52	4.57
Value Stock Fund	**16.93**	**10.96**	**-21.08**	**1.78**	**7.53**	**6.80**
Russell 1000 Value Index	22.25	-0.17	-18.85	0.09	7.12	5.55
Equity Index Fund	**15.50**	**5.01**	**-18.80**	**0.16**	**5.63**	**3.69**
Russell 3000 Index	15.72	5.14	-18.81	0.26	5.70	3.80
Growth Stock Fund	**5.79**	**14.36**	**-21.39**	**-0.08**	**5.75**	**2.39**
Russell 1000 Growth Index	9.07	11.81	-20.27	0.04	3.74	0.59
International Stock Fund	**27.41**	**20.44**	**-32.40**	**3.18**	**10.67**	**6.95**
MSCI EAFE Net Dividend	26.34	11.17	-29.26	1.12	9.69	5.02
Div. Small Co. Stock Fund	**14.54**	**-1.09**	**-13.29**	**-0.15**	**6.59**	**9.38**
Russell 2000 Index	18.37	-1.57	-10.38	1.83	8.15	7.81
Conservative Portfolio	**9.72**	**6.58**	**-6.38**	**3.68**	**5.91**	**5.58**
Conservative Composite Index	10.07	5.25	-5.42	3.16	4.67	4.61
Moderate Portfolio	**11.97**	**8.48**	**-13.01**	**2.79**	**6.71**	**6.05**
Moderate Composite Index	12.97	5.96	-11.42	2.16	5.50	4.37
Aggressive Portfolio	**13.99**	**8.41**	**-16.33**	**2.11**	**7.11**	**6.50**
Aggressive Composite Index	15.50	5.30	-14.45	1.62	6.27	4.72

Fund Component Weighting

These tables represent component weightings for individual investment funds as of September 30, 2008.

	Weightings	Net Value of Funds ($MM)
Stable Value Fund		**$332.2**
Dreyfus Cash Mgmt. Fund/CDs	15%	
Invesco Interest Income	45%	
Wellington Core Bond	40%	
Value Stock Fund		**39.2**
BGI Value Index	20%	
Neuberger Berman Partners	20%	
JP Morgan Large Cap Value	15%	
Goldman Sachs Mid Cap Value Instl.	15%	
T. Rowe Price Value	20%	
CGM Focus	10%	
Equity Index Fund		**15.7**
BGI US Equity Index	100%	
Growth Stock Fund		**18.6**
BGI Growth Index	20%	
Wellington Mid Cap Opportunities	15%	
Turner Midcap Growth	15%	
Marsico Focus	20%	
T. Rowe Price Growth Stock	15%	
Primecap Odyssey Growth	15%	
International Stock Fund		**28.3**
BGI EAFE Index	22%	
Am Century International Discovery	10%	
Am Century International Growth	10%	
Templeton Instl. Foreign Equity	12%	
Oppenheimer Intl. Sm. Co.	10%	
Thornburg International Value	12%	
Marsico International Opportunities	12%	
Dimensional Emerging Markets Value	8%	
Royce Global Value	4%	
Diversified Small Co. Stock Fund		**29.3**
BGI Small Co. Index	30%	
Dimensional US MicroCap Portfolio	15%	
Royce Opportunity	15%	
Third Avenue Small Cap Value	15%	
Morgan Stanley US Sm. Cap Value Instl.	10%	
Brown Capital Mgmt. Small Co. Instl.	10%	
iShares Morningstar Small Growth Index	5%	
Conservative Portfolio		**43.6**
Moderate Portfolio		**237.0**
Aggressive Portfolio		**18.0**
Fidelity Funds Window		**69.3**
Total		**$831.2**

More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the DAP Service Center telephone voice response system, available 24 hours a day. Customer service representatives are available 8:30 am to midnight, Eastern time Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) **or** dial the AT&T direct country code and 877-833-9900 (call collect) outside the U.S. Use Social Security number and PIN to access your account.

The intent of this communication is to provide useful information, not investment advice. Each participant in The Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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