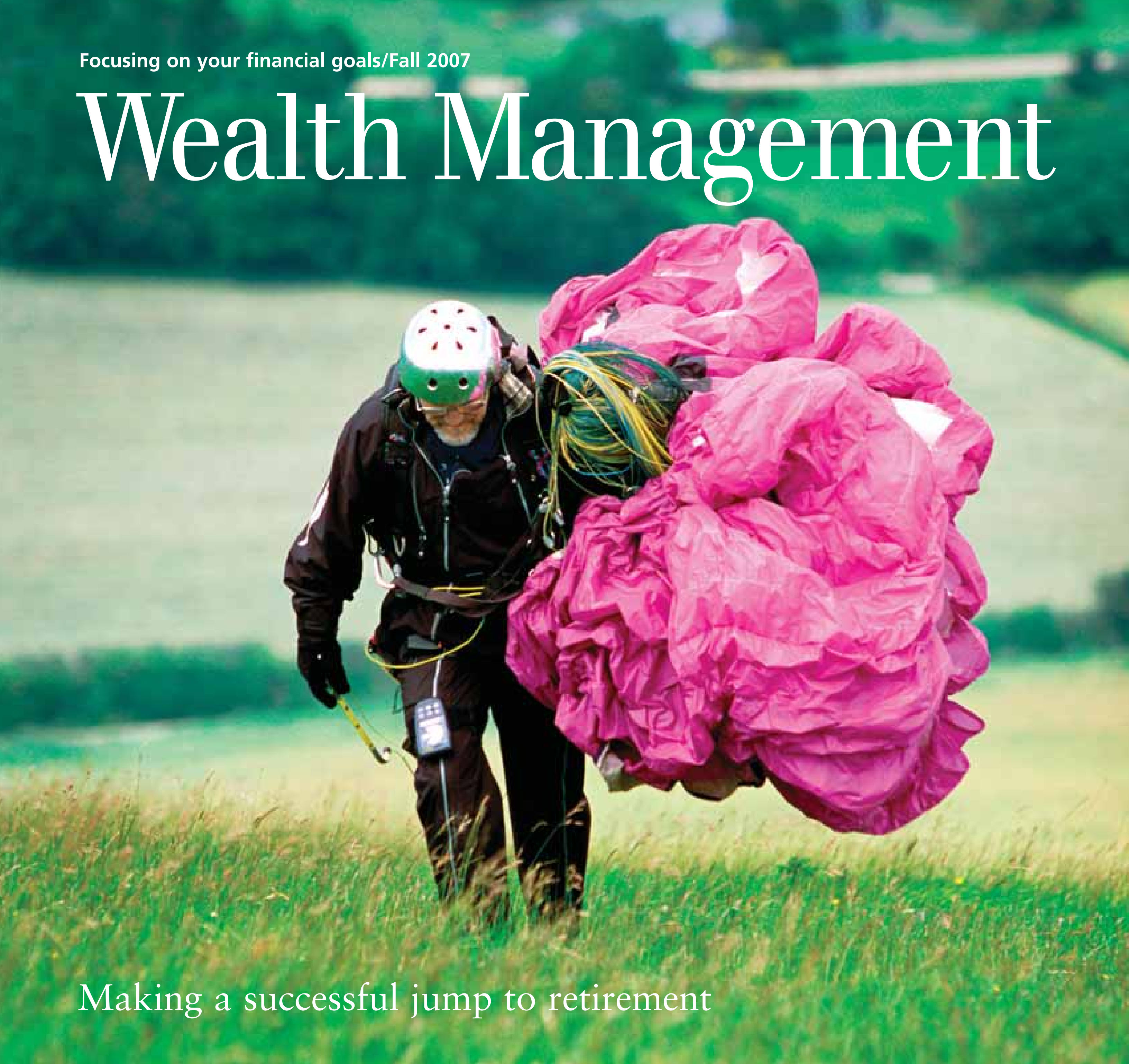
Focusing on your financial goals/Fall 2007

Wealth Management



Making a successful jump to retirement

Reinventing 'Retirement'
The old concepts of "retirement" are disappearing. The 21st century is seeing a reinvention of this phase of life, and inside we explain the new realities you face

Determining Your Number
A formula for determining how large a nest egg you need to fund a satisfying post-career life

Profile of a Happy Retiree
Mary Farrell, former UBS Chief Investment Strategist, tells the story of her early transition to the next stage of her life

Hearing From the Experts
Three UBS executives discuss the big shifts in how Americans view their "second life" and the new challenges and opportunities in planning for it

UBS

Building brighter futures / **page 2**

Living the 'second life' / **page 4**

Profile of a happy retiree / **page 12**

Sam Keller (left) and his passion for art / **page 20**

Passions

Devotion to art: Sam Keller, art world guru, moves on to become a museum director.

Page 20

To our clients,

In the 21st century, we have seen a reinvention in the concept of retirement. It has come to mean so much more than a phase of life dominated by leisure and funded by a pension and Social Security. Today, retirees are living longer, living life with more vitality and are more engaged. To live the retirement we envision, we also have to take more control over our financial future. This calls for a new approach to retirement planning that throws out many of the old rules.

In this issue of *Wealth Management* magazine, we highlight how the times have changed and how people are changing with them—and the unique challenges investors face today when planning for a secure future.

The articles focus on helping you answer questions to prepare for your life after work. "Creating the Retirement You Envision" on page 6 asks you to consider what you need, want and wish for in retirement. How do you picture retirement? The questionnaire on page 8 may help create a framework for future planning. This issue also includes a first-hand account of a recent retiree and what she did to prepare for the next stage of her life. The UBS Roundtable Discussion on retiring, found on page 16, successfully presents opportunities and challenges that retirement may bring and provides solutions to address them.

As retirement has transformed, we also have seen a transformation in the wealth management arena. Global integration of open markets and technological and product advancements all have resulted in greater investment opportunities.

One thing that hasn't changed is simple: our commitment to helping you pursue your financial goals in every stage of life.

I hope you find the information featured in this magazine valuable.

Sincerely,

Marten S. Hoekstra
Head of Wealth Management US

Comments?
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UBS is working to provide better learning conditions for America's children.

New UBS Philanthropic Strategy Focused on Education Nationwide

The Firm's ongoing commitment to communities nationwide is highlighted by a new philanthropic strategy known as *Education as a Pathway to a Better Future*. It is the new focus for many of UBS' charitable activities in the U.S.

The strategy aims at reducing the high drop out rates for high school students and improving the less than adequate learning environment many children face across the country. By focusing its efforts on the most underserved communities, the Firm hopes to help develop a better learning environment for children and give them a chance at a better future.

In conjunction with the new philanthropic focus, a national volunteer initiative, *Building Brighter Futures*, was launched this October with the goal of cultivating community, school and civic collaboration to help transform schools or education-focused organizations into dynamic learning centers. During the month, UBS employees across the country worked on volunteer projects that revitalized facilities and improved play and learning spaces.

For example, over 170 employees and their family and friends painted classrooms and murals at a public school in South Los Angeles. Similar projects took place in over 40 cities across the country including Seattle, Houston, Chicago and New York City.

An Opportunity to Share Your Thoughts

Our commitment to listen closely to what you have to say reflects our ability to understand your needs and goals. That's one of the reasons we created the annual *Client Satisfaction Survey*.

The survey gives us a way to stay up-to-date on any changes in your financial goals and upcoming life events. Moreover, it gives you the chance to tell us what we're doing well and where we can improve.

If you received this year's survey in early September and haven't already responded, please take a few minutes to share your thoughts with us. Your response will help us do a better job of serving you and providing the customized strategies you need to pursue your financial goals.

At UBS, we are committed to being a positive influence in the communities where our clients live and work. As a "thank you" to all of our clients who participate in this survey, we will make an additional contribution to Big Brothers Big Sisters, which invests in our youth.

For more information about the survey, please speak with your Financial Advisor.

The UBS Verbier Festival Orchestra is considered an extraordinary training ground for young musicians.

Overhead view of Art Basel Miami Beach 2006. Photo credit: Tom Pich

UBS Receives Best Private Bank Distinction for Asia

Highly acclaimed industry media have recognized the Firm's strength in serving its client base across Asia. Following *FinanceAsia's* Best Private Bank in Asia accolade, awarded to UBS last December for the fifth year in a row, *Euromoney* magazine again named UBS as the Best Private Bank in Asia for the fourth year running. In addition, *Euromoney* also named UBS as the Best Private Bank for Ultra High Net Worth Individuals globally.

Making Music

The UBS Verbier Festival Orchestra (UBS VFO) will perform in the U.S. on their annual tour this November. The orchestra, founded in 2000, is composed of more than 100 musicians from 30 countries, including approximately 30 U.S. musicians, ranging in age from 17 to 29.

UBS is the founder and main partner of the UBS VFO, which is internationally recognized as one of the leading training orchestras in the world.

The U.S. tour is scheduled as follows:

- November 8
  Walt Disney Concert Hall, Los Angeles
- November 11
  Jones Hall, Houston
- November 13
  Harris Theater, Chicago
- November 15–16
  Avery Fisher Hall, New York City

To order tickets for any of the performances above, visit the UBS VFO website at *www.verbierorchestra.com* and click on International Tour and Tickets 2007.

Art Basel Miami Beach: Celebrating New Perspectives

UBS is the main sponsor of Art Basel Miami Beach for the sixth consecutive year, which will take place December 6–9 at the Miami Beach Convention Center with 200 leading galleries from around the world participating.

Making its debut in December 2002, this international art show is the American sister event of Art Basel in Switzerland, the most important annual art show worldwide for the past 38 years. Art Basel Miami Beach combines a contemporary art show with an exciting program of special exhibitions, parties and crossover events including music, film, architecture and design.

This event is one example of the Firm's commitment to investing in cultural expression and making the arts accessible to our clients, employees and the broader community.

A key component of our approach to client relationships is listening to and understanding your needs and goals. One way we listen is through our annual *Client Satisfaction Survey.*

Living the 'Second Life' on Your Terms

Today, baby boomers are changing the concept of retirement as they live longer, work longer, and take a more creative and determined approach to what they want to do in their later years. The first of the boomers celebrated their 60th birthday in 2006 and promise to redefine what it means to grow older in America.

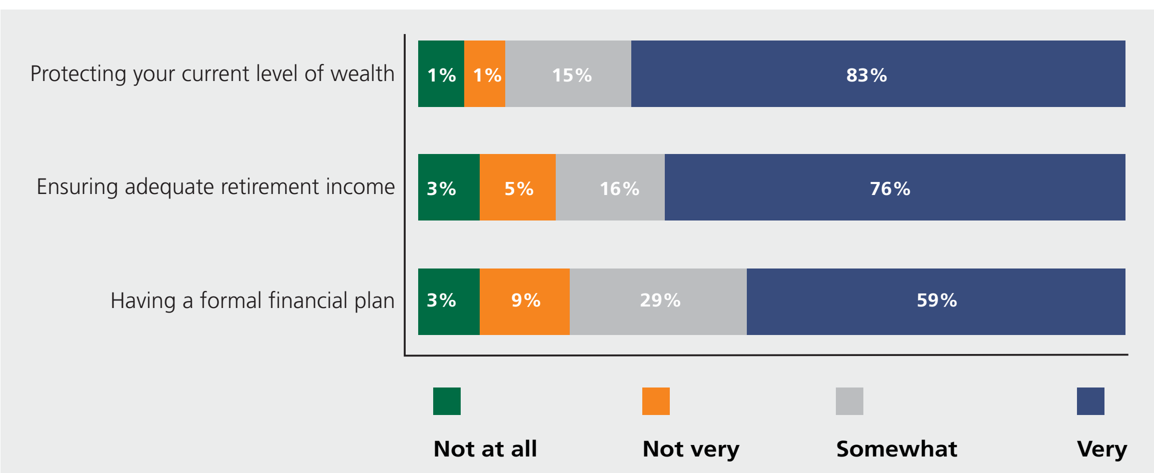
This is exciting and creates great opportunities for people to be active and feel good about their "second life." But this also makes planning for it vastly more dynamic.

We know you already have serious thoughts about retirement. According to our 2006 Client Experience Survey, your top three financial goals are related to retirement income planning (see chart below).

In this issue of *Wealth Management* magazine, we explore the new realities, challenges and opportunities you face in planning successfully to live the retirement you envision. By evaluating the facts and providing you with research insights from our analysts, we hope to take some of the mystery out of preparing financially for this new beginning in your life.

Your Financial Advisor can answer questions you may have and is able to provide guidance you need. After you read this issue of *Wealth Management*, get ready to share your ideas and vision with your Financial Advisor.

Client survey results: Your top three financial goals relate to retirement planning



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Creating the Retirement You Envision

If you've been thinking a great deal about retirement lately, you are not alone. Of the estimated 78 million baby boomers in America today, approximately 60 million are over the age of 55.[1] The closer you get to the retirement milestone, the more you may think of the goals you wish to pursue.

To really enjoy retirement, you need to have a plan. You want to feel comfortable knowing that your savings, investments, and the income they create will be enough to help you keep your independence and live the lifestyle you want. So when it comes to affording *your* retirement, planning is where it all begins.

To be sure, you have worked hard, built a career, and raised a family. You may even have a substantial nest egg. But when it comes to envisioning one's retirement, many people want to create something special. More and more retirees are packing their days full of excitement and adventure, and they are doing it with more energy and enthusiasm than school kids on summer break.

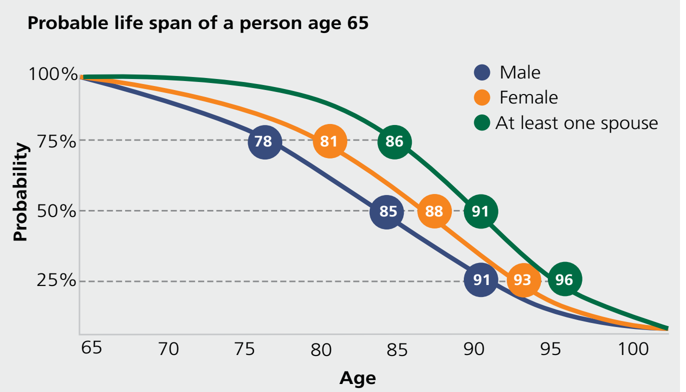
But the stakes are high. Errors made in planning can mean you end up with far less than the retirement you wanted. Each of us wants financial security in our golden years, but achieving this is becoming increasingly complex. To succeed, it begins with understanding the new realities you may have to face.

The New Retirement Realities

Traditionally, retirement has been characterized by a less active lifestyle, limited concern of outliving assets, steady and predictable lifestyle expenses, and little desire to engage in any form of work. But as we hear from listening to our clients, retirement has come to mean a vibrant new phase of life. This stems in part from today's significant increases in life expectancy and wellness.

Although we live longer and healthier lives, we have to come to grips with issues that prior generations of retirees did not face. Societal changes and financial trends are converging to create a new retirement reality that will significantly impact one's planning. These changes and the risks involved include:

Chart A: Americans are living longer in retirement



Source: Annuity 2000 Mortality Tables

- **People are living longer.** Today's 60-year old has a high probability of living another 20 years, on average, and the trend is increasing. (Source: United Nations Population Division 2002). This is good news because—all else being equal—it means retirements are lasting longer and people will have more time to do the things they love. However, they will also have to pay for them over a longer time period. (See Chart A above).

- **Medical care costs are rising.** Medical expenditures are rising dramatically and the responsibility for medical care is shifting more and more to the individual. As Americans live to much older ages, they become increasingly vulnerable to medical problems and the significant expenses that come with them.

- **A focus on wellness.** A growing interest in healthy living also adds to health care spending in retirement.

Americans are revolutionizing their later years with a zestful approach to life.

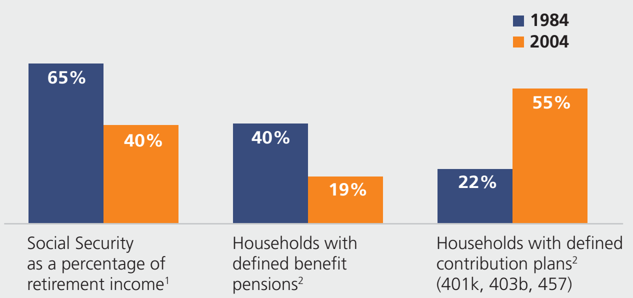
- **Companies freeze, terminate or restructure pensions.** Guaranteed pensions are becoming less prevalent as corporations phase out or modify defined benefit plans and increase the use of defined contribution plans, such as 401(k)s.

- **Greater complexity of net worth and assets**. Personal net worth profiles have grown increasingly complex. As individuals accumulate wealth, this increases the type and number of assets an individual owns. Owning more than one home, complicated compensation packages, and business interests are all factors that can increase balance sheet complexity.

The bottom line? Responsibility for financial security is shifting to the individual, meaning your personal investments will provide the lion's share of your retirement income (See Chart B below). This requires an approach to managing personal wealth that is comprehensive, takes into account current economic conditions and forecasts, and is customized to your specific characteristics, circumstances and preferences.

A more detailed discussion of these issues is available in the new UBS Wealth Management Research report, *UBS Life Themes—Transition to Retirement*. To access the report, log onto *www.ubs.com/onlineservices* and click the Research tab or contact your Financial Advisor.

Chart B: Much of retirement funding will come from you



Sources: [1]*Social Security Administration;* [2]*Economic Policy Institute Retirement Insecurity*, September 2006

Focus on Your Needs, Wants and Wishes

No matter where you are along the path to retirement, your planning can be helped by focusing on the following three groups of goals:

- **Needs.** Your needs are what is considered essential to your life, such as a residence, health insurance, and basic living expenses.
- **Wants.** Your wants are what will enhance your retirement, such as travel, entertainment and hobbies.
- **Wishes.** Your wishes are what will make your retirement exceptional, such as having a vacation home, leaving a legacy to grandchildren and making charitable bequests.

Once you have defined your needs, wants and wishes, you then take a look at how close you are to successfully planning for retirement as you envision it.

For instance, if you have 10 years or more until retirement, your focus could still be on building your wealth. Your principal concern is probably asset allocation and security selection. As you move closer to retirement, within five to 10 years of your goal, you may begin to think about how you want to spend your retirement income. This is the time when you could more closely assess how much income it will take to fund your vision. When you finally retire, your goal becomes generating enough income so that you can live the retirement you want. Your assets will need to outpace inflation over the course of your retirement, and you'll want to protect as much principal as possible.

Begin the Dialogue

Retirement income planning should be dynamic if it is to be successful. At a time of growing retirement uncertainties, investors need to take flexible but comprehensive approaches to funding their retirement. There are many different needs to address, and drawing a well-thought out plan that encompasses them all begins with a conversation with your Financial Advisor. /

[1] Sources: www.census.gov; www.civicventures.org

How do you picture retirement? Answer these questions and find out.

The better we understand your vision of retirement, the better we can help you address your financial needs. Complete the questionnaire below and share your responses with your Financial Advisor. Together, you can explore what inspires you to plan for this new phase of life.

Learning what your post-career life means to you

- Imagine you have already stopped working. Picture yourself at a party and another guest asks you what you do. How would you *like* to reply?
- Fill in the missing blank: The prospect of retiring makes me feel *(tell us)*__________
- Who are your retirement role models (parents, grandparents)? Do you want to follow their example?
- What will you be wearing in retirement? A swim suit? A business suit? A ski suit? *(tell us)*__________
- Which of the following steps would you like to take in the next year to prepare you for what's next?
  - ☐ Learn all I can about making the most of the next life stage
  - ☐ Talk with my spouse/partner about what each of us wants out of life
  - ☐ Explore how other people are planning for the next life stage
  - ☐ Take some educational or self-enrichment classes
  - ☐ Explore passions and priorities I postponed
  - ☐ Research potential relocation communities
  - ☐ Other *(tell us)*__________

Thinking through your priorities

- Rank the following important challenges as you look toward the next stage of your life *(1= most important; 5 = least important)*
  - _____ Identifying my passions
  - _____ Managing and understanding my finances
  - _____ Deciding when or whether to retire
  - _____ Finding a post-retirement career
  - Other *(tell us)*__________

Determine the essentials

With a clearer vision of the next life stage, you can then begin focusing on the specifics. Answer **yes** or **no** to the following questions:

- Do you plan to work? ☐ Yes ☐ No
- Do you have adequate health care coverage? ☐ Yes ☐ No
- Do you anticipate having to care for children/parents in retirement? ☐ Yes ☐ No
- Will you make any charitable bequests in retirement? ☐ Yes ☐ No
- What age are you planning on taking your Social Security? ______________
- What age do you expect to begin the next phase? ______________

Indicate which of the following activities, hobbies and interests will take **more, less,** or the **same** amount of your time in retirement:

Activities / Hobbies	More	Less	Same
Dining Out	☐	☐	☐
Entertaining Friends	☐	☐	☐
Exercise / Fitness	☐	☐	☐
House / Yard Work	☐	☐	☐
Personal Care	☐	☐	☐
Preparing Meals	☐	☐	☐
Shopping	☐	☐	☐
Travel	☐	☐	☐

Want a more detailed worksheet? Ask your Financial Advisor for a copy of the "Creating the retirement you envision" workbook

You and us

- How would you like UBS to help you plan for your retirement?
  - ☐ Help me refine/define my retirement goals and vision
  - ☐ Develop a personalized financial strategy to help manage the transition to and through retirement
  - ☐ Other *(tell us)* ______________________________

Neither UBS Financial Services Inc. nor its employees provide tax or legal advice. You must consult with your attorney and tax advisors regarding your personal circumstances.

Depending on your needs, we can help you implement your retirement strategies through both our advisory and brokerage capabilities.

UBS Financial Services Inc. is a subsidiary of UBS AG.

Finding Your Personal Retirement 'Number'

Most people do not know how much funding they will need for a comfortable life in retirement. This four-step guide can help you arrive at your own personal number.

How much do I need for my retirement? Easy as it is to ask, providing an answer is more difficult. But the best way to start finding your own "figure" (i.e., the amount of funding you require for a secure retirement) is to take a four-step approach.

Four Steps to Your Goal

The first step is to think about your needs, wants and wishes. Start by asking, "How do I want to live in my later years?" "What have I always wanted to do but perhaps didn't have the time?" "What do I really need to be happy?" The answers are highly individual and are as different as each person's preferences and lifestyle: some dream of a home by the ocean or a house in the country. Others might want to move abroad, start a second career, or collect vintage cars—the possibilities are endless. The point of such questions is to become aware of what you really expect from your own retirement.

The second step is to create a budget of your expected annual expenses at retirement. An annual budget typically includes covering your mandatory needs, such as the cost of taxes, your home (mortgage/rent, maintenance), household necessities, insurance, healthcare, personal expenditures, transport, communications, as well as your wants and wishes, such as leisure/holidays, education and philanthropic pursuits. When you've adjusted your budget by the amounts that you think will go up or down after retirement, you get an idea of how much your ideal lifestyle might cost.

An Initial Look at the Figure

Once you have crafted your expected budget, a question remains regarding how to pay for it. So the third step is to calculate the amount of personal investment capital you will need. You should begin by estimating what annual income you know will be available when you retire, whether from part-time work, fees, investments or a pension. Property can also provide income if it is rented.

Now compare your calculated budget with your expected income: the difference is your annual gap in income. The income gap is then used to calculate the amount of investment capital that is needed to finance your golden

years. Let's say, for purposes of illustration, that you may expect average annual returns of between 3% and 7%. If an investor wants to fill an income gap of $100,000 based on an annual return of 5%, he or she will need investment capital of $2 million (factor of 20) to fill that gap. A cautious investor who expects returns of 3% will need more (factor of 33); a more risk-tolerant investor who expects 7% will need less (factor of 14.3).

As a result of this exercise, you get a bit of a handle on your personal investment goal—your required retirement "number." But it is important to note the above calculation is based on simplified assumptions. For example, inflation is not factored in. A very moderate inflation rate of 1% will increase the required capital amount considerably. The calculation also assumes that expenditures will remain constant in retirement. Expenditures typically fall after around 10 years of retirement, but can rocket in advanced old age due to health care costs. Importantly, it is also assumed the investment capital is not spent, but is preserved in its entirety.

Economic risks are also left out of the equation: How will the financial markets perform? What about interest rates? Increases in taxes?

A Financial Plan for All Eventualities

If you want to be certain about your retirement in view of these factors, you should adjust your investment goals upwards as you develop a financial plan for retirement—the fourth step. It is advisable to consult your Financial Advisor when choosing appropriate assumptions regarding the risks involved in financing your retirement. A personal investment goal only achieves its purpose if it is realistic.

However, despite the benefit that a solid financial plan can bring, remember that in addition to fluctuating financial markets, your personal circumstances can also change over the years. So even the best financial plan needs to be reviewed regularly and adjusted in line with changing conditions, in order to help ensure that your investment strategy stays on course. /

Reaching your goals, one step at a time

1. **Clarify your needs, wants and wishes**
   Think about your lifestyle and the personal plans you have for when you retire.

2. **Figure out a budget**
   Calculate your expected annual budget after you retire to get an idea of how much your retirement may cost.

3. **Calculate your retirement "number"**
   Be sure to factor in the key risks, such as inflation, health care costs, longevity, taxes, inheritance and general investment risks, and then choose a realistic investment goal on this basis.

4. **Draw up a financial plan**
   Work with your Financial Advisor to develop your personal financial plan and review it regularly as you pursue your intended investment goal.[1]

[1] Financial planning services are provided in our capacity as investment advisors.

How I Retired Happy

Mary Farrell, former Chief Investment Strategist for UBS Wealth Management US and author of the highly acclaimed investment book, *Beyond the Basics: How to Invest Your Money, Now that You Know a Thing or Two*, retired two years ago from UBS. Here, she shares her experiences as an early retiree and what was behind her decision to retire at age 55.

To retire or not to retire: that was the question I faced as I approached age 55—the age that, combined with my longevity at UBS, would qualify me for retirement. To me, it was like pondering the unthinkable.

When I was Chief Investment Strategist for UBS Wealth Management US, I had spearheaded a series of retirement reports titled "Rethinking Retirement," and had lectured extensively on the topic. So I somewhat arrogantly considered myself an expert. But I soon learned that retirement involves a lot more than investment planning.

The Decision to Retire

For years I enjoyed my role as an investment strategist. I loved the world of finance and the stock market, as well as working with clients and colleagues. My regular appearances on Wall Street Week with Louis Rukeyser and other financial media opened the door to another fascinating world. But the heavy travel and the long hours were feeling more and more onerous. A series of family health issues had also taken an emotional toll.

Additionally, I had seen how much my husband, Dan, who had retired a year earlier, was very much enjoying life. But work had been such an important part of my life that it was difficult to contemplate life without it. So I decided on decision by non-decision. Wait and see what happens. And sure enough, as the months went on, I knew it was time. But I was determined to retire on my terms.

My last few months at UBS were a blur, with a business trip to Hong Kong and China, working for a smooth transition in the strategy group, and saying goodbye to my coworkers, so many of whom had been an important part of my life for decades. With great pride I noted that the wonderfully talented staff in our strategy group had developed into a strong team, and I knew they were more than ready. As part of the transition, I would continue to consult with the Firm, which I was delighted to do.

But I was also apprehensive. Work had always defined my life. I had no plans for the first time since the summer I was 15, and it was a scary thought.

My Wealth Management Plan

My finances were in good order and that was the result of careful planning. However, my asset allocation at the time was aggressively weighted in stocks, which made me think my portfolio was probably more appropriate for a working professional, not a retiree. As I reviewed my portfolio, approximately 65% was in stocks, with a concentrated position in UBS stock, while the remainder was in bonds and in some alternative investments. I realized that it was time for a portfolio review with my Financial Advisor. With a significantly reduced income, my tolerance for risk had now diminished somewhat.

By retiring at age 55, I knew I could face a long retirement, as my father had before, passing away at age 101; or face large health care expenses, as both my late parents had. Working with my Financial Advisor, I conducted a post-retirement reassessment and restructured my portfolio to take a slightly more conservative approach that was in keeping with my reduced income. While stocks continue to comprise a major portion of my portfolio, as I believe they are the best inflation hedge, I nonetheless worked with my Financial Advisor to create a managed money program that is designed to help meet my goals while potentially reducing risk. We also continue to work on diversifying my concentrated holdings.

Developing a retirement income strategy was another crucial area to address. As a result, municipal bonds now play a more important role in my portfolio, both to attain income and for further diversification. Essentially, the municipal bonds will provide the income to fund our basic living expenses, with the stocks generating growth to provide for healthcare or other unexpected expenses that arise, and for one time expenses like weddings and graduate school. So far, our expenses in retirement have been roughly as expected, other than some uninsured hurricane damage to our Florida home, offset by less than expected travel expenses. But our plan encompassed the unexpected.

I want to note that during my review, we made use of various planning models that were a big help in

Mary and Dan appreciating the beauty of their flower garden.

Enjoying a light moment amid an active retirement.

determining just how much I could spend given certain assumptions about lifestyle, inflation, longevity and health care expenses.

I learned this exercise in planning is crucial. Although my "Rethinking Retirement" reports had noted that your financial needs in retirement are dependent on how you want to live in retirement, I don't think I fully understood that until I faced the reality of it. As I gathered the necessary input for the UBS models, it forced of lot of thinking. My husband and I had not yet even discussed how we envisioned our new lives, so we had some fun talking about what was important to us.

Facing Retirement

I retired July 1, 2005, and embarked on a family vacation to Rome to celebrate not only that milestone, but my son's graduation from college and my daughter's graduation from graduate school. We weren't just in transition, but had completed major chapters in our lives. Their world had been school, mine had been 35 years of full time work. So all of us enjoyed the moment, not constrained by the responsibilities of the past, not able to know how the future would unfold. And I learned that one could live without a BlackBerry.

Reality set in upon our return. Time, which had been my enemy for so many years, seemed now a wonderful gift. I could start to contemplate the tasks that had been postponed for years.

But after working full time while raising two children, I realized I had no hobbies. So I took bridge lessons and bought a bike to "hit the road" and get some exercise. Dan and I also started ballroom dancing lessons.

I had been active in the non-profit world and expected to increase my commitments there, but heeded the sound advice of friends who had warned me not to commit to too much the first year. I now serve on one for-profit board and two non-profits, which keep me quite busy and intellectually engaged.

Onward to the Sunshine State

A major transition was the decision to leave New York City, my home for 34 years, and move to Florida (so much for not being a cliché!). Although I had loved the excitement of the city, the last few years my husband and I had increasingly made our life outside the city, both preferring the warmth of Florida in the winter. Although we have returned occasionally to the city to visit friends and enjoy the cultural life, we are quite happy for now with our decision. But it was not easy to leave the friends and neighbors who had been so important to us.

Enriching My Life

The nicest surprise about retirement was having more time for family and friends. Going out to lunch with the people important to me and not looking at my watch has been refreshing. I was asked to join several groups of women, many currently or formerly in finance, that meet quarterly to discuss major economic, political or women's issues. These are always stimulating, always fun, and have added a fabulous dimension to my life. It has been a good reminder that you can find or create the communities that will enrich your life in retirement.

I will also always be grateful that I could be an important part of my father's life in his last year, able to spend many quality hours with him that would not have been possible had I been working. When my stepdaughter's husband was transferred to London, taking our 9-year-old twin granddaughters away, it was wonderful to be able to visit without the constraints of work. And I don't know how I would have planned my daughter's wedding had I been working. So time does get filled quickly.

In conclusion, there is probably not much I would do differently. Like so many of life's major transitions, there is no script. But being open to new experiences, new people, and constantly expanding your horizons can add so much to this new stage of life. My career on Wall Street was enormously satisfying, but retirement brings other rewards. The freedom to read, enjoy friends, build outside interests, and contribute to the non-profit world is hugely gratifying. /

Mary Farrell's Top Seven Tips for Enjoying Retirement

1 Retirement takes planning. When much of your time is leisure time, it not only pays to think ahead, but it is crucial if you want to make the most of retirement. The transition from a structured life to a non-structured one can be a surprise. I find that making lists of what I want to accomplish assures that I keep happily occupied.

2 When planning financially during retirement, it may help to be conservative in your assumptions. No one wants to outlive his or her assets, so you may want to assume you will defy the odds and live longer than the average lifespan.

3 You may need to make an effort to find the intellectual stimulation that you found in your job. There are many ways to do this, and lots of other newly minted retirees with similar interests are happy to make a connection.

4 Avoid taking on volunteer tasks just because you are asked. Your contribution will be greater if you are volunteering for something genuinely important to you and that you enjoy.

5 Do those things you never had time for, whether it's dancing or music lessons.

6 Build new networks of people with similar interests because your working friends don't have as much time as you do.

7 Take time to understand your health insurance options and be sure you have planned for health care expenses.

Retiring Successfully— A UBS Roundtable Discussion

Wealth Management magazine recently hosted a Roundtable Discussion on the risks and opportunities facing investors today as they plan for retirement. The event brought together three UBS specialists, Mike Ryan (right), Head of Wealth Management Research-Americas (WMR); Robin Miranda (center), WMR Thematic Research Strategist; and Ed O'Connor (left), Head of Retirement Services. Each offer their unique insights on the issues associated with planning for and living in today's retirement landscape.

Wealth Management (WM): There appears to be a major shift in the concept of retirement, in terms of both planning for it and living it. Today, retirement stands for something much more dynamic than it once did. What is happening to drive this change?

Mike Ryan: It is important to recognize that not only have the rules of the game changed, but the game itself has changed. For one, the days of relying exclusively upon your employer's pension plan and Social Security to take care of the bulk of your retirement needs are fundamentally gone. The benefits counted on in the past are much less reliable today.

At the same time, what we have historically associated with retirement is no longer the reality. People are redefining what they want to do, and that is translating into less static lifestyles. For example, many people today elect to only semi-retire, or they start second careers, or take on consulting roles, or decide to get more involved in philanthropic organizations.

We also see people having a higher level of excitement than ever before when it comes to facing their retirement. They are being more creative about what they want to do.

Robin Miranda: The game has changed in other ways as well. Americans today are entering the traditional retirement ages much healthier than past retirees, and that changes what they can do in retirement. If you're as healthy at age 70 as you were at 50, you are going to want to stay active and engaged in doing the things you enjoy longer.

Ed O'Connor: The game certainly has changed. People today are having what we call a "second life" at retirement. Retirement today is viewed as a new beginning. Much of this is due to the fact that the responsibility of retirement is being handed to the individual from government and private institutions. So what happens when individuals are given more of this responsibility? It gives them more opportunities to do something really good and exciting.

WM: People also have to be able to afford this "second life." With that said, what do people need to consider when planning for their retirement income to support a longer, more active retirement?

Ryan: First, people have to understand the new realities regarding how their retirement will be funded. We're facing the fact that there are more and more retirees relative to the number of workers. This puts a strain on government-sponsored pension plans like Social Security, resulting in Social Security representing a smaller portion of our retirement income.

Looking at the corporate level, companies have to compete in a brutally competitive global environment, which translates to an ongoing need to control costs to become more productive, and to be more efficient. This means that corporations are trying to shift more of the cost burden back to the individual by way of diminishing or eliminating corporate pension plans.

So many retirees may likely have to fund a greater portion of their retirement themselves. To begin planning, it comes down to identifying their income needs based on their liabilities and the type of income generation they can get when converting their assets to income-producing vehicles. That part is a fairly simple identification; the complex part is prioritizing your income needs and calculating what it will take to fund the retirement you envision. Hopefully, you're planning for more than just an income stream to maintain a minimal lifestyle.

"We see people having a higher level of excitement than ever before when it comes to facing their retirement. They are being more creative about what they want to do."

—Mike Ryan

Miranda: I think this is one of the key factors in the new retirement. People stand to lose their longevity-hedged income—income that paid for life. No matter how long you lived, you were sure you were going to get that check.

We also need to recognize some of the other realities of this second phase of life. Disability and infirmity can pose significant risks to our retirement income. So when you do your retirement income planning, you have to think about things like long-term care insurance.

Now in terms of a framework that people can follow to help make a realistic determination of their income needs, one advantage all of us have is that we are always our own best source of information. We know our spending and saving habits—and that is always the place to start when ranking income needs. Some expenses will have a higher priority than others, and there are some we may have to forego in exchange for others.

O'Connor: Within our UBS financial planning tools,[1] we characterize retirement income as being based on "needs, wants and wishes." "Needs" are the items that are essential, such as housing, health insurance and basic living expenses. "Wants" are those things that enhance your life, such as travel and entertainment, while "wishes" can represent lifelong dreams like charitable giving.

[1] Financial planning services are provided in our capacity as registered investment advisor representatives.

Once you have defined your needs, wants and wishes, you then look at how close you are to retirement and where you are in the stages of increasing your wealth to actually planning the sources of income and drawing an appropriate retirement income strategy.

From an investment strategy standpoint, however, I want to stress that you can't just only plan for an income strategy. You need to have an asset growth strategy as well, because you could be living that second life for 30 or more years, and you need to keep track with inflation over this time. So you need a blend of participating in the markets while at the same time providing a high level of certainty of income for yourself to maintain your lifestyle.

WM: In what ways is the financial services industry helping today's investor plan for tomorrow?

"The investment and savings opportunities available now are many, and the appropriate products and solutions are there to help address the different risks we face."
—Robin Miranda

Ryan: While there are increased risks and challenges when planning for retirement, you never had the kind of efficient and custom-tailored solutions you have today. You also never had the quality and depth of advice that you have today.

One example of these efficient solutions is the advent of inflation-protected securities. If you go back 20 years, they were virtually non-existent. But they offer an option for today's investor to lock in an income stream that's indexed to changes in inflation.

Miranda: The investment and savings opportunities available now are many, and the appropriate products and solutions are there to help address the different risks we face. As baby boomers retire and start to push the income solution, there are going to be even more products out there to customize solutions, with the right combinations more tailored to your risks and goals.

O'Connor: There is great talent and great thinking in our industry. The product development we see today is impressive and exciting. What will be even more impressive to see is the product development over the next few years that may address retirement planning.

Some of the innovative solutions we can expect to see, for example, will be more creative uses for structured products and more flexibility in annuity structures—solutions that will help combine for investors the opportunity for their portfolios to grow with the markets along with increasing the certainty of income and, at the same time, preserving wealth.

WM: All of these opportunities, risks and challenges would appear to emphasize the importance of having a long-term, comprehensive financial plan. Your thoughts?

O'Connor: More than ever, people need a financial plan. Understandably, it can be difficult to get motivated to do a financial plan because you have to deal with some tough issues. But for most people who do so, it can be quite liberating. Once you have carved out a plan and you feel confident in its approach, it gets you very focused on what you're trying to achieve.

To get started, all it takes is starting a dialogue with your Financial Advisor to discuss your needs, wants and wishes, then looking at the current structure of your assets in terms of where they are today and where they need to be tomorrow.

Miranda: Timing is of the essence when it comes to planning. Many investors assume, for example, that estate planning is something you do when you are, say, age 70. In reality, a well-crafted and complete financial plan will incorporate estate planning aspects much earlier. You don't want to turn 70 and suddenly realize you are facing huge estate planning issues, because at that point certain options and strategies may already be off the table.

If people don't understand the interrelationship of the many different areas that go into financial planning, such as transferring wealth, generating an income stream, growing their assets, and dealing with tax consequences, they are going to lose out on opportunities.

Ryan: It is important to note—and it's something we stress with our clients—that it is not just about the initial step of creating a financial plan, but reviewing it regularly. By nature, our lives, our circumstances, the financial markets, they are all dynamic. To create a static model for planning your wealth simply does not work in a dynamic world. So there have to be continuous reviews of your plan so as to determine, when appropriate, if it is necessary to make modifications or adjustments.

It is a very eye-opening experience for many of our clients. It forces them to go through a prioritization and really understand how their assets are positioned to pursue their goals.

O'Connor: In fact, we find when we conduct reviews with clients who had not had regular reviews in the past, they tend to be too conservative with their investments relative to their retirement goals. It's when people regularly begin to track their investments and use the wealth management tools available to them that they become more informed and knowledgeable and, as a result, more comfortable participating in the markets as they learn to appreciate the risks of inflation and other factors.

WM: Does this mean that some investors may have to start rethinking their concept of "risk"?

O'Connor: It could mean that some investors may need to redefine their risk profile, and maybe even have more than one. For example, if you do organize your retirement plan among needs, wants and wishes, you will probably be very conservative when earmarking assets to address all the mandatory expenses. But for your wishes, such as bequeathing a sizable amount of money to a charity once you pass on, you may have a more aggressive risk profile to that earmark.

Ryan: It's about having clarity around what you want for your retirement and what you need to do to get there. If I identify myself as a moderately risky investor, but I haven't clarified where I want to be at retirement, I may end up so conservative in the way I'm planning that I have actually, unintentionally, taken on a different risk profile than the one I identified with initially.

Miranda: It's also about expanding the definition of risk. Traditionally, we only considered risk in terms of portfolio risk, but going into retirement there are a number of other risks that need to be considered. For our clients, the risks to retirement also lie in healthcare, inflation and wealth preservation. Retirees have a different set of concerns. They've worked hard for their money and now they want to keep it.

WM: It looks like successfully planning for retirement is one of the most challenging financial responsibilities for Americans today. But by taking advantage of all the opportunities, advice and information available to them, many should be able to convert their retirement into one of the best times of their life. Would you agree?

"More than ever, people need a financial plan. Once you have carved out a plan and you feel confident it is doable, it gets you very focused on what you're trying to achieve."
—Ed O'Connor

Ryan: If investors want to retire successfully on their terms, they have the ability to do that. But it is going to require a new understanding of what they need to do, when they need to start doing it, and the decisions they need to make.

Let me provide a perspective that more of us can relate to. When you think about technology, the people who benefit and profit most from it are called the "early adopters." Those are the people who adopt new and existing technology early and apply it to their business. In terms of retirement, the early adopters are those who recognize early on what they need to do, and they start making decisions and act on them. Those are the ones who will be the most successful. So I liken the leveraging of technology to the leveraging of wealth planning capabilities—the early adopters will be the ones who have the best opportunities to retire on their own terms.

Miranda: A successful retirement is absolutely possible. For me it comes down to having the right information at the right time, having realistic expectations and understanding your own life and your own finances. Things have gotten more complicated, but in the complexity is the opportunity. People have these tremendous opportunities to not only grow wealth, but to set and lock in an income base that can provide the secure support for whatever it is they want to do.

O'Connor: I believe, from a psychological standpoint, people need to realize that retirement is not an end; it is a beginning. If they have that mindset, and think to themselves it is an opportunity to personally achieve something they've always wanted, then they will take the responsibility to successfully plan for it. /

Business and Passion Coincide for One Art Professional

Sam Keller is one of the most influential figures in today's booming contemporary art market. As head of Art Basel and Art Basel Miami Beach, he is regularly in the limelight. But now, he's moving on to a new—and different—experience as a museum director.

Making a splash in the contemporary art world is usually left to high-flying and glamorous sophisticates in places such as New York or London. Switzerland's soft-spoken art manager, Sam Keller, is an exception to the norm. As director of Art Basel, one of the world's most prestigious art fairs, he is a force in the global art market. It is a job he considers ideal for him. Yet, he also feels it is time to influence the art world in a different way: as the new director of the Foundation Beyeler museum (Beyeler Foundation Art Museum), famous for its modern masterpieces.

His story is a poignant tale of one man's unique approach to the business he loves, his devotion to art, and why he's moving on.

The Art World's 'Marathon Runner'

The Art Basel fair has been called the "Olympics of the Art World." In that regard, you could call Keller the top athlete in the sport of evaluating renowned works of art—he's a marathon viewer of paintings, sculptures, objects, installations and videos. This past June, Art Basel attracted 300 galleries from five continents, presenting works by over 2,000 of the world's most prominent modern and contemporary artists. Its sister fair, Art Basel Miami Beach, which takes place in December, is also one of the foremost events on the world art calendar.

It is no coincidence then that Art Basel is a cornerstone of UBS' cultural program. The Firm enjoys a longstanding relationship with Art Basel, serving as main sponsor for the past 13 years and is now a main sponsor of Art Basel Miami Beach for a fifth consecutive year.

The galleries that participated in Art Basel 2007 were selected to exhibit their works to an audience composed primarily of high net worth art collectors for the five days of the fair. The fact that 99% of the exhibitors applied to return the following year shows how coveted the event is among galleries around the world. They know it pays off to have a stand at one of the most important marketplaces for modern art.

When Keller took over Art Basel at the age of 34, many observers said he was so young he would only be interested in contemporary art. But Keller proved them wrong. "Not only have we specifically cultivated classic modern art, we have, in fact, expanded this sector," he says. "But in terms of our appearance and in the eyes of the public, we were able to keep Art Basel looking youthful."

Fortunately, Keller also enjoys a youthful energy that fuels his drive. Between the art fairs, he can usually be found on a jet anywhere from New York to Dubai or Cape Town. He's out not only viewing paintings, sculpture, installations, videos or other art forms, but simultaneously cultivating personal contacts and visiting artists, gallery owners and important collectors. "I've had the great luck to make my passion my profession," says Keller. "And the intensity of my work with art has not reduced my passion for it, but increased it." Even during his free time, on weekends or vacation, Sam Keller is where great art is: at the Uffizi, MoMa, Tate or Prado.

The Art of the Dealer

To Keller, his success hinges on his communication skills and his ability to take the right tone and approach with all types of people from all walks of life. In the very competitive art business, it's a tremendous advantage to know the "right" people and to gain their trust. For him, that seems to come naturally. There is no trace of arrogance in the way he associates with others, whether they are a famous artist, a

Sam Keller fits in anywhere, be it with wealthy collectors, emerging artists, curators of famous museums or students.

wealthy collector with a private jet or a worker laying the cable in the trade fair hall. Keller treats them all with the same friendly manner, listens to them and takes their interests seriously. Long-standing employees at Art Basel say that when you work with Keller, hierarchies melt away.
At the same time, another component of Keller's success is knowing when to roll out the red carpet for influential artists, collectors and sponsors. "We pay special attention to VIPs and celebrities," he admits. "But that doesn't mean we forget everyone else. We want to be a platform for everybody who is involved in art. For instance, if an art student from Bangladesh sends us an e-mail, we take the matter seriously." Until the 1990s, artists generally frowned upon art trade fairs focused on selling. Keller can be credited with changing much of that due to his tireless efforts as the director of Art Basel. "Nowadays hundreds, if not thousands, of artists come to Basel and Miami," Keller says, a rare touch of personal pride showing through.

A Passion Since Childhood

As the son of a mechanic and a nurse, Keller grew up in an environment in which culture was not a priority. By chance, a school trip on a rainy day that ended up in a museum gave Keller his first art epiphany. "I was completely blown away by the experience, especially because I had never seen something like that before," Keller recalls. From that day on, he knew his destiny. He attended the University of Basel to study art history and philosophy, but dropped out after just a couple of semesters: "The theory was always too far from what I was really interested in."

After leaving the university, Keller got a job at a local public relations agency, where he developed his organizational talents and his skill at staging public events. Soon he came in contact with individuals at Art Basel, who first hired Keller in their internal communications department before eventually handing over the entire responsibility to him. "Sam is one of the best promoters, communicators and networkers I know," says Lorenzo Rudolf, the former head of the trade fair. "That's why I insisted that he should be my successor, and not some external art market expert."
Despite his huge success and international popularity, Keller has maintained his down-to-earth personality. He has not lost his signature spontaneity and natural modesty. Ask him what he thinks his achievements at Art Basel have been, and he will gather his thoughts and simply reply, "We took advantage of some nice opportunities and avoided making mistakes." That's something of an understatement if you keep in mind that it was Keller who successfully brought Art Basel to the U.S., turning it into a hot Miami event with a global edge. "We wanted to set up the world's best trade fair," says Victor Gisler of Art Basel's supervisory committee. "With Sam we were able to do that."

An Offer He Couldn't Refuse

Sam Keller will leave his job as head of Art Basel at the end of 2007 at the height of his popularity. In January 2008, he will take over the top spot at one of Switzerland's most prestigious museums—the Foundation Beyeler in Riehen, which draws 300,000 visitors annually. The well-known patron, art dealer and museum founder Ernst Beyeler personally persuaded Keller to take the job. Keller calls it "an offer I couldn't refuse—a dream opportunity." Nevertheless, the move also means he will be leaving one of the most exciting jobs that the art sector has to offer. Will it be difficult for him to give it up? "The Foundation Beyeler is focused on only the highest-quality art," Keller says. "And there will still be a lot of interaction with interesting people." One would think that the elitism of a museum would put off a bon vivant like Keller. "A museum is not as young as its art," notes Keller. "It is as young as its presentation of the art."

Taking on a new and different challenge in keeping the Foundation Beyeler at the top of the museum world is a task that Keller will relish. /

Health care is a top concern for Americans—how much each of us might need, how costs will be covered, and how these issues will affect our retirement spending patterns.

Learn the fundamentals of this concern and why it should be kept at the forefront as you plan your retirement savings strategy by asking your Financial Advisor for a copy of the new UBS Wealth Management Research report, *UBS Life Themes—Transition to Retirement.*

You can also get a copy by logging onto www.ubs.com/onlineservices and clicking the Research tab.

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