

INDEX MARKETING GROUP

#1 Marketer of Indexed Life and Annuities

100 Corridor Road South Suite 270 ☐ Ponte Vedra Beach Fl 32082 ☐ Phone: 800-546-9968/904-285-5855 ☐ Fax: 904-285-5866

"BY THE NUMBER\$ "

1. **STOCK MARKET HISTORY** - The S&P 500 stock index was up +15.8% in 2006, more than +5% better than the +10.6% average annual return achieved over the last 50 years (1957-2006). Over the last half century, the S&P500 has produced a positive return in 38 years (76% of the time) and been down the other 12 years (24% of the time). All numbers are total return performance results .

2. **TOP OF THE MOUNTAIN** - Both mid-cap stocks (as measured by the S&P 400 Midcap index) and small-caps (as measured by the Russell 2000) reached all-time highs in 2006. Mid-caps were up +10.3% for the year after peaking on 12/05/06. Small-caps were up +18.4% in 2006 after hitting its apex on 12/27/06, the last of 33 new alltime highs the index achieved last year. Both results are total return figures .

3. **LAST YEAR** - The +15.8% total return of the S&P 500 for

2006 is +1.23% compounded per month. The large-cap index was up 11 of 12 months last year, matching a performance last accomplished in 1995. The index was up 141 out of 251 trading days in 2006 or 56% of the time .

4. **+1,000% GAIN** - Over the last 251 months (20 years, 11 months) through 12/31/06, the S&P 500 is up +1,000% (total return), or an annualized +12.1% per year. That period covers 5,276 trading days with 2,826 days being up (54% of the time) and 2,450 days were down or 46% of the time.

5. **BEST & WORST 12 MONTHS** - In the last 10 years (1997-2006), the best performance of the S&P 500 over 12 consecutive months was the period from 8/96 to 7/97 when the index was up +52% (total return). The worst 12- month stretch started 10/00 and ended 9/01 and produced a 27% total return loss .

6. **SMALL vs. LARGE** - The small-cap Russell 2000 was up +18.4% (total return) in 2006, beating the large-cap S&P 500 by +2.6%. Over the last 10 years (1997-2006), the Russell 2000 has beaten the large-cap S&P 500 by +1.0% compounded per year .

7. **VALUE vs. GROWTH** - The Russell 1000 stock index (largest 1,000 US stocks) represents 92% of the domestic stock capitalization, more than the 75% represented by the S&P 500. The Russell 1000 was up +15.5% (total return) in 2006, 0.3% less than the +15.8% turned in by the S&P 500. The “value” component of the Russell 1000 was up +22.3% vs. the +9.1% produced by the “growth” component of the index .

8. **NASDAQ PERFORMANCE** - The NASDAQ was up +9.5% in 2006 (not counting the impact of dividends). If you missed the 4 best days of the NASDAQ in 2006, your return falls to a 0.9% loss for the year. If you avoided the 4 worst days of the NASDAQ in 2006, your return jumped to +19.8% .

9. **STOCK VALUATION** - The P/E ratio of the S&P 500 at the end of 2006 was 18.1, down from an 18.7 P/E ratio a year earlier. The index's long-term 70-year historical average P/E ratio is 15.7.
10. **BIG YEARS, BAD YEARS** - In the last 50 years (1957-2006), the S&P 500 has produced a total return greater than +23% in 13 different years, or approximately once every 4 years. The number of years that the stock index has resulted in a negative performance during a calendar year is 12.
11. **FOREIGN STOCKS** - The international stock index EAFE was up approximately +26.5% in 2006, more than +10% better than the S&P 500 last year. Over the last 10 years, the EAFE index has trailed the S&P 500 by +0.7% per year (+8.4% vs. +7.7% per year). All numbers are total return performance results.
12. **YIELD MOVES UPWARD** - The yield on the 10-year Treasury note finished 2006 at 4.71%, the highest year-end yield on the 10-year note since its 5.02% yield from 12/31/01.
13. **CURRENCY MOVEMENT** - The Euro (8-years old on 1/01/07) ended 2006 at \$1.3198, up 12% vs. the dollar during the calendar year. Over the previous 4 years (2002-05), the Euro had gained +31% (\$0.9038 to \$1.1835) vs. the dollar.
14. **RETIREMENT SAVINGS IN 2007** - The maximum elective employee deferral into an employer-sponsored 401(k) plan in 2007 is \$15,500. That amount does not include the \$5,000 in "catch-up" deferrals that an individual age 50 or greater can contribute.
15. **DB & DC LIMITS** - Defined benefit (DB) pension plans can be funded to produce annual retirement income of \$180,000 beginning in 2007. Twenty years ago (1987), DB plans could be funded to a \$90,000 annual retirement benefit. The maximum annual addition for defined contribution plans in 2007 is \$45,000.

Twenty years ago (1987), the maximum annual addition amount was \$30,000.

Tim Smith

PRESIDENT

INDEX MARKETING GROUP

www.indexmarketinggroup.com