

Money Matters

Fourth Quarter, 2006

A quarterly newsletter for retirement plan participants of Union Bank & Trust Company

Simplify Investing With Target-Retirement Funds

by Kevin Kelch, Assistant Vice President—Retirement Plan Services



One of the most difficult and important retirement planning decisions a participant makes is choosing the investment that is right for them. If you struggle with this decision, then maybe a target-retirement fund (also referred to as a lifestyle fund) is the answer you're looking for. Target-retirement funds simplify the retirement planning process by offering you a portfolio managed to your specific anticipated retirement year.

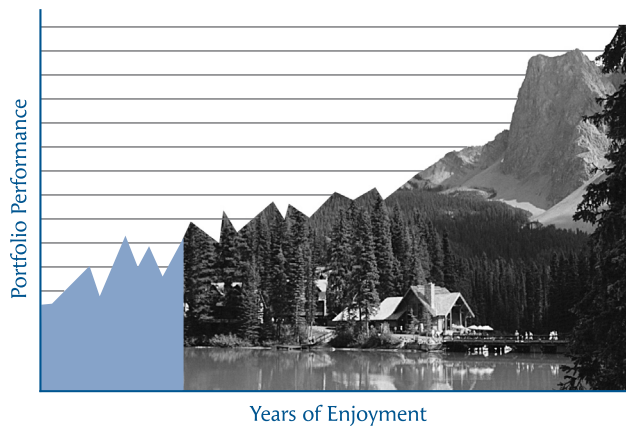
Here's how they work. A target-retirement fund invests in varying percentages of underlying equity, fixed income and money market mutual funds and changes its asset allocation as it reaches the "target" year, which is often included in the fund's name. The goal of a target-retirement fund in the initial years of investment is to grow and expand an investor's assets with a more aggressive allocation—a larger amount of the portfolio in equities than in fixed income. As time goes on, and the retirement year nears, a more conservative strategy is applied and the underlying mutual funds are reallocated to reflect a higher fixed income holding. Once the fund reaches its target year (i.e., the year in which you expect to retire), preservation of capital becomes the fund's primary focus.

If this sounds like an option you would like to use, then the next step is to pick the target-retirement fund that is right for you. To do this, you need to know when you are planning to retire. Target-retirement funds have a year as part of their name, and that year should correspond to the year in which you are planning to retire. Generally, target-retirement funds are set up in 10-year intervals (2015, 2025, 2035, 2045, etc.). Simply pick the one that is closest to the year in which you plan to retire.

Many participants who use target-retirement funds may not be using them for their intended purpose: a single investment to broadly meet their investment

needs. Participants sometimes treat target-retirement funds as just another investment fund, and invest their money in two or more different funds. Unfortunately, this may create a portfolio that could be counter-productive to their retirement goals and investment needs. Therefore, it is generally recommended that participants select only one target-retirement fund.

Where will your retirement portfolio take you?



Target-retirement funds simplify your investment decision by allowing you to choose a single fund and get a diversified portfolio instead of having to build one yourself. If you would like to learn more about target-retirement funds, contact us at (402) 323-1592.

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Looking Back, Looking Ahead

by Roman Windrum, Investment Officer & Portfolio Manager—Union Investment Management Group



Financial markets in 2006 proved extremely robust. The year began with forecasts for a challenging economic environment and moderate expectations for equity and fixed income returns. As the year progressed, a number of positive surprises buoyed stocks and all major equity market averages showed strong advances. Bonds, for their part, showed positive gains as well. The better-than-expected returns were a result of steady economic growth, record corporate profitability, a generally low interest rate environment, and, for much of the year, declining energy prices.

The Dow Jones Industrial Average ended the year within 50 points of its all-time high at 12,463, up 19%. Among the major averages, the Dow was topped only by international stocks, which rose 27%. Although the S&P 500 and NASDAQ posted solid gains for the year as well, they failed to reach their all-time highs set in early 2000 near the end of the tech bubble. Fixed income returns, while modest relative to equities, were satisfactory given the low interest rate environment at the beginning of the year. The two-year U.S. Treasury posted a total return of 3.8% for the year.

Looking forward to 2007, an uncertain optimism endures. Equity valuations are reasonable and expectations for steady economic growth, low interest rates, and strong corporate profits remain. By the same token, it may be hard to see the economic landscape improving from its current footing, and the slightest “hiccup” could cool expectations. On the fixed income front, a generally positive outlook is tempered by worries of a potential economic slowdown and high inflation.

Uncertainty alone, however, should not be cause for concern. As Warren Buffett put it, “In the business world, the rearview mirror is always cleaner than the windshield.” Given the current environment and using history as our guide, we approach 2007 with cautious optimism—aware of the potential for surprises—both positive and negative.

Rule of Investing # 142:

Never drive cars with dirty windshields while wearing rose-colored glasses.

Have a happy and prosperous new year!

2007 Contribution Limits

When planning your 2007 IRA and 401(k) contributions, keep these numbers in mind:

Maximum 401(k) Deferral:	\$15,500
401(k) Catch-up (over Age 50):	\$5,000
Maximum IRA Contribution:	\$4,000
IRA Catch-up (over Age 50):	\$1,000

The arrival of the new year is the perfect reminder for a review of your portfolio. Our professionals will help you keep your investments in line with your objectives.

Money Matters is a quarterly newsletter for retirement plan participants of Union Bank & Trust Company. For additional information or if you would like certain topics to be covered in this newsletter, please forward any questions or comments to:

Retirement Plan Services

6811 S. 27th Street
P.O. Box 82535
Lincoln, NE 68501-2535

Phone: (402) 323-1592
Toll-free: (888) 769-2362
Fax: (402) 323-1339