Silver Thatch Pensions
BUILDING WEALTH ON YOUR TERMS

SMART INVESTOR GUIDE

STRATEGIES FOR SUCCESS
Time-tested strategies for achieving your retirement goals

THE DOLLARS AND SENSE OF AVC'S
Invest a little... save a lot

GAIN WITHOUT PAIN
How to save for retirement... and still have money to spend

PICKING A PORTFOLIO
Use our risk-profile quiz to narrow the field

FOR MEMBERS OF **THE SILVER THATCH PENSION PLAN**

BUILDING WEALTH ON YOUR TERMS

In Cayman, we lead the "good" life. We've got sun, beaches, and the enviable Cayman lifestyle. Even better, we're living longer and retiring earlier... so we actually have time to enjoy it.

Given that the "normal" retirement age in Cayman is 60 and the average life expectancy is 79 (and there's a good chance you'll live even longer), most of us can look forward to spending at least a quarter of our life in retirement. The question is: Will we be able to afford it?

The good news is you belong to a solid, employer-subsidized pension plan. Depending on how long you contribute, this pension may be the single biggest source of your retirement income. But it may not meet all of your retirement income needs.

Luckily, Silver Thatch is more than just a pension plan. It's a wealth management program that allows you to boost your retirement savings through additional voluntary contributions (AVCs). These contributions are deposited in your name and used to supplement your pension income.

When it comes to AVCs, you decide how much to contribute, if anything. Even better, you decide how to invest those contributions, picking from five different investment options.

That's where this guide comes in. It explains your investment options, offers time-tested investment strategies, and suggests ways to set aside money for AVCs. It even includes a profiling questionnaire to help you select the investment options that make sense for you.

Whether you're just beginning to plan for your retirement or you're a veteran investor, we urge you to read this magazine carefully and to check back on it from time to time. We think you'll find it's time well spent. Or better yet, time well "invested."

Trustees of the Silver Thatch Pension Plan

SMART INVESTOR GUIDE

This magazine provides information of a general nature designed to help you plan for your financial future. As such, it may not address your individual needs and circumstances.

While this magazine discusses various strategies related to investment and retirement, these may not be the only strategies available or necessarily the best strategies for you. Depending on your personal financial situation, you may require different or additional information.

The strategies and rules outlined in this magazine are described in a general way. They are not comprehensive and should only be used as basic guidelines.

You should consider discussing your financial future with a qualified professional adviser.

WHAT'S INSIDE //

Features

Interest

OUR STARTING POINT

// Silver Thatch in a nutshell

Silver Thatch is more than just a pension plan. It's a flexible wealth management program.

Before we talk about how to invest your money, it's important that you have a clear understanding of the basics. For example, you need to know how Silver Thatch works and how it can help you build wealth on your terms. Here's a quick overview. Silver Thatch offers a two-part wealth management program.

- There's an employer-subsidized pension plan that provides a cost effective way to build retirement savings. (In addition to what you contribute, your employer contributes an amount equal to at least 5% of your earnings. That's money you can use for your retirement.)
- There is also a supplementary arrangement that offers a convenient and flexible way to augment your retirement savings through additional voluntary contributions (AVCs).

With the pension plan, you and your employer each contribute a set amount. The money, which is invested on your behalf, is directed automatically to one or more of three Profile portfolios:

- a *Growth* portfolio designed to maximize investment returns over the long term,
- a *Balanced* portfolio designed to enhance investment returns while minimizing risk, and
- a *Conservative* portfolio designed to protect the assets already accumulated.

How your pension account and contributions are invested at any given point will depend on your personal risk profile. More specifically, it will depend on three key factors: your age, your income range and your marital status. If your personal risk profile changes over time, so too will your investment portfolio, ensuring your investments continue to reflect your needs.

Required Basic Contributions (Member and Employer)

Funds are automatically deposited in the appropriate *Profile* portfolio based on your age, income range and martial status.

Fixed Income	Conservative	Balanced	Growth	Aggressive

Additional Voluntary Contributions

You have the flexibility to direct your additional voluntary contributions to any of the five portfolios, regardless of age, income range and marital status.

With additional voluntary contributions (AVCs), the control is in your hands. You decide how much to contribute – you can stop, start or change the level of your contributions at any time. You also decide how to invest your AVCs, choosing from any of five different investment portfolios. These include the three "core" portfolios described above, plus two others:

- an *Ultra-Conservative* income portfolio to provide maximum security, and
- an *Aggressive Growth* portfolio to provide maximum returns.

In short, Silver Thatch is more than just a pension plan. It's a flexible wealth management program that's designed to help you save for a financially secure retirement on your terms.

WHY MAKE AVC'S?

The Silver Thatch Pension Plan is a first-rate plan. It's as good (or better) than any in the Cayman Islands. However, it still may not meet all of your retirement income needs. That's why we allow you to boost your retirement income through additional voluntary contributions (AVCs). These contributions:

- allow you to boost your pension income by as much as you want;
- allow you to save through the convenience of payroll deductions;
- give you the flexibility to start, stop, or change the level of your contributions at any time;
- offer you control over your investments – you decide where to invest your AVCs, picking from a range of professionally-managed investment portfolios;
- give you access to quality investments typically not available to investors with modest amounts of money; and
- allow you to alter the overall risk/reward position of your investments (see "Picking a portfolio" on page 8).

At retirement, you can withdraw the full cash value of your AVC account – including contributions and related investment earnings. You don't need to use this money to provide a retirement income – you can spend it any way you want.

YOUR INVESTMENT OPTIONS

You can invest your additional voluntary contributions in five different investment portfolios. Each of the five Profile portfolios offers a different mix of bonds and equities. There is:

- an *Aggressive* portfolio, made up almost entirely of equities. This portfolio is intended for individuals who are looking to maximize their returns and who are willing to accept greater short-term risk.
- a *Growth* portfolio, made up of about 75% equities, 25% bonds. This portfolio is intended for individuals who are looking for greater potential returns and willing to accept more risk than the average balanced fund.
- A *Balanced* portfolio, made up of about 50% equities, 50% bonds. This portfolio is designed to enhance investment returns over the long term while ensuring the short-term preservation of capital.
- A *Conservative* portfolio, made up of about 25% equities, 75% bonds. This portfolio is intended for individuals who want to protect the assets they have already accumulated, but who also want some growth potential.
- An *Income* portfolio, made up almost entirely of bonds. This *Ultra-Conservative* portfolio is intended for individuals who are looking for maximum security (i.e., minimal short-term fluctuations in value) and willing to accept modest returns.

This range of investment options allows you to select an asset mix that suits your investment objectives and comfort level.

The various portfolios were designed in consultation with experts from Eckler Partners Ltd., a Toronto-based pension consulting firm with Caribbean offices, and Coutts (Switzerland) Limited, the plan's current investment manager.

These funds are managed – under the direction of Coutts (Switzerland) Limited – by a team of world-class investment managers. That team includes well-known investment firms such as Morgan Stanley, Schroder Investments, Merrill Lynch, Wellington, Alliance Bernstein, Jardine Fleming, Barclays, and Legg Mason.

THE DOLLARS AND SENSE OF AVC'S

// Even a small contribution can make a big difference

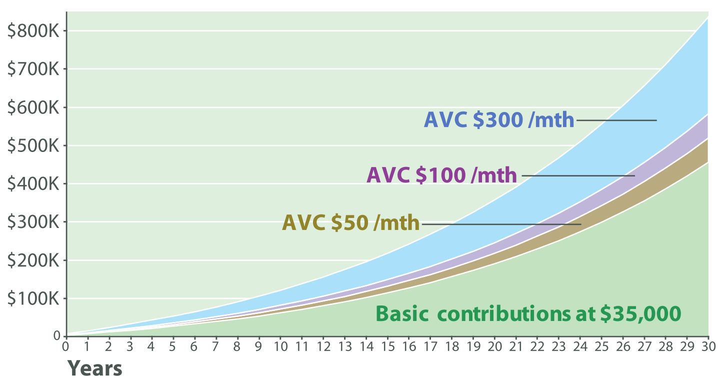
Making additional voluntary contributions – even a few dollars a month – can make a huge difference to your retirement savings. Just how big? The graphs below tell the tale. They compare projected savings based on the amount of AVCs.

One graph shows results for someone earning $35,000, the other graph shows results for someone earning $60,000. Both graphs assume an annual rate of return of 7% and an annual earnings increase of 2%.

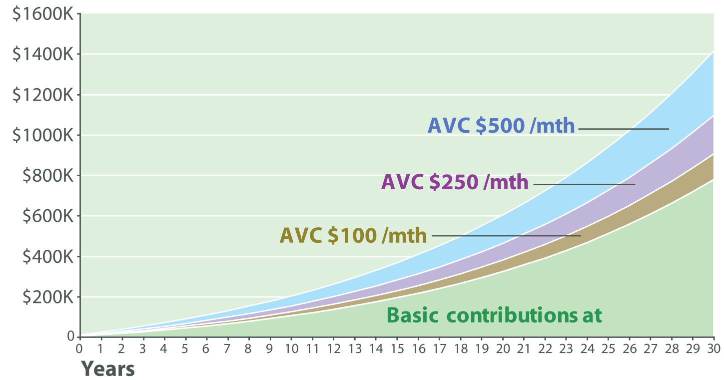
These graphs are for illustrative purposes only. However, as you can see, even a modest investment can affect how much money you have at retirement.

IMPACT OF AVC'S

for individual earnings $35,000*



for individual earnings $60,000*



*Assumes an annual rate of return of 7% and an earnings increase of 2% annually.

HOW TO MAKE AVC'S

If you want to make additional voluntary contributions (AVCs), all you have to do is complete an Additional Voluntary Contribution Form. (A printable version of the form is available on the Silver Thatch website at www.silverthatch.org.ky.)

You can also use the AVC form to:

- specify where you want to invest your additional voluntary contributions, and
- move your existing AVC investments from one investment portfolio to another.

If you are not comfortable telling us how to invest your AVCs, no problem. We'll do it for you. We'll simply invest your AVCs on the same basis as your basic pension contributions.

BONDS VERSUS EQUITIES

Bonds represent a loan made to a corporation or government. When you buy a bond, you are basically lending your money. There is an agreed-upon date by which the company or government must repay the face value of the bond, plus a pre-determined rate of interest.

Equities (also referred to as stocks or shares) represent an ownership position in a company. The holder of a share owns a small "piece" of the company. Common stocks usually include voting rights to elect the company's board of directors; preferred stocks generally don't.

BALANCING RISK AND REWARD

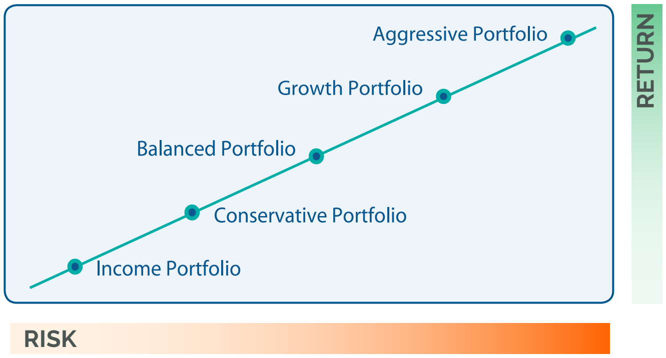
// How to achieve your retirement goals – and sleep at night

When it comes to investing additional voluntary contributions, Silver Thatch offers five different investment portfolios. Each of these portfolios offers a different level of financial reward – and carries a different level of investment risk.

The term "investment risk" may sound a little ominous, but it really shouldn't. There are different definitions of investment risk. However, one generally accepted definition is "the likelihood that a given investment will increase or decrease in value over the short term."

Generally speaking, the greater the investment risk, the greater the potential for long-term rewards. Equities, while often considered a riskier investment, offer the highest potential returns over the long term. Bonds, on the other hand, offer relative safety, but typically come with lower potential returns.

Because each of the five investment portfolios offered by Silver Thatch has a different mix of equities and bonds, each also has a different risk/reward potential. The graph above shows, in very general terms, the relative risk/reward potential for each of the five portfolios.



So, what's the best risk/reward mix for you? It depends on a variety of factors. Following are some of the factors you might want to consider.

1. **Investment objectives**
   Don't lose site of your investment objectives. If growing your retirement savings is your primary objective, you'll probably want to lean more towards equities. Equities carry more risk, but offer the potential for higher returns over the long term. If protecting the savings you already have is the key, a heavier weighting in bonds may make sense. If you are looking for some growth with a degree of security, a balanced portfolio may be the way to go. Keep in mind that your objectives are likely to change over time, particularly as you get closer to retirement.

> It's important to remember that your willingness to accept risk can change over time. As you get closer to retirement, it probably makes sense to move toward more conservative investments.

2. **Comfort level**
   Not everyone is comfortable with risk – especially when it comes to their retirement savings. If you're the type of person who lays awake at night worrying about your investments, you may want to downplay your exposure to equities. Chances are you'll feel more comfortable - and sleep better - if your investments lean more towards bonds.

3. **Time horizon**
   In the world of investments, time can be your ally or your enemy. Younger investors are often better positioned to take on more risk because they have time to ride out a market downturn. But as you get closer to retirement, it may make sense to start "shifting" your investments to more conservative, less risky investments.

4. **Your financial situation**
   Your financial situation is a major factor in determining risk tolerance. If you have a significant amount of money set aside for your retirement already – or if you expect to inherit a substantial sum before you retire – obviously you will be in a better position to tolerate risk. Keep in mind that your financial situation will likely shift over time.

FINDING THE ANSWER

Still not sure where to invest your additional voluntary contributions? Try completing our Smart Investing Questionnaire (on page 8). This simple questionnaire will help you determine your "investor risk profile."

You may also want to sit down with a professional who can help you define your risk tolerance, investment objectives and time horizons. He or she should also be able to help you develop an investment strategy that's right for you.

MAKING AVC'S COUNT

// How to use AVCs to shift your overall risk/reward position

Additional voluntary contributions (AVCs) can play an important role in your overall investment strategy. In short, they can be used to alter the overall risk/reward position of your Silver Thatch investments.

Here's how. You control where you invest your AVCs. You can pick from any of five *Profile* portfolios, each with a different ratio of equities to bonds. Depending on the portfolio(s) you pick, you can increase or decrease the overall percentage of your equity holdings in Silver Thatch.

Changing the percentage of equity holdings will alter your risk/reward position. This is because the more equity-based investments you hold:

- the greater your potential for investment gains in a strong (i.e., rising) market; and
- the greater your potential for investment losses in a weak (i.e., declining) market.

Take the example of John, a married, 30-year-old member earning $36,000 a year.

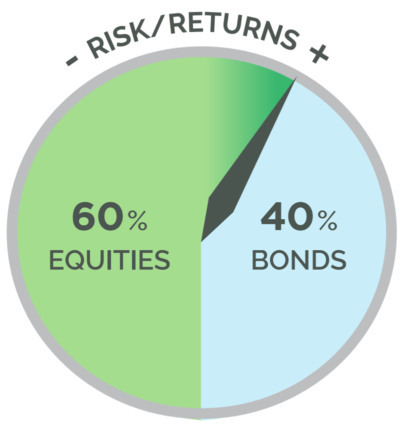
John's required contributions (employer and member contributions combined) are approximately $300 per month. Based on his personal risk profile (i.e., age, income range, and marital status), these contributions are invested automatically in the Balanced portfolio. That means 50% of the money is invested in equities and 50% in bonds. So far, his risk/reward position is neutral. However, by contributing $100 a month in AVCs and investing that money in the *Aggressive Growth* portfolio, John can shift the overall risk/reward position of his contributions. That's because, just over 60% of his total contributions (basic contributions and AVCs combined) will now be directed to equities and 40% to bonds. This means the potential for investment gains is higher, but so is the potential for investment losses.

On the other hand, if John were to invest his AVCs in the *Income* portfolio, just over 60% of his total contributions will be directed to bonds and 40% to equities. Under this scenario, the potential for investment loss is reduced, but so too is the potential for investment gains.

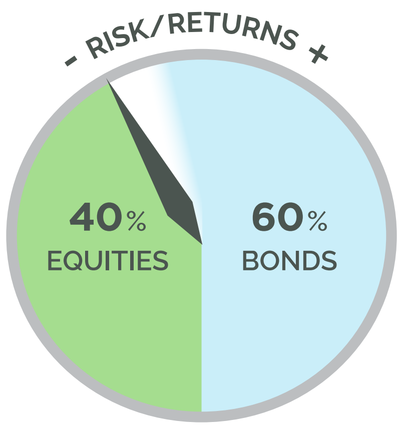
Of course, if John has existing AVC investments, he can also use these to change his overall equity/bond ratio. All he has to do is transfer his AVC investments from one portfolio to another.

In the end, AVCs can not only help you boost your retirement savings,they can also be used to ensure your risk/reward position matches your personal investment objectives. All it takes is a little strategic investing.

Required contributions of $300 per month to *Balanced* portfolio



$300 per month to *Balanced* portfolio **plus $100 of AVCs** to *Aggressive* portfolio



$300 per month to *Balanced* portfolio **plus $100 of AVCs** to *Income* portfolio

PICKING A PORTFOLIO

// Our Smart Investing Questionnaire will help you narrow the field

How much you save for retirement is important. Just as important, however, is how you invest your savings. After all, you want to maximize your returns... and make sure your money is there when you need it.

Figuring out where to invest your money can be a challenge. That's where this questionnaire comes in. It will help you determine your risk profile, which in turn, will help you pick the investments that make sense for you.

All you have to do is answer the adjacent questions and add up your total points. Keep in mind that there are no right or wrong answers... and the person with the most points doesn't necessarily win. What's important is that you are completely honest with your answers – otherwise the results won't reflect your true risk profile.

SMART INVESTING QUESTIONNAIRE

1. How many years until you retire?

- ☐ Less than 2 years **(2 points)**
- ☐ 2-5 years **(4 points)**
- ☐ 6-9 years **(6 points)**
- ☐ 10-15 years **(8 points)**
- ☐ 16+ years **(10 points)**

2. Is your work situation in the Cayman Islands temporary (e.g., do you expect to leave the islands within 10 years)?

- ☐ Yes **(0 points)**
- ☐ No **(5 points)**

3. What is your primary investment objective?

- ☐ Maximize my retirement savings over the long term **(10 points)**
- ☐ Create a balance between investment growth and security **(5 points)**
- ☐ Protect my retirement portfolio **(0 points)**

4. Subtract your proposed retirement age from 80. (For example, if you plan to retire at age 55, you would subtract 55 from 80 – which equals 25.) Select the range that includes the resulting number.

- ☐ 0-5 **(0 points)**
- ☐ 6-10 **(2 points)**
- ☐ 11-15 **(4 points)**
- ☐ 16-20 **(6 points)**
- ☐ 21-25 **(8 points)**
- ☐ 26-30 **(10 points)**

5. What is your current income?

- ☐ Less than $20,000 **(0 points)**
- ☐ $20,000 – $24,999 **(1 point)**
- ☐ $25,000 – $29,999 **(2 points)**
- ☐ $30,000 – $34,999 **(3 points)**
- ☐ $35,000 – $39,999 **(4 points)**
- ☐ $40,000 – $44,999 **(5 points)**
- ☐ $45,000 – $49,999 **(6 points)**
- ☐ $50,000 – $54,999 **(7 points)**
- ☐ $55,000 – $59,999 **(8 points)**
- ☐ $60,000 – $64,999 (9 points)
- ☐ $65,000+ **(10 points)**

6. Please indicate if you will have a spouse and/or dependants at retirement.

- ☐ I will have a spouse and/or dependants **(0 points)**
- ☐ I will not have a spouse and/or dependants **(5 points)**

7. Other than your retirement income from Silver Thatch, what other significant sources of income will you have after you retire? (Select all that apply and total the points)

- ☐ Spouse's pension plan **(5 points)**
- ☐ Income from other savings **(5 points)**
- ☐ An inheritance/trust **(5 points)**
- ☐ Income from rental property **(5 points)**

continued to next page

8. Please select the statement that best reflects your attitude.

- ☐ Will accept lower investment returns, provided the value of my investments remains stable. **(0 points)**
- ☐ Will accept only modest investment returns,provided the value of my investments does not fluctuate too much. **(3 points)**
- ☐ Want to see growth in my investments,but am not comfortable with extreme fluctuations in the value of my investments. **(6 points)**
- ☐ Looking for maximum investment returns and am willing to accept potentially large fluctuations in the value of my investments. **(9 points)**

9. Which of the following portfolios would you be most comfortable investing in?

- ☐ Portfolio A – Over the next year, this portfolio could earn up to 35%, but has the potential to lose as much as 20%. **(9 points)**
- ☐ Portfolio B – Over the next year, this portfolio could earn up to 25%, but has the potential to lose as much as 15%. **(6 points)**
- ☐ Portfolio C – Over the next year, this portfolio could earn up to 10%, but has the potential to lose as much as 10%. **(3 points)**
- ☐ Portfolio D – Over the next year, this portfolio could earn up to 5%, but has the potential to lose as much as 5%. **(0 points)**

10. What is the maximum drop in the value of your investment portfolio that you would be willing to accept over a one-year period?

- ☐ Uncomfortable with any loss **(0 points)**
- ☐ 5% **(2 points)**
- ☐ 10% **(4 points)**
- ☐ 15% **(6 points)**
- ☐ 20% **(8 points)**
- ☐ 25% **(10 points)**

11. Investment portfolios periodically go down in value, but generally "recover."How long a recovery period would you be comfortable with?

- ☐ Less than 6 months **(2 points)**
- ☐ 6 months to a year **(4 points)**
- ☐ 1 to 2 years **(6 points)**
- ☐ 3 to 4 years **(8 points)**
- ☐ 5 years or more **(10 points)**

12. When you retire, do you expect to: (Select all that apply and total the points)

- ☐ take up new (and costly) hobbies **(3 points)**
- ☐ have higher healthcare and dental expenses **(3 points)**
- ☐ travel more **(3 points)**
- ☐ move to a more expensive location **(3 points)**
- ☐ see significantly higher rates of inflation **(3 points)**

TALLING UP YOUR RESULTS

Based on your total points, use the table on the right to determine your risk tolerance and the portfolio you may want to consider. Of course, you can invest in more than one portfolio.

Please note that this table is provided for guidance only. Ultimately, you need to decide where to invest your AVCs based on your individual needs, goals, and circumstances. Silver Thatch does not accept responsibility for any investment decisions you make using this questionnaire.

Before choosing your investment options, we recommend that you consult an independent investment expert.

Total points	Risk tolerance	Suggested portfolio
less than 20	Very Low	Income
21 - 39	Low	Conservative
40 - 59	Moderate	Balanced
60- 79	High	Growth
80 or more	Very High	Aggressive

ADDING UP THE ADVANTAGES

// Investing your AVCs with Silver Thatch has its perks

There are lots of places to invest your money – stocks, bonds, mutual funds to name a few. Finding the right investments often requires a big investment of time and money. But that's not the case at Silver Thatch.

Our five portfolio options offer you convenience, investment expertise, diversification, and much more.

Access: Silver Thatch offers you access to five different investment portfolios – ranging from an *Ultra-Conservative* income fund to an *Aggressive Growth* fund. These are investment opportunities that typically aren't available to investors with modest amounts of capital to invest.

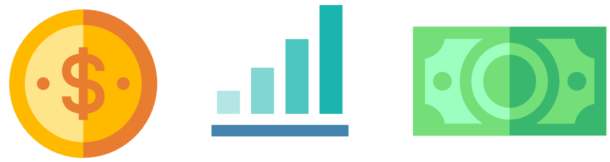
Convenience: Silver Thatch offers you a range of ready-made investment portfolios. True, you will need to do some research to determine which portfolio(s) make the most sense for you. However, you won't need to spend as much time on research as you might if buying equities and bonds on your own.

Expertise: It takes know-how to research individual investments. Most of us simply don't have the expertise to do it right. Our ready-made portfolios are managed by investment experts. That means you don't have to worry about making day-to-day investment decisions.

Diversification: With Silver Thatch, you can get a lot for a little. If you were an individual investor with $1,000, you might be able to buy a few shares in a company or maybe a bond. But with that same $1,000, you can buy units in one or more of the Silver Thatch portfolios – each with holdings in a wide range of assets.

Returns: Our portfolios offer the potential for higher returns – when compared to investing in individual stocks. That's because each of our portfolios is professionally-managed, has clearly defined investment objectives, and is diversified in a wide range of assets. It's hard to beat that when you're investing on your own.

Affordability: You don't need a large sum of money to invest in a Silver Thatch portfolio. In fact, you don't need any money at all. All you have to do is arrange with your employer to deduct a small amount from your pay each pay period. That's different from a lot of mutual funds that require an upfront investment of $1,000 or more.



Flexibility: Silver Thatch offers maximum flexibility. When it comes to AVCs, you can contribute as much or as little as you want. Even better, you can increase, decrease, or stop your contributions whenever you want.

Choice: At retirement, you can cash out the full cash value of your AVC account – including contributions and related investment earnings. You don't need to use this money to provide a retirement income – you can spend it any way you want.

When all is said and done, the Silver Thatch portfolios offer a great way to start and stay invested.

THE PROS OF PORTFOLIOS

- Convenient one-stop shopping
- Professional management
- Diversification of assets
- Potentially higher returns
- Flexible payment options
- Different risk/reward options
- Access for small investors
- Can cash out AVCs at retirement

HOW OUR PORTFOLIOS WORK

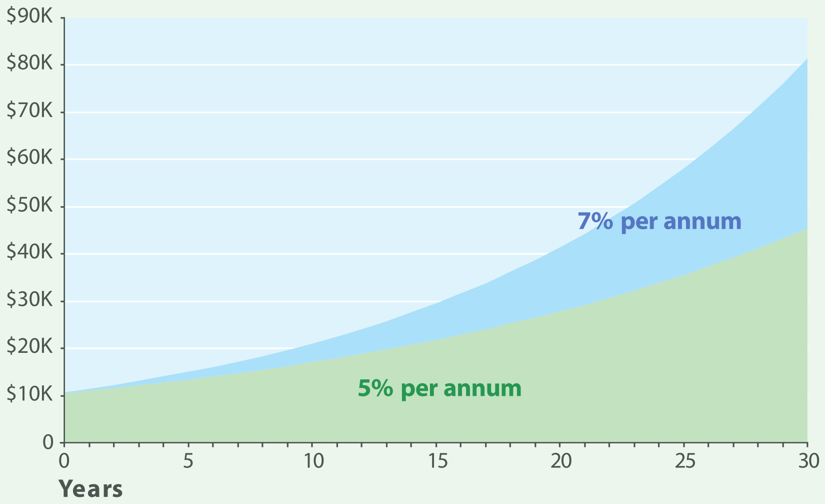
When you invest in a Silver Thatch portfolio, you "buy" units in that portfolio. Each unit represents a portion of the portfolio's total assets. The price of the unit (or "unit value") generally depends on the current market price of the investments held in the portfolio, less any investment management fees and operating expenses. As the portfolio's underlying investments change in value, so too does the value of your units.

REAPING THE REWARDS

Investment risk generally translates into enhanced investment returns. Ultimately, that can mean more money in your pocket.

Consider the positive impact that increasing your average annual rate of return by just 2% (7% versus 5%) can have on a $10,000 investment over a 30-year period.

As you can see, a seemingly marginal increase in your rate of return can have a dramatic impact on your long-term financial picture.



WATCH OUT FOR THE CREEP!

The value of your investments will change over time and that can affect your overall asset mix (i.e., how much you have invested in equities versus bonds).

Consider someone who invests 60% of their money in an equity portfolio and 40% in a bond portfolio. If the equity portfolio goes up in value a lot and the bond portfolio remains steady, the asset mix will shift. The equity portfolio could end up accounting for 65% of assets and the bond portfolio 35%.

To maintain the original asset mix, the investor will need to "reallocate" some of the invested money.

STRATEGIES FOR SUCCESS

// Time-tested investment strategies for achieving your retirement goals

There's no shortage of "sure-fire" schemes to get maximum returns with a minimum investment. But the truth is, these schemes rarely live up to expectations.

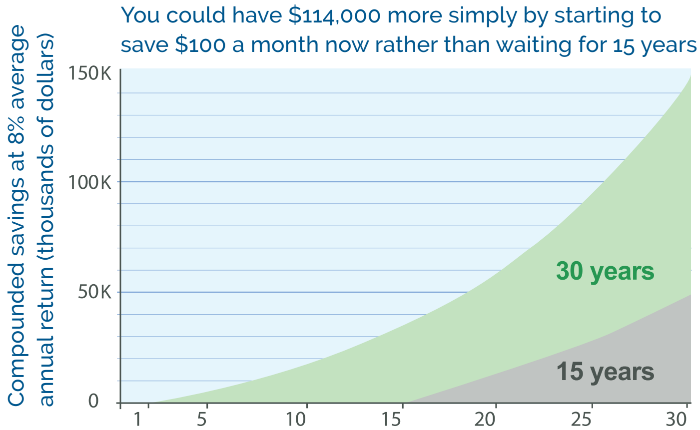
There are, however, some time-tested strategies that can help you make the most of your investments and achieve your retirement income goal. Here are four.

1. Start early

It's never too early to start saving for retirement. In fact, the earlier you start, the less you'll actually have to set aside to achieve your retirement income goal. That's because the earlier you start, the more time there is for your money to grow.

On the flip side, the later you start, the more you'll have to save later to make up for lost time.

The graph below shows how starting to save earlier can make a huge difference in how much you save.



As you can see, contributing $100 a month for 30 years will give you almost three times as much as investing $100 for 15 years (assuming an 8% investment return).This is in part because you are contributing longer. But it's also due to the power of compounding. Compounding simply means earning income on the investment income you've already earned.

2. Diversify

You may have heard the saying "don't put all your eggs in one basket." It's a saying that applies to investing. By investing your money in different investments, you can minimize the impact of a decline in any one asset.

There is a certain amount of diversification built into each of the five portfolios offered by Silver Thatch. Each portfolio holds a variety of different assets, in many cases from different geographic regions and/or economic sectors (i.e., manufacturing, financial, government).

That said, you may want to divide your AVCs among two or more Silver Thatch portfolios – just to be sure. But don't get carried away. Too much diversification can dilute positive returns and make it more difficult to monitor your investments.

3. Dollar-cost averaging

This simply means investing smaller amounts of money on a regular basis, rather than in bigger lump sums. Using this strategy, you end up buying more portfolio units when values are low and fewer units when values are high. (That's a good thing – you want to buy low, sell high.) You also avoid jumping into the market with all your money just as unit prices peak.

Silver Thatch makes dollar-cost averaging easy. It allows you to contribute a set amount each pay period. In fact, you can contribute as much or as little as you want – or nothing at all.

4. Review and rebalance

Things change – including our investment goals, risk tolerance, financial circumstances, and investment mix. So, it's important that you review your investment choices on a regular basis (i.e., at least annually) to ensure they still reflect your investment needs.

When reviewing your investments, keep in mind the following:

- Your asset mix can shift – on its own. This can happen if you have AVCs in more than one portfolio and one portfolio outperforms the other.
- A change in financial circumstances, marital status, or even your health can affect your risk tolerance and retirement plans.
- As you near retirement, you have less time to recoup any investment losses. With that in mind, it probably makes sense to gradually "shift" your investments to more conservative, less risky portfolios.

Remember, investing is a life-long process. You need to start early, invest wisely, and review your investments regularly. Ultimately, it's your money and it's up to you to make the most of it.

FOUR TIME-TESTED STRATEGIES THAT WORK

1. **Invest early**
   Make the most of the time you have to save
2. **Diversify**
   Spread the risk by investing in a range of different assets
3. **Dollar-cost averaging**
   Invest regularly instead of in lump sums
4. **Review and rebalance**
   Insure your investments still reflect your needs

GAIN WITHOUT PAIN

// How to save for retirement... and still have money to enjoy life

Planning for retirement is easy. Saving for retirement... well, that's another story. There are, after all, 101 reasons not to save for retirement.

I'm too young... I don't earn enough... we need a new car... we need to pay off the credit cards... we're saving for a down payment... we have mortgage payments... we have to save for our kids' education.

The list goes on and on – if we let it. The fact of the matter is, if we are going to enjoy a financially secure retirement, we need to save... and the sooner we start, the better.

The following five-step savings program is designed to help you save for retirement. But equally important, it's designed to help you save with minimal financial "pain." After all, you still have to enjoy life.

Step 1: Budget, if you can – How do you "find" money to save? One of the best ways is to analyze where you spend and then figure out where you can spend less. At that point, you can set up a simple budget to help you live within your means and put money aside for retirement.

It sounds good, in theory. But the truth is, most of us don't have the discipline to stick to a budget. That's where steps two through five come in.

Step 2: Pay yourself first – It's human nature: Once we get hold of money, it's pretty hard to let go of it... except, of course, to spend it. One way to save money is to pay yourself first. In other words, divert the money to your savings before you have a chance to spend it.

Silver Thatch makes it easy. You can arrange to divert a portion of your pay directly to Silver Thatch – in the form of additional voluntary contributions (AVCs). You decide how much or how little to contribute. The money is deducted from your pay before you receive it and is invested before you can spend it.

Step 3: Save regularly – Chances are you'll find it easier to save a bit each month rather than try to scrape together a lump sum. Simply put, you're less likely to miss $50 a month than a one-time, annual hit of $600.

Besides being less painful, there are other reasons to save regularly.

Pay yourself first. In other words, divert the money to your savings plan before you have a chance to spend it.

- It's a good habit to get into. You'll establish a "savings pattern" that will dramatically increase your odds for achieving your retirement goals.
- It can be automatic. You can arrange for automatic deductions from your pay. You don't have to worry about it – it just happens.
- It can help you save faster. If you save $100 a month instead of $1,200 once a year for 30 years, you'll end up with $13,000 more (assuming an average annual return of 8%). This is simply because your money is invested earlier and earning returns sooner.

Step 4: Don't spend your raises – We tend not to miss what we've never had. So, if you've got a raise coming, divert some or all of it to savings. Once again, a good way to do that is by having AVCs deducted directly from your pay... before you receive it.

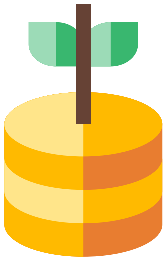
Step 5: Don't waste a windfall – If you get a big bonus, receive an inheritance,or are lucky enough to win the lottery, don't let it slip between your fingers. Think about saving at least some of it for the future.

By following these simple steps, or at least some of them, you'll start to see your retirement savings grow. And chances are, you won't miss the money... too much.

One last thing. Don't forget to reward yourself for saving (a night out, a mini-vacation, a new book... whatever it takes). A little positive reinforcement will help you achieve your savings goal!

5 STEPS TO PAIN-FREE SAVING

1. Budget,if you can
2. Pay yourself first
3. Save regularly
4. Don't spend your raises
5. Don't waste a windfall



INCOMING!

// Where will your retirement income come from?

Chances are, your retirement income will come from more than one source. Your Silver Thatch Pension Plan is one obvious source. But there are others. You may have personal savings. If you've lived outside the Cayman Islands, you may also qualify for a government pension from another country. And, you may be able to work part-time in retirement.

Your company pension

Ideally, the pension you build with Silver Thatch will be a significant part of your retirement income. The truth is, however, some of us will need more than our company pension come retirement. Personal savings and, in some cases, government pensions can help make up the difference.

Personal savings

Personal savings can take many different forms. For example, it can include savings in bank accounts, stocks, bonds, annuities, real estate, collectibles (such as art), and even some life insurance policies. That said, the Silver Thatch Pension Plan makes it easy for you to save. It allows you to make additional voluntary contributions (AVCs) through the convenience of payroll deductions. Even better, you have control over how that money is invested. You can invest it in any of five different investment portfolios.

Government pensions

The Cayman Islands does not provide government pensions (except to government employees). However, if you've lived in another country – and many Cayman Island residents have – you may be entitled to some form of government pension from that country. If you've lived abroad, contact the country where you lived and find out what, if any, benefits you may be entitled to receive.

Working after retirement

While not having a job may sound good now, a part-time job can be a nice way to help fill the day and try something new. More importantly,it can be a good way to supplement your retirement income.

If you haven't already, start planning for your retirement. Think about where your retirement income will come from and how much it might be. That way, you'll know if you need to save more or adjust your retirement expectations. A little planning now can help you avoid any unexpected – and unpleasant – surprises down the road.

HOW MUCH IS ENOUGH?

How much money you need in retirement will depend on a number of factors, such as when you retire, your retirement lifestyle, life expectancy, inflation, and how much income your savings generate.

In some parts of the world, retirement planning experts suggest – as a rule of thumb – that you'll need to replace about 70% of your pre-retirement income. But in the Cayman Islands, there is some evidence that you'll need more than that. In fact, you may find that your living expenses are actually higher after retirement than before.

True, some of your current expenses may shrink once you stop working. For example, you might not need to spend as much on work clothes, lunches, or professional dues. And, you won't need to save for retirement anymore.

However, some new costs will likely surface. You may want to travel more or take up new hobbies. Healthcare and dental costs will likely go up as you get older. And, you may need to hire people to help out with the household chores – such as lawn care or painting. Your best bet is to sit down and draw up a detailed budget of your anticipated retirement expenses.

THE INFLATION FACTOR

People are retiring earlier and living longer. In fact, statistics show that most of us will spend one quarter of our life in retirement. That gives inflation a lot of time to eat away at the buying power of your retirement income.

What exactly is inflation? It's simply the overall increase in the cost of living caused by a rise in prices. Over the past few decades, we've experienced inflation of about 3% to 4% per year. Inflation of just 3.5% compounded over 20 years would erode the buying power of your retirement income by about one half.

A WINNING COMBINATION

// A strategy that works

When it comes to a solid team effort, we've got this game in the bag.

Great performance

Discipline and focus are what it takes to produce a winning performance. This is our approach for generating solid results for you.

The Plan's portfolio returned 14.46% for the 12 months ended June 30, 2004 and outperformed our benchmark by +0.79%.

GREAT PERFORMANCE

Multi manager

Up to 15 of the world's best fund managers in the business are on your team. Individually, our fund managers offer expertise in specific markets. Together, they give us the breadth and depth of experience needed to make the most of market upswings, and to navigate market downturns.

MULTI MANAGER

Low fees

Your money is yours – not ours. We add value to your account not only thorough sound investment advice, but also through effective management of the plan's expenses. For the year ended June 30, 2004 the total expenses of the plan were 1.5% and have declined every year since inception.

LOW FEES

Silver Thatch Pensions
BUILDING WEALTH ON YOUR TERMS

Saxon Pensions
14 Saxon Centre
P.O. Box 31694
Saturn Close, Eastern Avenue
Grand Cayman KY1-1207 Cayman Islands
(345) 943-7770
(345) 943-7771
support@silverthatch.org.ky
www.silverthatch.org.ky