



Cleary Gull - An Independent Perspective

Services

Pre-Retirement Planning

Full Investment Management Services

Estate Planning

Family Survivorship Guidance

Key members of the Cleary Gull Pilot Team are:

- **George Mathes** - as a retired pilot and a Certified Financial Planner, George is uniquely qualified to help UAL pilots and retirees sort through their financial options to maximize their retirement income.
- **Rob Biddle** - is an active United Airlines Captain and Chartered Retirement Planning Counselor(CRPC). With his extensive Flight Operations Management, Training Center, Pilot Employment and ALPA Committee experience, Rob brings a wealth of current UAL knowledge and expertise to his role in helping pilots and their families plan for retirement.

George, Rob and our other Cleary Gull pilot team members are closely monitoring the daily changes in UAL's financial health and the implications for its employees and retirees. George is equally conversant in the complex and constantly changing world of Social Security and Medicare benefits. With their guidance, Cleary Gull has compiled the following Questions and Answers for you, an United Airlines pilot, as well as useful web links to further your understanding.

Current News

Akaka Bill

This bill, introduced to change the PBGC application of the PC4 benefit to age 60 versus age 65 for airline pilots, has been languishing since 2007. The latest information we have is that the bill is not likely to be revived during 2010.

URPBPA has received the communication below from the UAL-MEC. It was sent to all United pilots by the UAL-MEC R & I Committee.

As noted in the letter, the Pension Benefit Guarantee Corporation (PBGC) is revising the allocation of the \$1.5 billion that the PBGC received from United Airlines as part of the settlement agreement that resulted in the PBGC terminating the United Airlines Pilots Defined Benefit Pension Plan on December 30, 2004.

This change could result in an increased monthly payment to URPBPA members who are receiving their pension payment under the provisions of PC-3. At this time there is no way to calculate the amount of the increase in benefits to PC-3 recipients, but it is likely that it will not be a substantial amount.

The issues that caused the PBGC to revise its allocation process are ones that URPBPA's attorneys felt should be investigated once the PBGC issues its "Final Determination Letters (FDL)" to retired pilots. There may still be additional issues that our attorneys feel should be examined once the letters are reviewed.

It appears that the PBGC has moved the timeline for issuing the "FDLs" to the middle of 2010.

While this may raise questions among URPBPA's members, there is no additional information available at this time. URPBPA will post updates on this and other matters as events unfold.

Questions & Answers

1.) What services does Cleary Gull provide?

Pre-Retirement (free)

PDAP Guidance

Help with Retiree Benefits

Wealthcare Retirement Plan - Providing a "Success Odds Analysis"

Estate Planning Guidance

Client Retirement

Investment Management Services

Survivor Guidance and Assistance

Financial Planning Guidance

Estate Planning Guidance

2.) Can Cleary Gull help me estimate whether I have enough assets to retire on time (or early) and live comfortably?

Yes, if you are within five years of retirement, Cleary Gull can help you determine the amount of benefits you would receive if you retire early and compare it to what you would receive if you continue to your normal retirement date. Cleary Gull utilizes the Wealthcare program to project your desired after-tax retirement income and sources of funding, including other pensions, Social Security and investment income. You can receive your Wealthcare Analysis by printing out a **ClearWealth® Confidential Questionnaire** and mailing it to **Cleary Gull**. For faster service, fax the completed questionnaire to us toll-free at 877-FLY-CGULL (877-359-2485).

If you are considering early retirement, contact Cleary Gull for professional assistance. We can provide you with the information to assist in an intelligent decision.

3.) Is there a way to avoid the 10% penalty if I take withdrawals from my IRA account before I am 59 ½ years old?

A 10% penalty tax applies on retirement plan distributions that are includable in gross income (not rollovers) and are made before age 59 ½. Under IRS 72(t), an exception to the penalty tax is for distributions that are part of a series of "substantially equal periodic payments" calculated for the life of the taxpayer or the joint life (lives) of the taxpayer and his or her spouse. Once the distribution begins, it must be continued to age 59 ½ or for a minimum of five years, whichever ever comes last.

Cleary Gull can help you determine the optimal way to structure your "substantially equal payments" to provide you with the income you require.

If you are thinking about making early withdrawals, we suggest that you consult with Cleary Gull to have a Wealthcare Analysis run for you. The Wealthcare report employs a Monte Carlo analysis to model uncertainty and provides you with a confidence level that your retirement plan will deliver the lifestyle you seek without undue risk or sacrifice. If you are within five years of retirement and would like to learn more about Wealthcare and how it can be useful to you in your retirement planning, please contact us at 877-747-1133 or contact our [Cleary Gull Retirement Consultant Team](#).

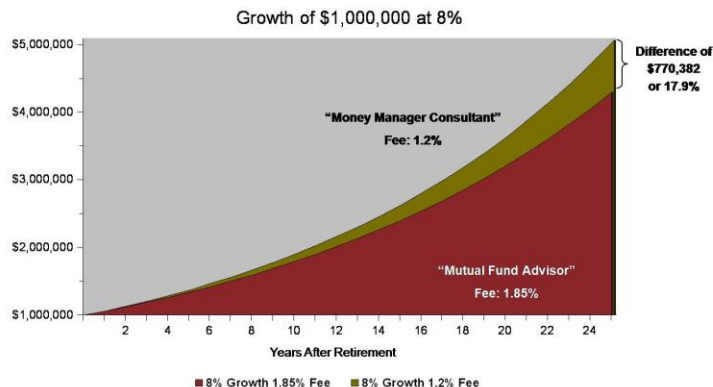
4.) I have heard a few pilots talk about splitting retirement money between two firms. Is there any downside to splitting your investments?

While some people feel more comfortable splitting their money, we feel there is some downside to be considered. Consider, for a moment, the implications of using multiple tax advisors, insurance agents, estate planners, or having three separate physicians each treat a third of your ailment. In each of these situations, those advisors must have all of the information at hand in order to properly respond to your needs. The same principal applies to using multiple investment advisors. Without the opportunity to see your entire financial picture, it is difficult to make the best recommendation for your overall planning. It is sometimes more expensive to diversify two separate portfolios.

At Cleary Gull, we provide the diversification that you seek using multiple investment advisors (account splitting) but it eliminates the inefficiencies. In addition, part of your retirement portfolio at Cleary Gull will be invested in individual bonds for most account sizes, and this is generally more cost efficient and flexible.

Fee structures can vary considerably. Mutual fund costs are not always transparent and, in many cases, are in addition to the management fee quoted by an advisor.

Cleary Gull fully discloses all fees and costs associated with your portfolio.



It is sometimes more difficult to properly diversify two separate portfolios.

The issue is one of coordination. It is not likely that the separate managers will work in concert to ensure that your allocations are dovetailed to eliminate duplication (such as owning the same stocks in each plan) and avoid out-of-balance conditions in your combined portfolio. Your Cleary Gull portfolio manager, based on your individualized profile, determines the portion of your assets allocated to each manager/fund. Here you get coordinated diversification. All of your eggs are in different baskets but they are coordinated by a portfolio manager overseen by a full staff of qualified advisors, not a one person operation.

It is sometimes more difficult to track minimum distributions at 70½ when you have more than one account.

Again, this would require that you coordinate between multiple advisors to make sure that you comply with the law. It is usually more cumbersome and difficult to monitor multiple portfolios in the investment of your retirement assets. In the end, it is a personal decision that is made based on your own comfort level. Cleary Gull has an excellent Q&A on how to [Evaluate an Investor Advisor](#) that may help in your decision making process.

5.) Some of my friends have told me about investing my retirement assets in an annuity. Does this make sense and what should I know before doing so?

Annuities are packaged and sold by insurance companies and come in as many flavors as ice cream – immediate, deferred, variable, equity indexed, principal protected and more. The attractiveness of the annuity is that it shifts some of the financial risk from the individual to the insurance company. Unfortunately, that shift of risk comes with a substantial price tag and loss of flexibility. Also, don't forget that insurance companies can also fail.

A major benefit of an annuity is tax-deferred growth. Because the annuity is an insurance contract, the insurance company charges a mortality and expense charge which can exceed 1% per year of the annuity value. This M&E charge is in addition to the investment management fees, other rider costs and any "market value" adjustments commonly found in variable annuities. Since an IRA already enjoys tax-deferred growth, many advisors are not in favor of buying an annuity inside an IRA.

The types of annuities that are "hot" vary with current market conditions. For example, when the market is good, variable annuities are popular; when the market is down/stagnant, fixed products are heavily marketed. Equity Indexed annuities (EIAs) are a hybrid annuity that promise participation in the upside of a market with downside protection. Unfortunately EIAs offer limited upside participation and the downside protection is no better than breaking even. They also come with significant costs. Insurance companies are generally very good at making profits. They are experts in evaluating mortality and economic trends and price their products accordingly. Since the vast majority of annuities are sold rather than bought, it is clear that the consumer faces a difficult hurdle in deciphering the cost/benefit issues in these products.

While annuities can be a useful component of a total financial plan, they are not generally recommended until all the other cost efficient methods are exhausted. And remember, Social Security, a military pension or other qualified pension elections you have are also annuities, which may be more than enough guaranteed cash flow.

Here are some links that you will find useful in gaining some perspective of the annuity product before committing to a purchase. In addition, we would be happy to discuss this material in more detail if you call us at 877-747-1133 or contact our [Cleary Gull Retirement Consultant Team](#).

<http://www.finra.org/InvestorInformation/InvestorAlerts/AnnuitiesandInsurance/VariableAnnuitiesBeyondtheHardSell/index.htm>

<http://www.finra.org/InvestorInformation/InvestorAlerts/AnnuitiesandInsurance/Equity-IndexedAnnuities-AComplexChoice/index.htm>

<http://www.finra.org/InvestorInformation/InvestorAlerts/FraudsandScams/FreeLunchInvestmentSeminars-AvoidingtheHeartburnofaHardSell/index.htm>

<http://www.fool.com/retirement/annuities/annuities02.htm>

<http://moneycentral.msn.com/content/Retirementandwills/InvestYourSavings/P73742.asp>

6.) What is the Pension Benefit Guarantee Corporation? (PBGC)

PBGC is a federal agency created by the Employee Retirement Income Security Act of 1974 (ERISA) to insure and protect pension benefits in private traditional pension plans known as defined benefit plans (A-Plan). If your plan ends without sufficient money to pay all qualified benefits, PBGC's insurance program will pay your qualified benefit subject to a maximum guarantee based on age. Financing comes mainly from insurance premiums paid by companies whose plans are protected, not from taxes.

For more information, we suggest you review Frequently Asked Questions on the PBGC's website:

<http://www.pbgc.gov/>

7.) Since the PBGC has effectively taken over the Pilot Defined Benefit Pension Plan (A-Plan) the issue of health care expenses becomes a more significant problem. Are there any programs available to recipients of PBGC payments relative to health care?

There is some relief offered to qualifying individuals via the Health Care Tax Credit (HCTC). Information is available at the following link, which is a page on the IRS site:

<http://www.irs.gov/individuals/article/0,,id=109960,00.html>. That page contains links to more specific clarifying information on the program, including a brochure which explains the program in detail.

The credit is available to retirees (between ages 55 and 65) whose plan sponsor pays less than 50% of the cost of coverage. UAL retirees with less than 25 years service (and over age 55) may qualify for this assistance. Retirees with over 25 years of UAL service pay less than 50% of UAL cost for health coverage and do not qualify. There are other restrictions regarding existing coverage through other plans (such as coverage from a spouse's plan).

Information on qualifying for this credit was sent out by the PBGC to all participants. That information is also available on the www.pbgc.gov site.

8.) How does the PBGC calculate retirement benefits?

The PBGC calculates benefits at the time of plan termination and uses a complex formula to determine benefits. We suggest you review Publications, "Your Guaranteed Pension" on the PBGC website:

www.pbgc.gov. If you have further questions on these calculations you can discuss them with George Mathes at 877-462-8437.

ADDITIONAL WEBSITE LINKS

In addition you may be interested in the following website links:

Computershare - www.computershare.com

Pension Benefit Guarantee Corporation - www.pbgc.gov

Social Security Administration - www.ssa.gov

United Airlines Home Page - www.ual.com

Retired UAL Airline Pilots site - www.rupa.org

Active UAL Pilot site with many links - www.pilotsunited.com

Air Line Pilots Associate website - www.alpa.org

Federal Aviation Administration - www.faa.gov

Veterans Administration - www.va.gov

United Retired Pilots Benefit Protection Association (URPBPA) - <http://www.ualpilotpension.com>

ADDITIONAL QUESTIONS?

If you have additional questions, please e-mail us at pilotinfo@clearygull.com. We will respond to your questions as soon as possible.

Disclaimer:

Cleary Gull will endeavor to update information on this website as it becomes available but makes no representation as to its accuracy or completeness. This information, including links to other websites, is thought to be reliable but we can not guarantee its accuracy. Many of the answers to questions about retirement benefits may be changed by bankruptcy and upcoming negotiations. Cleary Gull has no knowledge that your A-Plan will be involved in a termination involving the turnover of the plan to the PBGC.