



ADVISORS CAPITAL
MANAGEMENT

Income with growth

SOLUTIONS FOR RETIREMENT INCOME



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RETIREMENT INCOME BY THE NUMBERS

Only **20%** of companies
now offer healthcare coverage during retirement. ¹

Only **1 in 5** households
currently are eligible to receive a pension in retirement. ²

Social Security now provides only **20%**
of the average household's retirement expenses. ³

A 65 year old couple today has a **50%** chance
that one partner will live to age 88. ⁴

1. Employee Benefit Research Institute Brief 279, March 2005.
2. Social Security Administration Office of Policy, Income of Age Chart book 2002 incomes of \$40,000 or more.
3. Social Security Administration Office of Policy, Income of Age Chart book 2002 incomes of \$40,000 or more.
4. Annuity 2000 mortality table; Society of Actuaries.



ACM HAS IDENTIFIED 5 KEY RISKS TO YOUR FUTURE RETIREMENT INCOME

Longevity: Most people underestimate their life span and risk outliving their assets.

Future Health Care Expenses: Rising health care costs coupled with inadequate health care coverage may have a negative impact on retirement income plans.

Inflation: Inflation increases the future costs of goods and services and may erode the value of assets set aside to meet those costs.

Asset Allocation: Retirees with limited assets and a portfolio concentrated in fixed-income investments may expose themselves to greater risk of outliving their assets.

Withdrawal Rate & Method: Aggressive withdrawal rates and the use of principal for income may increase the likelihood that the retiree could deplete their assets prematurely.

PROPER PLANNING CAN HELP MITIGATE THESE RISKS

In order to plan for retirement, investors need to have a realistic outlook on life expectancy and the potential rising costs of healthcare and other expenses. It's important to properly allocate your portfolio with investments that seek to grow income in an effort to keep up with these potential rising costs. In addition, sensible withdrawal expectations that do not jeopardize principal must be maintained.

DISCLAIMER: ACM's five key risks are the opinion of ACM's investment committee members and guidelines for the strategy's investment philosophy. Some investors may not experience these risks based on their level of assets, guaranteed pension, healthcare benefits or future market conditions. Consult with your investment advisor to identify your core retirement income risks.

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OUR INCOME SOLUTION

ACM's Income with Growth strategy places primary emphasis on seeking current income. As a secondary objective, this strategy seeks to provide capital appreciation so that the value of the account and income is maintained relative to inflation.

INVESTMENT PHILOSOPHY

Fundamentally, we are a value oriented investment firm. ACM seeks to invest in strong businesses that are trading at a significant discount to their intrinsic value. We take a two to three year investment time horizon and try to exploit mis-pricings in a security where the market is overly focused on short term issues. This philosophy often requires us to take a contrarian approach to stock selection.

INVESTMENT PROCESS

ACM's two pronged investment approach combines a top-down macro view of the business cycle with a thorough bottom-up stock selection process searching for great businesses that are undervalued. This process favors positive risk/reward scenarios.

Investing involves risks, including possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments you intend to invest in.

ALLOCATING FOR INCOME WITH GROWTH

To provide for a diverse stream of dividend and interest income, each client's portfolio is allocated amongst fixed income, preferred stock, real estate investment trusts, master limited partnerships and other income producing equities. Portfolio allocations can be adjusted based on specific client income needs, risk parameters and tax considerations.

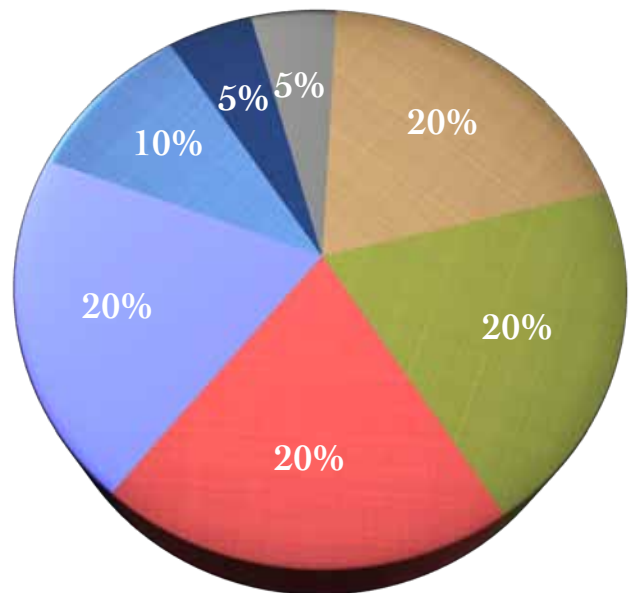
WORKING WITH OUR CLIENTS

ACM prides itself on its integrity and its commitment to its clients. It is our belief that each of our client's financial objectives are unique, and the portfolios should reflect that. ACM holds investor wide quarterly calls hosted by our Investment Committee, and also offers one-on-one direct meetings with each client. Ongoing open communication between management and the client is imperative to supporting a close working private account relationship.

ACM's Income with Growth portfolio directly addresses key retirement income risk factors such as inflation, client longevity and proper withdrawal rates and methods. Listed below are ACM's Income with Growth portfolio mandates and a hypothetical target allocation for new investors. This strategy seeks to provide long-term income without tapping into principal.

INCOME WITH GROWTH TARGET ALLOCATION

- Master Limited Partnerships
- REITs (Real Estate Investment Trusts)
- Fixed Income
- Dividend Stocks
- Preferred Stock
- Utilities
- Cash



PORTFOLIO MANDATES:

- Advisors Capital Management's Income with Growth Strategy seeks to provide long term cash flow from dividends and interest.
- Portfolio income and principal are managed in an attempt to outpace inflation over the long-term.
- A typical portfolio will have 30-45 diversified holdings, with allocations in stocks, MLPs, REITs, utilities, preferreds, bonds and cash
- Historically low portfolio turnover.
- Managed for tax efficiency.
- All assets are publicly traded.

IMPORTANT INFORMATION: Choosing a diversified strategy does not guarantee a profit or protect against loss in a declining market. Investing involves risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments you intend to invest in.

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ABOUT ADVISORS CAPITAL MANAGEMENT

Advisors Capital Management provides all cap equity and fixed income portfolios that are uniquely designed for each investor. Our people, resources and commitment are solely focused on the personal and financial objectives of our clients. ACM portfolio management services are available through financial advisors across the country, as well as direct clients of the firm. Advisors Capital Management is a registered investment advisor. Please review our ADV Part 2a and our investment advisory agreement for program fees and descriptions. All client accounts are held at independent custodians.

ABOUT THE PORTFOLIO MANAGER

Dr. Charles Lieberman is the Chief Investment Officer and co-founder of Advisors Capital Management. Formerly a New York Federal Reserve economist and the chief economist of Chase Bank, Chuck brings a macro economic approach to our firm's all cap value portfolios. Chuck is a regular contributor to Wall Street Journal Radio, CNBC and Bloomberg. His insights have been sought out by many financial publications, including Barron's and The Wall Street Journal.

Income with Growth Allocation Definitions Appendix

Master Limited Partnerships: Organized as partnerships. Typically own pipelines and storage facilities for oil, gas and refined products. MLPs are essentially transportation system companies, moving crude oil and natural gas from drilling fields to refineries and finished products from refineries to population centers. These companies own tangible assets and are largely debt financed, so they may be beneficiaries of inflation. As partnerships, the companies do not pay taxes. They issue K-1s, rather than 1099s for tax purposes.

Real Estate Investment Trusts: REITs are companies that tend to own real estate, whether it is shopping malls, office buildings, apartments, nursing homes, mortgages or assorted other sub-sectors. REIT dividends are non-qualified, so subject to full income tax rates. However, a portion of dividends may be treated as a return of capital and reduce the investor's cost basis. As owners of real estate that can be financed with mortgages or loans, REITs may be beneficiaries of rising inflation.

Fixed Income: An investment in which an investor loans money to an entity that borrows the funds for a defined period of time and pays either a fixed or floating interest rate. Bonds are commonly referred to as fixed-income securities.

Preferred Stock: Also called preferred shares or simply preferreds, are a security that has properties of both equity and a debt instrument and is generally considered a hybrid instrument. In the corporate capital structure, preferreds are senior to common stock but are subordinate to bonds. Trust preferreds typically own the subordinated debt of the parent company, so their dividend payments are treated like interest. The dividend payments of regular preferred are treated like qualified common dividends and are subject to favorable tax treatment. Companies may defer or suspend the dividend on regular preferred shares. A company cannot defer or suspend a dividend payment on a trust preferred without triggering a corporate default.

Dividend Stocks: A dividend is a distribution of a portion of a company's earnings. Dividends are not guaranteed and subject to change at the issuing company's discretion.

Utility Stocks: Utility stocks are stocks of electric, water, gas, and telephone companies. A small allocation is assigned to utilities for their unique combination of above average dividend yields, low volatility and regulation-intensive safety. Utilities provide an additional element of diversification to the portfolio.

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