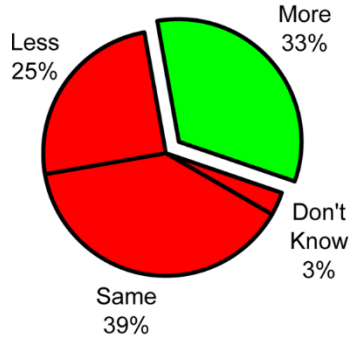


Company Stock and 401(k) Plans

Many Employees Don't Understand Company Stock Diversification Risk

PERCEPTION:

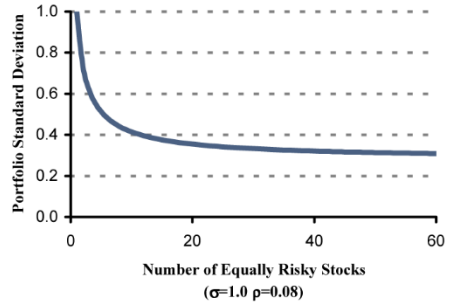
"Would you say your employer's stock is more risky, less risky, or has about the same level of risk as investment in a diversified stock fund with many different stocks?"



Source: The Vanguard Group, 2003
 "Employer and Employee Attitudes Toward Company Stock in 401(k) Plans"
 For more information about this study go to www.vanguard.com.

REALITY:

Decline in Standard Deviation with Increasing Diversification

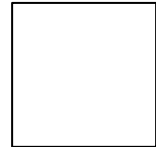


Volatility (measured by standard deviation) declines rapidly as more stocks are added to a portfolio. The optimum number of stocks in a portfolio is at least 300.

Source: Meir Statman, "The Diversification Puzzle," Financial Analysts Journal, Volume 60, Number 4 (2004)



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Company stock can be an important tool to align the interests of participants with plan sponsors, and many employees appreciate having a real stake in the outcome of their labor. But with many employees underestimating the risk associated with investing in a single stock and the fallout from corporate scandals involving company stock still in the press, many plan sponsors wonder how to fulfill their fiduciary duty when offering company stock in their retirement plan.

Prudent plan sponsors can take steps to help reduce abusive practices related to company stock, both in the plan and by participants. Careful communication, clear education materials, and well-considered plan policies and procedures can make the difference between an energized employee base and unwanted headlines.

Bellwether Consulting is an independent investment advisor serving the needs of retirement plan sponsors and other institutional investors.

For more information please have a look at our website at www.bellwetherconsulting.net, or call us at (646) 205-9346.