



INVESTOR'S SPECTRUM

UNCOMMON WISDOM FROM WACHOVIA SECURITIES

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ROD SMYTH
Chief Investment Strategist

Rod Smyth's The Week

Our Chief Investment Strategist, Rod Smyth, has long provided commentary for Investor's Spectrum. The Week presents his latest thoughts on the economy and potential opportunities in the stock and bond markets, domestic and international.

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Tim Anderson's Fixed Income Weekly

From Treasury securities to high-yield issues, our Chief Fixed Income Strategist, Tim Anderson, CFA, provides this weekly discussion of risk and return in the fixed income markets.

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Why Dividends Matter

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WHAT ARE DIVIDENDS?

Dividends are the portion of the company's earnings that are distributed to shareholders. Dividends grew 11.9% in 2006 and 13.5% in 2005, versus 2% in 2002,¹ which may provide an added incentive (in the form of return on your investment) to own stock in stable companies, even if they are not experiencing much growth. Many companies pay a regular dividend to their stockholders.

BENEFITS OF DIVIDENDS

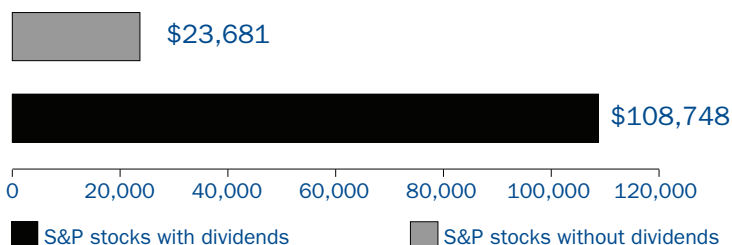
- They may demonstrate a company's financial health. Dividends are paid from real earnings, and corporations must have the cash flow to pay them.
- They may be an important component of total return (as we will see below).
- Generally, dividend-paying stocks have outperformed non-dividend-paying stocks.*
- The Jobs and Growth Tax Relief Reconciliation Act of 2003 lowered the maximum tax rate for qualifying stock dividends to 15%.

*Source: Ned Davis Research 1972 – 2006.

THE POTENTIAL LONG-TERM IMPACT OF DIVIDENDS

Many investors have forgotten that dividends have been a key component of long-term equity returns. Over the 46 years 1960 – 2006, most of the total return of the S&P 500 Index came from dividends.² The chart below illustrates how a hypothetical \$1,000 investment in the unmanaged S&P 500 Index invested from 1960 to 2006 would have grown to \$108,000. However, without dividends the value would be \$23,681.³

THE VALUE OF DIVIDENDS OVER TIME²



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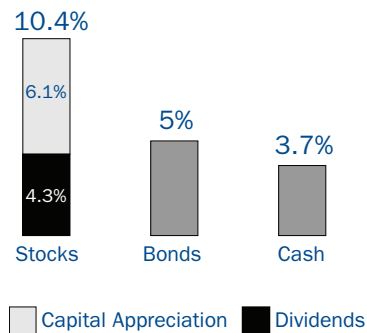
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DIVIDENDS' IMPACT ON RETURNS

During the 80-year period ended 2006, stocks posted an average annual total return of 10.4%, compared with 5.9% for bonds and 3.7% for cash. However, 40% of stocks' annualized total return came from dividends.

DIVIDENDS' IMPACT ON RETURNS

HISTORICAL RETURNS 1926-2006



Source: Ibbotson Associates and Standard & Poor's Index Services 2006.

Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. Bonds offer a fixed rate of return and investment principal if held to maturity.

THE 2003 TAX ACT PROVIDES NEW OPPORTUNITY

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, dividends receive more favorable tax treatment than in the past. Qualifying dividend income received by individual taxpayers is now taxed at the same level as long-term capital gains, at a maximum of 15 percent. This compares to federal income tax rates of up to 35 percent on interest income from taxable bonds and non-qualifying dividend income. For many investors, this change may cut dividend taxes by more than half.



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JOBS & GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

REVISED TAX RATES

| | OLD MAXIMUM TAX RATES | NEW MAXIMUM TAX RATES* |
|--------------------------|-----------------------|------------------------|
| QUALIFIED DIVIDENDS | 38.6% | 15% |
| LONG-TERM CAPITAL GAINS | 20.0% | 15% |
| TAXABLE BOND INTEREST | 38.6% | 35% |
| NON-QUALIFYING DIVIDENDS | 38.6% | 35% |
| SHORT-TERM CAPITAL GAINS | 38.6% | 35% |

** Unless new tax legislation is enacted, in 2011 federal tax rates will increase to a maximum of 20% for long-term capital gains and 39.6% for ordinary income and short-term capital gains. Qualified dividends will become taxable as ordinary income. Table reflects maximum federal income tax rates for individual taxpayers. State and/or local taxes may also apply.*

Finally, as America ages, dividends may play an important role in providing income for retirees. As retirees are living longer and enjoying their retirement years, they may need to supplement their retirement income from sources such as Social Security and retirement savings plans. Dividend-paying equities may offer potential for growth and provide needed income, however dividends are not guaranteed and may be eliminated or reduced by a company at any time.

For more information on dividend investing, please contact your Financial Advisor.

¹ Standard & Poor's, December 31, 2006.

² Total return is annual price appreciation, or loss, plus dividends.

³ Source: Lipper Inc. The S&P 500 Index (a trademark of the McGraw-Hill Companies) is an unmanaged index commonly used as a measure of U.S. stock-market performance. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

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It is not unusual for us to think about our financial health as we begin the process of planning what our life will look like in retirement. But our physical health can have a major impact on our financial health.

One of the largest financial considerations during retirement is the cost of healthcare. If you think about the cost of health insurance premiums, co-payments, medications and the impact various health conditions have on the cost of long-term care, it is crucial that we build our retirement plans to include these costs. And in the same vein, if there are simple things we can do to prevent common health problems, these preventions may assist in containing the cost of healthcare later in life. And there are many simple things we can do.

Sunglasses, once considered only as a fashion accessory, are actually a smart thing to wear. Fashion aside, sunglasses do serve a true function — protecting eyes from the harmful rays produced by the sun.

Most people know that our eyes can be damaged by the ultraviolet (UV) radiation in sunlight. What many people don't realize is that the damage is cumulative — the longer you expose your eyes to the sun, the greater the risk of developing UV-related problems. Research has not yet determined specifically how much UV radiation will cause damage to the eyes, but eye-care professionals suggest wearing sunglasses that filter 99-100 percent of UV radiation. They also suggest that, if it's good for you, then it's good for your children, too. We now know that the earlier children start protecting their eyes from UV radiation, the better their chances of avoiding serious eye health problems later in life.

Factors that increase sunlight exposure to eyes will of course increase the risk of ocular damage from UV radiation. People whose work or recreation involves lengthy exposure to the sun are at greatest risk. The risk is greatest from 10:00 a.m. to 3:00 p.m. UV radiation levels increase nearer the equator, so residents in the southern United States are at greater risk. UV levels are also greater at high altitudes. With the depletion of the ozone, more UV radiation will reach the earth, and the risk of eye damage is expected to increase.

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It is important to protect your eyes from both visible sunlight and potentially dangerous ultraviolet light. Wearing prescription or nonprescription sunglasses will help to maintain your ability to adapt for night vision and make you more comfortable during the daytime. With thousands of sunglasses on the market, it is easy to pick a style and color that suits your needs.

Sunglasses that block 85% of the light will still enable you to see well on a bright day, yet protect your eyes' ability to adapt to darkness. But be careful — sunglasses with light transmittance less than 15% may reduce effective visual acuity. The minimum transmittance for a red traffic light is 8%, and for green and yellow, it's 6%. Tinted lenses with transmittance below these values may render traffic signals undetectable at a safe stopping distance and are not recommended for daylight driving. Polarized lenses reduce reflected glare from a flat surface.

Sunglasses come in various colors. The lens color with minimal color distortion is neutral gray. Dark green sunglasses are also very effective. Blue-blocking sunglasses have an amber tint and eliminate much of the scatter created by the shorter wavelengths of light. The result of this is an apparent increase in contrast on hazy days. The shortfall of amber lenses is that color discrimination may be reduced.

No matter what type of sunglass you purchase, you need to ensure that the glasses block both ultraviolet A (UV-A) and ultraviolet B (UV-B) light. It is a good idea to have a UV-blocking coating put on all of your glasses, both clear and tinted, to ensure that you have continuous protection from harmful ultraviolet rays.

When looking to purchase sunglasses, be sure to check the labeling on the lens to ensure that you will be receiving maximum protection from the sun's harmful rays. The American Optometric Association (AOA) has established a program to evaluate and recognize quality nonprescription sunglasses. Products that meet the minimum specifications established by the AOA Commission on Ophthalmic Standards are allowed to use the AOA Seal of Acceptance in product labeling and marketing.

Every time you walk outside, the sun could be doing major damage to your eyes. Owning the right sunglasses and regular glasses is the key to protecting your eyes and your vision for years to come.