

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

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### FILER

#### **MERRILL LYNCH BALANCED FD FOR INV & RET**

CIK: **746637** | State of Incorporation: **MD** | Fiscal Year End: **0930**  
Type: **497** | Act: **33** | File No.: **002-91329** | Film No.: **94504190**

Business Address  
*P O BOX 9011*  
*PRINCETON NJ 08543*  
*6092823319*

PROSPECTUS

JANUARY 28, 1994

MERRILL LYNCH BALANCED FUND  
FOR INVESTMENT AND RETIREMENT

BOX 9011, PRINCETON, NEW JERSEY 08543-9011 . PHONE NO. (609) 282-2800

Merrill Lynch Retirement Benefit Investment Program, Inc., doing business as Merrill Lynch Balanced Fund for Investment and Retirement, is a mutual fund of the type permitted to have a number of different portfolios, or series. The fund and its only series, the Full Investment Portfolio, are referred to as the "Fund." The Fund seeks to provide shareholders with as high a level of total investment return as is consistent with reasonable risk. The Fund seeks to achieve its objective through investment in common stocks and other types of securities, including fixed-income securities and convertible securities. Because the Fund is designed for investors for whom current tax liability is not a consideration, such as certain tax qualified employee benefit plans, the Fund (and any other series that may be added in the future) will invest without regard to tax considerations.

The Fund offers two classes of shares which may be purchased at a price equal to the next determined net asset value per share, plus a sales charge which, at the election of the purchaser, may be imposed (i) at the time of purchase (the "Class A shares"), or (ii) on a deferred basis (the "Class B shares"). The deferred sales charges to which the Class B shares are subject shall consist of a contingent deferred sales charge which may be imposed on redemptions made within four years of purchase and an ongoing account maintenance fee and distribution fee. Class A shares pay no ongoing fees; Class B shares pay ongoing fees at an annual rate of 1.00% of the Fund's average daily net assets attributable to the Class B shares, comprised of a 0.25% account maintenance fee for account maintenance services and a 0.75% fee for distribution services. These alternatives permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Investors should understand that the purpose and function of the deferred sales charges with respect to the Class B shares are the same as those of the initial sales charge with respect to the Class A shares. Investors should also understand that over time the deferred sales charges related to Class B shares may exceed the initial sales charge with respect to Class A shares. See "Alternative Sales Arrangements" on page 3.

Each share of Class A and Class B represents identical interests in the Fund and has the same rights, except that Class B shares bear the expenses of the account maintenance fee and the distribution fee and certain other costs resulting from the deferred sales charge arrangement, which will cause Class B shares to have a higher expense ratio and to pay lower dividends than those related to Class A shares, and that Class B shares have exclusive voting rights with respect to the account maintenance fee and the distribution fee. The two classes also have different exchange privileges.

Shares may be purchased directly from Merrill Lynch Funds Distributor, Inc. (the "Distributor"), Box 9011, Princeton, New Jersey 08543-9011 (609) 282-2800, or from securities dealers which have entered into dealer agreements with the Distributor, including Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). The minimum initial purchase price is \$1,000 (\$250 for retirement plans) and the minimum subsequent purchase is \$50 (\$1.00 for retirement plans). Merrill Lynch may charge its customers a processing fee (presently \$4.85) for confirming purchases and repurchases. Purchases and redemptions directly through the Fund's transfer agent are not subject to processing fees. See "The Fund and its Management," "Purchase of Shares" and "Redemption of Shares".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus is a concise statement of information about the Fund that is relevant to making an investment in the Fund. This Prospectus should be retained for future reference. A statement containing additional information about the Fund, dated January 28, 1994 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and is available, without charge, by calling or by writing the Fund at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

FEE TABLE

A general comparison of the sales arrangements and other nonrecurring and recurring expenses applicable to Class A shares and Class B shares follows.

<TABLE>

<CAPTION>

	CLASS A SHARES		CLASS B SHARES	
	INITIAL SALES CHARGE	DEFERRED SALES CHARGE	INITIAL SALES CHARGE	DEFERRED SALES CHARGE
	ALTERNATIVE	ALTERNATIVE	ALTERNATIVE	ALTERNATIVE
<S>	<C>	<C>	<C>	<C>
SHAREHOLDER TRANSACTION EXPENSES:				
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....	6.50% (a)		None	
Sales Charge Imposed on Dividend Reinvestments....	None		None	
Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, whichever is lower).....	None		4.0% during the first year, decreasing 1.0% annually to 0.0% after the fourth year (b)	
Exchange Fee.....	None		None	
ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS) FOR THE YEAR ENDED SEPTEMBER 30, 1993:				
Management Fees (c).....	0.55%		0.55%	
12b-1 Fees.....	None		1.00% (d)	
Other Expenses				
Custodial Fees.....	0.02%		0.02%	
Shareholder Servicing Costs (e).....	0.12%		0.14%	
Miscellaneous.....	0.14%		0.14%	
Total Other Expenses....	0.28%		0.30%	
	----		----	
Total Fund Operating Expenses.....	0.83%		1.85%	
	=====		=====	

</TABLE>

- (a) Reduced for purchases of \$10,000 and over, decreasing to 0.75% for purchases of \$1,000,000 and over. Certain purchasers of Class A shares investing \$1,000,000 or more may, in lieu of a front-end sales load, be assessed a deferred sales charge on redemptions within the first year of such investment. See "Purchase of Shares--Initial Sales Charge Alternative--Class A Shares" page 10.
- (b) See "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares" page 12.
- (c) See "The Fund and Its Management--Advisory Fee" page 8.
- (d) Includes both the 0.25% account maintenance fee and the 0.75% distribution fee. See "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares--Distribution Plan" page 14.
- (e) See "The Fund and Its Management--Transfer Agency Services" page 8.

EXAMPLE:

<TABLE>

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	CUMULATIVE EXPENSES PAID FOR THE PERIOD OF:			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>

An investor would pay the following expenses on a \$1,000 investment including, for Class A shares, the maximum \$65 front-end sales charge and assuming (1) an operating expense ratio of 0.83% for Class A shares and 1.85% for Class B shares, (2) a 5% annual return

throughout the periods and (3) redemption at the end of the period:

Class A.....	\$	72.92	\$	89.77	\$	108.06	\$	160.87
Class B.....	\$	58.79	\$	78.17	\$	100.07	\$	216.92

An investor would pay the following expenses on the same \$1,000 investment assuming no redemption at the end of the period:

Class A.....	\$	72.92	\$	89.77	\$	108.06	\$	160.87
Class B.....	\$	18.79	\$	58.17	\$	100.07	\$	216.92

</TABLE>

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Fund will bear directly or indirectly. The Example set forth above assumes reinvestment of all dividends and distributions and utilizes a 5% annual rate of return as mandated by Securities and Exchange Commission regulations. The Example should not be considered a representation of past or future expenses or annual rate of return, and actual expenses or annual rate of return may be more or less than those assumed for purposes of the Example. Class B shareholders who own their shares for an extended period of time may pay more in account maintenance and distribution fees than the economic equivalent of the maximum front-end sales charge permitted under the Rules of Fair Practice of the National Association of Securities Dealers, Inc. Merrill Lynch may charge its customers a processing fee (presently \$4.85) for confirming purchases and repurchases. Purchases and redemptions directly through the Fund's transfer agent are not subject to the processing fee. See "Purchase of Shares" and "Redemption of Shares."

ALTERNATIVE SALES ARRANGEMENTS

Shares of the Fund may be purchased at a price equal to the next determined net asset value per share, plus a sales charge which, at the election of the purchaser, may be imposed either (i) at the time of the purchase (the "initial sales charge alternative"), or (ii) on a deferred basis (the "deferred sales charge alternative").

Class A Shares. An investor who elects the initial sales charge alternative acquires Class A shares. Although Class A shares incur a sales charge when they are purchased, they enjoy the benefit of not being subject to any ongoing account maintenance fee or distribution fee or, with the exception of certain purchases for which initial sales charges may be waived, any sales charge when they are redeemed. Certain purchases of Class A shares qualify for reduced initial sales charges. See "Purchase of Shares--Initial Sales Charge Alternative--Class A Shares".

Class B Shares. An investor who elects the deferred sales charge alternative acquires Class B shares. Class B shares do not incur a sales charge when they are purchased, but they are subject to ongoing account maintenance and distribution fees and a sales charge if they are redeemed within four years of purchase. Class B shares enjoy the benefit of permitting all of the investor's dollars to work from the time the investment is made. The ongoing account maintenance and distribution fees paid by Class B shares will cause such shares to have a higher expense ratio and to pay lower dividends than those related to Class A shares. Payment of the distribution fee is subject to certain limits set forth under "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares".

As an illustration, investors who qualify for significantly reduced sales charges might elect the initial sales charge alternative because similar sales charge reductions are not available for purchases under the deferred sales charge alternative. Moreover, shares acquired under the initial sales charge alternative would not be subject to ongoing account maintenance and distribution fees. However, because initial sales charges are deducted at the time of purchase, such investors would not have all their funds invested initially. Investors not qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time might also elect the initial sales charge alternative because over time the accumulated continuing account maintenance and distribution fees may exceed the initial sales charge. Again, however, such investors must weigh this consideration against the fact that not all their funds will be invested initially. Furthermore, the ongoing account maintenance and distribution fees will be offset to the extent any return is realized on the additional funds initially invested under the deferred sales charge alternative. However, there can be no assurance as to the return, if any, which will be realized on such additional funds. Certain other investors might determine it to be more advantageous to have all their funds invested initially, although remaining subject to continued account maintenance and distribution fees and, for a four-year period of time, a contingent deferred sales charge.

The distribution expenses incurred by the Distributor and dealers (primarily Merrill Lynch) in connection with the sale of the shares will be paid, in the case of Class A shares, from the proceeds of the initial sales charge and, in the case of the Class B shares, from the proceeds of the ongoing distribution fee and, if applicable, the contingent deferred sales charge incurred upon redemption within four years of purchase. Expenses incurred by the Distributor and dealers (primarily Merrill Lynch) in connection with account maintenance activities with respect to the Class B shares will be paid from the proceeds of the account maintenance fee. Sales personnel may receive different compensation for selling Class A or Class B shares. Investors should understand that the purpose and function of the deferred sales charges with respect to the Class B shares are the same as those of the initial sales charge with respect to the Class A shares. The account maintenance fees to which Class B shareholders are subject will be used to compensate financial consultants and other personnel for providing personal services to shareholders and to pay administration costs related to maintenance of shareholder accounts.

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Dividends paid by the Fund with respect to Class A and Class B shares, to the extent any dividends are paid, will be calculated in the same manner, at the same time, on the same day and will be in the same amount, except that the account maintenance and distribution fees and any incremental transfer agency costs relating to Class B shares will be borne exclusively by that class. See "Additional Information--Determination of Net Asset Value". Class A and Class B shareholders of the Fund each have an exchange privilege for Class A and Class B shares, respectively, with certain other mutual funds sponsored by Merrill Lynch. Class A and Class B shareholders of the Fund also may exchange their shares for shares of certain money market funds sponsored by Merrill Lynch. See "Shareholder Services--Exchange Privilege".

The Directors of the Fund have determined that currently no conflict of interest exists between the Class A and Class B shares. On an ongoing basis, the Directors of the Fund, pursuant to their fiduciary duties under the Investment Company Act of 1940 and state laws, will seek to assure that no such conflict arises.

THE ALTERNATIVE SALES ARRANGEMENTS PERMIT AN INVESTOR TO CHOOSE THE METHOD OF PURCHASING SHARES THAT IS MOST BENEFICIAL GIVEN THE AMOUNT OF THE PURCHASE, THE LENGTH OF TIME THE INVESTOR EXPECTS TO HOLD THE SHARES AND OTHER CIRCUMSTANCES. INVESTORS SHOULD DETERMINE WHETHER UNDER THEIR PARTICULAR CIRCUMSTANCES IT IS MORE ADVANTAGEOUS TO INCUR AN INITIAL SALES CHARGE AND NOT BE SUBJECT TO ONGOING CHARGES, OR TO HAVE THE ENTIRE INITIAL PURCHASE PRICE INVESTED IN THE FUND WITH THE INVESTMENT THEREAFTER BEING SUBJECT TO ONGOING CHARGES. TO ASSIST INVESTORS IN MAKING THIS DETERMINATION, THE FEE TABLE ON PAGE 2 SETS FORTH THE CHARGES APPLICABLE TO EACH CLASS OF SHARES AND A DISCUSSION OF RELEVANT FACTORS IN MAKING SUCH DETERMINATION IS SET FORTH UNDER "PURCHASE OF SHARES--ALTERNATIVE SALES ARRANGEMENTS" ON PAGE 9.

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FINANCIAL HIGHLIGHTS

The financial information in the table below has been audited in conjunction with the audits of the financial statements of the Fund by Deloitte & Touche, independent auditors. Financial statements for the year ended September 30, 1993, and the independent auditors' report thereon are included in the Statement of Additional Information.

<TABLE>  
<S> <C>  
THE FOLLOWING PER SHARE  
DATA AND RATIOS HAVE BEEN  
DERIVED FROM INFORMATION  
PROVIDED IN  
THE FINANCIAL STATEMENTS.  
</TABLE>

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CLASS A

FOR THE YEAR ENDED SEPTEMBER 30,				
1993	1992	1991	1990	1989+

<S> <C> <C> <C> <C> <C>

INCREASE (DE-

Net asset value, beginning of period.....	\$ 12.57	\$ 11.94	\$ 10.61	\$ 11.93	\$ 11.18
Investment In- come--net.....	.47	.46	.64	.64	.24
Realized and unrealized gain (loss) on investments--net.	1.25	.62	1.69	(1.41)	1.42
Total from investment operations.....	1.72	1.08	2.33	(.77)	1.66
Less dividends and distributions: Investment income--net.....	(.39)	(.45)	(.62)	(.55)	(.90)
Realized gain on investments-- net.....	(.88)	--	(.38)	--	(.01)
Total dividends and distributions....	(1.27)	(.45)	(1.00)	(.55)	(.91)
Net asset value, end of period....	\$ 13.02	\$ 12.57	\$ 11.94	\$ 10.61	\$ 11.93

TOTAL INVESTMENT RETURN:** Based on net as- set value per share.....	14.62%	9.23%	23.14%	(6.86%)	15.54%++
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Expenses, excluding distribution fees.....	.83%	.81%	.85%	.83%	.78%*
Expenses.....	.83%	.81%	.85%	.83%	.78%*
Investment in- come--net.....	3.09%	3.18%	3.64%	5.12%	4.23%*

Net assets, end of period (in thousands).....	\$40,688	\$20,320	\$12,839	\$ 4,511	\$ 2,080
Portfolio turn- over.....	79.55%	65.40%	173.76%	163.56%	175.47%

<CAPTION>

CLASS B

FOR THE YEAR ENDED SEPTEMBER 30,

	1993	1992	1991	1990	1989	1988	1987	1986++
Net asset value, beginning of period.....	\$ 12.62	\$ 11.99	\$ 10.60	\$ 11.91	\$ 10.94	\$ 12.54	\$ 11.17	\$ 10.00
Investment In- come--net.....	.27	.28	.41	.50	.53	.57	.39	.25
Realized and unrealized gain								

(loss) on investments--net.	1.34	.67	1.81	(1.39)	1.25	(1.40)	1.64	.98
Total from investment operations.....	1.61	.95	2.22	(.89)	1.78	(.83)	2.03	1.23
Less dividends and distributions:								
Investment income--net.....	(.26)	(.32)	(.45)	(.42)	(.80)	(.55)	(.38)	(.06)
Realized gain on investments--net.....	(.88)	--	(.38)	--	(.01)	(.22)	(.28)	--
Total dividends and distributions....	(1.14)	(.32)	(.83)	(.42)	(.81)	(.77)	(.66)	(.06)
Net asset value, end of period....	\$ 13.09	\$ 12.62	\$ 11.99	\$ 10.60	\$ 11.91	\$ 10.94	\$ 12.54	\$ 11.17
TOTAL INVESTMENT RETURN:**								
Based on net asset value per share.....	13.49%	8.01%	21.91%	(7.79%)	16.93%	(6.36%)	18.98%	12.29%++
RATIOS TO AVERAGE NET ASSETS:								
Expenses, excluding distribution fees.....	.85%	.85%	.90%	.86%	.84%	.82%	.73%	.82%*
Expenses.....	1.85%	1.85%	1.90%	1.86%	1.84%	1.82%	1.73%	1.82%*
Investment income--net.....	1.99%	2.10%	3.37%	3.90%	3.73%	4.66%	3.60%	4.23%*
SUPPLEMENTAL DATA:								
Net assets, end of period (in thousands).....	\$830,955	\$886,920	\$986,895	\$1,171,567	\$1,735,873	\$2,264,429	\$3,384,647	\$ 2,065,752
Portfolio turnover.....	79.55%	65.40%	173.76%	163.56%	175.47%	239.78%	145.17%	143.78%

</TABLE>

\* Annualized.

\*\* Total investment returns exclude the effects of sales loads.

+ Class A shares commenced operations on October 27, 1988.

++ Class B shares commenced operations on November 29, 1985.

++ Aggregate total investment return.

See Notes to Financial Statements.

#### INVESTMENT OBJECTIVE AND POLICIES

The Fund is designed to provide investors with a convenient and professionally managed vehicle for seeking as high a level of total investment return as is consistent with a relatively low level of risk. This is a fundamental investment objective. The Fund seeks to achieve its objective through investment in high quality, larger capitalization common stocks (generally companies with \$500,000,000 or more of market capitalization) and other types of securities, including fixed-income securities (preferred stock and debt securities) and convertible securities, as well as through the writing of covered call options and the lending of portfolio securities. It is anticipated that, except under unusual circumstances, the Fund will maintain at least 25% of the value of its assets in fixed-income senior securities. In its common stock investments, it is anticipated that the Fund will seek to emphasize issues with relatively low price earnings ratios, above average dividend yields, and relatively low price to book value ratios, as compared to prevailing market conditions. With respect to debt securities, the Fund will invest only in instruments which are rated Aa or better by Moody's Investors Service, Inc. ("Moody's") or AA or better by Standard & Poor's Corporation ("S & P"), or which are determined by the Fund's investment adviser to be of quality comparable to instruments so rated. To a limited extent, the Fund also

may write covered call options and lend its portfolio securities. The Fund attempts to reduce overall exposure to risk from declines in securities prices by spreading its investments over many different companies in a variety of industries. No assurance can be given that the Fund will be able to achieve its investment objective.

Total investment return is the sum of current income and capital gains received from portfolio investments, as well as the capital appreciation of investments retained in the portfolio. It is anticipated that ordinarily the Fund's emphasis on current income and capital appreciation will be relatively equal, although from time to time the Fund may vary its emphasis between these two elements as market or economic conditions change. In this regard, the composition of the Fund is largely unrestricted. In furtherance of its efforts to reduce overall exposure to investment and income risk through adequate diversification of its portfolio, the Fund may invest up to 20% of its total assets in securities issued by foreign companies.

The Fund also reserves the right to invest all or a portion of its assets in high quality money market securities (such as U.S. Treasury bills, certificates of deposit issued by U.S. banks having more than \$1 billion in assets, commercial paper and repurchase agreements with respect to U.S. government securities and U.S. government agency securities) for purposes of enhancing liquidity and avoiding the effects of declining securities prices when it seems advisable to do so in light of prevailing market or economic conditions. The Fund will invest only in commercial paper that is rated A-1 or A-2 by S & P, or P-1 or P-2 by Moody's, or, if not rated, issued by companies having an outstanding debt issue rated AA or better by S & P, or Aa or better by Moody's. The proportion of the Fund's assets that is invested in money market securities will vary from time to time.

Because the Fund is designed for investors for whom current tax liability is not a consideration, the Fund may realize capital gains without regard to whether they will qualify as long-term capital gains. This means that the Fund has the flexibility to take advantage of short-term investment opportunities when determined appropriate by Merrill Lynch Asset Management, L.P., doing business as Merrill Lynch Asset Management ("MLAM" or the "Investment Adviser").

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#### THE FUND AND ITS MANAGEMENT

The Fund is a mutual fund, technically known as an open-end diversified management investment company. It was incorporated under the laws of the State of Maryland on May 21, 1984. The Fund is a company of the series type. At the present time it consists of only one portfolio. The Fund is designed as an investment vehicle for investors who seek a high level of total investment return without regard to tax considerations, such as certain tax-qualified employee benefit plans, including Individual Retirement Accounts ("IRAs") and corporate, governmental and other retirement plans qualified under sections 401, 403(b) or 408 of the Internal Revenue Code (the "Code").

The Directors of the Fund consist of six individuals, five of whom are not "interested persons" of the Fund as defined in the Investment Company Act of 1940. The Directors of the Fund are responsible for the overall supervision of the operations of the Fund and perform the various duties imposed on the directors of investment companies by the Investment Company Act of 1940.

The Directors are:

Arthur Zeikel\*--President and Chief Investment Officer of Merrill Lynch Asset Management and Fund Asset Management, L.P. ("FAM"); President and Director of Princeton Services, Inc.; Executive Vice President of Merrill Lynch & Co., Inc. and Executive Vice President of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") since 1990 and Senior Vice President thereof from 1985 to 1990; Director of Merrill Lynch Funds Distributor, Inc.

Kenneth S. Axelson--Former Executive Vice President and Director, J.C. Penney Company, Inc.

Herbert I. London--Former Dean, Gallatin Division of New York University.

Robert R. Martin--Former Chairman, Kinnard Investments, Inc.

Joseph L. May--Attorney in private practice.

Andre F. Perold--Professor, Harvard Business School.

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\* Interested person, as defined in the Investment Company Act of 1940, of the



Fund.

MLAM, with offices at 800 Scudders Mill Road, Plainsboro, New Jersey (mailing address: Box 9011, Princeton, New Jersey 08543-9011), is the investment adviser for the Fund. MLAM is a Delaware limited partnership and is owned and controlled by Merrill Lynch & Co., Inc. MLAM manages the investment of the Fund's assets, provides administrative services and manages the Fund's business affairs. These services are subject to general oversight by the Fund's Board of Directors. The Investment Adviser has been engaged in the investment advisory business since 1976, and, together with its affiliate, FAM, currently serves as the investment adviser to more than 90 other registered investment companies, as well as to numerous pension plans and other institutions. As of December 31, 1993, the Investment Adviser and FAM had a total of approximately \$159.9 billion in investment company and other portfolio assets under management, including accounts of certain affiliates of the Investment Adviser.

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Merrill Lynch & Co., Merrill Lynch Investment Management, Inc. and Princeton Services, Inc. are "controlling persons" of the Investment Adviser as defined under the Investment Company Act because of their power to exercise a controlling influence over its management policies.

Denis B. Cummings is primarily responsible for the day-to-day management of the Fund's portfolio and has served in that capacity since 1991. Mr. Cummings has served as a Vice President of the Investment Adviser since 1978.

Advisory Fee. The Fund pays the Investment Adviser a monthly fee based upon the average daily value of the portfolio's net assets at the following annual rates: 0.65% of the average daily net assets not exceeding \$500 million; 0.60% of the average daily net assets exceeding \$500 million but not exceeding \$1.5 billion; 0.55% of the average daily net assets exceeding \$1.5 billion but not exceeding \$2.5 billion; 0.50% of the average daily net assets exceeding \$2.5 billion but not exceeding \$3.5 billion; and 0.45% of the average daily net assets exceeding \$3.5 billion. For the fiscal year ended September 30, 1993, the total management fee payable by the Fund to the Investment Adviser was \$5,620,993 (based upon average net assets of approximately \$902.2 million). For the fiscal year ended September 30, 1993, the annualized ratio of total expenses (excluding distribution fees) to average net assets was 0.83% for the Class A shares and 0.85% for the Class B shares.

Transfer Agency Services. Financial Data Services, Inc. ("Transfer Agent"), which is a wholly-owned subsidiary of Merrill Lynch & Co., Inc., acts as the Fund's Transfer Agent pursuant to a Transfer Agency, Dividend Disbursing Agency and Shareholder Servicing Agency Agreement (the "Transfer Agency Agreement"). Pursuant to the Transfer Agency Agreement, the Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening and maintenance of shareholder accounts. Pursuant to the Transfer Agency Agreement, the Transfer Agent receives a fee of \$7.00 per Class A shareholder account and \$9.00 per Class B shareholder account and is entitled to reimbursement for out-of-pocket expenses incurred by it under the Transfer Agency Agreement. For the fiscal year ended September 30, 1993, the total fee paid by the Fund to the Transfer Agent was \$1,324,708.

Reimbursement for Portfolio Accounting Services. The Fund reimburses the Investment Adviser for its costs in providing portfolio accounting services to the Fund. For the fiscal year ended September 30, 1993, the Fund reimbursed the Investment Adviser \$143,231 for accounting services.

#### PURCHASE OF SHARES

Merrill Lynch Funds Distributor, Inc. (the "Distributor"), a subsidiary of the Investment Adviser and an affiliate of Merrill Lynch, acts as the Distributor of the shares of the Fund.

Shares of the Fund are offered continuously for sale by the Distributor and other eligible securities dealers (including Merrill Lynch). Shares of the Fund may be purchased from securities dealers or by mailing a purchase order directly to the Transfer Agent. The minimum initial investment is \$1,000, and the minimum subsequent purchase is \$50, except that for retirement plans the minimum initial purchase is \$250 and the minimum subsequent purchase is \$1.00. Different minimums may apply to purchases through the Merrill Lynch BlueprintSM Program. See "Purchases of Shares--Reduced Initial Sales Charges--Class A Shares--Merrill Lynch BlueprintSM Program" in the Statement of Additional Information.

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The Fund is offering its shares at a public offering price equal to the next

determined net asset value per share plus sales charges which, at the option of the purchaser, may be imposed either at the time of purchase (the "initial sales charge alternative") or on a deferred basis (the "deferred sales charge alternative"), as described below. The applicable offering price for purchase orders is based on the net asset value of the Fund next determined after receipt of the purchase order by the Distributor. As to purchase orders received by securities dealers prior to 4:15 P.M., New York time, which includes orders received after the determination of net asset value on the previous day, the applicable offering price will be based on the net asset value determined as of 4:15 P.M. on the day the order is placed with the Distributor, provided the order is received by the Distributor prior to 4:30 P.M., New York time, on that day. If the purchase orders are not received by the Distributor prior to 4:30 P.M., New York time, such orders shall be deemed received on the next business day. Any order may be rejected by the Distributor or the Fund. The Fund or the Distributor may suspend the continuous offering of the Fund's shares to the general public at any time in response to conditions in the securities markets or otherwise and may thereafter resume such offering from time to time. Neither the Distributor nor the dealers are permitted to withhold placing orders to benefit themselves by a price change. Merrill Lynch may charge its customers a processing fee (presently \$4.85) to confirm a sale of shares to such customers. Purchases directly through the Fund's Transfer Agent are not subject to the processing fee.

The Fund issues two classes of shares: Class A shares are sold to investors choosing the initial sales charge alternative and Class B shares are sold to investors choosing the deferred sales charge alternative. The two classes of shares each represent an interest in the same portfolio of investments of the Fund, have the same rights and are identical in all respects, except that Class B shares bear the expenses of the account maintenance fees and deferred sales arrangements and any expenses (including incremental transfer agency costs) resulting from such sales arrangements, and have exclusive voting rights with respect to the Rule 12b-1 distribution plan pursuant to which the account maintenance and distribution fees are paid. See "Deferred Sales Charge Alternative--Class B Shares--Distribution Plan". The two classes also have different exchange privileges. See "Shareholder Services--Exchange Privilege". The net income attributable to Class B shares and the dividends payable on Class B shares will be reduced by the amount of the account maintenance and distribution fees and incremental expenses associated with such account maintenance and distribution fees; likewise, the net asset value of the Class B shares will be reduced by such amount to the extent the Fund has undistributed net income. Sales personnel may receive different compensation for selling Class A or Class B shares. Investors are advised that only Class A shares may be available for purchase through securities dealers, other than Merrill Lynch, which are eligible to sell shares.

#### ALTERNATIVE SALES ARRANGEMENTS

The alternative sales arrangements of the Fund permit investors to choose the method of purchasing shares that is most beneficial given the amount of their purchase, the length of time the investor expects to hold the shares and other relevant circumstances. Investors should determine whether under their particular circumstances it is more advantageous to incur an initial sales charge and not be subject to ongoing charges, as discussed below, or to have the entire initial purchase price invested in the Fund with the investment thereafter being subject to ongoing account maintenance and distribution fees.

As an illustration, investors who qualify for significantly reduced sales charges, as described below, might elect the initial sales charge alternative because similar sales charge reductions are not available for purchases under the deferred sales charge alternative. Moreover, shares acquired under the initial sales charge alternative would not be subject to an ongoing account maintenance fee and distribution fee as described below. However, because initial sales charges are deducted at the time of purchase, such investors would not have all their funds invested initially.

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Investors not qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time might also elect the initial sales charge alternative because over time the accumulated continuing account maintenance and distribution fees may exceed the initial sales charge. Again, however, such investors must weigh this consideration against the fact that not all their funds will be invested initially. Furthermore, the ongoing account maintenance and distribution fees will be offset to the extent any return is realized on the additional funds initially invested under the deferred sales charge alternative. Another factor that may be applicable under certain circumstances is that the payment of the Class B distribution fee and contingent deferred sales charge is subject to certain limits as set forth under "Deferred Sales Charge Alternative--Class B Shares".

Certain other investors might determine it to be more advantageous to have

all their funds invested initially, although remaining subject to continued account maintenance and distribution fees and, for a four-year period of time, a contingent deferred sales charge as described below. For example, an investor subject to the Class A 6.50% initial sales charge will have to hold his investment at least 6 1/2 years for the aggregate 0.25% account maintenance fee and 0.75% distribution fee of the Class B shares to exceed the initial sales charge of the Class A shares. This example does not take into account the time value of money which further reduces the impact of the account maintenance and distribution fees on the investment, fluctuations in the net asset value, the effect of the return on the investment over this period of time or the effect of any limits that may be imposed upon payment of the distribution fee and the contingent deferred sales charge.

INITIAL SALES CHARGE ALTERNATIVE--CLASS A SHARES

The public offering price of Class A shares for purchasers choosing the initial sales charge alternative is the next determined net asset value plus varying sales charges (i.e., sales load), as set forth below.

<TABLE>  
<CAPTION>

AMOUNT OF PURCHASE	SALES CHARGE AS PERCENTAGE OF OFFERING PRICE	SALES CHARGE AS PERCENTAGE* OF THE NET AMOUNT INVESTED	DISCOUNT TO SELECTED DEALERS AS PERCENTAGE OF THE OFFERING PRICE
<S>	<C>	<C>	<C>
Less than \$10,000.....	6.50%	6.95%	6.25%
\$10,000 but less than \$25,000...	6.00	6.38	5.75
\$25,000 but less than \$50,000...	5.00	5.26	4.75
\$50,000 but less than \$100,000..	4.00	4.17	3.75
\$100,000 but less than \$250,000.	3.00	3.09	2.75
\$250,000 but less than \$1,000,000.....	2.00	2.04	1.80
\$1,000,000 and over.....	.75	.76	.65

</TABLE>  
- - - - -

\* Rounded to the nearest one-hundredth percent.

The Distributor may reallocate discounts to such dealers and retain the balance over such discounts. At times the Distributor may reallocate the entire sales charge to such dealers. Since securities dealers selling Class A shares of the Fund will receive a concession equal to most of the sales charge, they may be deemed to be underwriters under the Securities Act of 1933, as amended.

Class A shares of the Fund are offered at net asset value to shareholders of Merrill Lynch Senior Floating Rate Fund (formerly known as the "Merrill Lynch Prime Fund, Inc."), who wish to reinvest the net proceeds from a sale of certain of their shares of common stock of Merrill Lynch Senior Floating Rate Fund in shares of the Fund. In order to exercise this investment option, Merrill Lynch Senior Floating Rate Fund shareholders must sell their Merrill Lynch Senior Floating Rate Fund shares to the Merrill Lynch Senior Floating Rate Fund in connection with a tender offer conducted by the Merrill Lynch Senior Floating Rate Fund and reinvest the proceeds immediately in the Fund. This investment option is available only with respect to the proceeds of Merrill Lynch Senior Floating Rate Fund shares as to which no Early Withdrawal Charge (as defined in the Merrill Lynch Senior Floating Rate Fund prospectus) is applicable. Purchase orders from Merrill Lynch Senior Floating Rate Fund shareholders wishing to exercise this investment option will be accepted only on the day that the related Merrill Lynch Senior Floating Rate Fund tender offer terminates and will be effected at the net asset value of the Fund at such day.

Reduced Initial Sales Charges. Sales charges are reduced under a Right of Accumulation and a Letter of Intention. Class A shares of the Fund are offered at net asset value to Directors of the Fund, to participants in certain benefit plans, to directors or trustees of certain other Merrill Lynch-sponsored investment companies, to an investor who has a business relationship with a financial consultant who joined Merrill Lynch from another investment firm within six months prior to the date of purchase if certain conditions set forth in the Statement of Additional Information are met, to directors of Merrill Lynch & Co., Inc. and to employees of Merrill Lynch & Co., Inc. and its subsidiaries. Also, Class A shares may be offered at net asset value in connection with the acquisition of assets of other investment companies. No initial sales charges are imposed upon Class A shares issued as a result of the automatic reinvestment of dividends or capital gains distributions. Class A shares are offered with reduced sales charges and, in certain circumstances, at net asset value to participants in the Merrill Lynch Blueprint SM Program. Class A shares are offered to TMA SM Managed Trusts to which Merrill Lynch

Trust Company provides discretionary trustee services at net asset value plus a reduced sales charge. A transaction of \$1,000,000 or more by a TMA SM Managed Trust to purchase Class A shares of the Fund will not be subject to an initial sales charge. Class A shares are offered at net asset value to certain retirement plans, including eligible 401(k) plans, provided such plans meet the required number of eligible employees or required amount of assets advised by the Investment Adviser or its affiliate FAM. Class A shares are offered at net asset value, without a sales charge, to an investor who has a business relationship with a Merrill Lynch financial consultant and who has invested in a mutual fund sponsored by a non-Merrill Lynch company for which Merrill Lynch has served as a selected dealer and where Merrill Lynch has either received or given notice that such arrangement will be terminated if the following conditions are satisfied: first, the investor must purchase Class A shares of the Fund with the proceeds from a redemption of shares of such other mutual fund and such fund must have imposed a sales charge either at the time of purchase or on a deferred basis; second, such purchase of Class A shares must be made within 90 days after such notice of termination of the arrangement. In addition, purchases of Class A shares of the Fund made in connection with a single investment of \$1 million or more under the Merrill Lynch Mutual Fund Adviser Program will not be subject to an initial sales charge.

Orders for purchases and redemptions of Class A shares of the Fund may be grouped for execution purposes which, in some circumstances, may involve the execution of such orders two business days following

the day such orders are placed. The minimum initial purchase price is \$100, with a \$50 minimum for subsequent purchases through Blueprint. There are no minimum initial or subsequent purchase requirements for participants who are part of an automatic investment plan. Additional information concerning purchases through Blueprint, including any annual fees and transaction charges, is available from Merrill Lynch, Pierce, Fenner & Smith Incorporated, The Blueprint SM Program, P.O. Box 30441, New Brunswick, New Jersey 08989-0441.

Class A shares are offered at net asset value, with a waiver of the front-end sales charge, to participants in the Merrill Lynch Blueprint Program through the Merrill Lynch Directed IRA Rollover Program ("IRA Rollover Program") available from Merrill Lynch Business Financial Services, a business unit of Merrill Lynch. The IRA Rollover Program is available to custodian rollover assets from Eligible Retirement Plans (see definition below) whose Trustee and/or Plan Sponsor offers the Merrill Lynch Directed IRA Rollover Program. Eligible Retirement Plans include: (a) plans qualified under Section 401(k) of the Code, with a salary reduction feature offering a menu of investments to plan participants, provided such plan initially has 1,000 or more employees eligible to participate in the plan (employees eligible to participate in retirement plans of the same sponsoring employer or its affiliates may be aggregated); or (b) tax qualified retirement plans within the meaning of Section 401(a) of the Code or deferred compensation plans within the meaning of Section 403(b) of the Code, provided the plan (i) initially invested \$5 million or more in existing plan assets in portfolios, mutual funds or trusts advised by MLAM or its subsidiaries or (ii) has accumulated \$5 million or more in existing plan assets invested in mutual funds advised by MLAM or its subsidiaries, which charge a front-end sales charge or contingent deferred sales charge (assets of retirement plans with the same sponsor or an affiliated sponsor may be aggregated).

Initial sales charges may be waived for shareholders purchasing \$1 million or more in a single transaction (other than a tax qualified retirement plan under Section 401 of the Code, or a deferred compensation plan under Section 403(b) and Section 457 of the Code), or a purchase by a TMA SM Managed Trust, of Class A shares of the Fund. In addition, purchases of Class A shares of the Fund made in connection with a single investment of \$1 million or more under the Merrill Lynch Mutual Fund Adviser Program will not be subject to an initial sales charge. Purchases described in this paragraph will be subject to a contingent deferred sales charge if the shares are redeemed within one year after purchase at the following rates:

<TABLE>  
<CAPTION>

AMOUNT OF PURCHASE -----	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE -----
<S>	<C>
\$1 million up to \$2.5 million.....	1.00%
Over \$2.5 million up to \$3.5 million.....	0.60%
Over \$3.5 million up to \$5 million.....	0.40%
Over \$5 million.....	0.25%

</TABLE>

Additional information concerning these reduced initial sales charges is set forth in the Statement of Additional Information.

DEFERRED SALES CHARGE ALTERNATIVE--CLASS B SHARES

Investors choosing the deferred sales charge alternative purchase Class B shares at net asset value per share without the imposition of a sales charge at the time of purchase. The Class B shares are being sold without an initial sales charge so that the Fund will receive the full amount of the investor's purchase payment. Merrill Lynch compensates its financial consultants for selling Class B shares at the time of

purchase from its own funds. The proceeds of the contingent deferred sales charge and the ongoing distribution fee discussed below are used to defray Merrill Lynch's expenses, including compensating its financial consultants. The proceeds from the ongoing account maintenance fee are used to compensate Merrill Lynch for providing continuing account maintenance activities.

Proceeds from the contingent deferred sales charge are paid to the Distributor and are used in whole or in part by the Distributor to defray the expenses of dealers (including Merrill Lynch) related to providing distribution-related services to the Fund in connection with the sale of the Class B shares, such as the payment of compensation of financial consultants for selling Class B shares, from its own funds. Payments of the distribution fee by the Fund to the Distributor under the distribution plan described below also may be used in whole or in part by the Distributor for this purpose. The combination of the contingent deferred sales charge and the ongoing distribution fee facilitates the ability of the Fund to sell the Class B shares without a sales charge being deducted at the time of purchase. Class B shareholders of the Fund exercising the exchange privilege described under "Shareholder Services--Exchange Privilege" will continue to be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the Class B shares acquired as a result of the exchange.

Contingent Deferred Sales Charge. Class B shares which are redeemed within four years of purchase may be subject to a contingent deferred sales charge at the rates set forth below charged as a percentage of the dollar amount subject thereto. The charge will be assessed on an amount equal to the lesser of the current market value or the cost of the shares being redeemed. Accordingly, no contingent deferred sales charge will be imposed on increases in net asset value above the initial purchase price. In addition, no contingent deferred sales charge will be assessed on shares derived from reinvestment of dividends or capital gains distributions.

The following table sets forth the rates of the contingent deferred sales charge:

<TABLE>  
<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE -----	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE -----
<S>	<C>
0-1.....	4.0%
1-2.....	3.0%
2-3.....	2.0%
3-4.....	1.0%
4 and thereafter.....	None

</TABLE>

In determining whether a contingent deferred sales charge is applicable to a redemption, the calculation will be determined in the manner that results in the lowest possible rate being charged. Therefore, it will be assumed that the redemption is first of shares held for over four years or shares acquired pursuant to reinvestment of dividends or distributions and then of shares held longest during the four-year period. The charge will not be applied to dollar amounts representing an increase in the net asset value since the time of purchase. A transfer of shares from a shareholder's account to another will be assumed to be made in the same order as a redemption.

To provide an example, assume an investor purchased 100 shares at \$10 per share (at a cost of \$1,000) and in the third year after purchase, the net asset value per share is \$12 and, during such time, the investor has acquired 10 additional shares upon dividend reinvestment. If at such time the investor makes his first

redemption of 50 shares (proceeds of \$600), 10 shares will not be subject to charge because of dividend reinvestment. With respect to the remaining 40 shares, the charge is applied only to the original cost of \$10 per share and not to the increase in net asset value of \$2 per share. Therefore, \$400 of the \$600 redemption proceeds will be charged at a rate of 2.0% (the applicable rate in the third year after purchase).

The contingent deferred sales charge is waived on redemptions of shares in connection with certain post-retirement withdrawals from an IRA or other retirement plan or following the death or disability (as defined in the Internal Revenue Code) of a shareholder.

The contingent deferred sales charge is waived on redemption of shares by certain eligible 401(a) and eligible 401(k) plans and in connection with certain group plans placing orders through the Merrill Lynch Blueprint SM Program. The contingent deferred sales charge is also waived for any Class B shares which are purchased by an eligible 401(k) or eligible 401(a) plan and are rolled over into a Merrill Lynch or Merrill Lynch Trust Company custodied Individual Retirement Account and held in such account at the time of redemption. Additional information concerning the waiver of the contingent deferred sales charge is set forth in the Statement of Additional Information.

Distribution Plan. Pursuant to a Distribution Plan adopted by the Fund pursuant to Rule 12b-1 under the Investment Company Act of 1940 (the "Distribution Plan"), the Fund pays the Distributor an ongoing account maintenance fee and distribution fee, which are accrued daily and paid monthly, at the annual rate of 0.25% and 0.75%, respectively, of the average daily net assets of the Class B shares of the Fund. Pursuant to a sub-agreement with the Distributor, Merrill Lynch provides account maintenance and distribution services to the Fund with respect to Class B shares. The ongoing account maintenance fee compensates the Distributor and Merrill Lynch for providing account maintenance services to Class B shareholders. Account maintenance fees will be used to compensate financial consultants and other personnel for providing personal service to shareholders and to pay administrative costs related to the maintenance of the shareholder accounts. The ongoing distribution fee compensates the Distributor and Merrill Lynch for providing shareholder and distribution services and bearing certain distribution-related expenses of the Fund, including payment to financial consultants for selling Class B shares of the Fund. For the year ended September 30, 1993, the Fund paid the Distributor \$8,587,740 pursuant to the Distribution Plan, all of which was paid to Merrill Lynch for providing account maintenance and distribution-related services in connection with the Class B shares. The Distribution Plan is designed to permit an investor to purchase Class B shares through dealers without the assessment of a front-end sales load and at the same time permit the dealer to compensate its financial consultants in connection with the sale of the Class B shares. In this regard, the purpose and function of the ongoing account maintenance and distribution fees and the contingent deferred sales charge are the same as those of the initial sales charge with respect to the Class A shares of the Fund in that the deferred sales charges provide for the financing of the distribution of the Fund's Class B shares. Because the deferred sales charges provide an alternative method of financing the distribution of the Fund's shares, the Directors believe that there is a reasonable likelihood that the Distribution Plan benefits the Fund and its shareholders.

The payments under the Distribution Plan are based upon a percentage of average daily net assets of Class B shares regardless of the amount of expenses incurred and, accordingly, distribution-related revenues may be more or less than distribution-related expenses. Information with respect to the distribution-related revenues and expenses is presented to the Directors for their consideration in connection with their deliberations as to the continuance of the Distribution Plan. This information is presented annually as of

December 31 of each year on a "fully allocated accrual" basis and quarterly on a "direct expense and revenue/cash" basis. On the fully allocated accrual basis, revenues consist of the distribution fees, the contingent deferred sales charges and certain other related revenues, and expenses consist of financial consultant compensation, branch office and regional operation center selling and transaction processing expenses, advertising, sales promotion and marketing expenses, corporate overhead and interest expense. On the direct expense and revenue/cash basis, revenues consist of the distribution fees and contingent deferred sales charges and the expenses consist of financial consultant compensation. As of December 31, 1992, the last date for which fully allocated accrual data is available, the fully allocated accrual revenues incurred by the Distributor and Merrill Lynch since the Fund

commenced operations on November 29, 1985 exceeded expenses for such period by \$19,061,000 (2.17% of net assets at that date). As of December 31, 1992, direct cash revenues for the period since the commencement of operations exceeded direct cash expenses by \$102,217,195 (11.65% of net assets at that date); as of September 30, 1993, direct cash revenues for the period since the commencement of operations exceeded direct cash expenses by \$107,960,392 (12.99% of net assets at that date). The Fund has no obligation with respect to distribution-related expenses incurred by the Distributor and Merrill Lynch in connection with the Class B shares, and there is no assurance that the Board of Directors of the Fund will approve the continuance of the Distribution Plan from year to year. However, the Distributor intends to seek annual continuation of the Distribution Plan. In their review of the Distribution Plan, the Directors will not be asked to take into consideration expenses incurred in connection with the distribution of Class A shares or of shares of other funds for which the Distributor acts as distributor. The distribution fee and the contingent deferred sales charge in the case of Class B shares will not be used to subsidize the sale of Class A shares.

LIMITATIONS ON THE PAYMENT OF SALES CHARGES

The maximum sales charge rule in the Rules of Fair Practice of the National Association of Securities Dealers, Inc. ("NASD") imposes a limitation on certain asset-based sales charges such as the Fund's distribution fee and the contingent deferred sales charge, but not the account maintenance fee. As applicable to the Fund, the maximum sales charge rule limits the aggregate of distribution fee payments and contingent deferred sales charges payable by the Fund to (1) 6.25% of eligible gross sales of Class B shares (defined to exclude shares issued pursuant to dividend reinvestments and exchanges) plus (2) interest on the unpaid balance at the prime rate plus 1% (the unpaid balance being the maximum amount payable minus amounts received from the payment of the distribution fee and the contingent deferred sales charge. The Distributor has voluntarily agreed to waive interest charges on the unpaid balance in excess of 0.50% of eligible gross sales. Consequently, the maximum amount payable to the Distributor (referred to as the "voluntary maximum") is 6.75% of eligible gross sales. The Distributor retains the right to stop waiving the interest charges at any time. To the extent payments would exceed the voluntary maximum, the Fund will not make further payments of the distribution fee and any contingent deferred sales charges will be paid to the Fund rather than to the Distributor; however, the Fund will continue to make payments of the account maintenance fee. In certain circumstances, the amount payable pursuant to the voluntary maximum may exceed the amount payable under the NASD formula. In such circumstances payment in excess of the amount payable under the NASD formula will not be made.

The following table sets forth comparative information as of September 30, 1993 with respect to the Class B shares of the Fund indicating the maximum allowable payments that can be made under the NASD maximum sales charge rule and the Distributor's voluntary maximum for the period November 29, 1985 (commencement of operations of Class B shares) to September 30, 1993.

DATA CALCULATED AS OF SEPTEMBER 30, 1993  
(IN THOUSANDS)

<TABLE>

<CAPTION>

	ELIGIBLE GROSS SALES (1)	ALLOWABLE AGGREGATE SALES CHARGES	ALLOWABLE INTEREST ON UNPAID BALANCE (2)	MAXIMUM AMOUNT PAYABLE	AMOUNTS PREVIOUSLY PAID TO DISTRIBUTOR (3)	AGGREGATE UNPAID BALANCE	ANNUAL DISTRIBUTION FEE AT CURRENT NET ASSET LEVEL (4)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Under NASD Rule As Adopted.....	\$3,600,444	\$225,028	\$124,708	\$349,736	\$142,650	\$207,086	\$6,232
Under Distributor's Voluntary Waiver.....	\$3,600,444	\$225,028	\$ 18,002	\$243,030	\$142,650	\$100,380	\$6,232

</TABLE>  
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- (1) Purchase price of all eligible Class B shares sold since November 29, 1985 (commencement of operations of Class B shares) other than shares acquired through dividend reinvestment and the exchange privilege.
- (2) Interest is computed on a monthly basis based upon the prime rate, as reported in the Wall Street Journal, plus 1%, as permitted under the NASD Rule.
- (3) Consists of contingent deferred sales charge payments, distribution fee payments and accruals.
- (4) Provided to illustrate the extent to which the current level of distribution fee payments (not including any contingent deferred sales charge payments) is amortizing the unpaid balance. No assurance can be given that payments of the distribution fee will reach either the voluntary



#### SHAREHOLDER SERVICES

The Fund offers a number of shareholder services and investment plans designed to facilitate investment in its shares. Certain of such services are not available to investors who place orders for the Fund through the Merrill Lynch Blueprint SM Program. Full details as to each of such services, copies of the various plans described below and instructions as to how to participate in the various services or plans, or how to change options with respect thereto, can be obtained from the Fund, the Distributor or Merrill Lynch. Included in such services are the following:

**Investment Account.** Each shareholder whose account is maintained at the Transfer Agent has an Investment Account and will receive monthly statements from the Transfer Agent after each share transaction, including reinvestments of dividends and capital gains distributions, showing the activity in the account since the beginning of the year. Shareholders also will receive separate confirmations for each purchase or sale transaction other than reinvestments of dividends and capital gains distributions. Shareholders may make additions to their Investment Accounts at any time by mailing a check directly to the Transfer Agent. Shareholders may also maintain their accounts through Merrill Lynch. Upon the transfer of shares out of a Merrill Lynch brokerage account, an Investment Account in the transferring shareholder's name will be automatically opened, without charge, at the Transfer Agent. Shareholders considering transferring their Class A shares from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the shares are to be transferred will not take delivery of shares of the Fund, a shareholder either must redeem the Class A shares so that the cash proceeds can be transferred to the account at the new firm or such shareholder must continue to maintain an Investment Account at the Transfer Agent for those Class A shares. Shareholders interested in transferring their Class B shares from Merrill Lynch and who do not wish to have an Investment Account maintained for such shares at the Transfer Agent may request their new brokerage firm to maintain such shares in an account registered in the name of the brokerage firm for the benefit of the shareholder. If the new brokerage firm is willing to accommodate the shareholder in this manner, the shareholder must request that he be issued certificates for his shares, and then must turn the certificates over to the new firm for re-registration as described in the preceding sentence.

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**Exchange Privilege.** Shareholders of the Fund each have an exchange privilege with certain other mutual funds sponsored by Merrill Lynch. There is currently no limitation on the number of times a shareholder may exercise the exchange privilege. The exchange privilege may be modified or terminated at any time in accordance with the rules of the Securities and Exchange Commission. Class A shareholders of the Fund may exchange their shares ("outstanding Class A shares") for Class A shares of another fund ("new Class A shares") on the basis of relative net asset value per Class A share, plus an amount equal to the difference, if any, between the sales charge previously paid on the outstanding Class A shares and the sales charge payable at the time of the exchange on the new Class A shares. The Fund's exchange privilege is modified with respect to purchases of Class A shares under the Merrill Lynch Mutual Fund Adviser program. First, the initial allocation of assets is made under the program. Then, any subsequent exchange under the program of Class A shares of a fund for Class A shares of the Fund will be made solely on the basis of the relative net asset values of the shares being exchanged. Therefore, there will not be a charge for any difference between the sales charge previously paid on the shares of the other fund and the sales charge payable on the shares of the Fund being acquired in the exchange under this program. Also, Directors of Merrill Lynch & Co., Inc. may purchase Class A shares of the Fund at net asset value.

Class B shareholders of the Fund may exchange their shares ("outstanding Class B shares") for Class B shares of another fund ("new Class B shares") on the basis of relative net asset value per share, without the payment of any contingent deferred sales charge that might otherwise be due upon redemption of the outstanding Class B shares. Class B shareholders of the Fund exercising the exchange privilege will continue to be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the new Class B shares. In addition, Class B shares of the Fund acquired through use of the exchange privilege will be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the Fund's deferred sales charge schedule relating to the Class B shares of the Fund from which the exchange has been made. For purposes of computing the contingent deferred sales charge that may be payable upon a disposition of the new Class B shares, the holding period for the outstanding Class B shares is "tacked" to the holding period of the new Class B shares. Class A and Class B shareholders of the Fund may also exchange their shares for shares of certain money market funds, but in the case of an exchange from Class B shares the period of time that shares are held in a money market



fund will not count toward satisfaction of the holding period requirement for purposes of reducing the contingent deferred sales charge. Exercise of the exchange privilege is treated as a sale for federal income tax purposes. The exchange privilege is available only in states where the exchange legally may be made. For further information, see "Shareholder Services--Exchange Privilege" in the Statement of Additional Information.

**Automatic Reinvestment of Dividends and Capital Gains Distributions.** All dividends and capital gains distributions are reinvested automatically in full and fractional shares of the Fund, without sales charge, at the net asset value per share next determined on the ex-dividend date of such dividend or distribution. A shareholder may at any time, by written notification or by telephone (1-(800)-MER-FUND) to the Transfer Agent, elect to have subsequent dividends or both dividends and capital gains distributions paid in cash rather than reinvested, in which event payment will be mailed on or about the payment date.

**Automatic Investment Plan.** An Automatic Investment Plan is available under which a shareholder can authorize the Transfer Agent to charge the shareholder's bank account on a regular basis to invest predetermined amounts (minimum of \$50) in the Fund. Shareholders are advised that further information with respect to this plan can be obtained from the shareholder's securities dealer or the Distributor.

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Shareholders whose shares of the Fund are maintained in a Merrill Lynch CMA (R) account may participate in the Merrill Lynch CMA Automated Investment Program, through which investments in the Fund may be made on a regularly scheduled basis ranging from weekly to semiannually in amounts of \$250 or more.

**Systematic Withdrawal Plans.** A Class A shareholder may elect to receive systematic withdrawal payments from his Investment Account in the form of payments by check or through automatic payment by direct deposit to his bank account on either a monthly or quarterly basis. A Class A shareholder whose shares are held within a CMA (R), CBA (R) or Retirement Account may elect to have shares redeemed on a monthly, bi-monthly, quarterly, semiannual or annual basis through the Systematic Redemption Program, subject to certain conditions. Regular additions of both Class A and Class B shares may be made to an investor's Investment Account by prearranged charges of \$50 or more to such investor's regular bank account. Investors who maintain CMA (R) accounts may arrange to have periodic investments made in the Fund in their CMA (R) account or in certain related accounts in amounts of \$250 or more through the CMA Automated Investment Program. The Automated Investment Program is not available to shareholders whose shares are held in a brokerage account with Merrill Lynch (other than a CMA (R) account).

**Retirement Plans.** Self-directed individual retirement accounts and other retirement plans are available from Merrill Lynch. Under these plans, investments may be made in the Fund and in certain of the other mutual funds whose shares are distributed by the Distributor as well as in other securities. Merrill Lynch charges an initial establishment fee and an annual custodial fee for each account. The minimum initial purchase to establish any such plan is \$250.

Shareholders considering transferring a tax-deferred retirement account such as an individual retirement account from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the retirement account is to be transferred will not take delivery of shares of the Fund, the shareholder must either redeem the shares so that the cash proceeds can be transferred to the account at the new firm, or continue to maintain a retirement account at Merrill Lynch for those shares.

#### REDEMPTION OF SHARES

The Fund is required to redeem for cash all full and fractional shares of the Fund on receipt of a written request in proper form. The redemption price is the net asset value per share next determined after the initial receipt of proper notice of redemption. Except for any contingent deferred sales charge which may be applicable to Class B shares, there will be no charge for redemption if the redemption request is sent directly to the Transfer Agent. Shareholders liquidating their holdings will receive upon redemption all dividends reinvested through the date of redemption. The value of shares at the time of redemption may be more or less than the shareholder's cost, depending on the market value of the securities held by the Fund at such time.

#### REDEMPTION

A shareholder wishing to redeem shares may do so without charge by tendering the shares directly to the Fund's Transfer Agent, Financial Data Services, Inc., Transfer Agency Operations Department, P.O. Box 45289, Jacksonville, Florida 32232-5289. Redemption requests delivered other than by mail should be

Transfer Agent may be accompanied by a written letter requesting redemption. Proper notice of redemption in the case of shares for which certificates have been issued may be accomplished by a written letter as noted above accompanied by certificates for the shares to be redeemed. The notice in either event requires the signatures of all persons in whose names the shares are registered, signed exactly as their names appear on the Transfer Agent's register or on the certificate, as the case may be. The signature(s) on the redemption request must be guaranteed by an "eligible guarantor institution" as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, the existence and validity of which may be verified by the Transfer Agent through the use of industry publications. Notarized signatures are not sufficient. In certain instances, the Transfer Agent may require additional documents, such as, but not limited to, trust instruments, death certificates, appointments as executor or administrator, or certificates of corporate authority. For shareholders redeeming directly with the Transfer Agent, payment will be mailed within seven days of receipt of a proper notice of redemption.

At various times the Fund may be requested to redeem shares for which it has not yet received good payment. The Fund may delay or cause to be delayed the mailing of a redemption check until such time as it has assured itself that good payment (e.g., cash or certified check drawn on a United States bank) has been collected for the purchase of such shares. Normally, this delay will not exceed 10 days.

#### REPURCHASE

The Fund also will repurchase shares through a shareholder's listed securities dealer. The Fund normally will accept orders to repurchase shares by wire or telephone from dealers for their customers at the net asset value next computed after receipt of the order by the dealer, less any contingent deferred sales charge applicable to Class B shares, provided that the request for repurchase is received by the dealer prior to the close of business on the New York Stock Exchange on the day received.

Dealers have the responsibility of submitting such repurchase requests to the Fund not later than 4:30 P.M., New York time, in order to obtain that day's closing price. These repurchase arrangements are for the convenience of shareholders and do not involve a charge by the Fund (other than the applicable contingent deferred sales charge in the case of Class B shares). Securities firms which do not have selected dealer agreements with the Distributor, however, may impose a transaction charge on the shareholder for transmitting the notice of repurchase to the Fund. Merrill Lynch may charge its customers a processing fee (presently \$4.85) to confirm a repurchase of shares to such customers. Redemptions directly through the Fund's Transfer Agent are not subject to the processing fee. The Fund reserves the right to reject any order for repurchase, which right of rejection might adversely affect shareholders seeking redemption through the repurchase procedure. However, a shareholder whose order for repurchase is rejected by the Fund may redeem shares as set forth above.

#### REINSTATEMENT PRIVILEGE--CLASS A SHARES

Shareholders who have redeemed their Class A shares have a one-time privilege to reinstate their accounts by purchasing Class A shares of the Fund at net asset value without a sales charge up to the dollar amount redeemed. The reinstatement privilege may be exercised by sending a notice of exercise along with a check for the amount to be reinstated to the Transfer Agent within 30 days after the date the request for redemption was accepted by the Transfer Agent or the Distributor. The reinstatement will be made at the net asset value per share next determined after the notice of reinstatement is received and cannot exceed the amount of the redemption proceeds. The reinstatement privilege is a one-time privilege and may be exercised by the Class A shareholder only the first time such shareholder makes a redemption.

#### INVESTMENT PRACTICES AND RESTRICTIONS

Lending of Portfolio Securities. The Fund may from time to time lend securities which it holds, with a value not exceeding 33 1/3% of its total assets, to approved borrowers such as brokers and financial institutions. All loans of portfolio securities will be fully collateralized by cash or U.S. government securities. During the period of this loan, the Fund receives the income on the loaned securities and either receives the income on the collateral or other compensation, i.e., negotiated loan premium or fee, for

entering into the loan and thereby increases its yield. In the event that the borrower defaults on its obligation to return borrowed securities, because of insolvency or otherwise, the Fund could experience delays and costs in gaining access to the collateral and could suffer a loss to the extent that the value of the collateral fell below the market value of the borrowed securities.

**Writing of Covered Call Options.** The Fund may, from time to time, sell ("write") covered call options in order to attempt to increase the yield on its portfolio or to protect against declines in the value of its portfolio securities. A covered call option is an option whereby the Fund, in return for a premium, gives another party a right to buy particular securities owned by the Fund at a specified price for a certain period of time. By writing a covered call option, the Fund, in return for the premium income realized from the sale of the option, gives up the opportunity to profit from a price increase in the underlying security above the option exercise price, where the price increase occurs while the option is in effect. In addition, the Fund's ability to sell the underlying security will be limited while the option is in effect. The Fund may not write covered call options on underlying securities in an amount exceeding 25% of the value of its total assets.

**Foreign Securities.** The Fund may invest up to 20% of its total assets in securities issued by foreign companies. Investments in such securities involve certain additional risks not associated with investments in domestic companies, including the risks of fluctuation in exchange rates, the possibility of political or economic instability in the country of issue and the possible imposition of exchange controls or other foreign governmental laws or restrictions.

For purposes of this investment restriction, an issuer ordinarily will be considered to be located in the country under the laws of which it is organized or where the primary trading market of its securities is located. The Fund, however, may consider a company to be located in a country, without reference to its domicile or to the primary trading market of its securities, when at least 50% of its non-current assets, capitalization, gross revenues or profits in any one of the two most recent fiscal years represents (directly or indirectly through subsidiaries) assets or activities located in such country.

**Forward Foreign Exchange Transactions.** The Fund has authority to deal in forward foreign exchange between currencies of the different countries in which it will invest as a hedge against possible variations in the foreign exchange rate among these currencies. This is accomplished through contractual agreements to purchase or sell a specified currency at a specified future date (up to one year) and price set at the time of the contract. The Fund's dealings in forward foreign exchange will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward foreign currency with respect to specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities, the sale and redemption of shares of the Fund or the payment of dividends and distributions by the Fund. Position hedging is the sale of forward foreign currency with respect to portfolio security positions denominated or quoted in such foreign currency. The Fund will not speculate in forward foreign exchange. The Fund will not attempt to hedge all of its foreign portfolio positions. The Fund may not commit more than 15% of its assets to position hedging contracts.

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**Options on Foreign Currencies.** The Fund also is authorized to purchase or sell listed or over-the-counter ("OTC") foreign currency options as a short or long hedge against possible variations in foreign exchange rates. Such transactions may be effected with respect to hedges on non-U.S. dollar denominated securities owned by the Fund, sold by the Fund but not yet delivered, or committed or anticipated to be purchased by the Fund. As an illustration, the Fund may use such techniques to hedge the stated value in United States dollars of an investment in a Japanese yen-denominated security. In such circumstances for example, the Fund may purchase a foreign currency put option enabling it to sell a specified amount of yen for dollars at a specified price by a future date. To the extent the hedge is successful, a loss in the value of the yen relative to the dollar will tend to be offset by an increase in the value of the put option. To offset, in whole or in part, the cost of acquiring such a put option, the Fund may also sell a call option which, if exercised, requires it to sell a specified amount of yen for dollars at a specified price by a future date (a technique called a "straddle"). By selling such call option in this illustration, the Fund gives up the opportunity to profit without limit from increases in the relative value of the yen to the dollar. The Investment Adviser believes that "straddles" of the type which may be utilized by the Fund constitute hedging transactions and are consistent with the policies described above.

Foreign currency options provide the holder thereof the right to buy or to sell a currency at a fixed price on a future date. Listed options are third-party contracts (i.e., performance of the parties' obligations is guaranteed by

an exchange or clearing corporation) which are issued by a clearing corporation, traded on an exchange and have standardized strike prices and expiration dates. OTC options are two-party contracts and have negotiated strike prices and expiration dates. The Fund will engage in OTC options only with member banks of the Federal Reserve System or primary dealers in U.S. government securities, or with affiliates of such banks or dealers which have capital of \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million. The Fund will acquire only those OTC options for which management believes the Fund can receive on each business day at least two independent bids or offers (one of which will be from an entity other than a party to the option). The Fund will not speculate in foreign currency options. Accordingly, the Fund will not hedge a currency substantially in excess of the market value of the securities denominated in such currency which it owns, the expected acquisition price of securities which it has committed or anticipates to purchase which are denominated in such currency, and, in the case of securities which have been sold by the Fund but not yet delivered, the proceeds thereof in its denominated currency. Further, the Fund will segregate at its Custodian U.S. government securities having a market value substantially representing any subsequent decrease in the market value of such hedged security. The Fund may not incur potential net liabilities of more than 33 1/3% of its total assets from foreign currency options.

**Repurchase Agreements.** In repurchase transactions, the Fund purchases a collateralized debt security from a bank, broker-dealer or financial institution which agrees to repurchase such security on a certain date and at a fixed price calculated to produce a previously agreed upon return to the Fund. If the bank or financial institution were to default upon its repurchase obligation and the debt security were sold for a lesser amount, the Fund would realize a loss.

**Portfolio Brokerage.** The Fund has no obligation with any broker or group of brokers in the execution of transactions in portfolio securities. Orders for transactions in portfolio securities are placed for the Fund with a number of brokers and dealers, including Merrill Lynch. In placing orders it is the policy of the Fund to obtain the most favorable net results, taking into account various factors including price, commission, if any, size of the transaction, and difficulty of execution. Where practicable, the Investment Adviser surveys a number of brokers and dealers in connection with proposed portfolio transactions and selects the broker or dealer which offers the Fund the best price and execution or other services which are of benefit to the Fund.

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**Investment Restrictions.** The Fund has adopted certain investment restrictions which may not be changed without a vote of the Fund's shareholders, including a majority of the shares of the Fund and any other portfolio which might be added in the future. The Statement of Additional Information contains a description of those restrictions.

#### PERFORMANCE DATA

From time to time the Fund may include its average annual total return for various specified time periods in advertisements or information furnished to present or prospective shareholders. Average annual total return is computed separately for Class A and Class B shares in accordance with a formula specified by the Securities and Exchange Commission (the "Commission").

Average annual total return quotations for the specified periods will be computed by finding the average annual compounded rates of return (based on net investment income and any capital gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period. Average annual total return will be computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including the maximum sales charge in the case of Class A shares and the contingent deferred sales charge that would be applicable to a complete redemption of the investment at the end of the specified period in the case of Class B shares. Dividends paid by the Fund with respect to Class A and Class B shares, to the extent any dividends are paid, will be calculated in the same manner at the same time on the same day and will be in the same amount, except that distribution charges and any incremental transfer agency costs relating to Class B shares will be borne exclusively by that class. The Fund will include performance data for both Class A and Class B shares of the Fund in any advertisement or information including performance data of the Fund.

The Fund also may quote total return and aggregate total return performance data for various specified time periods. Such data will be calculated substantially as described above, except that (1) the rates of return calculated will not be average annual rates, but rather, actual annual, annualized or aggregate rates of return and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations

of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average annual total return data since the average annual rates of return reflect compounding; aggregate total return data generally will be higher than average annual total return data since the aggregate rates of return reflect compounding over a longer period of time. In advertisements directed to investors whose purchases are subject to reduced sales charges in the case of Class A shares or waiver of the contingent deferred sales charge in the case of Class B shares (such as investors in certain retirement plans), performance data may take into account the reduced, and not the maximum, sales charge or may not take into account the contingent deferred sales charge and therefore may reflect greater total return since, due to the reduced sales charges or waiver of the contingent deferred sales charge, a lower amount of expenses may be deducted. See "Purchase of Shares". The Fund's total return may be expressed either as a percentage or as a dollar amount in order to illustrate the effect of such total return on a hypothetical \$1,000 investment in the Fund at the beginning of each specified period.

Total return figures are based on the Fund's historical performance and are not intended to indicate future performance. The Fund's total return will vary depending on market conditions, the securities

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comprising the Fund's portfolio, the Fund's operating expenses and the amount of realized and unrealized net capital gains or losses during the period. The value of an investment in the Fund will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost.

On occasion, the Fund may compare its performance to that of the Standard & Poor's 500 Composite Stock Price Index, the Value Line Composite Index or the Dow Jones Industrial Average, or to data contained in publications such as Lipper Analytical Services, Inc., Morningstar Publications, Inc. ("Morningstar"), Money Magazine, U.S. News & World Report, Business Week, CDA Investment Technology, Inc., Forbes Magazine and Fortune Magazine. From time to time, the Fund may include the Fund's Morningstar risk-adjusted performance ratings in advertisements or supplemental sales literature. As with other performance data, performance comparisons should not be considered representative of the Fund's relative performance for any future period.

The Fund's annual report contains additional performance information and is available upon request, without charge.

#### ADDITIONAL INFORMATION

##### DIVIDENDS AND DISTRIBUTIONS

It is the Fund's intention to distribute all of its net investment income, if any. Dividends from such net investment income are paid semi-annually. All net realized long- or short-term capital gains, if any, are distributed to the Fund's shareholders at least annually. Premiums from expired call options written by the Fund and net gains from closing purchase transactions are treated as short-term capital gains for Federal income tax purposes. The per share dividends and distributions on Class B shares will be lower than the per share dividends and distributions on Class A shares as a result of the account maintenance fee and the higher distribution and transfer agency fees applicable with respect to the Class B shares. See "Additional Information--Determination of Net Asset Value". Dividends and distributions may be automatically reinvested in shares of the Fund, at the net asset value without a sales charge. Shareholders may elect in writing to receive any such dividends or distributions, or both, in cash. Dividends and distributions are taxable to shareholders as described below whether they are reinvested in shares of the Fund or received in cash.

##### DETERMINATION OF NET ASSET VALUE

The net asset value of the shares of the Fund is determined once daily as of the time of the regular close of trading on the New York Stock Exchange on each day during which such Exchange is open for trading and, under certain circumstances, on other days. The net asset value per share is computed by dividing the sum of the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time, rounded to the nearest cent. Expenses, including the investment advisory fees payable to the Investment Adviser and the account maintenance and distribution fee payable to the Distributor, are accrued daily. The per share net asset value of the Class B shares generally will be lower than the per share net asset value of the Class A shares reflecting the daily expense accruals of the account maintenance, distribution and transfer agency fees applicable with respect to the Class B shares. It is expected, however, that the per share net asset value of the two classes will tend to converge immediately after the

payment of dividends or distributions, which will differ by approximately the amount of the expense accrual differential between the classes.

Portfolio securities and options which are traded on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued, or, lacking any sales, at the last available bid price. Securities traded in the over-the-counter market are valued at the last quoted bid prices as at the close of trading on the New York Stock Exchange on each day by brokers that make markets in the securities. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund.

#### TAXES

The Fund has elected and intends to continue to qualify for the special tax treatment afforded regulated investment companies ("RICs") under the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Fund will not be subject to Federal income tax on the part of its net ordinary income and net realized capital gains which it distributes to Class A and Class B shareholders ("shareholders").

The Code requires a RIC to pay a nondeductible 4% excise tax to the extent the RIC does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined, in general, on an October 31 year end, plus certain undistributed amounts from previous years. If the Fund pays a dividend in January which was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend or distribution will be treated for federal tax purposes as being paid on December 31, and will be taxable to shareholders as if received on December 31.

The following discussion applies generally to shareholders of the Fund and, in particular, to those shareholders of the Fund whose income is subject to tax.

Dividends paid by the Fund from its ordinary income, and distributions of the Fund's net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from the Fund's net realized long-term capital gains (including long-term gains from certain transactions in options) are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned Fund shares.

Dividends and distributions are taxable to shareholders even though they are reinvested in additional shares of the Fund. Not later than 60 days after the close of its taxable year, the Fund will provide its shareholders with a written notice designating the amounts of any dividends or capital gains distributions. A portion of the Fund's ordinary income dividends will be eligible for the dividends received deduction allowed to corporations under the Code, if certain requirements are met.

Ordinary income dividends paid by the Fund to shareholders who are non-resident aliens or foreign entities generally will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Non-resident shareholders are urged to consult their own tax advisers concerning the applicability of the United States withholding tax.

Pursuant to the Fund's investment objectives, the Fund may invest in foreign securities. Foreign taxes may be paid by the Fund as a result of tax laws of countries in which the Fund may invest. Income tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to determine in advance the effective rate of foreign tax to which the Fund will be subject, since the amount of Fund assets to be invested in various countries is not known. Because the Fund limits its investment in foreign securities, shareholders will not be entitled to claim foreign tax credits with respect to their share of foreign taxes paid by the Fund on income from investments of foreign securities held by the Fund.

Under certain provisions of the Code, some shareholders may be subject to a 31% withholding tax on reportable dividends, capital gains distributions and redemption payments ("backup withholding"). Generally, shareholders subject to

backup withholding will be those for whom a certified taxpayer identification number is not on file with the Fund, those who, to the Fund's knowledge, have furnished an incorrect number or those who are subject to backup withholding because of a failure to report income. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such investor is not subject to backup withholding.

A shareholder who holds shares as a capital asset generally will recognize a capital gain or loss upon the sale of such shares, which will be a long-term capital gain or loss if such shares were held for more than one year. However, any loss realized by a shareholder who held shares for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gains received by the shareholder with respect to such shares. Further, a shareholder cannot recognize a loss on the sale of Class A or Class B shares for federal income tax purposes to the extent that the shareholder acquires other shares in the Fund during the 61-day period beginning 30 days before and ending 30 days after the sale.

For Class A shares of the Fund, if a shareholder exercises the exchange privilege within 90 days of acquiring such shares, then the loss the shareholder can recognize on the exchange will be reduced (or the gain increased) to the extent the sales charge paid to the Fund reduces any sales charge the shareholder would have owed upon purchase of the new Class A shares in the absence of the exchange privilege. Instead, such sales charge will be treated as an amount paid for the new Class A shares. See "Shareholder Services--Exchange Privilege".

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and these Treasury regulations are subject to change by legislative or administrative action either prospectively or retroactively.

The Fund intends to provide shareholders annually with information relating to the Fund's income and assets necessary to permit shareholders to determine whether and to what extent their dividend income from the Fund is exempt from their state income tax.

Shareholders are urged to consult their tax advisers as to whether any portion of the dividends they receive from the Fund are exempt from state income tax and as to any other specific questions as to Federal, foreign, state or local taxes. Foreign investors should consider applicable foreign taxes in their evaluation of an investment in the Fund.

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#### ORGANIZATION OF THE FUND

The Fund was incorporated under Maryland law on May 21, 1984. It has an authorized capital of 1,000,000,000 shares of Common Stock, par value \$0.01 per share, divided into two classes, designated Class A and Class B Common Stock, each of which consists of 500,000,000 shares. Both Class A and Class B Common Stock represent an interest in the same assets of the Fund and are identical in all respects except that the Class B shares bear certain expenses related to the account maintenance and distribution of such shares and have exclusive voting rights with respect to matters relating to such distribution expenditures and account maintenance fee. See "Purchase of Shares". The Fund has received an order from the Commission permitting the issuance and sale of two classes of Common Stock. The Directors of the Fund may classify and reclassify the shares of the Fund into additional classes of Common Stock at a future date. The creation of additional classes would require an additional order from the Commission. There is no assurance that such an additional order will be granted.

Shareholders are entitled to one vote for each share held and fractional votes for fractional shares held and will vote on the election of Directors and any other matter submitted to a shareholder vote. The Fund does not intend to hold meetings of shareholders in any year in which the Investment Company Act of 1940 does not require shareholders to act upon any of the following matters: (i) election of Directors; (ii) approval of an investment advisory agreement; (iii) approval of a distribution agreement; and (iv) ratification of selection of independent accountants. Voting rights for Directors are not cumulative. Shares issued are fully paid and non-assessable and have no preemptive or conversion rights. Each share of Class A and Class B Common Stock is entitled to participate equally in dividends and distributions declared by the Fund and in the net assets of the Fund upon liquidation or dissolution after satisfaction of outstanding liabilities, except, as noted above, the Class B shares bear certain expenses related to the distribution and account maintenance of such shares.

#### SHAREHOLDER INQUIRIES



Shareholder inquiries may be addressed to the Fund at the address or telephone number set forth on the cover page of this Prospectus.

SHAREHOLDER REPORTS

Only one copy of each shareholder report and certain shareholder communications will be mailed to each identified shareholder regardless of the number of accounts such shareholder has. If a shareholder wishes to receive separate copies of each report and communication for each of the shareholder's related accounts the shareholder should notify in writing:

Financial Data Services, Inc.
Attn: Documents Evaluation Unit
P.O. Box 45290
Jacksonville, Florida 32232-5290

The written notification should include the shareholder's name, address, tax identification number and Merrill Lynch, Pierce, Fenner & Smith Incorporated and/or mutual fund account numbers. If you have any questions regarding this please call your Merrill Lynch financial consultant or Financial Data Services, Inc. at 800-637-3863.

MERRILL LYNCH BALANCED FUND FOR INVESTMENT AND RETIREMENT AUTHORIZATION FORM

NOTE: THIS FORM MAY NOT BE USED FOR PURCHASES THROUGH THE MERRILL LYNCH BLUEPRINT SM PROGRAM. YOU MAY REQUEST A MERRILL LYNCH BLUEPRINT SM PROGRAM APPLICATION BY CALLING (800) 637-3766.

1. SHARE PURCHASE APPLICATION

I, BEING OF LEGAL AGE, WISH TO PURCHASE CLASS A SHARES OR CLASS B SHARES (CHOOSE ONE) OF MERRILL LYNCH BALANCED FUND FOR INVESTMENT AND RETIREMENT AND ESTABLISH AN INVESTMENT ACCOUNT AS DESCRIBED IN THE PROSPECTUS.

Basis for establishing an Investment Account:

A. I enclose a check for \$..... payable to Financial Data Services, Inc., as an initial investment (minimum \$1,000) (Subsequent investments \$50 or more). I understand that this purchase will be executed at the applicable offering price next to be determined after this Application is received by you.

B. I already own shares of the following Merrill Lynch mutual funds that would qualify for the right of accumulation as outlined in the Statement of Additional Information:

- 4. ....
1. ....
5. ....
2. ....
6. ....
3. ....
(Please list all Funds. Use a separate sheet of paper if necessary.)

Until you are notified by me in writing, the following options with respect to dividends and distributions are elected:

Elect[\_] reinvest dividends
Elect[\_] reinvest capital gains
Distribution Options
One[\_] pay dividends in cash
One[\_] pay capital gains in cash

If no election is made, dividends and capital gains will be reinvested automatically at net asset value without a sales charge. (Please Print)

Name .....
First Name Initial Last Name

Name of Co-Owner (if any) ..... Social Security No. or Taxpayer Identification
First Name Initial Last Name



Address .....

....., 19..

Date

(Zip Code)

Occupation ..... Name and Address of Employer.....

Under penalty of perjury, I certify (1) that the number set forth above is my correct Social Security No. or Taxpayer Identification No. and (2) that I am not subject to backup withholding (as discussed under "Additional Information-- Taxes" in the Prospectus) either because I have not been notified that I am subject thereto as a result of a failure to report all interest or dividends, or the Internal Revenue Service ("IRS") has notified me that I am no longer subject thereto.

INSTRUCTION: YOU MUST STRIKE OUT THE LANGUAGE IN (2) ABOVE IF YOU HAVE BEEN NOTIFIED THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING DUE TO UNDERREPORTING, AND IF YOU HAVE NOT RECEIVED A NOTICE FROM THE IRS THAT BACKUP WITHHOLDING HAS BEEN TERMINATED. THE UNDERSIGNED AUTHORIZES THE FURNISHING OF THIS CERTIFICATION TO OTHER MERRILL LYNCH-SPONSORED MUTUAL FUNDS.

SIGNATURE OF OWNER ..... SIGNATURE OF CO-OWNER (IF ANY) .....

In the case of co-owners, a joint tenancy with right of survivorship will be presumed unless otherwise specified.

2. LETTER OF INTENTION--CLASS A SHARES ONLY (SEE TERMS AND CONDITIONS IN THE STATEMENT OF ADDITIONAL INFORMATION)

.....,19..

Date of initial purchase

Gentlemen:

Although I am not obligated to do so, I intend to purchase shares of Merrill Lynch Balanced Fund for Investment and Retirement, or any other investment company with an initial sales charge or deferred sales charge for which the Merrill Lynch Funds Distributor, Inc. acts as a distributor over the next 13-month period which will equal or exceed:

<TABLE>	<S>	<C>	<C>	<C>	<C>	<C>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$10,000	\$25,000	\$50,000	\$100,000	\$250,000	\$1,000,000

Each purchase will be made at the then reduced offering price applicable to the amount checked above, as described in the Fund prospectus.

I agree to the terms and conditions of the Letter of Intention. I hereby irrevocably constitute and appoint Merrill Lynch Funds Distributor, Inc., my attorney, with full power of substitution, to surrender for redemption any or all shares of Merrill Lynch Balanced Fund for Investment and Retirement held as security.

By..... Signature of Owner ..... Signature (If registered in joint names, both must sign)

In making purchases under this letter, the following are the related accounts on which reduced offering prices are to apply:

(1) Name ..... (2) Name .....

MERRILL LYNCH BALANCED FUND FOR INVESTMENT AND RETIREMENT AUTHORIZATION FORM

3.SYSTEMATIC WITHDRAWAL PLAN--CLASS A SHARES ONLY (SEE TERMS AND CONDITIONS IN THE STATEMENT OF ADDITIONAL INFORMATION)

Minimum Requirements: \$10,000 for monthly disbursements, \$5,000 for quarterly, of shares in Merrill Lynch Balanced Fund for Investment and Retirement, at cost or current offering price.

Begin systematic withdrawal on . . . . ., 19..

[date] Withdrawals to be made either (check one)  Monthly  Quarterly. Quarterly withdrawals are made on the 24th day of March, June,

Specify withdrawal amount (check one):  \$ . . . . . or  . . . . .% of the current value of Class A shares in the account

Specify withdrawal method:  check or  direct deposit to bank account (CHECK ONE AND COMPLETE PART (A) OR (B) BELOW):

(A) I HEREBY AUTHORIZE PAYMENT BY CHECK

(B) I HEREBY AUTHORIZE PAYMENT BY DIRECT DEPOSIT TO BANK ACCOUNT and (if necessary) debit entries and adjustments for any credit entries made in error to my account

Draw checks payable

(check one)

Specify type of account (check one):  checking  savings

as indicated in item 1.

I agree that this authorization will remain in effect until I provide written notification to Financial Data Services, Inc. amending or terminating this service.

Name on your Account . . . . .

Mail to (check one)

Bank . . . . .

the address indicated in item 1.

Bank # . . . . . Account # . . . . .

Name (Please Print) . . . . .

Bank Address . . . . .

Address . . . . .

Signature of Depositor ... Date . . . . .

Signature of Owner . . . . .

Signature of Depositor (if joint account) . . . . .

Signature of Co-Owner (if any) . . . . .

NOTE: IF AUTOMATIC DIRECT DEPOSIT IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" OR A DEPOSIT SLIP FROM YOUR SAVINGS ACCOUNT SHOULD ACCOMPANY THIS APPLICATION.

4. APPLICATION FOR AUTOMATIC INVESTMENT PLAN

I hereby request that Financial Data Services, Inc. draw a check or an automated clearing house ("ACH") debit on my checking account as described below each month to purchase . . . . Class A shares or Class B shares (choose one) of Merrill Lynch Balanced Fund for Investment and Retirement, subject to the terms set forth below.

FINANCIAL DATA SERVICES, INC.

AUTHORIZATION TO HONOR CHECKS DRAWN BY FINANCIAL DATA SERVICES, INC.

You are hereby authorized to draw checks or an automated clearing house ("ACH") debit each month on my bank account for investment in Merrill Lynch Balanced Fund for Investment and Retirement, as indicated below:

To . . . . . Bank (Investor's Bank)

Bank Address . . . . .

Amount of each check or ACH debit \$ ..

Account No. . . . .

City . . . . . State . . . . Zip Code . . . . .

Please date and invest checks or draw ACH debits on the 20th of each month beginning . . . . .

As a convenience to me, I hereby request and authorize you to pay and charge to my account checks or ACH debits drawn on my account by and payable to Financial Data Services, Inc. I agree that your rights in re-

(Month) or as soon thereafter as possible.

I agree that you are preparing these checks or drawing these debits voluntarily at my request and that you shall not be liable for any loss arising from any delay in preparing or failure to prepare any such check or debit. If I change banks or desire to terminate or suspend this program, I agree to notify you promptly in writing.

I further agree that if a check or debit is not honored upon presentation, Financial Data Services, Inc. is authorized to discontinue immediately the Automatic Investment Plan and to liquidate sufficient shares held in my account to offset the purchase made with the returned check or dishonored debit.

.....  
 .....  
 Date Signature of Depositor  
 .....  
 Bank Account Number Signature of Depositor (If joint account, both must sign)  
 .....  
 Date Signature of Depositor  
 .....  
 Signature of Depositor  
 (If joint account, both must sign)

NOTE: IF AUTOMATIC INVESTMENT PLAN IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" SHOULD ACCOMPANY THIS APPLICATION.

5. FOR DEALER ONLY

Branch Office, Address, Stamp

We hereby authorize Merrill Lynch Funds Distributor, Inc. to act as our agent in connection with transactions under this authorization form and agree to notify the Distributor of any purchases made under a Letter of Intention or Systematic Withdrawal Plan. We guarantee the Shareholder's Signature.

This form when completed should be mailed to:  
 Merrill Lynch Balanced Fund for Investment and Retirement

c/o Financial Data Services, Inc.  
 Transfer Agency Operations Department  
 P.O. Box 45290

Jacksonville, FL 32232-5290

.....  
 Dealer Name and Address  
 By .....  
 Authorized Signature of Dealer

.....  
 Branch- F/C F/C Last Name  
 Code No.

Dealer's  
 Customer A/C No.

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INVESTMENT ADVISER

Merrill Lynch Asset Management

Administrative Offices:  
800 Scudders Mill Road  
Plainsboro, New Jersey

Mailing Address:  
Box 9011  
Princeton, New Jersey 08543-9011

DISTRIBUTOR

Merrill Lynch Funds Distributor, Inc.

Administrative Offices:  
800 Scudders Mill Road  
Plainsboro, New Jersey

Mailing Address:  
Box 9011  
Princeton, New Jersey 08543-9011

CUSTODIAN

National Westminster Bank NJ  
Exchange Place Centre  
10 Exchange Place  
Jersey City, New Jersey 07302

TRANSFER AGENT

Financial Data Services, Inc.

Administrative Offices:  
Transfer Agency Operations Department  
4800 Deer Lake Drive East  
Jacksonville, Florida 32246-6484

Mailing Address:  
P.O. Box 45289  
Jacksonville, Florida 32232-5289

INDEPENDENT AUDITORS

Deloitte & Touche  
117 Campus Drive  
Princeton, New Jersey 08540

COUNSEL

Shereff, Friedman, Hoffman & Goodman  
919 Third Avenue  
New York, New York 10022

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND THE STATEMENT OF ADDITIONAL INFORMATION, IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND, THE INVESTMENT ADVISER, OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING IN ANY STATE IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

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Code #10331

Prospectus

(ART)

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MERRILL LYNCH  
BALANCED FUND  
FOR INVESTMENT AND RETIREMENT

January 28, 1994

This Prospectus should be  
retained for future reference

STATEMENT OF ADDITIONAL INFORMATION

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JANUARY 28, 1994

MERRILL LYNCH BALANCED FUND  
FOR INVESTMENT AND RETIREMENT  
BOX 9011, PRINCETON, NEW JERSEY 08543-9011 . PHONE NO. (609) 282-2800

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Merrill Lynch Retirement Benefit Investment Program, Inc., doing business as Merrill Lynch Balanced Fund for Investment and Retirement, is a mutual fund, technically known as an open-end diversified management investment company, of the type permitted to have a number of different portfolios, or series. The fund and its only series, the Full Investment Portfolio, are referred to as the "Fund." The Fund seeks to provide shareholders with as high a level of total investment return as is consistent with a relatively low level of risk. It tries to achieve its objective through investment in high quality, larger capitalization common stocks (generally companies with \$500,000,000 or more of market capitalization) and other types of securities, including preferred stocks, debt securities and convertible securities. Because the Fund is designed for investors for whom current tax liability is not a consideration, such as certain tax qualified employee benefit plans, the Fund will invest without regard to tax considerations.

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The Fund offers two classes of shares which may be purchased at a price equal to the next determined net asset value per share, plus a sales charge which, at the election of the purchaser, may be imposed (i) at the time of purchase (the "Class A shares"), or (ii) on a deferred basis (the "Class B shares"). These alternatives permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Investors should understand that the purpose and function of the deferred sales charges with

respect to the Class B shares are the same as those of the initial sales charge with respect to the Class A shares. Each Class A share and Class B share represents identical interests in the investment portfolio of the Fund and have the same rights, except that Class B shares bear the expenses of the account maintenance fee and the distribution fee and certain other costs resulting from the deferred sales charge arrangement and have exclusive voting rights with respect to the account maintenance fee and the distribution fee. The two classes also have different exchange privileges.

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This Statement of Additional Information of the Fund is not a prospectus and should be read in conjunction with the prospectus of the Fund, dated January 28, 1994 (the "Prospectus"), which has been filed with the Securities and Exchange Commission and can be obtained without charge from Merrill Lynch Funds Distributor, Inc., Box 9011, Princeton, New Jersey 08543-9011, (609) 282-2800, or from selected securities dealers. This Statement of Additional Information contains information in addition to, and more detailed than, that set forth in the Prospectus. It is intended to provide investors with additional information regarding the activities and operations of the Fund.

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MERRILL LYNCH ASSET MANAGEMENT--INVESTMENT ADVISER  
MERRILL LYNCH FUNDS DISTRIBUTOR, INC.--DISTRIBUTOR

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#### INVESTMENT OBJECTIVE AND POLICIES

As discussed on page 6 of the Prospectus, the investment objective of the Fund is to provide shareholders with as high a level of total investment return as is consistent with a relatively low level of risk. This is a fundamental investment objective. The Fund seeks to accomplish its objective through investment in high quality, larger capitalization common stocks (generally companies with \$500,000,000 or more of market capitalization) and other types of securities, including preferred stocks, debt securities and convertible securities, as well as through the writing of covered call options and the lending of its portfolio securities. It is anticipated that, except under unusual circumstances, the Fund will maintain at least 25% of the value of its assets in fixed income senior securities. In its common stock investments, it is anticipated that the Fund will seek to emphasize issues with relatively low price earnings ratios, above average dividend yields, and relatively low price to book value ratios, as compared to prevailing market conditions. With respect to debt securities (other than money market instruments which are discussed below), the Fund will invest only in instruments which are rated Aa or better by Moody's Investors Service, Inc. or AA or better by Standard & Poor's Corporation or which are determined by the investment adviser of the Fund to be of quality comparable to instruments so rated.

As discussed on page 6 of the Prospectus, the Fund may, under certain circumstances, invest all or a portion of its assets in high quality money market securities. Such securities can include the following: (1) U.S. Treasury bills; (2) bankers' acceptances and certificates of deposit; (3) commercial paper; and (4) repurchase agreements with respect to U.S. Government securities and U.S. Government agency securities.

#### MANAGEMENT OF THE FUND

The Investment Adviser. Merrill Lynch Asset Management, L.P., doing business as Merrill Lynch Asset Management (the "Investment Adviser" or "MLAM") is the investment adviser of the Fund. MLAM is a Delaware limited partnership and is owned and controlled by Merrill Lynch & Co., Inc. The Investment Adviser and its affiliate, Fund Asset Management, L.P. ("FAM"), together serve as the investment adviser to over 90 other registered investment companies, as well as to numerous pension plans and other institutions.

Merrill Lynch & Co., Inc., Merrill Lynch Investment Management, Inc. and Princeton Services, Inc. are "controlling persons" of the Investment Adviser as defined under the Investment Company Act because of their power to exercise a controlling influence over its management policies.

The Advisory Agreement. Under its investment advisory agreement with the Fund (the "Agreement"), the Investment Adviser is responsible for the actual management of the Fund's portfolio. Responsibility for making decisions to buy, sell or hold a particular security rests with the Investment Adviser, subject to general oversight by the Board of Directors. The Investment Adviser provides the portfolio managers for the Fund, who make investment decisions and place orders to effect portfolio transactions for the Fund. In this regard, the Investment Adviser has access to the total securities research and economic research facilities of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). Pursuant to the Agreement, the Investment Adviser also

obligates the Investment Adviser to pay all compensation of and furnish office space for officers and employees of the Fund connected with investment and economic research, trading and investment management of the Fund, and to pay the fees of all Directors of the Fund who are affiliated with Merrill Lynch & Co., Inc., or any of its subsidiaries. Portfolio accounting services are provided for the Fund by the Investment Adviser, and the Fund reimburses the Investment Adviser for its costs in connection with such services.

The Agreement will continue in effect until April 3, 1994, and may continue in effect thereafter from year to year if approved at least annually by vote of a majority of the Directors of the Fund or by the holders of a majority of the outstanding shares of each series of the Fund. Any such continuation also requires approval by a majority of the Directors who are not parties to the Agreement or "interested persons" of any such party as defined in the Investment Company Act of 1940 (the "Act") by vote cast in person at a meeting called for such purpose. The Agreement may be terminated at any time, without penalty, on sixty days' written notice by the Fund's Board of Directors, by the holders of a majority of the Fund's outstanding voting securities or by the Investment Adviser. The Agreement automatically terminates in the event of its assignment (as defined in the Act and the rules thereunder).

As discussed under "The Fund and Its Management" in the Prospectus, the Agreement provides that the Fund will pay the Investment Adviser a monthly fee based upon the average daily value of the portfolio's net assets at the following annual rate: 0.65% of the average daily net assets not exceeding \$500 million; 0.60% of the average daily net assets exceeding \$500 million but not exceeding \$1.5 billion; 0.55% of the average daily net assets exceeding \$1.5 billion but not exceeding \$2.5 billion; 0.50% of the average daily net assets exceeding \$2.5 billion but not exceeding \$3.5 billion; and 0.45% of the average daily net assets exceeding \$3.5 billion. Certain states in which the shares of the Fund are qualified for sale impose limitations on the expenses of the Fund. At the date of this Statement of Additional Information, the most restrictive annual expense limitations to which the Fund is subject require that the Investment Adviser reimburse each portfolio in any amount necessary to prevent the portfolio's aggregate ordinary operating expenses (excluding interest, taxes, account maintenance, distribution and brokerage fees and commissions, and extraordinary charges such as litigation costs) from exceeding in any fiscal year 2.5% of the first \$30 million of the portfolio's average net assets, 2.0% of the next \$70 million of average net assets and 1.5% of the portfolio's remaining average net assets. Any such reimbursements would be made on a monthly basis. No payment of the investment advisory fee will be made to the Investment Adviser which would result in expenses of any portfolio exceeding on a cumulative annualized basis the most restrictive applicable expense limitation in effect at the time of such payment. (Expenses not covered by the limitation are interest, taxes, brokerage commissions and other items such as extraordinary legal expenses.) For the Fund's fiscal years ended September 30, 1993, 1992, and 1991, the Investment Adviser earned a fee of approximately \$5,620,993, \$6,063,373, and \$6,868,382, respectively, from the Fund.

Directors and Officers. The Directors and executive officers of the Fund and their principal occupations for at least the last five years are set forth below. Unless otherwise noted, the address of each Director and executive officer is Box 9011, Princeton, New Jersey 08543-9011.

Arthur Zeikel--President and Director (1) (2)--President of the Investment Adviser since 1977 and Director and Chief Investment Officer thereof since 1976; President and Chief Investment Officer of FAM since 1977; President and Director of Princeton Services, Inc. ("Princeton Services") since 1993; Executive Vice President of Merrill Lynch since 1990 and a Senior Vice President thereof from 1985 to 1990; Executive

Vice President of Merrill Lynch & Co., Inc. since 1990; Director of Merrill Lynch Funds Distributor, Inc. ("MLFD" or the "Distributor").

Kenneth S. Axelson--Director (2)--75 Jameson Point Road, Rockland, Maine 04841, Executive Vice President and Director, J.C. Penney Company, Inc., until 1982; Director, Grumman Corporation, Key Trust Company of Maine, Protection Mutual Insurance Company, UNUM Corporation, Zurn Industries, Inc., and until 1992, of Central Maine Power Company and Key Trust Company of Maine; Trustee of The Chicago Dock and Canal Trust.

Herbert I. London--Director (2)--New York University-Gallatin Division, 113-115 University Place, New York, New York 10003. Dean, Gallatin Division of New

York University from 1978 to 1993 and Director from 1975 to 1976; Professor, New York University since 1973; Distinguished Fellow, Herman Kahn Chair, Hudson Institute from 1984 to 1985; Director, Damon Corporation since 1991; Overseer, Center for Naval Analyses.

Robert R. Martin--Director (2)--513 Grand Hill, St. Paul, Minnesota 55102. Chairman and Chief Executive Officer, Kinnard Investments, Inc. from 1990 to 1993; Executive Vice President, Dain Bosworth from 1974 to 1989; Director, Carnegie Capital Management from 1977 to 1985 and Chairman thereof in 1979; Director, Securities Industry Association from 1981 to 1982 and Public Securities Association from 1979 to 1980; Trustee, Northland College since 1992.

Joseph L. May--Director (2)--424 Church Street, Suite 2000, Nashville, Tennessee 37219. Attorney in private practice since 1984; President, May and Athens Hosiery Mills Division, Wayne-Gossard Corporation from 1954 to 1983; Vice President, Wayne-Gossard Corporation from 1972 to 1983; Chairman, The May Corporation (personal holding company) from 1972 to 1983; Director, Signal Apparel Co. from 1972 to 1989.

Andre F. Perold--Director (2)--Morgan Hall, Soldiers Field Road, Boston, Massachusetts 02163. Professor, Harvard Business School since 1989 and Associate Professor from 1983 to 1989; Trustee, The Common Fund, since 1989; Director, Quantec Investment Technology (a private United Kingdom company).

Terry K. Glenn--Executive Vice President (1)(2)--Executive Vice President of the Investment Adviser and FAM since 1983; Executive Vice President and Director of Princeton Services since 1993; President of MLFD since 1986 and Director thereof since 1991.

Bernard J. Durnin--Senior Vice President (1)(2)--Senior Vice President of the Investment Adviser and FAM since 1981 and Vice President from 1977 to 1981.

Denis B. Cummings--Vice President (1)--Vice President of the Investment Adviser since 1978.

Donald C. Burke--Vice President (1)(2)--Vice President and Director of Taxation of MLAM since 1990; employee of Deloitte & Touche from 1981 to 1990.

Gerald M. Richard--Treasurer (1)(2)--Senior Vice President and Treasurer of FAM and the Investment Adviser since 1984; Senior Vice President and Treasurer of Princeton Services since 1993; Treasurer of MLFD since 1984 and Vice President since 1981; employee of MLFD since 1978.

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Jerry Weiss--Secretary (1)(2)--Vice President of the Investment Adviser since 1990; Attorney in private practice from 1982 to 1990.

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- (1) Interested person, as defined in the Investment Company Act of 1940 (the "Act"), of the Fund.
- (2) Such Director or officer is a director or officer of certain other investment companies for which the Investment Adviser or its affiliate, FAM, acts as investment adviser or manager.

As of the date of this Statement of Additional Information, officers and Directors of the Fund, as a group, own less than 1% of the outstanding shares of the Fund. Each Director who is not an interested person of the Fund is paid a fee by the Fund plus actual out-of-pocket expenses for each meeting of the Board of Directors attended. The Fund also compensates members of the Audit and Nominating Committee of the Board of Directors for their services on that committee. The Audit and Nominating Committee consists of all of the Directors who are not interested persons of the Fund.

#### PURCHASE OF SHARES

Reference is made to "Purchase of Shares" in the Prospectus for certain information as to the purchase of Fund shares.

#### ALTERNATIVE SALES ARRANGEMENTS

The Fund issues two classes of shares: Class A shares are sold to investors choosing the initial sales charge alternative and Class B shares are sold to investors choosing the deferred sales charge alternative. The two classes of shares each represent interests in the same portfolio of investments of the Fund, have the same rights and are identical in all respects, except that Class B shares bear the expenses of the deferred sales arrangements and any expenses (including incremental transfer agency costs) resulting from such sales arrangements, and have exclusive voting rights with respect to the Rule 12b-1 distribution plan pursuant to which the account maintenance and distribution fees are paid. The two classes also have different exchange privileges. See "Shareholder Services--Exchange Privilege".



The Fund has entered into separate distribution agreements with the Distributor in connection with the continuous offering of Class A and Class B shares of the Fund (the "Distribution Agreements"). The Distribution Agreements obligate the Distributor to pay certain expenses in connection with the offering of the Class A and Class B shares of the Fund. After the prospectuses, statements of additional information and periodic reports have been prepared, set in type and mailed to the shareholders, the Distributor pays for the printing and distribution of copies thereof used in connection with the offering to dealers and investors. The Distributor also pays for other supplementary sales literature and advertising costs. The Distribution Agreements are subject to the same renewal requirements and termination provisions as the Investment Advisory Agreement described above.

#### INITIAL SALES CHARGE ALTERNATIVE--CLASS A SHARES

The gross sales charges for the sale of Class A shares for the fiscal year ended September 30, 1993 were \$62,442, of which the Distributor received \$3,517 and Merrill Lynch received \$58,925.

The term "purchase," as used in the Prospectus and this Statement of Additional Information in connection with an investment in Class A shares of the Fund, refers to a single purchase by an individual, or to concurrent purchases, which in the aggregate are at least equal to the prescribed amounts, by an individual, his spouse and their children under the age of 21 years purchasing shares for his or their own account and to single purchases by a trustee or other fiduciary purchasing shares for a single trust estate or single fiduciary

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account although more than one beneficiary is involved. The term "purchase" also includes purchases by any "company," as that term is defined in the Act, but does not include purchases by any such company which has not been in existence for at least six months or which has no purpose other than the purchase of shares of the Fund or shares of other registered investment companies at a discount; provided, however, that it shall not include purchases by any group of individuals whose sole organizational nexus is that the participants therein are credit cardholders of a company, policyholders of an insurance company, customers of either a bank or broker-dealer or clients of an investment adviser.

#### REDUCED INITIAL SALES CHARGES--CLASS A SHARES

Right of Accumulation. Reduced sales charges are applicable through a right of accumulation under which eligible investors are permitted to purchase Class A shares of the Fund at the offering price applicable to the total of (a) the dollar amount then being purchased plus (b) an amount equal to the then current net asset value or cost, whichever is higher, of the purchaser's combined holdings of the Class A shares and Class B shares of the Fund and of any other investment company with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor. For any such right of accumulation to be made available, the Distributor must be provided at the time of purchase, by the purchaser or the purchaser's securities dealer, with sufficient information to permit confirmation of qualification. Acceptance of the purchase order is subject to such confirmation. The right of accumulation may be amended or terminated at any time.

Letter of Intention. Reduced sales charges are applicable to purchases aggregating \$10,000 or more of the Class A shares of the Fund or any other investment company with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor made within a thirteen-month period starting with the first purchase pursuant to a Letter of Intention in the form provided in the Prospectus. The Letter of Intention is available only to investors whose accounts are maintained at Financial Data Services, Inc., the Fund's transfer agent (the "Transfer Agent"). The Letter of Intention is not available to employee benefit plans for which Merrill Lynch provides plan participant recordkeeping services. The Letter of Intention is not a binding obligation to purchase any amount of Class A shares, but its execution will result in the purchaser paying a lower sales charge at the appropriate quantity purchase level. A purchase not originally made pursuant to a Letter of Intention may be included under a subsequent Letter executed within 90 days of such purchase if the Distributor is informed in writing of this intent within such 90-day period. The value of Class A shares of the Fund and of other investment companies with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor presently held, at cost or maximum offering price (whichever is higher), on the date of the first purchase under the Letter of Intention, may be included as a credit toward the completion of such Letter. If the total amount of shares does not equal the amount stated in the Letter of Intention (minimum of \$10,000), the investor will be notified and must pay, within 20 days of the expiration of such Letter, the difference between the sales charge on the Class A shares purchased at the

reduced rate and the sales charge applicable to the shares actually purchased through the Letter. Class A shares equal to five percent of the intended amount will be held in escrow during the thirteen-month period (while remaining registered in the name of the purchaser) for this purpose. The first purchase under the Letter of Intention must be at least five percent or more of the dollar amount of such Letter. If during the term of such Letter, a purchase brings the total amount invested to an amount equal to or in excess of the amount indicated in the Letter, the purchaser will be entitled on that purchase and subsequent purchases to the reduced percentage sales charge which would be applicable to a single purchase equal to the total dollar value of the shares then being purchased under such Letter, but there will be no retroactive reduction of the sales charges on any previous purchase. The value of any shares redeemed or otherwise disposed of by the purchaser prior to termination or completion of the Letter of Intention will be deducted from the total

purchases made under such Letter. An exchange from Merrill Lynch Government Fund, Merrill Lynch Institutional Fund, Merrill Lynch Ready Assets Trust, Merrill Lynch Retirement Reserves Money Fund, Merrill Lynch U.S.A. Government Reserves, Merrill Lynch Treasury Fund or Merrill Lynch Institutional Tax-Exempt Fund into the Fund that creates a sales charge will count toward completing a new or existing Letter of Intention from the Fund.

Merrill Lynch Blueprint SM Program. Class A shares of the Fund are offered to participants in the Merrill Lynch Blueprint SM Program ("Blueprint"). Blueprint is directed to small investors, group IRAs and participants in certain affinity groups such as credit unions and trade associations. Investors placing orders to purchase Class A shares of the Fund through Blueprint will acquire the Class A shares at net asset value plus a sales charge calculated in accordance with the Blueprint sales charge schedule (i.e., up to \$300 at 5.5%, \$300.01 up to \$5,000 at 4.5% plus \$3 and \$5,000.01 or more at the standard sales charge rates disclosed in the Prospectus). In addition, Class A shares of the Fund are being offered at net asset value plus a sales charge of 1/2 of 1% for corporate or group IRA programs placing orders to purchase their Class A shares through Blueprint. Services, including the exchange privilege, available to Class A investors through Blueprint, however, may differ from those available to other investors in Class A shares. Orders for purchases and redemptions of Class A shares of the Fund may be grouped for execution purposes which, in some circumstances, may involve the execution of such orders two business days following the day such orders are placed. The minimum initial purchase price is \$100, with a \$50 minimum for subsequent purchases through Blueprint. There are no minimum initial or subsequent purchase requirements for participants who are part of an automatic investment plan.

Class A shares are offered at net asset value, with a waiver of the front-end sales charge, to participants in the Merrill Lynch Blueprint Program through the Merrill Lynch Directed IRA Rollover Program ("IRA Rollover Program") available from Merrill Lynch Business Financial Services, a business unit of Merrill Lynch. The IRA Rollover Program is available to custodian to custodian rollover assets from Eligible Retirement Plans (see definition below) whose Trustee and/or Plan Sponsor offers the Merrill Lynch Directed IRA Rollover Program. Eligible Retirement Plans include: (a) plans qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code") with a salary reduction feature offering a menu of investments to plan participants, provided such plan initially has 1,000 or more employees eligible to participate in the plan (employees eligible to participate in retirement plans of the same sponsoring employer or its affiliates may be aggregated); or (b) tax qualified retirement plans within the meaning of Section 401(a) of the Code or deferred compensation plans within the meaning of Section 403(b) of the Code, provided the plan (i) initially invested \$5 million or more in existing plan assets in portfolios, mutual funds or trusts advised by MLAM or its subsidiaries or (ii) has accumulated \$5 million or more in existing plan assets invested in mutual funds advised by MLAM or its subsidiaries, which charge a front-end sales charge or contingent deferred sales charge (assets of retirement plans with the same sponsor or an affiliated sponsor may be aggregated). Additional information concerning purchases through Blueprint, including any annual fees and transaction charges, is available from Merrill Lynch, Pierce, Fenner & Smith Incorporated, The Blueprint SM Program, P.O. Box 30441, New Brunswick, New Jersey 08989-0441.

Retirement Plans. Class A shares are offered at net asset value to tax qualified retirement plans within the meaning of Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and deferred compensation plans within the meaning of Sections 403(b) and 457 of the Code ("Retirement Plans"), provided the plan has \$5 million or more in existing plan assets initially invested in portfolios, mutual funds or trusts advised either directly or through a subsidiary by MLAM or FAM. Class A shares may also be offered at net asset value to Retirement Plans, provided the plan has accumulated \$5 million or more in existing plan assets invested in mutual

contingent deferred sales charge. Assets of Retirement Plans with the same sponsor or an affiliated sponsor may be aggregated. Retirement Plans that are also qualified under Section 401(k) of the Code with a salary reduction feature offering a menu of investments to plan participants ("Eligible 401(k) Plans") are also offered Class A shares at net asset value, provided such plan initially has 1,000 or more employees eligible to participate in the plan. Employees eligible to participate in Retirement Plans of the same sponsoring employer or its affiliates may be aggregated. Retirement Plans meeting any of the foregoing requirements and which are provided specialized services (e.g., plans whose participants may direct on a daily basis their plan allocations among a wide range of investments including individual corporate equities and other securities in addition to mutual fund shares) by the Merrill Lynch Blueprint SM Program, are offered Class A shares at a price equal to net asset value per share plus a reduced sales charge of 0.50%. Any Retirement Plan which does not meet the above described qualifications to purchase Class A shares at net asset value has the option of purchasing Class A shares at the sales charge schedule disclosed in the Prospectus, or if the Retirement Plan meets the specified requirements, then it may purchase Class B shares with a waiver of the contingent deferred sales charge upon redemption. The minimum initial and subsequent purchase requirements are waived in connection with all the above referenced Retirement Plans.

Purchase Privileges of Certain Persons. Directors of the Fund, directors and trustees of certain other Merrill Lynch sponsored investment companies, Directors of Merrill Lynch & Co., Inc., employees of Merrill Lynch & Co., Inc. and its subsidiaries and any trust, pension, profit-sharing or other benefit plan for such persons, may purchase Class A shares of the Fund at net asset value. Under such programs, the Fund realizes economies of scale and reduction of sales related expenses by virtue of familiarity with the Fund.

Employees and directors wishing to purchase shares of the Fund must satisfy the Fund's suitability standards.

Class A shares of the Fund will be offered at net asset value, without sales charge, to an investor who has a business relationship with a financial consultant who joined Merrill Lynch from another investment firm within six months prior to the date of purchase by such investor, if the following conditions are satisfied. First, the investor must purchase Class A shares of the Fund with proceeds from a redemption of shares of a mutual fund that was sponsored by the financial consultant's previous firm and imposed a sales charge either at the time of purchase or on a deferred basis. Second, such redemption must have been made within 60 days prior to the investment in the Fund, and the proceeds from the redemption must have been maintained in the interim in cash or a money market fund.

Class A shares of the Fund are also offered at net asset value, without sales charge, to an investor who has a business relationship with a Merrill Lynch financial consultant and who has invested in a mutual fund sponsored by a non-Merrill Lynch company for which Merrill Lynch has served as a selected dealer and where Merrill Lynch has either received or given notice that such arrangement will be terminated ("notice"), if the following conditions are satisfied. First, the investor must purchase Class A shares of the Fund with proceeds from a redemption of shares of such other mutual fund and such fund imposed a sales charge either at the time of purchase or on a deferred basis. Second, such purchase of Class A shares must be made within 90 days after notice.

Closed-End Fund Option. Class A shares of the Fund and certain other mutual funds advised by the Investment Adviser (the "Eligible Class A shares") are offered at net asset value to shareholders of certain closed-end funds advised by the Investment Adviser who wish to reinvest the net proceeds of a sale of their closed-end fund shares of common stock in Eligible Class A shares, if the conditions set forth below are

satisfied. First, the sale of closed-end fund shares must be made through Merrill Lynch, and the net proceeds therefrom must be immediately reinvested in Eligible Class A shares. Second, the closed-end fund shares must have either been acquired in the initial public offering or be shares representing dividends from shares of common stock acquired in such offering. Third, the closed-end fund shares must have been continuously maintained in a Merrill Lynch securities account. Fourth, there must be a minimum purchase of \$250 to be eligible for the investment option. Class A shares of the Fund are offered at net asset value to shareholders of Merrill Lynch Senior Floating Rate Fund (formerly known as Merrill Lynch Prime Fund, Inc.) ("Senior Floating Rate Fund") who wish to reinvest the net proceeds from a sale of certain of their

shares of common stock of the Senior Floating Rate Fund in shares of the Fund. In order to exercise this investment option, Senior Floating Rate Fund shareholders must sell their Senior Floating Rate Fund shares to the Senior Floating Rate Fund in connection with a tender offer conducted by the Senior Floating Rate Fund and reinvest the proceeds immediately in the Fund. This investment option is available only with respect to the proceeds of the Senior Floating Rate Fund shares as to which no Early Withdrawal Charge (as defined in the Senior Floating Rate Fund prospectus) is applicable. Purchase orders from Senior Floating Rate Fund shareholders wishing to exercise this investment option will be accepted only on the day that the related Senior Floating Rate Fund tender offer terminates and will be effected at the net asset value of the Fund at such day.

TMA SM Managed Trusts. Class A shares are offered to TMA SM Managed Trusts to which Merrill Lynch Trust Company provides discretionary trustee services at net asset value plus a reduced sales charge of 0.50% of the offering price which is 0.50% of the net amount invested.

Acquisition of Certain Investment Companies. The public offering price of Class A shares may be reduced to the net asset value per Class A share in connection with the acquisition of the assets of or merger or consolidation with a personal holding company or a public or private investment company. The value of the assets or company acquired in a tax-free transaction may be adjusted in appropriate cases to reduce possible adverse tax consequences to the Fund which might result from an acquisition of assets having net unrealized appreciation which is disproportionately higher at the time of acquisition than the realized or unrealized appreciation of the Fund.

#### DEFERRED SALES CHARGE ALTERNATIVE--CLASS B SHARES

Distribution Plan. Reference is made to "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares--Distribution Plan" in the Prospectus for certain information with respect to the Distribution Plan of the Fund (the "Distribution Plan").

The payment of the distribution fee and account maintenance fee is subject to the provisions of Rule 12b-1 under the Act. Among other things, the Distribution Plan provides that the Distributor shall provide and the Directors shall review quarterly reports of the disbursement of the account maintenance fees and distribution fees paid to the Distributor. In their consideration of the Distribution Plan, the Directors must consider all factors they deem relevant, including information as to the benefits of the Distribution Plan to the Fund and its Class B shareholders. The Distribution Plan further provides that, so long as the Distribution Plan remains in effect, the selection and nomination of Directors who are not "interested persons" of the Fund, as defined in the Act (the "Independent Directors"), shall be committed to the discretion of the Independent Directors then in office. In approving the Distribution Plan in accordance with Rule 12b-1, the Independent Directors concluded that there is reasonable likelihood that the Distribution Plan will benefit the Fund and its Class B shareholders. The Distribution Plan can be terminated at any time, without penalty, by the vote of a majority of the Independent Directors or by the vote of the holders of a majority of the outstanding Class B voting securities of the Fund. The Distribution Plan cannot be amended to increase

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materially the amount to be spent by the Fund without Class B shareholder approval, and all material amendments are required to be approved by the vote of the Directors, including a majority of the Independent Directors who have no direct or indirect financial interest in the Distribution Plan, cast in person at a meeting called for that purpose. Rule 12b-1 further requires that the Fund preserve copies of the Distribution Plan and any report made pursuant to such plan for a period of not less than six years from the date of the Distribution Plan or such report, the first two years in an easily accessible place.

During the fiscal year ended September 30, 1993, the Fund paid \$8,587,740 under the Plan, an amount equal to 1% of the average daily net assets of the Class B shares for such fiscal year. All such amounts were paid to MLFD and in turn were paid by MLFD to Merrill Lynch to defray a portion of its costs incurred in rendering account maintenance and distribution services to the Fund, including advancement of sales commissions to its account executives for the sale of the Class B shares of the Fund.

#### REDEMPTION OF SHARES

Reference is made to "Redemption of Shares" in the Prospectus for certain information as to the redemption and repurchase of Fund shares.

Payment for shares presented for redemption will be made by check sent within seven days after receipt by the Transfer Agent of your written request in proper form and, if issued, certificates for the shares being redeemed. The

right to redeem shares or to receive payment with respect to any such redemption may be suspended only for any period during which trading on the New York Stock Exchange is restricted as determined by the Securities and Exchange Commission or such Exchange is closed (other than customary weekend and holiday closings), for any period during which an emergency exists as defined by the Securities and Exchange Commission, as a result of which disposal of portfolio securities or determination of the net asset value of the Fund is not reasonably practicable, and for such other periods as the Securities and Exchange Commission may by order permit for the protection of shareholders of the Fund.

The value of shares at the time of redemption may be more or less than the shareholder costs, depending on the net asset value of such shares at such time.

#### CONTINGENT DEFERRED SALES CHARGE--CLASS B SHARES

As discussed in the Prospectus under "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares", while Class B shares redeemed within four years of purchase are subject to a contingent deferred sales charge under most circumstances, the charge is waived on redemptions of Class B shares in connection with certain post-retirement withdrawals from an Individual Retirement Account ("IRA") or other retirement plan or following the death or disability of a Class B shareholder. Redemptions for which the waiver applies are: (a) any partial or complete redemption in connection with a distribution following retirement under a tax-deferred retirement plan which is permitted to be made without tax penalty under the Internal Revenue Code, or attaining age 59 1/2 in the case of an IRA or other retirement plan, or any redemption resulting from the tax-free return of an excess contribution to an IRA; or (b) any partial or complete redemption following the death or disability (as defined in the Internal Revenue Code) of a Class B shareholder (including one who owns the Class B shares as joint tenant with his or her spouse), provided the redemption is requested within one year of the death or initial determination of disability. For the year ended September 30, 1993, the Distributor received contingent deferred sales charges of \$182,110, all of which was paid to Merrill Lynch.

Merrill Lynch Blueprint<sup>SM</sup> Program. Class B shares are offered to certain participants in Blueprint. Blueprint is directed to small investors, group IRAs and participants in certain affinity groups such as trade

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associations, credit unions and benefit plans. Class B shares of the Fund are offered through Blueprint only to members of certain affinity groups. The contingent deferred sales charge is waived in connection with purchase orders placed through Blueprint. Services, including the exchange privilege, available to Class B investors through Blueprint, however, may differ from those available to other Class B investors. Orders for purchases and redemptions of Class B shares of the Fund may be grouped for execution purposes which, in some circumstances, may involve the execution of such orders two business days following the day such orders are placed. The minimum initial purchase price is \$100, with a \$50 minimum for subsequent purchases through Blueprint. There is no minimum initial or subsequent purchase requirement for investors who are part of a Blueprint automatic investment plan. Additional information concerning Blueprint, including any annual fees or transaction charges, is available from Merrill Lynch, Pierce, Fenner & Smith Incorporated, The Blueprint<sup>SM</sup> Program, P.O. Box 30441, New Brunswick, New Jersey 08989-0441.

Retirement Plans. Any Retirement Plan which does not meet the qualifications to purchase Class A shares at net asset value has the option of purchasing Class A shares at the sales charge schedule disclosed in the Prospectus, or if the Retirement Plan meets the following requirements, then it may purchase Class B shares with a waiver of the contingent deferred sales charge upon redemption. The contingent deferred sales charge is waived for any Eligible 401(k) Plan redeeming Class B shares. The contingent deferred sales charge is also waived for redemptions from 401(a) plans qualified under the Code, provided, however, such plan has the same or an affiliated sponsoring employer as an Eligible 401(k) Plan purchasing MLAM or FAM advised mutual fund Class B shares ("Eligible 401(a) Plan"). The contingent deferred sales charge is waived for any Class B shares which are purchased by an Eligible 401(k) Plan or Eligible 401(a) Plan and are rolled over into a Merrill Lynch or Merrill Lynch Trust Company custodied Individual Retirement Account and held in such account at the time of redemption. The minimum initial and subsequent purchase requirements are waived in connection with all the above referenced Retirement Plans.

#### DETERMINATION OF NET ASSET VALUE

The net asset value of the shares of the Fund is determined once daily Monday through Friday as of the time of the close of trading on the New York Stock Exchange on each day during which such Exchange is open for trading. The New

York Stock Exchange is not open on New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The Fund also will determine its net asset value on any day in which there is sufficient trading in its portfolio securities that the net asset value might be affected materially, but only if on any such day the Fund is required to sell or redeem shares. The net asset value per share is computed by dividing the sum of the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time, rounded to the nearest cent. Expenses, including the investment advisory fees and account maintenance and distribution fees, are accrued daily. The per share net asset value of the Class B shares generally will be lower than the per share net asset value of the Class A shares reflecting the daily expense accruals of the account maintenance, distribution and transfer agency fees applicable with respect to the Class B shares. It is expected, however, that the per share net asset value of the two classes will tend to converge immediately after the payment of dividends or distributions, which will differ by approximately the amount of the expense accrual differential between the classes.

Portfolio securities and options which are traded on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued, or, lacking any sales, at the last available bid price. Securities traded in the over-the-counter market are valued at the last quoted bid prices at the close

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of trading on the New York Stock Exchange on each day by brokers that make markets in the securities. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund.

#### SHAREHOLDER SERVICES

The Fund offers a number of shareholder services described below which are designed to facilitate investment in its shares. Certain of such services are not available to investors who place orders for the Fund through the Merrill Lynch Blueprint<sup>SM</sup> Program. Full details as to each of such services and copies of the various plans described below can be obtained from the Fund, the Distributor or Merrill Lynch.

#### INVESTMENT ACCOUNT

Each shareholder whose account is maintained at the Transfer Agent has an Investment Account and will receive statements from the Transfer Agent after each share transaction, including reinvestment of dividends and capital gains distributions, showing the activity in the account since the beginning of the year. Shareholders considering transferring their Class A shares from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the Class A shares are to be transferred will not take delivery of shares of the Fund, a shareholder either must redeem the Class A shares so that the cash proceeds can be transferred to the account at the new firm or such shareholder must continue to maintain an Investment Account at the Transfer Agent for those Class A shares. Shareholders interested in transferring their Class B shares from Merrill Lynch and who do not wish to have an Investment Account maintained for such shares at the Transfer Agent may request their new brokerage firm to maintain such shares in an account registered in the name of the brokerage firm for the benefit of the shareholder. If the new brokerage firm is willing to accommodate the shareholder in this manner, the shareholder must request that he be issued certificates for his shares, and then must turn the certificates over to the new firm for re-registration as described in the preceding sentence. Shareholders may make additions to their Investment Account at any time by mailing a check directly to the Transfer Agent.

Share certificates are issued only for full shares and only upon the specific request of the shareholder who has an Investment Account. Issuance of certificates representing all or only part of the full shares in an Investment Account may be requested by a shareholder directly from the Transfer Agent.

#### AUTOMATIC INVESTMENT PLAN

A shareholder may make additions to an Investment Account at any time by purchasing Class A or Class B shares at the applicable public offering price either through the shareholder's securities dealer, or by mail directly to the Transfer Agent, acting as agent for such securities dealer. Voluntary accumulation can also be made through a service known as the Automatic Investment Plan whereby the Transfer Agent is authorized through pre-authorized checks of \$50 or more to charge the regular bank account of the shareholder on



a regular basis to provide systematic additions to the Investment Account of such shareholder. For investors who buy shares of the Fund through the Merrill Lynch BlueprintSM Program or Merrill Lynch Employee Financial Services, no minimum charge to the investor's bank account is required. Investors who maintain CMA(R) accounts may arrange to have periodic investments made in the Fund, in the CMA accounts or in certain related accounts in amounts of \$250 or more through the CMA Automatic Investment Program.

#### AUTOMATIC REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS

Unless specific instructions are given as to the method of payment of dividends and capital gains distributions, dividends and distributions will be reinvested automatically in additional shares of the Fund.

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Such reinvestment will be at the net asset value of shares of the Fund, without sales charge, as of the close of business on the ex-dividend date of the dividend or distribution. Shareholders may elect in writing or by telephoning (1-(800)-MER-FUND) to receive either their dividends or capital gains distributions, or both, in cash, in which event payment will be mailed on or about the payment date.

Shareholders may, at any time, notify the Transfer Agent in writing that they no longer wish to have their dividends and/or capital gains distributions reinvested in shares of the Fund or vice versa and, commencing ten days after the receipt by the Transfer Agent of such notice, those instructions will be effected.

#### SYSTEMATIC WITHDRAWAL PLANS--CLASS A SHARES

A Class A shareholder may elect to make withdrawals from an Investment Account in the form of payments by check or through automatic payment by direct deposit to his bank account on either a monthly or quarterly basis as provided below. Quarterly withdrawals are available for shareholders who have acquired Class A shares of the Fund having a value, based on cost or the current offering price, of \$5,000 or more, and monthly withdrawals for shareholders with Class A shares with such a value of \$10,000 or more.

At the time of each withdrawal payment, sufficient Class A shares are redeemed from those on deposit in the shareholder's account to provide the withdrawal payment specified by the shareholder. The shareholder may specify either a dollar amount or a percentage of the value of his Class A shares. Redemptions will be made at net asset value as determined at the close of business on the New York Stock Exchange on the 24th day of each month or the 24th day of the last month of each quarter, whichever is applicable. If the Exchange is not open for business on such date, the Class A shares will be redeemed at the close of business on the following business day. The check for the withdrawal payment will be mailed or the direct deposit for withdrawal payment will be made on the next business day following redemption. When a shareholder is making systematic withdrawals, dividends and distributions on all Class A shares in the Investment Account are reinvested automatically in Class A shares of the Fund. A shareholder's Systematic Withdrawal Plan may be terminated at any time, without charge or penalty, by the shareholder, the Fund, the Transfer Agent or the Distributor. Withdrawal payments should not be considered as dividends, yield or income. Each withdrawal is a taxable event. If periodic withdrawals continuously exceed reinvested dividends, the shareholder's original investment may be reduced correspondingly. Purchases of additional Class A shares concurrent with withdrawals are ordinarily disadvantageous to the shareholder because of sales charges and tax liabilities. The Fund will not knowingly accept purchase orders for Class A shares of the Fund from investors who maintain a Systematic Withdrawal Plan unless such purchase is equal to at least one year's scheduled withdrawals or \$1,200, whichever is greater. Periodic investments may not be made into an Investment Account in which the shareholder has elected to make systematic withdrawals.

A Class A shareholder whose shares are held within a CMA (R), CBA (R) or Retirement Account may elect to have shares redeemed on a monthly, bi-monthly, quarterly, semiannual or annual basis through the Systematic Redemption Program. The minimum fixed dollar amount redeemable is \$25. The proceeds of systematic redemptions will be posted to the shareholder's account five business days after the date the shares are redeemed. Monthly systematic redemptions will be made at net asset value on the first Monday of each month, bi-monthly systematic redemptions will be made at net asset value on the first Monday of every other month, and quarterly, semiannual or annual redemptions are made at net asset value on the first Monday of months selected at the shareholder's option. If the first Monday of the month is a holiday, the redemption will be processed at net asset value on the next business day. The Systematic Redemption Program is not available if Fund shares are being purchased within the account pursuant to the Automatic Investment

Program. For more information on the Systematic Redemption Program, eligible shareholders should contact their Financial Consultant.

#### RETIREMENT PLANS

Self-directed individual retirement accounts and other retirement plans are available from Merrill Lynch. Under these plans, investments may be made in the Fund and certain of the other mutual funds sponsored by Merrill Lynch as well as in other securities. Merrill Lynch charges an initial establishment fee and an annual custodial fee for each account. Information with respect to these plans is available on request from Merrill Lynch. The minimum initial purchase to establish any such plan is \$250 (except that the minimum initial purchase through the Merrill Lynch BlueprintSM Program is \$100. However, there is no minimum for purchases through the Merrill Lynch BlueprintSM Program's systematic investment plans).

Capital gains and income received in each of the plans referred to above are exempt from Federal taxation until distributed from the plans. Investors considering participation in any such plan should review specific tax laws relating thereto and should consult their attorneys or tax advisers with respect to the establishment and maintenance of any such plan.

#### EXCHANGE PRIVILEGE

Class A and Class B shareholders of the Fund may exchange their Class A or Class B shares of the Fund for shares of the same class of Merrill Lynch Adjustable Rate Securities Fund, Inc., Merrill Lynch Americas Income Fund, Inc., Merrill Lynch Arizona Limited Maturity Municipal Bond Fund, Merrill Lynch Arizona Municipal Bond Fund, Merrill Lynch Basic Value Fund, Inc., Merrill Lynch California Insured Municipal Bond Fund, Merrill Lynch California Limited Maturity Municipal Bond Fund, Merrill Lynch California Municipal Bond Fund, Merrill Lynch Capital Fund, Inc., Merrill Lynch Colorado Municipal Bond Fund, Merrill Lynch Corporate Bond Fund, Inc., Merrill Lynch Developing Capital Markets, Inc., Merrill Lynch Dragon Fund, Inc., Merrill Lynch EuroFund, Merrill Lynch Federal Securities Trust, Merrill Lynch Florida Limited Maturity Municipal Bond Fund, Merrill Lynch Florida Municipal Bond Fund, Merrill Lynch Fund For Tomorrow, Inc., Merrill Lynch Fundamental Growth Fund, Inc., Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch Global Bond Fund for Investment and Retirement, Merrill Lynch Global Convertible Fund, Inc., Merrill Lynch Global Holdings (residents of Arizona must meet investor suitability standards), Merrill Lynch Global Utility Fund, Inc., Merrill Lynch Growth Fund for Investment and Retirement, Merrill Lynch Healthcare Fund, Inc. (residents of Wisconsin must meet investor suitability standards), Merrill Lynch International Equity Fund, Merrill Lynch Latin America Fund, Inc., Merrill Lynch Maryland Municipal Bond Fund, Inc., Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund, Merrill Lynch Massachusetts Municipal Bond Fund, Merrill Lynch Michigan Limited Maturity Municipal Bond Fund, Merrill Lynch Michigan Municipal Bond Fund, Merrill Lynch Minnesota Municipal Bond Fund, Merrill Lynch Municipal Bond Fund, Inc., Merrill Lynch Municipal Intermediate Term Fund, Merrill Lynch Natural Resources Trust, Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund, Merrill Lynch New Jersey Municipal Bond Fund, Merrill Lynch New York Limited Maturity Municipal Bond Fund, Merrill Lynch New York Municipal Bond Fund, Merrill Lynch North Carolina Municipal Bond Fund, Merrill Lynch Ohio Municipal Bond Fund, Merrill Lynch Oregon Municipal Bond Fund, Inc., Merrill Lynch Pacific Fund, Inc., Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund, Merrill Lynch Pennsylvania Municipal Bond Fund, Merrill Lynch Phoenix Fund, Inc., Merrill Lynch Short-Term Global Income Fund, Inc., Merrill Lynch Special Value Fund, Inc., Merrill Lynch Strategic Dividend Fund, Merrill Lynch Technology Fund, Inc., Merrill Lynch Texas Municipal Bond Fund, Merrill Lynch Utility Income Fund, Inc. and Merrill Lynch World Income Fund, Inc. on the basis described below. In addition, Class A shareholders of the Fund may exchange their Class A shares for shares of Merrill Lynch U.S.A.

Government Reserves, Merrill Lynch U.S. Treasury Money Fund, Merrill Lynch Ready Assets Trust (or Merrill Lynch Retirement Reserves Money Fund if the exchange occurs within certain retirement plans) (together the "Class A money market funds") and Class B shareholders of the Fund may exchange their Class B shares for shares of Merrill Lynch Government Fund, Merrill Lynch Institutional Fund, Merrill Lynch Treasury Fund, Merrill Lynch Institutional Tax-Exempt Fund (together the "Class B money market funds") on the basis described below. In addition, Class A shares of the Fund are exchangeable with Class A shares of Merrill Lynch Municipal Income Fund. Shares with a net asset value of at least \$250 are required to qualify for the exchange privilege and any shares utilized in an exchange must have been held by the shareholder for at least 15 days. It is contemplated that the exchange privilege may be



applicable to other new mutual funds whose shares may be distributed by the Distributor. The exchange privilege available to participants in the Merrill Lynch Blueprint SM Program may be different from that available to other investors.

Under the exchange privilege, each of the funds with Class A shares outstanding offers to exchange its Class A shares ("new Class A shares") for Class A shares ("outstanding Class A shares") of any of the other funds, on the basis of relative net asset value per Class A share, plus an amount equal to the difference, if any, between the sales charge previously paid on the outstanding Class A shares and the sales charge payable at the time of the exchange on the new Class A shares. With respect to outstanding Class A shares as to which previous exchanges have taken place, the "sales charge previously paid" shall include the aggregate of the sales charges paid with respect to such Class A shares in the initial purchase and any subsequent exchange. Class A shares issued pursuant to dividend reinvestment are sold on a no-load basis in each of the funds offering Class A shares. For purposes of the exchange privilege, dividend reinvestment Class A shares shall be exchanged into the Class A shares of the other funds or into shares of the Class A money market funds without a sales charge.

The Fund's exchange privilege is modified with respect to purchases of Class A shares under the Merrill Lynch Mutual Fund Adviser program. First, the initial allocation of assets is made under the program. Then, any subsequent exchange under the program of Class A shares of a fund for Class A shares of the Fund will be made solely on the basis of the relative net asset values of the shares being exchanged. Therefore, there will not be a charge for any difference between the sales charge previously paid on the shares of the other fund and the sales charge payable on the shares of the Fund being acquired in the exchange under this program.

In addition, each of the funds with Class B shares outstanding offers to exchange its Class B shares ("new Class B shares") for Class B shares ("outstanding Class B shares") of any of the other funds on the basis of relative net asset value per Class B share, without the payment of any contingent deferred sales charge that might otherwise be due on redemption of the outstanding shares. Class B shareholders of the Fund exercising the exchange privilege will continue to be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the new Class B shares acquired through use of the exchange privilege. In addition, Class B shares of the Fund acquired through use of the exchange privilege will be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the Class B shares of the fund from which the exchange has been made. For purposes of computing the contingent deferred sales charge that may be payable on a disposition of the new Class B shares, the holding period for the outstanding Class B shares is "tacked" to the holding period of the new Class B shares. For example, an investor may exchange Class B shares of the Fund for those of Merrill Lynch Natural Resources Trust after having held Class B shares of the Fund for two and a half years. The 2% sales charge that generally would apply to a redemption would not apply to the exchange. Three years later the investor may decide to redeem the Class B shares of Merrill Lynch Natural Resources Trust and receive cash. There will be no contingent deferred sales charge due on this redemption, since by "tacking" the two and a half year holding period of Fund Class B shares to the three

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year holding period for the Merrill Lynch Natural Resources Trust Class B shares, the investor will be deemed to have held the new Class B shares for more than five years.

Shareholders also may exchange Class A shares and Class B shares from any of the funds into shares of the Class A money market funds and Class B money market funds, respectively, but the period of time that Class B shares are held in a Class B money market fund will not count towards satisfaction of the holding period requirement for purposes of reducing the contingent deferred sales charge. However, shares of a Class B money market fund which were acquired as a result of an exchange for Class B shares of a fund may in turn be exchanged back into Class B shares of any fund offering such shares, in which event the holding period for Class B shares of the fund will be aggregated with previous holding periods for purposes of reducing the contingent deferred sales charge. Thus, for example, an investor may exchange Class B shares of the Fund for shares of Merrill Lynch Institutional Fund after having held Class B shares of the Fund for two and a half years and three years later decide to redeem the shares of Merrill Lynch Institutional Fund for cash. At the time of this redemption, the 2% contingent deferred sales charge that would have been due had the Class B shares of the Fund been redeemed for cash rather than exchanged for shares of Merrill Lynch Institutional Fund will be payable. If, instead of such redemption, the shareholder exchanged such shares for Class B shares of a fund which the

shareholder continues to hold for an additional two and a half years, any subsequent redemption will not incur a contingent deferred sales charge.

The investment objectives of the other funds into which exchanges can be made are as follows:

Merrill Lynch Adjustable Rate Securities Fund, Inc. ....

High current income consistent with a policy of limiting the degree of fluctuation in net asset value by investing primarily in a portfolio of adjustable rate securities, consisting principally of mortgage-backed and asset-backed securities.

Merrill Lynch Americas Income Fund, Inc. ....

A high level of current income, consistent with prudent investment risk, by investing primarily in debt securities denominated in a currency of a country located in the Western Hemisphere (i.e., North and South America and the surrounding waters).

Merrill Lynch Arizona Limited Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Arizona income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Arizona Municipal Bonds.

Merrill Lynch Arizona Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Arizona income taxes as is consistent with prudent investment management.

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Merrill Lynch Basic Value Fund, Inc. ....

Capital appreciation and, secondarily, income through investment in securities, primarily equities, that are undervalued and therefore represent basic investment value.

Merrill Lynch California Insured Municipal Bond Fund.....

A portfolio of Merrill Lynch California Municipal Series Trust, a series fund, whose objective is as high a level of insured income exempt from Federal and California income taxes as is consistent with prudent investment management through investment in a portfolio primarily of insured California Municipal Bonds.

Merrill Lynch California Limited Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide shareholders with as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management through

investment in a portfolio primarily of intermediate-term investment grade California Municipal Bonds.

Merrill Lynch California Municipal Bond Fund.....

A portfolio of Merrill Lynch California Municipal Series Trust, a series fund whose objective is to provide investors with as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management.

Merrill Lynch Capital Fund, Inc. ....

The highest total investment return consistent with prudent risk through a fully managed investment policy utilizing equity, debt and convertible securities.

Merrill Lynch Colorado Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Colorado income taxes as is consistent with prudent investment management.

Merrill Lynch Corporate Bond Fund, Inc. ....

Current income from three separate diversified portfolios of fixed-income securities.

Merrill Lynch Developing Capital Markets Fund, Inc. ....

Long-term appreciation through investment in securities, principally equities, of issuers in countries having smaller capital markets.

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Merrill Lynch Dragon Fund, Inc. ....

Capital appreciation primarily through investment in equity and debt securities of companies domiciled in developing countries located in Asia and the Pacific Basin other than Japan, Australia and New Zealand.

Merrill Lynch EuroFund.....

Capital appreciation primarily through investment in equity securities of corporations domiciled in Europe.

Merrill Lynch Federal Securities Trust.....

High current return through investments in U.S. Government and Government agency securities, including GNMA mortgage-backed certificates and other mortgaged-backed Government securities.

Merrill Lynch Florida Limited Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal income taxes as is consistent with prudent investment management while seeking to offer shareholders the opportunity to own securities exempt from Florida intangible personal property taxes through investment in a portfolio primarily of intermediate-term investment grade Florida Municipal Bonds.

Merrill Lynch Florida Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-

State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal income taxes as is consistent with prudent investment management while seeking to offer shareholders the opportunity to own securities exempt from Florida intangible personal property taxes.

Merrill Lynch Fund For Tomorrow, Inc.....

Long-term growth through investment in a portfolio of good quality securities, primarily common stock, potentially positioned to benefit from demographic and cultural changes as they affect consumer markets.

Merrill Lynch Fundamental Growth Fund, Inc.....

Long-term growth through investment in a diversified portfolio of equity securities placing particular emphasis on companies that have exhibited an above-average growth rate in earnings.

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Merrill Lynch Global Allocation Fund, Inc.....

High total return consistent with prudent risk, through a fully managed investment policy utilizing United States and foreign equity, debt and money market securities, the combination of which will be varied from time to time both with respect to the types of securities and markets in response to changing market and economic trends.

Merrill Lynch Global Bond Fund For Investment and Retirement.....

High total investment return from investment in a global portfolio of debt instruments denominated in various currencies and multi-national currency units.

Merrill Lynch Global Convertible Fund, Inc.....

High total return from investment primarily in an internationally diversified portfolio of convertible debt securities, convertible preferred stock and "synthetic" convertible securities consisting of a combination of debt securities or preferred stock and warrants or options.

Merrill Lynch Global Holdings (residents of Arizona must meet investor suitability standards).....

The highest total investment return consistent with prudent risk through worldwide investment in an internationally diversified portfolio of securities.

Merrill Lynch Global Utility Fund, Inc. ....

Capital appreciation and current income through investment of at least 65% of its total assets in equity and debt securities issued by domestic and foreign companies which are primarily engaged in the ownership or operation of facilities used to generate, transmit or distribute electricity, telecommunications, gas or water.

Merrill Lynch Government Fund.....

A portfolio of Merrill Lynch Funds for Institutions Series, a series fund,

whose objective is to provide current income consistent with liquidity and security of principal from investment in securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase agreements secured by such obligations.

Merrill Lynch Growth Fund for  
Investment and Retirement.....

Growth of capital and, secondarily, income from investment in a diversified portfolio of equity securities placing principal emphasis on those securities which management of the fund believes to be undervalued.

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Merrill Lynch Healthcare Fund, Inc.  
(residents of Wisconsin must meet  
investor suitability standards).....

Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a substantial portion of their sales from products and services in healthcare.

Merrill Lynch Institutional Fund.....

A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide maximum current income consistent with liquidity and the maintenance of a high quality portfolio of money market securities.

Merrill Lynch Institutional Tax-  
Exempt Fund.....

Current income exempt from Federal income taxes, preservation of capital and liquidity available from investing in a diversified portfolio of short-term, high quality municipal bonds.

Merrill Lynch International Equity  
Fund.....

Capital appreciation and, secondarily, income by investing in a diversified portfolio of equity securities of issuers located in countries other than the United States.

Merrill Lynch Latin America Fund,  
Inc. ....

Capital appreciation by investing primarily in Latin American equity and debt securities.

Merrill Lynch Maryland Municipal  
Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Maryland income taxes as is consistent with prudent investment management.

Merrill Lynch Massachusetts Limited  
Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Massachusetts income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Massachusetts Municipal Bonds.

Merrill Lynch Massachusetts

Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from both Federal and Massachusetts income taxes as is consistent with prudent investment management.

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Merrill Lynch Michigan Limited  
Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Michigan income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Michigan Municipal Bonds.

Merrill Lynch Michigan Municipal  
Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Michigan income taxes as is consistent with prudent investment management.

Merrill Lynch Minnesota Municipal  
Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Minnesota income taxes as is consistent with prudent investment management.

Merrill Lynch Municipal Bond Fund,  
Inc.....

Tax-exempt income from three separate diversified portfolios of municipal bonds.

Merrill Lynch Municipal Intermediate  
Term Fund.....

Currently the only portfolio of Merrill Lynch Municipal Series Trust, a series fund, whose objective is to provide as high a level as possible of income exempt from Federal income taxes by investing in investment grade obligations with a dollar weighted average maturity of five to twelve years.

Merrill Lynch Natural Resources  
Trust.....

Long-term growth and protection of capital from investment in securities of domestic and foreign companies that possess substantial natural resource assets.

Merrill Lynch New Jersey Limited  
Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and New Jersey income taxes as is consistent with prudent investment management through a portfolio primarily of intermediate-term investment grade New Jersey Municipal Bonds.

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Merrill Lynch New Jersey Municipal  
Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and New Jersey income taxes as is consistent with prudent investment management.

Merrill Lynch New York Limited  
Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal, New York State and New York City income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade New York Municipal Bonds.

Merrill Lynch New York Municipal  
Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal, New York State and New York City income taxes as is consistent with prudent investment management.

Merrill Lynch North Carolina  
Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and North Carolina income taxes as is consistent with prudent investment management.

Merrill Lynch Ohio Municipal Bond  
Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from both Federal and Ohio income taxes as is consistent with prudent investment management.

Merrill Lynch Oregon Municipal Bond  
Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from both Federal and Oregon income taxes as is consistent with prudent investment management.

Merrill Lynch Pacific Fund, Inc.....

Capital appreciation by investing in equity securities of corporations domiciled in Far Eastern and Western Pacific countries, including Japan, Australia, Hong Kong, and Singapore.

Merrill Lynch Pennsylvania Limited  
Maturity Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Pennsylvania income taxes as is

consistent with prudent investment management through investment in a portfolio of intermediate-term investment grade Pennsylvania Municipal Bonds.

Merrill Lynch Pennsylvania Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Pennsylvania income taxes as is consistent with prudent investment management.

Merrill Lynch Phoenix Fund, Inc.....

Long-term growth of capital by investing in equity and fixed income securities, including tax-exempt securities, of issuers in weak financial condition or experiencing poor operating results believed to be undervalued relative to the current or prospective condition of such issuer.

Merrill Lynch Ready Assets Trust.....

Preservation of capital, liquidity and the highest possible current income consistent with the foregoing objectives from the short-term money market securities in which the trust invests.

Merrill Lynch Retirement Reserves Money Fund (available only if the exchange occurs within certain retirement plans).....

Currently the only portfolio of Merrill Lynch Retirement Series Trust, a series fund, whose objectives are current income, preservation of capital and liquidity available from investing in a diversified portfolio of short-term money market securities.

Merrill Lynch Short-Term Global Income Fund, Inc.....

As high a level of current income as is consistent with prudent investment management from a global portfolio of high quality debt securities denominated in various currencies and multi-national currency units and having remaining maturities not exceeding three years.

Merrill Lynch Special Value Fund, Inc.....

Long-term growth of capital from investments in securities, primarily common stock, or relatively small companies believed to have special investment value and emerging growth companies regardless of size.

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Merrill Lynch Strategic Dividend Fund.....

Long-term total return from investment in dividend paying common stocks which yield more than Standard & Poor's 500 Composite Stock Price Index.

Merrill Lynch Technology Fund, Inc...

Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a substantial portion of their sales from products and services in technology.

Merrill Lynch Texas Municipal Bond Fund.....

A portfolio of Merrill Lynch Multi-



State Municipal Series Trust, a series fund whose objective is to provide investors with as high a level of income exempt from Federal income taxes as is consistent with prudent investment management by investing primarily in a portfolio of long-term, investment grade obligations issued by the State of Texas, its political subdivisions, agencies and instrumentalities.

Merrill Lynch Treasury Fund..... A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide current income consistent with liquidity and security of principal from investment in direct obligations of the U.S. Treasury and up to 10% of its total assets in repurchase agreements secured by such obligations.

Merrill Lynch U.S.A. Government Reserves..... Preservation of capital, current income and liquidity available from investing in direct obligations of the U.S. Government and repurchase agreements relating to such securities.

Merrill Lynch U.S. Treasury Money Fund..... Preservation of capital, liquidity and current income through investment exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Treasury.

Merrill Lynch Utility Income Fund, Inc. .... High current income through investment primarily in equity and debt securities issued by companies primarily engaged in the ownership or operation of facilities used to generate, transmit or to distribute electricity, telecommunications, gas or water.

Merrill Lynch World Income Fund, Inc. .... High current income by investing in a global portfolio of fixed-income securities denominated in various currencies, including multinational currencies.

Before effecting an exchange, shareholders of the Fund should obtain a currently effective prospectus of the fund into which the exchange is to be made. Exercise of the exchange privilege is treated as a sale for Federal income tax purposes and, depending on the circumstances, a short- or long-term capital gain or loss may be realized. In addition, a shareholder exchanging shares of any of the funds may be subject to a backup withholding tax unless such shareholder certifies under penalty of perjury that the taxpayer identification number on file with any such fund is correct and that he is not otherwise subject to backup withholding. See "Dividends, Distributions and Taxes" below.

To exercise the exchange privilege, shareholders should contact their Merrill Lynch financial consultant, who will advise the Fund of the exchange, or, if the exchange does not involve a money market fund, the shareholder may write to the Transfer Agent requesting that the exchange be effected. Such letter must be signed exactly as the account is registered with signatures guaranteed by an "eligible guarantor institution" as such is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, the existence and validity of which may be verified by the Transfer Agent through the use of industry publications. Shareholders of the Fund, and shareholders of the other funds described above with shares for which certificates have not been issued, may exercise the exchange privilege by wire through their securities dealers. The Fund reserves the right to require a properly completed Exchange Application. This exchange privilege may be modified or terminated in accordance with the rules of the Securities and Exchange Commission. The Fund reserves the right to limit the number of times an investor may exercise the exchange privilege. Certain funds may suspend the continuous offering of their shares to the

general public at any time and may thereafter resume such offering from time to time. The exchange privilege is available only to U.S. shareholders in states where the exchange legally may be made.

## DIVIDENDS, DISTRIBUTIONS AND TAXES

### DIVIDENDS AND DISTRIBUTIONS

It is the Fund's intention to distribute all of its net investment income, if any. Dividends from such investment income are paid semi-annually. All net realized long- or short-term capital gains, if any, are distributed to the Fund's shareholders at least annually. Premiums from expired call options written by the Fund and net gains from closing purchase transactions are treated as short-term capital gains for Federal income tax purposes. See "Shareholder Services--Automatic Reinvestment of Dividends and Capital Gains Distributions" for information concerning the manner in which dividends and distributions may be reinvested automatically in shares of the Fund. Shareholders may elect in writing to receive any such dividends or distributions, or both, in cash. Dividends and distributions are taxable to shareholders as described below whether they are invested in shares of the Fund or received in cash. The per share dividends and distributions on Class B shares will be lower than the per share dividends and distributions on Class A shares as a result of the account maintenance, distribution and transfer agency fees applicable with respect to the Class B shares. See "Determination of Net Asset Value".

### TAXES

The Fund has elected and intends to continue to qualify for the special tax treatment afforded regulated investment companies ("RICs") under the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Fund will not be subject to Federal income tax on the part of its net ordinary income and net realized capital gains which it distributes to Class A and Class B shareholders ("shareholders").

Dividends paid by the Fund from its ordinary income and distributions of the Fund's net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from the Fund's net realized long-term capital gains (including long-

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term gains from certain transactions in options) are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned Fund shares. A capital gains distribution with respect to shares held for six months or less, however, will cause any loss on a subsequent sale or exchange of such shares to be treated as long-term capital loss to the extent of such long-term capital gains distribution.

Dividends and distributions are taxable to shareholders even though they are reinvested in additional shares of the Fund. Not later than 60 days after the close of its taxable year, the Fund will provide its shareholders with a written notice designating the amounts of any dividends or capital gains distributions. A portion of the Fund's ordinary income dividends may be eligible for the dividends received deduction allowed to corporations under the Code, if certain requirements are met. For this purpose, the Fund will allocate dividends eligible for the dividends received deduction between the Class A and Class B shareholders according to a method (which it believes is consistent with the Securities and Exchange Commission exemptive order permitting the issuance and sale of two classes of stock) that is based on the average daily net assets of each class (taking into account the incremental expenses of the Class B shares) during the taxable year, or such other method as the Internal Revenue Service may prescribe.

Pursuant to the Fund's investment objectives, the Fund may invest in foreign securities. Foreign taxes may be paid by the Fund as a result of tax laws of countries in which the Fund may invest. Income tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to determine in advance the effective rate of foreign tax to which the Fund will be subject, since the amount of Fund assets to be invested in various countries is not known. Because the Fund limits its investment in foreign securities, shareholders will not be entitled to claim foreign tax credits with respect to their share of foreign taxes paid by the Fund on income from investments of foreign securities held by the Fund.

Under certain provisions of the Code, some shareholders may be subject to a 31% withholding tax on reportable dividends, capital gains distributions and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom a certified taxpayer identification number is not on file with the Fund, those who, to the Fund's knowledge, have furnished an incorrect number or those who are subject to backup withholding

because of a failure to report income. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such shareholder is not otherwise subject to backup withholding.

Ordinary income dividends paid by the Fund to shareholders who are non-resident aliens or foreign entities generally will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Non-resident shareholders are urged to consult their own tax advisers concerning the applicability of the United States withholding tax.

The Code requires a RIC to pay a nondeductible 4% excise tax to the extent the RIC does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined, in general, on an October 31 year end, plus certain undistributed amounts from previous years. If the Fund pays a dividend in January which was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend or distribution will be treated for federal tax purposes as being paid on December 31 and will be taxable to shareholders as if received on December 31. While the Fund intends to distribute its ordinary income and capital gains in the manner necessary to avoid imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gains will be distributed to avoid entirely the imposition of the tax. In such event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

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**Tax Treatment of Option Transactions.** The Fund may write (i.e., sell) covered call options with respect to the securities that it holds in its portfolio. In general, gain or loss from transactions in such options contracts will be capital gain or loss.

Code Section 1092, which applies to certain "straddles," may affect the taxation of the Fund's transactions in options contracts. Under Section 1092, the Fund may be required to postpone recognition for tax purposes of losses incurred in certain closing transactions in options.

One of the requirements for qualification as a RIC is that less than 30% of the Fund's gross income may be derived from gains from the sale or other disposition of securities held for less than three months. Accordingly, the Fund may be restricted in effecting closing transactions within three months after entering into an option contract or from making short-term investments in securities.

**Special Rules for Certain Foreign Currency Transactions.** In general, gains from "foreign currencies" and from foreign currency options, foreign currency futures and forward foreign exchange contracts relating to investments in stock, securities or foreign currencies will be qualifying income for purposes of determining whether the Fund qualifies as a RIC. It is currently unclear, however, who will be treated as the issuer of a foreign currency instrument or how foreign currency options, futures, or forward foreign exchange contracts will be valued for purposes of the RIC diversification requirements applicable to the Fund.

Under Code Section 988, special rules are provided for certain transactions in a foreign currency other than the taxpayer's functional currency (i.e., unless certain special rules apply, currencies other than the U.S. dollar). In general, foreign currency gains or losses from certain forward contracts not traded in the interbank market, from futures contracts that are not "regulated futures contracts," and from unlisted options will be treated as ordinary income or loss under Code Section 988. In certain circumstances, the Fund may elect capital gain or loss treatment for such transactions. In general, however, Code Section 988 gains or losses will increase or decrease the amount of the Fund's investment company taxable income available to be distributed to shareholders as ordinary income, rather than increasing or decreasing the amount of the Fund's net capital gain. Additionally, if Code Section 988 losses exceed other investment company taxable income during a taxable year, the Fund would not be able to make any ordinary dividend distributions, and any distributions made before the losses were realized but in the same taxable year would be recharacterized as a return of capital to shareholders, thereby reducing each shareholder's basis in his Fund shares.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury Regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury Regulations promulgated thereunder. The Code and the Treasury Regulations are subject to change by legislative or administrative action either prospectively or retroactively.

Dividends and capital gains distributions also may be subject to state and local taxes.

Shareholders are urged to consult their own tax advisers regarding specific questions as to Federal, state or local taxes.

PERFORMANCE DATA

From time to time the Fund may include its average annual total return and other total return data in advertisements or information furnished to present or prospective shareholders. Total return figures are based on the Fund's historical performance and are not intended to indicate future performance. Average annual total return is determined separately for Class A and Class B shares in accordance with a formula specified by the Securities and Exchange Commission.

Average annual total return quotations for the specified periods are computed by finding the average annual compounded rates of return (based on net investment income and any realized and unrealized capital

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gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period. Average annual total return is computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including the maximum sales charge in the case of Class A shares and the contingent deferred sales charge that would be applicable to a complete redemption of the investment at the end of the specified period in the case of Class B shares.

The Fund also may quote annual, average annual and annualized total return and aggregate total return performance data, both as a percentage and as a dollar amount based on a hypothetical \$1,000 investment, for various periods other than those noted below. Such data will be computed as described above, except that, (1) as required by the periods of the quotations, actual annual, annualized or aggregate data, rather than average annual data, may be quoted and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average annual total return data since the average rates of return reflect compounding of return; aggregate total return data generally will be higher than average annual total return data since the aggregate rates of return reflect compounding over a longer period of time.

Set forth below is total return information for both Class A and Class B shares of the Fund for the periods indicated.

<TABLE>

<CAPTION>

PERIOD	CLASS A SHARES*		CLASS B SHARES**	
	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL \$1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL AT THE END OF THE PERIOD	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL \$1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL AT THE END OF THE PERIOD
	AVERAGE ANNUAL TOTAL RETURN (INCLUDING MAXIMUM APPLICABLE SALES CHARGE)			
<S>	<C>	<C>	<C>	<C>
One Year Ended September 30, 1993.....	7.17%	\$1,071.70	9.49%	\$1,094.90
Five Years Ended September 30, 1993....			10.01%	\$1,611.40
November 29, 1985 to September 30, 1993....			9.35%	\$2,016.10
October 27, 1988 to September 30, 1993.....	9.32%	\$1,551.30		

<CAPTION>

YEAR ENDED SEPTEMBER 30,	ANNUAL TOTAL RETURN (EXCLUDING MAXIMUM APPLICABLE SALES CHARGE)			
	<C>	<C>	<C>	<C>
1993.....	14.62%	\$1,146.20	13.49%	\$1,134.90
1992.....	9.23%	\$1,092.30	8.01%	\$1,080.10
1991.....	23.14%	\$1,231.40	21.91%	\$1,219.10
1990.....	(6.86%)	\$ 931.40	(7.79%)	\$ 922.10
1989.....			16.93%	\$1,169.30
1988.....			(6.36%)	\$ 936.40

1987.....		18.98%	\$1,189.80
November 29, 1985 to September 30, 1986.....		12.29%	\$1,122.90
October 27, 1988 to September 30, 1989.....	15.54%		\$1,155.40

AGGREGATE TOTAL RETURN  
(INCLUDING MAXIMUM APPLICABLE SALES CHARGES)

<S>	<C>	<C>	<C>	<C>
November 29, 1985 to September 30, 1993.....			101.61%	\$2,016.10
October 27, 1988 to September 30, 1993.....	55.13%	\$1,551.30		

</TABLE>

\* Information as to Class A shares is presented only for the period October 27, 1988 to September 30, 1993. No Class A shares were sold prior to October 27, 1988.  
\*\* Commencement of Operations of Class B shares was November 29, 1985.

In order to reflect the reduced sales charges in the case of Class A shares or the waiver of the contingent deferred sales charge in the case of Class B shares applicable to certain investors, as described under "Purchase of Shares" and "Redemption of Shares", respectively, the total return data quoted by the Fund, in advertisements directed to such investors, may take into account the reduced, and not the maximum, sales charge or may not take into account the contingent deferred sales charge and therefore may reflect greater total return since, due to the reduced sales charges or the waiver of sales charges, a lower amount of expenses may be deducted.

From time to time, the Fund may include the Fund's Morningstar risk-adjusted performance rating in advertisements or supplemental sales literature.

INVESTMENT PRACTICES AND RESTRICTIONS

Reference is made to "Investment Objective and Policies" in the Prospectus for a discussion of the investment objective and policies of the Fund.

**Lending of Portfolio Securities.** As discussed in the Prospectus, the Fund may from time to time lend its portfolio securities in order to increase the total yield on its portfolio. Such loans will be effected in accordance with applicable regulatory guidelines and will at all times be secured by cash collateral or securities issued or guaranteed by the United States government in an amount that is at least equal to the market value, determined daily, of the loaned securities. Cash collateral received by the Fund is invested in short-term money market securities, and a portion of the yield earned on such securities is retained by the Fund. Where securities, instead of cash, are delivered to the Fund as collateral, the Fund earns its return in the form of a loan premium paid by the borrower. The Fund retains the right to regain record ownership of loaned securities and to exercise beneficial rights such as voting rights, subscription rights and rights to dividends, interest or other distributions. Securities loans can be terminated by the Fund at any time. The Fund may pay reasonable finders', administrative and custodial fees in connection with such loans.

**Writing of Covered Call Options.** As discussed in the Prospectus, the Fund may from time to time sell ("write") covered call options. The term option, as used herein, means an option issued by the Options Clearing Corporation and traded on a national securities exchange. A call option gives the purchaser of the option the right to buy, and obligates the writer (seller) to sell, the underlying security at the exercise price during the option period. When the Fund writes an option it receives a premium. This premium is the price of such option on the exchange on which it is traded. At the time the option is written, the exercise price of the option may be lower, equal to or higher than the market price of the security on which the option is written.

A call option is "covered" if the Fund already owns securities subject to the option ("underlying securities") or has an absolute and immediate right to acquire that security without additional cash consideration upon conversion or exchange of other securities held in its portfolio. By writing a covered call option, the Fund, in return for the premium income realized from the sale of the option, gives up the opportunity to profit from any increase in the price of the underlying security above the option exercise price during the period until the option expires, is exercised or the Fund effects a "closing purchase transaction" as described below. In addition the Fund will not be able to sell the security during the period of the option without taking special steps described below which will involve expense. If the call option expires unexercised, the Fund realizes a gain (short-term capital gain for Federal income tax purposes) in the amount of the premium received for the option. This gain may be offset by a decline in the market price of the underlying security

The Fund can terminate its obligation under an option prior to the expiration date of the option by effecting a "closing purchase transaction." This is done by purchasing on an exchange an option of the same series (i.e., same underlying security, exercise price and expiration date) as the option previously written. This can be done, however, only on an exchange which provides a secondary market for an option of the same series and there is no assurance that a secondary market will exist for any particular option. With respect to a covered call option, in the event the Fund is unable to effect a closing purchase transaction, it will not be able to dispose of the underlying securities until the option expires or until the underlying securities are delivered upon exercise of the option, with the result that the Fund will be subject to the risk of decline in the price of the underlying securities during such period. The Fund writes options on securities only if management believes that secondary markets will exist on an exchange for options of the same series which will permit the Fund to effect closing purchase transactions. Depending on the premium paid by the Fund in effecting a closing purchase transaction and transaction costs, the cost of a closing purchase transaction may exceed the premium received by the Fund from writing the original option, in which case the transaction will result in a loss to the Fund.

**Foreign Securities.** As discussed in the Prospectus, the Fund may invest up to 20% of its total assets in securities issued by foreign companies. Foreign investments may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. There may be less publicly available information about a foreign company than about a U.S. company, and foreign companies may not be subject to uniform accounting, auditing and financial reporting standards requirements comparable to those applicable to U.S. companies. Securities of some foreign companies may be less liquid or more volatile than securities of U.S. companies, and foreign brokerage commissions and custodian fees are generally higher than in the U.S. There is generally less government regulation of stock exchanges, brokers and listed companies abroad than in the U.S. Investment in foreign securities may also be subject to other risks different from those affecting U.S. investments, including local political or economic developments, expropriation or nationalization of assets and imposition of withholding taxes on dividends or interest payments.

Generally, the foreign exchange transactions of the Fund will be conducted on a spot, i.e., cash, basis at the spot rate for purchasing or selling currency prevailing in the foreign exchange market. This rate under normal market conditions differs from the prevailing exchange rate in an amount generally less than 0.1 of one percent due to the costs of converting from one currency to another. However, the Fund has authority to deal in forward foreign exchange between currencies of the different countries in which it will invest as a hedge against possible variations in the foreign exchange rate between these currencies. This is accomplished through contractual agreements to purchase or sell a specified currency at a specified future date and price set at the time of the contract. The Fund's dealings in forward foreign exchange will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward foreign currency with respect to specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities, the sale and redemption of shares of the Fund or the payment of dividends and distributions by the Fund. Position hedging is the sale of forward foreign currency with respect to portfolio security positions denominated or quoted in such foreign currency. The Fund will not speculate in forward foreign exchange. The Fund may not position hedge with respect to the currency of a particular country to an extent greater than the aggregate market value (at the time of making such sale) of the securities held in its portfolio denominated or quoted in that particular foreign currency. If the Fund enters into a position hedging transaction, its custodian bank will place cash or liquid equity or debt securities in a separate account of the Fund in an amount equal to the value of the Fund's total assets committed to the consummation of such forward contract. If the value of the securities placed in the separate account declines,

additional cash or securities will be placed in the account so that the value of the account will equal the amount of the Fund's commitment with respect to such contracts. The Fund will not attempt to hedge all of its foreign portfolio positions and will enter into such transactions only to the extent, if any, deemed appropriate by the Investment Adviser. The Fund will not enter into a position hedging commitment if, as a result thereof, the Fund would have more than 15% of the value of its assets committed to such contracts. The Fund will not enter into a forward contract with a term of more than one year.

Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the

prices of such securities decline. Such transactions also preclude the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for the Fund to hedge against a devaluation that is so generally anticipated that the Fund is not able to contract to sell the currency at a price above the devaluation level it anticipates. It is possible that, under certain circumstances, the Fund may have to limit its currency transactions to qualify as a regulated investment company under the Internal Revenue Code; in this regard, the Fund presently intends to limit its gross income from currency hedging transactions to less than 10% of its gross income in any taxable year until such time as the Fund determines that income from the transactions is not subject to this restriction. The cost to the Fund of engaging in foreign currency transactions varies with such factors as the currency involved, the length of the contract period and the market conditions then prevailing. Since transactions in foreign currency exchange are usually conducted on a principal basis, no fees or commissions are involved.

**Portfolio Turnover.** The Fund has not placed any limit on its rate of portfolio turnover and securities may be sold without regard to the time they have been held when, in the opinion of the Investment Adviser, investment considerations warrant such action. As a result, portfolio turnover rate may vary greatly from year to year or during periods within a year. Also, the use of covered call options at times when the underlying securities are appreciating in value may result in higher portfolio turnover than would otherwise be the case. The Fund pays brokerage commissions in connection with writing call options and effecting closing purchase transactions, as well as in connection with purchases and sales of portfolio securities. A high rate of portfolio turnover would result in correspondingly greater brokerage commission expenses. Portfolio turnover rate is calculated by dividing the lesser of the Fund's annual sales or purchases of portfolio securities (exclusive of purchases and sales of Government securities and of all other securities, including options, whose maturity or expiration dates at the time of acquisition were one year or less) by the monthly average value of the securities in the Fund during the fiscal year. For the years ended September 30, 1993 and 1992 the rate of portfolio turnover for the Fund was 79.55% and 65.40%, respectively.

**Portfolio Brokerage.** Subject to policies established by the Board of Directors of the Fund, the Investment Adviser is responsible for the Fund's portfolio decisions and the placing of orders to effect the Fund's portfolio transactions. With respect to such transactions, the Investment Adviser seeks to obtain the best net results for the Fund taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Investment Adviser generally seeks reasonably competitive commission rates, the Fund will not necessarily be paying the lowest commission or spread available. The Fund has no obligation to deal with any broker or dealer in the execution of its portfolio transactions. The Fund contemplates that, consistent with the above policy of obtaining the best net results, a substantial amount of its brokerage transactions will be conducted through Merrill Lynch. The Fund has been informed by Merrill Lynch that it will not attempt to influence or control the placing by the Investment Adviser or by the Fund of orders for brokerage transactions.

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Brokers and dealers, including Merrill Lynch, who provide supplemental investment research (such as economic data and market forecasts) to the Investment Adviser may receive orders for transactions by the Fund. Information so received is in addition to, and not in lieu of, the services required to be performed by the Investment Adviser under the Investment Advisory Agreement with the Fund. The expenses of the Investment Adviser are not necessarily reduced as a result of the receipt of such supplemental information. Supplemental investment research received by the Investment Adviser may also be used in connection with other investment advisory accounts of the Investment Adviser and its affiliates.

The Fund may invest in securities traded in the over-the-counter market. Transactions in the over-the-counter market are generally principal transactions with dealers and the costs of such transactions involve dealer spreads rather than brokerage commissions. With respect to over-the-counter transactions, the Fund deals directly with dealers who make markets in the securities involved where possible, except in circumstances where better prices and execution are available elsewhere. Under the Investment Company Act of 1940 (the "Act"), Merrill Lynch and its affiliates are generally prohibited from dealing with the Fund or its portfolios as principal in the purchase and sale of securities. Since transactions in the over-the-counter market usually involve transactions with dealers acting as principal for their own account, neither Merrill Lynch nor any affiliate of Merrill Lynch may serve as the Fund's dealer in connection with such transactions. However, such companies may serve as broker for the Fund in over-the-counter transactions conducted on an agency basis.



The aggregate dollar amounts of brokerage commissions paid by the Fund for the fiscal years ended September 30, 1993, 1992 and 1991 were \$1,375, 992, \$1,433,924 and \$2,548,636, respectively. The aggregate dollar amounts of such portfolio transactions were \$843,535,870, \$1,042,727,092 and \$4,045,684,979, respectively, for such periods. During those periods, the aggregate dollar amounts of brokerage commissions paid by the Fund to Merrill Lynch were \$80,436, \$99,711 and \$184,039, respectively. These amounts represent 5.85%, 6.95% and 7.22%, respectively, of the Fund's aggregate brokerage commissions paid to all brokers during those periods. The Fund's aggregate dollar amounts of transactions involving the payment of commissions effected through Merrill Lynch during those periods were 1.65%, 5.83% and 1.99%, respectively, of the aggregate dollar amount of all Fund transactions involving the payment of commissions.

The Fund and one or more of the other investment companies or accounts which the Investment Adviser or its wholly owned subsidiary, Fund Asset Management, L.P., manages, may own the same investments from time to time. Similarly, a particular security may be bought for one or more companies or accounts at the same time that one or more companies or accounts are selling the same security. If purchases or sales of securities for the Fund and other companies or accounts arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the respective companies and accounts in a manner deemed equitable to all. To the extent that transactions on behalf of more than one company or account during the same period may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on the price of the security being purchased or sold for the Fund.

The Board of Directors of the Fund has approved a written contract among the Fund, Merrill Lynch and the Investment Adviser to permit Merrill Lynch to effect portfolio transactions on national securities exchanges for the Fund and to retain compensation in connection with such transactions. This arrangement is in accord with a rule adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

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Investment Restrictions. The Fund has adopted certain fundamental investment restrictions which may not be changed without the prior approval of the holders of the majority of the Fund's outstanding shares, including a majority of the shares of each portfolio affected. A majority for this purpose means: (a) more than 50% of the outstanding shares, or (b) 67% of the shares represented at a meeting where more than 50% of the outstanding shares are represented, whichever is less. For purposes of the following restrictions, all percentage limitations apply immediately after a purchase or initial investment and any subsequent change in any application percentage resulting from market fluctuations does not require elimination of any security from a portfolio. Under its fundamental investment restrictions, the Fund may not:

1. Invest more than 5% of the total assets of any portfolio in the securities of any one issuer (except for government securities); or purchase more than 10% of the outstanding voting securities of any one company.
2. Pledge any of its assets, except that each portfolio may pledge securities having a market value of not more than 10% of its total assets in order to secure permitted borrowings from banks. Such borrowings may not exceed 10% of any such portfolio's assets. No such portfolio may make additional investments while outstanding borrowings are in excess of 5% of its assets.
3. Purchase a restricted security or a security for which there is no readily available market if as a result of such purchase more than 5% of the total assets of the portfolio making the purchase would be invested in such securities.
4. Invest more than 25% of the value of the total assets of any portfolio in the securities of issuers in any single industry.
5. Invest in companies for the purpose of exercising control of management.
6. Purchase or sell real estate.
7. Purchase or sell commodities or commodity contracts.
8. Purchase any securities on margin, except that any portfolio may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities.
9. Make short sales of securities or maintain a short position in any



security.

10. Lend money to other persons, except through the purchase of debt obligations and repurchase agreements consistent with the investment policies of the portfolio taking such action.

11. Lend securities of any portfolio in an amount exceeding 33 1/3% of the value of total assets of such portfolio, both taken at market value at the time any such loan is made.

12. Enter into a repurchase agreement maturing in more than seven days if, as a result, such repurchase agreement, together with restricted securities and securities for which there are no readily available markets, would constitute more than 10% of the value of the total assets of the portfolio entering into such agreement.

13. Underwrite securities of other issuers except insofar as the Fund or any portfolio thereof may technically be deemed an underwriter under the Securities Act of 1933 in selling portfolio securities.

14. Purchase securities of other open-end investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets.

15. Issue senior securities as defined in the Act, except that this restriction shall not be deemed to prohibit any portfolio from making permitted borrowings, lending its portfolio securities or entering into repurchase agreements.

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The following additional investment restrictions have been adopted by the Fund and may be changed by the Board of Directors. Under these restrictions, the Fund may not:

1. Invest more than 5% of the assets of any portfolio, taken at market value at the time of the investment, in companies having a record, together with predecessors, of less than three years of continuous operation.

2. Purchase or sell interests in oil, gas or other mineral exploration or development programs, except that any portfolio may invest in the securities of companies which invest in such interests or sponsor such programs.

3. Invest in warrants if at the time of acquisition more than 2% of the value of the total assets of the portfolio making such acquisition, taken at market value, would be invested in warrants. (For purposes of this restriction, warrants acquired by a portfolio in units or attached to securities are deemed to have no value.)

4. Invest in the securities of any issuer if, to the knowledge of the Fund, any officer or director of the Fund or its investment adviser owns more than 1/2 of 1% of the outstanding securities of such issuer and such officers and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer.

5. Borrow money, except for temporary or emergency purposes, and in any case the Fund may not make borrowings in an aggregate amount in excess of 33 1/3% of its net assets.

#### GENERAL INFORMATION

##### DESCRIPTION OF SHARES

The Fund was incorporated under Maryland law on May 21, 1984, under the name Merrill Lynch Retirement Fund, Inc. The name of the Fund was changed to Merrill Lynch Retirement Benefit Investment Program, Inc. on August 8, 1985. On April 30, 1991, the Fund began doing business under the name Merrill Lynch Balanced Fund for Investment and Retirement. The Fund has an authorized capital of 1,000,000,000 shares of Common Stock, par value \$0.01 per share, divided into two classes, designated Class A and Class B Common Stock, each of which consists of 500,000,000 shares. Both Class A and Class B Common Stock represent an interest in the same assets of the Fund and are identical in all respects except that the Class B shares bear certain expenses related to the account maintenance and distribution of such shares and have exclusive voting rights with respect to matters relating to such account maintenance and distribution expenditures.

Shareholders are entitled to one vote for each share held and fractional votes for fractional shares held and will vote on the election of Directors and any other matter submitted to a shareholder vote. The Fund does not intend to hold meetings of shareholders in any year in which the Act does not require

shareholders to act upon any of the following matters: (i) election of Directors; (ii) approval of an investment advisory agreement; (iii) approval of a distribution agreement; and (iv) ratification of selection of independent accountants. Generally, under Maryland law, a meeting of shareholders may be called for any purpose on the written request of the holders of at least 25% of the outstanding shares of the Fund. Voting rights for Directors are not cumulative. Shares issued are fully paid and non-assessable and have no preemptive or conversion rights. Redemption rights are discussed elsewhere herein and in the Prospectus. Each share is entitled to participate equally in dividends and distributions declared by the Fund and in the net assets of the

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Fund upon liquidation or dissolution after satisfaction of outstanding liabilities. Stock certificates are issued by the Transfer Agent only on specific request. Certificates for fractional shares are not issued in any case.

#### INDEPENDENT AUDITORS

Deloitte & Touche, 117 Campus Drive, Princeton, New Jersey 08540, has been selected as the independent auditors of the Fund. The selection of independent auditors is subject to ratification by the shareholders of the Fund, and the employment of such auditors may be terminated without any penalty by vote of a majority of the outstanding shares of the Fund at a meeting called for the purpose of terminating such employment. The independent auditors are responsible for auditing the annual financial statements of the Fund.

#### CUSTODIAN

National Westminster Bank NJ, Exchange Place Centre, 10 Exchange Place, Jersey City, New Jersey 07302, acts as Custodian of the Fund's assets. The Custodian is responsible for safeguarding and controlling the Fund's cash and securities, handling the delivery of securities and collecting interest and dividends on the Fund's investments.

#### TRANSFER AGENT

Financial Data Services, Inc., 4800 Deer Lake Drive East, Jacksonville, Florida 33246-6484, acts as the Fund's Transfer Agent. The Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening, maintenance and servicing of shareholder accounts. See "The Fund and Its Management-- Transfer Agency Services" in the Prospectus.

#### LEGAL COUNSEL

Shereff, Friedman, Hoffman & Goodman, 919 Third Avenue, New York, New York 10022, is counsel for the Fund.

#### REPORTS TO SHAREHOLDERS

The fiscal year of the Fund ends on September 30 of each year. The Fund will send to its shareholders at least semi-annually reports showing the Fund's portfolio and other information. An annual report, containing financial statements audited by independent auditors, is sent to shareholders each year.

#### ADDITIONAL INFORMATION

The Prospectus and this Statement of Additional Information do not contain all the information set forth in the Registration Statement and the exhibits relating thereto, which the Fund has filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933 and the Investment Company Act of 1940, to which reference is hereby made.

To the knowledge of the Fund, no person or entity owned beneficially 5% or more of the Fund's shares on December 31, 1993.

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#### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders,  
Merrill Lynch Balanced Fund for Investment and  
Retirement (formerly Merrill Lynch  
Retirement Benefit Investment  
Program, Inc.);

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Merrill Lynch Balanced Fund for Investment and Retirement as of September 30, 1993, the related statements of operations for the year then ended and changes in net assets for each of the years in the two-

year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and the financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at September 30, 1993 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Merrill Lynch Balanced Fund for Investment and Retirement as of September 30, 1993, the results of its operations, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche  
Princeton, New Jersey  
October 29, 1993

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<TABLE>  
SCHEDULE OF INVESTMENTS  
<CAPTION>

Industries <S>	Face Amount* <C>	Corporate Bonds <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Financial Services	\$10,000,000	American General Financial Corp., 7.38% due 5/13/1997	\$ 9,993,200	\$ 10,737,500	1.2%
	10,000,000	Ford Capital BV, 9.375% due 1/01/1998	10,037,900	11,475,000	1.3
	5,000,000	Landeskreditbank, 7.875% due 4/15/2004	4,972,067	5,625,000	0.6
Tobacco	10,000,000	Philip Morris Companies, Inc., 7.75% due 5/01/1999	9,975,000	10,900,000	1.3
		Total Investments in Corporate Bonds	34,978,167	38,737,500	4.4
<CAPTION> Country <S>	<C>	US Government & Agency Obligations <S>	<C>	<C>	<C>
United States		Federal Home Loan Mortgage Corp.: REMIC 1243-HP, 7.50% due 11/15/2004 (a)	4,547,621	4,891,950	0.6
	4,659,000	REMIC FHG 16PH, 6.75% due 4/15/2021(a)	25,390,625	25,753,906	3.0
	25,000,000	Federal National Mortgage Association, REMIC 1993 103PG, 6.75% due 5/25/2022 (a)	20,262,500	20,384,375	2.3
	20,000,000	Republic of Italy, 8.75% due 2/08/2001	5,373,050	5,817,445	0.7
	5,000,000	US Treasury Notes: 7.875% due 8/15/2001	53,943,600	64,255,455	7.4
	55,000,000	6.25% due 2/15/2003	25,710,938	26,441,400	3.0
	25,000,000	5.75% due 8/15/2003	36,432,813	35,907,830	4.1
	35,000,000	US Treasury STRIPS++, 4.79% due 5/15/2000 (b)	15,175,873	15,659,600	1.8
	22,000,000	Total Investments in US Government & Agency Obligations	186,837,020	199,111,961	22.9
<CAPTION> <S>	<S> <C>	Foreign Obligations <S>	<C>	<C>	<C>
Australia	A\$ 4,000,000	Queensland Treasury Corp. Global, 8.00% due 7/14/1999	2,977,727	2,742,114	0.3
Canada	C\$ 14,500,000	Government of Canada, 7.25% due 6/01/2003	10,739,024	11,025,826	1.3
France	Ffr 32,500,000	Obligations Assimables de Tresor, 8.50% due 4/25/2003	6,538,792	6,687,965	0.8
Italy	Lit 10,500,000,000	BTPS, 12.00% due 1/01/1998	6,889,745	7,254,215	0.8
Japan	Yen 350,000,000	Kingdom of Belgium, 6.875% due 7/09/2001	2,850,635	3,847,026	0.5
	550,000,000	World Bank: 4.50% due 12/22/1997	4,631,436	5,442,871	0.6
	200,000,000	5.25% due 3/20/2002	1,455,944	2,050,992	0.2
Mexico	Mxp 45,013,640	Mexican Cetes, 12.60% due 9/07/1995 (b)	11,613,458	11,352,583	1.3

Sweden	Skr	34,000,000	Government of Sweden, 10.75% due 1/23/1997	4,797,378	4,652,887	0.5
United Kingdom	Pound Sterling	1,350,000	UK Treasury Gilt, 8.75% due 9/01/1997	2,267,919	2,195,660	0.3
Total Investments in Foreign Obligations				54,762,058	57,252,139	6.6
Total Investments in Corporate Bonds, US Government & Agency & Foreign Obligations				276,577,245	295,101,600	33.9

</TABLE>

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<TABLE>  
SCHEDULE OF INVESTMENTS (continued)  
<CAPTION>

Industries <S>	Shares Held <C>	US Stocks & Warrants <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Basic Industry					
Auto & Truck	155,000	Consortio G Grupo Dina (ADR) (d)	\$ 2,506,119	\$ 3,138,750	0.4%
Chemical	140,000	PPG Industries, Inc.	10,063,769	9,135,000	1.0
Forest Products	195,000	Willamette Industries, Inc.	7,348,738	7,410,000	0.9
Packaging	615,000	Crown Cork & Seal Co., Inc.	16,800,048	21,986,250	2.5
Plastics	125,000	Rohm & Haas Co.	6,791,460	6,296,875	0.7
Total Basic Industry			43,510,134	47,966,875	5.5
Capital Spending					
Aerospace	257,000	Allied-Signal Inc.	13,823,545	18,728,875	2.1
Communication Equipment	150,000	Motorola, Inc.	8,615,563	15,150,000	1.7
Computer Services	130,000	+++Computer Sciences Corp.	9,841,829	11,927,500	1.4
	140,000	General Motors Corp.	4,261,130	4,077,500	0.5
Electrical Equipment	132,000	Emerson Electric Co.	6,798,426	7,755,000	0.9
	675,000	Singer Co. N.V.	17,730,688	25,312,500	2.9
Electronics	30,000	+++Solectron Corp.	1,122,882	1,642,500	0.2
	280,000	+++Teradyne Inc.	4,418,915	7,770,000	0.9
Engineering & Construction	50,000	Thermo Electron Corp.	2,987,818	3,175,000	0.4
Miscellaneous	400,000	Corning Glass Works	14,012,126	13,400,000	1.5
	135,000	Tellabs, Inc.	5,554,861	8,437,500	1.0
	35,000	Whirlpool Corp.	1,854,188	2,060,625	0.2
Office Equipment	240,000	Danka Business Systems (ADR) (d)	6,123,041	7,080,000	0.8
Pollution Control	1,140,000	Wheelabrator Technologies, Inc.	12,797,181	20,092,500	2.3
Total Capital Spending			109,942,193	146,609,500	16.8
Consumer Goods & Services					
Apparel	245,000	Phillips-Van Heusen Corp.	5,697,027	7,870,625	0.9
Automobile & Equipment	450,000	Cooper Tire & Rubber Co.	8,426,497	11,306,250	1.3
Automotive	210,000	Ford Motor Co.	11,292,000	11,602,500	1.3
Beverages	26,000	Coca-Cola Femsa S.A. (ADR) (d)	566,372	617,500	0.1
	19,100	Pan American Beverage	487,050	544,350	0.1
	70,000	PepsiCo., Inc.	2,782,941	2,738,750	0.3
Healthcare--Products	510,000	Huntingdon International Holdings PLC (ADR) (d)	12,702,548	5,610,000	0.6

& Services	80,000	Johnson & Johnson, Inc.	3,200,505	3,140,000	0.4
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<TABLE>  
SCHEDULE OF INVESTMENTS (continued)  
<CAPTION>

Industries <S>	Shares Held <C>	US Stocks & Warrants <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Consumer Goods & Services (concluded)					
Household Products	25,000	Procter & Gamble Co.	\$ 1,212,120	\$ 1,187,500	0.1
Media/Publishing	40,000	News Corp. (ADR) (d)	1,815,791	2,250,000	0.3
Medical	200,000	+++Physician Corp.	3,715,593	3,800,000	0.4
Printing & Publishing	355,000	Gannett Co.	15,790,424	16,995,625	2.0
Retail Stores	150,000	Heilig-Meyers Co.	1,973,810	4,781,250	0.5
Services	90,000	Block (H & R), Inc.	2,675,014	3,420,000	0.4
Soap	140,000	Colgate-Palmolive Co.	6,283,473	7,350,000	0.8
Telecommunications	76,200	ALC Communications Corp.	1,943,100	2,095,500	0.3
	11,300	++++Antec Corp.	203,400	265,550	0.0
	155,000	+++DSC Communications Corp.	7,060,659	9,455,000	1.1
	550,000	MCI Communications Corp.	15,538,597	15,056,250	1.7
		Total Consumer Goods & Services	103,366,921	110,086,650	12.6
Credit-Sensitive & Financial Services					
Banking	315,000	Bank of New York Co.	13,183,294	17,836,875	2.0
	80,000	Bank of New York Co. (Warrants) (c)	595,620	810,000	0.1
	122,500	Espirito Santo (ADR) (d)	3,447,435	4,011,875	0.5
	315,000	Society Corp.	10,387,520	10,080,000	1.2
Communications Equipment	324,875	+++LDDS Communications (Class A)	13,898,703	16,162,531	1.9
	50,000	+++Picture Tel Corp.	910,880	862,500	0.1
Insurance	70,000	Capital Holding Corp.	2,697,825	3,027,500	0.3
		Total Credit-Sensitive & Financial Services	45,121,277	52,791,281	6.1
Energy					
Oil	140,000	British Petroleum PLC (ADR) (d) (1)	7,683,915	8,312,500	1.0
	413,018	British Petroleum PLC	1,943,586	2,005,929	0.2
	90,000	Chevron Corp.	7,904,107	8,797,500	1.0
	115,000	Royal Dutch British Petroleum Co. N.V. (ADR) (d)	9,786,535	11,686,875	1.3
Petroleum	300,000	Phillips Petroleum Co.	8,639,686	10,087,500	1.2
Utilities	314,000	California Energy Co., Inc.	5,576,243	5,769,750	0.7
		Total Energy	41,534,072	46,660,054	5.4

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<TABLE>  
SCHEDULE OF INVESTMENTS (continued)  
<CAPTION>

Industries <S>	Shares Held <C>	US Stocks & Warrants <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Smaller Capital					
Smaller Growth	260,000	++++ADC Telecommunications, Inc.	\$ 6,959,902	\$ 10,140,000	1.2%
	140,000	Bandag, Inc. (Class A)	6,400,395	7,332,500	0.8
	62,775	Kelly Services, Inc. (Class A)	1,792,414	1,490,906	0.2
	110,000	++++Vivra Inc.	3,078,837	3,795,000	0.4

		Total Smaller Capital	18,231,548	22,758,406	2.6
		Total Investments in US Stocks & Warrants	361,706,145	426,872,766	49.0
<CAPTION>		Foreign Stocks & Warrants			
<S>	<C>	<S>	<C>	<C>	<C>
Argentina Banking	50,000	Banco de Galicia y Buenos Aires S.A. (ADR) (d)	1,087,500	1,587,500	0.2
Miscellaneous	275,000	+++Telefonica de Argentina S.A.	1,120,159	1,295,090	0.1
Australia Banking	328,144	National Australia Bank Ltd.	2,046,966	2,557,163	0.3
Multi-Industry	294,274	Pacific Dunlop, Ltd.	1,105,242	943,486	0.1
Retail	270,000	Coles Myer Ltd. (Warrants) (c)	808,121	362,288	0.1
Canada Miscellaneous	280,000	International Semi-Tech Microelectronics (Receipts) (f)	1,806,344	1,784,108	0.2
Chile Utilities	121,600	Distribuidora Chilectra Metropolitana S.A. (ADR) (d) (1)	3,323,793	3,449,792	0.4
France Electronics	3,500	Compagnie Generale des Eaux	1,306,017	1,589,116	0.2
Germany Machinery	2,000	Mannesmann A.G.	343,289	376,304	0.0
Hong Kong Banking	518,766	HSBC Holdings PLC	2,806,717	5,466,696	0.6
Electronics	1,300,000	Johnson Electric Co.	2,603,189	3,143,264	0.4
Multi-Industry	3,004,000	Hutchison Whampoa, Ltd.	5,907,278	9,205,431	1.1
	800,000	Swire Pacific, Ltd. (Class A)	3,049,508	4,189,294	0.5
Real Estate	40,000	Cheung Kong (Holdings) Ltd.	144,109	142,229	0.0
	1,000,000	Hong Kong Land Holdings, Ltd.	1,944,997	2,262,736	0.3
</TABLE>					

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<TABLE>					
SCHEDULE OF INVESTMENTS (continued)					
<CAPTION>					
Industries	Shares Held	Foreign Stocks & Warrants	Cost	Value (Note 1a)	Percent of Net Assets
<S>	<C>	<S>	<C>	<C>	<C>
Italy Utilities	1,000,000	+++Societa Finanziaria Telefonica S.p.A. (STET)	\$ 1,589,749	\$ 2,031,196	0.2%
Japan Capital Goods	150,000	Hitachi Cable, Ltd.	1,217,317	1,127,479	0.1
	250,000	Hitachi, Ltd.	1,835,126	1,933,428	0.2
Construction & Housing	75,000	Daiwa House Industries	1,227,714	1,175,637	0.1
Electrical Equipment	175,000	Sharp Corp.	1,778,863	2,412,653	0.3
Electronics	75,000	Makita Electric Work	1,247,512	1,253,541	0.1
Insurance	300,000	Nippon Fire & Marine Insurance Co., Ltd.	2,048,480	2,181,303	0.3
Machinery	150,000	Komatsu, Ltd.	940,949	1,046,742	0.1
	150,000	Mitsubishi Heavy Industries, Ltd.	784,198	912,181	0.1
Utilities-Electric	25,000	Tokyo Electric Power Company, Inc.	924,882	774,315	0.1
Mexico Banking	125,000	Grupo Financiero Bancomer, S.A. de C.V. (ADR) (d) (1)	3,681,243	3,750,000	0.4
Construction	300,000	Empresas ICA Sociedad Controladora, S.A. de C.V. (ADR) (d)	5,870,455	5,175,000	0.6
Multi-Industry	700,000	+++Grupo Carso, S.A. de C.V. (ADR) (d) (1)	5,957,220	9,275,000	1.1

Retail Stores	2,000,000	+++Cifra, S.A. de C.V. 'C'	1,755,970	4,358,276	0.5
Telecommunications	350,000	Telefonos de Mexico, S.A. de C.V. (ADR) (d)	13,274,795	17,675,000	2.0
Netherlands Insurance	127,658	Aegon N.V.	5,441,143	6,119,155	0.7
Portugal Banking	96,000	Banco Commercial Portugal (New) (ADR) (d)	1,280,967	1,284,000	0.1
	97,000	Banco Commercial Portugal (Registered)	1,233,051	1,272,890	0.1
Spain Electrical Utilities	75,000	Empresa Nacional de Electricidad S.A. (ADR) (d)	1,049,706	3,046,875	0.4
Oil & Related	60,000	Repsol S.A.	1,616,190	1,735,160	0.2
United Kingdom Business Services	75,000	Reuters Holding PLC (ADR) (d)	3,856,856	5,175,000	0.6

</TABLE>

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<TABLE>  
SCHEDULE OF INVESTMENTS (concluded)  
<CAPTION>

Industries <S>	Shares Held <C>	Foreign Stocks & Warrants <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Venezuela Automobile & Equipment	657,500	Siderurgica Venezolana SIVENSA S.A.I.C.A.-S.A.C.A. (ADR) (Warrants) (c) (d) (1)	\$ 1,544,625	\$ 19,725	0.0%
Steel	95,000	+++Venezolana de Prerreducidos Caroni 'Venprecar' (GDS) (e) (1)	693,500	558,125	0.1
		Total Investments in Foreign Stocks & Warrants	90,253,740	112,647,178	12.9

</TABLE>

<TABLE>  
<CAPTION>

	Total Investments in US & Foreign Stocks & Warrants	451,959,885	539,519,944	61.9
--	--	-------------	-------------	------

<S>	Face Amount <C>	Short-Term Securities <S>	<C>	<C>	<C>
Commercial Paper**	\$21,296,000	General Electric Capital Corp., 3.45% due 10/01/1993	21,296,000	21,296,000	2.4
		Total Investments in Short-Term Securities	21,296,000	21,296,000	2.4
Total Investments			\$749,833,130	855,917,544	98.2
Other Assets Less Liabilities				15,725,364	1.8
Net Assets				\$871,642,908	100.0%

<FN>

(a) Real Estate Mortgage Investment Conduits (REMICs).

(b) Represents the yield-to-maturity on this zero coupon issue.

(c) Warrants entitle the Fund to purchase a predetermined number of shares of Common Stock. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.

(d) American Depositary Receipt (ADR).

(e) Global Depositary Shares (GDS).

(f) Receipts evidence payment by the Fund of 40% of the purchase price of Class A Shares of International Semi-Tech Microelectronics, Inc. The Fund is obligated to pay the remaining 60%, approximately \$2,700,000 over the next two years.

\*Denominated in US dollars unless otherwise indicated.

\*\*Commercial Paper is traded on a discount basis; the interest rates shown are the discount rates paid at the time of purchase by the Fund.

++Separate Trading of Registered Interest and Principal of Securities (STRIPS).

+++Non-income producing security.

See Notes to Financial Statements.

(1)Restricted securities as to resale. The value of the Fund's investment in restricted securities was approximately \$25,365,000, representing 2.9% of net assets.

Issue	Acquisition Date	Cost	Value (Note 1a)
British Petroleum PLC (ADR)	5/27/92-8/09/93	\$7,683,915	\$8,312,500
Distribuidora Chilectra Metropolitana S.A. (ADR)	2/12/92-2/26/92	3,323,793	3,449,792
Grupo Carso, S.A. de C.V. (ADR)	9/24/91-1/24/92	5,957,220	9,275,000
Grupo Financiero Bancomer, S.A. de C.V. (ADR)	4/03/92-10/06/92	3,681,243	3,750,000
Siderurgica Venezolana SIVENSA S.A.I.C.A.- S.A.C.A. (ADR) (Warrants)	2/13/92-3/16/92	1,544,625	19,725
Venezolana de Prerreducidos Caroni 'Venprecar' (GDS)	2/13/92	693,500	558,125
Total		\$22,884,296 =====	\$25,365,142 =====

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<TABLE>

FINANCIAL INFORMATION

<CAPTION>

STATEMENT OF ASSETS AND LIABILITIES AS OF SEPTEMBER 30, 1993

<S>	<C>	<C>	<C>
Assets:	Investments, at value (identified cost--\$749,833,130) (Note 1a)		\$855,917,544
	Cash		104,957
	Receivables:		
	Securities sold	\$ 14,049,878	
	Interest	3,794,532	
	Dividends	839,969	
	Capital shares sold	614,161	19,298,540
		-----	
	Deferred organization expenses (Note 1f)		2,683
	Prepaid registration fees and other assets (Note 1)		145,110
			-----
	Total assets		875,468,834
			-----
Liabilities:	Payables:		
	Capital shares redeemed	2,182,862	
	Distributor (Note 2)	684,001	
	Investment adviser (Note 2)	451,029	3,317,892
		-----	
	Accrued expenses and other liabilities		508,034
			-----
	Total liabilities		3,825,926
			-----
Net Assets:	Net assets		\$871,642,908
			=====
Net Assets	Class A Common Stock, \$0.01 par value, 500,000,000 shares authorized		\$ 31,261
Consist of:	Class B Common Stock, \$0.01 par value, 500,000,000 shares authorized		634,896
	Paid-in capital in excess of par		687,221,327
	Undistributed investment income--net		4,746,266
	Undistributed realized capital gains--net		72,960,816
	Unrealized appreciation on investments--net		106,048,342
			-----
	Net assets		\$871,642,908
			=====
Net Asset	Class A--Based on net assets of \$40,688,322 and 3,126,077 shares		\$ 13.02
Value:	outstanding		=====
	Class B--Based on net assets of \$830,954,586 and 63,489,601 shares		\$ 13.09
	outstanding		



<TABLE>		
FINANCIAL INFORMATION (continued)		
<CAPTION>		
Statement of Operations for the Year Ended September 30, 1993		
<S>	<C>	<C>
Investment	Interest and discount earned	\$ 21,852,613
Income	Dividends (net of \$356,183 foreign withholding tax)	10,955,111
(Notes 1d & 1e):	Total income	----- 32,807,724
Expenses:	Distribution fees--Class B (Note 2)	8,587,740
	Investment advisory fees (Note 2)	5,620,993
	Transfer agent fees--Class B (Note 2)	1,281,016
	Printing and shareholder reports	203,151
	Accounting services (Note 2)	143,231
	Custodian fees	142,314
	Professional fees	66,179
	Registration fees (Note 1f)	55,261
	Transfer agent fees--Class A (Note 2)	43,692
	Directors' fees and expenses	36,447
	Amortization of organization expenses (Note 1f)	32,191
	Pricing fees	4,616
	Other	20,035
	Total expenses	----- 16,236,866
	Realized transaction gain--net (Note 1b)	----- 1,780,462
	Investment income--net	----- 18,351,320
Realized &	Realized gain on investments--net	81,149,148
Unrealized Gain on	Change in unrealized appreciation on investments--net	14,121,027
Investments--Net		-----
(Notes 1e & 3):	Net Increase in Net Assets Resulting from Operations	\$113,621,495

<CAPTION>			
Statements of Changes in Net Assets			
		For the Year Ended Sept. 30,	
		1993	1992
<S>	<S>	<C>	<C>
Increase (Decrease) in Net Assets:			
Operations:	Investment income--net	\$ 18,351,320	\$ 20,626,192
	Realized gain on investments--net	81,149,148	62,706,063
	Change in unrealized appreciation on investments--net	14,121,027	(5,892,297)
	Net increase in net assets resulting from operations	----- 113,621,495	----- 77,439,958
Dividends &	Investment Income--net:		
Distributions to	Class A	(994,119)	(594,211)
Shareholders	Class B	(17,314,603)	(24,114,241)
(Note 1g):	Realized gain on investments--net:		
	Class A	(1,508,643)	--
	Class B	(59,542,543)	--
	Net decrease in net assets resulting from dividends and distributions to shareholders	----- (79,359,908)	----- (24,708,452)
Capital Share Trans-	Net decrease in net assets derived from capital		
actions (Note 4):	share transactions	(69,858,642)	(145,224,775)
Net Assets:	Total decrease in net assets	(35,597,055)	(92,493,269)
	Beginning of year	907,239,963	999,733,232
	End of year*	----- \$871,642,908	----- \$907,239,963
<FN>	*Undistributed investment income-net	----- \$ 4,746,266	----- \$ 4,703,668

<TABLE>  
 FINANCIAL INFORMATION (continued)  
 <CAPTION>  
 Financial Highlights

		Class A				For the Period Oct. 27, 1988++ to Sept. 30, 1989
The following per share data and ratios have been derived from information provided in the financial statements.		For the Year Ended September 30,				
		1993	1992	1991	1990	
Increase (Decrease) in Net Asset Value:						
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Per Share	Net asset value, beginning of period	\$ 12.57	\$ 11.94	\$ 10.61	\$ 11.93	\$ 11.18
Operating		-----	-----	-----	-----	-----
Performance:	Investment income--net	.47	.46	.64	.64	.24
	Realized and unrealized gain (loss) on investments--net	1.25	.62	1.69	(1.41)	1.42
		-----	-----	-----	-----	-----
	Total from investment operations	1.72	1.08	2.33	(.77)	1.66
		-----	-----	-----	-----	-----
	Less dividends and distributions:					
	Investment income--net	(.39)	(.45)	(.62)	(.55)	(.90)
	Realized gain on investments--net	(.88)	--	(.38)	--	(.01)
		-----	-----	-----	-----	-----
	Total dividends and distributions	(1.27)	(.45)	(1.00)	(.55)	(.91)
		-----	-----	-----	-----	-----
	Net asset value, end of period	\$ 13.02	\$ 12.57	\$ 11.94	\$ 10.61	\$ 11.93
		=====	=====	=====	=====	=====
Total Investment Return:**	Based on net asset value per share	14.62%	9.23%	23.14%	(6.86%)	15.54%+++
		=====	=====	=====	=====	=====
Ratios to Average Net Assets:	Expenses	.83%	.81%	.85%	.83%	.78%*
		=====	=====	=====	=====	=====
	Investment income--net	3.09%	3.18%	3.64%	5.12%	4.23%*
		=====	=====	=====	=====	=====
Supplemental Data:	Net assets, end of period (in thousands)	\$40,688	\$20,320	\$12,839	\$ 4,511	\$ 2,080
		=====	=====	=====	=====	=====
	Portfolio turnover	79.55%	65.40%	173.76%	163.56%	175.47%
		=====	=====	=====	=====	=====
<FN>						
	*Annualized.					
	**Total investment returns exclude the effects of sales loads.					
	++Commencement of Operations.					
	+++Aggregate total investment returns.					
	See Notes to Financial Statements.					

</TABLE>

<TABLE>  
 FINANCIAL INFORMATION (concluded)  
 <CAPTION>  
 Financial Highlights (concluded)

The following per share data and ratios have been derived  
 from information provided in the financial statements.

		Class B				
		For the Year Ended September 30,				
		1993	1992	1991	1990	1989
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Per Share	Net asset value, beginning of year	\$ 12.62	\$ 11.99	\$ 10.60	\$ 11.91	\$ 10.94
Operating		-----	-----	-----	-----	-----
Performance:	Investment income--net	.27	.28	.41	.50	.53
	Realized and unrealized gain (loss) on					

	investments--net	1.34	.67	1.81	(1.39)	1.25
	Total from investment operations	1.61	.95	2.22	(.89)	1.78
	Less dividends and distributions:					
	Investment income--net	(.26)	(.32)	(.45)	(.42)	(.80)
	Realized gain on investments--net	(.88)	--	(.38)	--	(.01)
	Total dividends and distributions	(1.14)	(.32)	(.83)	(.42)	(.81)
	Net asset value, end of year	\$ 13.09	\$ 12.62	\$ 11.99	\$ 10.60	\$ 11.91
Total Investment Return:*	Based on net asset value per share	13.49%	8.01%	21.91%	(7.79%)	16.93%
Ratios to Average Net Assets:	Expenses, excluding distribution fees	.85%	.85%	.90%	.86%	.84%
	Expenses	1.85%	1.85%	1.90%	1.86%	1.84%
	Investment income--net	1.99%	2.10%	3.37%	3.90%	3.73%
Supplemental Data:	Net assets, end of year (in thousands)	\$830,955	\$886,920	\$986,895	\$1,171,567	\$1,735,873
	Portfolio turnover	79.55%	65.40%	173.76%	163.56%	175.47%

<FN>

\*Total investment returns exclude the effects of sales loads.

See Notes to Financial Statements.

</TABLE>

#### NOTES TO FINANCIAL STATEMENTS

##### 1. Significant Accounting Policies:

Merrill Lynch Retirement Benefit Investment Program, Inc., Full Investment Portfolio does business under the name Merrill Lynch Balanced Fund for Investment and Retirement. Merrill Lynch Balanced Fund for Investment and Retirement (the "Fund") is registered under the Investment Company Act of 1940 as a diversified, open-end investment management company. The Fund offers both Class A and Class B Shares. Class A Shares are sold with a front-end sales charge. Class B Shares may be subject to a contingent deferred sales charge. Both classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Class B Shares bear certain expenses related to the distribution of such shares and have exclusive voting rights with respect to matters relating to such distribution expenditures. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Portfolio securities and options which are traded on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued or, lacking any sales, at the mean between closing bid and asked prices. Securities traded in the over-the-counter market are valued at the last quoted bid prices at the close of trading on the New York Stock Exchange on each day by brokers that make markets in the securities. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market. Short-term securities are valued at amortized cost which approximates market. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund.

(b) Foreign currency transactions--Transactions denominated in foreign currencies are recorded in the Fund's records at the rate prevailing when earned or in-

curred. Asset and liability accounts that are denominated in a foreign currency are adjusted to reflect the current exchange rate at the end of the period. Transaction gains or losses resulting from settlement of the foreign currency transactions are reported in net investment income for the current period.

The Fund is authorized to enter into forward foreign exchange contracts as a hedge against either specific transactions or portfolio positions. Such contracts are not entered on the Fund's records. However, the effect on net investment income is recorded from the date the Fund enters into such contracts. Premium or discount is amortized over the life of the contracts.

(c) Options--When the Fund sells an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written.

When a security is sold through an exercise of an option, the related premium received is deducted from the basis of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or loss or gain to the extent the cost of the closing transaction is less than or greater than the premium paid or received).

Written and purchased options are non-income producing investments.

(d) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required. Under the applicable foreign tax law, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

(e) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Dividend income is recorded on the ex-dividend date, except that if the ex-dividend date has passed, certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Interest income (including amortization of discount) is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis.

(f) Deferred organization expenses and prepaid registration fees--Deferred organization expenses are charged to expense on a straight-line basis over a five-year period. Costs related to the organization of the second class of shares are charged to expense over a period not exceeding five years. Prepaid registration fees are charged to expense as the related shares are issued.

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(g) Dividends and distributions--Dividends and distributions paid by the Fund are recorded on the ex-dividend dates.

## 2. Investment Advisory Agreement and Transaction with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Merrill Lynch Asset Management ("MLAM" or "Adviser"). MLAM is the name under which Merrill Lynch Investment Management, Inc. ("MLIM") does business. MLIM is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. The Fund has also entered into a Distribution

Agreement and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. ("MLFD" or "Distributor"), a wholly-owned subsidiary of MLIM.

MLAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee based upon the average daily value of the Fund's net assets at the following annual rates: 0.65% of the average daily net assets not exceeding \$500 million; 0.60% of the average daily net assets exceeding \$500 million but not exceeding \$1.5 billion; 0.55% of the average daily net assets exceeding \$1.5 billion but not exceeding \$2.5 billion; 0.50% of the average daily net assets exceeding \$2.5 billion but not exceeding \$3.5 billion; and 0.45% of the average daily net assets exceeding \$3.5 billion. The most restrictive annual expense limitation requires that the Adviser reimburse the Fund to the extent the Fund's expenses (excluding interest, taxes, distribution fees, brokerage fees and commissions, and extraordinary items) exceed 2.5% of the Fund's first \$30 million of average daily net assets, 2.0% of the next \$70 million of average daily net assets, and 1.5% of the average daily net assets in excess thereof. No payment will be made to MLAM during any fiscal year which will cause such expenses to exceed the most restrictive expense limitation applicable at the time of such payment.

The Fund has adopted a Plan of Distribution (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940 pursuant to which MLFD receives a fee from the Fund at the end of each month at the annual rate of 1.0% of the average daily net assets of the Fund's Class B Shares. This fee is to compensate MLFD for services provided and the expense borne by it under the Distribution Agreement. As authorized by the Plan, MLFD has entered into an agreement with Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S") which provides for the compensation of MLPF&S for providing distribution-related services to the Fund.

For the year ended September 30, 1993, MLFD earned underwriting discounts of \$3,517, and MLPF&S received dealer concessions of \$58,925 on sales of the Fund's Class A Shares.

MLPF&S received contingent deferred sales charges of \$182,110 relating to transactions in Class B Shares and \$80,436 in commissions on the execution of portfolio security transactions for the Fund during the period.

Financial Data Services, Inc. ("FDS"), a wholly-owned subsidiary of Merrill Lynch & Co., Inc., is the Fund's transfer agent.

Accounting services are provided to the Fund by MLAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of MLIM, MLPF&S, FDS, MLFD, and/or Merrill Lynch & Co., Inc.

### 3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended September 30, 1993 were \$675,275,908 and \$801,290,251, respectively.

Net realized and unrealized gains (losses) as of September 30, 1993 were as follows:

	Realized Gains (Losses)	Unrealized Gains (Losses)
Long-term investments	\$ 81,114,248	\$106,084,414
Short-term investments	(43)	--
Options written	34,943	--

Foreign currency transactions	1,780,462	(36,072)
	-----	-----
Total	\$ 82,929,610	\$106,048,342
	=====	=====

As of September 30, 1993, net unrealized appreciation for Federal income tax purposes aggregated \$106,084,414, of which \$121,183,280 related to appreciated securities and \$15,098,866 related to depreciated securities. The aggregate cost of investments at September 30, 1993 for Federal income tax purposes was \$749,833,130.

NOTES TO FINANCIAL STATEMENTS (concluded)

Transactions in call options written for the year ended September 30, 1993 were as follows:

	Par Value/Shares Covered by Written Options	Premiums Received
Outstanding options at beginning of year	16,500	\$ 69,628
Options written	15,000	34,943
Options closed		
Options exercised	(16,500)	(69,628)
Options expired	(15,000)	(34,943)
	-----	-----
Outstanding options at end of year	--	\$ --
	=====	=====

4. Capital Share Transactions:

Net decrease in net assets derived from capital share transactions was \$69,858,642 and \$145,224,775 for the years ended September 30, 1993 and September 30, 1992, respectively.

Transactions in capital shares for Class A and Class B Shares were as follows:

Class A Shares for the Year Ended September 30, 1993	Shares	Dollar Amount
Shares sold	2,695,028	\$ 33,091,210
Shares issued to shareholders in reinvestment of dividends and distributions	161,050	1,956,633
	-----	-----
Total issued	2,856,078	35,047,843
Shares redeemed	(1,346,924)	(17,015,867)
	-----	-----
Net increase	1,509,154	\$ 18,031,976
	=====	=====

Class A Shares for the Year Ended September 30, 1992	Shares	Dollar Amount
Shares sold	697,474	\$ 8,796,367
Shares issued to shareholders in reinvestment of dividends	35,938	437,001
	-----	-----
Total issued	733,412	9,233,368
Shares redeemed	(191,640)	(2,379,244)
	-----	-----
Net increase	541,772	\$ 6,854,124
	=====	=====

Class B Shares for the Year Ended September 30, 1993	Shares	Dollar Amount
Shares sold	2,722,243	\$ 34,400,436
Shares issued to share-		

holders in reinvestment of dividends and distri- butions	5,336,253	65,136,704
	-----	-----
Total issued	8,058,496	99,537,140
Shares redeemed	(14,832,136)	(187,427,758)
	-----	-----
Net decrease	(6,773,640)	\$ (87,890,618)
	=====	=====

Class B Shares for the Year Ended September 30, 1992	Shares	Dollar Amount
Shares sold	3,734,041	\$ 46,964,102
Shares issued to share- holders in reinvestment of dividends	1,676,910	20,414,677
	-----	-----
Total issued	5,410,951	67,378,779
Shares redeemed	(17,491,842)	(219,457,678)
	-----	-----
Net decrease	(12,080,891)	\$ (152,078,899)
	=====	=====

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Code #10332

Statement of Additional Information  
(ART)

-----  
MERRILL LYNCH  
BALANCED FUND  
FOR INVESTMENT AND RETIREMENT

January 28, 1994

PAGE WHERE GRAPHIC APPEARS	DESCRIPTION OF GRAPHIC OR CROSS-REFERENCE
-----	-----
PROSPECTUS BACK COVER	DEPICTIONS OF FOREIGN CURRENCIES
STATEMENT OF ADDITIONAL INFORMATION BACK COVER	DEPICTIONS OF FOREIGN CURRENCIES