October 1, 2007 **PROSPECTUS**

Personal Strategy Income Fund

Personal Strategy Balanced Fund

Personal Strategy Growth Fund

Three funds with different mixes of stocks, bonds, and money market securities and different risk and reward potential.

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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Founded in by the late , and its affiliates managed $379.8 billion for more than 10 million individual and institutional investor accounts as of June 30, 2007. is the funds' investment manager.

Mutual fund shares are not deposits or obligations of, or guaranteed by, any depository institution. Shares are not insured by the FDIC, Federal Reserve, or any other government agency, and are subject to investment risks, including possible loss of the principal amount invested.

Personal Strategy Funds, Inc.

Personal Strategy Income Fund –
Personal Strategy Balanced Fund -
Personal Strategy Growth Fund –

OBJECTIVE, STRATEGY, RISKS, AND EXPENSES

What is each fund's objective?

Income Fund seeks the highest total return over time consistent with a primary emphasis on income and a secondary emphasis on capital growth. The fund pursues this objective by investing in a diversified portfolio typically consisting of about 40% stocks, 40% bonds, and 20% money market securities.

Balanced Fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund pursues this objective by investing in a diversified portfolio typically consisting of about 60% stocks, 30% bonds, and 10% money market securities.

Growth Fund seeks the highest total return over time consistent with a primary emphasis on capital growth and a secondary emphasis on income. The fund pursues this objective by investing in a diversified portfolio typically consisting of about 80% stocks and 20% bonds and money market securities.

► ***Generally, the greater the portion of stocks in the fund, the higher the fund's potential return over time and the greater the risk of price declines.***

What is each fund's principal investment strategy?

Under normal conditions and based on our outlook for the economy and the financial markets, allocations for each fund can vary by 10 percentage points above or below the benchmarks shown in the table on the next page. Domestic stocks are drawn from the overall U.S. market. International stocks are selected primarily from large companies in developed markets but may also include investments in developing markets. Bonds, which can include foreign issues, are primarily investment grade (four highest credit ratings) and are chosen across the entire government, corporate, and mortgage-backed bond market. Maturities reflect the manager's outlook for interest rates.

When deciding upon allocations within these prescribed limits, managers may favor fixed-income securities if the economy is expected to slow sufficiently to hurt corporate profit growth. When strong economic growth is expected, managers may favor stocks. And when selecting particular stocks, managers will examine relative values and prospects among growth- and value-oriented stocks, domestic and international stocks, and small- to large-cap stocks. This process draws heavily upon 's proprietary stock research expertise. While each fund maintains a well-diversified portfolio, its manager may at a particular time shade stock selection toward markets or market sectors that appear to offer attractive value and appreciation potential.

Much the same security selection process applies to bonds. For example, when deciding on whether to adjust allocations to high-yield (junk) bonds, managers will weigh such factors as the outlook for the economy and corporate earnings and the yield advantage lower-rated bonds offer over investment-grade bonds.

Table 1 ***Differences Among Funds***

Fund	*Benchmark allocations*	*Ranges*	*Relative income level*	*Risk/reward relative to each other*
Income	40% Stocks 40% Bonds 20% Money markets	30 - 50% 30 - 50 10 - 30	Higher - distributes quarterly	Lower
Balanced	60% Stocks 30% Bonds 10% Money markets	50 - 70 20 - 40 0 - 20	Moderate - distributes quarterly	More than Income, less than Growth
Growth	80% Stocks 20% Bonds and money markets	70 - 90 10 - 30	Lower - distributes annually	Higher

In keeping with each fund's objective, it may also invest in other securities, including futures, options, and swaps.

Securities may be sold for a variety of reasons, such as to effect a change in asset allocation, secure a gain, limit a loss, or redeploy assets into more promising opportunities.

Certain investment restrictions, such as a required minimum or maximum investment in a particular type of security, are measured at the time each fund purchases a security. The status, market value, maturity, credit quality, or other characteristics of each fund's securities may change after they are purchased, and this may cause the amount of each fund's assets invested in such securities to exceed the stated maximum restriction or fall below the stated minimum restriction. If any of these changes occur, it would not be considered a violation of the investment restriction. However, purchases by a fund during the time it is above or below the stated percentage restriction would be made in compliance with applicable restrictions.

► ***For details about each fund's investment program, please see the Investment Policies and Practices section.***

What are the main risks of investing in the funds?

Each fund's program of investing in stocks, bonds, and money market securities exposes it to a variety of risks. Each of these is proportional to the percentage of assets the fund has in these securities. The risks include:

- **Risks of stock investing** Stock prices can fall because of weakness in the broad market, a particular industry, or specific holdings. The market as a whole can decline for many reasons, including adverse political or economic developments here or abroad, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, our assessment of companies held in the fund may prove incorrect, resulting in losses or poor performance even in a rising market. Finally, a fund's investment approach could fall out of favor with the investing public, resulting in lagging performance as compared with other types of funds.
- **Risks of bond investing** Bonds have two main sources of risk. *Interest rate risk* is the decline in bond prices that usually accompanies a rise in interest rates. Longer-maturity bonds typically suffer greater declines than those with shorter maturities. If the funds purchase longer-maturity bonds and interest rates rise unexpectedly, their share prices could decline. Mortgage securities can react somewhat differently from regular bonds to interest rate changes. Falling rates can cause losses of principal due to increased mortgage prepayments. Rising rates can lead to decreased prepayments and greater volatility. *Credit risk* is the chance that any fund holding could have its credit rating downgraded or that a bond issuer will default (fail to make timely payments of interest or principal), potentially reducing the fund's income level and share price.

  While each fund expects to invest primarily in investment-grade bonds, they may also hold high-yield (junk) bonds, including those with the lowest rating. Investment-grade bonds are those rated from the highest (AAA) to medium (BBB) quality, and high-yield bonds are rated BB and lower. The latter are speculative since their issuers are more vulnerable to financial setbacks and recession than more creditworthy companies, but BBB rated bonds may have speculative elements as well. High-yield bond issuers include small companies lacking the history or capital to merit investment-grade status, former blue chip companies downgraded because of financial problems, and firms with heavy debt loads.
- **Risks of foreign securities** To the extent each fund invests in foreign stocks and bonds, it is also subject to the special risks associated with such investments, whether denominated in U.S. dollars or foreign currencies. These risks include potentially adverse political and economic developments overseas, greater volatil-

ity, less liquidity, and the possibility that foreign currencies will decline against the dollar, lowering the value of securities denominated in those currencies. To the extent that the funds invest in emerging markets, they are subject to greater risk than funds investing only in developed markets. The economic and political structures of developing nations, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets often lack liquidity.

- **Derivatives risk** To the extent each fund uses futures, swaps, and other derivatives, it is exposed to additional volatility and potential losses.

As with any mutual fund, there can be no guarantee the funds will achieve their objectives.

► ***Each fund's share price may decline, so when you sell your shares, you may lose money.***

How can I tell which fund is most appropriate for me?

Consider your investment goals, your time horizon for achieving them, and your tolerance for risk; see the table entitled Differences Among Funds to help you choose a fund for your particular needs. Your time horizon should play a major role in the choice of investments. A fundamental investment principle is that if you have a longer horizon, say 15 years, you can pursue a more aggressive program than if it is shorter, perhaps five years. Also, you may seek a more aggressive approach at an earlier stage of life but a more balanced or conservative approach as you age and your circumstances change.

Income Fund is designed for investors seeking a relatively conservative approach to capital growth as well as current income. The fund could be appropriate for an investor with an intermediate time horizon.

Balanced Fund is intended for those seeking a middle-of-the-road approach that emphasizes stocks for potential capital appreciation but also produces significant income to temper volatility. The fund should be appropriate for intermediate- to long-term investment goals.

Growth Fund is designed for more aggressive investors with a long-term horizon who want significant exposure to stocks and can withstand inevitable setbacks in an effort to achieve potential long-term growth.

Each fund can be used in both regular and tax-deferred accounts, such as IRAs.

► ***The fund or funds you select should not represent your complete investment program or be used for short-term trading purposes.***

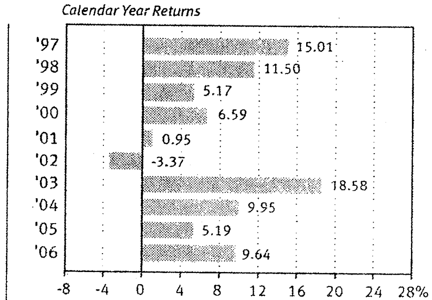
How has each fund performed in the past?

The bar charts showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. Past fund returns (before and after taxes) are not necessarily an indication of future performance.

The funds can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by the shareholder may influence returns. Actual after-tax returns depend on each investor's situation and may differ from those shown. After-tax returns are not relevant if the shares are held in a tax-deferred account, such as a 401(k) or IRA. During periods of fund losses, the post-liquidation after-tax return may exceed the fund's other returns because the loss generates a tax benefit that is factored into the result.

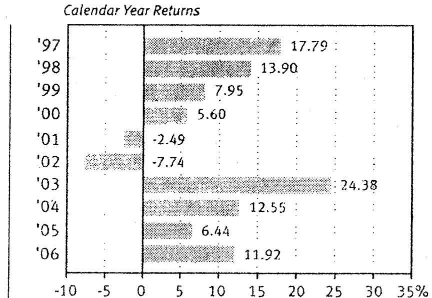
Personal Strategy Income Fund
Calendar Year Returns



	Quarter Ended	Total Return
Best Quarter	6/30/03	9.20%
Worst Quarter	9/30/02	-5.97%

The fund's total return for the six months ended 6/30/07 was 5.20%.

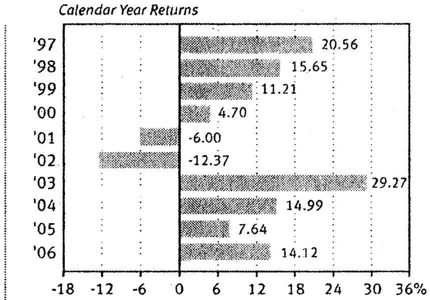
Personal Strategy Balanced Fund
Calendar Year Returns



	Quarter Ended	Total Return
Best Quarter	6/30/03	12.20%
Worst Quarter	9/30/02	-9.72%

The fund's total return for the six months ended 6/30/07 was 6.80%.

Personal Strategy Growth Fund
Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/03	14.92%
Worst Quarter	9/30/02	-13.39%

The fund's return for the six months ended 6/30/07 was 8.44%.

Table 2 ***Average Annual Total Returns***

	Periods ended December 31, 2006		
	1 year	***5 years***	***10 years***
Income Fund			
Returns before taxes	9.64%	7.76%	7.74%
Returns after taxes on distributions	8.44	6.77	6.25
Returns after taxes on distributions and sale of fund shares	6.63	6.18	5.86
Lehman Brothers U.S. Aggregate Index	4.33	5.06	6.24
Combined Index Portfolio[a]	9.57	6.23	7.00
Lipper Income Funds Index	10.44	6.45	6.89
Balanced Fund			
Returns before taxes	11.92	9.00	8.66
Returns after taxes on distributions	10.84	8.21	7.35
Returns after taxes on distributions and sale of fund shares	8.42	7.43	6.85
Merril Lynch-Wilshire Capital Market Index	11.83	6.76	7.73
Combined Index Portfolio[b]	12.16	7.26	7.74
Lipper Mixed-Asset Target Allocation Growth Funds Index	13.55	7.66	8.00

Table 2 ***Average Annual Total Returns (continued)***

	Periods ended December 31, 2006		
	1 year	*5 years*	*10 years*
Growth Fund			
Returns before taxes	14.12	9.86	9.34
Returns after taxes on distributions	13.37	9.42	8.49
Returns after taxes on distributions and sale of fund shares	9.93	8.44	7.82
Merril Lynch-Wilshire Capital Market Index	11.83	6.76	7.73
Combined Index Portfolio[c]	14.78	8.22	8.38
Lipper Flexible Portfolio Funds Index	12.77	6.62	6.75

Returns are based on changes in principal value, reinvested dividends, and capital gain distributions, if any. *Returns before taxes* do not reflect effects of any income or capital gains taxes. Taxes are computed using the highest federal income tax rate. The after-tax returns reflect the rates applicable to ordinary and qualified dividends and capital gains effective in 2003. The returns do not reflect the impact of state and local taxes. *Returns after taxes on distributions* reflect the taxed return on the payment of dividends and capital gains. *Returns after taxes on distributions and sale of fund shares* assume the shares were sold at period-end and, therefore, are also adjusted for any capital gains or losses incurred by the shareholder. *Market indexes* do not include expenses, which are deducted from fund returns, or taxes.

[a] Combined Index Portfolio is an unmanaged portfolio composed of 40% stocks (34% Dow Jones Wilshire 5000 Composite Index, 6% MSCI EAFE Index), 40% bonds (Lehman Brothers U.S. Aggregate Index), and 20% money market securities (Citigroup 3-Month Treasury Bill Index).

[b] Combined Index Portfolio is an unmanaged portfolio composed of 60% stocks (51% Dow Jones Wilshire 5000 Composite Index, 9% MSCI EAFE Index), 30% bonds (Lehman Brothers U.S. Aggregate Index), and 10% money market securities (Citigroup 3-Month Treasury Bill Index).

[c] Combined Index Portfolio is an unmanaged portfolio composed of 80% stocks (68% Dow Jones Wilshire 5000 Composite Index, 12% MSCI EAFE Index) and 20% bonds (Lehman Brothers U.S. Aggregate Index).

Citigroup 3-Month Treasury Bill Index tracks short-term U.S. government debt instruments.

Lehman Brothers U.S. Aggregate Index tracks domestic investment-grade bonds, including corporate, government, and mortgage-backed securities.

Merrill Lynch-Wilshire Capital Market Index is a market capitalization-weighted index composed of the Dow Jones Wilshire 5000 Composite Index (domestic stocks), the Merrill Lynch U.S. High Yield Master Cash Pay Only Index (below investment-grade bonds), and the Merrill Lynch U.S. Domestic Master Index (investment-grade bonds, including U.S. Treasury, government agency, corporate, and mortgage pass-through securities).

MSCI EAFE Index tracks the stocks of more than 1,000 companies in Europe, Australasia, and the Far East (EAFE).

Dow Jones Wilshire 5000 Composite Index tracks the performance of the most active stocks in the broad U.S. market.

What fees and expenses will I pay?

The shares that are offered in this prospectus are 100% no load. There are no fees or charges to buy or sell fund shares, reinvest dividends, or exchange into other funds. There are no 12b-1 fees.

Table 3 ***Fees and Expenses of the Funds****

	Annual fund operating expenses (expenses that are deducted from fund assets)					
Fund	*Management fee*	*Other expenses*	*Acquired fund fees and expenses*	*Total annual fund operating expenses*	*Fee waiver/ reimbursement*	*Net expenses*
Income	0.45%	0.29%	0.03%[a]	0.77%	0.03%[bc]	0.74%[bc]
Balanced	0.55	0.24	0.02[a]	0.81	0.02[bc]	0.79[bc]
Growth	0.60	0.25	0.01[a]	0.86	0.01[bc]	0.85[bc]

* Redemption proceeds of less than $5,000 sent by wire are subject to a $5 fee paid to the fund. Accounts with less than a $2,000 balance (with certain exceptions) are subject to a $10 fee. See Account Maintenance and Small Account Fees.

[a] The fund indirectly bears its share of the expenses paid by acquired funds in which it invests; such indirect expenses are not paid from the fund's assets but are reflected in the return realized by the fund on its investment in the acquired funds.

[b] Actual expenses paid by the funds were 0.71% (Income), 0.77% (Balanced), and 0.84% (Growth) due to a credit received from investing in the Institutional High Yield Fund. This credit totaled 0.03% (Income), 0.02% (Balanced), and 0.01% (Growth) in fiscal year 2007 but will vary with the amount invested in Institutional High Yield Fund.

[c] Effective October 1, 2006, contractually obligated itself to waive any fees and bear any expenses through September 30, 2008, to the extent such fees or expenses would cause the funds' ratios of expenses to average net assets to exceed 0.80% (Income), 0.90% (Balanced), or 1.00% (Growth). Fees waived or expenses paid or assumed under this agreement are subject to reimbursement to whenever the funds' expense ratios are below the applicable limits; however, no reimbursement will be made after September 30, 2010, or three years after any waiver or payment whichever is sooner, or if it would result in the expense ratio exceeding the applicable limits. Any amounts reimbursed will have the effect of increasing fees otherwise paid by the funds. The funds operated under previous expense limitations for which may be reimbursed.

Example. The following table gives you an idea of how expense ratios may translate into dollars and helps you to compare the cost of investing in these funds with that of other mutual funds. Although your actual costs may be higher or lower, the table shows how much you would pay if operating expenses remain the same, the expense limitation currently in place is not renewed (if applicable), you invest $10,000, earn a 5% annual return, hold the investment for the following periods, and then redeem:

Fund	*1 year*	*3 years*	*5 years*	*10 years*
Income	$76	$237	$411	$ 918
Balanced	81	252	439	978
Growth	87	271	471	1,049