



*Investing with*  
***CONFIDENCE***

The essentials of understanding your 401k



# Confidence for today, freedom for the future.

- ERISA Fiduciary
- Employee Benefit
- No product sales
- Financial Planning
- Investment Advice



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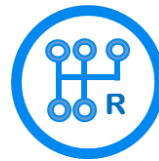
# What we'll cover today



Mechanics of Investing



Understanding Volatility



Strategic Asset Allocation

# What we'll cover today



Mechanics of Investing



Understanding Volatility

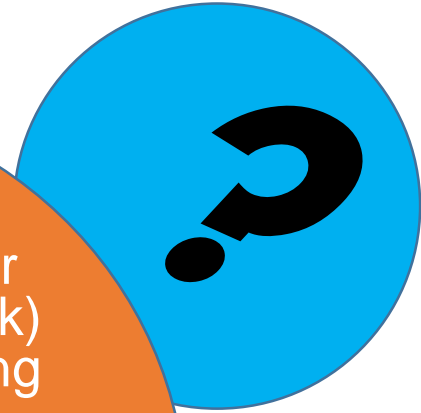


Strategic Asset Allocation



The asset available for purchase in your 401(k) is which of the following types?

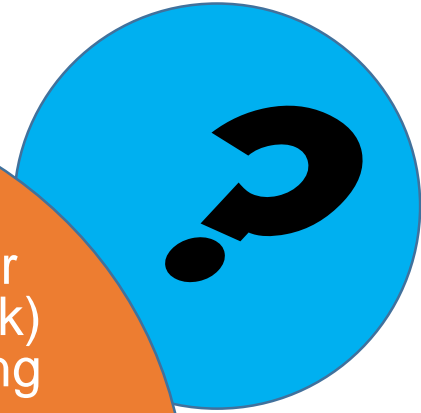
- A. Stock
- B. Bond
- C. Mutual fund





The asset available for purchase in your 401(k) is which of the following types?

- A. Stock
- B. Bond
- C. Mutual fund



# There's no cash in there!

Your retirement portfolio is...

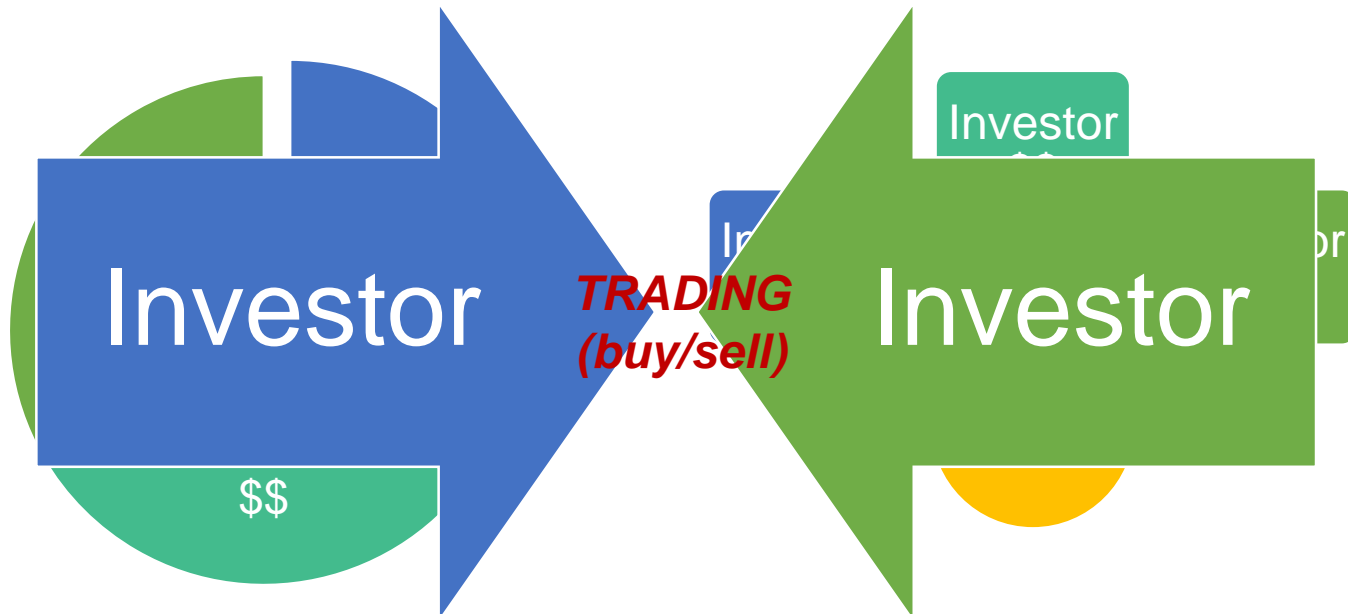
*A collection of **assets** purchased today with the expectation of selling them in the future for a profit.*



*For illustration purposes only*

# Equities market asset types

Securities	
Equities	Fixed Income
Stock	Bond
Ownership of a company	Loan to a company

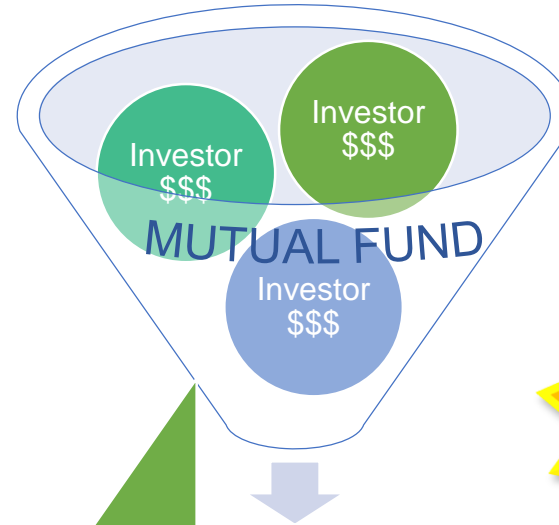


*For illustration purposes only*



# Assets in your 401(k)

Securities	
Mutual Fund	
Stock flavored	Bond flavored
Ownership of fund gains and losses	



*This is what you buy in your 401(k)*



*For illustration purposes only*

# Assets in your 401(k)

## Target Retirement Date Funds – T. Rowe Price Retirement I Target Date Funds

Income Fund	2010 Fund	2015 Fund	2020 Fund	2025 Fund	2030 Fund	2035 Fund	2040 Fund	2045 Fund	2050 Fund
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## Regular Investment Menu

*For a diversified portfolio allocation, please refer to the sample asset allocation chart.*

	Fund	Fund Type	Objective and Investment Strategy
Fixed Income	Morley Stable Value Fund	Stable Value	Seeks to generate current income while maintaining a stable share price by investing in short-term U.S. Treasury, U.S. agencies, and/or instrumentalities. An investment in a money market fund by the U.S. Government. There is no assurance that the fund will be able to maintain a stable share price, and it may fluctuate in value.
	Vanguard Total Bond Market Index Adm Fund (VBTLX)	Intermediate Bond Index	Seeks current income with only limited volatility of principal. In pursuit of these objectives, the managers invest in U.S. Treasury securities, or bonds issued by U.S. Government agencies. As an index fund, this passively manages the returns of the BarCap U.S. Aggregate Bond Index.
	DFA Inflation-Protected Securities I Fund (DIPSI)	TIPS Bond	Seeks to provide inflation protection and income consistent with inflation-indexed securities by investing in U.S. Treasury and government agencies as well as domestic corporations.
	MFS Emerging Markets Debt RS Fund (MEDHX)	Emerging Markets Debt	Seeks total return with an emphasis on high current income, but also considers capital appreciation. The fund invests in debt securities issued by emerging market countries and corporations located in emerging market countries.
Stocks	FMI Large Cap Fund (FMIHX)	Large-Cap Value	Seeks capital appreciation by investing primarily in large companies with market capitalizations of \$10 billion or more. Large-cap funds tend to be less volatile than those that invest in smaller companies.
	Vanguard Total Stock Market Index Adm Fund (VTSMX)	Large-Cap Index	Seeks capital appreciation by investing in stocks of large companies with market capitalizations of \$10 billion or more. As an index fund, this passively managed fund seeks to duplicate the returns of the S&P 500.
	Fidelity Contrafund Fund (FCNTX)	Large-Cap Growth	Seeks capital appreciation by investing primarily in stocks of large companies with above-average prospects for earnings growth. Large-cap funds tend to be less volatile than those that invest in smaller companies.
	DFA U.S. Targeted Value Instl Fund (DFVX)	Small-Cap Value	Seeks capital appreciation by investing primarily in small companies with market capitalizations of less than \$1.5 billion. Small-cap companies tend to be more volatile than those that invest in larger companies and are appropriate for investors willing to take on more risk.
	Loomis Sayles Small-Cap Growth Instl Fund (LSSIX)	Small-Cap Growth	Seeks capital appreciation by investing primarily in smaller companies, with market capitalizations of less than \$1.5 billion. Managers target companies with above-average prospects for earnings growth. Small-cap companies tend to be more volatile than those that invest in larger companies and are appropriate for investors willing to take on more risk.
	Harbor International Instl Fund (HAINX)	International - Developed Markets	Seeks capital growth by investing primarily in companies in developed countries outside the U.S. This may include emerging market countries, which tend to be more volatile than developed countries. Foreign equities are subject to unique risks such as currency fluctuations and political uncertainty.
	Columbia Acorn International Y Fund (CCYIX)	International - Developed Markets (Small-Cap)	Seeks long-term capital growth by investing in small-cap companies domiciled in developed countries outside the U.S. This may include emerging market countries, which tend to be more volatile than developed countries. Foreign equities are subject to unique risks such as currency fluctuations and political uncertainty. Small-cap companies tend to be more volatile than those that invest in larger companies and are appropriate for investors willing to take on more risk.
	Oppenheimer Developing Markets I Fund (ODVIX)	International - Emerging Markets	Seeks long-term growth by investing mainly in companies in emerging market countries - those experiencing more rapid growth than developed countries. They are often more vulnerable to currency risk and political instability and are appropriate for investors willing to take on more risk.
	Wasatch Frontier Emerging Small Countries Inv Fund (WAFMX)	International - Frontier Markets	Seeks long-term capital appreciation by primarily investing in securities of companies located in "frontier market countries" - which, in general, are under-developed countries - located in Asia, Eastern Europe, the Middle East, Central and South America, and Africa.
	PIMCO CommoditiesPLUS Strategy Instl Fund (PCLIX)	Hard Assets	Seeks maximum real return by investing in commodity-linked derivative instruments, including index-linked notes, swap agreements, and futures and options that provide exposure to the investment returns of commodities markets such as oil, metals, and agricultural products.



Higher risk/potential return

Conservative Funds	Moderate Funds	Moderately Aggressive Funds	Aggressive Funds	Very Aggressive Funds
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For illustration purposes only

# Reading your quarterly statement

**Balance = #shares x market price per share**

Benefits Administrator  
Francis Investment Counsel LLC  
21180 W. Capitol Dr.  
Peewaukee WI 53072

**ABC Corp.**  
Retirement Savings Plan

**QUARTERLY STATEMENT**  
July 1, 2014 - September 30, 2014

**Account Balance: \$27,615.42**

**YOUR ACCOUNT SUMMARY**

	This Period	Year to Date
Beginning Balance	\$35,673.71	\$27,289.09
EE Contributions	2,125.02	6,026.18
ER Contributions	1,062.48	3,717.81
Distributions	0.00	0.00
Other Activity	0.00	0.00
Gain/Loss	-1,245.79	582.34
<b>Ending Balance</b>	<b>\$37,615.42</b>	<b>\$37,615.42</b>
Vested Balance	\$36,446.17	\$36,446.17

**YOUR ACCOUNT GROWTH**

**Your Personal Performance**

	This Period	Year to Date	Since 04/2011
	-3.26%	2.21%	7.08%

**YOUR ACCOUNT PROFILE**

Hire Date: 03/07/2011      Participation Date: 04/01/2011

**YOUR ASSET ALLOCATION**

Investment	Number of Shares	Ending Price
TR 2035	1863.0718	\$20.19

*For illustration purposes only*

*There's no cash in here!*



Before making any investment decisions, put on your asset hat.



# What we'll cover today



Mechanics of Investing



Understanding Volatility

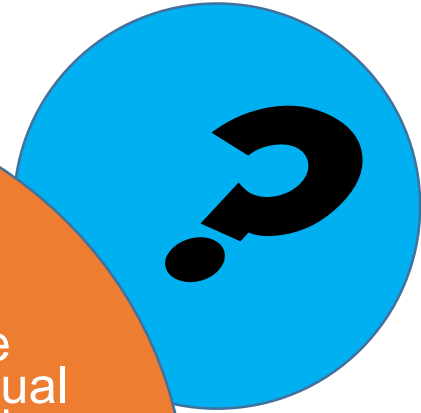


Strategic Asset Allocation



Which of the following statements best describe why an “aggressive” mutual fund is considered a “high risk” investment?

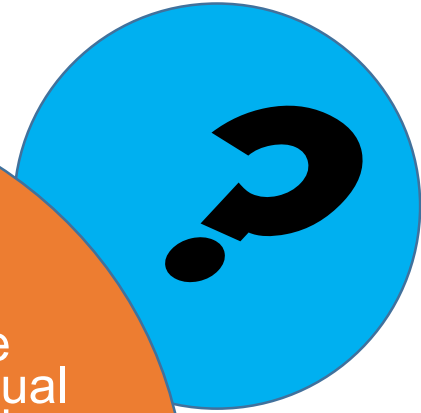
- A. Return potential
- B. Standard deviation
- C. Beta



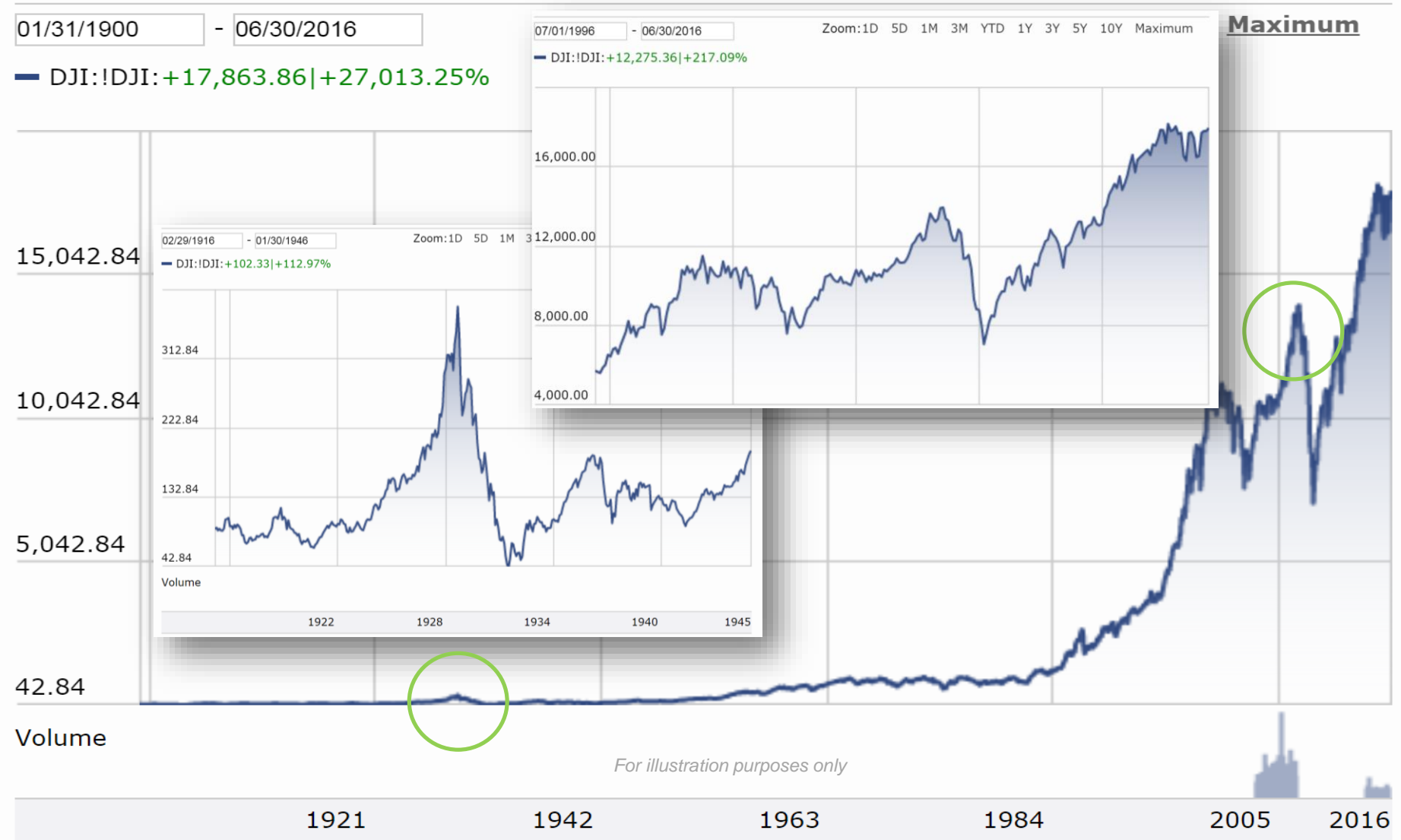


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- A. Return potential
- B. Standard deviation
- C. Beta



# Volatility isn't unique





# What is volatility?

**Volatility is the risk of experiencing variable returns**



# Is volatility good or bad?

07/03/2007

- 06/30/2012

Zoom: 1D 5D 1M 3M YTD 1Y 3Y 5Y 10Y Maximum

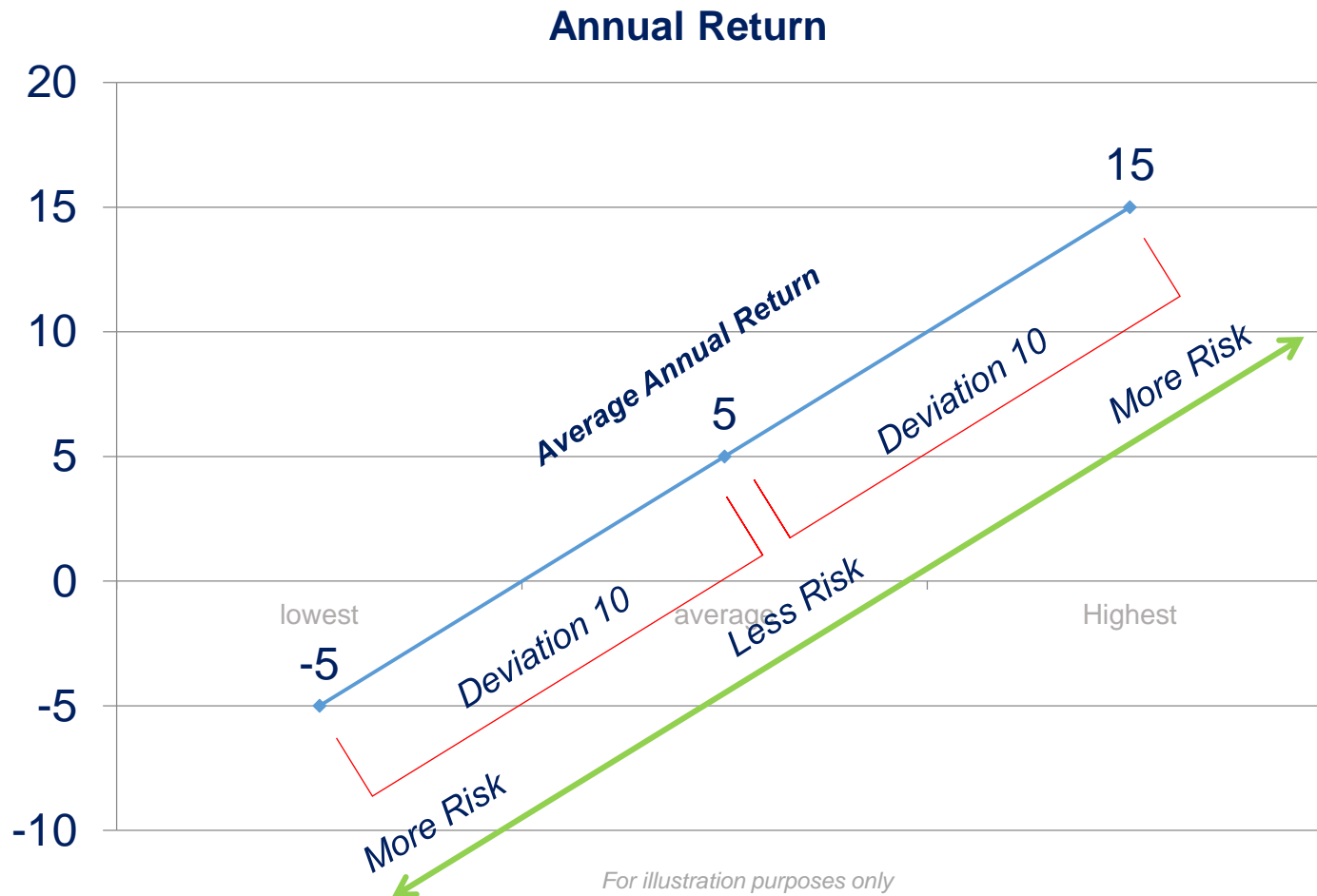
— DJI:|DJI: -655.34|-4.84%



For illustration purposes only

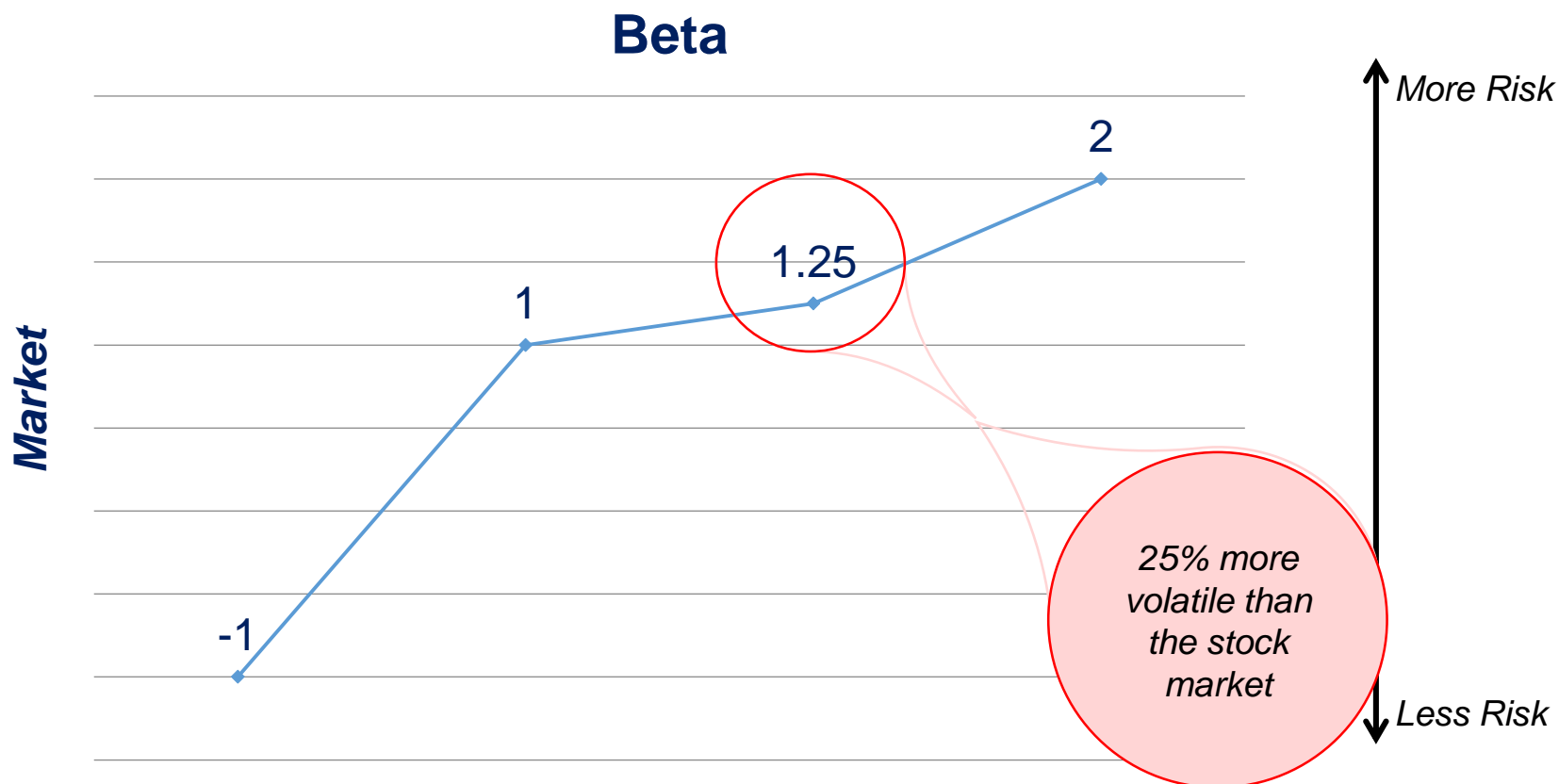
# Can volatility be measured?

**Standard Deviation** = A measure of the dispersion of a set of data from its average. *“how high or low the returns may go” from the average.*



# Can volatility be predicted?

Beta = price volatility as compared to the stock market.



*For illustration purposes only*

# Testing your volatility threshold

## Learn more about you

A successful investment plan balances investment risk, potential return and takes into consideration your personal risk tolerance.

**Take the profile quiz below to determine how much risk you're comfortable taking to achieve investment results.**

If you score under 39 points, you are considered a conservative investor. If you score between 39 and 78 points, you are considered a moderate investor. If you score over 78 points, you are considered an aggressive investor. Now find your point total and age to locate a sample asset allocation.

What is your current age?		46 - 60	5 points
Under 30	15 points	Over 60	1 point
30 - 45	10 points		

In how many years do you plan to retire?		5 - 9 years	5 points
More than 15	15 points	Less than 5 years	1 point
10 - 15 years	10 points		

How knowledgeable do you consider yourself about economic issues, investing, and personal finance?

Very knowledgeable - I read financial publications and keep informed about what's happening with financial and economic issues	15 points
Somewhat knowledgeable - I've learned a little from my friends, TV, and the web	8 points
Not very knowledgeable - I don't know much about finance or investing	1 point

Which statement best describes how you feel about your retirement savings?

I want to do everything possible to ensure that savings rarely goes down in value	1 point
I'm willing to accept some risk in exchange for a strong probability of higher returns	5 points
I want an above average rate of return on my savings and I'm planning on investing in several options or "diversifying" to reduce my risk	10 points
I want my account to grow as much as possible, regardless of the risk	15 points

You've invested a large amount of retirement money into a fund that just dropped 20% in value. What would you do?

Get out so I don't have to worry about it	1 point
Hold on to it and hope that it will come back	8 points
Buy more; the reason I liked it before has not changed	15 points

Congratulations! You've just won the grand prize in a raffle. Choose between:

\$500 cash	1 point
Flip a coin to win \$1,500 cash	5 points
1 in 10 chance to win \$10,000	15 points

Which ONE of the following statements best describes how you would feel if your retirement account dropped 20% in a short period of time?

Extremely upset	1 point
Very worried	5 points
Concerned but not worried	10 points
Not at all concerned	15 points

If you knew there was a very good chance that you could improve the quality of your life in retirement by accepting more risk with your retirement savings, would you:

Probably do nothing about it	1 point
Consider investing some of your savings more aggressively	8 points
Be willing to invest most of your savings aggressively	15 points

TOTAL POINTS \_\_\_\_\_

Conservative Funds

Moderate Funds

Moderately Aggressive Funds

Aggressive Funds

Very Aggressive Funds

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Make S.M.A.R.T. goal oriented decisions

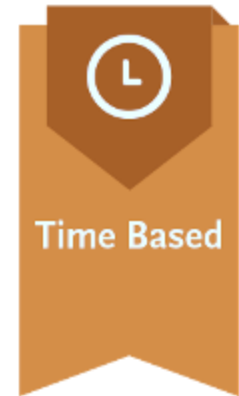
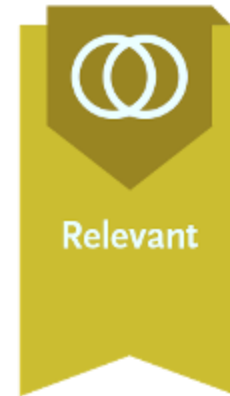
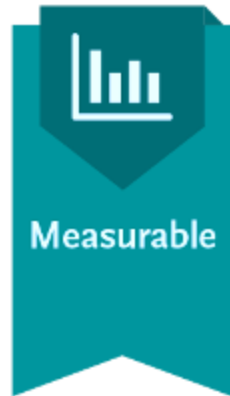
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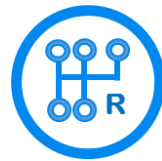
# What we'll cover today



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Strategic Asset Allocation



Who is quoted as having said...  
“if you fail to plan, you are  
planning to fail”

- A. Benjamin Franklin
- B. Thomas Edison
- C. Theodore Roosevelt







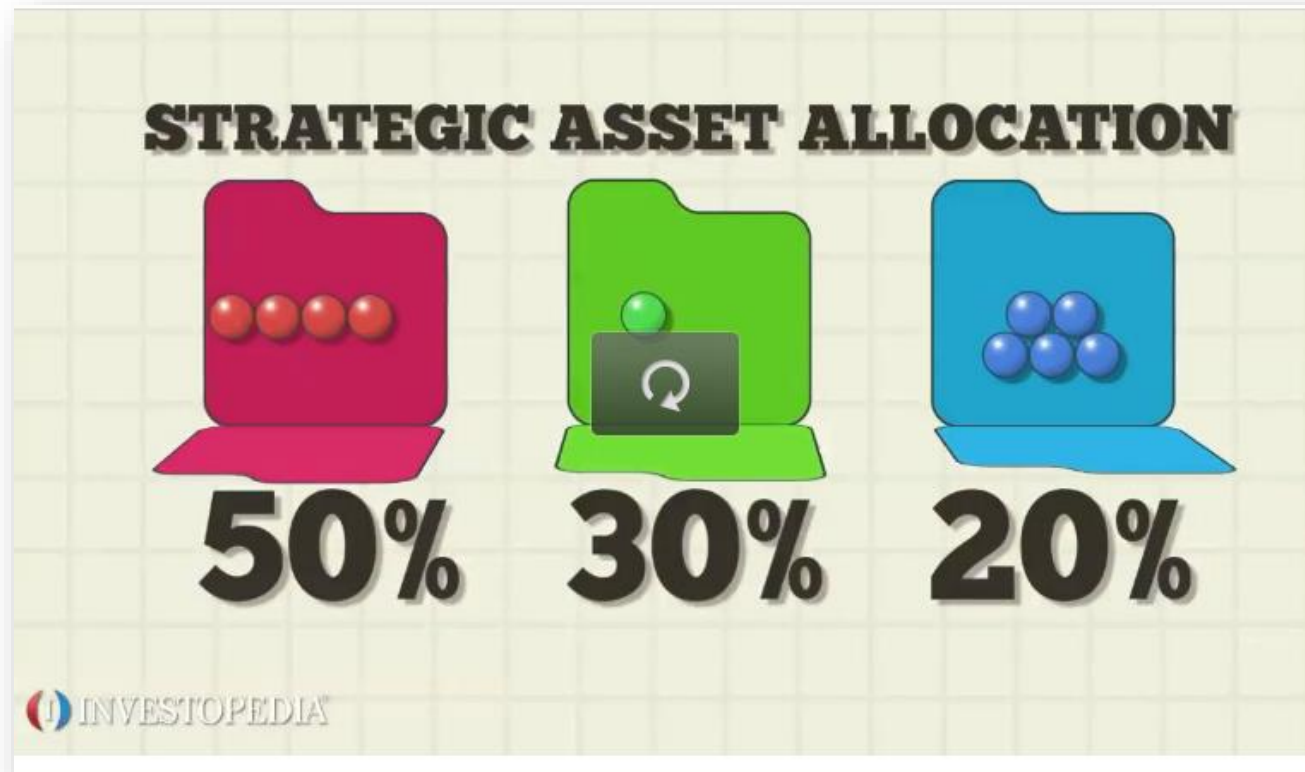
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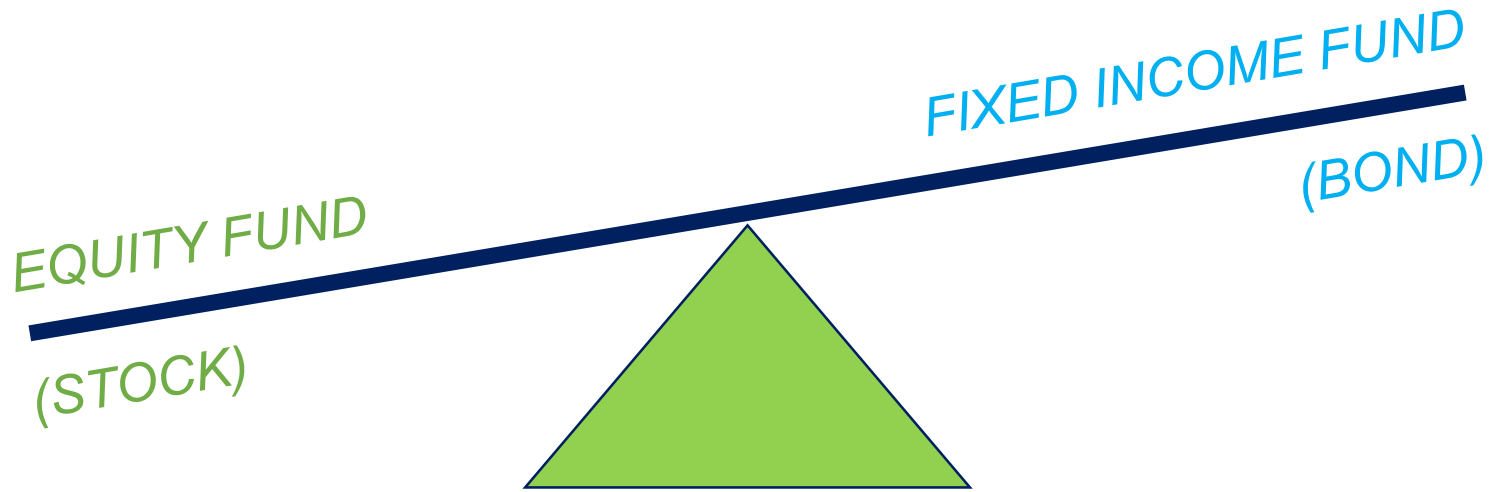
# Investopedia.com

## *Strategic Asset Allocation*



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# Correlation effect

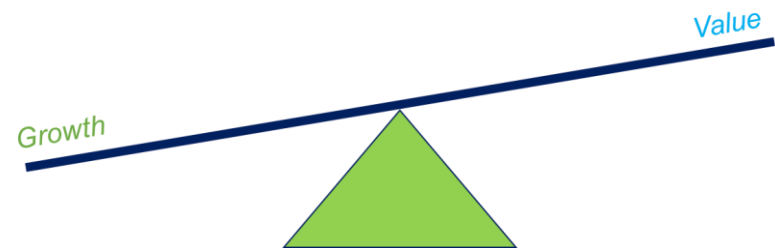
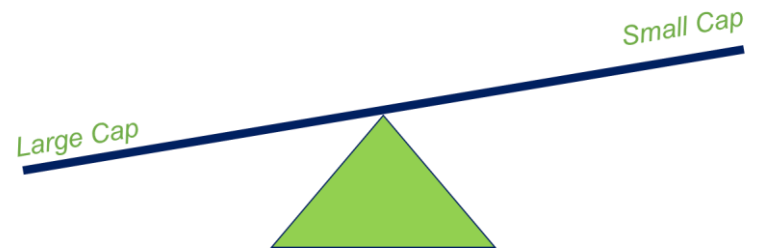


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# Correlation effect

	LARGE	MID	SMALL
GROWTH			
INDEX		●	
VALUE			

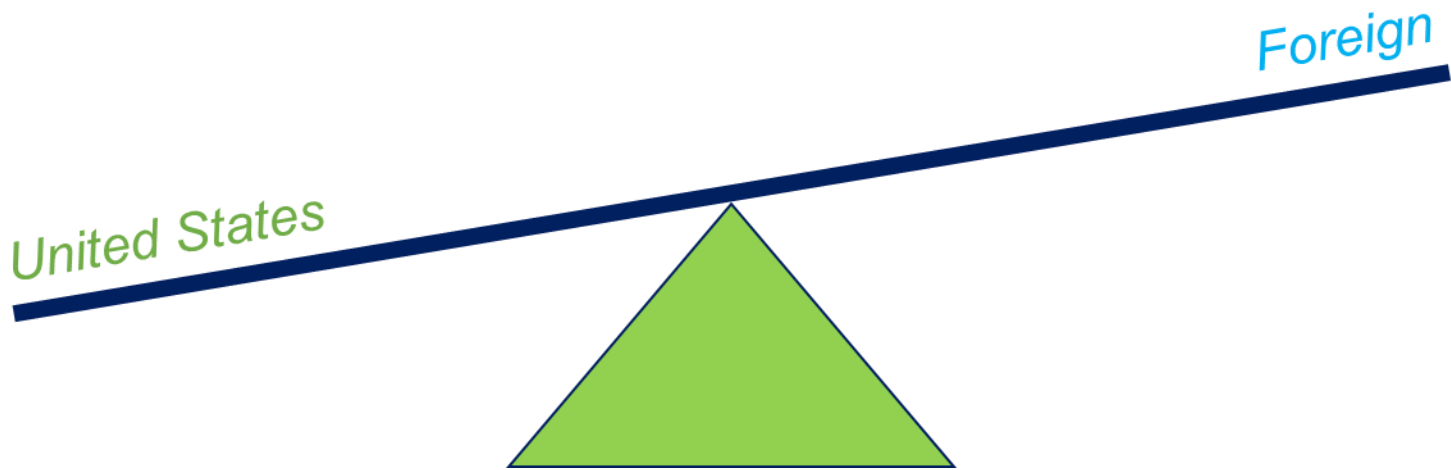
- ❑ *Size of company*
- ❑ *Shopping approach*



# Correlation effect

Region of the world

- United States
- Foreign



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## Diversify strategically

### SAMPLE ASSET ALLOCATION MODELS

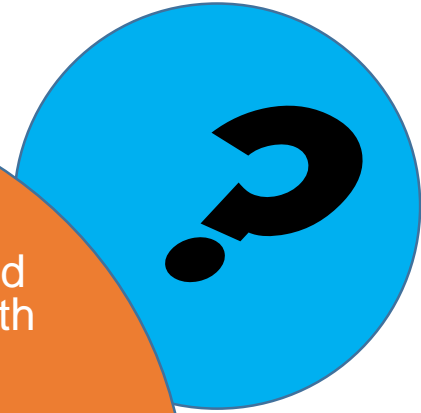
Risk Tolerance % Equities / % Fixed Income	Age 20-40			Age 40-55			Age 55-65		
	Conservative 50/50	Moderate 70/30	Aggressive 90/10	Conservative 45/55	Moderate 60/40	Aggressive 85/15	Conservative 25/75	Moderate 50/50	Aggressive 70/30
Morley Stable Value Fund	15%	10%	0%	20%	15%	5%	30%	20%	15%
Vanguard Total Bond Market Index Adm Fund	15%	10%	0%	15%	10%	2%	15%	10%	5%
DFA Inflation-Protected Secs I Fund	10%	5%	5%	10%	10%	3%	20%	15%	5%
MFS Emerging Markets Debt R5 Fund	10%	5%	5%	10%	5%	5%	10%	5%	5%
FMI Large Cap Fund	5%	5%	10%	5%	5%	5%	5%	5%	5%
Vanguard Total Stock Market Index Adm Fund	10%	10%	10%	5%	10%	15%	0%	5%	15%
Fidelity Contrafund Fund	5%	5%	10%	5%	5%	5%	5%	5%	5%
DFA U.S. Targeted Value Instl Fund	5%	10%	10%	5%	5%	8%	0%	5%	5%
Loomis Sayles Small-Cap Growth Instl Fund	5%	10%	10%	5%	5%	7%	0%	5%	5%
Harbor International Instl Fund	5%	7%	10%	10%	7%	15%	5%	7%	7%
Columbia Acorn International Y Fund	0%	3%	5%	0%	3%	5%	0%	3%	3%
Oppenheimer Developing Markets I Fund	5%	5%	10%	3%	5%	10%	5%	3%	10%
Wasatch Frontier Emerging Sm Countrs Inv Fund	5%	5%	5%	2%	5%	5%	0%	2%	5%
PIMCO CommoditiesPLUS Strategy Instl Fund	5%	10%	10%	5%	10%	10%	5%	10%	10%

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The three tips we learned today about investing with confidence are...?

- A. Save, save, save
- B. Put on your asset hat, set S.M.A.R.T. goals, diversify strategically
- C. A bird in the hand is worth two in the bush





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The image features the text "Q&A TIME" in a bold, white, sans-serif font with a thick blue outline. The text is centered and set against a background of blue rays radiating from a central point, creating a sunburst effect. The rays are arranged in a circular pattern, with the center of the sunburst located behind the text.

**Q&A  
TIME**