

401(k) PLAN

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PORTFOLIO  
INVESTING  
VS.  
FUND PICKING

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INVESTMENT EDUCATION

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# SAVING FOR RETIREMENT

## BASIC PRINCIPLES

### Principle #1: Markets work

Don't try to beat the markets. Benefit from them instead.

The odds you'll pick a "winning" mutual fund, i.e., one that consistently beats a simple, boring *S&P 500* index fund that tracks the market is less than

4%

The odds of winning, i.e., getting 21 at blackjack table in Las Vegas after you've been dealt two face cards (equal to 20) and your inner idiot yells, "Hit Me!", is

8%

- ✓ Remember, with your retirement investments, boring is beautiful.

### Principle #2: Diversify

The proven way to include the risks that offer rewards, and eliminate the risks that don't.

The total amount of interest you would have earned if you invested \$1 million in a simple, low-cost *S&P 500* index fund 10 years ago is about

\$109  
thousand

The total amount of interest you would have earned if you invested \$1 million in a simple, low-cost *diversified portfolio* 10 years ago is about

\$1.3  
million

- ✓ Remember, don't just dabble in diversification, master it.

### Principle #3: Let discipline save you from disaster

Professionally-managed portfolios help you avoid emotion-driven investment mistakes.

2  
out of 10

investors in their 20s own zero equities (stocks) in their retirement plan, holding, instead, investments which are unlikely to keep pace with inflation.

3  
out of 10

investors in their 60s put more than 80% of their savings in equities, which could lose a third of their value precisely when the retiree needs to draw upon it.

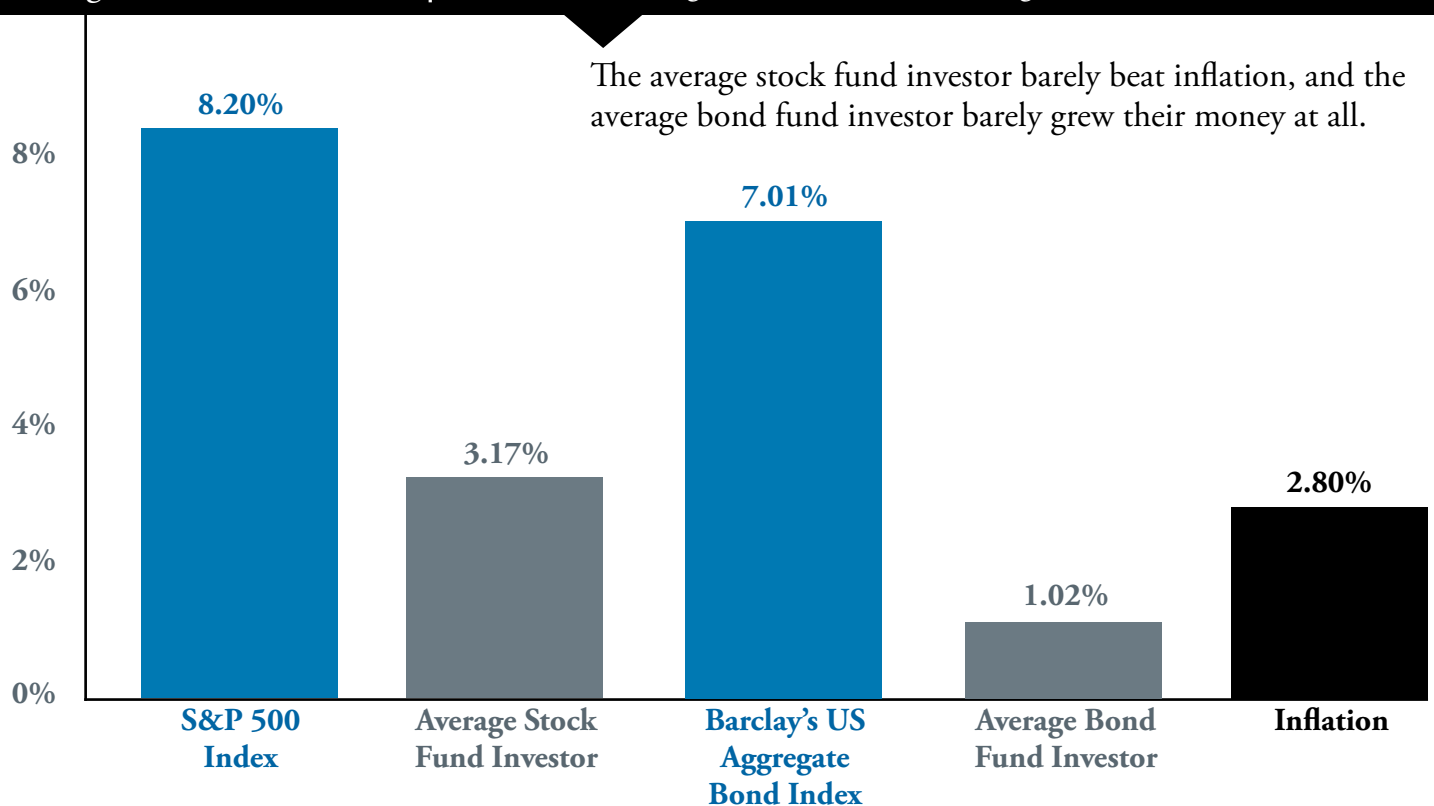
- ✓ Remember, if you're an expert, you make the call. If you're not, we've got you covered.

# Emotions lead the average investor to buy high and sell low, and miss the market's growth.

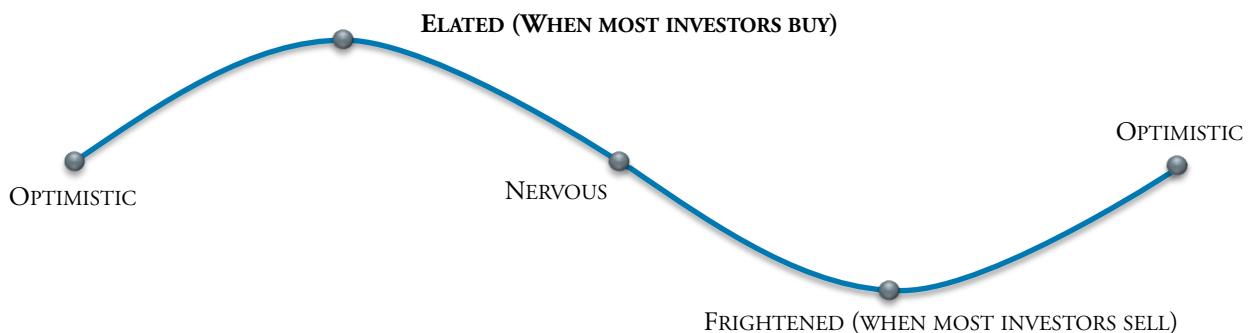
It's best to pull this Band-Aid off quickly. You've been told that the best way to save for retirement is to choose the mutual funds you think will do the best from a list your 401(k) provider gave you. It's not.

That's the assessment of the smartest minds in finance, supported by Himalayas of historical data. The dismal experience of most investors is quantified below based on a study performed by a leading financial services market research firm, DALBAR:

Average Investor vs. Markets | Annual investment gains from 1/1/1990 through 12/31/2009



If you pick your own funds, buying when you feel confident because the market is going up, and selling when you get nervous because the market is crashing, you will almost certainly retire with less money—a lot less money—than if you'd simply dumped your money into low-cost, boring index funds.

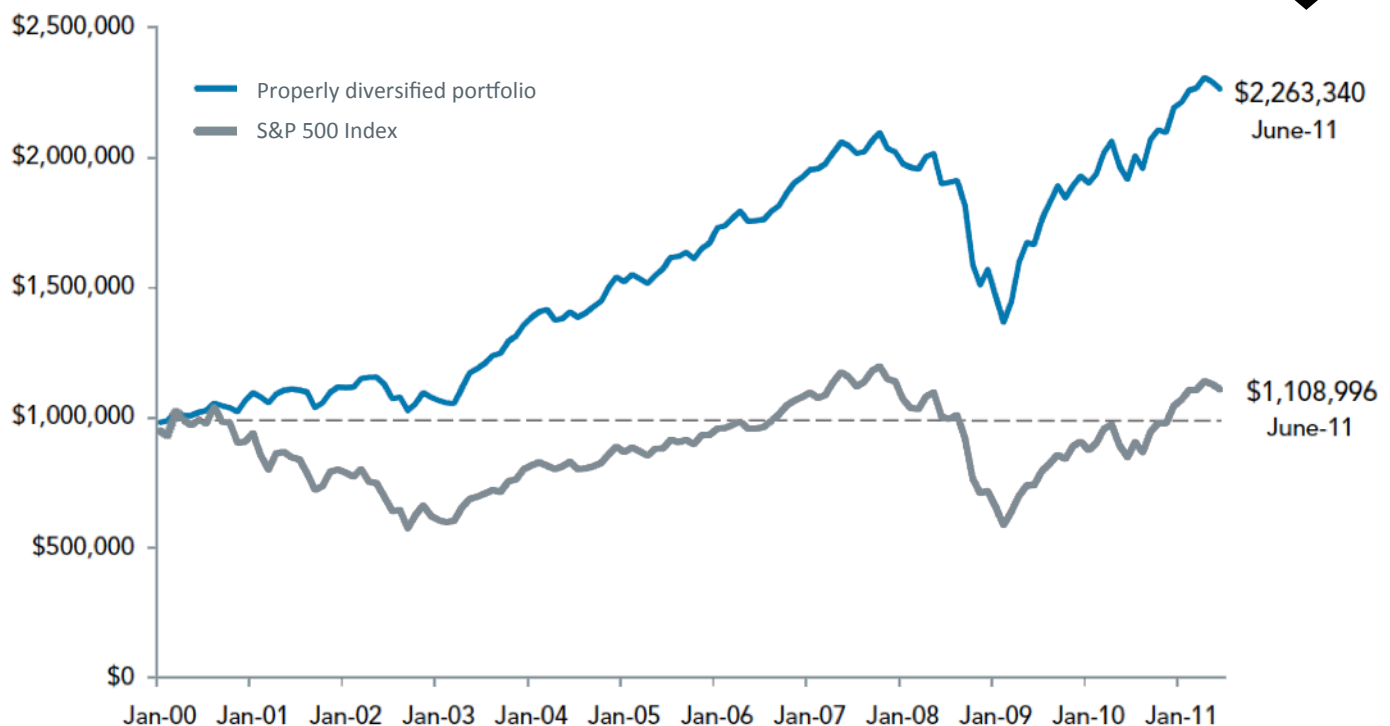


# A well-diversified portfolio can help avoid a “lost decade” investment experience.

Even if you manage to avoid the disaster created by an emotionally-charged investment approach, the consequences of picking the wrong mix of funds can be profound—and invisible. Because you put more money away each pay period, your account balance often appears to be growing, but the investment choices you made may not be helping as much as they should. Consider two 55-year-olds who each invested their life savings of \$1 million in January of 2000. Dave put all of his money in an index fund that tracks the S&P 500. (A decision that’s in alignment with the principle that “markets work.”) Mary, on the other hand, chose a well-diversified portfolio managed by a team of professional investment fiduciaries, (like the portfolios available to you in your new plan), which contain thousands of stocks and bonds from organizations all over the world.

If they both retired in June of 2011 at age 66, both would be happy, because they each have more than \$1 million in savings. But happiness comes in different sizes. Dave’s nest egg is \$1.1 million, but Mary’s nest egg grew to almost \$2.3 million. Now, remember, Dave may still be happy, because almost every stock-tip-giving magazine out there has declared the last ten years a “lost decade.” Plus, he has no clue what he could have made.

Diversification leads to different investment experiences | January 2000 through June 2011



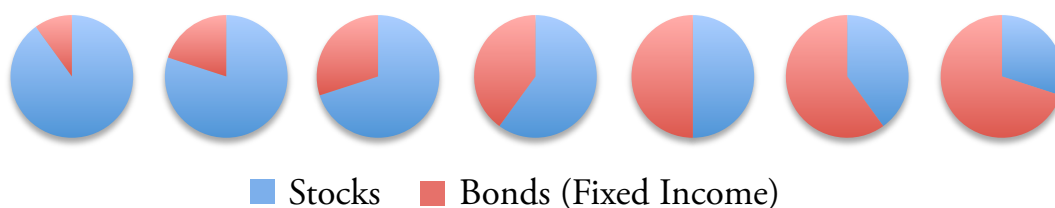
For illustrative purposes only. The S&P data are provided by Standard & Poor's Index Services Group. Performance data represents past performance and does not predict future performance. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

# Which portfolio is right for you?

## Don't worry, we've made it easy.

Our investment fiduciaries have already built a prudent, low-cost, well-diversified portfolio for you. They will choose a portfolio for you that has an appropriate mix of stocks (generally riskier with higher potential returns) and bonds (generally less risky with lower potential for returns).

If you'd like to choose a different portfolio than the one our investment fiduciary would, that's okay too. For example, you might be holding a bunch of risky assets outside your 401(k) plan and want to take a more conservative approach with your 401(k) savings. We understand. You can log in to your online account 24/7 and select anyone of the following options:

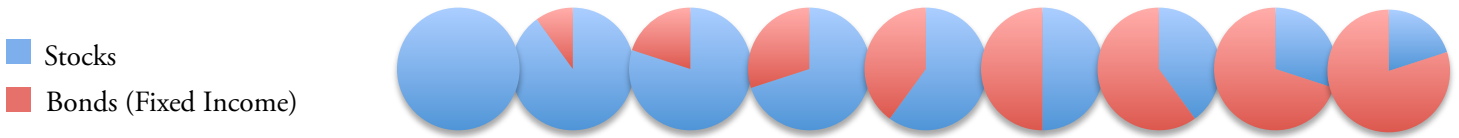


PORTFOLIO NAME	RISK	EQUITY (STOCK) ALLOCATION	FIXED INCOME (BOND) ALLOCATION
90/10 Model Portfolio	Highest	90	10
80/20 Model Portfolio	High	80	20
70/30 Model Portfolio	Moderately Aggressive	70	30
60/40 Model Portfolio	Moderate	60	40
50/50 Model Portfolio	Moderately Conservative	50	50
40/60 Model Portfolio	Low	40	60
30/70 Model Portfolio	Lowest	30	70

# Portfolio Detail

The asset allocations of the model portfolios are divided between equities (stock) and fixed income (bond) investments. The allocation of each portfolio is designed to provide increased expected return for a given amount of risk (as measured by standard deviation) or less risk for a given amount of expected return. Asset allocations are straightforward, and have a symmetrical and intuitive feel to them.

Our investment fiduciaries work closely with investment and academic colleagues to decide what asset classes to include in the model portfolios, including the relative weights of each fund and asset class.



<b>Stocks/Bonds Mix</b>	<b>100/0</b>	<b>90/10</b>	<b>80/20</b>	<b>70/30</b>	<b>60/40</b>	<b>50/50</b>	<b>40/60</b>	<b>30/70</b>	<b>20/80</b>
<b>Domestic Stocks</b>	44%	39%	34%	29%	24%	19%	14%	9%	7%
DFA US Core Equity									
Vanguard Total Stock Market									
<b>International Stocks</b>	37%	33%	30%	26%	23%	20%	17%	13%	7%
DFA International Core									
Vanguard Total International									
<b>Emerging Markets Stocks</b>	12%	11%	10%	9%	8%	7%	6%	5%	4%
DFA Emerging Markets Core									
<b>Real Estate &amp; Commodities</b>	7%	7%	6%	6%	5%	4%	3%	3%	2%
Vanguard REIT Index									
DFA Commodity Strategy									
<b>Fixed Income</b>	0%	10%	20%	30%	40%	50%	60%	70%	80%
Vanguard Total Bond Market									
PIMCO Total Return Inst.									
DFA Inflation Protected									
Vanguard Short Term Bond									
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# The risk level of your investment portfolio will decrease as you draw closer to retirement.

Virtually all investment experts recommend a large allocation of stocks for young investors and an increasing bond allocation as participants draw closer to retirement. Your new 401(k) plan comes with a feature that makes this automatic, called a “glide path.”

Upon enrollment, you are automatically placed in the moderate glide path. The portfolio’s initial asset allocation is determined by your age. If you prefer a glide path that differs from the moderate glide path, you may choose one of two alternatives, aggressive or conservative.

For instance, if you are 25 years old and select the conservative glide path, you will have a portfolio that has an asset allocation of 60% in stocks and 40% in bonds. When you turn 31, your portfolio will automatically rebalance to an asset allocation of 50% stocks and 50% bonds. The rebalancing will continue according to the specified time period detailed in the glide path illustration below.

GLIDE PATH ILLUSTRATION	UNDER AGE 30	AGE 31-40	AGE 41-50	AGE 51-60	AGE 60+
<b>Aggressive Glide Path</b>	100% Stocks 0% Bonds	90% Stocks 10% Bonds	80% Stocks 20% Bonds	70% Stocks 30% Bonds	60% Stocks 40% Bonds
<b>Moderate Glide Path (default)</b>	80% Stocks 20% Bonds	70% Stocks 30% Bonds	60% Stocks 40% Bonds	50% Stocks 50% Bonds	40% Stocks 60% Bonds
<b>Conservative Glide Path</b>	60% Stocks 40% Bonds	50% Stocks 50% Bonds	40% Stocks 60% Bonds	30% Stocks 20% Bonds	20% Stocks 80% Bonds

Questions? Call us Monday through Friday from 8am to 7pm eastern time at (800) 878-5220, option 1, and our retirement specialists will be happy to assist you.

You may also access your account online by going to [www.myplanconnection.com](http://www.myplanconnection.com). If you are logging in for the first time, your User ID is your social security number and your password is the last four digits of your social security number. Make sure you select “Participant” as the role, and then click “Log in.”

# Sources

John C. Bogle. "Strengthening Worker Retirement Security" Statement before Committee on Education and Labor, U.S. House of Representatives, Washington, DC February 24, 2009.

Chip and Dan Heath, "The Horror of Mutual Funds: Why false information can be credible," Fast Company Magazine, August 13, 2008.

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