

Providing Tailored Solutions to 401(k) Retirement Plans

Mike Mahoney, CFP



Important Disclosures Regarding Simulated Strategies

The following pages include illustrations of returns for the types of portfolios we design for clients.

The Simulated Strategies may or may not be the actual allocation determined to be appropriate for any individual clients, and a client may or may not follow the Simulated Strategies. Clients with the allocations shown may have different results based on capital flows, timing of rebalancing decisions, fees charged or other factors.

Our investment strategy is based on the principles of Modern Portfolio Theory (MPT). The tenets of MPT provide for a passive, long-term, buy-and-hold strategy implemented through globally diversified portfolios. Mutual funds representing asset classes where academic research has demonstrated higher expected returns for the level of risk taken are combined into a single portfolio. Portfolios are constructed with low-correlating components to provide diversification for the purpose of reducing the risk caused by volatility. Commodities may be added to some client portfolios for the purpose of additional risk reduction and not necessarily to provide higher expected returns in such portfolios. Portfolios are rebalanced to maintain agreed-upon asset allocations.

The historical performance information that follows is provided to demonstrate the methodology used in building portfolios using the aforementioned investment strategy. This information should not be considered as a demonstration of actual performance results or actual trading using client assets and should not be interpreted as such. The results are based on the retroactive application of a back-tested model that was designed with the benefit of hindsight and should not be interpreted as the performance of actual accounts. Past performance is not a guarantee of future results. **[The advisor has not managed client portfolios the entire period of time shown.]** The investment returns and principal value of mutual funds recommended by our firm will fluctuate and may be worth more or less than their original cost when sold. A client may experience a loss when implementing an investment strategy. Advisor utilizes both tax-managed funds and corresponding funds that are not tax managed in constructing client accounts. The Simulated Strategies returns presented use fund returns that are not tax managed. While the tax-managed funds are consistent with the passive approach we follow, they should not be expected to regularly track the performance of corresponding taxable funds in the same or similar asset classes. As such, the performance of portfolios using tax-managed funds will vary from portfolios that do not use these funds.

Back-tested data does not represent the impact that material economic and market factors might have on an investment advisor's decision-making process if the advisor were actually advising an investor and should not be considered indicative of the skill of the advisor. The back-testing of performance differs from actual account performance because an investment strategy may be adjusted at any time and for any reason, and can continue to be changed until desired or better performance results are achieved. The back-tested results assume ordinary income and capital gains distributions are reinvested, annual rebalancing and no income taxes. If performance reflects the deduction of an advisory fee billed quarterly in advance, it is indicated on the page. More information about mutual fund fees and expenses is available in the prospectus for each mutual fund.

Cypress Asset Management, Inc.:
Providing Prudent Investment
Solutions to 401(k) Retirement Plans

Our Advantages

- We serve as an “investment manager” under ERISA 3(38) to your plan and take the legal responsibility and liability of selecting and monitoring the fund options in your plan.
 - Most plan sponsors (and advisors) are unaware that this responsibility can be legally delegated.
- Our platform may result in reduced fees. Thus, more money remains in the plan.
 - The all-inclusive costs of our retirement plan platform can be significantly lower than just the average mutual fund expense. There are no hidden costs. We provide full fee disclosure.
- Our investment management is free from conflicts of interest.
 - We are independent from any financial institution and do not sell any investment products or accept commissions. Rather, we provide investment management that is in the best interests of our clients.

Our Advantages

- We provide a high level of employee education to plan participants.
 - Education is key to a successful retirement plan and providing participant education helps you meet your fiduciary responsibilities.
- Our platform is flexible and easy for participants to make smart investment choices.
 - Our 401(k) platform will meet the needs of your plan. We offer preconstructed, diversified portfolios for your participants to choose from. The platforms we work with provide open architecture and access to institutional class mutual funds.
- We believe in a disciplined, prudent, academically based investment philosophy.
 - Our investment philosophy adheres to the Prudent Investor Rule. The Prudent Investor Rule provides guidance to plan fiduciaries as to how they should invest participants' or beneficiaries' assets.

Prudent Investor Rule

The American Law Institute (ALI) creates model legislation for states to adopt. The Prudent Investor Rule was drafted by the ALI to give fiduciaries direction as to how to invest participants' and beneficiaries' assets. The vast majority of states have adopted the Prudent Investor Rule.

- Plan performance will be measured as a portfolio rather than individual funds or managers.
- Fiduciaries can share liability if they exercise reasonable skill and care in making a delegation to an agent that will be held to the same standards as the fiduciary.
- In 1992 the ALI published the Restatement of the Law Third: Trusts: Prudent Investor Rule.
- The ALI adopted Modern Portfolio Theory as the standard by which fiduciaries should invest assets.

Prudent Investor Rule

“Active strategies, however, entail investigation and analysis expenses and tend to increase general transaction costs... Additional risks also may result from the difficult judgments that may be involved and from the possible acceptance of a relatively high degree of diversifiable risk. These considerations are relevant to the trustee initially in deciding whether, to what extent, and in what manner to undertake an active investment strategy and then in the process of implementing any such decisions.”

Prudent Investor Rule (Cont'd)

“The greater the trustee’s departure from one of the valid passive strategies, the greater is likely to be the burden of justification and also of continuous monitoring.”

Why Should You Be Concerned?

A Department of Labor Interpretive Bulletin stated:

“Fiduciaries of an employee benefit plan are charged with carrying out their duties prudently and solely in the interest of participants and beneficiaries of the plan, and are subject to **personal liability** [emphasis added] to, among other things, make good any losses to the plan resulting from a breach of their fiduciary duties.”

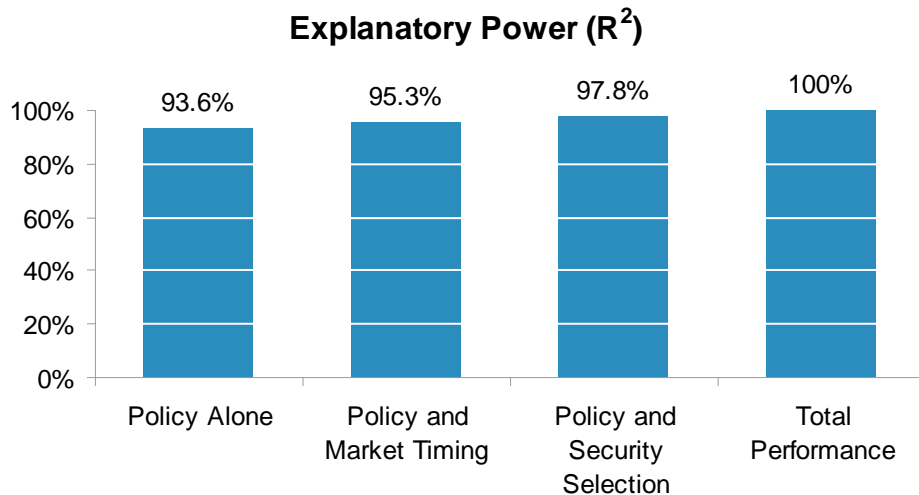
Characteristics of Passive Investing

- Lower portfolio turnover
- Lower operating expenses
- Lower transaction costs
- Greater tax efficiency
- Greater control of asset allocation
- Broad diversification and risk reduction within asset classes

Asset Class Investing

- Stocks and bonds
- U.S. and international
- Large-cap and small-cap
- Growth and value
- Short-term and long-term maturity

What Explains the Difference in Returns Across Portfolios?



Policy

Allocating assets in a portfolio

Market Timing

Shifting portfolio assets in and out of the market or between asset classes

Security Selection

Finding “underpriced” companies or industries

- Differences in returns are explained almost entirely by asset allocation.
- Market timing and security selection add little to the explanation.

Translating Modern Portfolio Theory

Frequently Asked Questions

1. **Can investors gain a competitive edge by trying to exploit market anomalies?**

According to professor Kenneth French, of the Fama-French three-factor model, it's not worth it to even try.

French said, “Do I think it’s a good use of my time to try to identify mistakes in the market? Absolutely not.”¹

2. **Do riskier assets provide higher returns?**

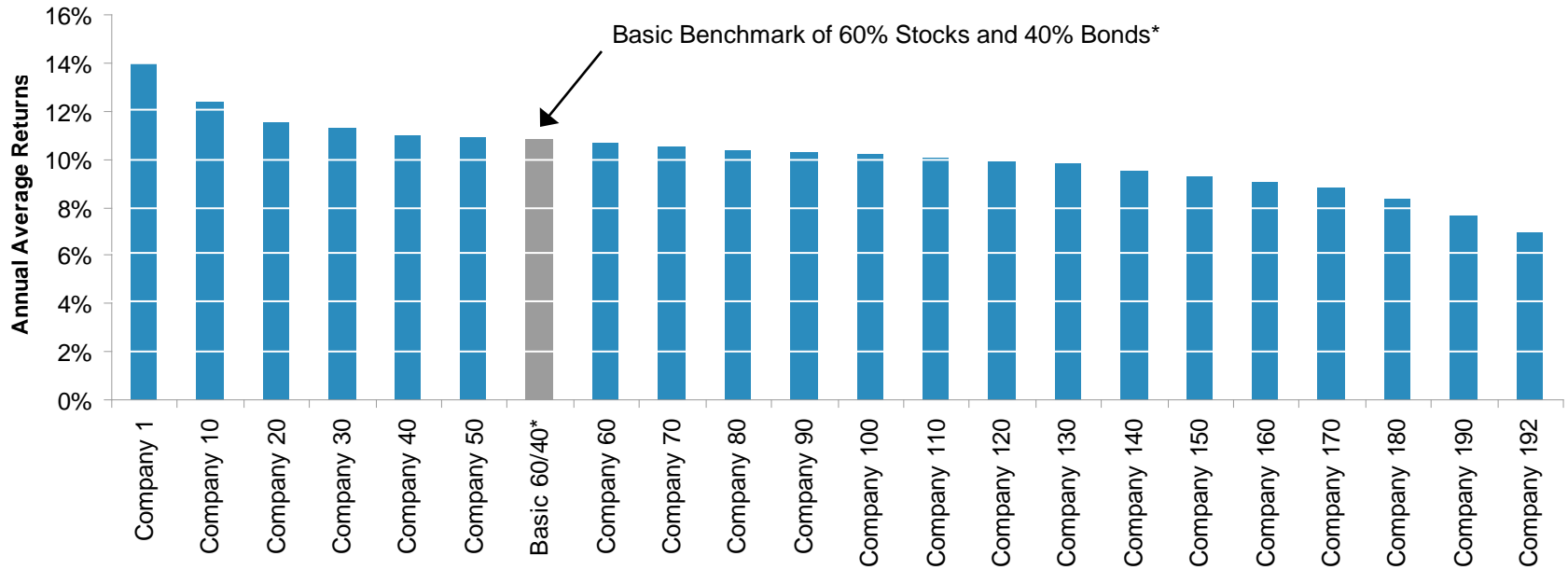
Risk and expected return are related. Riskier assets provide higher *expected* returns. They will not necessarily provide higher returns. That is the nature of risk.

3. **Is it prudent to add high-risk asset classes to a portfolio?**

Adding noncorrelating asset classes to a portfolio — even those that are high risk on their own — can reduce its volatility and increase expected return.

¹ Christina Grotheer, **Mission: Improbable**. *CFA Magazine*, Sept–Oct. 2005.
Information from sources deemed reliable, but its accuracy cannot be guaranteed.

How Many Corporate Pension Plans Outperformed a Passive Benchmark?

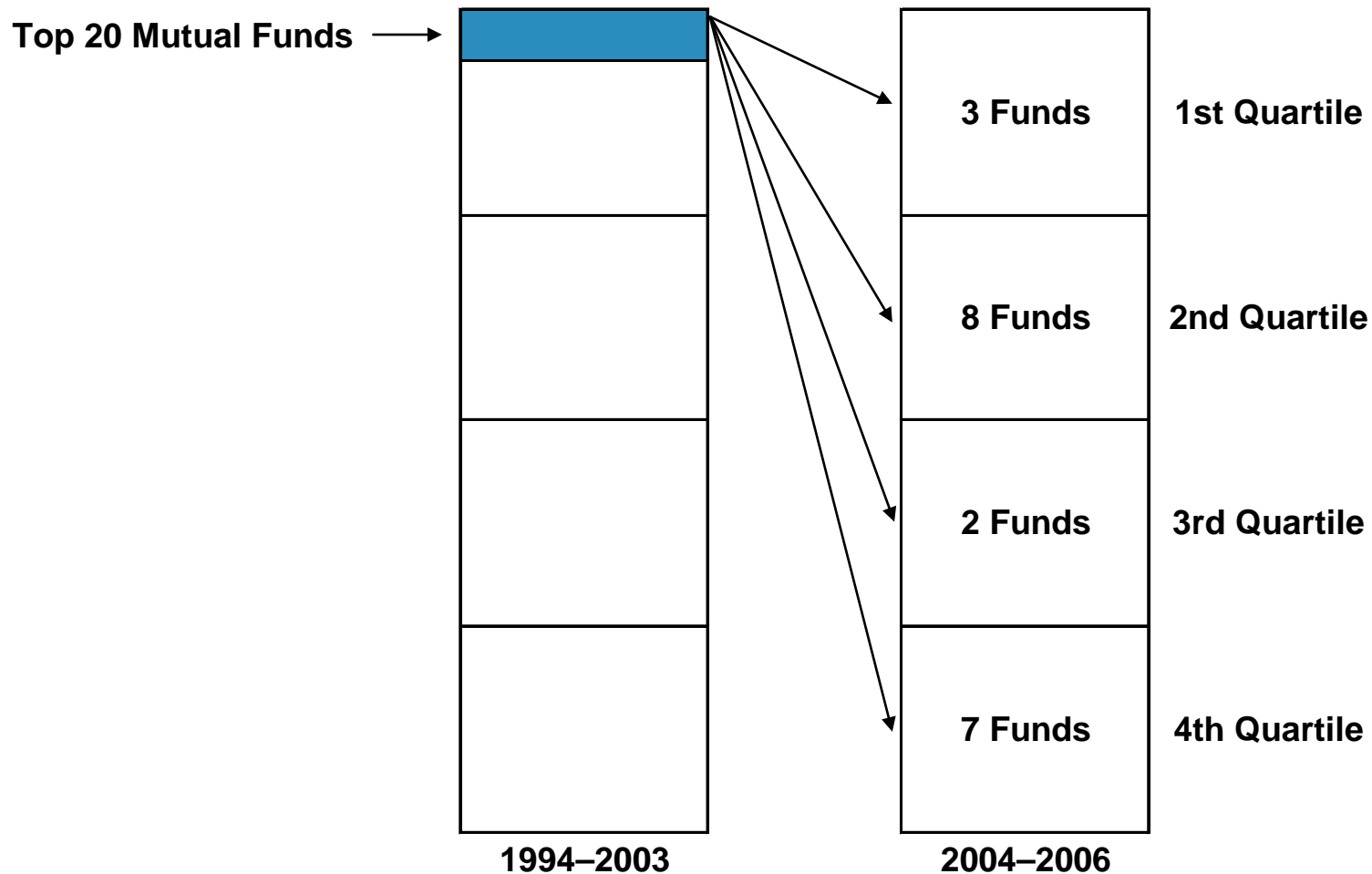


Consulting firm Futuremetrics' most recent analysis of U.S. corporate pension plans covered the period 1988–2005. Of the 192 firms in the analysis, 137 plans (71 percent) failed to outperform a simple benchmark.

Source: FutureMetrics, LLC (December 2006); all companies with fiscal year ending December, with complete return data from 1988–2005 and Dimensional Fund Advisors. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio nor do indices represent results of actual trading. Information from sources deemed reliable, but its accuracy cannot be guaranteed. Performance is historical and does not guarantee future results. See *Sources and Descriptions of Data* at the end of this booklet.

*Basic benchmark of 60% stocks and 40% bonds is composed of 60% S&P 500 Index and 40% Barclays Capital Intermediate Government/Credit Bond Index, rebalanced monthly. Sample of Participating Companies (in alphabetical order): Anheuser-Busch Cos., Inc., Avista Corp., Cooper Industries, Inc., Delta Air Lines, Inc., Edison International, First Energy Corp., Goodyear Tire & Rubber Co., Ingersoll-Rand Co., Intl Business Machines Corp., Jefferson-Pilot Corp., Lincoln National Corp., Sherwin-Williams Co., Sunoco, Inc., SunTrust Banks, Inc., UAL Corp., Union Pacific Corp., Verizon Communications, VF Corp., West Pharmaceutical Services, Williams Cos., Inc., Wolverine World Wide, Inc.

After 10 Years in the Top 20, How Many Funds Stayed on Top?



The Costs of Mistiming the Market

S&P 500 Index 1970–2010	Annualized Compound Return
Total Period	9.99%
Missing One Best Day	9.70%
Missing Five Best Single Days	8.84%
Missing 15 Best Single Days	7.41%
Missing 25 Best Single Days	6.22%
One-Month T-Bill Index	5.56%

Source: Dimensional Fund Advisors.

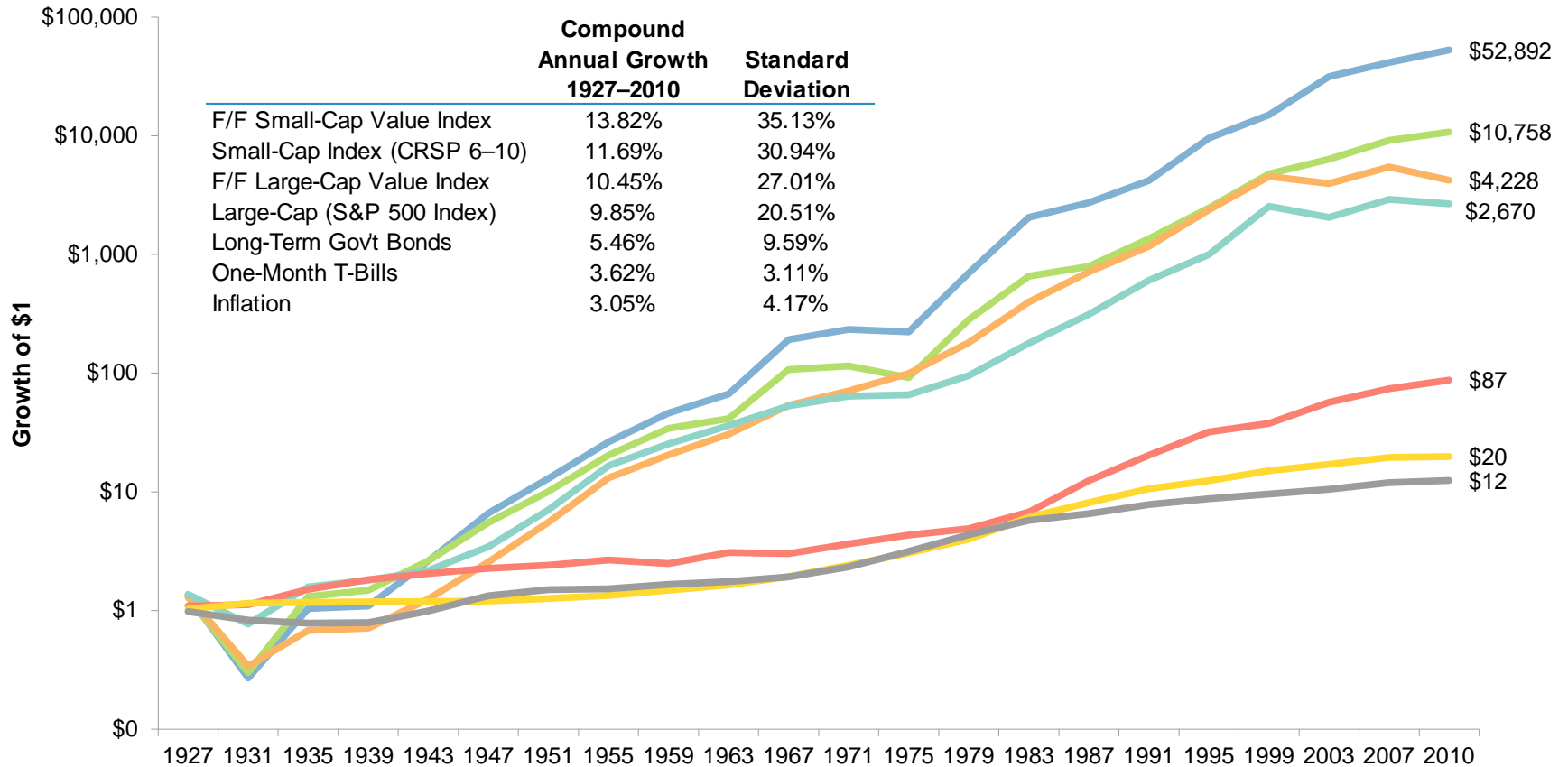
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Total return includes reinvestment of dividends.

See *Sources and Descriptions of Data* at the end of this booklet.

Distinct Asset Classes Provide Distinct Return Profiles



- F/F Small-Cap Value Index: Combined risk factors provide powerful premium returns
- Small-Cap Index (CRSP 6–10): Higher risk, greater return
- F/F Large-Cap Value Index: Recognizable premium return
- Large-Cap (S&P 500 Index): Bumpy ride, but wealth-creating
- Long-Term Gov't Bonds: Poor risk/reward trade-off
- One-Month T-Bills: No growth after taxes and inflation
- Inflation

Source: Dimensional Fund Advisors.
 Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio nor do indices represent results of actual trading.
 Information from sources deemed reliable, but its accuracy cannot be guaranteed. Performance is historical and does not guarantee future results.
 Total return includes reinvestment of dividends.
 See Sources and Descriptions of Data at the end of this booklet.

The Power of Diversification

Portfolios Rebalanced Quarterly: January 1973–December 2010

	Portfolio				
	1	2	3	4	5
Barclays Capital Gov't Credit Bond Index	40%				
S&P 500 Index	60%	60%	30%	15%	7.5%
One-Year US Treasury Note Index		40%	40%	40%	40%
CRSP 9-10 Index			30%	15%	7.5%
Fama-French US Small-Cap Value Index				15%	7.5%
Fama-French US Large-Cap Value Index				15%	7.5%
Fama-French International Value Index					15%
DFA International Small-Cap Index					15%
Performance					
Annualized Return	9.47%	8.89%	10.11%	10.69%	11.14%
Annualized Standard Deviation	12.45%	11.43%	13.26%	13.68%	12.92%
Growth of \$1	\$31.09	\$25.42	\$38.81	\$47.39	\$55.28
Sharpe Ratio*	0.364	0.337	0.397	0.432	0.485

A diversified portfolio can provide higher expected returns with reduced risk.

Source: Dimensional Fund Advisors.

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio nor do indices represent results of actual trading. Information from sources deemed reliable, but its accuracy cannot be guaranteed. Performance is historical and does not guarantee future results.

Total return includes reinvestment of dividends. Annualized from quarterly data. All portfolios rebalanced quarterly.

See *Sources and Descriptions of Data* at the end of this booklet.

*The Sharpe Ratio is a measure of the risk-adjusted return of an investment. A higher ratio indicates a greater return for a unit of risk. The Sharpe Ratio is calculated as the average annual portfolio return less the average annual risk-free rate (One-month T-bills) divided by the portfolio's annualized standard deviation.

Simulated Portfolio Construction

Simulated Strategy* — Risk Target 3

	Portfolio (%)			
	Conservative	Moderate	Aggressive	All-Stock
Equity	40.0	60.0	80.0	100.0
Domestic	24.0	36.0	48.0	60.0
Market Equity: DFA US Core Equity-2 Portfolio	10.5	16.0	21.0	26.5
Large-Cap Value: DFA US Large Cap Value Portfolio III	3.5	5.0	7.0	8.5
Small-Cap Value: DFA US Targeted Value Portfolio	10.0	15.0	20.0	25.0
International	16.0	24.0	32.0	40.0
Market Equity: DFA International Core Equity Portfolio	2.5	3.7	5.0	6.2
Large-Cap Value: DFA International Value Portfolio III	4.5	7.0	9.3	11.6
Small-Cap Value: DFA International Small Cap Value Portfolio	5.0	7.3	9.7	12.2
Emerging Markets Equity: DFA Emerging Markets Core Equity Portfolio	4.0	6.0	8.0	10.0
Fixed Income	60.0	40.0	20.0	0.0
DFA Two-Year Global Fixed Income Portfolio	30.0	20.0	0.0	0.0
DFA Five-Year Global Fixed Income Portfolio	0.0	0.0	10.0	0.0
DFA Inflation-Protected Securities	30.0	20.0	10.0	0.0

Source: Dimensional Fund Advisors.

Information from sources deemed reliable, but its accuracy cannot be guaranteed.

*See preceding "Important Disclosures Regarding Simulated Strategies."

Simulated Portfolio Performance

Simulated Strategy* — Risk Target 3

Annualized Returns for Periods Ending 12/31/10

Gross Returns

	Conservative (40/60)	Moderate (60/40)	Aggressive (80/20)	All-Stock (100/0)	S&P 500/ MSCI EAFE Index**
One Year	10.96%	14.29%	17.97%	20.96%	12.14%
Three Years	3.75%	2.96%	1.84%	-0.14%	-4.47%
Standard Deviation	12.09%	18.27%	24.83%	31.57%	26.92%
Five Years	5.25%	5.28%	5.08%	4.32%	2.43%
Standard Deviation	9.66%	14.60%	19.81%	25.16%	21.30%
Ten Years	6.48%	7.52%	8.36%	8.83%	2.32%
Standard Deviation	10.12%	15.05%	20.10%	25.12%	22.92%

Growth of \$1,000 Invested for Periods Ending 12/31/10

Gross Returns

	Conservative (40/60)	Moderate (60/40)	Aggressive (80/20)	All-Stock (100/0)	S&P 500/ MSCI EAFE Index**
One Year	\$1,110	\$1,143	\$1,180	\$1,210	\$1,121
Three Years	\$1,117	\$1,092	\$1,056	\$996	\$872
Five Years	\$1,291	\$1,293	\$1,281	\$1,236	\$1,127
Ten Years	\$1,873	\$2,064	\$2,231	\$2,331	\$1,258

Source: Dimensional Fund Advisors.

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio nor do indices represent results of actual trading. Information from sources deemed reliable, but its accuracy cannot be guaranteed. Performance is historical and does not guarantee future results.

Simulated strategy total return includes reinvestment of dividends and capital gains distributions. Index total return includes reinvestment of dividends.

Simulated strategy allocations have evolved over time. Please see the appropriate Simulated Strategy Evolution slide to understand these evolutions and thus the make-up of the returns.

Portfolios shown do not include tax-managed funds. Standard deviations for three- and five-year periods are annualized from quarterly standard deviations.

*See preceding "Important Disclosures Regarding Simulated Strategies."

**60 percent S&P 500 Index/40 percent MSCI EAFE Index.

How We Help Implement This Solution For Your Plan

Bundled Solution for 401(k) Retirement Plans

Bundled 401(k) Solution Makes It Easy for Plan Sponsors and Participants

1. Investment freedom

- Choose lifestyle portfolios or from thousands of mutual funds
- Set up self-directed brokerage accounts

2. Time-saving technology

- Online and paper enrollment
- Call center
- Voice response 800 number
- Online reporting and transactions
- Automated rebalancing of account investments

Bundled 401(k) Solution Makes It Easy for Plan Sponsors and Participants (Cont'd)

3. Scalable

- Multiple locations; unlimited growth
- In-house or outsourced third-party administrator (TPA) services to any TPA in the nation
- Ease in making changes to plan and investment options

4. Investment education

- On-site educational seminars
- Easy-to-understand investment education
- Long-term retirement objectives
- Fund selection by risk tolerance

Participant Support

Cypress Asset Management, Inc. believes very strongly about providing sufficient education to all plan participants. Our online education and financial planning tools will help participants make their investment elections and determine an appropriate savings rate. In addition to the online materials, we believe that the on-site enrollment and educational seminars should not be replaced.

Cypress Asset Management, Inc. will hold:

- Initial enrollment/education meetings in multiple locations, if necessary.
- Annual educational seminars and one-on-one meetings covering market conditions, discipline, rebalancing and all pertinent information.
- Education focuses on the importance of saving and increasing participation.

Powered By MasteryPOINT

Welcome to MasteryPOINT's Guidance Plus!

This program will help you better understand retirement planning and, more importantly, provides powerful tools which can help you with your planning. Please click a link below to get started.

▶ Strategy Builder

Use [First Look](#) to take a shortcut to your results. If this is your first time in, this will be a highly defaulted retirement analysis using only your 401(k) plan. Develop a [more personalized strategy](#).

- Add details about your income needs and outside investments.
- Consider investing recommendations based on information about you.
- Implement a personalized action plan.

▶ Learn More

Bring yourself up to speed on investing concepts.

[Plan Ahead for Retirement](#): Find out how starting early and saving as much as you can may help you work towards a secure future.

[Save for a Financially Secure Future](#): See how easy it is to save using your 401(k) plan.

[Become a Wise Investor](#): Learn about the basics of investing and how to choose investments that are right for you.

[Glossary](#): Find the meanings of financial and investing terms.

▶ Additional Planning Tools

Project your contributions' effect on your paycheck, calculate a loan, and more.

[See All Calculators.](#)



The calculators provide hypothetical examples and are not intended to represent past or future performance of a specific investment, which cannot be predicted. The calculators are not intended to provide specific advice to any individual. Rates of return will vary over time. Those investments offering a higher rate of return also involve a higher degree of risk.

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- **Getting Started**
- Personal Information
- Current Investments
- Annual Savings
- Employer Contributions
- Other Income\Expense
- Setting Goals
- Action Plan

Getting Started

Reaching your retirement goals requires a long-term plan. But first you need to understand your current financial situation. Before you begin, you may want to gather:

- A recent paycheck for you and, if married, for your spouse.
- Current account statements for savings and investment accounts for you and, if married, for your spouse.
- Pension estimates from current and previous employers.

Please answer the following questions. Your answers will be used to help you build a customized retirement strategy.

GETTING STARTED

Please answer the following:

Are you married? Yes No

If you are married,

Does your spouse currently earn an income? Yes No

Do you want to include your spouse's income and assets in your retirement strategy? Yes No

Does your spouse have a retirement plan at work? Yes No

Does your spouse's employer provide contributions to his/her retirement plan? Yes No

Do you or your spouse have investments in a previous employer's retirement plan? Yes No

Will you or your spouse receive pension payments? Yes No

Do you have any other household investments? Yes No

Do you or your spouse have an IRA? Yes No

Do you want to include Social Security benefits in your guidance? Yes No

Do you have - or expect to have - other sources of income prior to retirement? Examples include inheritances, rental income, trust income, etc. Yes No

Done Internet

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- Getting Started
- **Personal Information**
- Current Investments
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Personal Information

Please enter all information on this screen.

Note: As you use this site, it is particularly important that you keep your salary/compensation information as up-to-date as possible on this screen. This information is key to developing your retirement analysis.

The information is also used by several other processes within the system. Each time you login, the system will notify you whether you are on track to meet your retirement goal. Determination of that goal requires that you maintain your salary information accurately.

PERSONAL INFORMATION

	Participant	Spouse
Current:		
Name:	Demo Participant	jane
Gender:	Male	Female
Date of Birth:	01/02/1977 <small>(mm/dd/yyyy)</small>	01/02/1978 <small>(mm/dd/yyyy)</small>
Annual Salary:	75000	38000 ?
Future:		
Desired Retirement Age:	66	59 ?

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Current Investments

Your 401(k) plan investments have been pre-filled with current values by the program and appear below. The current values for the other investments you have added should be updated in the boxes below each time you use this program.

You may add investments to your retirement portfolios by clicking the button below.

[Add Other Investments](#)

CURRENT INVESTMENTS	
Investment Option	Current Value
Your 401(k) Plan	
DFA Emerging Markets I	\$2,880.76
DFA Emerging Markets Value	\$2,992.56
DFA International Small Co	\$8,962.53
DFA International Value III	\$25,039.81
DFA Two Year Global F/I	\$117,537.45
DFA U.S. Large Co In Idx	\$26,485.04
DFA U.S. Large Cap Val III	\$35,660.12
DFA U.S. Micro Cap	\$16,436.10
DFA U.S. Small Cap Value	\$43,018.95
DFA International Small Cap Value	\$14,995.44
Spouse 401(k) Plan	
<input checked="" type="checkbox"/> Vanguard Total Stock Market Fund (VIPER)	\$12000
<input checked="" type="checkbox"/> Vanguard Total Bond Market Index Fund (I)	\$8000
Household Taxable Portfolio Plan	
<input checked="" type="checkbox"/> Vanguard Total Stock Market Fund (VIPER)	\$50000

To delete, click the icon next to the investment option you want removed. The entry will be permanently deleted from the list.

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Setting Goals

Most people contemplating retirement want two things: sufficient income to meet their retirement needs and a reasonable comfort level in building their retirement nest eggs. The two are related. Take more risk and you might produce a larger nest-egg - and more retirement income. But not everyone is comfortable with high levels of risk - nor should they be.

To determine your individual retirement goals, we need some more information.

GOALS & ASSUMPTIONS

Starting Assumptions

	Participant	Spouse
Annual Salary Growth:	<input type="text" value="3"/> %	<input type="text" value="3"/> % ?
Life Expectancy:*	<input type="text" value="81"/>	<input type="text" value="83"/> ?
Social Security Start Age:*	<input type="text" value="66"/>	<input type="text" value="66"/> ?
Social Security Monthly Benefit:*	<input type="text" value="2065"/>	<input type="text" value="1685"/> ?
Legacy at Death:	<input type="text" value="0"/> ?	

Denotes that a system-calculated value is available for the field. Put your mouse over the icon to see the system value. Click the calculator icon to use the system value.

Retirement Income Goal

Before you can build a plan for your retirement, you need to set a reasonable goal. Enter the percentage of your current income that you expect to need in retirement.

Retirement Income Goal: % ?

Risk Tolerance

Your tolerance for risk is an important part of your investment strategy. The *Risk Advisor* tool will help you determine your tolerance for risk. The risk scale ranges from 1 (least risk tolerant) to 100 (most risk tolerant).

[Click here to start the Risk Advisor](#)

Based on your most recent responses, your Risk Advisor score is 13.

Investment Portfolios to Include in Your Analysis

By default, your analysis includes information from the additional portfolios (i.e. IRA, Spouse 401(k)) that you entered. Check the box below if you want to exclude these portfolios from your analysis.

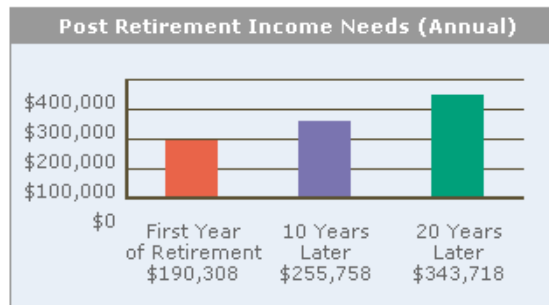
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Action Plan

Setting Your Goal

Before you can build a plan for your retirement, you need to set a reasonable goal. Experts suggest that you will need at least 80% of your final year's salary in the first year of retirement. To live comfortably throughout retirement, your income must increase each year to keep up with inflation.

Using a 3 % growth factor, it is estimated that your pay will have grown to \$223,892 by your retirement date. Your estimated initial retirement income goal is: \$190,308 or 85 % of your salary at retirement. The table below shows how your retirement income goal will continue to grow throughout your retirement.¹



¹ This is an assumption. There can be no guarantee of future salary increases. This calculation does not consider your spouse's income. Your retirement income needs grow at the rate of inflation during retirement.

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Action Plan

Based on your current plan elections and certain assumptions as defined throughout this tool, you have a **89% probability** of meeting your goals.

Retirement Age	66
Income Analysis	\$286,731 or 85%
Current Contribution Rate	8%
Current Model	60/40 Moderate

Based on your responses in the risk tolerance questionnaire, your Risk Advisor score is **87**. This is based on a scale from 1 to 100 with 1 being the least risk tolerant and 100 being the most risk tolerant.

ADDITIONAL ANALYSIS RESULTS

Use the following tables to see how changes in your retirement strategy affects the probability of meeting your retirement goals.

If you retire the year you expect to...

	8% deferral	10% deferral	12% deferral
20/80 Risk Averse	83%	87%	90%
40/60 Conservative	87%	90%	92%
60/40 Moderate	89%	91%	93%
80/20 Aggressive	90%	92%	93%

09-11-08

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Ver Conservative Moderate Moderate Aggressive Aggressive Ver Aggressive

ADDITIONAL ANALYSIS RESULTS

Use the following tables to see how changes in your retirement strategy affects the probability of meeting your retirement goals.

If you retire the year you expect to...

	8% deferral	10% deferral	12% deferral
20/80 Risk Averse	83%	87%	90%
40/60 Conservative	87%	90%	92%
60/40 Moderate	89%	91%	93%
80/20 Aggressive	90%	92%	93%
Highly Risk Tolerant	90%	92%	93%

If you work 2 extra years...

	8% deferral	10% deferral	12% deferral
20/80 Risk Averse	90%	93%	95%
40/60 Conservative	94%	95%	95%
60/40 Moderate	94%	95%	95%
80/20 Aggressive	94%	94%	95%
Highly Risk Tolerant	93%	94%	95%

If you work 2 fewer years...

	8% deferral	10% deferral	12% deferral
20/80 Risk Averse	72%	79%	83%
40/60 Conservative	82%	86%	90%
60/40 Moderate	86%	89%	91%
80/20 Aggressive	88%	90%	91%
Highly Risk Tolerant	88%	90%	91%

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Important Disclosures Regarding Simulated Strategies

The preceding pages include illustrations of returns for the types of portfolios we design for clients.

The Simulated Strategies may or may not be the actual allocation determined to be appropriate for any individual clients, and a client may or may not follow the Simulated Strategies. Clients with the allocations shown may have different results based on capital flows, timing of rebalancing decisions, fees charged or other factors.

Our investment strategy is based on the principles of Modern Portfolio Theory (MPT). The tenets of MPT provide for a passive, long-term, buy-and-hold strategy implemented through globally diversified portfolios. Mutual funds representing asset classes where academic research has demonstrated higher expected returns for the level of risk taken are combined into a single portfolio. Portfolios are constructed with low-correlating components to provide diversification for the purpose of reducing the risk caused by volatility. Commodities may be added to some client portfolios for the purpose of additional risk reduction and not necessarily to provide higher expected returns in such portfolios. Portfolios are rebalanced to maintain agreed-upon asset allocations.

The historical performance information that follows is provided to demonstrate the methodology used in building portfolios using the aforementioned investment strategy. This information should not be considered as a demonstration of actual performance results or actual trading using client assets and should not be interpreted as such. The results are based on the retroactive application of a back-tested model that was designed with the benefit of hindsight and should not be interpreted as the performance of actual accounts. Past performance is not a guarantee of future results. **[The advisor has not managed client portfolios in this manner this entire period of time.]** The investment returns and principal value of mutual funds recommended by our firm will fluctuate and may be worth more or less than their original cost when sold. A client may experience a loss when implementing an investment strategy. Advisor utilizes both tax-managed funds and corresponding funds that are not tax managed in constructing client accounts. The Simulated Strategies returns presented use fund returns that are not tax managed. While the tax-managed funds are consistent with the passive approach we follow, they should not be expected to regularly track the performance of corresponding taxable funds in the same or similar asset classes. As such, the performance of portfolios using tax-managed funds will vary from portfolios that do not use these funds.

Back-tested data does not represent the impact that material economic and market factors might have on an investment advisor's decision-making process if the advisor were actually advising an investor and should not be considered indicative of the skill of the advisor. The back-testing of performance differs from actual account performance because an investment strategy may be adjusted at any time and for any reason, and can continue to be changed until desired or better performance results are achieved. The back-tested results assume ordinary income and capital gains distributions are reinvested, annual rebalancing and no income taxes. If performance reflects the deduction of an advisory fee billed quarterly in advance, it is indicated on the page. More information about mutual fund fees and expenses is available in the prospectus for each mutual fund.

Sources and Descriptions of Data

U.S. Equities

S&P 500 Index

Courtesy of Roger G. Ibbotson and Rex A. Sinquefeld, *Stocks, Bonds, Bills and Inflation: The Past and the Future*, Dow Jones, 1989. Ibbotson Associates, Chicago, annually updates work by Roger G. Ibbotson and Rex A. Sinquefeld. Used with permission. All rights reserved.

CRSP Deciles 9–10 Index

Courtesy of Center for Research in Security Prices (CRSP), University of Chicago. Small company universe returns (Deciles 9–10) — all exchanges.

January 1926–June 1962: NYSE, rebalanced semiannually.
July 1962–December 1972: CRSP Database, NYSE and AMEX, rebalanced quarterly.
January 1973–September 1988: CRSP Database, NYSE, AMEX and OTC, rebalanced quarterly.
October 1988–present: CRSP Index (NYSE, AMEX and OTC).

CRSP Deciles 6–10 Index

Courtesy of CRSP, University of Chicago. Small company universe returns (Deciles 6–10) — all exchanges.

January 1926–June 1962: NYSE, rebalanced semiannually.
July 1962–December 1972: CRSP Database, NYSE and AMEX, rebalanced quarterly.
January 1973–September 1988: CRSP Database, NYSE, AMEX and OTC, rebalanced quarterly.
October 1988–present: CRSP Index (NYSE, AMEX and OTC).

CRSP Deciles 1–10 Index (market)

Courtesy of CRSP, University of Chicago.

January 1926–June 1962: NYSE, rebalanced semiannually.
July 1962–present: CRSP deciles 1–10 cap-based (market) portfolio, rebalanced quarterly.

Fama-French US Large Growth Index (excluding utilities),

Fama-French US Large Cap Index,

Fama-French US Large Cap Value Index (excluding utilities),

Fama-French US Small Growth Index (excluding utilities),

Fama-French US Small Cap Index and

Fama-French US Small Cap Value Index (excluding utilities)

January 1927–present: Courtesy of Fama-French and CRSP. Upper-half market cap, upper 30 percent book-to-market. Buy range-only, no simulated hold range or estimated trading costs, rebalanced quarterly.
Composition:
U.S. operating companies trading on the NYSE, AMEX or Nasdaq NMS. Maximum weight of any security in a portfolio is 4 percent.
Exclusions:
ADRs, investment companies, tracking stocks before 1993, non-U.S. incorporated companies, closed-end funds and certificates.
Sources:
CRSP databases for returns and market capitalization: 1926–present.
Compustat and hand-collected book values: 1926–1992.
CRSP links to Compustat and hand-collected links: 1926–present.
Book-to-market ratios provided by Dimensional Fund Advisors (DFA): 1993–present.
Breakpoints:
Before June 1996, the small-cap portfolios contain firms with market capitalization below the 55th percentile of all eligible NYSE firms, and the large-cap portfolios contain firms with market caps above the 50th percentile. From June 1996 to December 2000, the size breakpoint for all portfolios is the market cap of the median eligible NYSE firm. The book-to-market breakpoints for 1926 to 2000 split the eligible NYSE firms with positive book equity into three categories: the top 30 percent are in value and the bottom 30 percent are in growth.
Starting in January 2001, the size breakpoints are defined by cumulative market cap percentile rules. Small-cap is the bottom 8 percent of the overall stock market and large-cap is the top 90 percent. The book-to-market breakpoints are defined by the firms in the relevant size range.
The breakpoints for small-cap value (high book-to-market) and small-cap growth (low book-to-market) assign 25 percent of the total market cap in the small-cap size range to each portfolio. The book-to-market breakpoints for large-cap assign 10 percent of the market equity of large firms to the large-cap value portfolio and 20 percent to the large-cap growth portfolio.
Rebalancing:
Annual (at the end of June): 1926–1992. Quarterly: 1993–present.

Dimensional US Micro Cap Index

Courtesy of CRSP and Compustat.

June 1927–present:

Dimensional US Micro Cap Index.

Composition: Market-capitalization-weighted index of securities of the smallest U.S. companies whose market capitalization falls in the lowest 4 percent of the total market capitalization of the eligible market. The eligible market is composed of securities of U.S. companies traded on the NYSE, AMEX and Nasdaq Global Market.

Dimensional US Small Cap Value Index

Courtesy of CRSP and Compustat.

June 1927–present:

Dimensional US Small Cap Value Index.

Composition: Companies whose book-to-market ratio falls in the top 25 percent of U.S. small-cap companies after the exclusion of utilities, companies lacking financial data and companies with negative book-to-market ratio. The eligible market is composed of securities of U.S. companies traded on the NYSE, AMEX and Nasdaq Global Market.

Dimensional US Large Cap Value Index

Courtesy of CRSP and Compustat.

June 1927–present:

Dimensional US Large Cap Value Index.

Composition: Companies whose book-to-market ratio falls in the top 20 percent of U.S. large-cap companies after the exclusion of utilities, companies lacking financial data and companies with negative book-to-market ratio. The eligible market is composed of securities of U.S. companies traded on the NYSE, AMEX and Nasdaq Global Market.

US Market Equity — Risk Targets 2 and 3

Courtesy of DFA.

January 1973–present:

DFA US Adjusted Market 2 Index.

US Large Cap Value

Courtesy of DFA.

January 1973–present:

DFA US Large Cap Value Index.

US Small Cap Value

Courtesy of DFA.

January 1973–present:

DFA US Targeted Value Index.

International Equities

Fama-French International Value Index

Courtesy of Morgan Stanley Capital International (MSCI) and Fama-French.

January 1973–December 1974:

Data provided by MSCI EAFE Index (net dividends).

January 1975–present:

Data provided by Fama-French from MSCI securities data. Simulated strategy of MSCI EAFE countries in the upper 30 percent book-to-market range.

Dimensional International Small Cap Index

Courtesy of DFA.

January 1970–June 1981:

50 percent Hoare Govett Small Companies Index.
50 percent Nomura Small Companies Index.

July 1981–present:

Simulated by DFA from Style Research securities data.
Includes securities of MSCI EAFE countries in the bottom 10 percent of market capitalization, excluding the bottom 1 percent.

Sources and descriptions of data supplied by Dimensional Fund Advisors.

Information from sources deemed reliable, but its accuracy cannot be guaranteed.

Sources and Descriptions of Data

International Market Equity

Courtesy of MSCI, DFA and Fama-French.

January 1973–December 1974:	50 percent MSCI EAFE (net dividends). 50 percent DFA International Small Cap Index.
January 1975–June 1981:	35 percent MSCI EAFE (net dividends). 28 percent Fama-French International Value Index. 37 percent DFA International Small Cap Index.
July 1981–present:	35 percent MSCI EAFE (net dividends). 28 percent Fama-French International Value Index. 32 percent DFA International Small Cap Index. 5 percent DFA International Small Cap Value Index.

International Large Value

Courtesy of MSCI, DFA and Fama-French.

January 1973–December 1974:	50 percent MSCI EAFE (net dividends). 50 percent DFA International Small Cap Index.
January 1975–present:	Fama-French International Value Index.

International Small Value

Courtesy of DFA.

January 1973–June 1981:	DFA International Small Cap Index.
July 1981–present:	DFA International Small Cap Value Index.

Emerging Market Equity

Courtesy of MSCI, DFA and Fama-French.

January 1973–December 1974:	25 percent MSCI EAFE (net dividends). 75 percent DFA International Small Cap Index.
January 1975–December 1987:	50 percent Fama-French International Value Index. 50 percent DFA International Small Cap Index.
January 1988–December 1988:	MSCI Emerging Markets Index (gross).
January 1989–present:	50 percent MSCI Emerging Markets Index (gross). 25 percent Fama-French Emerging Markets Small Cap Index. 25 percent Fama-French Emerging Markets Value Index.

Fixed Income

Barclays Capital Government/Credit Bond Index

Range 1–30+ years. Courtesy of Barclays Capital.

Barclays Capital Intermediate Government Credit Bond Index

Range 1–10 years. Courtesy of Barclays Capital.

Six-Month Treasury Bills

Courtesy of CRSP and Bank of America Merrill Lynch.

January 1964–December 1977:	CRSP.
January 1978–present:	Bank of America Merrill Lynch G002 Index.

One-Year Treasury Note Index

Courtesy of CRSP, DFA and Bank of America Merrill Lynch.

July 1963–May 1991:	CRSP/DFA.
June 1991–June 2000:	Bank of America Merrill Lynch One-Year US Treasury Bill Index.
July 2000–present:	Bank of America Merrill Lynch One-Year US Treasury Note Index (GC03 Index)

One-Month Treasury Bills (Average maturity: 30 days), Five-Year Treasury Notes, Long-Term Government Bonds (Average maturity: 20 years) and Long-Term Corporate Bonds

Courtesy of Roger G. Ibbotson and Rex A. Sinquefeld, *Stocks, Bonds, Bills and Inflation: The Past and the Future*, Dow Jones, 1989. Ibbotson Associates, Chicago, annually updates work by Roger G. Ibbotson and Rex A. Sinquefeld. Used with permission. All rights reserved.

One-Month Certificate of Deposit

Courtesy of Federal Reserve Bank.

January 1966–present:	One-Month Certificate of Deposit Index.
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Three-Month Certificate of Deposit

Courtesy of Federal Reserve Bank.

January 1988–present:	Three-Month Certificate of Deposit Index.
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Six-Month Certificate of Deposit

Courtesy of Federal Reserve Bank.

January 1988–present:	Six-Month Certificate of Deposit Index.
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Bank of America Merrill Lynch Three-Month US Treasury Bill Index

Courtesy of Bank of America Merrill Lynch.

January 1978–present:	Bank of America Merrill Lynch Three-Month US Treasury Bill Index.
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Barclays Capital US Government Bond Index (Intermediate)

Courtesy of Barclays Capital.

January 1973–present:	Barclays Capital Intermediate Government Bond Index.
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Barclays Capital Treasury Bond Index (Intermediate)

Courtesy of Barclays Capital.

January 1973–present:	Barclays Capital Intermediate Treasury Bond Index.
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Barclays Capital Credit Bond Index (Intermediate)

Range 1–10 years. Courtesy of Barclays Capital.

January 1973–present:	Barclays Capital Intermediate Credit Bond Index.
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Barclays Capital Treasury Bond Index

Range 1–30+ years. Courtesy of Barclays Capital.

January 1973–present:	Barclays Capital Treasury Bond Index.
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Barclays Capital US Government Bond Index

Range 1–30+ years. Courtesy of Barclays Capital.

January 1973–present:	Barclays Capital Government Bond Index.
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CSFB High Yield Index

Courtesy of Morningstar.

January 1988–present:	CSFB High Yield Index.
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Fixed Income for Risk Target 3 Indexes

Courtesy of Bank of America Merrill Lynch, Citigroup and Barclays Capital.

January 1973–December 1989:	Bank of America Merrill Lynch One-Year US Treasury.
January 1990–February 1997:	Citigroup World Government Bond (1–3 Hedged).
March 1997–present:	50 percent Citigroup World Government Bond (1–3 Hedged). 50 percent Barclays Capital TIPS Index.

Fixed Income Allocation for Simulated Strategies

January 1997–December 2006:	100 percent DFA Two-Year Global (DFGFY).
January 2007–December 2009:	50 percent DFA Two-Year Global (DFGFY). 50 percent DFA Inflation-Protected Securities (DIPSX).
January 2010–present:	80-20 allocation: 50 percent DFA Five-Year Global (DFGBX). 50 percent DFA Inflation-Protected (DIPSX). All other allocations: 50 percent DFA Two-Year Global (DFGFY). 50 percent DFA Inflation-Protected Securities (DIPSX).

Hard Assets

Dow Jones Wilshire REIT Index

Courtesy of Dow Jones Wilshire.

January 1978–present:	Dow Jones Wilshire REIT Index.
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S&P Goldman Sachs Commodities Index™

Courtesy of Bloomberg.

January 1970–present:	S&P Goldman Sachs Commodities Index™
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Inflation

Courtesy of Roger G. Ibbotson and Rex A. Sinquefeld, *Stocks, Bonds, Bills and Inflation: The Past and the Future*, Dow Jones, 1989. Ibbotson Associates, Chicago, annual updates work by Roger G. Ibbotson and Rex A. Sinquefeld. Used with permission. All rights reserved.

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