

**ALPA RETIREMENT COMMITTEE  
401K WORKSHOP**

A presentation designed for Express Jet employees to better understand, analyze, and implement a successful strategy for investing.

Portfolio Management – Tax Preparation –  
Financial Planning – Estate Legal Services

**WISER**  
WEALTH MANAGEMENT  
www.wiserinvestor.com

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## Disclosures

This presentation has been created and is presented by Wiser Wealth Management, Inc. The purpose of the information contained here is to educate Express Jet employees about the basics of investing and relating this information to the Express Jet Empower 401K plan. This information is not intended to be individual advice, but a way for the plan participant to take basic investment knowledge and form his or her own analysis of their situation. Any opinions within this presentation are of Wiser Wealth Management, Inc and may not be the opinion of JP Morgan, Express Jet and or Express Jet/ASA ALPA.

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## about the presenter

### Casey T. Smith

- President of Wiser Wealth Management, Inc / Retired Captain CRJ 200, Express Jet.
- Finance Degree from Berry College 2000, Tax Preparation School 2005, Master of Estate Preservation in 2005.
- Speaking Engagements: Inside ETF Conference, FL 2008,2009,2010,2012; Europe ETF Conference Amsterdam 2010, Art of Indexing Summit, NY 2010; Singapore ETF Conference 2009, S&P Atlanta Advisor Workshop 2011,2012, ETF Asia, Shanghai, 2012.
- Awards: Atlanta Magazine's Wealth Manager of the Year 2011, 2012, 2013, 2014; Cobb Life Magazine's Top 20 Rising Stars Under 40; Berry College Young Alumni of the Year 2011, Top 20Pioneer in the Usage of ETFs in the USA.
- Quoted in: Wall Street Journal, Kiplinger Magazine, CNN Radio, Atlanta Journal and Constitution, Marietta Daily Journal, New York Times, Your Trading Edge Magazine, IndexUniverse.com, SeekingAlpha.com, Dallas New Era Paper and more.
- Board Member: Berry College Board of Visitors, Berry College Campbell School of Business, Laona M. Kitchen Foundation Board Member.

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## Wiser Wealth Management, Inc.

### Fiduciary + Fee Only

#### Services

- Portfolio Management, Financial Planning, Tax Preparation, and Estate & Business Legal Services

#### Our Professionals

- Casey Smith, President - Principal
- Michael Burnett, Attorney, Estate Legal Services
- Peter Fullen, CPA, Tax Preparation & Accounting
- Sonja Gonzalez, Client Management & Planning
- Alexa Brannen, Client Services Manager
- LaTrelle Allen, Special Projects

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## Today's presentation

- There is a lot of information being shared within this presentation in a relatively short period of time.
- Our objective is to give you the tools necessary to manage your JP Morgan 401k plan more effectively to meet your goals.
- You can contact us at anytime for clarifications and questions at **678.905.4450 ext 1 or 3.**



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## Today's agenda

- The Business of Financial Advice
- Financial Planning
- Investor Behavior
- Retirement Behavior
- Ways to Invest / Strategies
- Fund Evaluating Methods
- Portfolio Building
- Brokerage Link
- Professional Panel

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part 1 **The business of financial advice**

Fiduciary + Fee Only = Your best interest

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**The business of financial advice**

There are two standards in the business of financial advice:

**Suitability**

Or

**Fiduciary**

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**Suitability**

**Are you suitable for the product being sold to you?**

- Advisor being paid by commissions, usually from the product that he or she is selling.
- You may be suitable for the product but that does not mean that it is the best for you or the lowest cost.
- Easy-to-access large brokerage firms fall under this rule. Example: Edward Jones, Suntrust, Northwest Mutual, Merrill Lynch, Wells Fargo etc...

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## Fiduciary

The product being used must be in the best interest of the client. Any conflicts in interest must be disclosed to the client (Form ADV Part II).

- Advisor being paid by the client by the hour, for a flat % of assets under management (AUM) or a flat fee.
- This business model is fee-only or fee-based
- Fee-Based advisors offer products that generate a commission but will also work under the terms above.
- Firms operating under Fiduciary are independent firms that will often hold the client's assets at TD Ameritrade, Schwab or Fidelity.

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part  
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## Financial planning

“You need a plan to build a house. To build a life, it is even more important to have a plan or goal.” – Zig Ziglar



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## Retirement planning

### Who is saving for retirement?

- 56% of Americans nearing retirement are reported to have less than \$25K in retirement savings\*.
- 42% of retirees say that their current debt level is a problem\*.  
\*Employee Benefit Research Institute as reported in USA Today
- Many pensions are being reported as severely underfunded.
- Social Security is severely underfunded and may not be available for your retirement in its current form.

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### How much do I need to save?

- If you retire at age 65 you should expect to live until age 90 – 95.
- A 45 year old will need \$2,347,839 saved by age 65 to provide \$80K a year in today's dollars (FV \$118,876) to last until age 95.
- A 25 year old will need \$3,488,756 saved by age 65 to provide \$80K a year in today's dollars (FV \$176,643) to last until age 95.
- A person starting to save at age 25 will need to save \$1,329 monthly to reach his or her retirement goal of 80k annually post retirement.
- A person starting at age 45 will need to save \$4,500 monthly to reach the same retirement goal.



Assumes 7% rate of return during accumulation phase, 5% return during retirement and 2% inflation. Social Security not included.

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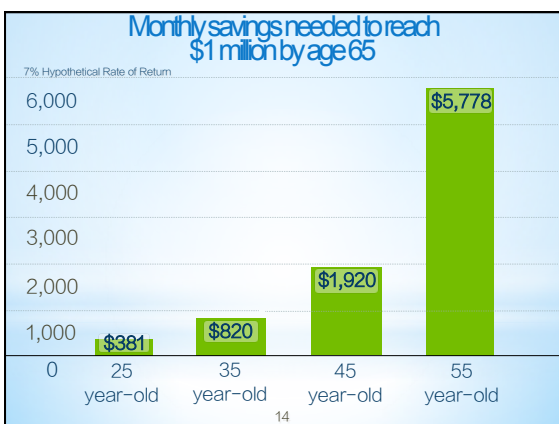
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### Financial planning: Debt

Saving for retirement while paying 11% in interest or more on credit cards does not make for good math. Paying off debt is a guaranteed return on your money.

- **Example:** If you have a credit card with a balance of \$5,000 at a rate of 11% interest and you pay it off, you are saving future interest payments, increasing your cash flow for retirement savings.

**If you need to pay down debt:**

- Unless you have a large amount of debt, we recommend contributing the minimum to get the maximum matching from the 401k. Don't walk away from free money.
- Manage cash flow to pay down debt quickly. Make drastic changes as necessary.

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### Financial planning: Debt

From Dave Ramsey's book "Total Money Makeover"

- Create and maintain a family budget
- Get \$1,000 in an emergency fund
- Aggressively attack and pay off debt
- Save 15% for retirement while increasing your emergency fund
- Pay off your home
- Aggressively save for retirement

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### Can you fill in the blanks?

I need to save \_\_\_\_% of my paycheck to reach my financial independence goal to make working optional at age \_\_\_\_.

My retirement nest egg needs to be built to \$\_\_\_\_\_ to achieve this goal.

Wiser Wealth Management can help you create a financial blueprint for your future at:

678-905-4450, ext 1

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part 3

### Investor behavior

"The investor's chief problem - and even his worst enemy - is likely to be himself."

**Benjamin Graham**

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## Behavioral finance

- This term was coined in the early 1990's.
- Term means social sciences applied to finance.
- "There has been a lot of volatility in the stock market. This volatility in the stock market is not related to anything fundamental. It is a reaction to outside factors." – *Class Lecture Notes*  
– Robert Shiller, Author and Yale Professor
- Stocks should be valued as the present value of their future cash flow. If this is true, then volatility in price has to come from outside factors.



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## Bad behavior = Less money for you

- We tend to make investment decisions based on how we feel rather than what we know.
- History shows that we tend to **buy high** and **sell low**.
- To have good investment behavior:
  - **Focus on the long term.** Don't get caught selling out of fear based on short-term news or market events.
  - **Build a portfolio that has an appropriate risk tolerance** based on your age, objective and risk (volatility) tolerance.

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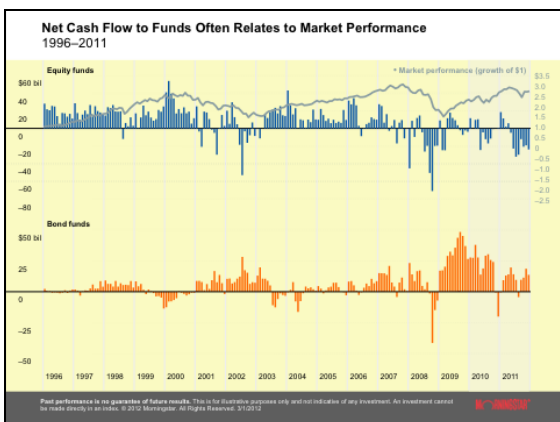
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## Patterns of Investor irrationality

- **Overconfidence** – Rating oneself as above average when it comes to selecting investments.
- **Hindsight Bias** – Believing that unpredictable past events, in retrospect, were obvious and predictable.
- **Short-term Focus** – Inappropriately focusing on short-term risk versus long-term risk.

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## Patterns of Investor irrationality

- **Regret** – Having illogical feelings of guilt because of a poor outcome.
- **Mental Accounting** – Mentally compartmentalizing investments while ignoring the aggregate portfolio.
- **Hot-hand Fallacy** – Perceiving trends where none exist and consequently taking action on this faulty observation.

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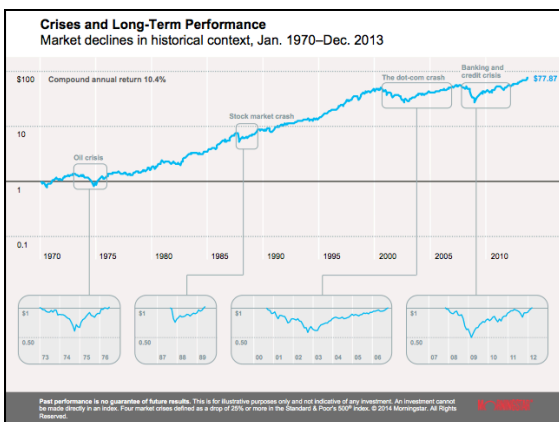
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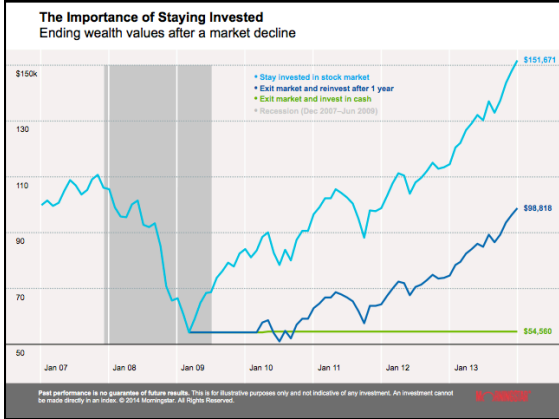
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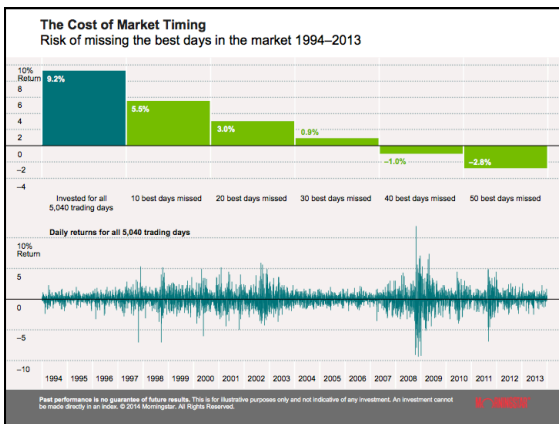
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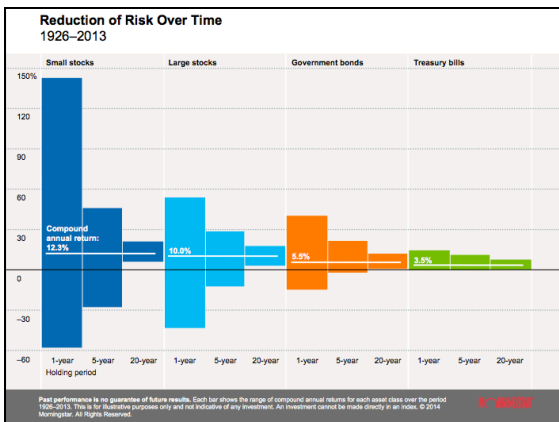
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part 4

## Vehicles for retirement

IRA, Roth IRA, 401k, Roth 401K, & Tax Deferred Annuities

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## IRA

- In 2015 you can save up to \$5,500 per year in an IRA, or \$6,500 if you are over age 50.
- Money saved is tax deductible.
- Earnings and contributions are tax deferred until withdrawal.
- Withdraw penalty free after age 59 ½.
- Must make withdrawals starting at age 70 ½.
- Household income limitations apply.
- Open an account with any mutual fund company, brokerage firm, or independent advisor.
- Limitations: Married \$118K AGI; Single \$71K; additional limitations apply if you have a 401k available at work.

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## Roth IRA

- In 2014 you can save up to \$5,500 per year in a Roth IRA, or \$6,500 if you are over age 50.
- Money saved is NOT tax deductible.
- Earnings and contributions are TAX FREE at withdrawal after 5 years and age 59 1/2.
- Withdraw principal only penalty free.
- Exempt from minimum withdrawal rules as long as original owner is alive.
- Household income limitations apply.
- Open an account with any mutual fund company, brokerage firm, or independent advisor.
- Limitations: Married \$193K AGI; Single \$131 AGI.

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## Annuity

- Contributions are NOT tax deductible, but earnings are tax deferred.
- The variable annuity is most popular, but there are also fixed annuities or indexed annuities.
- Client chooses “separate accounts” to invest in (similar to mutual funds).
- **CAUTION:** Wiser Wealth does not recommend most annuities because of **HIGH** hidden fees. In some cases where an annuity would be beneficial we suggest a no load annuity.

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## 401 (K)

- Provided by employer (Plan Sponsor).
- The plan administrator is JP Morgan (for Express Jet).
- In 2014 a participant can save \$18,000 each year, or \$23,500 if over age 50.
- Earnings and contributions are tax deferred until withdrawal.
- If a participant leaves the company, 100% of his or her contribution can be rolled into an IRA.
- Many employers match a percentage of the participant’s contribution.



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## Express Jet 401 (K) Matching

Years of Service	Matching Contributions
1	20% of the first 6% a pilot contributes to the plan
2	30% of the first 6%
3	40% of the first 6%
4-6	50% of the first 6%
7-9	75% of the first 6%
10+	75% of the first 8%

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### Express Jet Vesting schedule

Years of Service	Percent Vested
0-1	0%
2	20%
3	40%
4	60%
5	80%
6+	100%

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### 401 (K) breakdown

- Employer match may also be rolled into an IRA should the participant leave the company. See the company's vesting schedule for more information.
- 401k plans, named for the section of the tax code that governs them, arose during the 1980s as a supplement to pensions.
- A 401k is a retirement savings plan sponsored by an employer.
- Participants control how their money is invested. Most plans offer a spread of mutual funds comprised of stocks, bonds, and money market investments.

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### 401 (K) breakdown

- Brokerage links allow 401k participants to invest outside the plan's template of investment options and into stocks, ETFs, and/or mutual funds of their own choosing.
- **CAUTION:** Attempts at market timing and stock picking can cause massive losses in your life savings account (your 401k).

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## Roth 401 (K)

- Contributions are taxed at today's tax rate.
- Money within a Roth 401k grows tax free and can be withdrawn tax free.
- Paying taxes now is a good way to beat rising tax rates or to relieve future tax burdens.
- Limits on traditional 401k contributions include contributions made to a Roth 401k or visa versa.
- If a participant invests 100% into the Roth 401k, company matching will be made to the traditional 401k.

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## JP Morgan Brokerage link

- Allows the participant to move 75% of his or her balance to a brokerage account linked to the 401k.
- Inside the brokerage account the participant can purchase index funds, mutual funds and stock not available in the 401k plan.
- A brokerage link is self managed and the participant takes on all investing risks.

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## JP Morgan Brokerage Link Breakdown

### Stocks and ETFs

- \$14.95 per electronic trade.

### Mutual funds

- \$24.95 per trade to buy no-load funds. No transaction fee to buy load funds.
- \$24.95 per electronic trade to exchange or sell.

### Options - Trade at your own risk!!!

- \$24.95 per electronic trade and \$1.75 per contract.

### Annual fees

- \$100 per account per year inside plan.

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**Caution:**  
Brokerage link ahead

When investing within the brokerage link use caution:

- Mutual funds outside the plan will be more expensive. Before investing you need to fully understand 12b-1 fees, and front-load, back-load and no-load fund fees.
- Individual stocks carry company risk. Information about the company is not the same on Wall Street as it is on Main Street.
- ETFs should be traded using limit orders, and the investor should research the index methodology of the ETF prior to investing.

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part 5  
Investment vehicles

Stocks, Mutual Funds, Index Funds & Your Mattress

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Ways to invest

Stocks & Bonds → Mutual Funds → Index Funds

Active to Passive Involvement

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### options

**Purchasing an individual stock or bond**


- Google
- Enron

**Investing in a mutual fund**

- Vanguard
- Fidelity

**Investing in an index**

- Vanguard S&P 500
- iShares MSCI EAFE



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### Mutual fund

- A mutual fund is an investment vehicle that pools investors' money together to then invest into the market as one entity.
- The mutual fund hires a manager or group of managers to invest the fund's assets according to the fund's objective.
- Examples: A large cap value fund; small cap growth fund; international fund.
- A management fee, 12b-1 and trading fees are charged to the shareholders.

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### Index Fund

- An index fund is similar to a mutual fund in that it pools investors' money together and diversifies over many companies. However the similarity stops here.
- Index funds simply purchase all the companies with an index (such as S&P 500) and do not try to time the trading of individual securities. The cost of ownership is usually around 0.25% compared to mutual funds at 1.8%
- Long term buy and hold strategies are best used with index funds such as ETFs.

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part 6 **Investment Strategies**

"Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway."

**Warren Buffet**

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**Two opposing Investment strategies**

Timing Markets

Buy and Hold

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**Market Timing vs. Buy and Hold**

**Market Timing**

- Technical analysis
- Following market trends
- Constant buying and selling

**Buy and Hold**

- Fundamental analysis most common
- Dollar cost averaging
- Buying and investing in quality manager or assets for the long term

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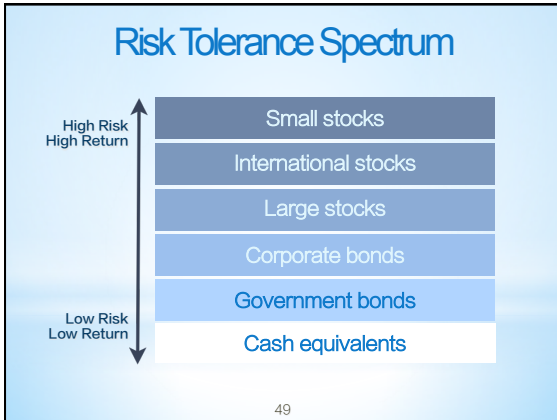
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### An investor's objective

- An investor's objective should be to assemble a portfolio of funds to achieve the highest rate of return for the least amount of risk.
- For those approaching retirement, we modify this objective to achieve the highest rate of return for a given amount of risk.
- How do we go about achieving our objective? Asset allocation.

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part 7

### Basic Portfolio Construction

Looking at building portfolios through asset allocation

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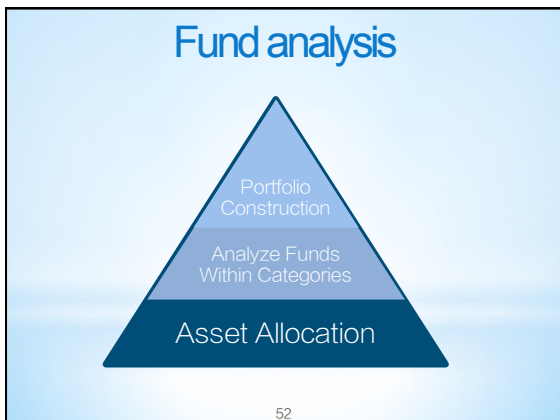
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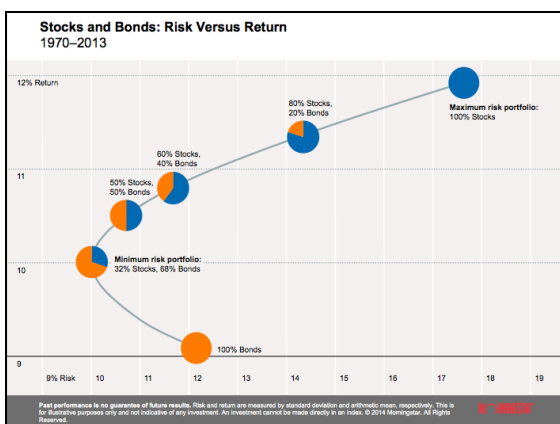
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part 8

## Fund analysis

**Fund analysis:**  
focusing on the options  
within the Empower  
401K Plan

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## Analysis tools

- Mean - Rate of Return 3, 5 & 10 Year
- Alpha
- Standard Deviation - Measure of Risk
- Sharpe Ratio
- Cost
- Other unique considerations

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## How to evaluate performance

### Historical Rate of Return

- Rate of return is usually published minus fund fees. You can find our funds' rate of return on free financial websites such as [finance.yahoo.com](http://finance.yahoo.com) and within [retireonline.com](http://retireonline.com)
- If available, look at a fund's 3, 5 and 10 year return.
- Compare returns to other funds in the plan that are in the same asset class and objective
- Compare funds to their assigned index

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Large cap rate of return

	3 Year	5 Year	10 Year
<b>Core</b>			
JP Morgan Equity Index	17.18%	15.35%	7.52%
<b>Value</b>			
American Century Equity Income	13.29%	12.44%	7.30%
JP Morgan Intrepid Value Select	18.70%	15.45%	7.97%
<b>Growth</b>			
JP Morgan Large Cap Growth R6	15.91%	17.59%	9.47%

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## How to evaluate performance

### Alpha

Simply stated, alpha is often considered to represent the value that a portfolio manager **adds to** or **subtracts from** a fund portfolio's return. A positive alpha of 1.0 means the fund has outperformed its benchmark index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. For investors, **the more positive an alpha is, the better it is.**

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Momingstar.com

Dodge & Cox International Stock DODFX | ★★★

Investment Rating: 3-Year Above Average, 5-Year Above Average, 10-Year Above Average

Alpha: 3.32

Standard Deviation: 08.32

Mean: -0.24

Alpha: 3.32

The Ladders: Step up. Stand out. Your \$100K+ career experts. FIND A GREAT JOB NOW

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The screenshot displays the Morningstar.com website with the following information for Dodge & Cox International Stock DODFX:

- Fund Name:** Dodge & Cox International Stock DODFX
- Rating:** 4 stars (★★★★)
- 3-Year Trailing:** -8.75%
- 5-Year Trailing:** -9.65%
- 10-Year Trailing:** -1.67%
- Standard Deviation:** 2.76

The page also includes navigation links, search functions, and various fund statistics.

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## International Alpha

	3 Year	5 Year	10 Year
Dodge & Cox International	-8.75	-9.65	-1.67
American Century International	-9.27	-9.12	-1.81
Janus Overseas	-24.51	-20.94	-1.75

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## How to evaluate risk

### Standard Deviation

Standard deviation measures the **variation of data from its average**. In finance, standard deviation is applied to the annual rate of return of an investment to measure its volatility (risk). A volatile stock would have a high standard deviation. With mutual funds, the standard deviation tells us how much the return on a fund is deviating from the expected returns based on its historical performance.

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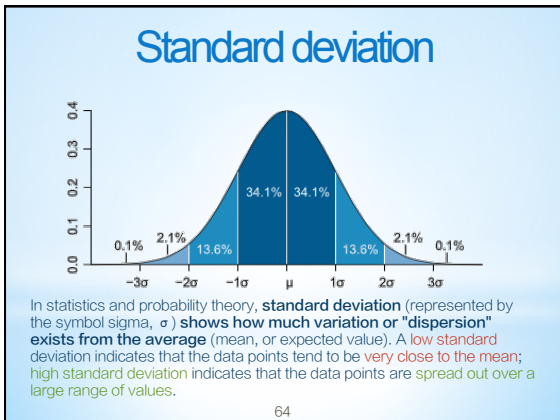
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### Applying Standard Deviation

	5 Year	
	Rate of Return	Standard Deviation
PIMCO Total Return Bond Fund	4.87	3.58
JP Morgan Equity Index Select	15.45	13.00
SKYWEST Stock	3.47	41.12
Janus Overseas	-2.71	22.36

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### How to evaluate a fund and risk

#### Sharpe Ratio

Developed by Nobel laureate economist William Sharpe, this ratio measures risk-adjusted performance. It is calculated by subtracting the risk-free rate of return (US Treasury Bond) from the rate of return for an investment and dividing the result by the investment's standard deviation of its return.

The Sharpe ratio tells investors whether an investment's returns are due to smart investment decisions or the result of excess risk. This measurement is very useful because although one portfolio or security can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance.

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Morningstar.com

Dodge & Cox International Stock DODFX | 4★

Period	Return	Standard Deviation	Sharpe Ratio	Bear Market Dodge Rank
3-Year	Above Average	28.32	0.97	***
5-Year	Above Average	28.32	0.97	***
10-Year	Above Average	28.32	0.97	***
Overall	Above Average	28.32	0.97	***

Volatility Measures: Standard Deviation 28.32, Sharpe Ratio 0.97

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Morningstar.com

4 Ways to Avoid Running Out of Money During Retirement

Dodge & Cox International Stock DODFX | 4★ | Gold

Volatility Measures: DODFX

3-Year	5-Year	10-Year	15-Year	Bear Market
3-Year Trailing Standard Deviation	Return	Sharpe Ratio	Sortino Ratio	Percentile Rank
DODFX	17.91	0.99	0.97	---
MSCI EAFE Int. USD	16.06	0.82	---	---
Category: FE	16.86	0.59	---	---

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### Applying Sharpe Ratio

	5 Year	
	Sharpe Ratio	Rate of Return
JP Morgan Mid Cap Growth	0.97	16.71
JP Morgan Mid Cap Value	0.88	15.55

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## How to evaluate cost

- **Mutual fund costs**
  - Management fees
    - Paid directly to the company that manages the funds portfolios (managers).
  - Distribution fees (12b-1)
    - Paid to the sales rep
  - Mutual fund costs can be found at Morningstar.com, Yahoo Finance and Retireonline.com

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## 401(k) fund fees at Retireonline.com

Average annualized total return										
As of date	7 day	3 mos**	1 yr	3 yr	5 yr	10 yr	Life	Inception date	Expense ratio %	
<b>Fidelity Asset Income Fund F</b>										
12/31/2012	0.39	1.62	1.91	2.51	3.49	5.52		09/01/2006	0.47	
11/30/2012	0.38	1.65	1.93	2.57	3.52	5.53				
10/31/2012	0.39	1.68	1.93	2.59	3.54	5.54				
<b>American Century Stock Bond Comm Fund</b>										
12/31/2012	-0.55	0.30	1.37	2.30	2.52	5.34		12/15/1992	0.58	
11/30/2012	-0.11	0.39	1.10	2.39	2.62	5.36				
10/31/2012	-0.13	0.40	1.30	2.63	2.57	5.37				
<b>Fidelity Total Return Asset</b>										
12/31/2012	1.11	10.09	7.49	8.08	6.56	7.47		09/08/1994	0.71	
11/30/2012	1.76	11.73	7.59	8.11	6.74	7.49				
10/31/2012	1.71	10.12	7.34	6.50	6.73	7.49				
<b>American Century Equity Income Inst</b>										
12/31/2012	-0.08	11.58	8.60	3.47	7.63	7.59		07/08/1998	0.75	
11/30/2012	1.01	13.59	10.13	3.12	7.30	7.58				
10/31/2012	2.83	14.04	11.44	2.41	7.83	7.64				
<b>Fidelity Small Retirement Income Inst</b>										
								05/15/2006	0.75	

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## How to evaluate cost

### Transaction cost

- Cost incurred by the fund as assets are traded. 100% turnover can mean an extra 1% annually in fees.
- The average large cap blend mutual fund has a 72% average turnover. Data: Morningstar, Inc.

### Taxes

- All capital gains are passed through to investors (no tax paid by you inside a 401K).
- All expenses here reduce the investor's rate of return and will not show up in the fund's expense ratio.

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## Other factors

- **Concentration of top holdings**
- **Management and strategy**
  - Look at a Morningstar.com fund analysis reviews.
- **Asset allocation**
  - Just because a fund has Large Cap or International in its name does not mean that this is all that it holds.

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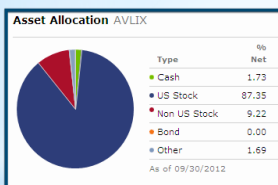
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## Asset allocation & style breakdown



**Style Details** JLGMMX

Market Capitalization	
Size	% of Portfolio
Giant	40.45
Large	43.55
Medium	16.00
Small	0.00
Micro	0.00

Market Cap Metrics	
Avg Market Cap USD	Benchmark Market Cap USD
41,871 mil	45,092 mil

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part  
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## Using your tools

How to apply  
Alpha,  
Standard Deviation,  
and Sharpe Ratio  
to your investment  
choices

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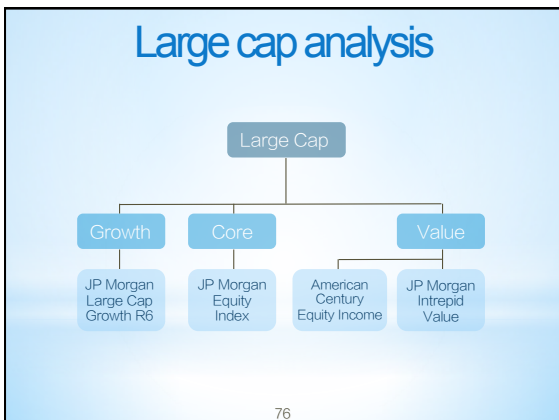
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### What are growth and value stocks?

#### Growth Stocks

- High growth rate of earnings, sales
- Low book-to-price, high price-to-earnings ratios
- Paying lower or no dividends

#### Risks

- Future growth does not occur as expected.
- Book-to-price ratio rises unexpectedly, price-to-earnings ratio declines unexpectedly.

#### Value Stocks

- Slower growth rate of earnings, sales
- High book-to-price, low price-to-earnings ratios
- Higher dividend yields
- Turnaround opportunities

#### Risks

- Evaluation of stocks as good value is misread.
- Difficult to stick to value policy when prices are beaten down.

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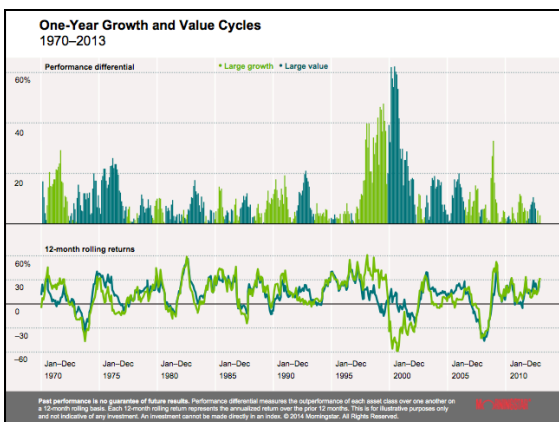
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### Large cap summary

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
<b>Core</b>				
JPMorgan Equity Index	15.45	13.0	N/A	N/A
<b>Growth</b>				
JPMorgan Large Cap Growth R6	16.03	14.59	1.09	0.41
<b>Value</b>				
American Century Equity Income	12.16	9.22	1.29	1.53
JPMorgan Intrepid Value Select	15.47	14.13	1.09	-0.88

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### Large cap summary

10 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
<b>Core</b>				
JPMorgan Equity Index	7.67	14.67	N/A	N/A
<b>Growth</b>				
JPMorgan Large Cap Growth R6	8.97	16.0	0.52	1.45
<b>Value</b>				
American Century Equity Income	7.20	10.23	0.58	1.33
JPMorgan Intrepid Value Select	8.15	15.69	0.48	0.28

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## An indexing approach to large cap stocks

### JP Morgan Equity Index

- What makes this effective:
  - Zero manager risk
  - Low cost
  - Extreme diversity within asset class
  - Low business, sector, and industry risk
- When we study indexes, we can look more at the index and the index's characteristics.
  - If the index fund tracks the index fairly well, we can generally trust the index fund to perform like the index.
- Cost 0.11% Yield - 1.89%.

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### Large cap fund notes

**JP Morgan Large Cap Growth R6**

- The fund currently holds 66 stocks and is benchmarked to the Russell 1000 Index. Its top holding is Facebook at 4.35%.
- The fund being top heavy with its top 10 holdings and the tilt towards growth will have very little downside market protection.
- Cost 0.61% Yield 0.81%

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### Large cap fund notes

**American Century Equity Income**

- Fund is benchmarked to the Russell 3000 Value Index.
- Holds 20% in convertible bonds, which cushions a fall in down markets but lags in up markets.
- Fund seeks high quality value large companies. Sells when it thinks company is over priced. Turnover is 57% last year.
- Good defensive pick for a portfolio.
- Cost 0.73% Yield 2.53%

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### Large cap fund notes

**JP Morgan Intrepid Value Select**

- Large cap value fund that also has 6% in small caps and 21% in mid caps.
- Fund's benchmark is the Russell 1000 Value Index.
- Cost 0.79% Yield 1.24%

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### Mid cap summary

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
JP Morgan Mid Cap Value	18.26	12.96	1.36	3.03
JP Morgan Mid Cap Growth	16.71	17.51	0.97	-2.07

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### Mid cap summary

10 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
JP Morgan Mid Cap Value	10.01	15.22	0.61	2.3
JP Morgan Mid Cap Growth	9.96	18.84	0.51	1.29

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## Mid cap notes

### JP Morgan Mid Cap Growth

- Fund is mostly mid cap growth but also holds 25% in large cap growth and 10% in small cap growth.
- Cost 0.93%. Yield none.

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## Mid cap notes

### JP Morgan Mid Cap Value

- Fund performance and below-average risk makes this fund a good complement to a mid cap growth allocation.
- Fund has 100 stocks, but not all mid caps. 31% are actually large cap stocks. The name is "Value" but currently the fund is considered blend, meaning that it holds both value and growth stocks.
- Cost 0.65% Yield 1.72%

89

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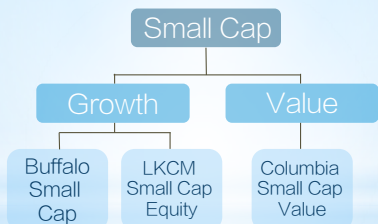
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## Small cap breakdown



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## Small cap summary

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Buffalo Small Cap	12.42	18.34	0.73	-5.42
Columbia Small Cap Value	15.55	18.32	0.88	-3.76
LKCM Small Cap Equity Advisor	14.54	17.39	0.87	-2.62

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## Small cap summary

10 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Buffalo Small Cap	7.34	19.06	0.39	-0.49
Columbia Small Cap Value	8.43	19.52	0.44	-0.06
LKCM Small Cap Equity Advisor	7.45	19.01	0.40	-0.53

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## Small cap notes

### Buffalo Small Cap

- Fund looks for big picture trends like cloud computing or the aging population, has a particular interest in US firms that get growth from overseas.
- Good long term performance but there are periods where the fund has underperformed compared to its peers, including 2014.
- Low portfolio turnover in holdings. Ranked as a small cap growth.
- Cost 1.0% Yield .36%

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## Small cap notes

### LKCM Small Cap Equity

- Overall a good small cap growth fund. It will tend to lag its peers in strong growth rallies due to its focus on quality companies.
- Cost 1.2% (High) Yield 0.26%

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## Small cap notes

### Columbia Small Cap Value

- This fund could complement a small cap growth fund but we would not use it as a core holding.
- Cost 1.06% Yield 1.0%

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## International breakdown



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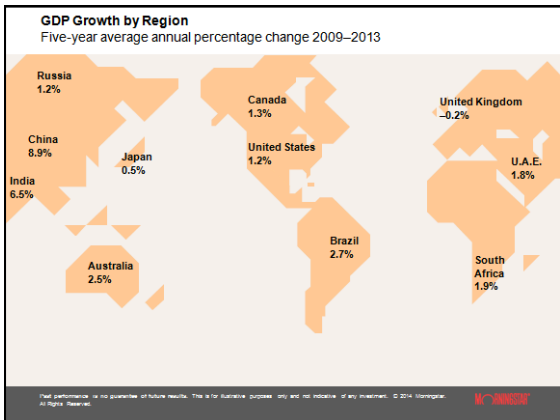
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## Key differences between Developed and emerging markets

**Developed countries:**

- Established and stable economies with strong consumption activities and ample resources.
- Ex: Australia, Canada, Japan, Germany, UK.

**Emerging countries:**

- Countries that are starting to participate globally by implementing reform programs and undergoing economic improvement.
- Ex: Brazil, Russia, India, China, Mexico, Thailand.

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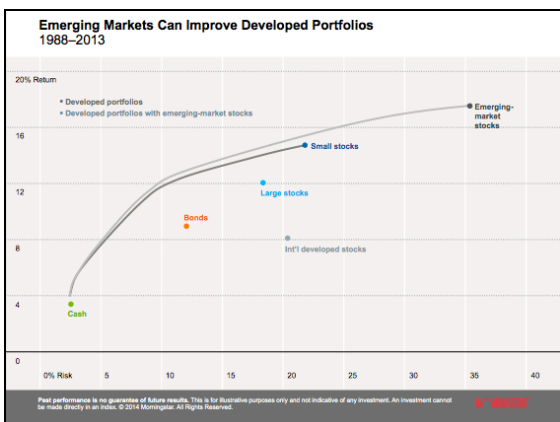
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## Telling the story through allocation

### Janus Overseas

- 55% developed markets (21% North America)
- 44% emerging markets

### American Century International Growth

- 90% developed markets
- 9% emerging markets

### Dodge & Cox International

- 80% developed markets
- 20% emerging markets

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## International summary

### 5 Year Statistics

Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Janus Overseas	-2.71	22.36	-0.02	-20.94
Dodge & Cox International	7.89	17.87	0.51	-9.65
American Century International	7.5	16.89	0.51	-9.12

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## International summary

### 10 Year Statistics

Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Janus Overseas	6.21	24.84	0.31	-1.75
Dodge & Cox International	6.73	20.52	0.35	-1.67
American Century International	5.87	18.46	0.32	-1.81

102

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## International notes

- Each of JP Morgan's 401k international funds has its own risks, thus we are not comparing apples to apples here. For those with a higher risk tolerance you may consider Janus Overseas.
- For those within 5 years of retirement you may consider American Century International or Dodge & Cox International.

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## Bond breakdown

```
graph TD; A[Bond Funds] --> B[PIMCO Total Return]; A --> C[JPMCB Stable Asset Income];
```

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## Bond funds

**Fixed income is complicated.**

- Very diverse category, can include many different structures and counter-party risks.
- Generally, fixed income involves some kind of flow of cash, affected by interest rates, time, and credit risks.

**Studying bond funds simplifies fixed income products, since we can look at broad characteristics.**

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## Bond funds

### Duration

- A measure of interest rate sensitivity.
- Example: a duration of 5 means if interest rates move 1%, the fixed income investment will move 5% in the opposite direction.
- Interest rates are the independent variable, and since bond cash flows are mostly fixed, the bond price must change to reflect the market value of the future cash flows.

### Duration measures the risk you have to price changes.

- The smaller the number, the safer.

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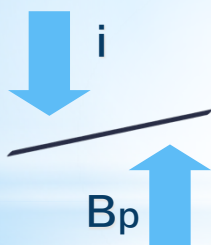
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## Bond price movements



### How this works:

- As **interest rates fall**, the cash flow from a bond investment becomes more valuable and the **bond price must rise**.
- In the same way, if **interest rates rise**, the cash flows from the bond are less valuable and the **bond price must fall**.

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## Bond fund choices

### PIMCO Total Return Fund

- **Total Return** refers to a fixed income strategy for using leverage to gain a return outside of normal market conditions.
- The funds managers, will invest 90% of assets in investment-grade fixed income with 10% in high yield below-grade bonds. They will place bets within the fund based on his market projections.

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## Bond fund choices

### JPMCB Stable Asset Income Fund

- Seeks to conserve principal at a yield better than a money market.
- Your principal is at risk within this fund, but it is the most conservative fund within the 401k plan.
- Portfolio backed by U.S. Treasury, agency, investment grade corporates, and mortgage-backed and asset-backed securities.

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## Bond breakdown

### 5 Year Statistics

Name	Return	Standard Deviation	Sharpe Ratio	Alpha	Average Duration	Credit Quality
PIMCO Total Return	4.87	3.58	1.33	3.84	5.3 Yrs	A
JPMCB Stable Asset Income	1.58	0.09	18.54	1.5	3.16 Yrs	AA+

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## Bond breakdown

### 10 Year Statistics

Name	Return	Standard Deviation	Sharpe Ratio	Alpha	Average Duration	Credit Quality
PIMCO Total Return	5.72	3.93	1.04	3.67	4.4 Yrs	A
JPMCB Stable Asset Income	2.86	0.44	5.06	1.36	3.16 Yrs	AA+

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part 10 Building a portfolio

## Asset Allocation AND Fund Selection



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### What is Asset allocation?

Asset Allocation is the process of combining asset classes such as stocks, bonds, and cash in a portfolio in order to meet your goals.



- Stocks
- Bonds
- Cash

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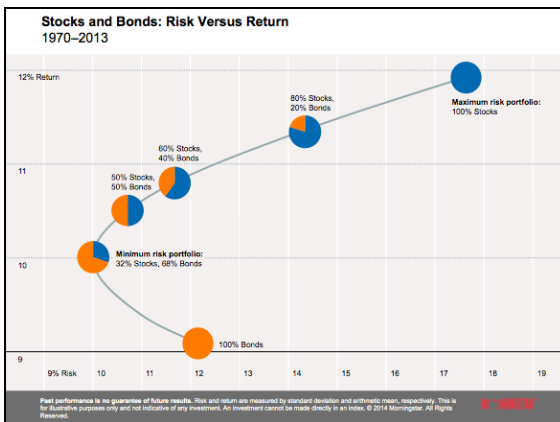
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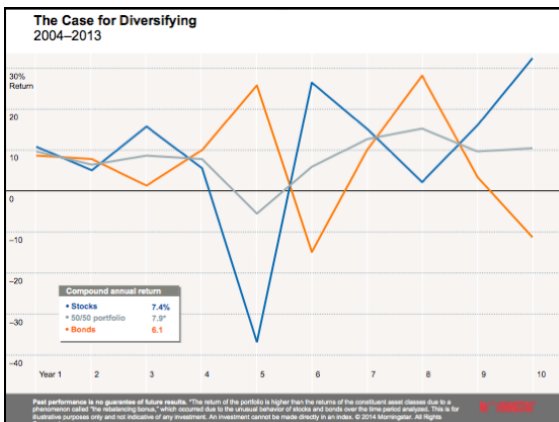
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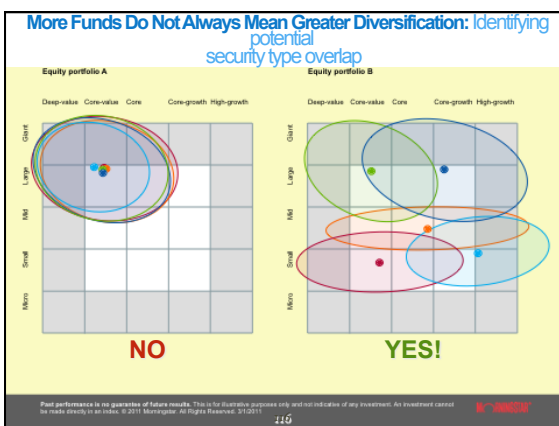
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## Asset allocation

**What is your risk tolerance?**

- You will build different asset class weights for different risk levels.
- As you approach retirement, your risk should be lowered so that a large market downturn will not affect your retirement date.
- Bonds are useful in reducing risk.
- Get advice!!!
  - Advice and professional management pay off.

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## conservative allocation

Large Cap	23%	Time Horizon: <5 Years
Mid Cap	6%	
Small Cap	2%	
International	11%	
Bond – Short Duration	25%	
Bond – Core	33%	

Source: Wiser Wealth Management

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## Recommended models Based on this presentation



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## Target date funds

- Target Date funds came into existence through legalization to address the issue of poor investment allocation by individual investors.
- The year within the name of each fund would be your approximate retirement year
- The idea is that you would invest all of your funds into a target date fund
- As your retirement approaches the fund will self-allocate to an appropriate risk tolerance

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## Target date funds Asset allocation

Name	Cash	Bond	Stock
Income	16 %	51 %	33 %
2010 **	14 %	52 %	32 %
2015	9 %	49 %	42 %
2020 **	8 %	41 %	52 %
2030	8 %	23 %	69 %
2040 **	8 %	14 %	79 %

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## Smart retirement Target date funds summary

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Income	7.11	6.04	1.16	0.49
2015	8.50	8.14	1.04	-.60
2020	9.73	9.59	1.01	-1.09
2030	11.12	12.38	0.91	-2.78
2040	11.80	13.49	0.89	-3.31
2050	11.83	13.50	0.89	-3.29

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## Company stock

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
SkyWest Stock	-3.47	41.12	--	--

SkyWest stock is considered speculative. Why would you risk your retirement when, more than likely if you were furloughed, you would be losing your retirement \$\$\$ at the same time?

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## When investing...

- Maintain a diversified portfolio.
- Keep the cost of investing low.
- Always invest for the long term.
- When seeking advice avoid commission brokers, seek fiduciary advice.

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## Professional panel

Answers to your will, trust, financial planning, and portfolio building questions.



**Casey Smith**  
President, Wiser Wealth Management



**Michael Burnett**  
Estate Planning and Business Attorney



**Sonja Gonzalez**  
Financial Planner, Wiser Wealth Management

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**ASA Master Executive Council**  
Retirement and Insurance Committee



Portfolio Management Tax Preparation Financial Planning Estate Legal Services

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