

**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

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.

2

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.

3

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

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.



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

part 1

The business of financial advice

Fiduciary
+
Fee Only

=

Your
best
interest

7

The business of financial advice

There are two standards in the business of financial advice:

Suitability

Or

Fiduciary

8

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...

9

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 clients assets at TD Ameritrade, Schwab or Fidelity.

10

part
2

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*



11

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.

12

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.

13

Monthly savings needed to reach \$1 million by age 65

7% Hypothetical Rate of Return



14

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.

15

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

16

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

17

part
3

Investor behavior


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

Benjamin Graham

18

Behavioral finance

- This term was coined in the early 1990s.
- 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.

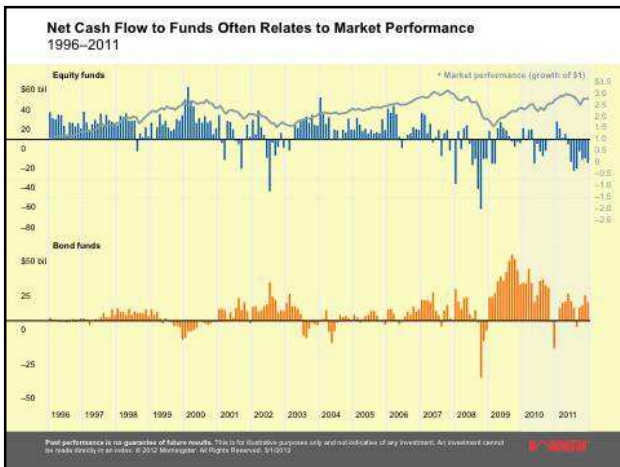


19

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.

20



Patterns of Investor Irrationality

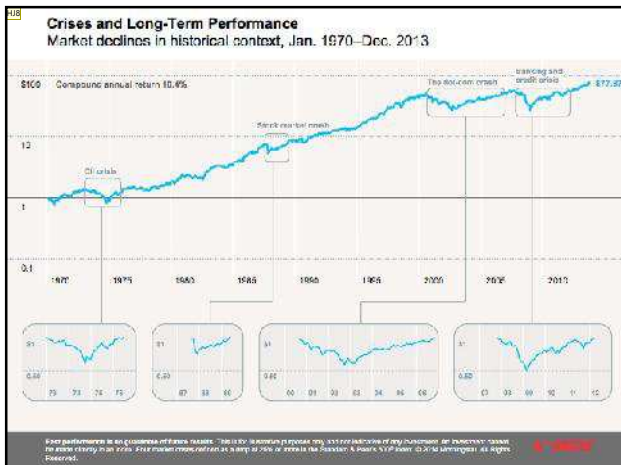
- Overconfidence – Rating oneself as above average when it comes to selecting investments.
- Hindsight Bias – Believing that unpredictable past events, in retrospect, were obvious and predictable.
- Short-term Focus – Inappropriately focusing on short-term risk versus long-term risk.

22

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.

23



HJ8 under home presentation - charts - under some of presentations (여러개 리스트 있고 그중에서)
Hansol Joo, 4/13/2015

part 4

Vehicles for retirement

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

28

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.

29

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.

30

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.

31

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.



32

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%

33

Express Jet Vesting schedule

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

34

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.

35

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).

36

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.

37

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.

38

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.

39

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.

40

part
5

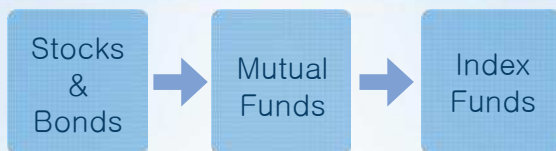
Investment vehicles

Stocks, Mutual Funds,
Index Funds
& Your Mattress



41

Ways to invest



Active to Passive Involvement

42

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



43

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.

44

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.

45

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

46

Two opposing investment strategies

Timing Markets

Buy and Hold

47

Market Timing vs. Buy and Hold

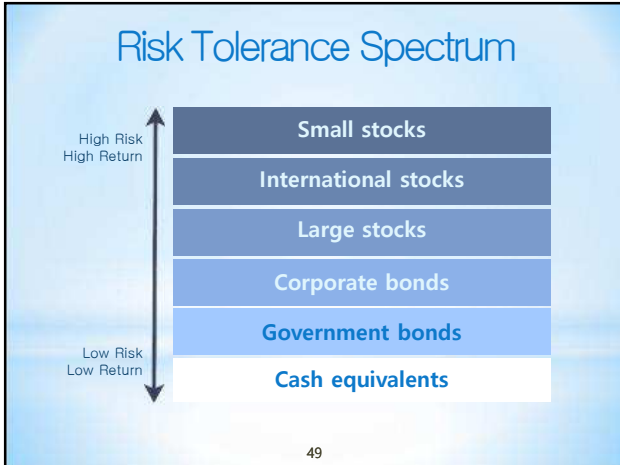
Market Timing

- 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

48



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.

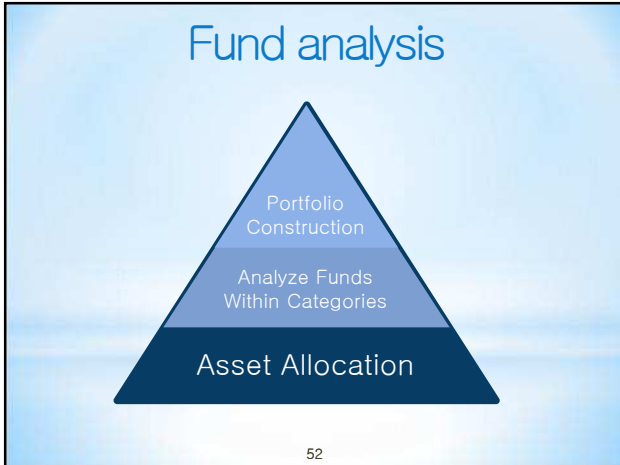
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part 7

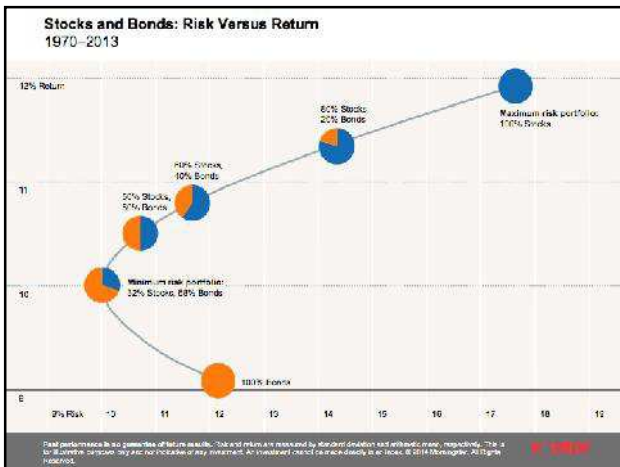
Basic Portfolio Construction

Looking at building portfolios through asset allocation

51







part 8 Fund analysis

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

55

Analysis tools

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

56

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 and within 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

57

Large cap rate of return

	3 Year	5 Year	10 Year
Core			
JP Morgan Equity Index	20.14%	15.21%	7.49%
Value			
American Century Equity Income	12.57%	7.50%	5.87%
JP Morgan Intrepid Value Select	22.15%	15.47%	8.15%
Growth			
JP Morgan Large Cap Growth R6	18.44%	16.03%	9.97%

58

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.

59

Morningstar.com

The screenshot shows the Morningstar website interface for the Dodge & Cox International Stock fund (DODFX). It displays various performance metrics including 3-year, 5-year, and 10-year returns, as well as risk metrics like Beta and Alpha. The fund is rated with three stars (***). A sidebar advertisement for 'TheLadders' is visible on the right side of the page.

60

Slide 58

HJ10 Numbers updated!

Hansol Joo, 4/13/2015

HJ11 Hansol Joo, 4/13/2015



International Alpha

	3 Year	5 Year	10 Year
Dodge & Cox International	-8.75	-9.65	-1.67 ^{H112}
American Century International	-9.27	-9.12	-1.81
Artisan International Investor	-7.29	-8.44	-0.98

62

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.

63

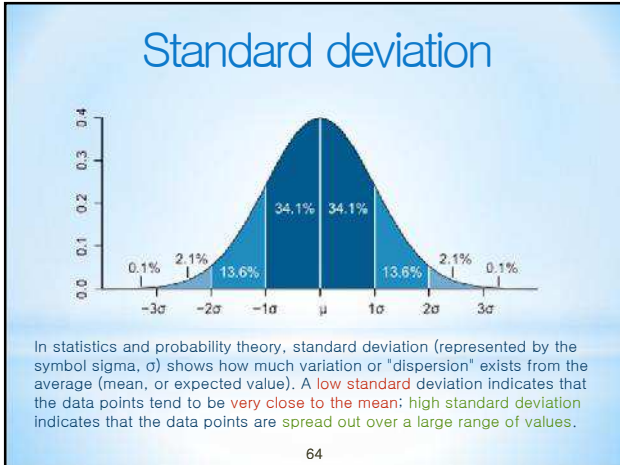
Slide 62

HJ12 Name: Janus -> Artisan updated

Hansol Joo, 4/13/2015

HJ13 Numbers Updated!

Hansol Joo, 4/13/2015



Applying Standard Deviation

	5 Year	
	Rate of Return	Standard Deviation
Metropolitan West Total Return <small>hml4 hml5</small>	6.74	2.91
JP Morgan Equity Index Select	15.21	12.99
SKYWEST Stock	-3.47	41.12
Artisan International Investor	8.83	17.43 <small>hml6</small>

65

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.

66

Slide 65

HJ14 Name: PIMCO -> Metropolitan

Hansol Joo, 4/13/2015

HJ15 Janus -> Artisan Internatioanl

Hansol Joo, 4/13/2015

HJ16 Numbers updated

Hansol Joo, 4/13/2015

Morningstar.com

Dodge & Cox International Stock DODFX | ★★

Valuation Measures: 3 Star Morningstar Rating

3-Year Rating	Morningstar Rating	Morningstar Risk	Morningstar Rating™
3-Year	★★★★	★★★★	★★★★
5-Year	★★★★	★★★★	★★★★
Overall	★★★★	★★★★	★★★★

Measure	Value	Peer Group
Price-to-Earnings Ratio	15.1	14.5
Price-to-Book Ratio	2.8	2.5
Price-to-Cash Flow Ratio	12.5	11.8

67

Morningstar.com

Dodge & Cox International Stock DODFX | ★★

Valuation Measures: 4 Star Morningstar Rating

3-Year Rating	Morningstar Rating	Morningstar Risk	Morningstar Rating™
3-Year	★★★★	★★★★	★★★★
5-Year	★★★★	★★★★	★★★★
Overall	★★★★	★★★★	★★★★

Measure	Value	Peer Group
Price-to-Earnings Ratio	15.1	14.5
Price-to-Book Ratio	2.8	2.5
Price-to-Cash Flow Ratio	12.5	11.8

68

Applying Sharpe Ratio

	5 Year	
	Sharpe Ratio	Rate of Return
JP Morgan Mid Cap Growth	0.97	16.71
JP Morgan Mid Cap Value	1.36	18.26

69

HJ18 Numbers updated!

Hansol Joo, 4/13/2015

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

70

401(k) fund fees at Retireonline.com

As of date	day	3 mths	1 yr	3 yr	5 yr	12 yr	Life	Expense ratio	Expense ratio %
JP Morgan Asset Manager Fund									
1/31/2012		0.39	1.02	1.91	2.51	3.45	1.62		0.67
1/30/2012		0.38	1.03	1.93	2.52	3.42	1.53		
1/31/2012		0.39	1.02	1.93	2.43	3.34	1.54		
American Central 5-yr Term Government Bond									
1/31/2012		0.35	0.92	1.07	2.00	2.50	1.24		0.68
1/30/2012		0.31	0.93	1.12	2.00	2.50	1.25		
1/31/2012		0.33	0.93	1.33	2.63	2.67	1.32		
Fidelity Total Return									
1/31/2012		1.11	10.02	17.2	8.36	11.36	11.7		0.71
1/30/2012		1.26	11.33	2.03	6.11	6.74	7.43		
1/31/2012		1.21	10.12	7.58	8.52	6.75	7.43		
American Central Equity Income									
1/31/2012		0.18	11.84	2.91	3.44	1.60	7.82		0.75
1/30/2012		1.21	12.59	12.12	3.12	7.90	7.51		
1/31/2012		2.25	14.04	14.44	2.41	7.85	7.84		
Fidelity Divers Intl Bond									
									0.75

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.

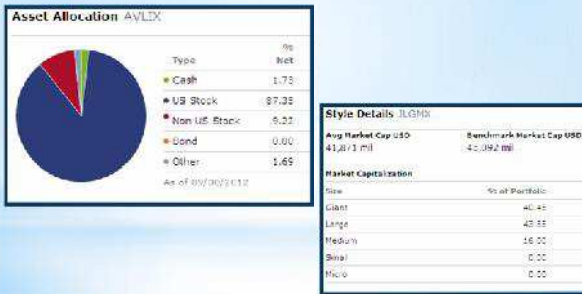
72

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.

73

Asset allocation & style breakdown



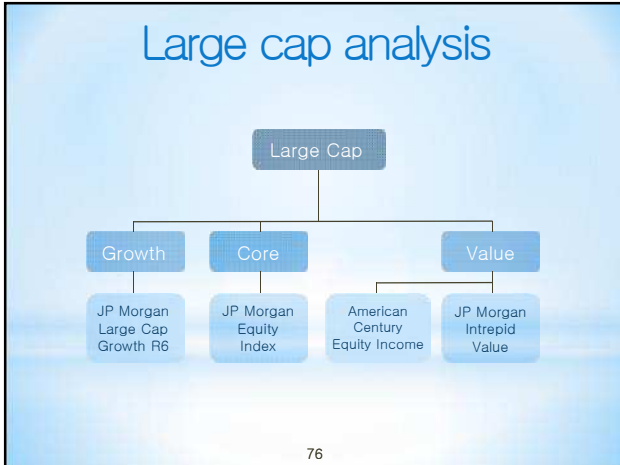
74

part
9

Using your tools

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

75



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.

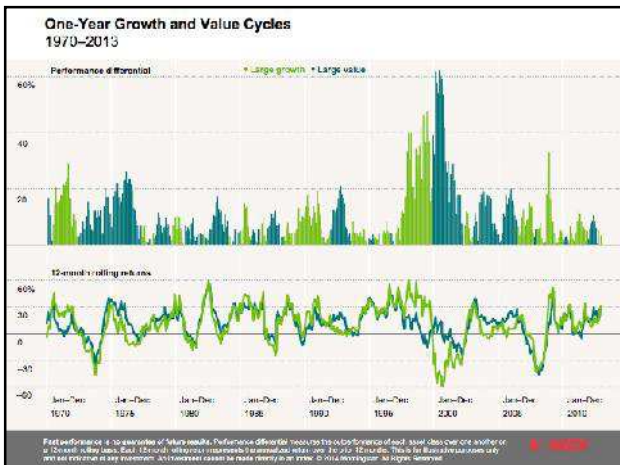
Value Stocks

- 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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Large cap summary

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Core				
JPMorgan Equity Index	15.21	12.99	1.15	-0.20
Growth				
JPMorgan Large Cap Growth R6	16.03	14.59	1.29	1.53
Value				
American Century Equity Income	12.16	9.22	1.29	1.53
JPMorgan Intrepid Value Select	15.47	14.13	1.09	-0.88

79

Large cap summary

10 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Core				
JPMorgan Equity Index	7.49	14.65	0.47	-0.17
Growth				
JPMorgan Large Cap Growth R6	8.97	16.0	0.52	1.45
Value				
American Century Equity Income	7.20	10.23	0.58	1.33
JPMorgan Intrepid Value Select	8.15	15.69	0.48	0.28

80

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 0.25% Yield - 1.89%.

81

Slide 79

HJ19 Numbers updated

Hansol Joo, 4/13/2015

Slide 80

HJ20 Numbers updated!

Hansol Joo, 4/13/2015

Slide 81

HJ23 Numbers updated - Cost = Managemetn Fee?

Hansol Joo, 4/15/2015

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 0.50% Yield 0.81%

82

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%

83

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 0.40% Yield 1.24%

84

Slide 82

HJ21 Numbers Updated (Cost = Management fee)

Hansol Joo, 4/13/2015

Slide 84

HJ24 0.79% - > 0.40%

Hansol Joo, 4/15/2015



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

86

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

87

Slide 86

HJ25 No changes

Hansol Joo, 4/15/2015

Slide 87

HJ26 No changes

Hansol Joo, 4/15/2015

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 0.65%. Yield none.

88

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



Slide 88

HJ27 0.93 % - > 0.65%
Hansol Joo, 4/15/2015

Slide 89

HJ28 No changes
Hansol Joo, 4/15/2015

Slide 90

HJ29 Buffalo and LKCM Small cap equity - > T Rowe New Horizons.
Hansol Joo, 4/15/2015

Small cap summary

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
T Rowe Price New Horizons	21.43	16.35	1.27	3.74
Columbia Small Cap Value	15.15	18.32	0.88	-3.76

91

Small cap summary

10 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
T Rowe Price New Horizons	11.49	18.38	0.44	-0.06
Columbia Small Cap Value	8.43	19.52	0.44	-0.06

92

Small cap notes

TRowe Price New Horizons

- Cost 0.64% Yield

93

Slide 91

HJ30 Hansol Joo, 4/15/2015

HJ31 Buffalo and LKCM Small cap equity - > T Rowe New Horizons.
Hansol Joo, 4/15/2015

HJ32 Numbers updated!
Hansol Joo, 4/15/2015

Slide 92

HJ33 Buffalo and LKCM Small cap equity - > T Rowe New Horizons.
Hansol Joo, 4/15/2015

HJ34 Numbers updated!
Hansol Joo, 4/15/2015

Slide 93

HJ9 Casey will make some notes, but I need to change some numbers and name
Hansol Joo, 4/13/2015

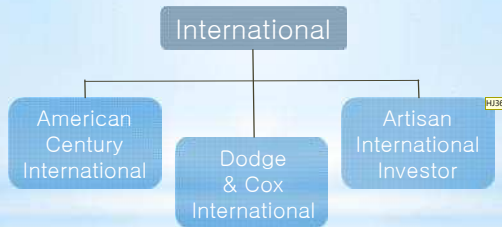
Small cap notes

Columbia Small Cap Value

- This fund could complement a small cap growth fund but we would not use it as a core holding.
- Cost 0.74 % Yield 1.0%

94

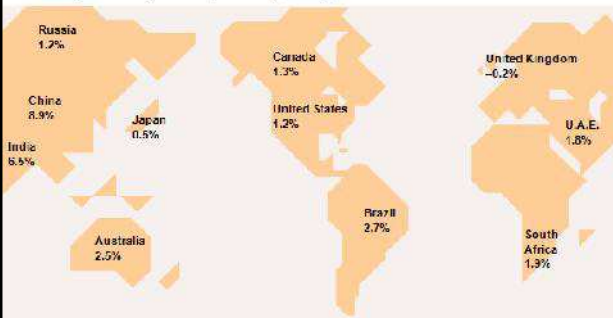
International breakdown



95

GDP Growth by Region

Five-year average annual percentage change 2009–2013



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Slide 94

HJ35 Cost = 1.04% - > 0.74% (Management Fee) ?

Hansol Joo, 4/15/2015

Slide 95

HJ36 Janus - > Artisan Internaitonal Investor

Hansol Joo, 4/15/2015

Key differences between Developed and emerging markets

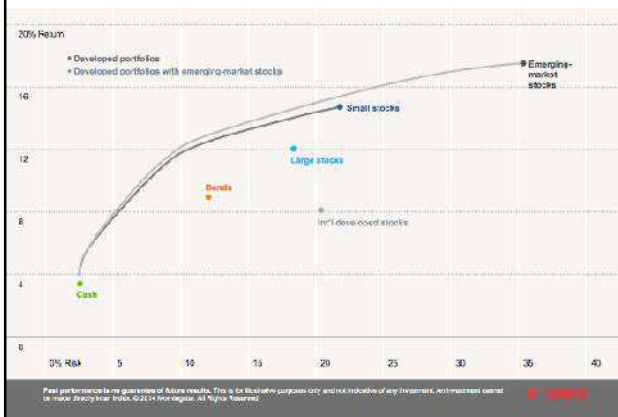
Developed countries:

- 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.

Emerging Markets Can Improve Developed Portfolios 1988-2013



Telling the story through allocation

Artisan International Investor

HUBB

- 85% developed markets (6.38% North America)
- 15% emerging markets

American Century International Growth

- 90% developed markets
- 9% emerging markets

Dodge & Cox International

- 80% developed markets
- 20% emerging markets

HJ38 Janus Overseas

55% developed markets (21% North America)

44% emerging markets

Hansol Joo, 4/15/2015

International summary

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Artisan International Investor ^{HU39}	8.83	17.43	0.57	-8.44
Dodge & Cox International	7.89	17.87	0.51	-9.65
American Century International	7.5	16.89	0.51	-9.12

100

International summary

10 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Artisan International Investor ^{HU40}	7.06	19.56	0.37	-0.98
Dodge & Cox International	6.73	20.52	0.35	-1.67
American Century International	5.87	18.46	0.32	-1.81

101

International notes

- Each of JP Morgan's 401k international funds has its own risks, thus we are not comparing apples to apples here.

102

Slide 100

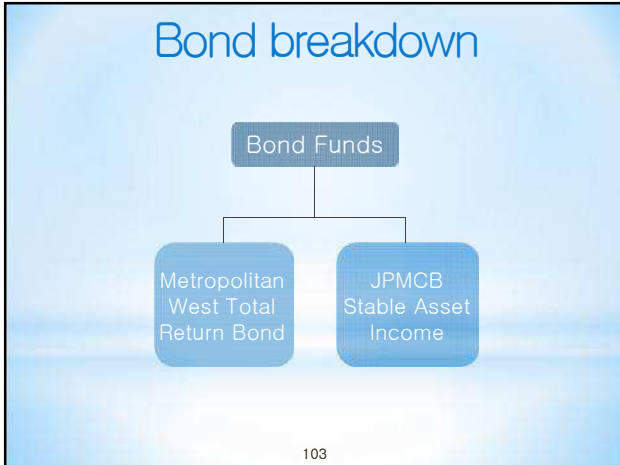
HJ39 Janus Internaiotnal - > Artisan International Investor

Hansol Joo, 4/15/2015

Slide 101

HJ40 Janues -> Artisan International Investor

Hansol Joo, 4/15/2015



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.

104

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.

105

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**.

106

Bond fund choices

Metropolitan West Total Return Bond

- 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 94.3% of assets in investment-grade fixed income with 5.7% in high yield below-grade bonds. They will place bets within the fund based on his market projections. www.fund

107

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.

108

Slide 107

HJ44 Pimco - > Metropolitan West Toal Return Bond

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HJ45 Grade fixed income vs junk bonds - > Percentage updated!

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Bond breakdown

5 Year Statistics						
Name	Return	Standard Deviation	Sharpe Ratio	Alpha	Average Duration	Credit Quality
Metropolitan West Total Return Bond	6.74	2.91	2.24	6.37	4.67 Yrs	BBB
JPMCB Stable Asset Income	1.58	0.09	18.54	1.5	3.16 Yrs	AA+

109

Bond breakdown

10 Year Statistics						
Name	Return	Standard Deviation	Sharpe Ratio	Alpha	Average Duration	Credit Quality
Metropolitan West Total Return Bond	6.48	19.56	0.37	-0.98	4.67 Yrs	BBB
JPMCB Stable Asset Income	2.86	0.44	5.06	1.36	3.16 Yrs	AA+

110

part
10

Building a portfolio

Asset Allocation AND Fund Selection



111

Slide 109

HJ41 PIMCO -> Metropolitan

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Slide 110

HJ42 PIMCO -> Metropolitan

Hansol Joo, 4/15/2015

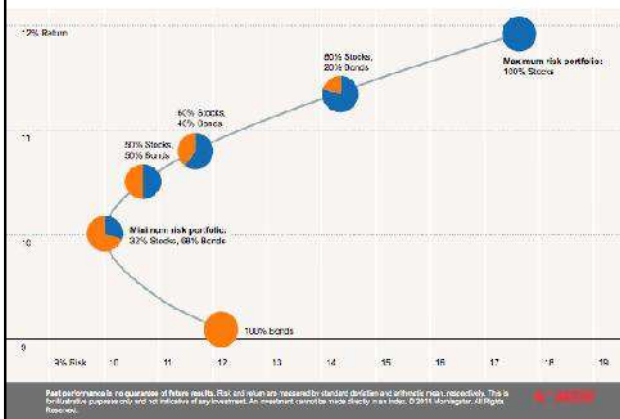
What is Asset allocation?

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

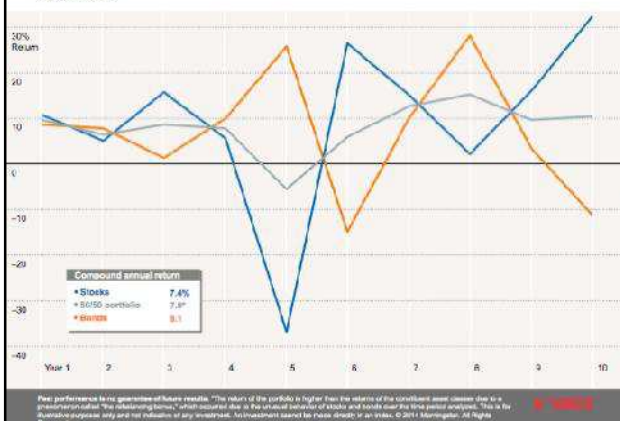


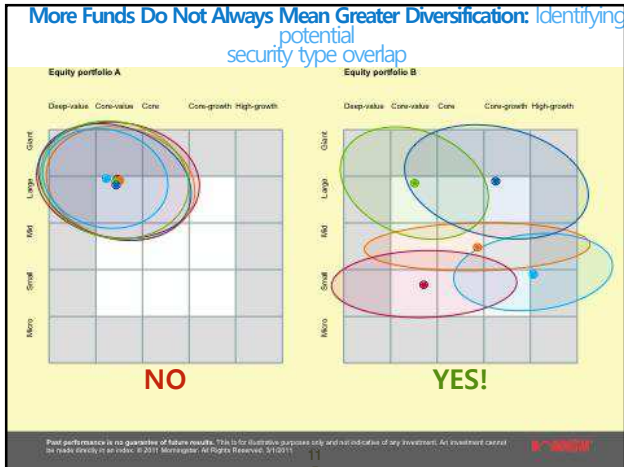
112

Stocks and Bonds: Risk Versus Return 1970-2013



The Case for Diversifying 2004-2013





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.

116

aggressive allocation

Large Cap	45%	Time Horizon: 20+ Years
Mid Cap	15%	
Small Cap	10%	
International	30%	

Source: Wiser Wealth Management

117

Slide 117

HJ2 Allocation is updated!

Hansol Joo, 4/13/2015

HJ3 Bond- core is deleted

Hansol Joo, 4/13/2015

growth allocation

Large Cap	35%	Time Horizon: 10+ Years
Mid Cap	10%	
Small Cap	10%	
International	25%	
Bond – Short Duration	5%	
Bond – Core	15%	

Source: Wiser Wealth Management

118

moderate allocation

Large Cap	30%	Time Horizon: 5+ Years
Mid Cap	5%	
Small Cap	5%	
International	20%	
Bond – Short Duration	15%	
Bond – Core	25%	

Source: Wiser Wealth Management

119

conservative allocation

Large Cap	16%	Time Horizon: <5 Years
Mid Cap	3%	
Small Cap	2%	
International	11%	
Bond – Short Duration	38%	
Bond – Core	30%	

Source: Wiser Wealth Management

120

Slide 118

HJ5 Allocation updated
Hansol Joo, 4/13/2015

Slide 119

HJ6 Allocation updated
Hansol Joo, 4/13/2015

Slide 120

HJ7 Allocation updated!
Hansol Joo, 4/13/2015

Recommended models Based on this presentation



121

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

122

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 %

123

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

124

Company stock

5 Year Statistics				
Name	Return	Standard Deviation	Sharpe Ratio	Alpha
SkyWest Stock	-3.47	41.12	0.10	-15.53

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?

125

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.

126

HJ43 Sharpe Ratio and Alpha updated!

Hansol Joo, 4/15/2015

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

127



ASA Master Executive Council
Retirement and Insurance Committee



Portfolio Management Tax Preparation Financial Planning Estate Legal Services

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