

# SIMPLY PUT

Retirement Savings Education, Simplified

Third Quarter 2019

## Understanding the Game

57% of state of Missouri employees confessed to having very little knowledge when it comes to investing their money.<sup>1</sup> If you fall within this category or even if you claim to have some knowledge of the markets, chances are you learned the most fundamental principles of investing through ordinary, real-life situations that have absolutely nothing to do with the stock market. For example, football. If you have ever watched a game, even if it was for just a few minutes, you may have inadvertently picked up on key investment concepts like diversification, market volatility, goal setting, return expectations, and more. This edition of the **Simply Put Newsletter** aims to connect the dots between a few tough investment concepts and the game of football in order to help you better understand these investing principles and reach your retirement savings goals.

### Diversify Your Roster

Diversification is just a fancy word for saying, “don’t put all your eggs in one basket” or “don’t rely on a single player to win a championship.”

This strategy involves investing your money in a mix of investments – such as stocks, bonds, real estate, commodities, cash, etcetera – in hopes that if one or more investment loses money, the others will make up for that loss. Just like in football, if one player is having a terrible week, you would hope and expect other players would pick up the slack.

**The goal of diversification is to create a well-rounded team of investments that can work together to create a positive result and carry each other through market slumps.**

### MO DEFERRED COMP INVESTMENT OPTIONS

The deferred comp plan offers a simple, yet custom investment lineup for state of Missouri employees. Savers can choose from one of three investment options or a combination of the offerings:

1. 13 Missouri Target Date Funds
2. Missouri Stable Income Fund
3. Self-Direct Brokerage Account

For more information about each option, visit [www.modeferredcomp.org](http://www.modeferredcomp.org).



### PERSONAL TRAINING

MO Deferred Comp education specialists conduct numerous group and individual trainings around the state and are dedicated to helping you financially prepare for your future. The best part is that their services and knowledge are **FREE** of charge for you! If you’re wanting more in-depth help, the plan also offers free and fee-only financial planning to give you the confidence and know-how to tackle a number of financial goals. Visit [www.modeferredcomp.org](http://www.modeferredcomp.org) for more information or to register for an upcoming event.



<sup>1</sup> 2018 Retirement Awareness & Savings Survey

# Setting "REALISTIC" Expectations

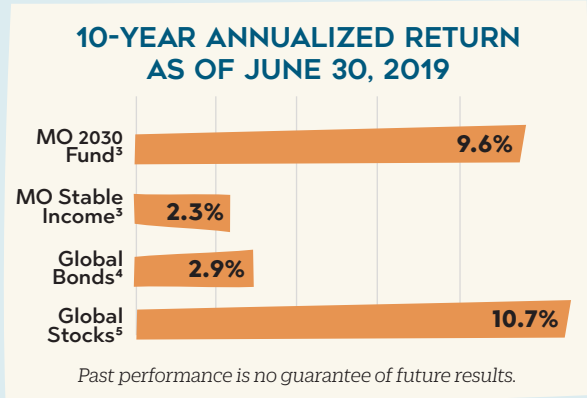
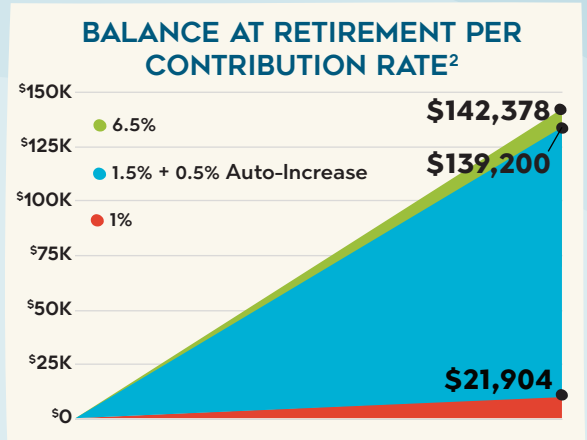
One of the most challenging parts of investing, besides choosing the right asset allocation, is managing your expectations. Your retirement savings balance is primarily based on two things: the money you contribute to your account and the rate of return on your investments. To dive deeper:

Do you know what all championship teams have in common? They work hard! **Whether it's on the football field or saving for retirement, putting in minimal effort will most likely result in minimal results.**

It's unrealistic to expect to have a retirement savings balance of \$100,000 at the end of your career if you only contribute 1% of pay for 25 years. Increasing your contributions – as this is the piece of the retirement savings equation you can control – to a meaningful amount, can have a profound impact on your end balance. Use the Grow Your Retirement Savings Calculator to see how even small automatic annual increases could affect your future retirement savings balance.

Unfortunately, there's no playbook that can tell you how much an investment will return over the next year or even decade. There is, however, past performance. The chart to the right provides annualized returns over the past 10 years for various stocks, bonds, stable income and a diversified Missouri 2030 target date fund portfolio.

Does this mean you should expect positive or even 9% to 10%+ returns on your investments every year? NO! These are merely annualized returns over the past 10-year period, meaning some years experienced lower returns and some years higher returns, but over a longer term, there has been growth. For a visual, check out the quilt chart below.



## Quilt Chart 101

"The Quilt Chart" is a color-coded tool that ranks various asset classes by their total return, from highest to lowest, during a given calendar year. The chart spans over a 15-year period and helps investment and non-investment savvy people see how annual asset returns fluctuate over time. To use the chart, simply pick an asset (or a specific box color) and follow each year to see how it fluctuates. For your use, Emerging Markets have been marked with X and Diversified Portfolios are highlighted with O in the chart below.

"The Quilt Chart" doesn't predict short- or long-term future performance of an asset but merely serves as a reminder that the market is unpredictable and can go up and down. This is called market volatility and while it's likely inevitable, movement is not all bad for investors. Picking any one asset class could possibly take you on a bumpy ride, but choosing a diversified asset allocation – much like the Missouri Target Date Funds – could help minimize the extreme highs and lows of single asset market volatility swings.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	15 Yrs
REIT's 33.2%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%	REIT's 36.0%
Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%	Commodities 21.4%
Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%	Developed Intl. Stocks 20.7%
U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%	U.S. Sm/Mid Cap Stocks 17.9%
High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%	High Yield Bonds 11.3%
U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%	U.S. Large Cap Stocks 10.9%
Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%	Commodities 9.2%
High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%	High Yield Bonds 7.7%
U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%	U.S. Large Cap Stocks 4.9%
U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%	U.S. Bonds 2.7%
Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%	Short-term U.S. Bonds 2.1%
REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%	REIT's 1.7%
Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%	Short-term U.S. Bonds 1.2%

<sup>2</sup> Assumes \$33,000 starting salary, a 25-year career, 1.5% annual salary increases, and a 6% rate of return on investments; <sup>3</sup> 6/30/2019 Quarterly Performance Report; <sup>4</sup> Bloomberg Barclays Aggregate Global Bond Index; <sup>5</sup> MSCI All Country World Index



Learn more at [www.modefferredcomp.org](http://www.modefferredcomp.org)  
VPN000-001-201908



Connect with us on: