

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.¹ 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.

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 for more information or to register for an upcoming event.

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.

¹ 2018 Retirement Awareness & Savings Survey



Setting "REALISTIC" Expectations

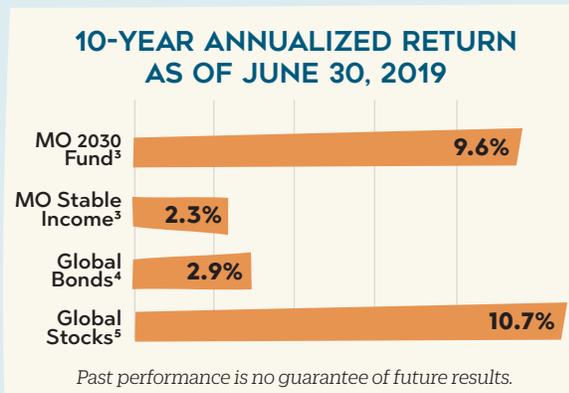
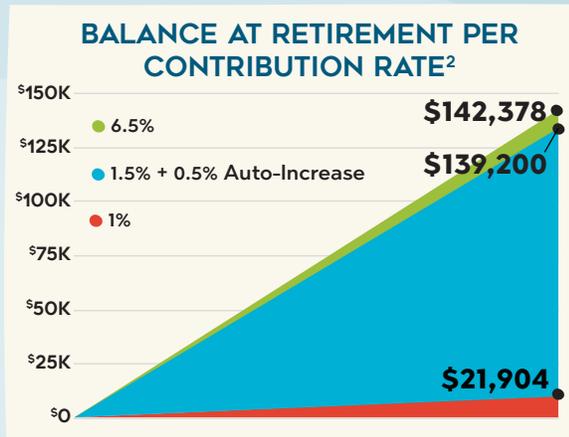
One of the most challenging parts of investing, besides choosing the right asset allocation, is managing your expectations. Your retirement savings balance is primarily based on two things: the money you contribute to your account and the rate of return on your investments. To dive deeper:

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% | Mix 18.1% | REIT's 36.0% | Mix 18.1% | Short-term U.S. Bonds 6.7% | Mix 18.1% | REIT's 28.6% | REIT's 9.2% | EM Mix 18.1% | U.S. Sm/Mid Cap Stocks 38.2% | REIT's 33.8% | REIT's 4.2% | High Yield Bonds 17.3% | Mix 18.1% | Short-term U.S. Bonds 3.4% | U.S. Sm/Mid Cap Stocks 6.5% |
| U.S. Bonds 11.3% | Commodities 21.4% | U.S. Bonds 11.3% | Commodities 16.7% | U.S. Bonds 5.2% | High Yield Bonds 38.2% | U.S. Sm/Mid Cap Stocks 24.9% | U.S. Bonds 7.8% | U.S. Sm/Mid Cap Stocks 13.1% | U.S. Large Cap Stocks 17.4% | U.S. Large Cap Stocks 13.7% | U.S. Large Cap Stocks 1.4% | U.S. Sm/Mid Cap Stocks 10.6% | Developed Int'l Stocks 25.4% | U.S. Bonds 0.0% | Mix 18.1% |
| Developed Int'l Stocks 20.7% | Developed Int'l Stocks 14.0% | Developed Int'l Stocks 26.9% | Developed Int'l Stocks 11.8% | High Yield Bonds 26.2% | U.S. Sm/Mid Cap Stocks 37.7% | EM Mix 18.1% | High Yield Bonds 5.0% | Developed Int'l Stocks 17.9% | Developed Int'l Stocks 23.3% | U.S. Sm/Mid Cap Stocks 7.4% | Short-term U.S. Bonds 0.6% | U.S. Large Cap Stocks 12.0% | U.S. Large Cap Stocks 21.8% | High Yield Bonds 2.1% | REIT's 8.2% |
| U.S. Sm/Mid Cap Stocks 17.9% | REIT's 13.8% | U.S. Large Cap Stocks 19.7% | U.S. Bonds 10.7% | U.S. Bonds 10.7% | U.S. Bonds 32.5% | Commodities 16.8% | U.S. Large Cap Stocks 2.1% | REIT's 17.6% | U.S. Bonds 10.3% | U.S. Bonds 0.6% | Commodities 11.8% | U.S. Sm/Mid Cap Stocks 18.3% | U.S. Large Cap Stocks 7.8% | U.S. Large Cap Stocks 7.8% | U.S. Bonds 7.8% |
| U.S. Bonds 16.0% | U.S. Bonds 12.6% | U.S. Large Cap Stocks 15.8% | Short-term U.S. Bonds 7.1% | Commodities 15.7% | U.S. Bonds 15.7% | U.S. Large Cap Stocks 16.0% | U.S. Large Cap Stocks 16.0% | High Yield Bonds 7.4% | U.S. Bonds 6.0% | Developed Int'l Stocks -0.4% | Mix 18.1% | Mix 18.1% | REIT's -4.8% | High Yield Bonds 7.0% | U.S. Bonds 7.0% |
| High Yield Bonds 11.3% | U.S. Sm/Mid Cap Stocks 9.7% | U.S. Sm/Mid Cap Stocks 14.9% | U.S. Bonds 7.2% | U.S. Large Cap Stocks -17.0% | REIT's 21.0% | High Yield Bonds 15.1% | U.S. Large Cap Stocks 1.8% | High Yield Bonds 15.8% | REIT's 3.1% | High Yield Bonds 2.5% | U.S. Bonds 2.7% | U.S. Bonds 2.7% | High Yield Bonds 7.3% | U.S. Bonds 7.3% | U.S. Bonds 7.3% |
| U.S. Large Cap Stocks 10.9% | U.S. Large Cap Stocks 4.9% | High Yield Bonds 11.9% | U.S. Large Cap Stocks 5.5% | U.S. Sm/Mid Cap Stocks -10.6% | U.S. Large Cap Stocks 36.2% | U.S. Large Cap Stocks 15.1% | U.S. Sm/Mid Cap Stocks -1.3% | U.S. Bonds 15.1% | Short-term U.S. Bonds 0.4% | Short-term U.S. Bonds 0.4% | U.S. Sm/Mid Cap Stocks -1.4% | REIT's 7.2% | REIT's 4.2% | U.S. Sm/Mid Cap Stocks 9.2% | Developed Int'l Stocks 5.2% |
| Commodities 9.2% | High Yield Bonds 2.7% | U.S. Bonds 2.3% | U.S. Bonds 4.9% | REIT's -39.2% | Commodities 18.9% | Developed Int'l Stocks 11.7% | Developed Int'l Stocks -11.7% | U.S. Bonds 4.2% | U.S. Bonds -2.0% | Emerging Mkt Stocks -4.5% | High Yield Bonds 4.5% | U.S. Bonds 2.7% | U.S. Bonds 3.5% | Commodities -11.3% | U.S. Bonds 3.5% |
| U.S. Bonds 4.8% | U.S. Bonds 2.4% | Short-term U.S. Bonds 4.1% | High Yield Bonds 1.9% | Developed Int'l Stocks -41.3% | U.S. Bonds 5.9% | U.S. Bonds 6.5% | Commodities -13.3% | Short-term U.S. Bonds 6.5% | Developed Int'l Stocks -4.5% | EM Mix 18.1% | Developed Int'l Stocks 1.5% | Commodities 1.7% | Developed Int'l Stocks 13.4% | Short-term U.S. Bonds 2.3% | Short-term U.S. Bonds 2.3% |
| Short-term U.S. Bonds 1.2% | Short-term U.S. Bonds 1.7% | Commodities 2.1% | REIT's 17.8% | Mix 18.1% | Short-term U.S. Bonds 1.4% | Short-term U.S. Bonds 2.4% | Commodities -1.1% | Commodities -9.5% | Commodities -17.0% | Commodities -24.7% | Short-term U.S. Bonds 0.9% | Short-term U.S. Bonds 0.5% | U.S. Bonds 1.4% | Commodities -2.5% | Commodities -2.5% |

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



Learn more at www.modeferredcomp.org
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