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Sound Mind Investing®

Financial Wisdom for Living Well

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An Exciting New Opportunity for SMI Members: Personal Financial Planning via MoneyGuide Pro®

Personalized financial planning offers tremendous benefits. Understandably, those benefits haven't come cheap. But thanks to our friends at SMI Advisory Services and an arrangement they've negotiated with MoneyGuide Pro®, such planning is now within the reach of more people. Read on to learn how to access the planning software rated #1 by financial advisors for the past eight years in a row—at a price nearly anyone can afford.

by Mark Biller

Are you on track to meet your retirement goals?

That simple question haunts many American workers. Depending on which survey you read, roughly two-thirds of Americans don't have a financial plan, which makes it unlikely they're on a path for a financially secure retirement.

Perhaps you're among those who would struggle to answer the "on track" question, either because you've never defined your retirement goals, or you don't know whether your current financial preparations are sufficient to meet them. If so, we have good news for you: MoneyGuidePro® (MGP), considered by many advisors to be the best financial-planning software on the market, is now available to SMI premium members (see this month's editorial for details). This article will introduce you to MGPs many benefits and teach you how to use it.

MoneyGuidePro® can help you eliminate uncertainty, seize control of your retirement preparation, and accomplish your most important financial goals. And we must confess that it is a far superior retirement-planning tool to the worksheets in the SMI *Handbook* or our old online Retirement Calculator!

Why planning is so essential

Developing a personalized financial plan offers multiple benefits.

1. Having a plan relieves anxiety about the future. Most people have little idea how much money they'll require to meet their needs in retirement. Going through the planning process and seeing everything in black-and-white eliminates the vagueness and uncertainty that haunts many people. It's always easier to face a challenge when it's clearly defined.

2. Having a plan helps remove conflicts in marriage. When marriage partners aren't on the same page in the financial area, it puts huge strains on their marriage. Working through a plan together and agreeing on financial goals (and the sacrifices needed to achieve them), can bring harmony.

3. Having a plan helps you make smarter decisions because you're not making them blindly or in a vacuum. You can see the impact of one decision on everything else. Spending, saving, when to retire, how and when to take Social Security—all of these decisions play an important role in retirement preparedness. Seeing how each affects the others will help you make better decisions in all these areas. *(continued on page 19)*

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"FOR GOD HAS NOT GIVEN US THE SPIRIT OF FEAR BUT OF POWER, AND OF LOVE, AND OF A SOUND MIND."

EDITORIAL

Personalized Financial Planning Is Now Within Your Reach

A few years ago, ING ran an ad campaign that showed people going about their day, each carrying a number. The number was the unique amount each of them needed to save for retirement, and the focus of the ads was asking "Do you know *your* number?"

This is what most people think of as financial planning—figuring out "their number." And it's a reasonable first step, better than most people ever achieve. Unfortunately, there are two problems with that approach to financial planning.

First, when your financial planning focuses on rolling everything into one big number, the process tends to degenerate into a tedious focus on current and future cash flows. How much are you spending now? How much will you need then? Ugh.

Second, those who use this approach often have a hard time separating the core issue of "Will I have enough money to *survive* in retirement?" from the more upbeat analysis of "Will I have enough to *thrive* in retirement?" It's difficult to distinguish between not being able to fund *all* your goals versus not even having enough to meet your basic needs.

If you've tried this type of financial planning in the past and found it to be a painful process, don't despair: The planning approach introduced in this month's cover article is different. Before delving into any numbers, you will begin by focusing on what you want your retirement to look like. That's a lot more fun! You can enter many specific goals or just a few, categorizing them into three tiers: Needs, Wants, and Wishes. Right out of the gate, you're encouraged to dream a little, to define retirement on your terms and pull your gaze away from "figuring out how much money you'll need." Later on, this goals-based approach to planning will help you easily see the impact of various trade-offs, sacrificing a little of this in order to get more of that. That's real life, right?

Ultimately, financial planning is about identifying the decisions that need to be made while it's still early enough to make them. Whether your version of retirement is having enough to regularly travel to see the grandkids or working full-time at a ministry that has captured your heart, a good plan can help you figure out what changes you can make *now* to boost your chances of having your desired lifestyle later. It can help you both define your goals *and* learn what you must do to get on track to achieve them.

Due to the costs, many people have believed that personalized financial planning was out of reach. However, thanks to our friends at SMI Advisory Services, that dynamic is changing. They have entered into an agreement with MoneyGuide Pro® (MGP), which has been ranked the number one financial-planning software *by advisors* the past eight consecutive years.

Normally, this software costs financial planners $1,295 *per year* to use, and individuals have had access to it only by working with an advisor. As SMI Advisory Services has used MGP with its individual clients, SMI Advisory has recognized the potential value of this amazing tool for our do-it-yourself audience.

The deal is simple: SMI premium members will be able to access this award-winning software for a single, *one-time* payment of $50, and that access will continue for as long as their membership remains current. This incredibly low price constitutes a wonderful opportunity for SMI premium members.

As a MGP user, you will be able to create and save your plan. You can return to it year after year to update it, make adjustments, and see the impact of market events on your probability of success—all at no additional cost after the single up-front charge.

(This $50 fee is the incremental cost that SMI Advisory pays for each additional user, meaning SMI Advisory isn't making anything from this arrangement. They're simply passing along the cost of each new user.)

If you're wondering what the catch is, there isn't one. SMI Advisory has the same goal as the SMI newsletter—to help as many people as possible be the best stewards of what God has entrusted to them.

A new year has begun. What better time to take stock of your finances and make personalized retirement planning a priority and increased giving a possibility? An overview of the MPG process and what you need to know to get started awaits you in this month's cover article.

Austin
AUSTIN PRYOR
FOUNDER/PUBLISHER

NECESSARY CAUTIONS
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POSTMASTER
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An Exciting New Opportunity for SMI Members: Personal Financial Planning via MoneyGuide Pro®

(continued from front page)

4. Having a plan helps you stick with your investment strategy because you can see the impact of market events on the probability of your plan's success. Usually, short-term market events have a *much lower impact* on a long-term plan than investors realize. Having a plan that continually monitors your probability of long-term success not only will help you set up a smarter investment approach to begin with, it can keep you on track when the market falters and fear rises. For example, seeing that a recent 15% correction has only dropped your plan's probability of success from 82% to 78% may be enough to keep you from taking counterproductive actions you would otherwise consider.

5. Having a plan can help you be more generous along life's journey. If you fear you may run out of money someday, as many people do, it's naturally going to be more difficult to be a generous giver. But when you've worked through the details and have a plan that confidently projects a high probability of success, it makes it easier to be generous today. MGP allows you to set up separate giving "goals" to specifically include your giving as part of your overall financial plan.

Getting started with your personalized retirement planning

This offer is available to SMI premium members, so if you're not yet a premium member, your first step is to sign-up (or upgrade your account) at soundmindinvesting.com.

After becoming a premium member, or if you already are one, here's how to gain access to MoneyGuidePro®:

1. Go to SMIAdvisory.com. Click on the "SMI Plan" option.
2. Click the "Special Promotions" button in the center of the page (or scroll down to the Special Promotions section).
3. In the "Promo Code" box, enter your SMI username—the identifier you use to log in to the SMI newsletter site. (For newer members, this will be an email address. For longer-term members, this will be whatever username you selected.)
4. Enter your ZIP code in the ZIP-code field.
5. After clicking the button to verify your SMI premium membership, you'll be taken to a screen to enter your credit-card information.
6. After you've been charged the $50 access fee, you'll be taken to the mymoneyguide.com website.
7. Once there, click the "Register" button, either at the top of the screen or in the lower-left.
8. Enter an email address and password that you'll use to log-in to the myMoneyGuide® software. Fill in your name and phone number and you're done!

Using this software doesn't make you a client of SMI Advisory Services, an affiliated but separate company from the SMI newsletter and website. Naturally if *you* want to work with them at some point down the road, they'll be happy to do that. But there's no obligation or any expectation of that. In fact, at the end of the walkthrough that follows, we'll explain how *non*-aggressive they are going to be and how aggressive *you'll* need to be if you want to work with them more closely.

One final note on your relationship with SMI Advisory Services, should you choose to take advantage of this offer. Because MGP is designed for advisors to use with their clients, there's no way to grant access to an individual investor without his or her information being visible to the advisor who licenses MGP. This means that your data will be in SMI Advisory's system—there's no way around that given the way MGP works. Importantly, this does not mean they are your advisor or that you have any relationship with them other than they are granting you access to this software through their license. Obviously, this isn't an arrangement we would agree to with any other advisor, but we're willing to do so in this case because of our absolute trust in and long history working with the SMI Advisory team (SMI Advisory has managed the SMI Funds since their inception in 2005).

Introducing the Lab process

Once you're registered, you'll be asked to select a "Lab," which is a video-guided walkthrough of the software. There are three Lab types: for those already retired, within 10 years of retirement, or more than 10 years away from retirement. Choose the one that is most appropriate. All three Labs give you full access to the program, but each tailors the presentation a bit more to your circumstances.

After you select a Lab type, you'll be given the option to either "Start Now" or enroll for a future Lab time. Select what works best for you, and don't worry about having your financial records handy. You can enter estimates the first time through and return for fine-tuning later. Once you accept the MGP terms of service, the Lab will begin.

Repeat after me: "Chat is my friend!"

As you go screen-by-screen through the Lab, videos will play that explain each step of the process and guide you as to how to input your information. The videos are immensely helpful and make the entry process easy and non-intimidating. The whole process moves at whatever pace you desire, so there's no pressure—you don't even have to finish it all at once. I recommend you listen to the whole video for each section before you fill in any information.

I also suggest you maximize the window so it fills your whole monitor—this will give you the most room to work with. The first video explains how to re-size the various parts of the screen. As I worked with the program, I would drag the vertical blue bar to the left initially, to make the video larger while I watched it. When the video finished, I'd drag the bar back to the right to make the input area of the page larger.

Even though the video training is excellent and the program is easy-to-use, you may have occasional questions. For those, use the "Chat" feature, which is manned by trained MGP personnel. You can access it by clicking on the "Live Support" or "Chat" links in the bottom, right-hand window. The MPG staff will respond and be available to answer your questions and help you move on to the next step. In my experience, their chat support was excellent. (SMI staff cannot answer your questions, but we have set up a MoneyGuide Pro section on the SMI Member Forum so SMI members can share information and help each other out.)

The first time through, simpler is better

Here's a tip to boost your enjoyment of the MGP process: *Don't worry about entering every financial detail your first time through the Lab.* It's easy to get bogged down in the details, especially when you don't know the process and wonder if you'll be able to easily add more information later. You *will* be able to go back and add/edit details after you complete the Lab. In fact, you'll almost certainly want to do so.

My recommendation is to think of the planning process as moving along in stages. The first time through the Lab, your main goal is to familiarize yourself with the program, see what it's doing, learn the terminology it's using, and understand what the process and endgame look like. If you approach it that way, you'll get to the fun stuff a lot quicker, which is hugely motivating!

While the Lab videos provide most of the instructions you'll need to input your information, it's helpful to have a roadmap of the various stops along the journey to help you gauge where you are in the process at any given time (see nearby table).

The Lab Process
Personal Information
Retirement Expectations
Retirement Concerns
Create Your Goals
Social Security
Other Retirement Income
Investment Assets
Willingness to Save
Other Assets
Insurance Policies
Liabilities
Net Worth Chart
Risk Score
Current Scenario
Recommended Scenario • Social Security • Choices •Play Zone
Summary of Changes
What Are You Afraid Of?
Next Step

Once you see all that MGP can do for you, we think you'll be hooked. But if you're trying to input every single detail up-front, it's possible to get bogged down. This can lead to fatigue, frustration, and quitting before you reach the finish line. Don't do that! Instead, take a more laid-back approach your first time through the Lab process. Once you've been through it all and see how all the pieces fit, you can go back through some of your entries and fine-tune them.

There's another reason not to sweat every detail immediately: Next month we're going to explain how to *connect to your actual investment accounts* through MGP so that your plan can update in real time! If you have multiple investment accounts and/or detailed holdings, you definitely will save a lot of time if you keep your initial inputs general now and wait for that functionality.

Beyond the ease of getting assets entered into the system, that functionality will assist you in *making wise decisions* following future market declines. You'll immediately be able to see the impact of recent market events on your long-term plan. Since people tend to overestimate the impact of current events, this aspect of MGP can help you *manage your emotions*, which is where most investing mistakes are made.

Following are some details pertaining to selected sections of MGP that can be helpful for SMI members.

> Retirement Expectations and Concerns

This section exists to get you thinking about what *you* want in retirement, as well as how your plan can address common issues. This is also the first place you'll run into a "How could I know that?" question—how long you think you'll live. This is a great place to start practicing the rule of not getting bogged down! Use the tools provided to come up with your best guess and move on. As you'll see later, you'll have ample opportunity to play with this age input and see the financial impact of dying earlier or later.

> Create Your Goals

This is a fun part of the Lab, where you're encouraged to dream a little. You'll select goals and drag them into the appropriate groups. Are they Needs, Wants, or Wishes? Then you click on each goal to enter some relevant details. Categorizing them in this way will help later when you work through various trade-offs and options. For example, maybe an annual trip to the Bahamas won't work, but a less expensive trip to Florida would (or going to the Bahamas every other year). More importantly, these goals will allow you to later distinguish between the *must-haves* and the *nice-to-haves* within your plan. For now, go ahead and list them all.

The goals section is a great example of how being able to work through the planning process on your own and at your own pace actually can be better than working with an advisor. MGP's data shows that when a planner does the entry, they average 2.5 goals per client. But when clients enter their own goals, they input an average of 7.5 goals! Don't feel like you have to enter every goal now, as you can always come back and add more later.

> Social Security

There's a very simple input screen for this early in the Lab, which is going to be fine for most people at this point (the program presents some great Social Security analysis later in the process). Those who want to enter all of their details can click the Advanced button to do so, but for most, just sticking with the basic inputs is fine for now. Don't worry if you don't know what age is optimal to claim benefits—the program will help you figure that out later. Your best guess is fine for now.

> Investment Assets

This is where you'll soon have the ability to import data directly from your actual accounts, so don't spend a lot of time on that now. (That feature isn't available until your plan is ported over from this entry-oriented version of myMoneyGuide® into the full version of MGP, which will happen a few weeks after starting the Lab. We'll explain this process in detail next month.)

For now, use the "Summary Totals" option. This will give you the ability to input any employer-sponsored retirement plans, along with contribution and matching information. You can also enter totals and contribution information for any other accounts you have—IRA, Roth, Taxable, etc.

After entering those account totals, the program will list a summary of the individual accounts on the next page. If you click on a specific account, a detail screen will open. If you entered the summary totals to start, under the "Holding Summary" heading on this detail screen you'll see an "Account Total" hyperlink. Click on that link to see how each particular account is invested. Enter the appropriate percentage for each SMI strategy or other allocation category.

Take a moment to click on each of your accounts and enter each one's allocation to the SMI (or other) strategies you currently utilize. The program will project future rates of return based on these inputs, so it's worth taking a few minutes to enter them now.

Some accounts, such as Roth 401(k) plans and 529 college plans, require extra attention. Watch the videos, look at the help screens, and if you're still not sure how to input them, use the chat box provided beneath the video. Some, like the Roth 401(k), require a more detailed input method be used. Others, like the 529 plan, can be entered into the system a few different ways, which are explained in the help screens and videos. But if you run into anything tricky here, don't get bogged down. Give it your best shot and keep moving. You'll be able to fix and fine-tune later. (SMI may write about how to handle certain topics, like college savings, in future articles.)

> Risk Score

This page has three sections: a risk score, a portfolio that roughly corresponds to that level of risk, and the loss you would have experienced in that portfolio during the bear market of the Great Recession.

At the top, you're presented with a slider to select a risk score. (These scores can be useful for comparing different portfolio combinations, but aren't correlated to anything specific outside MGP.) As you drag the slider from left to right, you'll be presented with progressively riskier portfolios and shown an average return for each.

There are six portfolios presented in the "SMI Newsletter" portfolio set, ranging from conservative to aggressive. A 50/40/10 option is included for reference (this particular version includes a "60/40" split of the Upgrading portion between stocks and bonds.) This may be a helpful benchmark for SMI readers familiar with the 50/40/10 strategy.

As you look at the way the various "Appropriate Portfolio" allocations are divided among SMI strategies, you'll notice that any DAA allocation is always included in the "Percentage Stock" calculation. Of course, DAA isn't always 100% stock (in fact, it rarely is). So if DAA is present in a portfolio, understand that the "Percentage Stock" number shown is basically reflecting the *maximum stock percentage.* At other times, that portfolio will own less stock.

The "average return" shown for each portfolio is based on the actual historical (or back-tested) performance of SMI strategies, and weighted according to the percentage allocations shown in the portfolio. Of course, past performance is no guarantee of future returns.

To a degree, MGP is customizable for the advisors that use it. However, certain features are "hard wired" into the software and cannot be tailored to advisors' unique situations. So it is with the "Great Recession Loss" section on this page, and this presents a problem with the data MGP presents to any SMI member using our Dynamic Asset Allocation strategy.

As you drag the slider through the various portfolio options, at the bottom of the screen (or to the right, depending on the size of your monitor) you'll see two red numbers. These attempt to show what the selected portfolio would have lost during the Great Recession. However, these are MGP calculations based primarily on generic historical rates of return and standard deviation (risk) scores, *not the actual returns experienced by the SMI strategies* during the 2008-2009 bear market.

This is a significant issue when DAA is involved, as the supposed losses shown in MGP are substantially greater than what DAA's backtesting indicates would have actually been lost during that specific period. For example, MGP reports that the 50/40/10 portfolio would have lost -39%, when in reality, this portfolio would have actually lost -16%. So while the "average return" numbers shown on this page for the various portfolios accurately reflect their historical rates of return, the "Great Recession Loss" risk numbers may be overstated.

Choose the portfolio that best approximates your risk/reward views for the next few years. Note that while most SMI readers should stick with the default "SMI Newsletter" portfolio options, if your portfolio uses index funds in a significant way, you may want to use the drop-down box to switch to the "SMI Private Client Indexing" portfolios. These replace the Upgrading component with index funds.

Note that you will have the opportunity later in the planning process to adjust the expected rates of return. You will also have the opportunity to choose different portfolio allocations for pre- and post-retirement if you wish. So, it's okay to use a rough estimate for now and not agonize.

As you wrap up the Risk Score section, you'll be asked "Will you stick with your investment strategy through a bad market?" The numbers presented there are based on the "Great Recession Loss" calculation discussed above, so disregard those if you have a DAA component in your portfolio.

> Current Scenario

You've made it to the fun part! Or at least the *interesting* part—it may not be "fun" depending on the numbers you're working with. But this is where the program will run 1,000 trials of your situation to see how likely you are to be able to fund all of your goals without running out of money. If the probability of success doesn't look great, don't panic. You're about to get to work on possible solutions.

> Recommended Scenario

This is where the real planning work happens, as you begin to work with the variables and trade-offs that will affect your plan. You may notice that the probability of success for your Recommended Scenario is different now from what it was on the prior screen (your Current Scenario). This is because the current scenario uses your present asset allocation, whereas the recommended scenario uses the average returns of the portfolio you just selected. You'll have the opportunity to make adjustments to that in a moment.

There are three primary ways to make adjustments to your recommended scenario:

1. **The Social Security option** will run an analysis that can help you optimize the best time to begin receiving your benefits. One of the more interesting aspects of this is realizing that the method that produces the most total dollars isn't always the method that gives you the highest probability of meeting your goals! This was a surprise to me.

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LEVEL 1 ONE

Strengthening Your Foundation

Wise money management begins with a strong financial foundation. In this column, we cover topics such as how to manage cash flow, apply strategies for getting debt-free, make wise purchasing decisions, build savings, choose appropriate insurance protection, navigate marital financial issues, and many more.

"By wisdom a house is built, and through understanding it is established." Proverbs 24:3

THE WISDOM AND FOOLISHNESS OF SAVING MONEY

When it comes to guidance about saving money, the Bible uses the word "fool" to describe two extremes—not saving anything and saving too much.

In the first case, we're told it's foolish not to save: "In the house of the wise are stores of choice food and oil, but *a foolish man* devours all he has"—Proverbs 21:20.

On the other hand, in the parable of the rich fool, Jesus cautioned against saving too much: "Then he told them a story: 'A rich man had a fertile farm that produced fine crops. He said to himself, What should I do? I don't have room for all my crops. Then he said, I know! I'll tear down my barns and build bigger ones. Then I'll have room enough to store all my wheat and other goods. And I'll sit back and say to myself, My friend, you have enough stored away for years to come. Now take it easy! Eat, drink, and be merry! But God said to him, *You fool!* You will die this very night. Then who will get everything you worked for?'"—Luke 12:16-20.

The more common form of foolishness

It's safe to assume that more people are on the *not-saving-enough* end of the savings spectrum than on the *saving-too-much* end.

Federal Reserve research indicates that many people live paycheck to paycheck. According to its most recent "Report on the Economic Well-Being of U.S. Households," nearly half (46%) of all Americans say they could not come up with $400 to pay for an emergency expense without having to sell something or borrow the money.[1]

Practical steps

If you find it difficult to save, here are three keys to building a financial reserve.

First, open a separate savings account. Earmarking some of the money you keep in a checking account as "emergency savings" typically doesn't work. Mingled money leaks. It gets used for other purposes. Establishing a separate account dedicated to emergency savings is much more effective.

Keep in mind, the purpose of this money isn't to generate a high return; it's to be readily accessible should an emergency arise. So, you don't want your emergency fund tied up in investments that are not liquid (e.g., real estate), nor ones that could lose value in the short-term (e.g., stocks). Good ol' savings accounts are usually best. (Currently, credit unions and online banks offer better interest rates than traditional brick-and-mortar banks, although 1% is about the best rate you will find.)

The second key is to make savings a priority. There are five things you can do with money. You can spend it, pay debts with it, save it, invest it, or give it away. The order you choose makes a tremendous difference.

With every dollar you receive—before you spend any of it—commit to giving a portion and then saving a portion. That's an effective, biblical approach to prioritizing your use of money.

Third, make savings automatic. If you have to make the decision to save only *one time*—when you set up an automatic monthly transfer from checking to savings—that's emotionally easier than having to decide anew whether to save *each time* you receive some money.

While the Bible isn't specific about how much to keep in savings, it makes sense to maintain a reserve large enough to handle some of life's tougher financial circumstances, such as an extended period of unemployment. Aim for stocking an emergency fund with enough savings to cover three to six months' worth of essential living expenses.[2]

Too much of a good thing

It may be more common for households to have too little in savings than too much, but there are some folks who take saving too far. Be honest with yourself. Would you say you base your sense of security or happiness, at least to a degree, on the amount of money you have in reserve? Deciding where the line is drawn between wise saving and foolish hoarding is not so much a matter of money as it is a matter of the heart.

Once you have an adequate emergency fund, such as six months' worth of essential living expenses in a savings account, we recommend that you change your focus from saving to investing, but that's where you may be tempted to overdo it and *build bigger barns.*

With all the scary headlines about many people not saving enough for their later years, and with healthcare costs looming as a great unknown, it's easy to fall for the lie that you can never have too much in your retirement accounts. Just as saving too little can be detrimental, so can building up your savings if it becomes a preoccupation that causes an overemphasis on frugality, even at the cost of strained relationships. If that describes you, here are three recommended steps.

- **Take this issue to the Lord.** Ask for wisdom and greater faith in God's provision and protection. Read, reflect on, and memorize verses, such as Psalm 91:2 ("I will say of the Lord, 'He is my refuge and fortress, my God, in whom I trust.'").
- **Seek accountability from a trusted friend.** Ask your friend to pray for you, and give them permission to ask how you're doing in this area from time to time.
- **Give serious thought to your future needs.** Use the retirement planning software from SMI Advisory Services[3] to determine an appropriate amount for you to save for the future. Having a personal *(continued on page 29)*

[1]bit.ly/2jc8zJU [2]bit.ly/smiemergencyfund [3]See this month's cover article

LEVEL 2 TWO

Developing Your Investing Plan

Investing decisions are best made as part of a comprehensive personalized plan. In this column, we focus on topics that will help you implement an investment strategy that takes into account your personal goals, attitude toward risk-taking, and current season of life. We explain investing essentials, discuss SMI's core investing strategies, and help you decide which is best for your situation.

"The plans of the diligent lead to profit as surely as haste leads to poverty." Proverbs 21:5

MAKING IT EASY ON YOURSELF TO 'DO THE RIGHT THING'

When the stock market experiences sharp downturns, as it did in August of 2015 and again in early 2016, we often hear from readers asking, "What should I do now?" Our answer is always the same: "Ignore the market and follow your long-term plan."

It's at this point some readers discover they really don't *have* an objective long-term plan to guide them. Others are following SMI's suggestions, but are nevertheless fearful.

If you haven't yet adopted a specific strategy to guide your decision-making, it's time. The Start Here[1] section of the SMI web site has the guidance you need.

If it's a question of emotional stress, perhaps the following will be of some encouragement.

Putting away childish things

Too often, people make decisions of emotion rather than of reason. They are focused on short-term satisfaction rather than on long-term objectives.

Against all reasonable expectations, they imagine themselves astutely selecting the cream of the investment crop, riding their holdings to the crest of a glorious bull market, and then wisely taking profits. Then they see themselves moving to the sidelines and letting other (presumably less savvy) investors suffer the frustrations of the inevitable steep and painful correction that follows.

Please don't shoot the messenger, but if you're thinking like this, you are living in a fantasy world. And when these wild dreams fail to materialize, you'll likely react with bitter disappointment, anger, or fear.

Every successful investing strategy requires some degree of self-discipline, which is the ability to do the right thing at the right time every time, even when your emotions try their hardest to pull you off track. By the "right" thing, we don't mean always making the most profitable decision. That's impossible. The right thing is to ignore the distractions of news events or tip-of-the-day advice and stay with your plan. In other words, to make decisions of reason rather than decisions of emotion.

Let us reason together

SMI's strategies are designed to minimize the wear and tear on your emotions and make it easier to consistently do the right thing. Here's how SMI's approach helps you exercise self-discipline.

• **Doing the right thing is easier when the strategy is simple.** Our strategies contain relatively few moving parts, and we use plain-English in our directions that tell you what to do and why. We explain how our strategies are designed, who they are designed for, and generally how they should perform under different market conditions. We want you to make a knowledgeable decision about which strategy (or strategies) to use and to feel confident following that strategy.

• **Doing the right thing is easier when the rules are clear cut.** SMI offers mechanical guidelines that determine your mix of stocks, bonds, or other asset classes, and specific fund selections. You can have more confidence when you know you're making buy/sell decisions that come from an objective rules-based system.

• **Doing the right thing is easier when you don't have to respond too quickly.** We don't change directions based on daily headlines or market forecasts. Continual tinkering is not required or desired. Instead, SMI's strategies are updated just once a month. Some months, those updates require action on your part, but often they don't.

• **Doing the right thing is easier when you make commitments a little at a time.** When there *are* changes to make in your portfolio, they'll represent only a portion of your holdings. The stakes aren't so high that your fear of making a mistake paralyzes you.

• **Doing the right thing is easier when it's not time consuming.** You don't need to read the *Wall Street Journal* or keep daily records or charts. As already noted, we update our strategies once a month. When a change is required, it can be done online in just a few minutes. For Just-the-Basics' investors, portfolios need tending only once a year!

• **Doing the right thing is easier when you know your losses won't kill you.** No strategy is perfect. Wise investors understand they will lose money from time to time. However, being well diversified and maintaining a long-term perspective help ensure that inevitable periods of market weakness won't keep you from achieving your goals.

• **Doing the right thing is easier when you know you're in it for the long haul.** Our strategies certainly don't beat the market every month, and they don't even beat the market every year. However, over the long-term, each one has a strong, market-beating track record. We don't aim to serve short-term traders; we serve patient, long-term investors who have the temperament to stay with our rules-based strategies no matter what the overall market is doing. Those who have done so have been handsomely rewarded.

We can look forward to maturing in our faith (and our investing decisions), putting aside childish things because "His divine power has given us everything we need for life and godliness… For this very reason, make every effort to add to your faith…self-control..." (2 Peter 1:3,5,6). ◆

[1]bit.ly/smistart

Broadening Your Portfolio

This column goes beyond the investing essentials taught in Level 2, introducing you to a wider range of investment securities and markets. By further diversifying your holdings, you can create a more efficient, less volatile portfolio. We also comment quarterly on the performance of the various markets, and on how SMI's fund recommendations and strategies have fared.

"Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth." Ecclesiastes 11:2

2016 YEAR IN REVIEW: FINAL GAINS MASK AN EMOTIONALLY TRYING YEAR

When investors look back on 2016 a few years from now, they'll see solid investment returns from most asset classes. But as is often the case, the story of the trying year that produced those gains will largely be forgotten.

Last year began with a sharp six-week stock-market correction that quickly drove stocks down 12%. Coming so quickly on the heels of another 10%+ correction just a few months earlier, fear was high, with many believing the long bull market had either ended or was about to. But they were wrong—a spirited rally soon carried the market to a new all-time high.

The gloom would return soon though, as British voters shocked the world in June by voting to leave the European Union. In the days immediately following the surprise results, stocks fell enough that they showed year-to-date losses with 2016 nearly half over. But once again, stocks rebounded in surprisingly sharp fashion.

After a brief respite, the U.S. election (among other factors) began to weigh on investors' minds. By November 4, just days ahead of the election, the S&P 500 index stood only 2% higher than it had begun the year. But from that point forward, stocks were off to the races, rocketing to new highs to close out 2016 and generating impressive overall gains for the year.

Unfortunately, for trend-following strategies like the ones we use at SMI, this down-up-down-up-down-up pattern—with each move measured in mere weeks—is the worst possible environment. In fact, if this were the market's normal historical pattern, trend-following strategies wouldn't exist. Yet despite the unfavorable market environment, several of SMI's strategies were able to post new all-time highs along with the market in 2016. This is a good reminder that the most profitable path for SMI readers has almost always been to tune out the noise and stick with their long-term plans.

2016 PERFORMANCE OF SMI'S RECOMMENDED FUNDS BY RISK CATEGORY

Risk Category		SMI[1] Funds	All[2] Funds
Cat 5:	Foreign Stock Funds	–0.1%	0.8%
Cat 4:	Small Company/Growth	17.6%	11.2%
Cat 3:	Small Company/Value	29.3%	26.0%
Cat 2:	Large Company/Growth	–1.5%	3.2%
Cat 1:	Large Company/Value	6.5%	14.8%

FOOTNOTES: [1] Average of the three recommended funds for each risk category (page 26), assuming any suggested changes were made on the last trading day of each month. [2] An average of all the mutual funds in the SMI risk category shown, including both load and no-load funds.

Just-the-Basics (JtB) & Stock Upgrading

Both JtB and Stock Upgrading managed solid double-digit returns in 2016, helping investors in those strategies reach new all-time portfolio highs. Both trailed the Wilshire 5000, the domestic stock index we use as their benchmark. This isn't surprising, given the 20% allocation both strategies give to foreign stocks. The MSCI-EAFE, which is the most commonly referenced foreign stock index, gained only 1% in 2016, well below the gains of U.S. stocks.

While our foreign allocation hurt our results, our higher-than-market-weight allocations to smaller stocks helped. In fact, JtB's domestic holdings outperformed the U.S. market. And Stock Upgrading, despite the stop-start nature of the stock market that created an unusually challenging environment, would have nearly matched the Wilshire 5000 were it not for its foreign holdings.

Bond Upgrading

Stocks weren't the only asset class strongly impacted by November's surprise election results. *(continued on page 30)*

A HISTORICAL LOOK AT THE PERFORMANCE OF SMI MODEL PORTFOLIOS

	U.S. Stocks	SMI Basic Strategies			SMI Premium Strategies		
	Wilshire 5000	Just-the Basics[1]	Stock Fund Upgrading[2]	Bond Fund Upgrading[3]	DAA	Sector Rotation	50-40-10 Portfolio[4]
2016	13.4%	12.3%	10.4%	3.6%	–0.5%	16.8%	5.6%
2015	0.7%	–1.6%	0.6%	–1.7%	–6.8%	–9.7%	–4.1%
2014	12.7%	7.5%	5.1%	8.4%[H]	13.0%	49.9%	13.6%
2013	33.1%	31.2%	34.5%	1.1%[H]	16.2%	65.7%	28.4%
2012	16.1%	17.6%	14.1%	4.6%[H]	13.9%[H]	23.3%	14.9%[H]
2011	1.0%	–3.4%	–5.4%	6.5%[H]	1.4%[H]	–3.2%	–1.8%[H]
2010	17.2%	20.0%	17.8%	17.9%[H]	20.3%[H]	9.1%	18.2%[H]
2009	28.3%	33.9%	33.6%	13.5%[H]	17.6%[H]	30.5%	25.3%[H]
2008	–37.2%	–39.3%	–38.8%	6.6%[H]	1.3%[H]	–31.5%	–18.0%[H]
2007	5.6%	7.1%	14.3%	8.3%[H]	10.1%[H]	28.1%	13.5%[H]
Past 10 Years (Total Gain)	99.89%	84.88%	86.52%	91.93%	121.83%	290.37%	129.70%
Dollar Profits on $100,000[5]	$99,893	$84,876	$86,517	$91,934	$121,832	$290,373	$129,698
Annualized Rate of Return	7.2%	6.3%	6.4%	6.7%	8.3%	14.6%	8.7%

Footnotes

Results for all SMI strategies assume all transactions were made on the last trading day of the month. Transaction costs are not included because they vary from broker to broker. **[1]** Results assume the account was rebalanced at the beginning of each year with 40% of the stock allocation invested in the S&P 500 (VOO), 40% in Extended Market (VXF), and 20% in Total International Stock (VXUS). **[2]** For a 100% stock portfolio. **[3]** For a 100% bond portfolio. **[4]** For a portfolio allocated 50% to DAA, 40% to Stock Fund Upgrading, and 10% to Sector Rotation. See the May 2014 cover article for details. **[5]** The dollar results show the amount of profits in an account with a $100,000 balance at the beginning of 2007. **[H]** Results are hypothetical from backtesting a strategy following a mechanical rules-based system.

Looking Toward Retirement

As you move through your 50s, 60s, and beyond, you face a new set of financial decisions related to reducing your investment risk and generating income from your portfolio. In this column, we address such topics, as well as those pertaining to Social Security, long-term health care, advanced giving strategies, estate planning, and other matters of importance to those nearing and in retirement.

"There is precious treasure and oil in the dwelling of the wise." Proverbs 21:20a

HOW TO GET ON THE SAME RETIREMENT PAGE AS YOUR SPOUSE

by Matt Bell

Imagine watching your spouse head out the door at the usual time on a weekday morning, but instead of grabbing a briefcase, he or she picks up golf clubs instead—and that's your first clue that your spouse has retired!

Far fetched? Maybe. However, research shows husbands and wives often have different assumptions and expectations about retirement. In some cases, *very* different.

In this article, I'll highlight some of those differences—not just for entertainment purposes, but to help you make sure you're talking with your spouse to identify and sort out any important areas of disconnect. And I'll suggest practical steps to help you plan for your future—*together*.

Houston, we have a problem

When Fidelity[1] surveyed more than 1,000 couples in 2015 and asked how well they communicate about financial matters, a solid majority gave themselves high marks. Some 72% said they talk about everything from spending to saving, and investments to estate planning, "exceptionally" or "very" well.

However, as the questions became more specific, many areas of disagreement emerged. For example:

• 50% disagreed about when they plan to retire.

• Nearly as many (47%) disagreed about how much of a nest egg they need to build to maintain their current level of spending in retirement, and those most likely to disagree were people closest to retirement (i.e., Baby Boomers).

• 36% disagreed about the value of their investable assets.

• 33% disagreed about how comfortable they expect their retirement lifestyle to be.

In many other retirement planning areas, it wasn't so much that the couples disagreed; it's that they simply didn't know.

• 52% had "no idea" how much retirement income they expected to receive.

• 30% didn't know what the primary source of their retirement income will be.

• 60% didn't know what their estimated Social Security benefit will be, including 49% of Boomers.

• 43% didn't even know how much their spouse currently earns (10% missed the mark by at least $25,000).

• 26% said only they or only their spouse knew where to find important financial and legal documents.

Several of these areas of disconnect can be resolved through conversation—probably *many* conversations. Others are simply facts that can be learned relatively quickly. For example, by creating an account on the Social Security Administration's web site,[2] you can see your estimated retirement benefits and compare the amounts you're in line to receive should you retire at age 62, your Full Retirement Age (which depends on the year of your birth), or age 70.

Still others will require some dedicated number crunching (see this month's cover article for information about a new tool available to SMI Premium members that enables you to do very thorough retirement planning.). According to the latest version of the Employee Benefit Research Institute's long-running Retirement Confidence Survey,[3] less than half of today's workers have used a retirement-planning calculator to estimate how much money they need to save by the time they retire, and what that means about how much they need to save each month now. Those that *have* run some numbers tend to set higher retirement savings goals and feel more confident about their likelihood of living comfortably in retirement.

Listening to the voice of experience

Another report, TIAA's Voices of Experience survey,[4] also provides insights about how couples can best plan for retirement. It surveyed more than 1,500 people who are now retired.

One of its more notable findings was how men and women differ over their concern about running out of money in their later years. Only 15% of men named that as their biggest retirement worry, whereas 29% of women said it was their biggest later-life financial fear. That points not only to the need for more conversation about financial matters between spouses, but possibly some counterintuitive decisions as well.

Looking beyond the spreadsheet

After a recent workshop, a man asked me for some advice. He said he and his wife are fully funding their retirement accounts and are in the enviable position of having additional money at their disposal. He wondered whether it would make more sense to accelerate the payoff of their mortgage or invest the money in a taxable account. Since the interest rate on their mortgage was very low, he was leaning toward investing the money.

I suggested he have a long conversation with his wife. I mentioned research, such as the TIAA study referenced above, which shows that women tend to be more conservative in their approach to money and more concerned about financial security (a 2012 survey from Allianz found that 43% of married women "often" or "sometimes" fear losing all their money and becoming homeless[5]). I said it might be especially appealing to his wife if they paid off the house. Making that decision well requires more than a spreadsheet.

When life gets in the way

Another important finding from the TIAA study highlighted (continued on page 29)

[1]bit.ly/2jF1tdc [2]bit.ly/2jgmKNH [3]bit.ly/2ilgzZa [4]go.tiaa.org/2jghPw8 [5]bit.ly/2jgi3U0

Basic Strategies

The fund recommendations shown for Upgrading accountholders are based primarily on their most recent “momentum” scores at mid-month (not the earlier end-of-month scores shown on this page), but consistency of performance and the portfolio manager’s philosophy and number of years at the helm are also important. Three recommendations are made in each risk category so that you can select the one(s) most in accord with your preferences and broker availability.

“Plans fail for lack of counsel, but with many advisers they succeed.” Proverbs 15:22

RECOMMENDED FUNDS FOR SMI’S JUST-THE-BASICS STRATEGY

Data through 12/31/2016	Portfolio Invested In	MOM	Performance YTD	1Mo	3Mo	6Mo	12Mo	3Yr Avg	Rel Risk	Expense Ratio	Stock/Bond Mix 100/0	80/20	60/40	40/60	Ticker Symbol
Total International Stock ETF	Foreign stocks	7.5	4.8%	2.0%	-2.0%	4.7%	4.8%	-1.5%	1.15	0.13%	20%	16%	12%	8%	VXUS
Extended Market Index ETF	Small company stocks	35.2	16.2%	1.8%	5.7%	13.3%	16.2%	6.5%	1.28	0.09%	40%	32%	24%	16%	VXF
S&P 500 Index ETF	Large company stocks	24.1	12.2%	2.1%	4.0%	8.0%	12.2%	8.9%	1.00	0.05%	40%	32%	24%	16%	VOO
Total Bond Mkt Index ETF	Medium-term bonds	-3.4	2.5%	0.3%	-3.2%	-2.8%	2.5%	3.0%	1.02	0.06%	None	20%	40%	60%	BND

VANGUARD JUST-THE-BASICS FOOTNOTES: Just-the-Basics is an indexing strategy that requires just minutes a year to assure that your returns are in line with those of the overall market. You won’t “beat the market” using this simple strategy, but neither will you fall badly behind. Your JtB portfolio should be allocated among as many as four Vanguard funds (as shown above) depending on your stock/bond mix. For more on Just-the-Basics, see June2012:p89.

RECOMMENDED FUNDS FOR SMI’S FUND UPGRADING STRATEGY

Risk	Data through 12/31/2016[1]	Date Added	Scottrade Avail[2]	Fidelity Avail[2]	Schwab Avail[2]	MOM[3]	Performance YTD	1Mo	3Mo	6Mo	12Mo	3Yr Avg	Relative Risk[4]	Exp Ratio	Number Holdings	Redemp Fee?[5]	Ticker Symbol
Category 5 Foreign	1. Third Ave Intl Value	01/17	NTF	NTF	NTF	36.3	17.0%	2.7%	6.1%	13.2%	17.0%	-4.6%	1.60	1.65	40	2%60days	TVIVX
	2. Oakmark International	12/16	NTF	NTF	NTF	34.9	7.9%	3.4%	6.4%	20.6%	7.9%	-0.6%	1.43	1.00	67	None	OAKIX
	3. Longleaf Partners Intl	09/16	Yes	Yes	Yes	24.1	12.2%	-0.7%	-0.3%	12.2%	12.2%	-4.1%	1.59	1.28	18	None	LLINX
Category 4 Small/Growth	1. Hodges	09/16	NTF	NTF	NTF	75.9	39.8%	0.2%	10.3%	25.9%	39.8%	9.9%	1.86	1.32	60	1%30days	HDPMX
	2. Oberweis Micro Cap	11/15	NTF	NTF	NTF	51.7	24.6%	1.8%	7.7%	19.4%	24.6%	7.0%	1.44	1.72	84	1%90days	OBMCX
	3. Champlain Mid Cap	05/16	NTF	NTF	NTF	31.3	18.4%	1.7%	3.9%	9.1%	18.4%	8.9%	1.09	1.20	61	None	CIPMX
Category 3 Small/Value	1. Towle Deep Value	06/16	Yes	Yes	Yes	109.2	54.4%	2.4%	20.3%	34.5%	54.4%	10.0%	2.25	1.20	36	2%90days	TDVFX
	2. iShares Russell 2000 Value	12/16	ETF	ETF	ETF	70.4	32.0%	4.2%	14.2%	24.2%	32.0%	8.3%	1.46	0.25	1375	None	IWN
	3. WisdomTree Sm Cap Divd	08/16	ETF	ETF	ETF	59.7	31.4%	3.7%	10.9%	17.4%	31.4%	10.1%	1.36	0.38	707	None	DES
Category 2 Large/Growth	1. Oakmark Fund	01/17	NTF	NTF	NTF	44.2	18.4%	1.6%	8.3%	17.5%	18.4%	8.2%	1.20	0.89	51	None	OAKMX
	2. Kinetics Paradigm	11/16	NTF	NTF	NTF	42.1	20.5%	0.4%	6.4%	15.3%	20.5%	3.1%	1.23	1.64	75	2%30days	WWNPX
	3. Parnassus Endeavor	01/17	NTF	NTF	NTF	47.8	21.4%	2.0%	7.3%	19.1%	21.4%	14.1%	1.11	0.95	24	None	PARWX
Category 1 Large/Value	1. Dodge & Cox Stock	12/16	Yes	Yes	Yes	52.4	21.3%	1.3%	10.7%	20.4%	21.3%	8.6%	1.23	0.52	66	None	DODGX
	2. Artisan Value	06/16	NTF	NTF	NTF	48.2	29.0%	0.8%	6.5%	12.7%	29.0%	7.2%	1.38	1.00	38	None	ARTLX
	3. Longleaf Partners	11/16	Yes	Yes	Yes	36.1	20.7%	-2.7%	2.0%	13.3%	20.7%	0.9%	1.46	0.93	15	None	LLPFX
Bond Categories	Scout Unconstrained Bond [6]	09/16	NTF	NTF	NTF	5.4	5.6%	0.2%	-0.5%	0.3%	5.6%	0.2%	1.11	0.80	-0.2[7]	None	SUBYX
	Vanguard I-T Bond Index	01/15	ETF	ETF	ETF	-5.0	3.0%	0.2%	-4.1%	-3.9%	3.0%	3.7%	1.32	0.09	6.6[7]	None	BIV[8]
	Vanguard S-T Bond Index	07/12	ETF	ETF	ETF	-1.0	1.3%	0.1%	-1.2%	-1.1%	1.3%	1.2%	0.43	0.09	2.8[7]	None	BSV[9]

Upgrading Footnotes: **[1]** The funds in each risk category are selected (and ranked 1 through 3) primarily based on their momentum scores in late-January, not those shown on this report. The fund ranked third is the one that currently appears most likely to be replaced next. A telephone symbol (☎) next to a fund’s name indicates that fund is a new recommendation. See the fund writeups in “MoneyTalk” for more information. **[2]** Fund Availability: NTF means the fund can be bought and sold free of transaction fees as long as you stay within the trading limitations imposed by Scottrade (800-619-7283), Fidelity (800-343-3548), and Schwab (800-435-4000). Policies change frequently, so be sure to verify their accuracy. ETFs trade like stocks and are typically available at all brokers for a modest commission. **[3]** Momentum is a measure of a fund’s performance over the past year and is our primary performance evaluation tool. For more, see July2014:p103. **[4]** A 1.0 relative risk score indicates the fund has had the same volatility as the market in general over the past three years. For example, a fund with a score of 1.4 would mean the fund was 1.4 times (40%) more volatile than the market. See June2015:p88. **[5]** Depending on how long you hold this fund, a redemption fee may be applicable when selling (for example, a fee of 1% if you sell within 60 days of purchase). Fees change often and vary from broker to broker, so be sure to check with your broker for the most current information. **[6] Rotating Fund:** This bond recommendation changes periodically based on SMI’s Upgrading methodology. The Short-Term and Intermediate-Term Index recommendations shown below that fund are fixed and don’t change from month to month. See January2015:p7 for more information. **[7] Duration:** For bond funds, this column shows the average duration of the bonds in the portfolio in years. Typically, the longer the duration, the greater the risk/reward. See Jun2012:p88. **[8]** Those preferring a traditional mutual-fund option can buy VBILX where available, otherwise VBIIX. **[9]** Those preferring a traditional mutual-fund option can buy VBIRX where available, otherwise VBISX.

Upgrading: Easy as 1-2-3

Fund Upgrading has long been SMI's most popular Basic Strategy. Whether used in isolation or in combination with SMI's Premium Strategies, Upgrading forms a solid foundation for an investing plan. Upgrading has proven itself over time with market-beating returns over the long haul, and it is easy to implement. This page explains exactly how to set up your own Upgrading portfolio.

"The plans of the diligent lead to profit as surely as haste leads to poverty." Proverbs 21:5

WHY UPGRADE?

SMI offers two primary investing strategies for "basic" members. They are different in philosophy, the amount of attention they require, and the rate of return expected from each. Our preferred investing strategy is called Fund Upgrading, and is based on the idea that if you are willing to regularly monitor your mutual-fund holdings and replace laggards periodically, you can improve your returns. While Upgrading is relatively low-maintenance, it does require you to check your fund holdings each month and replace funds occasionally. If you don't wish to do this yourself, a professionally-managed version of Upgrading is also available (visit bit.ly/smifx).

SMI also offers an investing strategy based on index funds called Just-the-Basics (JtB). JtB requires attention only once per year. The returns expected from JtB are lower over time than what we expect (and have received) from Upgrading. JtB makes the most sense for those in 401(k) plans that lack a sufficient number of quality fund options to make successful Upgrading within the plan possible. See the top section of the Basic Strategies page at left for the funds and percentage allocations we recommend for our Just-the-Basics indexing strategy.

WHERE TO OPEN YOUR ACCOUNT

Opening an account with a discount broker that offers a large selection of no-load funds greatly simplifies the Upgrading process. This allows you to quickly and easily buy/sell no-load mutual fund shares without having to open separate accounts at all the various fund organizations. There are several good brokerage choices available. We recommend reading our latest Broker Review (August 2015:Cover article, also available online at bit.ly/smibroker) for details regarding the pros and cons of each broker, as your specific investing needs will largely dictate which broker is best suited to your situation.

401(K) INVESTORS

For a detailed explanation of how to Upgrade within your 401(k) plan, see bit.ly/smi401ktracker. That article also contains ideas on Upgrading in any type of account where your available fund choices are limited.

HOW TO BEGIN STOCK UPGRADING

❶ First determine your stock/bond target allocation by working through the investment temperament quiz online in the "Start Here" section (see the link near the top of the home page on the main navigation bar). For example, Table 1 below provides guidelines for those with an "Explorer" temperament. For more on asset allocations, see Jan2017:p8.

❷ Find the column that matches your stock/bond allocation in Table 2. (If your target falls between two listed columns, split the difference.) Multiply each percentage by the value of your total portfolio amount to calculate the dollar amount to invest in each risk category.

❸ Buying your funds is easy. Look at the recommended funds on the opposite page. In each category, start with the #1 listed recommendation. If it's available at your brokerage (indicated by Yes, NTF, or ETF), buy it. If it's not, continue down the list to the next available fund. Then contact your broker—online or via phone—to buy the fund you've picked.

Let's see how a new subscriber 12 years from retirement with $50,000 to invest and an account at Fidelity would proceed. First, he or she selects the proper stock/bond mix for their situation (let's assume 80/20). Then, from Table 2, finds the percentages for each risk category. Multiplying $50,000 by each percentage yields the dollar amount for each category as shown in Table 3.[1] Looking at the Fidelity column on the Recommended Funds page, the highest-rated Cat. 5 fund available at Fidelity is Third Avenue Value International, the highest-rated Cat. 4 fund available is Hodges, and so on. After doing this for each category, the orders are placed and the stock portion of the Upgrading portfolio is complete!

From then on, it's just a matter of checking the Basic Strategies page each month. When an owned fund is *removed* from this page (not when it merely shifts out of the #1 ranking), you should immediately sell that fund and invest the proceeds in the highest-ranked fund in the same risk category that is available at your broker.

❶ PICK YOUR ALLOCATION

Seasons of Life	Stocks	Bonds
15+ years until retirement	100%	0%
10-15 years until retirement	80%	20%
5-10 years until retirement	70%	30%
5 years or less until retirement	60%	40%
Early retirement years	50%	50%
Later retirement years	30%	70%

Note: These are SMI's recommendations for those with an "Explorer" temperament. See Step ❶ in the text for information on our investment temperament quiz. You may want to fine-tune the above percentages to suit your personal approach to risk-taking.

❷ FIND YOUR PORTFOLIO MIX

Portion of Portfolio Allocated to Stocks:	100%	80%	60%	40%
Portion of Portfolio Allocated to Bonds:	**None**	**20%**	**40%**	**60%**
Stock Cat. 5: Foreign Stocks	20%	16%	12%	8%
Stock Cat. 4: Small Companies /Growth	20%	16%	12%	8%
Stock Cat. 3: Small Companies /Value Strategy	20%	16%	12%	8%
Stock Cat. 2: Large Companies /Growth	20%	16%	12%	8%
Stock Cat. 1: Large Companies /Value Strategy	20%	16%	12%	8%
Bond Cat. 3: "Rotating" Bond Fund	None	10%	20%	30%
Bond Cat. 2: Intermediate-Term Bond Fund	None	5%	10%	15%
Bond Cat. 1: Short-Term Bond Fund	None	5%	10%	15%

❸ BUY YOUR FUNDS

Example uses an 80/20 mix between stocks and bonds		Dollars	Invest In Funds
Stock Cat. 5: Foreign	16%	$8,000	Third Avenue Value Intl
Stock Cat. 4: Small/Growth	16%	$8,000	Hodges
Stock Cat. 3: Small/Value	16%	$8,000	Towle Deep Value
Stock Cat. 2: Large/Growth	16%	$8,000	Oakmark Fund
Stock Cat. 1: Large/Value	16%	$8,000	Dodge & Cox Stock
"Rotating" Bond Fund	10%	$5,000	Scout Unconstrained Bond
Intermediate-Term Bond Fund	5%	$2,500	Vanguard I.T Bond Index
Short-Term Bond Fund	5%	$2,500	Vanguard S.T. Bond Index
Total	100%	$50,000	

BOND UPGRADING

Your bond allocation is divided among three funds as seen in Table 2. One-half of that is invested in the rotating Upgrading selection, which is reviewed monthly and changes from time to time. The other half is divided evenly between short-term and intermediate-term index bond funds, which are permanent holdings. For more on why SMI approaches bond investing in this way, see "Introducing an Upgrading Approach to Bond Investing that Outperforms the Bond Market" (bit.ly/smibondupgrading).

[1] Rounding off to the nearest hundred is fine. As time goes by, your portfolio will gradually move away from these starting percentages as some funds perform better than others. This will be fixed once a year when you "rebalance" back to your desired portfolio mix (see Jan2017:p8).

MONEYTALK

COVER ARTICLE / CONTINUED FROM PAGE 21:

AN EXCITING NEW OPPORTUNITY FOR SMI MEMBERS: PERSONAL FINANCIAL PLANNING VIA MONEYGUIDE PRO®

2. **The Choices option** puts the software to work figuring out reasonable solutions if you're not on track to meet your goals. It runs through three primary sets of calculations. First, it looks at *logical tradeoffs* you could make—boosting savings here, cutting spending there, etc. If it has to make cuts, it does so to your "wishes" goals first. Second, MGP allows you to "*Get my wishes*"—locking those goals, while looking at other areas to adjust. And third, if you aren't already retired, there's an option to "*Retire when I want*" by locking in the retirement age and making adjustments from there. If you like one of these options, or at least if it gets you moving in the right direction toward your goals, select the button in that column at the top of the page. If not, hit Cancel to go back to the prior screen.

3. **The Play Zone** is aptly named, as this is where you get to play with your plan and make it your own. Using the sliders provided, you can try a virtually unlimited combination of options, testing each one to see its impact on the probability of your plan's success. Want to try saving a little more and/or pushing retirement back a year? You can do that. Or tackle your shortfall from the spending side instead. You can modify the dollar amounts of your needs, wants, and wishes, as well as see the impact of using a different model-portfolio allocation. If you're fortunate to have a high probability of success for your plan, you can experiment with taking less investment risk, bumping up the amounts you allow for various goals, etc.

The "Explore" button beneath the "Probability of Success" image at the top of each column is loaded with information about various scenarios and assumptions. When you start honing in on a Recommended Scenario that seems right, you may want to investigate the Explore button data.

Eventually, when you get to a combination of adjustments that seems best, you can save your new Play Zone scenario as your new Recommended Scenario—locking it into the system for future use. Note that after you've made your Play Zone adjustments, you may want to take a second look at your Social Security options on the prior screen—particularly if you adjusted your retirement age in the Play Zone.

> What Are You Afraid Of?

This powerful section of MGP takes the new Recommended Scenario you've just constructed and stress-tests it using six of the most common "big fears" people have about the future. You can manipulate each of these scenarios and see the impact of that particular variable on your plan's ability to meet your *basic needs*, your *needs & wants*, as well as your full slate of *needs, wants, & wishes*. This is all easily seen at a glance as you adjust the variables to assess their impact. You even have the ability to combine these variables by locking one while adjusting another.

It's a counterintuitive fact of planning that probing these financial fears is likely to make you *less* fearful about the future, rather than more fearful. It can be hugely comforting to learn that some of these threats may not pose as stark a threat as you may have imagined. For many people, the anxiety lies in *not knowing how big an impact an event would have on their personal situation*. Once that impact is quantified,

MARKET NOTES, QUOTES, AND ANECDOTES

Be careful whose advice you take

"If you saw my portfolio, you'd never ask me for investment advice." —Financial author Jonathan Clements, on his Humble Dollar blog, listing one of "14 things financial journalists won't tell you." Read the rest at bit.ly/2j1BcKx.

Politics, investing, and the march of time

"Your personal view of [President Trump]—either positive or negative—is irrelevant to how you should be managing your investments… Politics is a huge distraction and typically leads to ill-considered emotional decision-making." —*The Big Picture* blogger Barry Ritholtz, writing on Bloomberg View on 1/20/17. With emotions running high as the new administration gets to work, he cautioned investors to stick with a fact-based approach. Read more at bloom.bg/2knQz06.

"There were just two problems with trading politics in 2016: the politics and the trading." —*Wall Street Journal* columnist James Mackintosh, writing about how the market's response to Brexit and Donald Trump's election surprised many investors. Read more at on.wsj.com/2jmAo14.

"Accept that history is a continuous chain of accident, regret, error, miscalculation, bad decisions, unintended consequences, surprise, and misinformation—but things still got mostly better for most people, and most people meant well along the way." —Morgan Housel, writing on the Collaborative Fund blog that life is like the stock market—over time, things tend to improve, but there are lots of twists and turns along the way. Read more at bit.ly/2jamdsB.

The threat you pose to yourself

"For Americans heading into retirement, your main focus is on building up enough savings to last a lifetime. But there's another major risk you probably aren't planning for: cognitive decline later in life. More than half of older Americans develop cognitive impairment or dementia by their late 80s… In your planning, you should include steps to safeguard your money against poor choices by a future you." —Penelope Wang, writing for *Money* on 1/24/17 about the very real threat that declining mental health poses as investors age. Read more at ti.me/2j1Kbvc. ◆

its power is broken. For example, once you quantify the impact of another bear-market loss and the possibility you'll live to 100—and your plan *still* says you'll be okay—you're unlikely to panic the next time the stock market drops 20%!

On the other hand, if any of these scenarios results in a low probability of your plan succeeding, you can go back to the "Recommended Scenario" page of the Results menu to adjust your Social Security, Choices, and Play Zone entries.

> Next Step

This section is another example of an MGP hard-wired page which, unfortunately, couldn't be altered for SMI readers. It is designed to normally lead a person into a relationship with an advisor, but as we covered earlier, that's not the goal of SMI Advisory. In fact, even though this page says you'll be contacted by email and gives you the opportunity to input your phone number, SMI Advisory *will not be contacting you at the end of this Lab process* (other than to email you a new link in a few weeks that will grant you permanent access to the MGP software—stay tuned for more on this next month).

Even if you answer the question that you would like an advisor from SMI Advisory Services to contact you, they likely will not *unless you take the initiative to email them at stewardshipadvisors@smiadvisory.com*. Any such emails should not be questions about MGP (you've got Chat for that, remember?) but be limited to inquiring about their Private Client services.

Conclusion (and a reminder)

It's important to recognize as you go through the planning process that your objective isn't necessarily to drive the probability of plan success as high as possible. Rather, it's to accomplish as many of your goals as possible while keeping your plan within the confidence zone.

Some are going to find they can't get their plan into the confidence zone without making some uncomfortable changes. While that's obviously not ideal, it's far better to learn that now, while you hopefully have some opportunity to make adjustments to your saving, spending, investing, and working. Use this knowledge as a motivational prod to make changes now for a better future.

Others will be excited to learn they're in better shape than they realized. Great! Hopefully any anxiety you've felt about the future will ease as you see that the probability of hitting your goals is quite high. A plan that's on track may even allow some to give themselves permission to enjoy the journey a bit more and/or to be more generous in their giving than they would otherwise feel they could afford to be. (If you're in this last group, a great area to experiment with is to set up a separate giving goal. This can allow you to easily see the impact of boosting your giving, while still keeping an eye on some of the worst-case type threats.)

After you finish your Lab, or if you stop in the middle, you can always log back in on the mymoneyguide.com page and choose to replay the Lab. From there, you can navigate to the section you want via the "About You...Results...Finish" menus at the top of the entry pages.

We know there's a strong appetite for this type of self-directed financial-planning assistance. We're excited that SMI Advisory Services is willing to make this powerful software available to our premium members at such a low price. We hope you will take advantage of this opportunity and benefit—financially and emotionally—from the tremendous capabilities MGP offers. ◆

LEVEL 1 / CONTINUED FROM PAGE 22:

THE WISDOM AND FOOLISHNESS OF SAVING MONEY

financial plan that takes into account multiple possibilities can relieve anxiety about the future. Ideally, the process will lead you to a conservative target that provides peace of mind—one that ensures you save enough, but also protects against needlessly saving too much. Such a plan can also allow you to be more generous.

Remember, it's good stewardship to maintain a reserve of savings so you're prepared for many of life's inevitable twists and turns. The Bible says it's foolish *not* to keep some money set aside, but equally foolish to let the good habit of saving money go too far. ◆

LEVEL 4 / CONTINUED FROM PAGE 25:

HOW TO GET ON THE SAME RETIREMENT PAGE AS YOUR SPOUSE

the disconnect between when people *expect* to retire and when they *actually* retire. Some 70% of retirees said they had planned to leave the workforce at age 65 or older. However, only 46% ended up waiting that long. As other studies have found, many people retire earlier than expected because of personal health issues, the need to care for a loved one, or because they lost a job and couldn't find another one.

This shows the need for couples to discuss their intended retirement age, *and* to build a buffer into their plan that would allow them to retire earlier.

Other key questions couples should discuss include:

What do we plan to *do* in our retirement? Would we like to continue working to some degree? What volunteer activities should be part of our plans? Where will we *live* in retirement? Do we envision staying in our current home? How realistic is that in terms of meeting possible future mobility issues or the cost of upkeep? If we were to move, would it be to a new community? What type of housing situation can we see ourselves in?

What estate planning needs do we have? How much of our estate would we like to leave to any adult children? What provision should we make for our church or other ministries?

Retirement planning doesn't have to be drudgery where you punch endless numbers into a calculator and create countless spreadsheets. It can be a time of praying and dreaming together about your future. The more you develop a *shared* vision for your later years, the more likely you are to retire successfully and happily. ◆

MONEYTALK

LEVEL 3 / CONTINUED FROM PAGE 24:

2016 YEAR IN REVIEW: FINAL GAINS MASK AN EMOTIONALLY TRYING YEAR

Bond yields spiked higher following the Trump victory (though they've receded some in early 2017). The prospect of tax cuts and a more business-friendly environment spurring greater economic growth, coupled with increased borrowing for infrastructure spending, caused lenders to start thinking about future inflation for the first time in quite a while. The benchmark 10-year Treasury yield rose from +1.88% on election day to a high of +2.60% in mid-December. And, as always, as those bond yields rose, bond prices declined.

Thankfully, SMI's Bond Upgrading strategy didn't suffer much in the way of late-year losses. In fact, for the year as a whole, Bond Upgrading's gain of +3.6% was considerably better than the +2.5% gain of the Barclay's U.S. Aggregate Bond Index. That result should bring some comfort to investors who have been concerned about rising interest rates. Despite interest rates climbing slightly in 2016 (the 10-year Treasury started 2016 at +2.24% and ended at +2.45%), Bond Upgrading still delivered decent returns. There's considerable research to support the idea that the best predictor of *future bond returns* is *current bond yields*. While that isn't especially encouraging given today's low yields, 2016 provides some hope that SMI's Bond Upgrading process may be able to improve slightly on that outcome.

Dynamic Asset Allocation (DAA)

There's no way to sugarcoat the fact that DAA's 2016 performance, a loss of -0.5%, was disappointing. In 2015, DAA lost money, but the stock market itself was only barely positive that year. But last year there was money to be made in the asset classes DAA follows, yet the strategy's timing triggers kept that from happening. That stings.

Unfortunately, that happens sometimes when following a mechanical system. Sometimes events arrive in a particular order and interval that gives a system trouble. That was the case for DAA in 2016, as every time it adjusted to the latest trend, the trends would abruptly reverse. Again, down-up-down-up-down-up isn't a normal pattern for the stock market—thankfully.

That said, it's crucial to maintain perspective about DAA's value within your portfolio at this late stage of the current bull market. It's not unusual for DAA to trail the market by a considerable margin late in bull markets. It's also not unusual for DAA to make up all of that gap—and then some—in the subsequent bear market. Make no mistake, eventually a bear market will follow this long bull market. And our back-testing has been absolutely clear about the portfolio-saving protection DAA has provided during past bear markets.

To make this a bit more tangible, consider the impact of a -40% bear-market loss on a portfolio that has earned the market's return over the past four years, versus its impact on a DAA portfolio. From 2013 when DAA was introduced through 2016, the market portfolio has a huge lead. But if DAA limited its bear-market loss to only -8% while the market fell -40%, the gains since 2013 for the DAA portfolio would be +12% compared to +2.8% for the market portfolio. All of the relative superiority for the market portfolio over the DAA portfolio going back to DAA's launch would be quickly reversed. (And this example assumes a loss for DAA, which hasn't happened in past bear markets, but we're trying to be conservative in the illustration.)

Some have questioned the DAA's "winning by not losing" tagline, given that DAA has produced small losses the past two years. But it's really not small annual losses that DAA is designed to avoid. Rather, it's the large, course-altering losses that happen to stock investors during bear markets. It's by deftly avoiding *those* that DAA has been able to win by not losing. DAA's performance relative to the stock market (and other stock investment strategies) has soared during past bear markets, and there's no reason to think next time will be any different.

Sector Rotation (SR)

For the fourth time in the past five years, SR posted a return in excess of +15% and beat the market handily. After gaining +16.8% in 2016, SR's 5-year average annualized return now stands at +26.4%. That means $10,000 invested in SR at the beginning of 2012 would have been worth $32,265 at the end of 2016! SR's 10- and 15-year annualized returns are each hovering around +15%, periods during which the broad stock market has returned less than half that. SR's simplicity and consistency continue to amaze, as they have since SMI introduced this strategy way back in 2003.

50/40/10

This portfolio refers to the specific blend of SMI strategies—50% DAA, 40% Upgrading, 10% Sector Rotation—examined in detail in our May 2014 cover article, *Higher Returns With Less Risk: The Best Combinations of SMI's Most Popular Strategies*. It's a great example of the type of diversified portfolio we encourage most SMI readers to consider.[1] The markets can shift suddenly between rewarding risk-taking and punishing it, so a blend of higher-risk and lower-risk strategies can help smooth your long-term path and promote the type of emotional stability that is so important to sustained investing success.

With DAA suffering through a subpar year, the overall return of a 50-40-10 portfolio was +5.6%. That's not great, but looks a little better in light of the fact that a 50-40-10 portfolio held considerable insurance against downside risk throughout the year.

Whether you're using this specific 50/40/10 blend or a different allocation combination tailored to your specific risk preferences, we think most SMI readers can benefit from combining these strategies in some fashion. ◆

[1] Blending multiple strategies adds complexity. Some members might want to use an automated approach. See tinyurl.com/hzamzge.

PREMIUM STRATEGIES

The strategies on this page are available to those with an SMI Premium web membership. They can be used in combination with —or in place of—our Just-the Basics and Upgrading portfolios. These strategies have special characteristics that could make them desirable depending upon your individual goals, risk tolerance, and tax bracket. You can learn more about each strategy in the Premium section of the SMI website.

DYNAMIC ASSET ALLOCATION

Overview

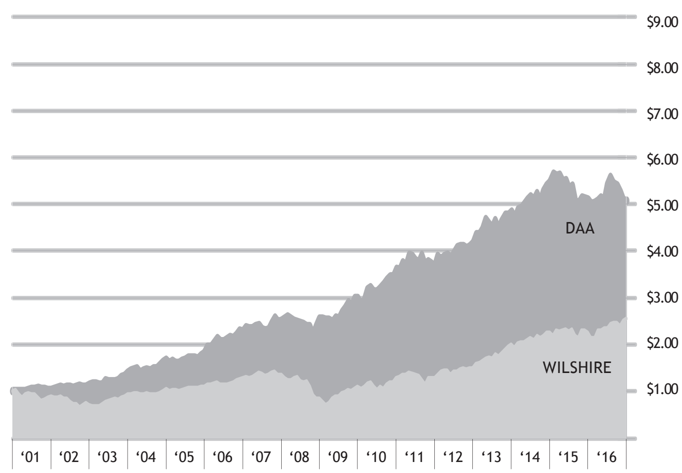
This is a stand-alone strategy that can be used in combination with (or in place of) SMI's basic strategies. DAA is designed to help you share in some of a bull market's gains, while minimizing or even preventing losses during bear markets. It's a low-volatility strategy that nonetheless has generated impressive back-tested results over the long term. DAA involves rotating among six assets classes—U.S. stocks, foreign stocks, gold, real estate, bonds, and cash. Only three are held at any one time.

Who Should Consider This Strategy

Anyone, but especially investors who are more concerned with avoiding major losses during bear markets than they are with capital growth during bull markets. **Pros:** Excellent downside protection during bear markets, reflected in a very low worst-case result and relative-risk score. Great long-term track record. **Cons:** Subject to short-term whipsaws. Lags the market in up years. Making trades promptly and concentrating entire portfolio in only three asset classes can be emotionally challenging.

Dynamic Asset Allocation vs Wilshire 5000

Growth of $1 Jan 2001 - Dec 2016



Strategy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Avg[1]	Worst12[1]	Rel Risk[1]
Dynamic Asset Allocation	4.0%	10.4%	22.4%	19.3%	8.6%	25.7%	10.1%	1.3%	17.6%	20.3%	1.4%	13.9%	16.2%	13.0%	-6.8%	-0.5%	11.5%	-13.7%	0.62
Wilshire 5000	-11.0%	-20.9%	31.6%	12.5%	6.4%	15.8%	5.6%	-37.2%	28.3%	17.2%	1.0%	16.1%	33.1%	12.7%	0.7%	13.4%	5.6%	-43.3%	1.00

SECTOR ROTATION

Overview

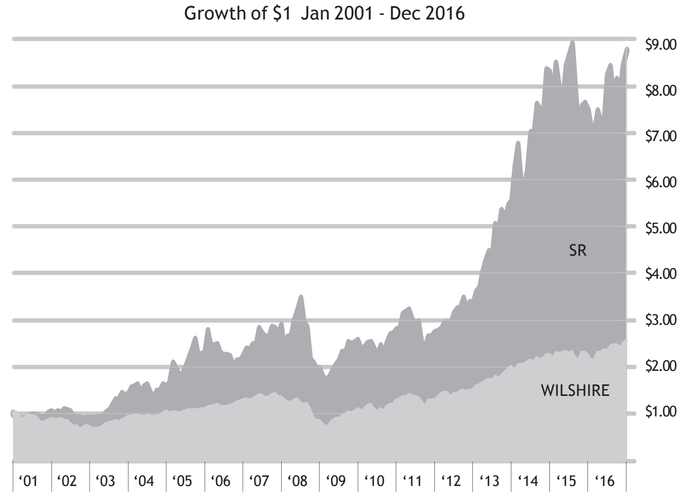
This high-risk strategy involves investing in a single special-purpose fund that focuses on a specific sector (such as biotech, energy, or financial services). Because these stock funds invest in a narrow slice of the economy, they carry a higher degree of risk. Only one fund, selected based on having superior momentum relative to other sector options, is held at a time. The sector-fund recommendations in this strategy are designed to be used in combination with Just-the-Basics, Fund Upgrading, or DAA (or a combination of these) up to a maximum of 20% of the stock allocation. While the performance peaks and valleys of Sector Rotation have been higher and lower than all other SMI strategies, it's a strategy that has generated especially impressive long-term returns.

Who Should Consider This Strategy

Experienced investors willing to concentrate an investment in a single sector of the economy. **Pros:** Very attractive long-term returns. **Cons:** Much greater month-to-month volatility and relative risk with dramatic short-term loss potential.

Sector Rotation vs Wilshire 5000

Growth of $1 Jan 2001 - Dec 2016



Strategy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Avg[1]	Worst12[1]	Rel Risk[1]
Sector Rotation	3.7%	-13.1%	54.4%	12.6%	46.1%	-1.9%	28.1%	-31.5%	30.5%	9.1%	-3.2%	23.3%	65.7%	49.9%	-9.7%	16.8%	14.4%	-38.6%	1.65
Wilshire 5000	-11.0%	-20.9%	31.6%	12.5%	6.4%	15.8%	5.6%	-37.2%	28.3%	17.2%	1.0%	16.1%	33.1%	12.7%	0.7%	13.4%	5.6%	-43.3%	1.00

[1]The three data points on the far right in each of the two tables are for the Jan2001-Dec2015 period. "Avg" represents the average annualized return from 2001-2015. "Worst12" represents the worst investor experience over 169 rolling 12-month periods from 2001-2015.

PERIODICALS POSTAGE
PAID AT LOUISVILLE, KENTUCKY

Dated Investment Material
Please Do Not Delay!

PERFORMANCE DATA

SOUND MIND INVESTING MODEL PORTFOLIOS • DATA THROUGH DECEMBER 31, 2016

BASIC STRATEGIES

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	15 Yrs Annual
U.S. Stock Market[1]	13.4%	2.1%	4.5%	13.4%	8.8%	14.7%	7.2%	7.3%
Just-the-Basics[2]	12.3%	2.0%	3.5%	12.3%	5.9%	12.9%	6.3%	7.5%
Stock Upgrading[3]	10.4%	1.3%	4.0%	10.4%	5.3%	12.4%	6.4%	9.0%
U.S. Bond Market[4]	2.5%	0.2%	-3.2%	2.5%	2.8%	2.0%	4.2%	4.3%
Bond Upgrading[5]	3.6%	0.1%	-1.6%	3.6%	3.4%	3.1%	6.7%	6.9%

PREMIUM STRATEGIES

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	15 Yrs Annual
DAA[6]	-0.5%	0.2%	-6.1%	-0.5%	1.6%	6.8%	8.3%	11.2%
Sector Rotation[7]	16.8%	3.7%	7.6%	16.8%	16.5%	26.4%	14.6%	15.3%
50-40-10 Blend[8]	5.6%	1.0%	-0.7%	5.6%	4.7%	11.1%	8.7%	11.2%

Notes: Transaction costs and redemption fees—which vary by broker and fund—are not included. • [1] Based on the float-adjusted Wilshire 5000 Total Return index, the broadest measure of the U.S. stock market. • [2] Calculated assuming account rebalancing at the beginning of each year with 40% of the stock allocation invested in the Vanguard S&P 500 (VOO), 40% in Extended Market (VXF), and 20% in Total International Stock (VXUS). • [3] For a 100% stock portfolio, assuming the portfolio allocation for each risk category was divided evenly among all the recommended funds. • 4 Based on Barclay's U.S. Aggregate Bond Index, the broadest measure of the U.S. bond market. • [5] For a 100% bond portfolio, assuming 25% of the portfolio was invested in Vanguard I-T Bond Index (BIV), 25% in Vanguard S-T Bond Index (BSV), and 50% in the rotating recommended bond fund. The results prior to January 2015 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system. • [6] The results prior to January 2013 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system. • [7] The results prior to November 2003 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system. • [8] For a portfolio allocated 50% to DAA, 40% to Stock Upgrading, and 10% to Sector Rotation. See the May 2014 cover article for details. The results prior to January 2013 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system.

THE SOUND MIND INVESTING MUTUAL FUND (SMIFX)

Current Returns as of 12/31/2016	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	7.59%	1.49%	2.92%	7.59%	2.80%	10.22%	5.35%
Wilshire 5000	13.37%	2.06%	4.54%	13.37%	8.75%	14.71%	7.17%
S&P 500	11.96%	1.98%	3.82%	11.96%	8.87%	14.66%	6.95%

Quarterly Returns as of 12/31/2016	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	7.59%	1.49%	2.92%	7.59%	2.80%	10.22%	5.35%
Wilshire 5000	13.37%	2.06%	4.54%	13.37%	8.75%	14.71%	7.17%
S&P 500	11.96%	1.98%	3.82%	11.96%	8.87%	14.66%	6.95%

Total/Gross expense ratio: 2.03% as of 2/29/2016 (includes expenses of underlying funds)
Net expense ratio: 1.13% as of 2/29/2016 (excludes expenses of underlying funds)

Notes: The performance data quoted represent past performance, and past performance is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. • You should carefully consider the investment objectives, risks, fees, charges and expenses of the Funds before investing. The prospectus contains this and other information about the Funds. To obtain a prospectus or performance information current to the nearest month end, call 1-877-764-3863 or visit www.smifund.com. Read the prospectus carefully before investing. • Because the SMI Funds invest in other mutual funds, they will bear their share of the fees and expenses of the underlying funds in addition to the fees and expenses payable directly to the SMI Funds. As a result, you'll pay higher total expenses than you would investing in the underlying funds directly. • Returns shown include reinvestment of dividends and capital gains. The Wilshire 5000 index represents the broadest index for the U.S. equity market. The S&P 500 Index is an unmanaged index commonly used to measure the performance of U.S. stocks. You cannot invest directly in an index. • The Sound Mind Investing Funds are distributed by Unified Financial Securities (member FINRA).

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