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Sound Mind Investing®

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The Next Step in Your Personal Financial Plan: Transitioning From myMoneyGuide® to MoneyGuidePro®

More than 525 Premium Members have already signed up for personal access to the award-winning myMoneyGuide® financial planning software, offered by SMI Advisory Services. In this follow-up to last month's cover article, we explain how to transition your financial plan from temporary to permanent access, how to link your investment accounts to your plan for real-time updates, and how the new software vastly expands your planning capability.

by Mark Biller

Last month's offer from SMI Advisory Services was met with a huge response, as hundreds of SMI premium members signed up in the first weeks it was available. The early feedback has been overwhelmingly positive. A whopping 96% of those who completed the survey at the end of the Lab process rated their experience as either "Easy—I had no problems" (60%) or "Somewhat easy" (36%). Nearly half (48%) said "the process helped me identify personal goals, questions, and concerns" while 59% said they found "the privacy and ability to complete a plan by myself" to be among the most valuable features. Perhaps most importantly, 52% said the process helped them feel more educated, while 67% said it helped them feel more confident. Not bad for $50!

If you're among those who have already completed the myMoneyGuide® lab process, this follow-up article is for you. It will explain how to transition to the permanent version of MoneyGuidePro®.

If you haven't yet taken advantage of this offer and gone through a myMoneyGuide® lab, you should do that before proceeding with this article. That process is laid out in the February cover article, *An Exciting New Opportunity for SMI Members: Personal Financial Planning via MoneyGuidePro®*. Read that article first, complete the video-guided lab process, then come back to this article when you're ready for step two.

Transitioning from myMoneyGuide® to MoneyGuidePro®

As the title of this article indicates, there are two versions of the "MoneyGuide" software. The video-guided "Lab" version that SMI readers started out with last month is *myMoneyGuide®*. This version is designed for individual clients to use, but only on a temporary basis. Its purpose is to help a client input his or her information easily. At that point, an advisor normally takes over the process and works with the data in the more advanced "advisor version" of the software — *MoneyGuidePro®*. The advisor can opt to share the plan with the client through MoneyGuidePro® at that point, which is what SMI Advisory Services is doing with SMI premium members. However, this involves (continued on page 35)

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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."

Things Are Not As They Seem

Sorting out the real from the illusory is one of the great challenges in investing, as in life. There's often a disconnect between our perceptions and the underlying reality. Things are not as they seem. For example:

• **Ownership seems natural.** We have houses and cars in our name. We have money and investment accounts in our name. We feel like they are ours. But they're not. They're God's. He's merely placed them temporarily in our charge. Someone else will have "our" wealth after we're gone. Seeing this clearly can not only have a great effect on our giving, but also our lifestyle spending and investment risk-taking.

• **Investing seems complicated.** The investment industry often makes it appear that way, but investing doesn't need to be complicated. Essentially there are just two kinds of investments—those where you lend money, and those where you own things. How you divide your investment money between these two options is the most important thing. Everything else is fine tuning. Our "Easy As 1-2-3" guide (page 43) shows you how to launch a Fund Upgrading portfolio.[1]

• **Professional help seems essential.** For the average investor, it's not. If you master just a few basics, you can do it yourself. We regularly receive thank-you letters from people who had no financial training saying they feel liberated now that they've taken charge of their investments. Some of them are from widows who have been forced to take up the task. And now SMI premium members have access to MoneyGuide Pro® financial-planning software as well (see cover article).

• **Timing your buying seems important.** Actually, the important thing is not so much *when* you buy, but *that you buy and continue to buy*. We did a study[2] that compared an investor who was able to invest all his IRA money at the market low every year with another investor who simply did his investing at the end of every month. There was less than a 1% difference in their annual returns over a 30-year period. Being consistent in your dollar commitment is much more important than your timing.

• **Selling under fire seems prudent.** When the market is falling, there's a tendency to want to move aggressively to protect your capital. Whether you should depends on your age. It makes sense if you need to cash out your stock fund investments in the next three-to-five years for retirement spending. But otherwise, you've got it all wrong. During the investing phase of your life, you're going to be a net buyer of stocks for many years to come. You want your monthly investing dollars to stretch as far as possible, acquiring as many stock and stock-fund shares as you possibly can. And that happens when prices are down. Stock prices that are being battered by a weak market work in your favor, allowing you to stockpile shares to the max.

There are more investment illusions we could talk about—e.g., mistaken beliefs that markets behave rationally, that there's a sound-bite explanation for each day's price movements, that advanced reading and studying inevitably lead to better returns, that the gurus we read about and see on TV have reliable insights into stocks' future direction, and that picking mutual funds based on their long-term track record is the most sensible approach.

But beyond these investing misconceptions are bigger life-size issues. Paradoxically, seeking what seems good (wealth and success) can actually be bad for us, and accepting what seems bad ("trials of many kinds") can actually be good for us. Understanding this gives one a certain peace. Our confidence is in God, who is *always* at work behind the scenes for our good. There are times it doesn't seem that way, so we need to remind ourselves to take His word for it.[3] This truth is beautifully expressed in the *Prayer of an Unknown Civil War Soldier:*

"I asked God for strength that I might achieve. I was made weak, that I might learn humbly to obey. I asked for help, that I might do greater things. I was given infirmity, that I might do better things. I asked for riches, that I might be happy. I was given poverty, that I might be wise. I asked for power, that I might have the praise of men. I was given weakness, that I might feel the need of God. I asked for all things, that I might enjoy life. I was given life, that I might enjoy all things. I got nothing that I asked for but everything I hoped for. Almost despite myself, my unspoken prayers were answered. I am, among all men, most richly blessed."

AUSTIN PRYOR
FOUNDER/PUBLISHER

CONTACTING US
Correspondence can be emailed to SMI at help@soundmindinvesting.com. Our toll-free Reader Services line (877-736-3764) is available for handling clerical matters such as subscriptions, billings, newsletters not received, and changes of address. Please be advised, however, that the SMI staff is not trained in matters of personal counseling and it is our policy that they not attempt to do so over the phone. If our staff is busy when you call, you may leave your information on our secure answering system.

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[1]Or see "A Peek Under the Hood of SMI's Just-the-Basics Strategy," July2016:p103
[2]"The Surprisingly Small Benefit of Perfect Market-Timing," March2014:p39 [3]Romans 8:28-39

The Next Step in Your Personal Financial Plan: Transitioning from myMoneyGuide® to MoneyGuidePro®

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transitioning you from the temporary starting version of the software to the permanent version.

The process to accomplish this is simple. Within 30 days of the time you begin your myMoneyGuide® lab, SMI Advisory will send you an email with a link providing access to MoneyGuidePro® (the permanent version of the software that you will use going forward). A second email will follow with a temporary password (which you will change the first time you log in to the new system).

The following point is important: Once you receive the first transition email from SMI Advisory Services, do NOT log back in to the myMoneyGuide® lab. Think of that email as a line in the sand: once it's been sent (even if you haven't yet clicked on the link it contains), you've been moved to the new program and there's no going back. Without getting into the technical details, going back into the old program after SMI Advisory has transitioned you over to the new will cause problems that will require SMI Advisory Services to reset your account. That's why access to your myMoneyGuide® lab ends after 30 days, which should be roughly the time you receive the link to the new program.

Note that the web address (URL) where you will log in also changes with this transition. Follow the link in the email to log in to MoneyGuidePro® the first time, then forever after you will log in at moneyguidepro.com. If you've bookmarked mymoneyguide.com, you'll need to update to the new URL.

MoneyGuidePro® *Main Menu* and *Other Features*

(In an effort to make this article as helpful as possible, we'll italicize the names of items you'll see on-screen within the software—screen names, buttons, etc. That way, when you see something italicized in this article going forward, you'll know that's something you should be able to find on-screen.)

After logging into MoneyGuidePro® and updating your password, you'll be taken to the *Main Menu*. This screen includes a link in the top section that allows you to access your plan, and displays four *Other Features* below. We'll dive into the main plan shortly, but first let's take a moment to examine these other features.

• ***My Snapshot.*** This is a quick-access dashboard that shows the key elements of your plan at a glance. This is primarily for clients who haven't been given full access to their plan (as you have). But it is still a helpful tool if you just want to see a quick update of how your plan is doing without digging through the full program. If you link your plan to your investment accounts, as we'll discuss shortly, this snapshot will automatically update your *Recommended Scenario*'s probability of success and your net worth based on your current account values.

• ***Calculators.*** There are 15 calculators available here. Some are likely to be too wonky for individuals to use (remember, this program is designed for professional advisors). But others may be helpful in certain situations.

• ***Budget.*** This section will walk you through the process of setting up a budget if you don't have one already.

• ***Yodlee—Linked Accounts.*** Yodlee is the third-party software that MoneyGuidePro® uses to interface with account providers to link your accounts. This *Main Menu* access is one of two places from which you can link your investment accounts to your MoneyGuidePro® plan. In a moment, I'll explain how to do this from within your plan rather than here, because there's a follow-up step that's important to do the first time you import accounts. But the process is the same whether you access the *Yodlee* module from the *Main Menu* or from within the program.

That said, this Yodlee module on the *Main Menu* has another purpose: it doubles as a convenient portfolio tracker. This role is especially valuable if you have accounts at different institutions, as Yodlee will aggregate the details from all the accounts and display them all in this one central location. SMI members have desired this type of feature for years—it's available here from the *Main Menu* of MoneyGuidePro®.

Accessing your MoneyGuidePro® plan

In the *My Plans* section of the *Main Menu*, a link to your financial plan is presented. Click it to access your plan.

Once inside, you'll see that the input screens are similar to what you used during the lab process, except the videos and chat box are gone. The same top-level navigation is available (*About You - Results - Finish*) which will help you navigate quickly to the input screens you want.

However, the first time through MoneyGuidePro®, I suggest paging through the input screens one by one using the *Next* button on each page. The reason for this is that while most are the same as the lab, some new inputs and screens have been added. Going page by page the first time through will allow you to confirm your earlier information as well as make you aware of any new inputs.

(Rather than walk through all of the new inputs and differences between the two versions of the program, what follows is a focused discussion of the key new features MoneyGuidePro®· provides.)

Linking your investment accounts using Yodlee

Before diving into the specifics of how to link your investment accounts to your MoneyGuidePro® plan, let's first note that there is no requirement to do so. Some readers may be concerned about the safety of linking all their accounts together this way. Rest assured that everything in your plan will work perfectly fine if you choose to manually update the values of your accounts periodically instead of linking them so that the updating happens automatically.

For those who do want to link their accounts, the place to do this from within your plan is on the *Investment Assets* input screen. (Again, I suggest paging through each input screen the first time, but you can access the *Investment Assets* screen from the *About You* top menu, under the *Money* heading.)

On the *Investment Assets* screen, under the *Options* heading, a new choice is available: *Add/Edit Linked Investment Account*. Clicking that button will open the Yodlee interface that enables you to link your investment accounts. The first time you do so, Yodlee will tell you no accounts have been added. Click the *Add Account* button to begin.

Adding accounts is as easy as typing the name of the institution in the search bar and selecting it from the displayed list. Enter each institution where you have an account and select each one. So, for example, if you own the SMI Funds directly, you would type in "SMI" and select "SMI Funds" from the list. However, if you own the SMI Funds within your Fidelity account, you would type in "Fidelity" and select "Fidelity (Individual Investors)" from the list. Most of the prominent brokers and financial institutions that SMI readers use are included.

After selecting an institution from the list, you'll be prompted to enter your login information for that account. It may take a minute to gather the account information, but you'll eventually see a confirmation on the screen. At that point, you can either press the *Add Accounts* button again to repeat the process for another account, or close the window to proceed when you're done.

When you close out of the *Add Accounts* pop-up, a summary of all of the added accounts will be displayed. Assuming everything looks correct, you can close that window to import the accounts into your MoneyGuidePro® plan.

Back on the *Investment Assets* screen, the imported accounts are now displayed under the *Linked* section of the screen. Chances are you also have accounts showing further down the page under the *Manual* section of the screen. If you entered an account manually during the Lab process and have now linked to that same account, it will show up once in each area.

There are two steps to take at this point, and I suggest doing them in this order:

1. Allocate each newly imported account. The future returns calculated by your plan's *Current Scenario* depend on how your account holdings are classified, so it's important to assign your holdings to the correct SMI strategy (or general asset class). This is done by clicking on each account, then clicking the *View Holdings* button. Look at each holding listed in the account, specifically the *Asset Class* assigned to it. Click the *Edit Holding* icon on the far right of each row (next to the red X) and then click on the asset class listed for that holding. An *Asset Class Distribution* window will open up, allowing you to allocate that particular holding to either a specific SMI strategy or other asset class. Do this for each holding, then repeat this process for each account you have.

Many of the common holdings will come in with the correct strategy already assigned. But it's important to verify that these are correct. For example, if you own SPY (the S&P 500 index fund ETF) as part of your Dynamic Asset Allocation holdings in a particular account, it should come in with DAA already assigned to the holding. But if you're holding SPY as part of a Just-the-Basics allocation in your account, you'd need to change the asset class assigned for that holding to "Large Cap Stocks" instead. The risk/return calculations used for DAA are different than those used for the JtB components.

Depending on the types of accounts you have, you may also need to enter a few additional inputs on the detail page of each account (where the *View Holdings* button appears). Of particular importance, be sure to note if you are making additions to each account so those growing balances make their way into your plan's financial calculations.

2. Delete any duplicate accounts. When you're done updating and allocating all of your linked accounts, go ahead and delete any duplicate accounts from the *Manual* section of the *Investment Assets* screen.

If you have linked accounts coming into your plan via Yodlee that you don't want included in your plan, you have two options. Deleting those linked accounts using the red *X* on the *Investment Assets* screen will not be effective, as they will re-import the next time you login to your plan. However, if you click on the *Add/Edit Linked Investment Account* button to access Yodlee again, you can change the settings on any particular account to exclude it from your plan. To do so, click the *Settings* link next to the account you wish to exclude. On the *Edit* tab that opens, you have the option to either delete the account entirely, or you can change the *Visibility* to hidden. Changing an account's visibility to hidden keeps it in Yodlee (so you can still see it as part of Yodlee's portfolio tracking functionality), but it removes the account from your financial plan. Hidden accounts can either be included or excluded from net-worth calculations.

Current Allocation/Portfolio Table

Two new screens that we encourage you to largely ignore have been added at the end of the *Risk & Allocation* section of the program. The new *Current Allocation* screen is helpful in that it shows you the assumed rates of return for each asset class represented in your portfolio. These are based on historical returns, but in some cases are quite high, so seeing them may prompt you to at least stress test your plan using lower return assumptions. (I'll explain how to adjust the hypothetical rate of return for your plan in the next section of the article.)

Unfortunately, the *Current Allocation* screen also brings in the Great Recession loss information. As we discussed last month, SMI's Dynamic Asset Allocation (DAA) strategy doesn't fit neatly into the way MoneyGuidePro® calculates the *Total Stock* percentage or the Great Recession losses. You can read more detail in last month's cover article, but the net effect is to make portfolios that include DAA appear significantly riskier than they actually are, because from a risk standpoint, MoneyGuidePro® assumes DAA is always 100% stock and doesn't use DAA's actual year-by-year returns.

This same problem skews the information shown throughout the *Portfolio Table* section. From a percentage stock and perceived risk standpoint, DAA portfolios are going to appear significantly more risky than they normally are. This problem is most prominent on the *Graph of Risk vs. Return*, where DAA portfolios will appear further out (to the right) on the risk spectrum than they should.

Given their potential to create confusion, I suggest that SMI members using DAA skip these two areas of the program.

Social Security and long-term care insurance

The process of boosting your *Recommended Scenario*'s probability of success into the confidence zone continues to utilize two tools from the myMoneyGuide® lab: the *Choices* and

PlayZone® options. But there are some changes waiting for us on the *Create a Recommended Scenario* screen, including three new options that can greatly expand the scope of your planning.

• **Social Security.** First, one bit of bad news. The Social Security analysis tool that was available in myMoneyGuide® isn't there in MoneyGuidePro®. It may seem strange that this helpful interface is gone. But the functionality that advisors need is still in there (largely through the *What If Worksheet*, discussed below), and the interface that is more helpful for lay-people isn't typically necessary in this advisor-focused version of the software. That said, the MoneyGuidePro® team is planning to add this tool in a future update.

• **Long-Term Care Insurance.** Now for the good news: there's a lot more planning power at your disposal in MoneyGuidePro®. The first new capability on the *Create a Recommended Scenario* screen is located in the *Insurance* tab on the left side of the screen. Clicking there will reveal a *Long-Term Care* needs-analysis tool. This tool can help you analyze how the cost of long-term care would affect your investment portfolio.

The tool defaults to showing the impact of a three-year nursing-home stay at age 80, reflecting the average age of nursing-home residents, the typical length of stay, and the most common form of care in LTC policies. But all of these variables can be adjusted, including the ability to see the price impact of assisted living or home health care. This can be an eye-opening tool, which helpfully integrates with the next new feature to discuss, the *What If Worksheet*.

The *What If Worksheet*: Expanding your planning power

In the myMoneyGuide® lab, we were able to see the impact of changes to our plan variables by manipulating the sliders in the *PlayZone®* tool. The *What If Worksheet* builds on that idea, but dramatically expands the capabilities offered. This area is basically the advisor's sandbox to experiment with various combinations of variables. But whereas the *PlayZone®* only allows you to compare a single hypothetical scenario to your current plan, the *What If Worksheet* allows you to create up to five alternative scenarios and compare them side by side. This allows you to modify multiple variables and stress test them all at once, immediately seeing the impact of various changes on the probability of plan success.

There's a lot of information on the *What If Worksheet* screen, and I encourage you to familiarize yourself with the details by clicking on the small blue question-mark icon at the top of the page. But here are a few features of particular interest to SMI members.

1. Use the *Copy Scenario* option to easily test plan variations. The *What If Worksheet* makes it easy to take a scenario you're working with and alter a handful of variables to see their impact. The easiest way to do this is to use the *Copy Scenario* function, located just below the prominent *Probability of Success* graphics. The *Copy From* and *Copy To* fields allow you to grab one of your scenario columns and create a duplicate to experiment on. This makes it easy to run a head-to-head test of a particular variable (or set of variables).

2. You can now change the hypothetical rate of return for your plan. While myMoneyGuide® offered some limited ability to test the impact of higher or lower returns on your plan success, it wasn't particularly easy to do so. Thankfully it's very easy now using the *What If Worksheet*. In the *Hypothetical Average Rate of Return* section of the worksheet, you can see the exact impact on your plan of using a different portfolio entirely, or of using a particular portfolio but having it earn a different rate of return than it has historically.

For example, you might opt to run a what-if scenario that compares switching from a 50/40/10 portfolio pre-retirement to a "moderate" portfolio instead. Or, you might stick with the 50/40/10 portfolio, but alter the default returns using the *Total Return Adjustment* field. Want to see the impact of that portfolio averaging returns 3% lower than it has earned historically? Enter -3.00 in the *return adjustment* field and the program will show you. The *base inflation rate* can also be changed in this section.

3. If you don't know what something is on the worksheet, you can probably ignore it. Remember, this page is designed to be a workspace for *financial advisors*. Their needs are going to be considerably more complex than the typical individual. Specifically, toward the bottom of the screen you'll see multiple options for things such as *Immediate Annuities, 72(t) distributions*, and so forth. An advisor needs to be able to account for these situations, but most won't apply to your plan. If you don't recognize what something is, it probably doesn't apply to you.

4. You can change the *Recommended Scenario* used throughout the program to any of your hypothetical *What If* scenarios. After adjusting all the variables on the sheet, you may decide you want a particular hypothetical scenario from the worksheet to be used throughout the program as your new *Recommended Scenario*. If so, it's easy to make that change. Just above the *Copy Scenario* option you'll find the ability to switch the *Recommended Scenario* to any of your *What If* scenarios on the sheet.

SuperSolve®: Crunching the numbers to find solutions

SuperSolve® will find a solution that gets your plan into the confidence zone by making adjustments to your retirement ages, goals and extra savings. (It's basically a more powerful version of the *Choices* option from the myMoneyGuide® lab.) These changes are based on the relative importance you've assigned to each goal and the willingness you've indicated to make changes to different variables of your plan. Helpfully, there's a lock feature that allows you to set certain inputs and lock them, forcing the program to find other solutions.

SuperSolve® can be an especially helpful tool if you're not sure how to begin adjusting your *Recommended Scenario* to get it into the confidence zone. Whereas the *What If Worksheet* is great for fine-tuning and running hypothetical scenarios, *SuperSolve®* focuses more on the big picture of your plan: what level of spending can you really afford in retirement, which goals are practical and at what dollar amounts, etc. The great thing about *SuperSolve®* is you can run it, adjust certain variables (using the *lock* feature), run it again, make further refinements, and so on. This lets you home in on possible solutions quickly and efficiently. When you're done, *(continued on page 45)*

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

LEARNING TO BULLET-PROOF YOUR CAREER

It used to be fairly common to spend the bulk of one's career working for a single company. This workplace model seemed almost like guaranteed employment, with a gold watch and defined-benefit pension waiting at the end. Today, lifetime employees are a rare breed. Many of today's younger workers don't even *want* to stay at one company very long.

While guaranteed employment may be a relic of the past, it's important to think in terms of guaranteed *employability*, given that most people need to work somewhere. This means keeping your skills current and yourself in demand.

Continuous learning

In some fields, ongoing training is mandatory. From airline pilots to financial planners, many workers *have to* receive a certain number of hours of training every year. In many other fields, additional training is optional—at least in theory. But for those intent on proactively managing their careers, it's essential to keep learning.

• **The traditional route.** According to a 2016 survey by the Society for Human Resource Management, 55% of organizations offered some form of tuition reimbursement for college undergraduate programs and 52% for graduate programs. The IRS allows students to receive up to $5,250 of tuition assistance from their employers tax-free.

That's an amazing benefit. Does your employer offer it? If so, are you taking advantage of it? According to the *Wall Street Journal*, fewer than 10% of eligible employees do.

Sure, it takes extra effort to go to school while you're working, perhaps raising a family, and taking care of all your other responsibilities. But receiving high-quality training and possibly another certification or degree—all courtesy of your employer—is a valuable benefit.

While your employer may provide certain parameters detailing what you can study, you probably won't be limited to just the schools in your area. A growing number of prestigious universities now offer degree programs online, making it convenient to "attend" lectures and connect virtually with classmates. Penn State, for example, through its "World Campus," offers online undergrad degrees in 26 fields, master's degrees in 37, and even a doctorate degree in nursing. All courses are the same ones offered on campus, and a graduate of an online program receives the same degree as a student who attends in person.

Other universities offer online certificate programs, such as the Harvard Business School's Credential of Readiness (CORe). The three-course $2,000 program is designed for people who don't have a business degree but want to learn "the language of business."

A number of other schools, including MIT and Stanford, make many of their courses available at no cost for those who care more about the content than a credential.

• **Endless opportunities.** Today, there is an ever-expanding number of courses available through online learning platforms.

Coursera.org offers over 2,000 courses from top-tier schools such as Princeton, Duke, and the University of Michigan. Topics range from programming to negotiating, and from neuroscience to design. Most courses feature pre-recorded lectures and online quizzes, culminating in an "electronic course certificate." Non-degree course prices range from $29-$99. Some online degree programs are offered at higher prices.

edX.org also offers a wide range of courses from well-known universities, including the University of Chicago, Wellesley, and overseas schools, including Oxford. Some of its courses are known as MOOCs (massive open online courses) and have specific start and end dates; others are self-paced. Some are available with college credit; others are certificate courses.

Other players in the online learning space include Udemy.com, Udacity.com, and Lynda.com (available for free through some libraries).

Of course, reading the latest books by the innovative thinkers in your field, listening to podcasts, and reading blogs are other ways to keep current in your field. What's the latest book you've read related to your profession? If it's been a while, it might be time to find a worthy title and start sharpening your professional saw.

Learning for life

The benefits of continuous learning don't extend only to those in the early or middle stages of their careers. Many of today's older workers would like to continue working past the traditional retirement age. The unfortunate reality is that many of them will end up retiring earlier than they would prefer. Some will have to stop working because of health issues or the need to care for a loved one, but others will lose a job and won't be able to find another one.

While age discrimination can be a factor in some of these situations, so can a lack of up-to-date skills. If your age is potentially working against you, it's that much more important to demonstrate your skills are current and sharp.

Here are two final benefits to lifelong learning. A growing body of research indicates that it *extends* our lives and *improves the quality* of our lives.[1] So, sign up for a course, read a professional book, or listen to an industry-related podcast. It'll strengthen your career while also enhancing your life. ◆

[1]The book, "Life Reimagined: The Science, Art, and Opportunity of Midlife" (Riverhead Books, 2016) cites numerous studies on these topics.

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

UNDERSTANDING HOW FUND DISTRIBUTIONS AFFECT YOUR TOTAL RETURNS

We frequently get e-mails from members who follow our Fund Upgrading strategy and wonder why the returns they've calculated for various trades don't match the ones we report. Without fail, the issue has to do with their failure to take fund distributions into account.

Looks can be deceiving

If you invested $500 and later received a statement showing your balance had grown to $532.75, it would be easy to calculate your rate of return. Take your current balance of $532.75, subtract your starting balance of $500, and divide your gain of $32.75 by your starting balance of $500. The answer is 6.55%.

However, when it comes to calculating the returns of mutual funds, many investors make the mistake of basing their calculation on the increase or decrease in per-share prices, failing to take account of the dividend and interest income that funds receive from the investments in their portfolios, as well as the capital gains and losses they incur when they sell securities. The funds distribute (pay out) such income and gains to shareholders monthly, quarterly, or annually. (The date when those distributions are made is known as the "ex-dividend date.")

While the price of a fund (its net asset value, or "NAV") declines by the amount of the distribution, you can choose to have your broker use those distributions to purchase additional shares of the fund. In such cases, the value of your investment *after* a distribution remains the same as it was before. You simply now own more shares at a lower price per share.

If you had been paying attention only to changes in the NAV, you would have misunderstood how much money you made or lost.

Distributions in action

For illustration purposes, let's say you were using SMI's Fund Upgrading strategy and we instructed you to buy XYZ mutual fund at the end of March 2016 when it was priced at $37.12 per share (see table). At the end of November 2016, with the fund's NAV at $38.55, we then instructed you to sell.

At first glance, it looked as if XYZ was sold for a modest profit. The sale price of $38.55 minus the purchase price of $37.12 equals $1.43, or a +3.85% gain. However, as you can see at the bottom of the chart, when distributions are reinvested and factored into the equation, the actual gain was +6.38%.

How are your distributions treated?

We generally recommend automatic reinvesting of all distributions. Do you know what's happening with distributions in *your* account? Your broker's default may be to reinvest distributions, but the money may be flowing into your core cash account instead.

The process of finding out how your distributions are set up will vary by broker, but to use Fidelity as an example, under the "Accounts & Trade" tab in the top left portion of your account page, click on "Account Features." Then click on "Brokerage & Trading" and then "Dividends and Capital Gains."

Feel free to try this at home

Your broker may publish monthly, quarterly, and annual *total-return* results (but probably won't tell you the total return for a custom time period of your choosing). Importantly, whenever you see a fund's total return reported, that number assumes all distributions have been reinvested.

Your broker should have the information you need to calculate your returns. On Fidelity's site, for example, when you log in and click on a fund you own, you can click on "Purchase History/Lots." There you will see how many shares you bought and at what price, along with the fund's current price and the number of shares you now own. Assuming you had chosen to reinvest any distributions, and assuming the fund has *made* distributions, you should own more shares than you bought initially.

Multiply the number of shares you now own by the current price to get the current value of that holding. Comparing that to your initial investment will give you your return. As you can see, there's more to a fund's performance than the difference between its NAV on the date you bought it and the date you sold it.

It's worth noting that SMI always reports the total returns of its strategies, with any distributions already properly accounted for. This is true of any individual fund-performance numbers reported by SMI as well. ◆

XYZ MUTUAL FUND

Transaction	Ex-Dividend Date	Price Per Share	Divd Per Share	Total Divds Received	New Shares Purchased	Total Shares Owned	Value Of Shares
Buy Date	03/31/2016	**$37.12**			80.8190	80.8190	**$3,000.00**
Distribution	04/15/2016	$37.03	$0.11450	$9.254	0.2499	81.0689	$3,001.98
Distribution	05/13/2016	$36.57	$0.11208	$9.086	0.2485	81.3173	$2,973.77
Distribution	06/15/2016	$37.25	$0.10905	$8.868	0.2381	81.5554	$3,037.94
Distribution	07/15/2016	$39.43	$0.11351	$9.257	0.2348	81.7902	$3,224.99
Distribution	08/15/2016	$39.46	$0.11157	$9.125	0.2313	82.0214	$3,236.57
Distribution	09/15/2016	$38.22	$0.11678	$9.578	0.2506	82.2720	$3,144.44
Distribution	10/14/2016	$37.71	$0.11667	$9.599	0.2545	82.5266	$3,112.08
Distribution	11/15/2016	$38.16	$0.12000	$9.903	0.2595	82.7861	$3,159.12
Sell Date	11/30/2016	**$38.55**				82.7861	**$3,191.40**
Total Return		**3.85%**					**6.38%**

LEVEL 3 THREE

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

MARKET PROBABILITIES: WHAT THE PAST SUGGESTS ABOUT THE FUTURE

Even after the dreadful losses of 2008—and despite numerous past recessions and even a Great Depression—the remarkably resilient U.S. stock market has returned, on average, +11.5% per year since the mid-1920s. That's for a portfolio of one-half large-company stocks and one-half small-company stocks (based on data from Ibbotson Associates, an industry leader in compiling market statistics). This assumes all dividends were reinvested and ignores the sad fact that in real life Uncle Sam may confiscate a hefty portion of your gains.

Of course, knowing the market's *average* return has been +11.5% annually doesn't tell you what the return will be *this* year. And such an average obscures some wild rides along the way—such as 12-month periods where losses were as horrifying as 69% and gains were as breathtaking as 240% (those two extremes occurred back-to-back in 1932-1933). In fact, only about 4% of the time over the past 90+ years have stocks *actually returned close to 11.5%* (give or take 1%) in a 12-month period.

But what the market's long-term average return makes clear is that *time is on the side of the long-term investor*. The longer you're willing to keep your money in the market, the greater the likelihood of success. According to the Ibboston data, if you had randomly picked any 12-month period[1] to own stocks (from 1926 through 2016), you would have had a 74% chance of making money. How much money? Study the historical evidence below. Column one shows you would have had about a 40% probability of making 20% or more, a 20% chance of making 10%-20%, and a 14% chance of earning 1%-10%.

Now, notice that for *five*-year holding periods, losses occurred only 11% of the time. In other words, if you held your stocks for at least five years, you increased the likelihood of making money to 89%. Also note that as the holding period lengthens, the very large gains and losses gradually disappear as the market moves closer to its long-term historical average. Most importantly, notice that by the time you reach holding periods of 8-to-10-years, the likelihood of loss falls to only 3%.

As if you hadn't guessed, we passed though one of those rare "3%-of-the-time" periods during The Great Recession. For the decade ending in 2008, the market had an annualized *loss* of -0.6%, and followed that with a second consecutive losing decade for the ten years ending in 2009 with an annualized loss of -0.3%. Stock-market behavior during The Great Recession was sufficiently negative to turn entire decades negative. From a historical perspective, such events are rare.

One bright spot, however, was that our Stock Upgrading, DAA, and Sector Rotation strategies recorded profits for the 1999-2008 decade with annualized gains of +6.1%, +11.9%, and +21.3% respectively. All three turned in healthy gains for the 10-years ending in 2009 as well.

Key reminders: The volatility of shorter-term investing periods is why we recommend a five-year time frame as a *minimum* for investing in the stock market. A 10-year period (or longer) is required, in our view, to consider oneself a long-term investor. Although no one can *guarantee* a positive return from stock investing over the next five years, or even over the next decade, once the "improbable" decade (1999-2008) with two major bear markets passed, the probabilities for success are now solidly on the side of long-term investors. ◆

THE PROBABILITIES OF STOCK MARKET SUCCESS

	Invest for 1 Year	Invest for 2 Years	Invest for 3 Years	Invest for 4 Years	Invest for 5 Years	Invest for 6 Years	Invest for 7 Years	Invest for 8 Years	Invest for 9 Years	Invest for 10 Years
Probability of Annual Gain of 20% or More	**40%**	**34%**	**27%**	**21%**	**20%**	**18%**	**14%**	**8%**	**7%**	**6%**
Average value of a $1,000 portfolio	$1,385	$1,701	$1,931	$2,540	$2,986	$3,431	$3,995	$4,892	$5,943	$6,800
Probability of Annual Gain of 10% to 20%	**20%**	**27%**	**38%**	**43%**	**47%**	**50%**	**52%**	**65%**	**70%**	**72%**
Average value of a $1,000 portfolio	$1,148	$1,320	$1,515	$1,772	$1,988	$2,271	$2,689	$3,025	$3,396	$3,900
Probability of Annual Gain of 10% or Less	**14%**	**22%**	**20%**	**25%**	**22%**	**24%**	**28%**	**24%**	**20%**	**19%**
Average value of a $1,000 portfolio	$1,051	$1,111	$1,190	$1,225	$1,358	$1,480	$1,554	$1,514	$1,644	$1,837
Probability of Annual Loss of 10% or Less	**11%**	**8%**	**10%**	**7%**	**7%**	**6%**	**5%**	**3%**	**3%**	**3%**
Average value of a $1,000 portfolio	$949	$920	$873	$852	$782	$750	$800	$844	$751	$754
Probability of Annual Loss of 10% to 20%	**8%**	**4%**	**3%**	**2%**	**3%**	**3%**	**1%**			
Average value of a $1,000 portfolio	$861	$732	$654	$548	$480	$455	$433			
Probability of Annual Loss of 20% or Worse	**7%**	**5%**	**2%**	**2%**	**1%**					
Average value of a $1,000 portfolio	$653	$466	$279	$272	$285					

[1]The table is based on "rolling" periods. After looking at results from holding periods that began on Jan. 1, the calendar was "rolled" to the next month to see what happened for the holding period that began on Feb. 1—and so on. This gives a better understanding of the extremes you might expect.

LEVEL 4 FOUR

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

STUDENT LOANS TARNISHING THE 'GOLDEN YEARS'

Much has been made of how much stress and strain education debt is inflicting on young college grads. But the fastest growing segment of the population with burdensome school debt isn't the young. It's borrowers who are furthest removed from their college days: those age 60+.

In the majority of cases (73%), the loans held by older Americans were not for their own benefit; they were for their kids' or grandkids' educations. The borrowers may have taken out the loans directly via Parent PLUS loans, or they may have co-signed on a loan for which they now find themselves responsible.

Between 2005 and 2015, the number of individuals age 60 or older with student-loan debt quadrupled to 2.8 million, according to the Consumer Financial Protection Bureau (CFPB).[1] The 60-plus crowd now accounts for 6.4% of all student-loan borrowers—up from only 2.7% a decade ago. The burden borne by these borrowers has grown as well, nearly doubling in that same time frame to an average of $23,500.

The CFPB believes such figures may *understate* the education-debt burden facing older people. In addition to taking on school loans, older Americans have helped pay college costs with home-equity loans, credit cards, and other loans. Compounding the problem, some 63% of older student-loan borrowers still have mortgages, 67% have credit-card debt, and 45% have vehicle loans.

The senior squeeze

The debt is taking a toll. According to the CFPB:

- Late and missed payments by older student-loan borrowers have grown, with 12.5% of all delinquent student-loan debt held by borrowers age 60 or older—up from 7.4% in 2005.
- Some 37% of education borrowers ages 65 or older are in default—the highest percentage among any age group. By comparison, 17% of borrowers ages 49 or younger are in default.
- Older people with student loans are more likely than those without such debt to report going without necessary healthcare, such as prescription medicine, doctor's visits, and dental care.
- There are now 40,000 Social Security recipients over the age of 65 who are having their benefits garnished because of student loans that are in default. That's four times the number who were in that situation 10 years ago. In 2015 alone, the government held back $171 million in Social Security payments from older Americans who defaulted on student loans, according to the Government Accountability Office. Many of these folks were just getting by as it was. According to the CFPB, Social Security is the only source of income for nearly 70% of people ages 65 or older.

Solutions for struggling borrowers

It's far better to face up to your loan obligation than to ignore it. If you have a federal student loan and are having difficulty making the payments, contact your loan servicer to explore your options. You may be able to "consolidate" your loan into a new loan that comes with an income-based repayment plan option. While it might sound like an oxymoron, even a single loan can be consolidated.

If your loan is in default, look into loan rehabilitation or consolidation.[2]

- **Rehabilitation.** With this option, you will be offered a new monthly payment amount equal to 15% of your discretionary income. After you make nine on-time payments, your loan will be considered rehabilitated and you will become eligible to stop the garnishment of Social Security benefits. Other income-based repayment plans may become available to you as well.
- **Consolidation.** Under this option, you may be able to turn a loan that is in default into a new direct consolidation loan. To be eligible, you have to agree to repay the new loan under an income-contingent repayment plan, or make three full payments on the loan that's in default before consolidating it into a new loan with fixed payments. Once your loan is consolidated, your Social Security benefits will no longer be subject to garnishment.

For very-low-income borrowers, an income-based loan-repayment program could drop your monthly payment all the way down to $0.

If you have a student loan from a private lender, contact that lender, explain your situation, and see if there are options to modify the loan.

Protective measures

For parents who have not yet borrowed to help their kids pay for college, we strongly recommend the following:

- Prioritize saving for your retirement over paying your kids' college costs. If needed, *they* could borrow. While less than ideal, they have many working years ahead of them and the prospect of a rising income. Depending on how close you are to retirement, you probably *don't* have many working years ahead of you, and most of the income you earn between now and then may be best directed toward your nest egg.
- Do not co-sign. Although most student loans don't require a co-signer, some do—such as those from private lenders and also federal loans for grad school if the student has shaky credit. Our advice? Don't co-sign. As difficult as it may be to turn down your own flesh and blood, the Bible tells us explicitly not to co-sign (Proverbs 22:26-27), and for good reason. If your child or grandchild doesn't make the payments, you'll be responsible. That adds an element of financial risk at a time of life when you can least afford it. *(continued on page 45)*

[1] bit.ly/2lsuSMM (PDF) [2] bit.ly/2lsy7np

SOUND MIND PORTFOLIOS

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 1/31/2017	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	23.6	4.1%	4.1%	4.0%	4.2%	15.4%	1.7%	1.16	0.13%	20%	16%	12%	8%	VXUS
Extended Market Index ETF	Small company stocks	52.1	2.1%	2.1%	12.2%	9.9%	30.0%	8.0%	1.31	0.09%	40%	32%	24%	16%	VXF
S&P 500 Index ETF	Large company stocks	33.8	1.8%	1.8%	7.8%	6.0%	20.1%	10.8%	1.00	0.05%	40%	32%	24%	16%	VOO
Total Bond Mkt Index ETF	Medium-term bonds	-3.8	0.2%	0.2%	-2.1%	-3.2%	1.5%	2.5%	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 1/31/2017[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 International Value	01/17	NTF	NTF	NTF	62.1	5.3%	5.3%	9.8%	13.1%	39.3%	-1.5%	1.65	1.65	40	2%60days	TVIVX
	2. Oakmark International	12/16	NTF	NTF	NTF	48.1	4.1%	4.1%	8.5%	16.1%	23.5%	1.9%	1.47	1.00	70	None	OAKIX
	3. Longleaf Partners Intl	09/16	Yes	Yes	Yes	44.4	3.9%	3.9%	4.3%	9.2%	30.9%	-2.2%	1.65	1.28	18	None	LLINX
Category 4 Small/Growth	1. Oberweis Micro Cap	11/15	NTF	NTF	NTF	70.2	2.0%	2.0%	15.5%	14.9%	39.8%	7.2%	1.48	1.72	84	1%90days	OBMCX
	2. Hodges	09/16	NTF	NTF	NTF	94.8	2.0%	2.0%	15.0%	19.6%	60.3%	11.7%	1.90	1.32	60	1%30days	HDPMX
	3. Champlain Mid Cap	05/16	NTF	NTF	NTF	46.9	2.7%	2.7%	8.3%	8.5%	30.2%	11.2%	1.09	1.20	61	None	CIPMX
Category 3 Small/Value	1. Towle Deep Value	06/16	Closed	Closed	Closed	130.2	1.9%	1.9%	24.7%	27.4%	78.2%	12.6%	2.28	1.20	36	2%90days	TDVFX
	2. ☎ AMG Fairpointe Mid Cap	03/17	NTF	NTF	NTF	75.2	3.0%	3.0%	17.1%	17.6%	40.5%	8.6%	1.53	1.11	46	None	CHTTX
	3. iShares Russell 2000 Value	12/16	ETF	ETF	ETF	73.8	-0.9%	-0.9%	16.9%	16.9%	40.0%	9.4%	1.48	0.25	1369	None	IWN
Category 2 Large/Growth	1. Parnassus Endeavor	01/17	NTF	NTF	NTF	58.2	1.0%	1.0%	10.3%	15.5%	32.5%	15.4%	1.12	0.95	26	None	PARWX
	2. Oakmark Fund	01/17	NTF	NTF	NTF	52.7	1.3%	1.3%	10.3%	13.5%	28.9%	10.1%	1.21	0.89	54	None	OAKMX
	3. Kinetics Paradigm	11/16	NTF	NTF	NTF	58.4	2.6%	2.6%	8.7%	15.5%	34.2%	4.9%	1.26	1.64	75	2%30days	WWNPX
Category 1 Large/Value	1. Dodge & Cox Stock	12/16	Yes	Yes	Yes	63.6	2.3%	2.3%	13.5%	16.9%	33.2%	10.6%	1.24	0.52	69	None	DODGX
	2. ☎ JPMorgan Large Cap Value	03/17	No[10]	NTF	NTF	67.6	1.7%	1.7%	15.6%	18.7%	33.3%	13.3%	1.21	0.93	105	None	OLVAX
	3. Artisan Value	06/16	NTF	NTF	NTF	61.4	2.3%	2.3%	10.9%	11.3%	39.2%	9.6%	1.39	0.97	42	None	ARTLX
Bond Categories	Scout Unconstrained Bond [6]	09/16	NTF	NTF	NTF	6.7	0.2%	0.2%	-0.3%	0.2%	6.8%	0.4%	1.14	0.80	-0.2[7]	None	SUBYX
	Vanguard I-T Bond Index	01/15	ETF	ETF	ETF	-5.4	0.3%	0.3%	-2.8%	-4.1%	1.5%	3.1%	1.31	0.09	6.5[7]	None	BIV[8]
	Vanguard S-T Bond Index	07/12	ETF	ETF	ETF	-0.8	0.3%	0.3%	-0.7%	-1.0%	0.8%	1.1%	0.44	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-February, 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, Fidelity, and Schwab. 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 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 are fixed and don't change from month to month. See January2015:p7 for more information. **[7] Duration:** For bond funds, 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 fund option can buy VBILX where available, otherwise VBIIX. **[9]** Those preferring a traditional fund option can buy VBIRX where available, otherwise VBISX. **[10]** The fund is available with a load at other brokers, but we recommend buying it only if your broker waives the load as Schwab and Fidelity do.

☎ Changes in our fund recommendations are explained in the MoneyTalk column.

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 Oberweis Micro Cap, 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	Oberweis Micro Cap
Stock Cat. 3: Small/Value	16%	$8,000	Towle Deep Value
Stock Cat. 2: Large/Growth	16%	$8,000	Parnassus Endeavor
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

STOCK UPGRADING — NEW FUND RECOMMENDATIONS

[When more than one fund *in the same risk category* is replaced, you should evaluate which of the newly recommended funds is the best fit for your portfolio. The simplest method for picking new funds is to refer to our 1-3 rankings on the "Basic Strategies" page and invest in the highest-ranked fund in each risk category that is available through your broker. • We choose our recommended funds with the hope they will be held for at least 12 months and therefore qualify for long-term capital gains tax treatment. Nevertheless, we suggest a fund change when a recommended fund's performance falls below the threshold of our mechanical guidelines. Our guidelines provide objective criteria for making the decision as to when to "upgrade" to a better-performing fund. When a fund no longer meets our performance guidelines, we suggest you sell it even if the 12-month holding period hasn't been met. However, a "$" symbol following the name of the fund being sold lets you know that we still think well of the fund and its management and you might elect to continue holding the fund for a month or two to achieve a tax benefit or to save on transaction or redemption fees. Be aware, however, that from 2006-2010, the average performance "cost" of retaining such funds has been roughly 0.5% per month. For more details, see Oct2011:p153.]

◆ **In the Small/Value group, WisdomTree SmallCap Dividend ETF (DES, 8/2016) is being replaced.** It's a high-class problem when a fund earns "only" +10.4% during a six-month period and is being replaced for underperformance, but that's what's happening here. Recommended last August, this ETF has gradually slipped down the momentum rankings since investors' "animal spirits" were rekindled following the election. Its average peer earned +11.4% over the six months ending 1/31, causing this ETF to finally slip below the category quartile and requiring its replacement.

• **AMG Managers Fairpointe Mid Cap N (CHTTX) is being added.**[1] The name has changed, but this is actually an old friend to long-time Upgraders, having been recommended three times before under the prior name of Aston/Optimum Mid Cap. A couple of very positive facts stand out from the prior times this fund has been recommended. One is that when this fund has risen to the top of our fund rankings, it has tended to stay there. The three prior times the fund has been recommended, we've held it for 14 months, 18 months, and 12 months. So that's a good sign.

This fund has also shown the ability to perform well in a variety of market conditions. The last time we owned it, in 2010, small-company stocks were rocketing higher. This fund didn't shoot the lights out in that unusually strong environment, but its gain of +23.0% in a 12-month period was solid. We're not too worried about it lagging in a strong market environment going forward, given that the past 12 months have been extremely strong for small/value funds and it has been rising to the top of the momentum rankings during this surge.

Perhaps more importantly, when we owned this fund back in 2007-2008, it held up very well during a period when market strength was transitioning to weakness. When we recommended it in March 2007, the market was going strong. But the market peaked in October of 2007 and started a slow descent into the more dramatic losses of the summer/fall of 2008. This fund managed a positive return of +2.7% over the 18 months ending August of 2008, while its average small/value peer was down -7.8%.

Viewing those past two instances together, it appears this fund is capable of putting up strong returns should the small-company stock rally continue, but may also hold up well should stocks falter. That said, this fund's success is based on identifying hidden value that the market has yet to recognize, which means there are always going to be periods when the fund struggles relative to its peers, waiting for that value to attract bargain hunters. This fund is fairly concentrated, typically owning only 40-50 stocks, and will overweight certain sectors pretty dramatically at times. Those high-conviction decisions have driven the fund's strong long-term performance, but also put it at risk of occasionally underperforming the market significantly.

◆ **In the Large/Value group, Longleaf Partners (LLPFX, 11/2016) is being replaced.** While small-company stocks have largely been rallying across the board in recent months, the action in large-company stocks has been much more selective since the November election. Certain industries have performed very well, while others have largely sat out the post-election rally. Unfortunately, the concentrated portfolio held by Longleaf hasn't benefited as much as most. The fund's gain of +3.8% from November to January isn't bad in an absolute sense, but it pales in comparison to the +8.3% gain of its average large/value peer during that time. As is typically the case in these situations, the Upgrading process is directing us to move on quickly to another fund that is hopefully better suited to the current market environment.

• **JP Morgan Large Cap Value A (OLVAX) is being added.**[1] This recommendation requires some explanation, as we're venturing into some new territory. Last year, Schwab and Fidelity took a major step in blurring the lines between funds that impose a sales charge on purchases (called "load" funds), and those that don't (known as "no-load" funds). Schwab and Fidelity worked out arrangements with a number of load-fund families to make their load funds available with their loads waived, essentially turning these load funds into no-load funds for customers of Schwab or Fidelity.

In the past, SMI has recommended only true no-load funds. But this arrangement opens up access to a number of excellent funds that have previously been off limits for SMI readers. Having more funds available is a good thing for Upgraders, as it boosts the chances of finding superior performing funds. So we've started gradually expanding our fund universe, watching for load funds with high momentum scores that are candidates to be recommended.

We first noted this new development in a web article last October,[2] but this month marks the first time a load fund has officially made it into our recommended-funds lineup. JP Morgan is one of Wall Street's most recognizable names. This fund is being recommended due to its momentum score placing it near the top of our large/value-fund rankings. But it's also reassuring to see that the fund has ranked in the top third of Morningstar's Large Value group each of the past five calendar years. That type of consistency bodes well for

[1]For more on this fund, visit www.morningstar.com. [2]bit.ly/load-waived

its ability to stay ranked in the top quartile.

It's crucial to understand that if you can't buy this fund on a load-waived basis with either Schwab or Fidelity, you should *not* buy this fund. We're not aware of any other brokers with similar load-waived arrangements, although that could change at any time. This load-waived arrangement is a new development in the discount-brokerage world, so it's entirely possible other brokers may roll out similar policies. Feel free to check with your broker, but again, if the fund isn't load-waived, choose a different recommended fund. It is not worth paying the load to buy this fund. ◆

SIGHTING: DOW 21,000 IS IN SIGHT, BUT MANY STOCKS ARE GETTING LEFT BEHIND

[In February], investors have enjoyed perfection: All four major averages have snagged consecutive new record highs and the S&P 500 has climbed for 12 of the last 14 sessions [as of February 22]. Interest rates remain low. Volatility has been quelled, with nearly 90 days elapsed since the last 1% decline, as global economic data improves. Earnings growth has rebounded. President Trump is ready to lower taxes.

All of this caps one of the quietest four-year periods in market history and the quietest January of all time. And it comes despite the turmoil in Washington, D.C.… But the market isn't quite as placid as it seems. There are glitches in the Matrix—bizarre behavior and unexplainable events taking place just beneath the surface—if you know where to look.

Consider, for instance, market breadth—the percentage of stocks rising within the market. It's been narrowing consistently as traders focus on a shrinking list of upward-bound stocks, ignoring the growing list of laggards.

Jason Goepfert of *SentimenTrader* notes that the S&P 500's march to new highs has been driven by fewer than 80 companies, less than 16 percent of the index. While that didn't matter when it happened in 1995, the other times it happened (in 1997, 2005, 2010 and July 2016), fresh gains were subsequently wiped out.…Investors—especially those maintaining their own retirement accounts—should be cautious. — by Anthony Mirhaydari writing in *The Fiscal Times*. To read the full article, go to tinyurl.com/h8euasc. ◆

SIGHTING: TRANSFORMING YOUR BASIC ADVANTAGE INTO A BASIC DISADVANTAGE

The longer I'm involved with the markets the less I find myself paying attention to the daily, weekly or monthly gyrations. Some investors are able to watch every tick in the markets with complete indifference but it seems most investors see more harm than good by trying to swim through the sea of noise in the short-term movements in the market.

The reason this can be so problematic for investors is that we humans suffer from what Richard Thaler calls myopic loss aversion. Myopia or nearsightedness can be harmful because the more often we check the value of our portfolios or holdings, the more likely we are to see losses (stocks are basically a coin flip between being positive or negative on any given day). The more likely we are to see losses, the more likely we are to experience loss aversion, which is the human tendency that makes us regret losses twice as much as gains make us feel good.

Thus, the more often you look at your portfolio, the more often you're likely to feel terrible from seeing short-term losses in value. The less frequently you evaluate your portfolio the more likely you are to see gains in your account because the probability for gain increases with a longer holding period.

Paying close attention to the markets on a tick-by-tick basis can also give people an illusion of control. You begin to assume that because you're keeping up with everything that's going on that you have more control over the outcomes. The opposite is true more often than not and the harder you try the more mistakes you make in the markets.

The biggest advantage you have as an investor is the ability to think and act for the long-term. That may be more important today than ever because our society and the finance industry have become more and more obsessed with the short-term. — by Ben Carlson, blogger at *A Wealth of Common Sense*. To read the full article, go to bit.ly/2lqhhEr. ◆

LEVEL 4 / CONTINUED FROM PAGE 41:

STUDENT LOANS TARNISHING THE 'GOLDEN YEARS'

In an era when helping our kids finance the cost of college is the norm, it may be difficult to resist the pull of the culture. But your kids or grandkids have other options available to them (take a gap year after high school to earn money for college, choose a less expensive school, work while going to school, etc.). On the other hand, your retirement-funding options are probably much less flexible. Putting yourself at risk for the benefit of younger family members simply doesn't make financial sense. ◆

COVER ARTICLE / CONTINUED FROM PAGE 37:

THE NEXT STEP IN YOUR PERSONAL FINANCIAL PLAN: TRANSITIONING FROM MYMONEYGUIDE® TO MONEYGUIDEPRO®

can either update your *Recommended Scenario* with the *SuperSolve®* changes or press cancel to return to the previous screen.

Reports and Star Track

In the *Finish* section of the plan, MoneyGuidePro® provides report-printing capabilities. Most of these are geared toward what an advisor might share with a client, but some readers may wish to look at the various reports available. Choose one from the drop-down list and click *Create* under *Report Printing* to generate a PDF of that report (which you can then print if you choose to).

After the *Reports* screen, there's a feature called *Star Track*, which is of no use to SMI clients. It's a historical tracking device that shows a client how their plan has progressed over time. Only the advisor can initiate the entries in *Star Track*, so it won't be useful for us.

MONEYTALK

Conclusion

MoneyGuidePro® takes the starting point of the myMoneyGuide® lab and builds on it with significantly enhanced planning capabilities. We anticipate that most SMI members will benefit greatly from going through the financial-planning process, as it forces individuals and couples to think clearly about the retirement track they are on. Surprisingly, relatively few people ever do this!

For most people, working through their initial plan will be by far the most time-consuming part of the process. That's okay—it's worth the investment of your time. After you complete the planning process and are comfortable that you're on the right track, we encourage you to check back every 6-12 months to see how you're progressing toward your goals. Has anything significant changed to your goals, income or saving ability, or assets? Usually the answer will be no, and you'll be able to keep those reviews fairly brief. But from time to time you'll likely want to spend a little more time updating and refining your plan.

The great news is your MoneyGuidePro® plan information will continue to be available for you to return to at any time, for as long as you maintain your SMI premium membership. We are excited that SMI Advisory Services has made this powerful tool available to SMI members, and we're encouraged that so many members have already responded by taking advantage of this offer and starting the planning process. ◆

MARKET NOTES, QUOTES, AND ANECDOTES

Dow sets a record

• "The optimist will say 'of course things turned out okay.' The pessimist will say 'just you wait.' The intelligent investor will say 'it is what it is.'" — Josh Brown, blogger at *The Reformed Broker*, commenting on 1/25/17 about the Dow breaking the 20,000 mark that day for the first time. Read more at bit.ly/2jShI85.

• "We just hit a record, and a number that's never been hit before. So I was very honored by that. [The market] has gone up a lot since I won. Now we have to go up, up, up. We don't want it to stay there." — President Donald Trump, quoted by CNN on 1/26/17. The article pointed out the Dow was up 1,700+ points since Trump's election, much of it driven by expectations that his stimulus plans will make the economy grow faster. In a presidential debate last September, candidate Trump had warned the market was "in a big, fat, ugly bubble." Read more at cnnmon.ie/2kSkitD.

Optimism is up

• 49% — The percentage of Americans who say they are financially better off than they were a year ago—the highest level at any time in the past 10 years. — Gallup reporting on a poll taken January 4-8, 2017. Read more at bit.ly/2kxCr4p.

Plans are worthless, planning is essential...

• "Think of your financial plan as a GPS. It'll point you in the right direction, but you still have to keep your head up and watch your surroundings. By regularly checking and refining your plan, you can compensate for context, circumstances, and changes." – Bob French, writing on the *McLean* blog on 1/17/17, on the nature of financial plans— they're all wrong in some way (there are too many moving parts to say they're 100% accurate), *and yet* having one is a necessity. Read more at bit.ly/2ktIgMd.

...flexibility helps, too

• "Think of the 1987 crash, when the Dow Jones fell 20% in one day. People are still not sure what exactly caused it. …It would have been a dreadful error to base future investment decisions expecting this type of event to frequently reappear. Human behavior is unpredictable; sometimes small random decisions can change the course of history.…This makes markets a very dangerous place for those who insist on certainty and order." — Tony Isola, in his *A Teachable Moment blog* on 1/27/17. Read more at bit.ly/2m4ojjP.

Fiduci... What?

• "The fiduciary rule was introduced by President Obama's Department of Labor to regulate a large number of financial professionals who service 401(k) plans and individual retirement accounts.…It's so broad that financial professionals who provide even one-time guidance or appraisal of investments would be classified as [fiduciaries] …This not only limits the ability of financial firms to provide certain services, it also hurts Americans who work hard saving for their retirement by limiting the availability of investment advice and retirement products.…The rule particularly harms those with lower retirement savings, including minority communities." — Steve DeMaura writing for *The Hill*, arguing for the rule to be rolled back. President Trump has given the Labor Department the authority to revise or rescind the rule. His order will delay implementation, which was planned for this April. Read more at tinyurl.com/z7tyuu4.

• "Today, after literally standing alongside big bank and hedge fund CEOs, [President Trump] announced two new orders—one that will make it easier for investment advisors to cheat you out of your retirement savings, and another that will put two former Goldman Sachs executives in charge of gutting the rules that protect you from financial fraud and another economic meltdown." — Democratic Senator Elizabeth Warren, quoted in *Business Insider* on 2/3/17. She was responding to Trump's order regarding the fiduciary rule, which she favors keeping, and another one requiring a review of the 2010 Frank-Dodd financial oversight law. Read more at read.bi/2m4KTcb. ◆

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

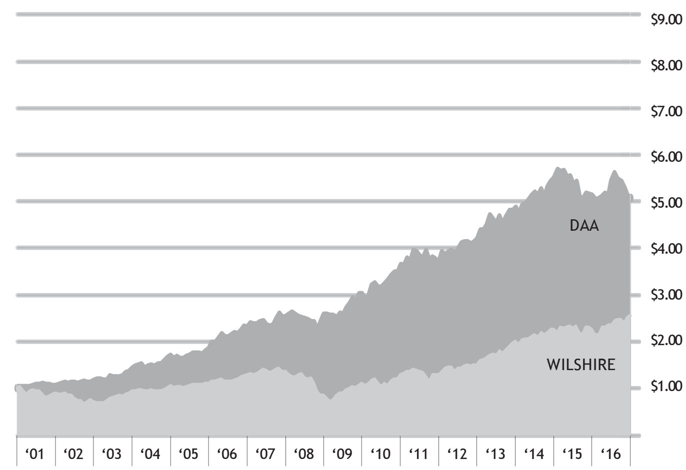
This is a stand-alone strategy that can be used in combination with (or in place of) SMI's basic strategies. DAA is designed to help you share in some of a bull market's gains, while minimizing or even preventing losses during bear markets. It's a low-volatility strategy that nonetheless has generated 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]	Worst 12[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%	10.7%	-13.7%	0.64
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%	6.1%	-43.3%	1.00

SECTOR ROTATION

Overview

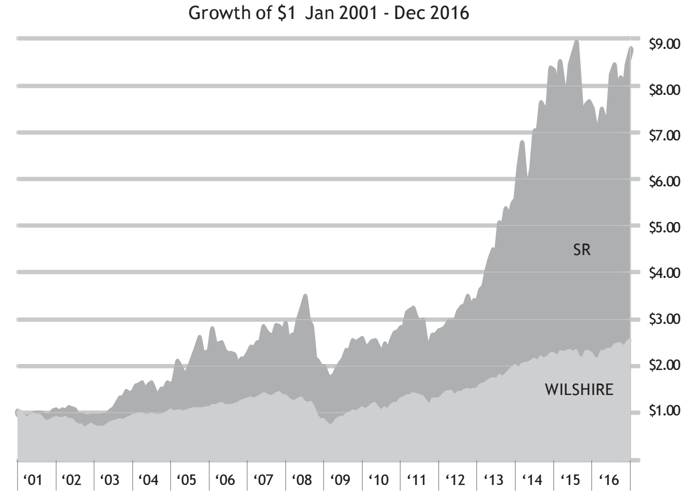
This high-risk strategy involves investing in a single special-purpose fund that focuses on a specific sector (such as biotech, energy, or financial services). Because these stock funds invest in a narrow slice of the economy, they carry a higher degree of risk. Only one fund, selected based on having 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]	Worst 12[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%	14.5%	-38.6%	1.66
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%	6.1%	-43.3%	1.00

[1]The three data points on the far right in each of the two tables are for the Jan2001-Dec2016 period. "Avg" represents the average annualized return from 2001-2016. "Worst12" represents the worst investor experience over 169 rolling 12-month periods from 2001-2016.

PERIODICALS POSTAGE
PAID AT LOUISVILLE, KENTUCKY

Dated Investment Material
Please Do Not Delay!

PERFORMANCE DATA

SOUND MIND INVESTING MODEL PORTFOLIOS • DATA THROUGH JANUARY 31, 2017

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]	1.8%	1.8%	8.6%	22.0%	10.6%	14.0%	7.2%	7.5%
Just-the-Basics[2]	2.4%	2.4%	8.8%	23.0%	7.9%	12.0%	6.4%	7.9%
Stock Upgrading[3]	2.1%	2.1%	8.9%	19.8%	6.8%	11.9%	6.4%	9.1%
U.S. Bond Market[4]	0.3%	0.3%	-2.1%	1.4%	2.4%	1.9%	4.2%	4.3%
Bond Upgrading[5]	0.3%	0.3%	-1.0%	2.3%	3.1%	3.0%	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]	1.6%	1.6%	-2.0%	3.2%	3.1%	5.8%	8.1%	11.2%
Sector Rotation[7]	2.8%	2.8%	15.0%	27.0%	12.9%	26.7%	14.2%	15.9%
50-40-10 Blend[8]	1.9%	1.9%	4.1%	12.0%	5.8%	10.5%	8.5%	11.3%

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 1/31/2017	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	1.47%	1.47%	7.48%	16.16%	3.91%	9.69%	5.27%
Wilshire 5000	1.78%	1.78%	8.60%	22.04%	10.57%	14.02%	7.16%
S&P 500	1.90%	1.90%	7.76%	20.04%	10.85%	14.09%	6.99%

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).

DATA COPYRIGHTS AND NECESSARY CAUTIONS