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30 years

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Sound Mind Investing®
Financial Wisdom for Living Well
WWW.SOUNDMINDINVESTING.COM

A New, Better Process for Getting Started With MoneyGuidePro®

It's been nearly three years since we introduced SMI readers to the web-based financial-planning software MoneyGuidePro®—the most-popular such software among professional financial advisors—and made it available to SMI Premium-level members for a remarkably low $50 one-time fee. Now, MoneyGuidePro® has gotten even better with the addition of MyBlocks—a system that offers 1) a simpler "getting started" process for first-time users and 2) helpful new features for existing users.

by Mark Biller and Joseph Slife

Think back to your high school algebra class (but don't freak out!). No longer are you doing math with numbers, as you've done since first grade. Instead, your algebra textbook is all about *letters*: x's, y's, and z's. Your task: *solve equations that have unknown variables*.

Planning for your financial future is a lot like high school algebra—except that the variables tend to be more numerous and, in some cases, unknowable! For example, maybe you intend to work until age 70, but what would happen to your finances if you lose your job at 66? Or if you had to cut back to part-time to care for an aging parent? What would happen if your spouse dies earlier than expected, and, as a result, you receive only one Social Security retirement benefit instead of two? What if inflation turns out to be higher than anyone expected?

In trying to plan your future finances, how can you "solve for x" when, to borrow words from the Apostle James, "you do not even know what will happen tomorrow" (James 4:14)? All these uncertainty factors are what make long-term planning such a challenge.

Since there is no way to know what the future may hold, it's wise to develop a plan that takes into account multiple "what if" scenarios. In other words, you need a plan that—despite all the unknowable variables—can offer a reasonable likelihood of ensuring financial stability in your later years.

That's a tall order, but unlike a high school algebra test, it's okay to get outside help! The web-based MoneyGuidePro® software can help you formulate a plan that will enable you to face the financial future with greater confidence and peace of mind.

MoneyGuidePro® isn't just another planning tool. Among professional advisors, it is considered the best planning software available. Typically, MoneyGuidePro® is available only to clients who are working directly with a financial advisor. But, by special arrangement, we've been able to offer the software directly to SMI do-it-yourselfers since 2017. The 1,500 SMI members who have signed up have been equipped to seize control of their retirement preparation, reduce uncertainty, and move toward accomplishing their most important financial goals.

If you're not using MoneyGuidePro® yet, this article will introduce you to its benefits, including the new *(continued on page 3)*

IN THIS ISSUE

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

EDITORIAL

"Make No Little Plans"

For many years, Chicago was my home, and even though I don't live there anymore, I will always love that great city. I love its grit and its beauty, the juxtaposition of historic, detail-rich buildings and sleek new ones, the many ethnic neighborhoods, and the city's crown jewel—it's stunning, park-lined lakefront. City planner and architect Daniel Burnham deserves much of the credit for keeping the lakefront open.

Burnham was prolific, designing some of Chicago's most famous buildings and managing development of the 1893 World's Columbian Exposition in Chicago that drew a record 21 million paid visitors. Fittingly, he was fond of saying, "Make no little plans; they have no magic to stir men's blood and probably themselves will not be realized." I love that.

As we begin a new year, I wonder what "no little plans" God has for each of us. I wonder if we'll be attentive enough to discern those plans, and I wonder if we'll be courageous enough to follow them.

Throughout the pages of Scripture, we find examples of God calling people to big plans—plans that probably seemed unreasonable, and yet plans that radically altered the lives of those who followed them, and as a result, the lives of many others.

When Jesus called some fishermen to follow him, they literally dropped everything and did so. Without understanding what they had just signed up for, they obeyed, and God used them to help shape countless people's eternities.

When God called Abraham to leave all that he knew, he was an old man, perhaps believing his best days were behind him. Any thought that he and his wife, Sarah, would ever become parents was probably long forgotten. Without understanding the plan, he obeyed God, and as a result became the patriarch of as many descendants as there are stars in the sky.

What about you? What unreasonable adventure do you sense God calling you to this year? Here are three areas to consider.

● **Your marriage.** According to a recent Pew Research study, only 58% of married people say things are going "very well" in their marriage. If you're married, what would you say? Are there festering issues you've learned to put up with? Are there topics that have become off-limits? Have you accepted that things will never change? Is that really God's best for you?

Maybe God is calling you to make an investment in the vitality of your marriage. Maybe part of your vacation planning should include a Family Life *Weekend to Remember* retreat.[1] Maybe paying for some sessions with a well-trained Christian counselor would be money well spent.

There's much at stake here, including the joy that you and your spouse experience, the example you set for your kids, and the effectiveness of your witness and ministry.

● **Your generosity.** God calls us to a level of generosity that very few Christians live up to. The result isn't about ministries going unfunded. God doesn't need our money to bring about the impact that he intends. The result is that too many Christ-followers miss out on the joy of being part of God's work in the world, and who knows how many other blessings. The Bible says, "One person gives freely, yet gains even more; another withholds unduly, but comes to poverty. A generous person will prosper; whoever refreshes others will be refreshed" (Proverbs 11:25).

This isn't give in order to get; it's give because you were made in God's image and God is endlessly generous. This isn't give out of a sense of duty or obligation; it's give because to live generously is to live in synch with your design, and there are countless blessings that come from that.

What next step in your journey of generosity do you sense God calling you to take this year?

● **Your work.** The most-quoted verse about work is surely Colossians 3:23: "Whatever you do, work at it with all your heart, as working for the Lord, not for human masters." If someone you don't know observed you at work, would they say you do your job with all your heart?

If not, what's missing? Has your job become just a means to an end? Are you under-challenged? Maybe the most impactful investment you could make this year is an investment of time (and perhaps money) to take courses that would prepare you for a job that would allow you to more fully use your God-given talents and passions.

To be sure, there are other areas where God may be calling you to make an investment this year—your health, your parenting, or elsewhere. As you seek his direction in 2020, remember that God has good plans for you—indeed, no little plans. Will they be realized? That has much to do with your willingness to be obedient, *even if you don't fully understand his plans.*

Matt

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MANAGING EDITOR

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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] www.familylife.com/weekend-to-remember

FEATURE ARTICLE

A New, Better Process for Getting Started With MoneyGuidePro®

(continued from front page)

MyBlocks getting started (aka "onboarding") process. Existing users will have access to MyBlocks, too, and may find aspects of it helpful, especially the modules related to account-tracking, budgeting, and cash-flow analysis (see inset box).

Why planning is essential

Let's be realistic: No long-term financial plan can be perfect. There are too many variables: employment situations, earnings history, family size, marital status, health considerations, tax policy, inflation—to name a few. Yet developing a carefully considered, personalized plan is worthwhile. It offers these key benefits.

● **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, looking at the options, and seeing everything in black-and-white eliminates the vagueness and uncertainty that haunts many people. It's far easier to face a challenge when it's clearly defined.

● **Having a plan lessens conflicts in marriage.** When marriage partners aren't on the same page in the financial area, it puts strains on their marriage. Working through a plan together and agreeing on financial goals (along with the sacrifices needed to achieve them), can yield understanding and harmony.

● **Having a plan leads to 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 claim Social Security benefits—all of these play interrelated roles in retirement preparedness. Seeing how each affects the others will help you make better decisions in all these areas.

● **Having a plan helps you stick with your investment strategy** because you can visualize the impact of market events on the probability of your plan's success. Usually, short-term market events have a lower impact on a long-term plan than investors realize. Having a plan that monitors your probability of long-term success not only will help you set up a smarter approach to begin with, but it can also keep you on track when the market falters and fear rises. For example, seeing that a 15% market correction has decreased your plan's probability of success only from 82% to 79% may keep you from taking counterproductive actions you might otherwise consider.

● **Having a plan can help you be more generous along life's journey.** If you fear (as many people do) that you may run out of money later in life, it's more challenging to be a generous giver. But when you've worked through the details and have a plan that projects a high probability of success, it's easier to give generously today. (MoneyGuidePro® even allows you to set up "giving goals" to specifically include giving as part of your overall financial plan.)

Getting started with personalized planning

MoneyGuidePro® is available to SMI Premium-level members for a *one-time* fee of just $50. To put that cost in perspective, financial planners typically pay $1,295 *per year* to use this software with their clients. But we're able to offer it to our members directly, and at a low price, via an exclusive arrangement with SMI Advisory Services. (SMIAS is a separate, but affiliated, company from the SMI newsletter and website.)

To gain access to MoneyGuidePro® if you're not yet a Premium-level member of the SMI newsletter, you can sign up for Premium membership (or upgrade your Basic-level account) at SoundMindInvesting.com. Once you're a Premium member, here's what to do:

1. Go to SMIPlan.com and click the "Special Promotions" button in the center of the page.
2. In the "Promo Code" box, enter your SMI newsletter username—i.e., 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.)
3. Enter your ZIP code in the ZIP field.
4. After clicking the button to verify your SMI Premium-level membership, you'll be taken to a screen to enter your credit card information.
5. Once the $50 one-time access fee is charged, you'll be directed to the registration page for MyBlocks. Click the blue "Register" button.
6. Input the necessary information, then click the green "Register" button and you're done!

(Keep in mind that since MoneyGuidePro® is a benefit offered to Premium-level members, *you must maintain your SMI Premium-level membership* to have continued access.)

A note of clarification: Even though we're able to offer MoneyGuidePro® via a special arrangement with SMI Advisory Services, *using the software doesn't make you an SMI Advisory client*. Of course, if you would like to work with SMIAS at some point down the road, that's fine. But there's no expectation on our part that you'll do so, nor any obligation on your part.

Also, please understand that since MoneyGuidePro® was designed for advisors to use with their clients, we have no

FOR EXISTING USERS OF MONEYGUIDEPRO®

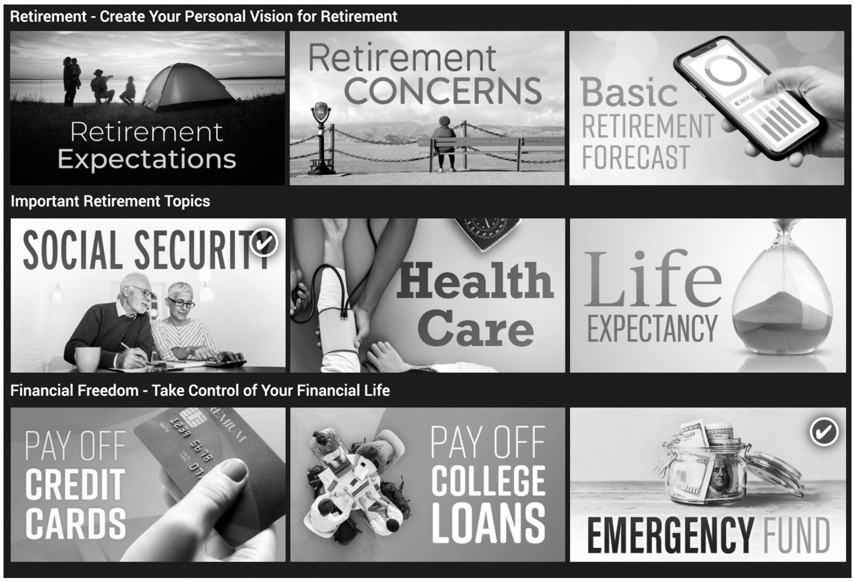
Certain modules in MyBlocks—including Retirement Bliss, Retirement Expectations, and Retirement Concerns—capture data similar to that captured in MoneyGuidePro®'s earlier "Labs" onboarding process. Since existing users already input that information via the earlier process, there is no need for existing users to use these particular blocks. That being said, married couples who are existing users may wish to take the "Retirement Bliss" quiz anyway. It's a tool for starting and guiding a discussion that will help couples identify and discuss their retirement dreams.

Important note: If an *existing* customer inputs new retirement-planning data via MyBlocks—using Retirement Bliss, Retirement Expectations, or Retirement Concerns—that information *will not overwrite the user's existing plan*. The user's original plan will remain unaltered in MoneyGuidePro®.

Existing users likely will get the *most* benefit from the blocks related to Yodlee, an "aggregator" service that can gather data from the user's various savings, credit, and investing accounts. These Yodlee modules add functionality beyond what is available in MoneyGuide Pro® itself, including expense analysis, transaction tracking, and even an AI (artificial intelligence) financial check-up.

way to grant you access as a do-it-yourself end-user without your information being visible to the advisor who licenses MoneyGuidePro®. What that means is that data you input will be in SMI Advisory's system. There's no way around that given the way MoneyGuidePro® works.

This isn't an arrangement we would agree to with any other advisor. 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 Services has managed the SMI Funds since their inception 15 years ago. SMIAS also manages the SMI Private Client service launched two years ago.) Again, signing up for MoneyGuidePro® doesn't mean SMIAS is your advisor or that you have any relationship with them other than they are granting you access to this software through their license.



MyBlocks: A new approach to "onboarding"

In earlier iterations, the MoneyGuidePro® set-up process involved something called "Labs." A user would be directed to a separate "MyMoneyGuide" website, where he or she would proceed through various screens, watch "training videos" and add personal financial details as prompted. On the whole, it was a good system, although (as noted in our 2017 introductory article to MoneyGuidePro®) the rather steep learning curve made it possible "to get confused and feel stuck."

Because that process was somewhat cumbersome, we were encouraged to learn that Envestnet, the company that now owns MoneyGuidePro®[1], recently unveiled the MyBlocks system that makes the onboarding and initial planning process easier and more readily understandable. MyBlocks has some of the same functionality as the Labs, but the approach has been redesigned and improved.

MyBlocks (see partial screen capture above) consists of more than 30 clickable modules on topics such as retirement planning, debt, and Social Security. To make the interface intuitive and inviting, the designers modeled it after the interfaces used by video services such as Netflix and Amazon's Prime Video. Each "block" looks similar to a promotional image for a film or TV show. The various blocks are grouped under topics, just as video platforms list films and TV shows by "genre."

Not only have the MyBlocks designers created a user-friendly "look and feel," they've designed modules that break the learning and planning processes into "bite-sized chunks." This new approach goes a long way toward lessening the sense of "being overwhelmed" that can occur when assessing your financial position and creating a plan for moving forward.

When the user hovers over a block with a mouse (or finger), the block expands to a larger size and reveals additional information about the purpose of that particular module, along with an estimate for how long it will take to complete it. Some blocks can be completed in as little as two minutes. The longest requires about 15 minutes.

Clicking a particular block takes the user to a screen with information or questions about that topic. Let's take the important "Retirement Concerns" block as an example. The user sees the question: "When you think about retirement, what worries or concerns you?"

A list of "concerns" follows, and the user rates each on a scale of "Low," "Medium," or "High." (Married couples can go through this and other blocks separately or together.) The concerns listed include things such as "Running out of money," "Suffering investment losses," "Current or future health issues," "Parents needing care," and "Caring for a child with special needs." (Other specific concerns will be addressed later in the "What Are You Afraid Of" section of MoneyGuidePro.®)

To return to the MyBlocks main menu, select the Home button at the top right or use the back arrow on your browser.

Be aware that some of the modules in MyBlocks are purely *informational*, such as those that illustrate the impact of inflation or estimate life expectancy. These informational blocks are helpful for both new users *and* existing customers. Other blocks—including Retirement Concerns, Retirement Expectations, and Retirement Bliss—are primarily for new users. Data input via these modules *will be incorporated into MoneyGuidePro® and used for the initial contours of a financial plan.*

MyBlocks also includes 10 modules that "integrate" with data aggregator Yodlee (owned by the same company that owns MoneyGuidePro®). Users can import their account data from banks, credit card companies, brokerage firms, and other financial-services providers. Using the Yodlee-powered modules, a user can track the performance of investment holdings (a nice new feature) as well as monitor overall financial health.

One particular advantage of MyBlocks is that MoneyGuidePro® users can revisit it at any time, making use of the Yodlee-powered blocks as well as the "informational" modules (new ones are added on a regular basis). MoneyGuide's old Labs system, in contrast, was available only during a limited set-up period.

[1]Envestnet purchased MoneyGuidePro® from PIEtech in 2019.

Moving from MyBlocks to MoneyGuidePro®

Once you've been through the MyBlocks process, it's time to access MoneyGuidePro® itself. To do so, simply alert SMI Advisory Services that you're ready by emailing mgp@SMIprivateclient.com. Put "Transition Please" in the subject line.

This may seem a little cumbersome, but because MoneyGuidePro® is designed as a product for advisors to use with clients, the transition process is not automatic. The system is set up to help ensure that advisors and clients are communicating.

Once SMI Advisory Services updates your account, you'll get an email alerting you that your account has been transitioned to MoneyGuidePro®. At that point, you can log-in and start using MoneyGuidePro® itself.

Note: Although MyBlocks will remain available to you, once you've transitioned from MyBlocks to MoneyGuidePro®, re-doing any non-Yodlee block that feeds data to MoneyGuidePro®—such as Retirement Expectations, Retirement Concerns, and Retirement Bliss—won't update your existing plan. Instead, you must update your plan within MoneyGuidePro® itself, not within MyBlocks.

Working with MoneyGuide Pro®

To make what follows as helpful as possible, we've *italicized* the names of items you'll see on-screen within the MoneyGuidePro® software—such as screen names, section names, buttons, etc. When you see something italicized below, you'll know that's something you should be able to find on-screen.

On the *Main Menu* screen, you'll see a box that says *Financial Goal Plan*. We'll get to that momentarily, but first, note the five boxes under the heading *Other Features*. They include:

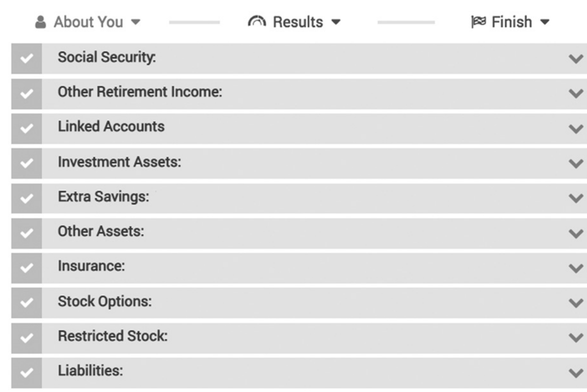
- ***My Snapshot***. This is a quick-access dashboard that shows the key elements of your plan at a glance. If you link your plan to your investment accounts (via Yodlee), this snapshot will automatically update—based on your current account values—both your net worth and your *Recommended Scenario's* probability of success.
- ***Calculators.*** There are 15 online calculators available here. Some are probably too wonky for individuals to use (remember, this program is designed for professional advisors), but others—such as the *Roth Conversion Calculator* and the *Tax-Deferred vs. Taxable Investing Calculator*—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.*** If you've already linked to your accounts via MyBlocks, you'll see an overview of all your accounts here. (You also can add or remove accounts here if you want to.)
- ***MyBlocks.*** This is the route back to the MyBlocks section, should you desire to review some of the informational content or access the Yodlee-powered modules. (While you can access Yodlee-supplied data via the *Yodlee-Linked Accounts* box mentioned above, the MyBlocks interfaces are more robust and intuitive.)

Walking Through Your MoneyGuidePro® plan

From the *Main Menu*, click on the name of your financial plan (look under "Financial Goal Plan"). Once inside a plan, you'll notice top-level navigation that says *About You – Results – Finish*.

Start with *About You*, which has four sub-sections: *Personal*, *Goals*, *Money*, and *Risk & Allocation*. As you go through each sub-section, you'll see that some fields are already filled in from the data generated by the MyBlocks process. That gives you a substantial head start, but you'll need to add other information to help ensure that your plan is as accurate as possible.

We suggest going through the pages of the entire *About You* section in order (using the Next button on each page). Proceeding page by page will allow you to confirm any information imported from My Blocks and will also make you aware of the additional inputs that are needed.



One page to focus on is the *Investment Assets* page. Be sure all your savings accounts and investment holdings are listed. Also, it's important to assign your holdings to the correct SMI strategy (or general asset class) because the returns that will be projected by MoneyGuidePro® will depend on how your investment holdings are classified. (Projections will be calculated later in your plan's *Current Scenario*, which we will get to shortly.)

To check—and, if necessary, correct—the classifications of your holdings, click on each account shown under *Investment Assets* and then click *View Holdings* (in some cases, you may see *Add/Edit Holdings*). Look at each holding listed, specifically the *Asset Class* assigned to it. Click the *Edit Holding* icon on the far right of each row (it looks like a pencil and a piece of paper). 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 either to a specific SMI strategy or to another asset class. Do this for each holding, then repeat this process for each account you have.

Most holdings should show up with the correct SMI strategy already assigned, although it's important to verify the classifications if you're using alternative funds instead of our official recommendations. Typically, Stock Upgrading holdings will be labeled as "Stock Upgrading 2.0" (rather than as the individual stock-category type, such as Large/Growth, Small/Value, etc.). The same is true for Bond Upgrading holdings. They will be assigned to "Bond Upgrading," not to specific bond types. DAA and Sector holdings should show up already labeled according to their respective strategies too.

(continued on page 13)

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

ORDINARY PEOPLE WHO HAVE A "FINANCIAL SUPERPOWER"

The popularity of the Marvel Universe movies (now at 23 films and counting) testifies to the public's ongoing fascination with superheroes and superpowers. It's fun to watch the forces of evil get their "just deserts" as a result of a hero's high-tech metal suit or use of a mythological hammer.

All that happens in a fantasy universe, of course. But in the real world of everyday human existence, there exists a kind of *financial* superpower: the rare ability to save/invest an outsized portion of one's income—specifically, 20% or more (as defined by a recent study from TD Ameritrade). That's at least two-and-half times greater than the national 7.9% "personal savings rate" (which includes retirement investing) calculated by the U.S. Bureau of Economic Analysis.[1]

Being a "super saver" won't help protect the Earth against evil aliens, of course. Still, substantial savings (and that includes retirement investments) can guard against personal financial disaster and help meet long-term goals.

Unfortunately, many households don't save adequately. A recent "Report on the Economic Well-Being of U.S. Households" issued by the Federal Reserve noted that nearly 40% of adults wouldn't have adequate cash on hand to cover a $400 emergency expense.

The "super saver" profile

So who are these "super savers" and how are they able to set aside so much more than everyone else? What can we learn from them? (We should point out that we're certainly not encouraging hoarding, but only a healthy level saving to meet future needs.)

To identify "super savers," and to figure out how their spending and lifestyle patterns differ from others, brokerage firm TD Ameritrade hired The Harris Poll in late 2018 to survey about 1,500 people aged 45 and older who had amassed at least $250,000 in investable assets.[2] Of the total group in The Harris Poll survey, 1 in 5 met the profile of "super savers"—i.e., saving/investing 20% of their after-tax income.[3]

Among the TDA/Harris Poll findings: As a percentage of income, super savers *spent less than non-super savers in nearly every spending category*, with the most substantial differences showing up in two categories: housing (14% of income vs. 23%) and "essential household expenses"—such as groceries and clothing—(16% vs. 21%). Super savers also spent somewhat less than non-super savers on "discretionary expenses" (9% to 11%), transportation costs (8% to 11%), and utilities (7% to 10%).

Put another way, super savers kept their housing, food, and clothing costs low, while also spending marginally less in other areas. These "spend less" patterns freed up money to put toward savings and investments, allowing super savers to accumulate significantly more than non-super savers.

The study's findings also documented that super savers were more likely than other respondents to "stick to a budget" and "avoid high-interest debt." Super savers also were more likely to contribute to *both* an individual retirement account (IRA) and an employer-sponsored account retirement plan (such as a 401(k) or 403(b)).

SMI "super savers"

The findings from the TD Ameritrade/Harris Poll study seem to be borne out by super savers among SMI's readership. We recently asked SMI members who save/invest more than 20% of their after-tax income to get in touch with us so that we could ask about their spending-and-lifestyle patterns. We received more responses than we can include here, but below is a sample of what they told us. (To respect the privacy of our respondents, we're using first names only.)

- Michael told us he and his wife became super savers early—at around age 30. They are now in their mid-50s. "We have always lived on a spending plan, and we made the decision to move from two incomes to one when our children were small," Michael said. Even as his salary increased over the years, the family didn't expand their lifestyle. Today, their mortgage is paid in full, and they're making large contributions to their retirement savings. "Our net worth has been built systematically in 401(k)s and Roth IRAs," he noted. Despite their overall frugal approach to lifestyle, they don't scrimp in every area. "We take at least one large family vacation and send our children to summer church camp, so there are significant expenditures on making memories and participating in meaningful activities," Michael said.

- George didn't move into the super saver category until he and his wife became empty nesters. Now, they're saving aggressively. "Our budget is based on maxing out our 401(k)/403(b) accounts, including the extra contributions allowed for people 50 and over. We also max out Roth IRAs and saving in taxable CDs." One thing that's making those savings levels possible is a modest lifestyle. "We drive our vehicles until the wheels fall off, and then we glue them back on," George joked. "Most of our vacations are low-cost camping or backpacking trips, and we eat out only about once a week."

- Emily and her husband got started early. "My husband and I were married in college, and we started saving intentionally when he got his first job (we wanted to take full advantage of his employer's 401(k) match). We ramped up our saving a little bit every year, and probably hit the super-saver 20% mark between the ages of 25-30." Right now, Emily and her *(continued on page 14)*

[1] As of November 2019. [2] In other words, the survey group wasn't a cross-section of the general population. It consisted of people reasonably well off. [3] Fidelity Investments and The Principal Group have done similar studies of "super savers" but employing different age ranges and savings benchmarks.

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 strategy is best for your situation.

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

SMI'S 2020 REBALANCING GUIDE

As we discuss how to rebalance to your ideal portfolio allocation for 2020, remember that the most crucial characteristic of your portfolio—the factor that influences the performance of your portfolio more than any other—is the way you divide your money between asset classes.

An "asset class" is a broad category of investments that tend to have similar risk characteristics and respond similarly to market forces. The most common classes are stocks, bonds, real estate, commodities, and cash equivalents.

SMI's core strategies approach this asset allocation task quite differently. Dynamic Asset Allocation (DAA) doesn't require you to choose an allocation, as *the strategy shifts the portfolio allocation automatically* based on market conditions. (More on DAA in a moment.)

In contrast, the starting point for our two Basic Strategies—Just-the-Basics (JtB) and Fund Upgrading—is to determine how much of your portfolio to allocate to investments in which you are an owner (stocks) and those where you are a lender (bonds). The more you invest in stocks, the greater the growth potential but also the greater risk.

In determining your stock/bond percentages, it's important to consider your personal goals and risk tolerance. We've provided step-by-step instructions to lead you through this process in the "Start Here" section of the SMI website.[1] At the end of that process, you'll have stock- and bond-allocation percentages based on your investment "time frame"—that is, how long before you will need to begin withdrawing your money for living expenses.

If you are following Just-the-Basics or Upgrading, you should make any stock/bond allocation changes only in accordance with your long-term plan, and only as a thoughtful response to changes in your circumstances (perhaps your age now puts you in a different "season of life" category) or significant changes in your financial goals or fortunes. Target allocations should not be altered emotionally due to recent market activity.

Note that even without intentional changes in your asset allocation, a well-diversified portfolio is going to gradually stray from its initial allocations as some investments perform better than others over the course of a year. It's necessary, then, to periodically "rebalance" the portfolio, bringing it back to its target allocations by selling some of the winners and adding money to the laggards.

If you're a Just-the-Basics investor, rebalance for 2020 simply by adjusting your current holdings to match your desired stocks vs. bonds percentage allocations.[2]

Simplifying the Upgrading process

If you utilize Fund Upgrading, you have an additional step to take. After determining your overall stock/bond allocation, you have decisions to make about your percentage across the various stock- and bond-*risk categories*.

In recent years, we've been allocating *evenly* across the stock-risk categories (see table). While we may deviate from this occasionally in the future in response to what we perceive to be unusual opportunities or risks, we expect those instances to be the exception rather than the rule.

This year the rebalancing task for Upgraders is to bring their portfolio allocations back to the same starting percentages as last year.

Bonds will continue to be allocated as they have in recent years: Whatever an investor's overall bond allocation is, half of that is invested in the rotating Upgrading selection,[3] while the other half is divided evenly between short-term and intermediate-term bonds. For example, a person with a 40% total bond allocation would invest 20% in the rotating Bond Upgrading selection, and 10% in each of the Vanguard short-term/intermediate-term index funds (or ETFs).

Precision not required

Most of the recent research indicates annual rebalancing isn't as necessary or helpful as was once believed.[4] SMI still thinks the process is worthwhile, but this body of research has made us less dogmatic about the level of precision it requires. As long as a person is *within a few percentage points* of his or her long-term allocation targets, that's probably close enough (especially if there are costs involved in making further trades to get closer to the target allocations).

Rebalancing in DAA

Those with premium memberships also have access to our Dynamic Asset Allocation and Sector Rotation strategies. As we noted earlier, DAA tells you how to allocate as you go.

If you're following the DAA strategy, you begin by investing one-third of your DAA portfolio in each of three asset classes (represented by three recommended ETFs). Over time, as you sell funds and the proceeds are reinvested in different ETFs, your port-

(continued on page 14)

ORGANIZING YOUR PORTFOLIO IN 2020

Portion of Portfolio Allocated to Stocks:	100%	80%	60%	40%
Portion of Portfolio Allocated to Bonds:	**None**	**20%**	**40%**	**60%**
Stocks: SMI Risk Category 5 — Foreign	20%	16%	12%	8%
Stocks: SMI Risk Category 4 — Small/Growth	20%	16%	12%	8%
Stocks: SMI Risk Category 3 — Small/Value	20%	16%	12%	8%
Stocks: SMI Risk Category 2 — Large/Growth	20%	16%	12%	8%
Stocks: SMI Risk Category 1 — Large/Value	20%	16%	12%	8%
Bonds: Upgrading Rotating Component	None	10%	20%	30%
Bonds: Medium-Term Indexed Core Holding	None	5%	10%	15%
Bonds: Short-Term Indexed Core Holding	None	5%	10%	15%

[1]bit.ly/smistart [2]The Just-the-Basics portfolio mix is permanently fixed, as shown at the top of page 10. [3]Shown monthly in the "Bond Categories" section on the "Basic Strategies" page (p10 this month). [4]bit.ly/1Okt1wl

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

TWO TYPES OF RISK

What is risk?

In an investment context, risk means different things to different people. Because there is more than one type of risk, it's easy for misunderstandings to result. Unfortunately, these misunderstandings create problems for investors.

Technical risk measurements

There are numerous methods investors use to measure risk. The most common measurements for investment risk typically focus on volatility. It's important to recognize that when you see risk discussed in an investment context, what is usually being measured is the *volatility* of an investment.

Volatility is a statistical way to measure how much the return from an investment varies over time. An investment that produces a wide range of results from month to month is going to register higher volatility, and thus be considered more risky, than one that produces a lower range of returns.

The primary way to measure volatility is by using "standard deviation." Without getting all wonky, this statistic measures how much an investment's returns deviate over time from its historical average.

SMI uses standard deviation to calculate a different measurement of volatility we call "relative risk." Relative risk compares the volatility of an investment to a common standard. For stocks, that standard is the S&P 500 index. So, a stock mutual fund with a relative risk score of 1.10 has been roughly 10% *more* volatile than the S&P 500 over the past three years, whereas a fund with a relative risk score of 0.95 has been roughly 5% *less* volatile.[1]

This brings us to our main point about the various technical definitions of risk. *They are primarily useful as tools to compare competing investments.* When you want to compare two different recommended funds within Upgrading, their relative risk scores can be extremely beneficial in alerting you as to which is likely to be more volatile. When we are doing portfolio research, such as that which led to our 50/40/10 blended portfolio recommendations,[2] we can use standard deviation and relative risk to measure how various combinations of strategies or asset classes behave relative to other combinations.

These measurements of risk/volatility are important and helpful, but they're not the end of the story. Relative risk scores may help guide us to good choices *within* each stock risk category, but they aren't necessarily going to help us much with the decision of whether, or how much, we should have invested in stocks in the first place.

Focus on ranges rather than averages

Relying mainly on statistical measurements of risk, researchers have established a body of investing knowledge that serves as the foundation of most modern investment approaches. For example, it's widely accepted that as risk increases, so does anticipated return. (This is represented by the straight line running from lower left to upper right of the chart below.) Statistical risk measurements are also the basis of the Capital Asset Pricing Model, which serves either formally or loosely as the driver behind how various asset classes are blended within a portfolio to achieve the desired combination of risk and return for a given investor.

However, these technical measures of risk only take us so far and can cause us to become overconfident in our assessments of risk. Most investors tend to focus on the averages within an expected range of returns rather than the full range of potential outcomes.

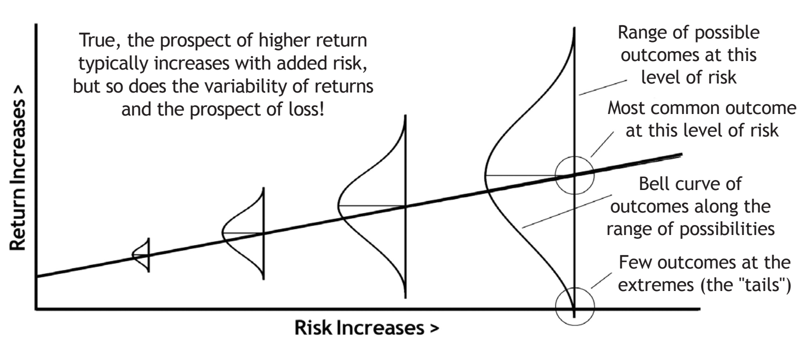
This is illustrated brilliantly in the previously mentioned chart, taken from our June 2015 cover article by Howard Marks: *What Risk Is—And Isn't*. Yes, it is true that as risk increases so does expected return—on average and over time. But vitally, the *range* of expected returns broadens as risk increases. While most investors typically focus on the average return at a given point along the risk curve (say for a 10-year period), it's critical not to lose sight of the broader range of possibilities as well, even if the probability of those more extreme outcomes, up or down, usually is small.

What risk is, really

In some respects, a better context for risk might be considering the likelihood of a *permanent loss of capital*. This is more of an idea than a precise measurement. But keeping in mind the potential a given investment has to cause deep losses can save investors from falling into traps that traditional risk measurement techniques might gloss over.

Within an SMI context, you can see this in the cautions we always mention in discussions of our Sector Rotation strategy. Yes, the long-term *average* returns of SR have been great. But so has the *range* of returns. *(continued on page 15)*

HOWARD MARKS: *WHAT RISK IS—AND ISN'T*



[1]For more detail on standard deviation and relative risk, see Jun2015:p88. [2]Apr2018:Cover

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

UNPLANNED EARLY RETIREMENT — IT'S MORE COMMON THAN YOU MIGHT THINK

Of all the factors that impact your retirement planning, deciding when to retire is one of the most important. It will affect your income, savings, Social Security benefits, perhaps the quality of your health insurance, and more. Unfortunately, that decision may be less under your control than you might assume.

According to a study by ProPublica and the Urban Institute, "more than half of older U.S. workers are pushed out of longtime jobs before they choose to retire, suffering financial damage that is often irreversible."[1]

The study covered 2,000 people (51-54 years old) with stable, full-time jobs, tracking them through age 65. At that point, a total of 35% had either retired voluntarily (19%) or were still working without having experienced a job disruption (16%). However, more than half (56%) had experienced at least one employer-driven job loss, such as a layoff. (The remaining 9% left because of personal conditions, such as a health issue or the need to care for a loved one.)

Among the 56% who left their jobs involuntarily, 9 in 10 never found work that paid as much as they used to earn.

"This isn't how most people think they're going to finish out their work lives," said Urban Institute economist Richard Johnson.

This is a seldom-discussed aspect of retirement planning. There's a far higher percentage of today's workers who say they *intend* to work *past* the typical retirement age of 65 than there are retirees who have *actually* worked that long. But the ProPublica/Urban Institute study highlights a different, potentially more damaging, risk: You may not be able to work *until* age 65 or, if you do, you may not finish out your working years earning as much as you assume.

What's a retirement planner to do?

Be proactive about keeping your job

In spite of the research showing older workers are no less productive than younger workers, there is a common perception to the contrary. In summarizing research about how age is viewed in the workplace, the *Harvard Business Review* cautioned, "If you are older, you are likely to be considered less capable, less able to adapt, or less willing to roll up your sleeves and do something new than your younger peers."[2]

To combat that perception, older workers would be well advised to be proactive about bringing their best to their work. Remember the Bible's admonition, "Whatever you do, work at it with all your heart, as working for the Lord, not for human masters" (Colossians 3:23). That means keeping your job skills fresh, perhaps by taking classes or reading books. It also means seeking tough assignments, going the extra mile, and maintaining a positive attitude.

Of course, taking such steps still won't guarantee ongoing employment with your current employer, but it'll certainly help with your employability.

Be prepared to look for a new job

You may love your job and have no thoughts of leaving. Still, it would be wise to develop and maintain a network of contacts in your industry, informally and through LinkedIn. Keep your resume updated. Attending industry conferences or other events not only will help you stay up on industry trends but may put you on the radar screen of recruiters who sometimes use conference attendee lists to look for job candidates.

Save adequately

One of the most common bits of personal finance advice is to maintain an emergency fund stocked with three to six months' worth of essential living expenses. Especially as you get older, err on the longer end of that spectrum.

Keeping so much money in a relatively low-yielding money-market account (or money-market fund) may make you feel like you're missing out on potentially higher returns, but remember that one of the most devastating financial emergencies you could experience is the loss of your income.

According to the Bureau of Labor Statistics, unemployed people who are actively looking for work remain unemployed for an average of more than five months. Of course, how long it would take *you* to find a new job may vary from that average, depending on your skills, experience, previous salary, demand for the work you do, and more. Still, the more of a reserve you have, the more time you'll have to find a job that is a good fit and pays a reasonable wage.

By the same token, be sure to save enough in your 401(k) or IRA. When you use a retirement planning calculator to estimate how much you should set aside each month,[3] it would be wise to use a lower estimated retirement age than the age at which you hope to retire.

Avoid fear — and complacency

This article isn't intended to strike fear in your heart. The Bible's most frequent command is, "Do not fear," and SMI's cornerstone verse is "For God has not given us the spirit of fear, but of power, and of love, and of a sound mind" (2 Timothy 1:7). God does not want his people to worry, but to trust in his provision.

Still, wise stewardship requires a healthy dose of risk management. The Bible speaks to this too: "A prudent person foresees danger and takes precautions. The simpleton goes blindly on and suffers the consequences" (Proverbs 22:3).

So, plan for your retirement with faith and diligence—but also with the awareness that your job may not be as secure as you think. ◆

[1]bit.ly/36cUwbU [2]bit.ly/36aoY6a [3]See this month's cover article.

SOUND MIND PORTFOLIOS

Basic Strategies

The fund recommendations shown for Upgrading account holders are based primarily on "momentum" scores calculated just before this issue was published (not the earlier end-of-month scores shown on this page). Consistency of performance is also considered, along with the portfolio manager's philosophy and number of years at the helm. Three recommendations are made in each risk category. 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 11/30/2019	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	Foreign stocks	27.3	16.6%	1.1%	7.4%	8.9%	10.9%	9.1%	0.95	0.11%/0.09%	20%	16%	12%	8%	VTIAX/VXUS
Extended Market Index	Small company stocks	31.6	25.3%	4.6%	7.7%	12.0%	11.9%	11.0%	1.21	0.07%/0.07%	40%	32%	24%	16%	VEXAX/VXF
S&P 500 Index	Large company stocks	39.2	27.6%	3.6%	7.9%	15.3%	16.1%	14.8%	1.00	0.04%/0.03%	40%	32%	24%	16%	VFIAX/VOO
Total Bond Market Index	Medium-term bonds	14.2	8.9%	-0.1%	-0.4%	3.8%	10.8%	4.2%	1.00	0.05%/0.035%	None	20%	40%	60%	VBTLX/BND

JUST-THE-BASICS FOOTNOTES: Just-the-Basics is an *indexing* strategy that requires just minutes a year to assure your returns are in line with those of the overall market. You won't "beat the market," but neither will you fall badly behind. Depending on your particular stock and bond mix, your JtB portfolio should be allocated among either three or four traditional mutual funds/ETFs (see ticker symbols in rightmost column). For more on JtB, see Jan2019:p7-8.

RECOMMENDED FUNDS FOR SMI'S FUND UPGRADING STRATEGY

Risk	Data through 11/30/2019[1]	Date Added	E-Trade Avail[2]	Fidelity Avail[2]	Schwab Avail[2]	MOM[3]	Performance YTD	1Mo	3Mo	6Mo	12Mo	3Yr Avg	Rel Risk[4]	Exp Ratio	Number Holdings	Redemp Fee?[5]	Ticker Symbol
Category 5 Foreign	1. WisdomTree Intl Hedged ETF	12/19	ETF	ETF	ETF	43.5	30.0%	4.0%	8.3%	14.5%	20.7%	12.7%	0.87	0.58	274	None	IHDG
	2. Fidelity Intl Growth	12/19	Yes	NTF	Yes	46.6	29.6%	2.6%	8.3%	14.9%	23.4%	14.5%	0.95	0.95	88	None	FIGFX
	3. Fidelity Intl Capital Apprec	09/19	Yes	NTF	Yes	37.4	28.5%	2.2%	4.6%	10.3%	22.5%	15.4%	0.95	1.06	99	None	FIVFX
Category 4 Small/Growth	1. ☎ Needham Sm Cap Growth	01/20	NTF	NTF	NTF	69.2	47.3%	3.4%	16.0%	21.1%	32.1%	15.8%	1.37	1.93	37	None	NESGX
	2. Janus Henderson Contrar T	10/19	NTF	NTF	NTF	57.9	41.1%	7.2%	9.9%	20.6%	27.4%	13.0%	1.28	0.74	43	None	JSVAX
	3. DF Dent Midcap Growth Inv	09/19	NTF	Yes	NTF	45.0	39.6%	4.8%	4.8%	13.6%	26.6%	21.9%	1.11	0.98	33	2%60days	DFDMX
Category 3 Small/Value	1. Invesco S&P MidCap Mtm ETF	12/19	ETF	ETF	ETF	41.6	26.3%	2.7%	13.6%	13.0%	15.0%	6.3%	1.10	0.39	82	None	XMVM
	2. Touchstone Mid Cap Z	05/19	NTF	NTF	NTF	51.9	34.0%	2.1%	8.6%	18.1%	25.3%	16.3%	0.99	1.21	32	None	TMCTX
	3. Weitz Hickory	06/19	NTF	NTF	NTF	43.1	33.9%	1.4%	7.7%	14.4%	21.0%	7.5%	1.11	1.27	37	None	WEHIX
Category 2 Large/Growth	1. Invesco S&P 500 GARP ETF	12/19	ETF	ETF	ETF	58.5	35.2%	4.7%	13.7%	19.5%	25.2%	23.4%	1.20	0.35	76	None	SPGP
	2. ☎ YCG Enhanced Fund	01/20	NTF	NTF	NTF	50.1	37.7%	4.3%	7.2%	15.2%	27.7%	18.4%	0.92	1.19	73	2%30days	YCGEX
	3. Polen Growth Investor	10/18	NTF	NTF	NTF	44.6	33.4%	4.2%	6.4%	14.3%	24.0%	21.7%	1.02	1.25	24	2%60days	POLRX
Category 1 Large/Value	1. First Trust Dvd Achievers ETF	12/19	ETF	ETF	ETF	55.8	32.6%	4.6%	14.3%	22.7%	18.8%	13.9%	1.27	0.50	50	None	RDVY
	2. Vulcan Value Partners	12/19	NTF	NTF	NTF	63.8	38.7%	6.5%	13.5%	24.9%	25.4%	14.4%	1.22	1.08	29	2%90days	VVPLX
	3. Invesco Dynamic Lg Cap Val ETF	12/19	ETF	ETF	ETF	47.2	28.1%	4.5%	11.7%	20.4%	15.1%	9.7%	1.04	0.55	52	None	PWV
Bond Categories	Vanguard I-T Bond[6]	2/19	ETF	ETF	ETF	16.2	10.5%	-0.2%	-0.6%	4.1%	12.7%	4.6%	1.17	0.07	6.3[7]	None	BIV[8]
	Permanent: Vanguard I-T Bond	Perm	ETF	ETF	ETF	16.2	10.5%	-0.2%	-0.6%	4.1%	12.7%	4.6%	1.17	0.07	6.3[7]	None	BIV[8]
	Permanent: Vanguard S-T Bond	Perm	ETF	ETF	ETF	7.8	4.8%	-0.1%	0.1%	1.9%	5.8%	2.5%	0.47	0.07	2.7[7]	None	BSV[9]

Upgrading Footnotes: [1] The funds in each risk category have been selected and ranked (1 through 3) based primarily on their momentum scores in late December, rather than on the end-of-November data shown above. The fund ranked third is the one that currently appears most likely to be replaced next. If there is a telephone symbol (☎) next to a fund's name, that fund is a new recommendation. **[2]** Fund Availability: NTF (no transaction fee) means the fund can be bought and sold without a transaction fee as long as you stay within the trading limitations imposed by E-Trade (800-387-2331), Fidelity (800-343-3548), and Schwab (800-435-4000). Policies change frequently, so be sure to verify their accuracy. ETFs (exchange-traded funds) are available at all brokers and typically trade free if bought/sold online. **[3]** Momentum is a measure of a fund's performance over the past year and is our primary performance evaluation tool. For more, see Jan2019:Cover. **[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. To learn more, see Nov2018:p167. **[8]** Those preferring a traditional mutual-fund option can buy VBILX. **[9]** Those preferring a traditional mutual-fund option can buy VBIRX.

☎ 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 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 (March 2018: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 Jan2020:p7.

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 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, the investor selects the stock/bond mix for his or her 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 Basic Strategies page, the highest-ranked Cat. 5 fund is WisdomTree Intl Hedged ETF, the highest-ranked Cat. 4 fund is Needham Sm Cap Growth, and so on. After making decisions 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 position in the same risk category that is available at your broker.

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	WisdomTree Intl Hedged ETF
Stock Cat. 4: Small/Growth	16%	$8,000	Needham Sm Cap Growth
Stock Cat. 3: Small/Value	16%	$8,000	Invesco S&P MidCap Mtm ETF
Stock Cat. 2: Large/Growth	16%	$8,000	Invesco S&P 500 GARP ETF
Stock Cat. 1: Large/Value	16%	$8,000	First Trust Dvd Achievers ETF
"Rotating" Bond Fund	10%	$5,000	Vanguard I.T. Bond Index
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 Jan2020:p7).

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 (applies to taxable accounts only). Nevertheless, we suggest a change when a 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 was roughly 0.5% per month. For more details, see Oct2011:p153.]

◆ **In the Small/Growth group, Value Line Mid Cap Focused (VLIFX, 12/2018) is being replaced.** This conservative Value Line fund surpassed our expectations, delivering less-severe losses than its typical small/growth peer during last December's correction (which we might have expected), as well as greater gains during 2019's sustained rally (which we wouldn't have expected). Altogether, the fund is up +24.7% in the 13 months since it was recommended (through Dec. 17), which is more than double the +11.9% gain of its average peer. Its more conservative style has caught up with it in recent months though, as it has lagged its peer group since the Fed started its "not QE" program in early October of providing extra liquidity to the financial markets. That has been enough to push this fund below the category quartile, so we're selling and moving to a more aggressive fund.

● **Needham Small Cap Growth (NESGX) is being added.**[1] This is SMI's second time recommending a fund from the Needham family, although the first time was back in 2006, so it's been a while. That's a little surprising given the impressive track record of Needham Small Cap Growth, which has outperformed the Russell 2000 index of small-company stocks over every significant performance interval since the fund's inception. That performance gap has been particularly wide over the past five years, during which NESGX's annualized gain is +12.4% vs. the Russell 2000's gain of +8.2%.

Needham is a boutique investment firm (started in 1985) that runs hedge funds and private equity in addition to its retail mutual funds. Given that hedge fund background, it's not a great surprise to learn that the fund has the ability to "sell short"—meaning the fund can profit if a particular security falls in value. Most mutual funds don't do this, and chances are Needham has used that tool sparingly during this long bull market. But it could be a valuable option if the stock market turns lower at some point.

◆ **In the Large/Growth group, Calvert Equity A (CSIEX, 10/2019) is being replaced.** Calvert was recommended at the beginning of October, just before the Fed fired the stock market's engines with their announcement that they would begin buying $60 billion per month of Treasury Bills, as well as launching several liquidity programs to support the "Repo" overnight bank lending system. The effect of these cumulative programs was immediate and powerful—stocks have moved significantly higher since then.

This wasn't particularly good news for Calvert, however. The fund has gained +5.0% in slightly less than three months, which would normally be a fantastic result. But many other large/growth funds have gained even more, which has caused Calvert to fall out of the category's top quartile, necessitating its replacement.

● **YCG Enhanced (YCGEX) is being added.**[1] This fund has an interesting pedigree, as the founder/manager of YCG is Brian Yacktman. If that name sounds familiar, it's because SMI has owned the Yacktman funds on numerous occasions over the years. Those funds were started by Brian's father, Donald Yacktman, and are currently managed by Brian's older brother, Stephen.

Brian also worked at Yacktman for a few years before branching out on his own in 2007. His firm, YCG, can't use the Yacktman name due to restrictions that were part of the deal in which AMG bought a majority stake in Yacktman, but YCG has been successful nonetheless, gathering roughly $750 million in assets between its funds and separately managed accounts.

The Yacktman funds are known for their contrarian, deep-value approach, which often manifests in the form of holding a significant amount of cash when the stock market is running hot and fewer stocks meet their strict valuation criteria. For example, the flagship Yacktman fund had roughly 27% of its assets in cash as of September 30, 2019. This is one area where YCG Enhanced takes a different approach. Brian Yacktman rarely has held more than 1% in cash, explaining that as long as the fund can find investments at prices where attractive returns seem plausible, they expect to be fully invested most of the time.

However, that doesn't mean they are blind to market risk, only that they manage it differently. The "Enhanced" in the YCG Enhanced name refers to the fact that the fund utilizes options strategies in an effort to reduce risk. These cash-secured "put" options and "covered call" strategies are outside SMI's "everything you need to know" reporting, but in a nutshell, both are utilized as conservative approaches to lower risk and produce income. Brian Yacktman says the fund uses these strategies only opportunistically, as opposed to constantly allocating a certain percentage of the portfolio to them. Such strategies haven't been a big part of the portfolio's returns in recent years due to the relatively low market volatility in 2017-2018, although the fund may have increased their use over the past year as market volatility has increased.

At any rate, this fund has a great long-term track record and its 2019 performance has pushed it to the top of our rankings. That (plus an interesting story!) has landed it in our recommended fund lineup as we begin 2020. ◆

[1]For more on this fund, visit www.morningstar.com.

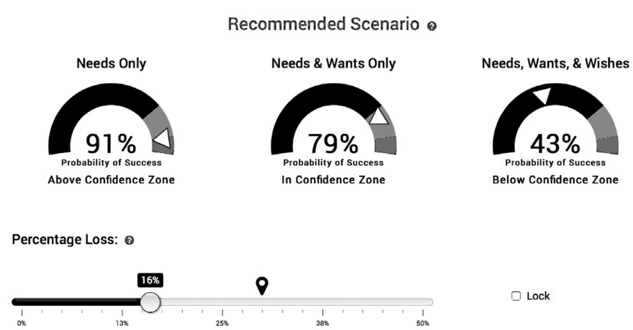
COVER / CONTINUED FROM PAGE 5

A NEW, BETTER PROCESS FOR GETTING STARTED WITH MONEYGUIDEPRO®

Here's an example of when you may have to correct a fund classification. SPY is a fund used in SMI's Dynamic Asset Allocation strategy, but it also could be used as an alternative to the recommended Vanguard 500 fund in Just-the-Basics. If you were using SPY as a JtB holding, you may need to re-assign it to the asset class "Large Cap Stocks." (Risk/return calculations used for DAA are different than those used for the JtB components.[1])

In addition to verifying the categories of your holdings, be sure to note if you're making regular contributions, so that those additions will make their way into your plan's calculations.

Once you have completed the more than 20 screens in the *About You* section, you're ready to move on to *Results*.



Current Scenario

This is where things start to get more interesting! The software will *Run 1,000 Trials* that project your current situation into the future, using different assumptions about "sequence of returns" and overall investment performance. The trials will help you see how likely you are to be able to fund all of your goals without running out of money. (Remember, you identified your goals during the MyBlocks process or perhaps when you went through the *About You* section.) If your probability of success based on the 1,000 trials doesn't look great, don't panic. You're about to get to work on possible solutions.

Create a Recommended Scenario

In this area, the real planning work begins to happen, as you consider the trade-offs and variables that will move you toward what MoneyGuidePro® calls the *Confidence Zone*—i.e., when your financial plan has a 75%-90% probability of success while allowing you to maintain a good balance between current and future lifestyle.

There are four ways to create a *Recommended Scenario*. (We cover them in depth in the online version of this article.) Once you've chosen a *Recommended Scenario*, you can see all the projected changes made by going to the *Summary of Changes* screen. The *Allocation Comparison* will compare your *Current Portfolio* with a portfolio that is more likely to help you reach your goals.

What Are You Afraid Of?

The tools in this section allow you to "stress test" your *Recommended Scenario* against six of the most common fears people have about the future—including low returns, high inflation, and a reduction in Social Security benefits. You'll see how these and other hazards (in isolation or together) would affect your plan's ability to meet your A) *Basic Needs*, B) your *Needs & Wants*, and C) *Needs, Wants, & Wishes* (see screen capture below).

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 risks may not pose as severe 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 situation. Once that impact is quantified, its power is broken. For example, once you quantify the impact of another bear-market loss and the possibility that 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 make further adjustments.

Finish

Now you've arrived at the *Finish* section. The first subsection here is *Reaching Your Goals*. You'll see your *Net Worth*, and get a summary of how implementing your *Recommended Scenario* is likely to alter your ability to reach your goals.

The *Save and Invest* subsection provides details regarding how your portfolio should be reallocated under your *Recommended Scenario*. Finally, there is a *Social Security* page that summarizes your claiming strategy and estimates your benefits.

Conclusion

Once 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, saving ability, or assets? Usually, the answer will be no, and you'll be able to keep those reviews reasonably 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-level membership.

We know there's an appetite for this type of self-directed financial-planning assistance, and 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 MoneyGuidePro® offers.[2] ◆

[1]Sep2017:Cover [2]If you need further assistance with understanding MoneyGuidePro® or inputting information, contact mgp@SMIprivateclient.com. This email address is for technical assistance only, not for financial-advice questions.

MONEYTALK

LEVEL 1 / CONTINUED FROM PAGE 6

ORDINARY PEOPLE WHO HAVE A "FINANCIAL SUPERPOWER"

husband aren't contributing to IRAs or education accounts. They're still young, so they're concentrating on emergency savings and a "new-used car fund." They also try to maintain a surplus that allows them to "give generously when there's a need." To live frugally, they purchased a modest house, and they buy clothing for their six (adopted) children at thrift stores and consignment shops. "To us, it's worth living below our means in the hope of living in extreme freedom and generosity in the future," Emily said.

● Tyler (age 35) told us the nature of his job made it possible to move farther away from the expensive metropolitan area where they had been living. He and his family relocated to a less-populated part of their state, allowing them to buy more house for less money. They also save substantially on annual property taxes. His single-income family of four saves on food costs by "cooking all our meals at home, and, when traveling, we usually pack a lot of our own food." These lifestyle cost-savings have enabled Tyler to save/invest well over 20% of net income and also to accelerate the payment on the family's home mortgage.

● Henry and his wife, now in their 60s, moved into super-saver mode just a couple of years ago when they finished paying off their mortgage. Now, they're putting about 5% of their income into taxable savings and about 30% into retirement savings. Like our other respondents, keeping expenses low is the key. "We live in a fairly modest house, drive economical vehicles that we keep for a long time, and we live on a budget. We are intentional in our spending."

● Margaret is in her mid-30s and is single. She started consistently saving 20% of her income when she was 27. "Because I save, I was able to buy my own home (in an expensive city, no less). I am also able to give to someone in need without having to worry about if that will affect paying my mortgage. And I'm able to travel to Europe about once a year, something I really enjoy. " It's worth noting that she approaches her traveling with a frugal mindset. "I typically travel with my sister, and we stay at hiking hostels, convents, or guest houses. We also eat a lot of picnics as opposed to eating out when we travel." Margaret says being frugal requires a lot of "conscious choices," such as "cooking from scratch, buying clothes at thrift stores, going to the cheap grocery store, and taking public transportation rather than owning a car. They all increase the volume of money I can put away."

● Jim and his wife bought a modest house in 1985 and paid it off in 1994. They still live there. "With no house payment, our 'super savings' took off." Today, they put about 20% of the income from both their salaries in retirement accounts and save a bit more in taxable accounts. Along the way, Jim and his wife were able to put their children through college and even provided "matching" money to help their children (when teenagers) launch retirement accounts of their own.

● Jennifer told us that she and her husband were able to become super savers by "minimizing debt" and "driving old cars." And even though her husband has been unemployed several times over the years, "we have never been in financial trouble." Jennifer also noted that she and her husband are not only super *savers*, but they also try to increase their amount of *giving* each year. "That keeps us humble. If we save, only to hoard it for ourselves, that is not what the Lord has called us to."

The common denominator

Our super-saver respondents have a variety of situations: married and single, single-income and dual-income, young couples with children at home and older empty nesters, some who started "super saving" early and others who started much later. The common denominator is that all have found ways to keep their ongoing costs low, especially in the area of housing. By living modestly and frugally, they're able to save at a high level.

Several of our respondents also stressed that their low-cost lifestyles enable them to give generously and to have enough money to spend on vacations and other family experiences that create fond memories.

That's *really* super and powerful. ◆

LEVEL 2 / CONTINUED FROM PAGE 7

SMI'S 2020 REBALANCING GUIDE

folio will lose that equal balance. Your primary rebalancing task is to restore equality to the three positions periodically. But this doesn't have to happen at the beginning of the year—you can address an imbalance among the three holdings *any time* a holding is being replaced. So feel free to either rebalance your DAA holdings now or wait until a month when you'll be making DAA trades anyway.

For those members who are diversifying among *strategies*,[1] an additional rebalancing task is necessary. For example, someone dividing their investments evenly between DAA and Fund Upgrading may need to rebalance slightly, so the same amount is invested in each as we begin 2020.

Wrapping up

We recognize that understanding and applying SMI's investment strategies has become more complicated over time as we've added more options. Many members used to invest their entire portfolio in Upgrading. Now, some have chosen, despite the need for a little added number-crunching, to split their investments between Upgrading and DAA, with many including Sector Rotation as well.[2]

Given this added complexity, we've looked for ways to simplify other aspects of maintaining an SMI portfolio. Keeping our Upgrading category allocations consistent from year to year is an example of this effort. While it may not be obvious, so was bringing potential bear market protection into the Upgrading strategy via the "Upgrading 2.0" enhancements, so

[1]See www.soundmindinvesting.com/articles/view/a-few-more-thoughts-on-rebalancing for more on DAA rebalancing. [2]bit.ly/SMI50-40-10

MONEYTALK

all a member has to do is follow the regular Upgrading buy/sell instructions on the Basic Strategies page. It's our goal to keep things as simple as possible for SMI members—and to that end, we'll continue to look for ways to gain simplicity without sacrificing performance. ◆

LEVEL 3 / CONTINUED FROM PAGE 8

TWO TYPES OF RISK

With a strategy such as SR, it's crucial never to lose sight of the fact that it is a strategy that can permanently break a portfolio through steep losses if used irresponsibly. Thus our cautions to limit SR to no more than 20% of your equity portfolio (and most investors should allocate less).

This concept of low probability "tail events" (a term used to describe extreme but relatively rare outcomes) is relevant in considering the current market situation. An individual investor's time horizon should guide whether his or her primary focus should be on the market's long-term *average* returns or the market's *range* of potential outcomes. If you have decades of investing ahead, it's easier (and wise) to focus primarily on the long-term averages. But if you're planning to retire soon, or are already retired, it's essential to let the range of likely outcomes balance your knowledge of the long-term averages, as you may not have time to recover from "worst-case" type losses.

History tells us that the worst stock market periods occur when bear markets are accompanied by economic recessions. With stock valuations currently high and economic signals mixed (at best), it's wise to consider the full range of past stock market outcomes, rather than focusing only on its impressive long-term average returns. We've seen this mistake manifest over the years in stories of investors who have crossed their "finish line" more than once: first going forward as their portfolio grows during a long bull market (such as we've had the past decade), then again going backward when a bear market arrives and re-claims a large portion of those gains.

Of course, the desire to avoid loss must be balanced against still another form of risk—that of being so conservative that one fails to meet their long-term financial goals. That's what makes investing so challenging!

All of this is why SMI encourages readers to regularly re-evaluate how much risk they need to take to reach their goals. This message becomes more urgent at times like the present when our portfolios have grown after a long bull market, but conditions are ripe for at least the *potential* of rougher seas ahead. If you can meet your goals with less risk, that's generally a smart move to make. ◆

MARKET NOTES, QUOTES, AND ANECDOTES

More time on the clock?

"What if we're not in the bottom of the 9th but the top of the 5th? What if the past 10 years were unbelievable for U.S. stock market investors but the next 10 years are just as good or better? Would I bet my life on this outcome? Of course not. There are too many differences to count between these two periods and even if there were similarities, no two market cycles are ever exactly the same. But what we can learn from history is that bull markets tend to run for much longer than most investors would ever think is possible." – Ben Carlson, writing in his *A Wealth of Common Sense* blog on 12/5/19. He cautioned readers against using common sense when trying to understand bull markets. Read more at bit.ly/35vxTzt.

Too much of a good thing

"What we found in our study is that, if people behave like ants, it can be very problematic. Once they get into the habit of saving, it's very hard for them to break it. The behavior becomes sticky." – Tao Guo, assistant professor of financial planning at William Paterson University, quoted in an 11/6/19 *New York Times* article about striking a healthy balance between financial security and enjoying life. Guo said that while he teaches his kids about the industriousness of ants who work hard all summer to prepare for winter, many older people have a hard time spending in the winter of their lives. Read more at nyti.ms/2PSDLMA.

Waiting for the other shoe to drop… and waiting

"Bottom line: yes, options markets are twitchily expecting the next big crack in U.S. stocks. But they have been doing that since 2014, and the S&P has almost doubled during that time." – Investment analyst Nicholas Colas, co-founder of DataTrek Research, in a 12/15/19 article on CNN.com about the "Black Swan" index. The indicator, which monitors demand for options that would pay out if the U.S. market experienced a sharp, unexpected drop, recently jumped to its highest level in 15 months. Read more at cnn.it/2rVvYpc.

The right point of reference

"Looking at your own investment strategy, what is an appropriate measure of success or failure?.... The Dow Jones Industrial Average is a measure of the stock values of 30 large companies, divided by a factor that adjusts for stock splitting. The S&P 500, meanwhile, includes those 30 companies plus 470 more. But what do the values of those specific companies have to do with your portfolio? Comparing your investment performance to these benchmarks ultimately answers the wrong question. 'Did I beat the Dow?' has little to do with whether or not you are on track to reach your financial goals." – Morningstar behavioral economist Sarah Newcomb, Ph.D., in a 12/9/19 article, in which she recommended using your own, personalized goal as your benchmark. Read more at bit.ly/34tL5Dz.

PERIODICALS POSTAGE
PAID AT LOUISVILLE, KENTUCKY

Dated Investment Material
Please Do Not Delay!

PERFORMANCE DATA

SOUND MIND INVESTING MODEL PORTFOLIOS • DATA THROUGH NOVEMBER 30, 2019

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]	27.3%	3.7%	7.9%	15.5%	14.2%	10.7%	13.4%	9.2%
Just-the-Basics[2]	24.5%	3.5%	7.8%	13.4%	12.2%	8.8%	11.8%	8.5%
Stock Upgrading[3]	18.9%	2.3%	3.4%	9.3%	9.4%	7.3%	10.5%	8.3%
U.S. Bond Market[4]	8.8%	-0.1%	-0.4%	10.7%	4.1%	3.0%	3.4%	4.1%
Bond Upgrading[5]	8.5%	-0.2%	-0.4%	9.8%	3.4%	2.6%	4.9%	5.9%

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]	12.8%	-1.4%	-1.5%	6.7%	7.7%	3.2%	7.8%	9.4%
Sector Rotation	-10.2%	-3.3%	-7.5%	-25.1%	7.1%	4.5%	15.2%	13.2%
50-40-10 Blend[7]	12.9%	0.0%	0.0%	4.3%	8.7%	5.2%	9.9%	9.8%

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 recommended funds. • [4] Based on Bloomberg 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] For a portfolio allocated 50% to DAA, 40% to Stock Upgrading, and 10% to Sector Rotation. See the April 2018 cover article for details. 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 11/30/2019	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	16.71%	2.18%	3.25%	6.46%	8.30%	5.40%	8.92%
Wilshire 5000	27.29%	3.71%	7.91%	15.45%	14.19%	10.72%	13.42%
S&P 500	27.63%	3.63%	7.86%	16.11%	14.88%	10.98%	13.44%

Quarterly Returns as of 9/30/2019	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	12.56%	-0.42%	-0.21%	-8.47%	7.50%	5.45%	8.50%
Wilshire 5000	20.11%	1.82%	1.22%	2.95%	12.91%	10.58%	13.09%
S&P 500	20.55%	1.87%	1.70%	4.25%	13.39%	10.84%	13.24%

Total/Gross expense ratio: 2.04% as of 2/28/19 (includes expenses of underlying funds)
Adjusted expense ratio: 1.16% as of 2/28/19 (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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