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Almost Too Good to Be True

The late financial teacher Larry Burkett, instrumental in the founding of SMI three decades ago, used to ask, "Do you trust God, or do you just *say* you trust God?" It's a sobering question. Trusting God can be difficult, especially when we're facing deep uncertainties and challenges. How comforting that Jesus spoke these remarkable and encouraging words to those who follow him: "Fear not, little flock, for it is your Father's pleasure to give you the kingdom."

by John Piper

John G. Paton was born on May 24, 1824, in Dumfries County, Scotland. His father was a godly weaver who kept his stocking frames in a back room of the house and his Bible on the front table. Paton's biographer says that the Scottish traditions of churchgoing and Bible stories and Shorter Catechism were "not tasks but pleasures" in the Paton home.

At 32, Paton accepted the call to missionary service in the New Hebrides in the South Pacific. In March of 1858 he married Mary Ann Robson, and on April 16 they sailed together for the cannibal island of Tanna. In less than a year they had built a little home and Mary had given birth to a son. But on March 3, 1859, one year after their marriage, Mary died of the fever, and in three weeks the infant son died. John Paton buried them alone, and wrote, "But for Jesus...I'd have gone mad and died beside that lonely grave."

One of the gifts that Jesus had given him to sustain him in those days were the words his wife spoke shortly before her death. She did not murmur against God in her final sickness, or resent her husband bringing her to the New Hebrides. Rather she spoke these incredible words: "I do not regret leaving home and friends. If I had it to do over, I would do it with more pleasure, yes, with all my heart."

Here is a great soul

These final words of Mary Ann Paton call to mind a phrase from 17th-century Christian writer Henry Scougal: "The worth and excellency of a soul is to be measured by the object of its love." When we hear Mary Paton tell us that she would do it all again "with more pleasure, yes, with all my heart," we sense intuitively that here is a great soul. Her soul was great because its pleasure came from a great purpose.

In her last letter to friends at home, dated December 28, 1858, she grieved over the lostness of the people around her in Port Resolution, then said, "Still we trust that the cloud which has so long enveloped Tanna will soon be rolled away, and the light of the Sun of Righteousness irradiate this dark land." Her soul was big with the dream that the glory of Christ would be revealed, and the kingdom *(continued on page 35)*

IN THIS ISSUE

EDITORIAL

An Opportunity to Grow

"God does as he pleases with the powers of heaven and the peoples of the earth.
No one can hold back his hand or say to him: 'What have you done?'"
Daniel 4:35

The market's rapid pullback in late-February rekindled an emotion many investors hadn't felt in a while—fear. It's hard to feel confident about your investment portfolio when a mystery virus is wreaking havoc abroad and so little credible information is available about what the future scope of this health/economic crisis will look like.

Even prior to the outbreak of the coronavirus there was reason to cast a cautious eye on the market's +40% rise since the late-2018 lows. This isn't our first experience with a Fed-induced stock market climax. After suffering painful financial losses in 2000 and 2008, many uncomfortable historical parallels seemed to be percolating to the surface once again.

Most Christians, at one time or another, will ask God why He allows pain and disappointment to touch His children.[1] When we meet the Lord face to face, we'll have an opportunity to ask Him. I wouldn't be surprised if part of His answer turns out to be: "Those things happened because I was answering *your* prayers, to give you what you asked for!"

As you consider the events of the day, can you imagine God saying to you as His child:

"You prayed that you could become mature, didn't you? I'm teaching you how to depend on me more."

"You prayed for more faith, didn't you? I'm giving you a chance to trust me more."

"You prayed that you might know Me better, didn't you? I'm helping you to seek Me more."

"You prayed that you might glorify me with your life, didn't you? I'm refining you more."

When we pray prayers that contain such "spiritual" requests, we can have confidence we're praying according to God's will. We expect Him to grant us, in His own timing, these qualities of the Christian life we're seeking. But I think that subconsciously we might also believe that God answers them with a kind of supernatural lightning bolt. Something like, "Well, bless your heart, dear child, here's all the faith, love and Christ-likeness you'll ever need." Zap!

Guess what—it doesn't usually work that way.

- Do you want to mature in your Christian walk? Then expect some suffering. "Not only so, but we also rejoice in our sufferings, because we know that *suffering produces perseverance; perseverance, character; and character, hope*. And hope does not disappoint us, because God has poured out his love into our hearts by the Holy Spirit, whom he has given us."[2]
- Do you want to have your faith strengthened? Then expect your faith to be tested. "Consider it pure joy, my brothers, whenever you face trials of many kinds, because you know that the *testing of your faith* develops perseverance. Perseverance must finish its work so that you may be *mature and complete*, not lacking anything."[3]
- Do you want to know God better? Then expect to give up the things of this world that are holding you back. "I consider everything a loss compared to the surpassing greatness of *knowing Christ Jesus my Lord, for whose sake I have lost all things*. I consider them rubbish, so that I may gain Christ and be found in him.... I want to know Christ and the power of his resurrection and the fellowship of sharing in his sufferings."[4]
- Do you want to receive praise from Him for the life you've lived? Then expect to go through trials. "In this you greatly rejoice, though now for a little while you may have had to *suffer grief in all kinds of trials*. These have come so that your faith—of greater worth than gold, which perishes even though refined by fire—may be proved genuine and *may result in praise, glory and honor* when Jesus Christ is revealed."[5]

I encourage you to immerse your mind in words that will help you to know God more intimately, and that will remind you that your God is always present, invariably loving, inevitably faithful, and absolutely worthy of all your confidence. Consider this look into God's fatherly heart found in Jeremiah 32: "I will make an everlasting covenant with them: I will never stop doing good to them.... I will rejoice in doing them good...with all my heart and with all my soul."[6]

The only condition we must meet to be a part of this wonderful covenant is "to put our hope in Him as the all-satisfying Refuge and Treasure. God takes pleasure in this response with all His heart, because it magnifies the glory of His grace and satisfies the longing of our soul."[7]

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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]Portions adapted from Chapter 28, *The Sound Mind Investing Handbook*. Italics added in all verses.
[2]Romans 5:3-5 [3]James 1:2-4 [4]Philippians 3:8-10 [5]1 Peter 1:6-7 [6]Jeremiah 32:40-41
[7]John Piper, *The Pleasures of God*.

Almost Too Good to Be True

(continued from front page)

of God would come to the New Hebrides with light and life and everlasting joy.

We feel it intuitively—that her soul was worthy and excellent and admirable. But when God reveals to us that he is moved by the same dream and the same passion—to give us the kingdom with light and life and everlasting joy—we hesitate. Something hinders the release of wonder. Something confines our affections. Something makes us fear that this is just too good to be true.

Oh, how complex are the obstructions of belief! The way our parents treated us, the cultic curiosities of a grandmother, the deadening force of poverty or wealth, the anesthesia of televised worldliness, the boredom of trivial business, the wilderness of lonely wedlock, the heartbreak of wayward kids, the never-ending ache of arthritic joints, the memories of lovelessness and fragile hope—how many ways the enemy of our souls can make us fear that the God and Father of Jesus Christ is too good to be true.

"Fear not, little flock, for it is your Father's pleasure to give you the kingdom." Every little word of this stunning sentence is intended to help take away the fear that Jesus knows we struggle with.

Jesus battles our unbelief

But Jesus will not sit by and let us disbelieve without a fight. He takes up the weapon of the Word and speaks it with power for all who struggle to believe: "Fear not, little flock, for it is your Father's pleasure to give you the kingdom" (Luke 12:32). His aim is to defeat the fear that God is not the kind of God who really wants to be good to us—that he is not really generous and helpful and kind and tender, but is basically irked with us—ill-disposed and angry.

Sometimes, even if we believe in our heads that God is good to us, we may feel in our hearts that his goodness is somehow forced or constrained, perhaps like a judge who has been maneuvered by a clever attorney into a corner on some technicality of court proceeding, so he has to dismiss the charges against the prisoner whom he really would rather send to jail. But Jesus is at pains to help us not feel that way about God: He is striving in this verse to describe for us the indescribable worth and excellency of God's soul by showing the unbridled pleasure he takes in giving us the kingdom. "Fear not, little flock, for it is your Father's *pleasure* to give you the kingdom."

Every little word of this stunning sentence is intended to help take away the fear that Jesus knows we struggle with, namely, that God begrudges his benefits; that he is constrained and out of character when he does nice things; that at bottom he is angry and loves to vent his anger. This is a sentence about the nature of God. It's about the kind of heart God has. It's a verse about what makes God glad—not merely about what God *will* do or what he has to do, but what he *delights* to do, what he *loves* to do and takes *pleasure* in doing. Every word counts. "Fear not, little flock, for it is your Father's pleasure to give you the kingdom."

What God really wants to do

Take the word "pleasure." In Greek it is a verb: "to be a pleasure," or "to be pleased by." You could translate it: "it pleased God," or "God chose it gladly," or "it was a pleasure to him."

The noun form of this verb is used in Philippians 1:15 like this: "Some indeed preach Christ from envy and rivalry but others from *good* will"—or we could say, "from *pleasure.*" Paul describes two motives driving the preachers in Rome where he is in prison.

One group of preachers is being driven to preach not because they love Paul or because they love the preaching of the gospel, but because they hope to increase Paul's affliction (Philippians 1:17). But the other group is preaching because they really love to preach the gospel and because they love Paul. They are doing what they really love to do. It is out of "gladness" that they preach. It is their pleasure. Their heart is not divided. Preaching is not a cloak for envy or rivalry. It is what they really love to do. That's the meaning of the word.

And that is what Jesus means when he says, "It is God's *pleasure* to give you the kingdom." In other words, God is not acting in this generous way in order to cloak and hide some malicious motive. The word "pleasure" utterly rules that out. He is not saying inside, "I will have to be generous for a while even though I don't want to be, because what I really want to do is bring judgment on sinners."

The Lord's meaning is inescapable: God is acting here in freedom. He is not under constraint to do what he doesn't really want to do. At this very point, when he gives his flock the kingdom, he is acting out his deepest delight.

This is what the word means: God's joy, his desire, his want and wish and hope and pleasure and gladness and delight is to give the kingdom to his flock. "Fear not, little flock, it is your Father's pleasure [not his duty, not his necessity, not his obligation, but his *pleasure*] to give you the kingdom." That is the kind of God he is. That is the measure of the greatness of his heart.

What is the true Father like?

Second, let's look at the phrase "your Father." "Fear not, little flock, it is your Father's pleasure to give you the kingdom." Jesus does not say, "It is your employer's pleasure to give you your salary" He does not say, "It is your slave master's pleasure to give you your lodging."

He does not even say—which we would have expected him to say—"It is your King's pleasure to give you the kingdom." He chooses every word in this sentence to help us get rid of the fear that God is ill-disposed to us—that he is begrudging in his generosity, or constrained in his kindness. So he calls God "your Father."

Now, not all of us have had fathers who patterned their lives after God. And so for you the word "father" may not be full of peace the way Jesus means it to be. If that is your experience, then you may have to relearn from God's own revelation of himself what a father is supposed to be like.

One of the most insightful and mature men of our church grew up in a home where his father was almost constantly abusive. I recall one evening in a small prayer group listening to this man pray. Tears came to my eyes as I heard him quote a passage from Hebrews that I had never heard anyone else recite from memory. The passage included these words: "We have had earthly fathers to discipline us and we respected them. Shall we not much more be subject to the Father of spirits and live: for they disciplined us for a short time at their pleasure, but he disciplines us for our good, that we may share his holiness" (Hebrews 12:9-10).

I could tell from his prayer and the deep emotion of his voice that this text had been a key of hope in his own life. His own father had "disciplined" him in cavalier and cutting ways that left deep wounds. But over the years, since his conversion, God had begun to teach him what a true Father is like.

In fact, the discoveries of grace were so profound in his college days that he had virtually memorized the book of Romans. It is not hard to see why, when you come to the climax of that greatest of books and read, "You did not receive the spirit of slavery to fall back into fear, but you have received the Spirit of *sonship*. When we cry, *'Abba, Father,'* it is the Spirit himself bearing witness with our spirit that we are *children of God*, and if children, then heirs, heirs of God and fellow heirs with Christ.... Creation waits with eager longing for the revealing of the *sons of God*.... If God is for us, who can be against us?" (Romans 8:15-17, 19, 31).

This man and many others have discovered that it is possible to learn again what it really means to have a Father in heaven who loves to give the kingdom to his children.

Jesus rebuilds the meaning of fatherhood

Jesus said, "He who has seen me, has seen the Father" (John 14:9). The incarnation of the Son of God was God's way of rebuilding the meaning of Fatherhood for millions who could not know it any other way.

Perhaps the apostle John cherished more than others learning what it meant to have a Father and to be a father. His gospel is radiant with the wonderful relationship between Jesus and his Father in heaven. And again and again in John's letters he calls his church, "my children." It was he who opened the fatherly heart of Jesus most fully on the night of his betrayal. "Having loved his own who were in the world, he loved them to the end" (John 13:1).

When Jesus says that it is our *Father's* pleasure to give us the kingdom, he means that his whole heart is in it. It is not merely a matter of justice or obligation or duty. It is the desire of his heart. He is our Father, and if we who are evil know how to give good things to our children, how *much more* will our Father in heaven give the kingdom to those who ask him (see Matthew 7:11).

He loves to give, not sell

Third, consider the word "give." "It is your Father's pleasure to *give* you the kingdom." Jesus does not say, *sell* you the kingdom, or *trade* you the kingdom. He says it is the Father's pleasure to *give* you the kingdom.

God is a mountain spring and not a watering trough. He delights to overflow—to give and give and give! And therefore the gospel is the good news that God does not need a bucket brigade; he wants people who will *drink*! The qualification for receiving his kingdom is not strength but thirst. It is our Father's pleasure to give us the kingdom, freely. It cannot be bought or bartered or earned in any way. There is only one way to have it, and it is the easiest way of all—the gospel way: "Truly, I say to you, whoever does not *receive* the kingdom of God like a child shall not enter it" (Mark 10:15).

God is not stingy. He is not a Scrooge. He is not miserly or tight-fisted or parsimonious. He is liberal and generous and ungrudging and bountiful. It is his pleasure to *give* us the kingdom (see Luke 8:10).

The pleasure of our Shepherd-God

Fourth, consider the word "flock." "Fear not, little *flock*, for it is your Father's pleasure to give you the kingdom." Look how Jesus is piling up the metaphors. God is our *Father.* And, since he gives us a kingdom, he must be our *King*. And since we are his flock, he must be our *Shepherd.*

Jesus is at pains to choose every word he can to make his point clear: God is not the kind of God who begrudges his blessings.

What does it mean to be the flock of God? It means Psalm 23! It means the promise of green pastures and still waters. It means guidance in the light of life and comfort in the shadow of death. It means triumph over enemies and overflowing cups of gladness and omnipotent goodness and mercy pursuing us every day of our lives forever and ever.

And now we have met our Shepherd-God face to face in Jesus. And we have learned that the good Shepherd lays down his life—he purchases the kingdom—for the sheep. Does he do this begrudgingly? Does he do it under some kind of oppressive constraint? Emphatically no! "No one takes my life from me, but I lay it down of my own accord. I have power to lay it down and I have power to take it again" (John 10:18).

The Father did not begrudge the gift of his Son and the Son did not begrudge the gift of his life. It was the Father's pleasure to bruise him (Isaiah 53:10). Therefore "He who did not spare his own Son, but gave him up for us all, how will he not also give us all things with him?" (Romans 8:32). It is the Shepherd's pleasure to give the kingdom—all things—to his flock.

FEATURE ARTICLE

Happy to be little

Fifth, consider the word "little." "Fear not, *little* flock, for it is your Father's pleasure to give you the kingdom." Jesus is at pains to choose every word that will help us see God the way he really is. Why does he say *"little flock"?*

I think Jesus means it to have two effects. First, it a term of affection and care. If I say to my family when they are in danger, "Don't be afraid, *little* family," what I mean is this: "I know you are in danger and that you are small and weak, but I will use all my power to take care of you because you are precious to me." So "*little* flock" has the effect of helping us feel the affection and care of Jesus and his Father.

It also implies that God's goodness to us is not dependent on our greatness. We are a *little* flock—little in size, little in strength, little in wisdom, little in righteousness, little in love. If God's goodness to us depended on our greatness, we would be in big trouble. But that's the point. It doesn't. So we aren't. "Fear not little flock, it is the Father's pleasure to give you the kingdom."

Just the kingdom, that's all

Finally, consider the word "kingdom." "Fear not, little flock, it is your Father's pleasure to give you the kingdom." The unrestrained gladness of God in giving to his children is proved by the greatness of his gift.

He does not promise to give us wealth in this world. In fact, he says, "It is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God" (Luke 18:25). He does not promise popularity or fame or admiration among men. In fact, he says, "Blessed are you when men hate you, and when they exclude you and revile you, and cast out your name as evil, on account of the Son of man!" (Luke 6:22). He does not even promise security in this life. In fact, he says, "You will be delivered up even by parents and brothers and kinsmen and friends, and some of you they will put to death; you will be hated by all for my name's sake" (Luke 21:16).

All he promises to give us is the kingdom of God.

The magnitude of this gift is felt when we realize that the unspeakable privileges of it are secondary to the main reward. In the kingdom we will inherit the earth and the world, but this is secondary (Matthew 5:5; Romans 4:13). In the kingdom we will judge angels, but this too is secondary (1 Corinthians 6:2-3).

In the kingdom we will reign on earth with Christ and possess power over the nations (2 Timothy 2:12; Revelation 2:26-28); we will eat of the tree of life, which is in the Paradise of God (Revelation 2:7); the wolf shall dwell with the lamb, the lion shall eat straw like an ox; the little child shall play over the hole of the asp and put his hand on the adder's den (Isaiah 11:6-8); we will beat our swords into plowshares, and our spears into pruning hooks, nation shall not lift up sword against nation, neither shall they learn war any more (Micah 4:3); justice shall roll down like waters and righteousness like an ever-flowing stream (Amos 5:24); our bodies will be made new, and God will wipe away every tear from our eyes, and death shall be no more, neither shall there be crying or pain or guilt or fear any more (Revelation 21:4); and we will sit on the very throne of the King of kings (Revelation 3:21)—but all these are secondary privileges of the kingdom.

The soul's end: The pleasure of God in God—in us

The main reward of the kingdom, the reward *above* all others and in all others, is that in the kingdom we will behold the glory of God and enjoy that glory with the very pleasure of God.

One of the great frustrations of this life is that even when we are granted a glimpse of the glory of God, our capacities for pleasure are so small that we groan at the incongruity between the revelation of heaven and the response of our heart. Therefore the great hope of all the holiest people is not only that they might see the glory of God, but that they might somehow be given a new strength to savor it with infinite satisfaction—not the partial delights of this world, but, if possible, with the very infinite delight of God himself.

And this highest of all hopes is exactly what Jesus prays will happen to his little flock in the kingdom. "Father, I desire that they also, whom you have given me, may be with me where I am, to behold my glory which you have given me in your love for me before the foundation of the world.... I made known to them your name, and I will make it known, *that the love with which you have loved me may be in them and I in them*" (John 17:24, 26).

Jesus asks the Father that we might see his glory. But more than that! He asks that the very love that the Father has for the Son might be in us. Jesus prays for the highest imaginable privilege and pleasure—that we might be so filled with the fullness of God that the pleasure of God in the beauty of his Son might fill us and be our pleasure in the Son. He prays that the Son himself might be in us and thus fill us with the infinite delight he has in his Father.

This is the soul's end—the blessing beyond which no better can be imagined or conceived: an infinite, eternal, mutual, holy energy of love and pleasure between God the Father and God the Son flowing out in the Person of God the Spirit, and filling the souls of the redeemed with immeasurable and everlasting joy.

Surely this is the river of God's delights (Psalm 36:8). This is the water of life that wells up to eternal life and satisfies forever (John 4:10, 14). And the river is free. It is our Father's pleasure to give it. "The Spirit and the Bride say, 'Come.' ... And let him who is thirsty come, let him who desires take the water of life without price" (Revelation 22:17).

Let this be the greatest and final incentive to drink—that God is most glorified in us when we are most satisfied in him. And so may the end of all our meditation, all our hope, all our prayer, all our obedience, be this great discovery: that our satisfaction in God will be infinite when, by his gift and in his kingdom, it becomes the pleasure of God in God. ◆

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

LIFE INSURANCE: WHICH KIND IS RIGHT FOR YOU?

Life insurance is one of the few products people buy hoping they won't need it—at least not anytime soon.

The basic idea behind life insurance is that if you die, the policy proceeds (the "death benefit") will help provide for those you leave behind. But some types of life insurance go beyond just paying a death benefit. They act as a savings/investment vehicle, which creates an asset you can borrow against, and a holding you can liquidate if you don't need the policy anymore.

Temporary or permanent?

The primary choice in life insurance is between "term" insurance (which expires after a defined period) and "permanent" insurance (which doesn't expire until you do). Once you make that choice, there are further choices—such as the *length* of the term. Or, if you opt for permanent insurance, the choices include "whole life," "universal life," and "variable life." (Whole life is the most common, but the others offer more flexible benefit/payment options.) And, of course, you'll need to choose the amount of the death benefit.

The type of policy that's best for you depends on what you want your life insurance to do. If you want an inexpensive way to provide for your loved ones in the event of your death, term insurance is the better option. The cost is based solely on life expectancy (with perhaps a small commission). Since the likelihood is that you *won't* die during the policy period, and since term has no add-ons or extras, such insurance is relatively cheap.

Permanent insurance, in contrast, doesn't expire, so the insurance company knows it will pay a claim at some point. That means the company has to charge a higher premium. Permanent insurance also includes extra features that term insurance doesn't, which further increases the cost.

Although apples-to-apples comparisons are difficult because of the many variations in policies, a buyer typically will pay 8-15 times more for permanent insurance than for term insurance, even for policies that pay the same death benefit (see table below).

Term insurance: Plain vanilla

Term insurance is sometimes called "pure insurance." All it does is provide a specified benefit if you die during the term of the policy (standard terms are 10, 20, and 30 years).

For example, for a policy that will be in effect for 20 years, a young buyer may pay a premium of $200 a year for a death benefit of $250,000. With most term policies, neither the premium nor the death benefit will change.[1] Once the 20 years are up, the policy is terminated. Term policies don't accumulate "cash value"—i.e., you can't borrow against a term policy, and you can't get money back if you cancel your coverage.

In some cases, a term policy can be renewed when it expires—with a heftier premium, of course. Also, some term policies are convertible to permanent insurance.

Premiums for term policies are based on the length of the term along with several other factors: age at the time of purchase, general health, gender (women pay less), occupation, and personal habits (premiums for smokers are about three times higher).

Permanent insurance: Extras at a price

In contrast to term insurance, permanent insurance provides both a guaranteed death benefit *and* something of value while you're still alive. This type of insurance acts as a financial asset that accumulates "cash value" (funded by the higher premiums) as the years pass by.

The most common type of permanent life insurance is "whole life." As with term insurance, the younger you are when you buy a whole-life policy, the less expensive the premiums will be. With most whole-life policies, the premiums will stay fixed until age 100 even if your health status changes.[2]

Meanwhile, the policy's accumulating fund earns tax-deferred interest, typically with a minimum growth rate guaranteed (the average annual guaranteed rate is about 1.5% according to *Consumer Reports*). If you're considering permanent insurance, compare a policy's projected return to what you likely could earn by saving or investing in other ways.

In addition to the return generated by the accumulating fund, some whole-life policies pay tax-free dividends from the insurance compa-

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TERM VS. WHOLE LIFE: ANNUAL PREMIUMS

		20-Yr Term Policy		Whole Life Policy	
Purchase Age	Death Benefit	Male	Female	Male	Female
30	$250K	$200	$175	$2,145	$1,904
	$500K	$314	$265	$4,235	$3,753
40	$250K	$294	$255	$3,191	$2,766
	$500K	$458	$386	$6,328	$5,478
50	$250K	$646	$512	$4,990	$4,262
	$500K	$1,098	$867	$9,927	$8,470

Notes: Term premiums (via ValuePenguin) show the average for non-smokers in excellent health. Premium averages were calculated based on quotes from five insurers: John Hancock, MassMutual, New York Life, Securian, and Transamerica. Whole Life premiums (from Quotacy.com via NerdWallet) show the average for non-smoking healthy applicants and were calculated using quotes from three insurers.

[1] Some term policies may alter premiums and/or the death benefit during the policy period. [2] Some whole-life policies charge premiums only for a certain period of years or to a certain age, such as age 65. In some cases, a whole-life policy may charge only one premium, a large up-front lump sum.

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

USING SMI'S PORTFOLIO TRACKER TO MANAGE A LIMITED 401(K) PLAN

In 2006, SMI introduced an easy way to implement Upgrading within an employer-sponsored 401(k)—or a similar company retirement plan—even if that plan offered relatively few investment choices. This month we revisit that research. We offer some new thoughts, both regarding whether trying to Upgrade within a limited-choices plan is a good idea generally, as well as how to tweak the specific implementation to make it work more effectively.

Upgrading within a 401(k)

SMI's Upgrading strategy normally involves selecting from more than 1,000 stock funds spread across five asset classes (or risk categories). But if your 401(k) plan offers only a small number of funds, you probably won't have a strong-performing fund available to you in *each* of the five categories. That's why SMI created the alternate approach to Upgrading discussed here.

Before getting into the details, we need to stress that this approach involves a trade-off. Using it means giving up the relative stability of diversifying across all five of the major stock-risk categories as SMI normally recommends. What you *gain* is the freedom to select the best-performing funds in your plan, *regardless* of risk category.

This trade-off has meant that—depending on which specific funds are offered in your 401(k)—you could end up having all your money invested in just one or two of the risk categories (for example, in small-cap growth funds). Concentrating investments in this way increases risk, so it's important for those using this approach to check their fund holdings *each month* and follow the selling rules faithfully. If you're heavily invested in an asset class that begins to fall, SMI's momentum-based system will move you to funds that are doing better. But "user error" can undermine even theoretically sound systems. Your selling discipline is your life preserver. Use it!

To determine the best approach to Upgrading with a limited number of funds, we created a hypothetical example using the stock funds at a single fund organization: Fidelity. The new research that follows assumes an investor had a 401(k) account with access to all of Fidelity's actively managed stock funds.

New wrinkle: Eliminating foreign funds

With the benefit of 20 years worth of live Upgrading data now, we're recommending a significant change to the process we've outlined before: we're eliminating the Foreign funds from the Upgrading pool.

The reason isn't that Foreign funds have dramatically lagged U.S. funds over the past decade, though that is true. The real problem with including Foreign funds—at least in this Fidelity universe of options—is the *volatility* of the foreign funds. In our testing, the Foreign funds frequently race to the front of the pack, only to quickly fall back again. This hurts performance and creates frustrating whipsaws. Also, some company retirement plans are fairly strict when it comes to making frequent fund changes, so reducing the overall amount of trading benefits the system overall.

So our new recommendation is for most members to eliminate Foreign funds from the fund universe when using this limited-choices approach to Upgrading. (Given that each real-world plan varies in terms of available fund options, you may wish to still include Foreign funds providing they are broad-based, relatively stable options. You can always pull them out if you notice this higher volatility aspect in your actual trading experience.)

The "alternate method" explained

Here are the ground rules we used in making our buy/sell decisions:

1. All 36 of the diversified, actively managed U.S. stock funds offered at Fidelity were assumed to be available. We did not consider any money-market, bond, or hybrid funds (combination of stocks and bonds).

2. We created a portfolio of these funds using SMI's Personal Portfolio Tracker.[1] (You set up a portfolio by entering all the stock funds available to you within your plan. You can create as many portfolios as you wish.)

3. Each month we checked the updated momentum scores for the stock funds in our Fidelity 401(k) portfolio by simply clicking a button in the Tracker that generates a monthly "momentum view" report.

4. Initially, we bought the four top-ranked funds as shown in the Tracker report, regardless of risk category, dividing our stock allocation equally among them.

5. Each month, we generated a new report and checked the momentum rankings. We held each fund as long as it remained ranked in the top 12. The "top 12" criteria was based on the number of funds available to us as shown in Table A below.

TABLE A

	Number of Stock Funds From Which to Choose	How Many You Should Own at Any One Time	Rank That Must Be Maintained to Continue
1	8 to 14	3	Top 5
2	15 to 19	3	Top 6
3	20 to 24	4	Top 8
4	25 to 29	4	Top 10
5	30 to 50	4	Top 12
6	More than 50	5	Top 25%

We devised the table with the idea of eventually using the top 25% cutoff (as we do in regular Upgrading) as the number of available funds in a 401(k) grew. The numbers shown in the table for six possible scenarios are arbitrary, but they felt "right" *(continued on page 45)*

[1]The tutorial videos on the Tracker page of the SMI website can help you get up and going with the Personal Portfolio Tracker in no time.

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

IS YOUR HOME AN INVESTMENT?

Normally, articles about buying a home would be found in the Level One section of the newsletter. This article is appearing here in Level Three because whether you think of your home as an "investment" or an "expense" isn't just a matter of semantics. It could impact several other important financial decisions.

One caveat before going further: We're talking about your primary residence here, not rental real estate.

What constitutes an investment?

According to the Merriam-Webster dictionary, an investment is "an asset intended to produce income or capital gains."

The home you live in probably doesn't produce income (unless you're renting rooms via Airbnb) but it may *appreciate in value*, generating a capital gain. You probably know someone who bought a house 50 years ago for $30,000 (or some other surprisingly low amount) that is now worth 10 times as much. However, with the exception of a relatively small number of fast-appreciating markets, most homes have grown in value at a rate closer to the inflation rate.

Yale economist Robert Shiller, who won a Nobel Prize in 2013 and helped develop the widely followed Case-Shiller index that tracks home prices nationwide, says that home price appreciation in the U.S. between 1890 and 1990 was "just about zero after inflation." That's why he believes spending on a house is *consumption*, not *investment*. "It takes maintenance, it depreciates, it goes out of style," he said. "All of those are problems. And there's technical progress in housing. So, new ones are better."

Growth, but at a cost

Even if a home's value only increases by the inflation rate, that can still result in wealth building. If you bought a home in 1990 for $120,000, for example, and saw its value grow *only* by the inflation rate, today that home would be worth nearly $242,000.

The *leverage* typically involved in buying a house is one of the main reasons why some people argue that homes are investments. You can take "ownership" of a (hopefully) appreciating asset with just a 20% or less down payment ("5-times levered!"). With mortgage rates below 5%, you should be able to invest money you didn't have to put into the home at a better rate of return. Plus, if you sell a house that has appreciated in value, there are generous capital gains tax exemptions. Singles owe no tax on up to $250,000 of gains, married couples have a $500,000 exemption.

However, buying a house is different than buying a stock. When you buy a stock, there are no other costs. Commission-free trading means there's no upfront expense, and there are no ongoing costs either—no maintenance or repairs, no taxes or insurance, and no need for a new roof or furnace.

With a house, there are *many* other costs. Using the earlier example of a house purchased in 1990 for $120,000 that's now valued at $242,000, if you add up the closing costs (4%, or $4,800), principal payments ($120,000), interest on the mortgage ($79,110, assuming a 4.5% 30-year $96,000 mortgage after making a 20% down payment), taxes (1%, or $36,000), insurance (1%, or $36,000), and maintenance/repairs/remodeling (1.5%, or $54,000), you will have "invested" $329,910 for an asset that's now worth nearly $90,000 less.

Of course, you have to live somewhere, and avoiding these costs of home ownership would have meant paying rent somewhere else. The point is simply that even using these conservative assumptions—you stayed in the house for 30 years vs. the average of just 10 years, plus no inflation in the tax, insurance, or maintenance/repairs/remodeling expenses—home ownership is expensive.

Also, keep in mind that while the housing market is much more stable than the stock market, houses don't always appreciate. According to CoreLogic, a global property analytics company, from 2006 to 2011 home prices nationally fell 33%. In some states, prices fell even more. Nevada saw an average decline of 60%, Florida home prices fell 50%.

Does it really matter?

There are several potential dangers in thinking of a house as an investment.

• **You may be tempted to buy before you're ready.** Today, some two-thirds of millennial homebuyers (people between the ages of 25 and 39) regret buying a home because of the ongoing costs they hadn't anticipated. When you haven't properly budgeted for all of the costs that come with home ownership, that could make it difficult to contribute to your retirement account, and the stress of living with little or no financial margin can be tough on your marriage.

• **You may be tempted to make as small a down payment as possible.** You may be persuaded by people extolling the virtues of using leverage or "OPM" (other people's money) as if that's inherently wise. However, that will increase your costs via the private mortgage insurance that's usually required if you put down less than 20%, and you'll probably pay a higher interest rate.

• **You may be tempted to tap the equity in your home via a home-equity loan, line of credit, or refinancing.** According to a Harvard study, between 1989 and 2016 the share of adult homeowners age 65 or older with mortgage debt more than doubled, from 17% to 43%, while the median loan-to-value ratio nearly tripled. In part, that can be explained by people refinancing their mortgages and resetting the 30-year payoff clock, prioritizing leverage or lower monthly pay- *(continued on page 46)*

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

MAKING THE MOST OF WHAT'S LEFT OF THE STRETCH IRA

Last month SMI reported on significant new restrictions on the stretch IRA. This month we want to follow up in more detail.

While it's true that under the 2019 SECURE Act certain types of beneficiaries can no longer stretch distributions from an inherited IRA over their *entire lifetime*, some still can.[1] Others are allowed to stretch distributions over *10 years*. With the right beneficiary designations and the right conversations, the benefits of an inherited IRA still can stretch pretty far.

IRA basics

With a traditional IRA, you can begin taking penalty-free withdrawals at age 59½. If you don't need the money that early, the SECURE Act has extended your waiting time until age 72—up from 70½ previously—at which point you will *have to* begin taking required minimum distributions (RMDs). The federal government determines the amount of each distribution based on your life expectancy. Since distributions from a traditional (i.e, non-Roth) IRA are taxed as regular income, the government's goal is to force complete distribution of your IRA's assets before you are expected to die so that Uncle Sam can levy his taxes.

But you can take steps to put the taxman off a bit longer.

Beneficiary essentials

If you are married and name your spouse as the primary beneficiary of your IRA, he or she will have several options upon your death. If your surviving spouse is younger than 72 and doesn't need the money right away, the most tax-advantageous move would be to roll the money into his or her own IRA. When RMDs kick in at 72, your surviving spouse could stretch distributions over his or her remaining lifetime.

Your spouse also could disclaim all or part of the account so it can pass to other beneficiaries, such as your children.

(Another option would be for your spouse to transfer your account to an Inherited IRA. Although less beneficial from a tax and investment growth standpoint, if he or she is younger than 59½ and wants to begin taking distributions, taxes will be owed but not a penalty.)

If a balance remains after your spouse's death and if your spouse had named your children as beneficiaries, they will be able to stretch distributions over the course of 10 years. However, that won't just happen automatically.

Communicating the benefits

Your beneficiaries may be tempted to liquidate the account right away, but that would negate all of the tax- and potential compounding-benefits they could receive by stretching distributions over 10 years.

Let's say each of your two children inherit $250,000 of traditional IRA money. Each is married and has household income of $90,000 a year, putting them in the 22% tax bracket. Child one cashes the money in right away, pushing him into the 24% tax bracket, which generates an immediate tax bill of $60,000.

Child two takes advantage of the 10-year rule. The table illustrates what this *could* look like, assuming the balance is somewhat conservatively invested. (Some flexibility is allowed in taking distributions, but the account must be fully distributed by end of the 10th year after the original account owner's death.) Annual end-of-year withdrawals in this example are the year-end balance divided by the number of years until the account needs to be fully distributed. For example, at the end of the first year, child two could take 1/10th of $265,000. At the end of the second year, she could take 1/9th of $252,810.

Whereas child one ended up with $190,000 because he didn't benefit from any investment gains and had to pay $60,000 in taxes right away, child two ended up with $272,447—$82,447 more than child one—even after paying $76,844 in taxes. By spreading the withdrawals out, she was able to stay in the 22% tax bracket and benefit from 10 years of investment gains.

Conversion considerations

The benefits are even greater with a Roth IRA. If you, as the original account owner, don't need all of the money for retirement expenses, Roth rules do *not* require you to begin taking distributions at age 72. That gives you the potential to continue growing the account tax-free. Because you've already paid taxes on the money you contributed, your beneficiaries could then stretch distributions over 10 years and grow the balance further on a *tax-free* basis, ending up with $349,291.

If you expect to leave IRA assets to your heirs, this is a good reason to consider converting portions of a traditional IRA to a Roth over time. Just keep in *(continued on page 46)*

TAKING ADVANTAGE OF A 10-YEAR PAYOUT

Year	Starting Balance	6% Growth	Year-End Balance	Withdrawals	Taxes Due
1	$250,000	$15,000	$265,000	$26,500	$5,830
2	$238,500	$14,310	$252,810	$28,090	$6,180
3	$224,720	$13,483	$238,203	$29,775	$6,551
4	$208,428	$12,506	$220,933	$31,562	$6,944
5	$189,372	$11,362	$200,734	$33,456	$7,360
6	$167,278	$10,037	$177,315	$35,463	$7,802
7	$141,852	$8,511	$150,363	$37,591	$8,270
8	$112,772	$6,766	$119,539	$39,846	$8,766
9	$79,692	$4,782	$84,474	$42,237	$9,292
10	$42,237	$2,534	$44,771	$44,771	$9,850
			Totals:	$349,291	$76,844

[1]Spouses, disabled beneficiaries, and beneficiaries no more than 10 years younger than the account's owner can still make full use of the stretch IRA. For minor beneficiaries, the 10-year clock starts ticking when they reach the age of majority.

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 1/31/2020	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	16.8	-3.3%	-3.3%	1.9%	5.7%	9.1%	7.3%	0.96	0.11%/0.09%	20%	16%	12%	8%	VTIAX/VXUS
Extended Market Index	Small company stocks	25.2	-0.6%	-0.6%	6.3%	4.8%	14.1%	10.1%	1.21	0.07%/0.07%	40%	32%	24%	16%	VEXAX/VXF
S&P 500 Index	Large company stocks	37.7	0.0%	0.0%	6.7%	9.3%	21.7%	14.5%	1.00	0.04%/0.03%	40%	32%	24%	16%	VFIAX/VOO
Total Bond Market Index	Medium-term bonds	16.2	2.1%	2.1%	1.9%	4.4%	9.9%	4.7%	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 1/31/2020[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. Fidelity Intl Capital Apprec	09/19	Yes	NTF	Yes	36.8	-0.2%	-0.2%	5.6%	8.2%	22.9%	14.9%	0.94	1.01	101	None	FIVFX
	2. Fidelity Intl Growth	12/19	Yes	NTF	Yes	40.2	-0.9%	-0.9%	5.2%	10.4%	24.7%	13.4%	0.94	0.99	86	None	FIGFX
	3. WisdomTree Intl Hedged ETF	12/19	ETF	ETF	ETF	36.7	-1.2%	-1.2%	5.5%	9.1%	22.1%	11.7%	0.87	0.58	283	None	IHDG
Category 4 Small/Growth	1. Needham Sm Cap Growth	01/20	NTF	NTF	NTF	62.0	0.2%	0.2%	8.6%	19.2%	34.2%	17.7%	1.37	1.93	48	None	NESGX
	2. DF Dent Midcap Growth Inv	09/19	NTF	Yes	NTF	51.7	3.8%	3.8%	9.2%	9.7%	32.8%	22.8%	1.10	0.98	33	2%60days	DFDMX
	3. Janus Henderson Contrar T	10/19	NTF	NTF	NTF	40.1	-1.7%	-1.7%	6.7%	7.8%	25.6%	12.1%	1.28	0.81	44	None	JSVAX
Category 3 Small/Value	1. Weitz Hickory	06/19	NTF	NTF	NTF	32.9	-0.4%	-0.4%	2.7%	7.9%	22.3%	7.1%	1.10	1.09	37	None	WEHIX
	2. Touchstone Mid Cap Z	05/19	NTF	NTF	NTF	43.1	1.4%	1.4%	5.0%	9.7%	28.4%	16.2%	0.99	1.21	32	None	TMCTX
	3. Invesco S&P MidCap Mtm ETF	12/19	ETF	ETF	ETF	15.9	-4.8%	-4.8%	0.9%	3.1%	11.9%	4.5%	1.13	0.39	82	None	XMVM
Category 2 Large/Growth	1. Invesco QQQ Trust	02/20	ETF	ETF	ETF	57.9	3.0%	3.0%	11.4%	15.1%	31.4%	21.8%	1.23	0.20	104	None	QQQ
	2. Polen Growth Investor	10/18	NTF	NTF	NTF	52.4	2.5%	2.5%	9.6%	12.3%	30.5%	23.1%	1.01	1.25	25	2%60days	POLRX
	3. YCG Enhanced Fund	01/20	NTF	NTF	NTF	47.4	0.6%	0.6%	7.6%	10.1%	29.7%	18.1%	0.92	1.19	66	2%30days	YCGEX
Category 1 Large/Value	1. Invesco S&P 500 Top 50 ETF	02/20	ETF	ETF	ETF	45.0	1.3%	1.3%	8.5%	11.6%	24.9%	16.2%	1.01	0.20	53	None	XLG
	2. Vulcan Value Partners	12/19	NTF	NTF	NTF	51.1	-1.6%	-1.6%	9.1%	12.6%	29.5%	14.0%	1.23	1.08	29	2%90days	VVPLX
	3. First Trust Dvd Achievers ETF	12/19	ETF	ETF	ETF	31.4	-4.1%	-4.1%	4.1%	8.0%	19.2%	12.6%	1.30	0.50	51	None	RDVY
Bond Categories	Vanguard I-T Bond[6]	2/19	ETF	ETF	ETF	18.4	2.5%	2.5%	2.2%	4.9%	11.3%	5.3%	1.17	0.07	6.3[7]	None	BIV[8]
	Permanent: Vanguard I-T Bond	Perm	ETF	ETF	ETF	18.4	2.5%	2.5%	2.2%	4.9%	11.3%	5.3%	1.17	0.07	6.3[7]	None	BIV[8]
	Permanent: Vanguard S-T Bond	Perm	ETF	ETF	ETF	8.6	0.9%	0.9%	1.0%	2.3%	5.3%	2.7%	0.46	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 February, rather than on the end-of-January 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 Fidelity Intl Cap Appreciation, the highest-ranked Cat. 4 fund is Needham Small 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	Fidelity Intl Cap Appreciation
Stock Cat. 4: Small/Growth	16%	$8,000	Needham Sm Cap Growth
Stock Cat. 3: Small/Value	16%	$8,000	Weitz Hickory
Stock Cat. 2: Large/Growth	16%	$8,000	Invesco QQQ Trust
Stock Cat. 1: Large/Value	16%	$8,000	Invesco S&P 500 Top 50 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

NO UPGRADING CHANGES FOR MARCH

February was a wild month for the stock market! The S&P 500 set a new all-time high on February 19, at which point it had gained +5% in February alone, was up +17% over the prior four months (from the time the Federal Reserve announced it's new "not QE" Treasury Bill buying program in early October), and was roughly +40% from the lows of December 2018.

Given that, conditions were ripe for a correction. So when the stock market finally started giving serious consideration to what the coronavirus health crisis could do to 2020's economic picture, things got ugly fast. In **only** seven trading sessions, stocks fell -12.8%, the fastest decline from an all-time high in market history.

When the decline began, there seemed to be no way Upgrading's 2.0 defensive protocols could possibly come into play by the end of the month. But it ended up being a very close call by February 28—close enough to hold up the publication of the March issue into the new month for the first time in SMI's history!

When the dust settled, we did *not* get an Upgrading 2.0 signal, so the protocols are not active for March. As a quick review, these are the protocols that would gradually begin shifting Upgrading holdings to cash.[1] But this does create an unusual and slightly uncomfortable position for Upgrading.

For our defensive protocols to kick in, there are three indicators we watch that have to be in agreement. Two of them said sell, but the third ultimately failed to agree. If the market had behaved differently on February 28, we'd be instructing members to sell any funds currently below the quartile and move those proceeds to cash. Having narrowly avoided that outcome, the normal alternative would be to upgrade.

Because the stock market had been so strong for so long prior to the late-February collapse, the top-ranked funds in the momentum rankings—especially in the two growth risk categories—are still highflyers. These funds were hit badly by the downturn, but their returns over the past year are enough to keep them at the top of the rankings for now. Thus, upgrading now would mean moving into some of the riskiest funds in the entire Upgrading fund universe.

That seems like a profoundly bad idea with the string of strongly negative market days at seven and counting, and no clarity of any kind on what the scope of this coronavirus will be.

There are only three funds we currently own that are near the top-quartile cutoff of their risk category. Let's briefly review each one.

In Large/Growth, YCG Enhanced is the furthest of the three below the quartile cutoff. However, it was recommended only two months ago. Normally, we don't replace a fund within three months unless it has fallen badly (below the median) or there is an especially urgent reason to sell it. For example, if this was a particularly risky fund, we might sell it after two months given the plunging market. But that's the opposite of the case with YCG, which is one of the lowest-risk funds in the Large/Growth group. As such, we're comfortable holding it for the customary third month.

In Small/Value, the Invesco S&P MidCap Value ETF (XMVM) is very close to the quartile cutoff, but not below it.

And finally, in Small/Growth, Janus Henderson Contrarian (JSVAX) is slightly below the quartile. This is perhaps the hardest call. Under normal circumstances, we would suggest replacing this fund. However, this is also where the stakes seem highest, as the top replacements in this category are among the riskiest funds we monitor. As evidence of this, the fund we would normally upgrade into in that risk category lost a sickening -18.5% in the last seven days of February.

So, in this specific case, where the choice is between "keep a relatively low-risk fund" versus "buy one of the riskiest funds in the five risk categories," it just seems unwise to follow that hyper-aggressive course of action. While our protocols are not yet all in agreement that we should sell JSVAX and go to cash in order to *lower* risk, neither does it seem prudent to dramatically *increase* our risk there. Instead, sticking with the lower-risk fund *we already own* while we wait to see whether this market correction morphs into a full-fledged bear market over the month ahead seems the safest course for now. ◆

SIGHTING: WHAT THE E-TRADE DEAL TELLS YOU ABOUT THE NEW INVESTING GAME

Morgan Stanley's [planned] takeover of E-Trade Financial Corp. for $13 billion shows how drastically the brokerage industry's business model has changed. Firms no longer want to offer investment products from all sources. Instead, they want to milk their customers' cash and manage all the assets themselves....

For decades, big banks and brokers aspired to become "financial supermarkets" where consumers could open bank accounts and buy stocks and bonds, mutual funds, insurance and the like.... Nowadays, the name of the game isn't to offer all things from all sources to all investors. It's to offer only what keeps the fees in-house....

Wall Street can't make oodles of money off your trades anymore; technology has driven commissions to near zero. And it can't make the windfall it once did off managing portfolios; there, too, market-tracking index funds and exchange-traded funds have become cheap as dirt.

Where are the remaining profits for brokerage firms? They can take your cash and, instead of investing it for your benefit in the highest-yielding money fund or deposit account, they can put it in their own bank and pay you peanuts. Then they lend it out and keep the profit for themselves....

Financial firms can also invest your money in funds they run themselves. That way, they capture fees you would otherwise pay to somebody else.... The house brand isn't always bad, of course. A firm's own funds can be cheaper or better than the alternatives. But investors need to be on their guard.

– From Jason Zweig's "Intelligent Investor" column in *The Wall Street Journal*. Read more at on.wsj.com/32zF74D (behind paywall).

[1] Jan2018:Cover

LEVEL 1 / CONTINUED FROM PAGE 38

LIFE INSURANCE: WHICH KIND IS RIGHT FOR YOU?

ny's profits. These dividends can be paid out to the policyholder, used to defray the cost of premiums, or added to the policy's cash value.

If desired, a policyholder can use the cash value (if large enough) to secure a preferential-rate loan from the insurance company. Should the policyholder die before the loan is paid (with interest), the death benefit will be reduced accordingly.

In some cases, cash value can be "traded-in" for an increased death benefit. That can be a wise trade because any remaining cash value at the time of death won't be paid out to beneficiaries as an additional benefit. Instead, the cash value reverts to the insurance company. (In fact, the company will use the cash value to help fund the policy's stated death benefit.)

Reasons to go the permanent route

One reason people buy permanent insurance, despite its higher cost, is to guarantee future insurability no matter what health issues may occur.

Permanent insurance also can fill a role as a source of income in retirement, with withdrawals from a policy's cash value supplementing other retirement income. (This has the downside of reducing the death benefit.)

Further, buyers increasingly are looking to permanent life insurance as a means of protecting against possible long-term care (LTC) costs. Some policies include the option of a low-cost "rider" that allows certain costs for long-term care to be subtracted from the death benefit (not from the cash value). To qualify for LTC benefits, the policyholder must be diagnosed with a chronic illness—such as cancer or Alzheimer's disease—that requires long-term care. In essence, the policy's death benefit is "accelerated" to pay for long-term care needs.[1]

Making the decision

Although buying life insurance is never a one-size-fits-all proposition, term insurance is by far the more economical option. Many personal-finance experts recommend a death benefit of 5-10 times one's annual gross income, which is much more affordable with low-cost term insurance. (Don't neglect coverage for a parent who stays at home with children.)

Also, it is worth noting that the cash-accumulation options offered with permanent insurance are limited and low-paying. Purchasing a term policy and then saving/investing on your own, rather than via an insurance product, likely will yield a much higher rate of return. ◆

LEVEL 2 / CONTINUED FROM PAGE 39

USING SMI'S PORTFOLIO TRACKER TO MANAGE A LIMITED 401(K) PLAN

as we considered how the strategy would play out in real time.[2] You can adjust the number of funds in which to invest if it seems appropriate to you to do so.

6. When any fund dropped out of the top 12, it was sold and the proceeds were invested in the highest-ranking fund we didn't already own.

7. We rebalanced annually so that we would begin each year with equal amounts invested in each of the four funds.

Results and analysis

When SMI rolled out the limited-choices approach 14 years ago, Upgrading was in the midst of a period of performance dominance relative to indexing. Over the 1999-2009 decade, Upgrading gained +85.0% while the U.S. Market *lost* -1.7%. This stunning performance gap is what prompted us to figure out an effective way to Upgrade within company retirement plans.

SMI members participate in thousands of 401(k) plans with differing lists of funds from which to choose. So, it's impossible to generalize with confidence concerning the results you might expect when applying this research to your specific plan. But the results of using this approach with access to all of Fidelity's funds are shown in Table B.

A quick review of these returns reveals that, much like the comparison of "normal" Upgrading to the market, this approach would have produced exceptional results from 2000-2010, but lagging results over the past decade. The two summary rows at the bottom of the table highlight this disparity: the Upgrading approach won over the entire 20-year period, but lagged slightly over the past 10 years.

TABLE B

ALTERNATE STRATEGY USING FIDELITY FUNDS (EXCLUDING FOREIGN)

Year	Fidelity	Market
2000	-1.2%	-10.9%
2001	4.8%	-11.0%
2002	-14.0%	-20.9%
2003	32.1%	31.6%
2004	13.7%	12.5%
2005	12.8%	6.4%
2006	7.7%	15.8%
2007	11.2%	5.6%
2008	-43.7%	-37.2%
2009	40.0%	28.3%
2010	19.7%	17.2%
2011	-4.3%	1.0%
2012	19.5%	16.1%
2013	35.2%	33.1%
2014	7.4%	12.7%
2015	5.6%	0.7%
2016	3.0%	13.4%
2017	22.5%	21.0%
2018	-2.8%	-5.3%
2019	26.7%	31.0%
20yr Avg	8.0%	6.4%
10yr Avg	12.6%	13.4%

One significant difference from when this approach was introduced 14 years ago is today virtually all 401(k) plans offer a broad assortment of low-cost index funds. That wasn't always the case 10-15 years ago, when employees might have found an S&P 500 fund as the only indexed option. This means that today it's usually possible to create a diversified, Just-the-Basics type indexed portfolio within most company retirement plans.

Given that JtB-like indexed portfolios require little attention, that opens the door to splitting your company retirement-plan investing between indexing and Upgrading (using this alternate approach), without creating additional work. While we expect active management to have its day again at some point, this is an easy way to diversify the risk of choosing wrong when considering the "active vs. passive" question. If desired, both the alternate Upgrading approach

[1]Accelerated benefits are allowed under some *term* policies, but typically only in cases of terminal illness. [2]The goal is to set a high standard, but not so high that you make it difficult for the fund to maintain it (in which case you would be regularly selling funds when they falter only slightly). [3]Jan2018:Cover, Jan2019:p8

described here and an indexed portfolio can apply the "Upgrading 2.0" defensive protocols to reduce downside risk.[3]

The recent run of outperformance by index funds relative to Upgrading is something we are watching closely. Only time will tell if that relationship reverts (and Upgrading reasserts itself) or not. But to whatever extent an individual desires to apply Upgrading within a 401(k) or other company retirement plan, this research indicates it can be done successfully—even within a plan offering a limited number of fund choices. ◆

LEVEL 3 / CONTINUED FROM PAGE 40

IS YOUR HOME AN INVESTMENT?

ments over being debt-free. A separate Harvard study found that high levels of mortgage debt among older homeowners is associated with lower levels of financial well-being.

● **You may be tempted to resist making extra payments on your mortgage.** Some may question the wisdom of making extra principal payments when there is no tax benefit to doing so, ignoring the wisdom of moving into retirement mortgage-free.

Are all of these moves inherently wrong? Aside from buying a home before you're ready, no. But they're worth considering carefully, especially in light of biblical teaching about debt. For example, while the Bible never describes debt as sin, it cautions against becoming enslaved to creditors (Proverbs 22:7). And it teaches that just because something may be permissible doesn't necessarily mean it is constructive (1 Corinthians 10:23).

If the decision is made with wisdom and care, a home can be a wonderful purchase, an enjoyable place to raise your family and build community with neighbors. Because it is a form of forced savings, it should also enable you to slowly build net worth, which you could eventually tap via a reverse mortgage, if necessary, or pass on to your heirs or charity. In most cases, though, it's best not to think of a home as an investment. ◆

LEVEL 4 / CONTINUED FROM PAGE 41

MAKING THE MOST OF WHAT'S LEFT OF THE STRETCH IRA

mind that you'll have to pay taxes on the converted amounts, so you may want to consult with a financial advisor or accountant with expertise in this area to run numbers on how to minimize the taxes paid.

Final thoughts

Despite the loss of the *lifetime* stretch IRA, there are still ways to spread out distributions in beneficial ways. So, take care in naming beneficiaries. Then show your heirs an illustration such as the one used in this article and include it in a letter of instruction that you leave with your will or trust documents.[1] ◆

MARKET NOTES, QUOTES, AND ANECDOTES

Lessons from other health crises

"If the past is any guide…the growth scare should be relatively brief. Recent global contagions going back to the SARS virus in 2003 have seen a sharp slowdown lasting about a quarter, followed by a sharp recovery over the next quarter. That's why the consensus on Wall Street is that...within six months the whole scare will be over." – Ruchir Sharma, chief global strategist at Morgan Stanley Investment Management, commenting on the COVID-19 outbreak in a 2/25/20 opinion piece in *The New York Times*. Read more at nyti.ms/3a43nOL.

Growing concerns

"It's very different to have one country on lockdown for a couple of weeks versus rolling lockdowns throughout the global economy." – Patrick Chovanec of Silvercrest Asset Management and an expert on the Chinese economy, quoted in the same issue of *The New York Times*. The article said there's a growing recognition on Wall Street that the economic toll from coronavirus may be deeper and longer lasting than first anticipated. Read more at nyti.ms/2I0CC1D.

An ordinary year

"The normal state of affairs for the stock market is abnormal returns from year to year. We just don't know if those returns will be abnormally high or abnormally low." – Ben Carlson, in a 1/28/20 post on his blog, *A Wealth of Common Sense*, on the unpredictability of the stock market. Read more at bit.ly/2wFcyqu.

The premium investors must pay

"There will be another drawdown. And when it comes, you will have no way of knowing if it will be just a 5% pullback, a 10% correction, a 20% decline, or something more. And that's OK. Uncertainty is a feature of equities, not a bug. Bearing that risk is the price of admission for long-term investors, without which there would be no reward." – Charlie Bilello of Compound Capital Advisors in a 2/12/20 blog post on the tension that comes with the territory of investing. Read more at bit.ly/2w1x0lc.

How investors profit

"The Bored man doesn't waste his time trying to figure out what's going to happen next and position his portfolio accordingly. He's already built his portfolio to withstand both good and bad scenarios." – Stephen Nelson, in a 2/21/20 post on his *Per Diem* blog, in which he compared the ideal investor's philosophy to the play of Los Angeles Clippers forward Kawhi Leonard—a "board man" happy to thrive on the defensive side of the court. Similarly, Nelson said investors should think of themselves as "bored men" (or women), opting for unexciting attributes such as a long-term view and ignoring today's "hot" investments. Read more at bit.ly/380Clq4.

[1]Oct2019:p153

PREMIUM STRATEGIES

The strategies described below are available to SMI Premium-level members. They have 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

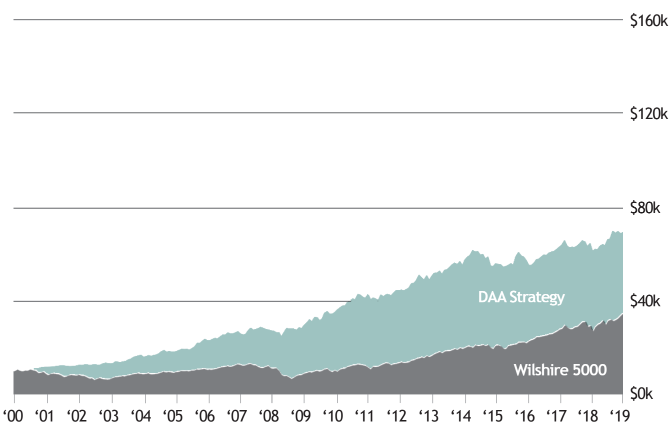
Overview

An investor can use Dynamic Asset Allocation (DAA) in combination with or in place of SMI's Basic Strategies. DAA is designed to help investors 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—by using exchange-traded funds (ETFs). Only three ETFs are held at any one time.

Who Should Consider This Strategy

Anyone—but especially those more concerned with avoiding major losses during bear markets than with capital growth during bull markets. **Pros:** Excellent downside protection during bear markets, as reflected in both a comparatively small worst-case result and a low relative-risk score (see performance table below). Great long-term track record. **Cons:** Subject to short-term whipsaws. Lags the market in "up" years. Making trades promptly and concentrating one's entire portfolio in only three asset classes can be emotionally challenging.

Dynamic Asset Allocation vs Wilshire 5000
Growth of $10,000 January 2001-December 2019



Strategy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg[1]	Worst12[1]	Rel Risk[1]
DAA	7.1%	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%	16.0%	-4.5%	13.7%	10.1%	-13.7%	0.62
Wilshire 5000	-10.9%	-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%	21.0%	-5.3%	31.0%	6.4%	-43.3%	1.00

SECTOR ROTATION

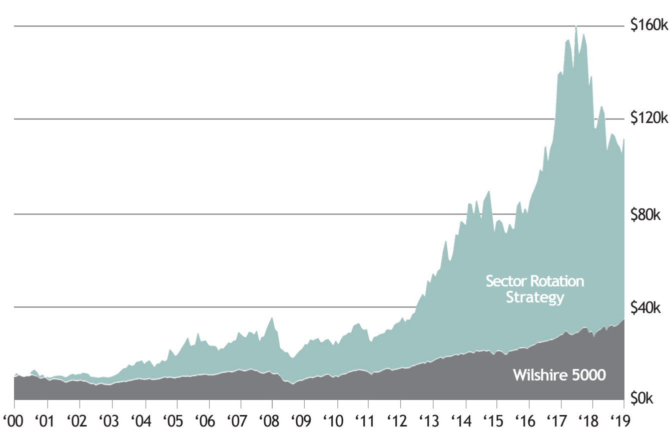
Overview

Sector Rotation (SR) is intended to be used in combination with Just-the-Basics, Fund Upgrading, or DAA (or a mix of these). SR is a high-risk strategy that invests in a single special-purpose stock fund focused on a specific sector (such as biotech, energy, or financial services). Such funds carry a higher degree of risk because they invest in a narrow slice of the economy. In making our fund recommendation, we choose a fund demonstrating especially strong momentum relative to other sector options. Sector Rotation has generated especially impressive long-term returns but with the performance peaks and valleys higher and lower than SMI's other strategies. We suggest that an SR investment account for no more than 20% of one's *total stock allocation*—or, if using SR in combination with DAA, no more than 20% of one's *overall* portfolio.

Who Should Consider This Strategy

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

Sector Rotation vs Wilshire 5000
Growth of $10,000 January 2001-December 2019



Strategy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg[1]	Worst12[1]	Rel Risk[1]
SR	0.7%	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%	16.9%	56.7%	-15.8%	-1.6%	13.0%	-38.6%	1.90
Wilshire 5000	-10.9%	-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%	21.0%	-5.3%	31.0%	6.4%	-43.3%	1.00

[1]The three data points at the far right in each performance table cover the full 20 years from Jan2000-Dec2019. "Avg" shows the average annualized return over those 20 years. "Worst12" represents the worst investor experience over 217 rolling 12-month periods during those 20 years.

PERIODICALS POSTAGE
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Dated Investment Material
Please Do Not Delay!

PERFORMANCE DATA

SOUND MIND INVESTING MODEL PORTFOLIOS • DATA THROUGH JANUARY 31, 2020

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]	0.0%	0.0%	6.8%	20.6%	13.9%	12.0%	13.8%	9.3%
Just-the-Basics[2]	-0.9%	-0.9%	5.5%	16.1%	11.3%	9.7%	12.0%	8.6%
Stock Upgrading[3]	-0.8%	-0.8%	3.8%	14.4%	8.8%	8.3%	10.5%	8.2%
U.S. Bond Market[4]	2.1%	2.1%	1.9%	9.8%	4.5%	2.9%	3.6%	4.1%
Bond Upgrading[5]	2.1%	2.1%	1.9%	9.8%	4.0%	1.9%	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]	-0.5%	-0.5%	-1.1%	11.2%	7.2%	2.3%	8.3%	9.6%
Sector Rotation	-2.3%	-2.3%	3.6%	-3.5%	7.3%	7.8%	16.7%	13.7%
50-40-10 Blend[7]	-0.8%	-0.8%	1.3%	11.1%	8.1%	5.4%	10.3%	9.9%

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 1/31/2020	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	-0.10%	-0.10%	4.33%	13.26%	8.00%	6.56%	9.06%
Wilshire 5000	0.01%	0.01%	6.75%	20.60%	13.85%	12.01%	13.84%
S&P 500	-0.04%	-0.04%	6.72%	21.68%	14.54%	12.37%	13.97%

Quarterly Returns as of 12/31/2019	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	19.29%	2.21%	5.98%	19.29%	8.56%	5.99%	8.65%
Wilshire 5000	31.02%	2.93%	9.08%	31.02%	14.52%	11.38%	13.44%
S&P 500	31.49%	3.02%	9.07%	31.49%	15.27%	11.70%	13.56%

Total/Gross expense ratio: 1.94% as of 2/28/20 (includes expenses of underlying funds)
Adjusted expense ratio: 1.18% as of 2/28/20 (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 Ultimus Fund Distributors, LLC (member FINRA).

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