Investing is about more than money. You’re investing for a reason - maybe it’s retirement, sending kids to college, the desire to leave a legacy - or all of these things. We work to understand what’s important to you, and together we can develop a personalized investment strategy to help get you where you want to be.
Choosing a Portfolio Objective

Our primary focus is helping you achieve your financial goals. One of the most important steps in working toward your long-term goals is choosing a Portfolio Objective. This helps determine the appropriate asset allocation – or mix of investments.

Before you select a Portfolio Objective, we want to discuss:

- Your goals
- How comfortable you are with risk
- When you’ll need the money you’ve invested

We believe that by understanding what’s important to you, we can work together to review your options and help select an appropriate Portfolio Objective.

### Your Goals

Before we recommend an investment strategy, we think it’s important to get to know you and what you’re working toward. Identifying and writing down your specific goals is the starting point. This goes beyond, “I want to retire someday.”

Your financial advisor will ask questions such as, when do you want to retire? How much money will you need to maintain your current lifestyle? How much do you want to contribute to a child’s or grandchild’s education savings? Do you want to leave a financial legacy for your heirs? Buy a vacation home? What else is important to you?

We have a systematic approach that helps you identify and prioritize your goals. Then, together you and your financial advisor can build a strategy to help achieve them.

### Your Comfort with Risk

Risk and return go hand in hand. When it comes to reaching your long-term goals, appropriate risk is beneficial and serves a valuable purpose. The more risk you’re willing to take, the greater potential returns you may receive. The key is striking the right balance for you.

That’s where your comfort level with risk, or your risk tolerance, comes in. Generally speaking, the more stock investments you own, the more ups and downs you’ll experience – but you’ll also have the potential for higher long-term returns.

We also want to understand how much risk you can take (which includes your time horizon) and how much risk you actually need to take, which are all important factors when selecting a Portfolio Objective to help you reach your goals.

By knowing your comfort level with risk, you can set realistic expectations and stick with your long-term strategy during the inevitable market declines that happen along the way.

### Your Time Horizon

Another major factor to consider when selecting a Portfolio Objective is when you’ll need the money. Typically, the longer you have to invest, the more you can handle the short-term market swings. So you may have a larger allocation to stocks or stock mutual funds. However, the closer you get to needing the money for your goals, the more we recommend shifting to more conservative investments, which may have smaller fluctuations.

Each of your goals will likely have a different time horizon. If your goal is retirement, when you want to retire (and how long you plan on spending in retirement) determines your time horizon. We refer to your retirement time horizon as your life stage. If one of your goals is paying for college, however, your time horizon is based on your children’s ages (and when they may be going to college). Since each goal may have a different time horizon, each may have a different Portfolio Objective.
Choosing a Portfolio Objective

So what may be right for you? The short answer – it depends. Portfolio Objectives are designed to address the complete spectrum of an investor’s needs. It’s important for you to understand the characteristics and trade-offs associated with each one, including risks and returns.

Your comfort level with risk and time horizon will help provide a starting point for selecting your Portfolio Objective. But there are other factors you should discuss with your financial advisor, such as your income needs, existing savings and your desire to leave a legacy. Any of these factors may cause you to adjust your Portfolio Objective. And remember, each of your goals may have a different Portfolio Objective. And your Portfolio Objective sets appropriate expectations for risk and return potential and helps you track progress over time. The key to selecting a Portfolio Objective is striking the right balance for your unique circumstances.

**Income-oriented Portfolio Objectives**

If you choose a more income-oriented Portfolio Objective, it will usually generate more income and experience less price volatility than a more growth-oriented Portfolio Objective. However, you give up some return potential and inflation protection.

**Balanced toward Income**

*Long-term Expected Returns 4.0%-6.0%*

*Equity 35%*

*Income & Cash 65%*

International 5% – 25% Aggressive Income 0% – 15%

This Portfolio Objective emphasizes current interest income while providing modest long-term growth and rising dividend income potential.

**Balanced Growth & Income**

*Long-term Expected Returns 4.5%-6.5%*

*Equity 50%*

*Income & Cash 50%*

International 10% – 30% Aggressive Income 0% – 10%

This Portfolio Objective has a balanced emphasis on current interest income, along with long-term growth and rising dividend income potential.

**Income Focus**

*Long-term Expected Returns 3.5%-5.5%*

*Equity 20%*

*Income & Cash 80%*

International 5% – 20% Aggressive Income 0% – 15%

This Portfolio Objective emphasizes current interest income with little long-term growth potential or inflation protection, as it contains mostly fixed-income investments.

**Preservation of Principal**

*Income & Cash 100%*

This Portfolio Objective is designed to preserve your principal (the original amount invested). The investments in this Portfolio Objective may provide some current income, which can fluctuate, and little or no opportunity for growth. This Portfolio Objective is reserved for special circumstances because it contains cash and short-term income securities only.

**SPECIAL CIRCUMSTANCES PORTFOLIO OBJECTIVE**

<table>
<thead>
<tr>
<th>More Potential Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Potential Risk</td>
</tr>
</tbody>
</table>
Balanced toward Growth

Long-term Expected Returns 5.0%-7.0%

Equity 65%
Income & Cash 35%

International 15% - 35%
Aggressive Income 0% - 10%

This Portfolio Objective emphasizes long-term growth and rising dividend income potential, while providing moderate current interest income.

Growth Focus

Long-term Expected Returns 5.5%-7.5%

Equity 80%
Income & Cash 20%

International 15% - 35%
Aggressive Income 0% - 10%

This Portfolio Objective emphasizes higher long-term growth and rising dividend income potential, while providing only modest current interest income.

All-Equity Focus

Long-term Expected Returns 6.0%-8.0%

Equity 100%

International 20% - 40%
Aggressive Income 0%

This Portfolio Objective is focused on long-term growth, offering the highest potential returns but also the highest level of risk and contains only equity investments. This Portfolio Objective provides no interest income but does offer potential rising dividend income. It’s reserved for special circumstances. For example, you may have an all-equity account because you hold bonds in another account.

Growth-oriented Portfolio Objectives

The more growth-oriented Portfolio Objectives typically offer less current income but more potential for long-term growth and inflation protection. They will be more volatile in price, which means the price and value of your investments will change more often and your risk of potential decline will be higher.

Investment Categories Defined

Use this legend to determine which ranges on these two pages align with each investment category.

Expected Return: Based on our long-term annual return expectations for U.S. equity (5.5%-7.5%), international equity (7.0%-9.0%) and fixed-income investments (3.0%-4.25%). This describes the average expected return for this Portfolio Objective based on the asset allocation illustrated. This does not factor in potential fees and taxes that could reduce your actual return. There is no guarantee that you will earn this return if you hold investments in line with this Portfolio Objective.

Portfolio Construction

After selecting a Portfolio Objective, you and your financial advisor will work together to build a diversified portfolio with quality investments. This should align with your goals, comfort level with risk, time horizon and other important factors. You can expect the process to follow the progression of the image below, beginning with the mix between equity and fixed income and moving to the right, where you select the individual investments to build your strategy.

1 Alternative Investments and Stocks trading less than $4 align with the aggressive investment category, but they are not recommended.
2 Large-cap stocks that do not pay a dividend are in the Growth investment category.

Investment Category Definitions

**Cash**
The base level of investing is considered cash. This includes funds held in savings and money market accounts for investment purposes, but it does not include cash reserved for emergencies. Excess cash, however, can represent missed opportunities for higher-return investments and can result in decreased purchasing power due to inflation.

**Income**
Income investments, such as U.S. and international bonds, pay a fixed or variable amount of interest and normally offer higher rates than cash investments. Generally, if interest rates decrease, bond prices increase, and if rates increase, bond prices decrease. The longer the period before maturity, the greater an income investment’s value will fluctuate as a result of interest rate movements.

**Growth and Income**
Investments such as U.S. and international large-cap stocks and mutual funds offer potential growth through rising earnings and provide income through dividends. The prices of these securities will usually vary more on a day-to-day basis than the prices of income investments. However, their dividend income typically provides greater price stability than is generally found in pure growth investments.

**Growth**
Although past performance is not a guarantee of future results, investments such as U.S. small- and mid-cap stocks and mutual funds have the potential to outperform income or growth-and-income investments. However, they typically offer little current dividend income and depend heavily on earnings growth for their long-term returns – and their prices can be more volatile.

**Aggressive**
Offering the potential for higher returns, aggressive investments also carry higher levels of risk and price volatility. For example, emerging markets are highly sensitive to a country’s political and economic events. And though we don’t recommend them, alternative investments also fit in this category.
Portfolio Objectives for Retirement

Understanding the intended purpose and risk/return trade-offs for each Portfolio Objective, and factoring in your personal risk tolerance and time horizon, can help determine which option may be best for you.

For retirement, we’ve identified five investing “life stages” to serve as the time horizon: three “accumulation” phases if you’re saving for retirement and two “distribution” phases if you’re already retired and using your investments to support your income needs.

While the guidance table below is specific to retirement, we have different guidance tables for other goals, such as paying for education, as the time horizon for these goals is likely different.

Numerous factors can cause you to adjust your Portfolio Objective from those suggested in the table, including your:

• Current and future income needs
• Amount of existing savings
• Investing time horizon
• Estate considerations

Please note that if you adjust your Portfolio Objective, it does not mean your risk tolerance has changed.

### Portfolio Objective Guidance Table: Retirement Goal

<table>
<thead>
<tr>
<th>Retirement Time Horizon</th>
<th>Accumulation Years (Preparing for Retirement)</th>
<th>Distribution Years (Living in Retirement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26+ Years Until Retirement</td>
<td>16-25 Years Until Retirement</td>
<td>15 Years or Fewer Until Retirement</td>
</tr>
<tr>
<td>Early Investing Years</td>
<td>Good Earnings Years</td>
<td>High Income and Savings Years</td>
</tr>
<tr>
<td>High</td>
<td>Growth Focus</td>
<td>Growth Focus</td>
</tr>
<tr>
<td>Medium to High</td>
<td>Growth Focus</td>
<td>Growth Focus</td>
</tr>
<tr>
<td>Medium</td>
<td>Growth Focus</td>
<td>Growth Focus</td>
</tr>
<tr>
<td>Low to Medium</td>
<td>Growth Focus</td>
<td>Balanced toward Growth</td>
</tr>
<tr>
<td>Low</td>
<td>Balanced toward Growth</td>
<td>Balanced Growth &amp; Income</td>
</tr>
</tbody>
</table>

**Note:** Age 70 is the oldest possible retirement age for Portfolio Objective guidance purposes. Portfolio Objective recommendations within the Accumulation Years also assume that you’ll spend more than 20 years in retirement.

### Accumulation Stages

These are critical wealth-building years, considering many investors will spend more than 20 years in retirement. Early Investing Years generally begin when you start your career. Good Earnings Years typically occur when you have 15-25 years until retirement. Higher Income & Savings Years are usually after children are grown, but you may have up to 15 years until retirement.

### Distribution Stages

You may spend as much time in retirement as you did working. We separate the distribution years into Early Retirement and Late Retirement. Think about these in terms of how many years you may spend in retirement. In general, Early Retirement Years are for investors who have more than 10 years to rely on their investments for income. There are many important considerations when estimating how long you’ll need money from your portfolio, including age, health and your family’s longevity.