

# Workplace Education Series



## Building a Portfolio for Any Weather





# Get more out of your retirement savings

Today's agenda:

- Principles of asset allocation and diversification
- Characteristics of key asset classes
- How to develop an investment strategy to help you reach your financial goals
- Steps to put your plan in motion



# Dell 401(k) Plan Features

<b>Eligibility Requirements</b>	All Contributions	There is no waiting period. You can enroll in the Plan at any time.
<b>Enrollment</b>	All Contributions	<p>Your enrollment becomes effective once you elect a deferral percentage, which initiates deduction of your contributions from your pay.</p> <p>These salary deductions will generally begin with your next pay period after we receive your enrollment information, or as soon as administratively possible.</p>
<b>Contributions</b>	Employee Contributions <b><u>IRS Limits</u></b> <b>2015 \$18,000</b> <b><u>Catch-up limit</u></b> <b>2015 \$6,000</b>	<p>Through automatic payroll deduction, you may contribute up to 50% of your eligible pay as pretax or Roth 401(k) contributions, up to the annual IRS dollar limits.</p> <p>If you have reached age 50 or will reach 50 during the calendar year January 1 – December 31 and are making the maximum plan or IRS pretax contribution, you may make an additional “catch-up” contribution each pay period.</p>
	Company Contributions	Dell matches 100% of the first 5% of your eligible compensation that you contribute to the Plan.
<b>Vesting</b>	You are immediately 100% vested in your own contributions to the Dell 401(k) Plan, as well as in any of the company’s matching contributions and any earnings on them.	

# The fundamentals of investing

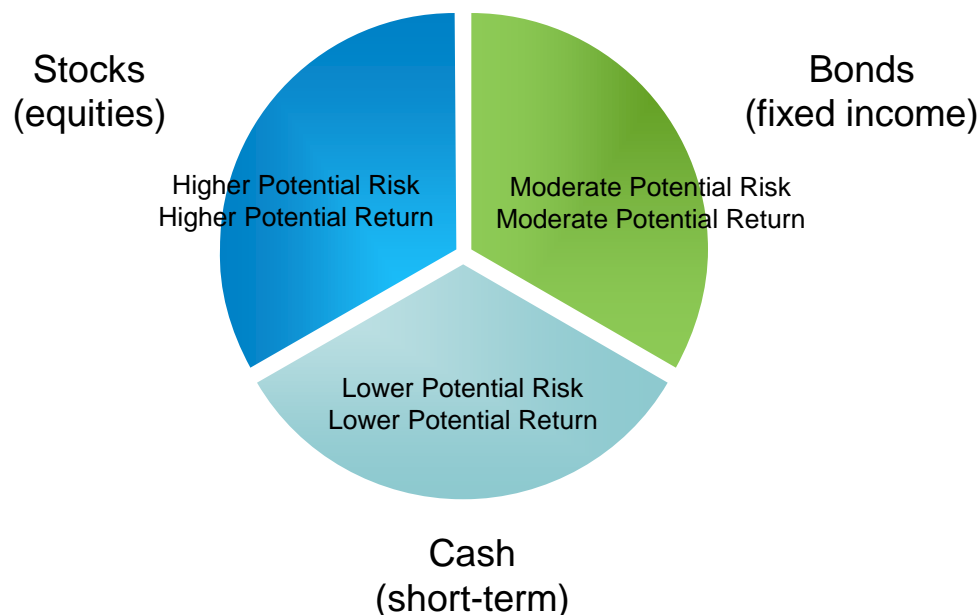
## Let's explore:

- The principles of asset allocation
- Different investment types
- The importance of diversification





# Asset allocation = combining different investment types



Up to 91.5% of variations in returns can be attributed to asset allocation.\*

\* Source: "Determinants of Portfolio Performance," Brinson, Hood and Beebower, *Financial Analysts Journal*, July-August 1986, and "Determinants of Performance II: An Update," Brinson, Singer and Beebower, *Financial Analysts Journal*, May-June 1991. This represents a landmark study which has not been refuted and which stands today as a valid, widely accepted theory.



# The three investment types and the role they play

Inflation risk

Investment risk

## Short-term investments

- Money market, T-bills, CDs
- Relatively stable value
- Potential to pay interest
- Lower risk, lower potential return

## Bonds

- I.O.U.
- Debt securities issued by governments and corporations
- Potential to pay interest
- Moderate risk, moderate potential return

## Stocks

- Share of a company, “equity”
- Long-term growth potential
- Value can go up and down
- Higher risk, higher potential return

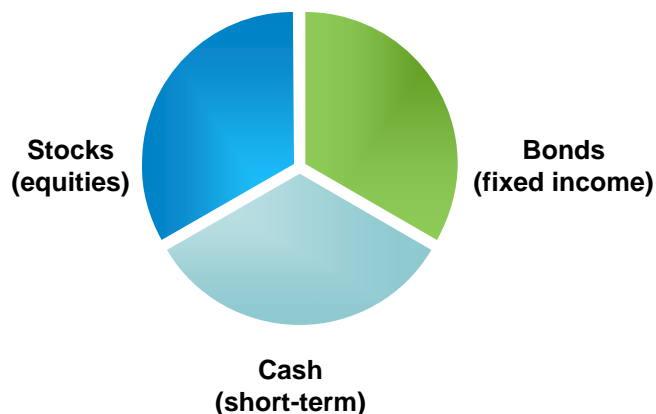
An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.



# Diversification = spreading out investments within investment types

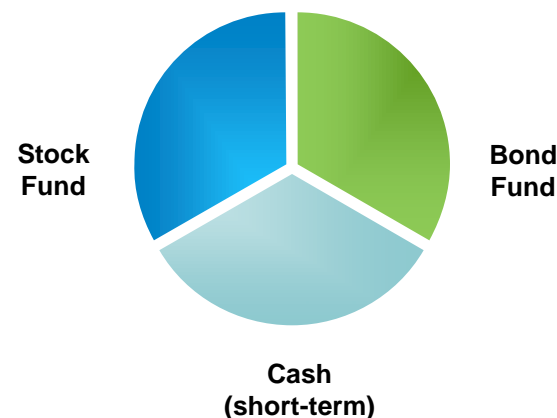
## Diversification

Spread out your investments within investment types



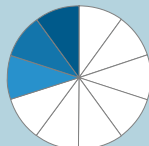
## Mutual Funds

Include a variety of stocks and/or bonds





 <p><b>Stock Funds</b></p>	Market Capitalization		
	Large Cap	Mid Cap	Small Cap
	Over \$11.2 billion	\$2.0 to \$11.2 billion	Less than \$2.0 billion
	Top 70% of the domestic stock market	Next 20%	Remaining 10%
	Investment Style		
	Value	Growth	
	Companies undervalued	Companies whose earnings and profits are growing	
	Buy it “on sale”	Share price is higher than current earnings	
	Poised for growth	Pay a premium for potential	
	Region		
	How	Type	
	By whether they include the U.S.	Global (includes U.S.); International (outside U.S.)	
By where they invest	Regional (Europe); country (Japan)		
By segment of the market	International small cap		

 <p><b>Bond Funds</b></p>	Bond Funds	
	How	Type
	By credit risk	High, moderate, and low quality • Government • Corporate
	By maturity	Short-, intermediate-, and long-term bonds

 <p><b>Short-term Investments</b></p>	Short-term Investments	
	How	Type
	By type of short-term investments	Money market
	By issuer	• Banks • Government • Other financial institutions

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds. Unlike mutual funds, most CDs and U.S. Treasuries offer a fixed rate of return and guarantee payment of principal if held to maturity. Unlike most bank products such as CDs, money market mutual funds are not FDIC insured.

Remember, past performance is no guarantee of future results and neither diversification nor asset allocation ensures a profit or guarantees against loss.







# Several ways to diversify your Dell 401(k) Plan investments

- Invest in stock funds with varying investment strategies
- Mix domestic and international stock funds
- Keep less than 25% of your money in a single stock fund
- Select a limited number of stock funds to keep tracking simple
- Diversify among bond funds with varying maturities



# Asset allocation + diversification = a smart investment mix

## Combining them skillfully can help you

- Reduce portfolio risk and volatility
- Match your investment strategy to your time horizon, financial situation, and risk tolerance
- Tap into market opportunities
- Avoid the pitfalls of market timing

▶ **A Tool to Help:** Use **Portfolio Review** to find your target asset mix or complete the **Investor Profile Questionnaire**.

# Determine your investment approach

## Let's explore:

- Factors that can impact your strategy
- Considerations for building your investment portfolio
- How to find the right mix





# Finding the right mix depends on

- Your tolerance for risk
- Your time horizon
- Your financial situation

▶ **A Tool to Help:** Use **Portfolio Review** to find your target asset mix and create an action plan to help align your portfolio with your goals. Or, complete the **Investor Profile Questionnaire**.



# The risk of inflation

	2003	2013	% rise in price
Loaf of bread <sup>1</sup>	\$1.00	\$1.42	42%
One dozen eggs <sup>1</sup>	\$1.24	\$1.93	56%
College education <sup>2</sup>	\$31,633	\$40,917	29%

► **What to Do:** Make sure you consider investments with the potential to outpace inflation.

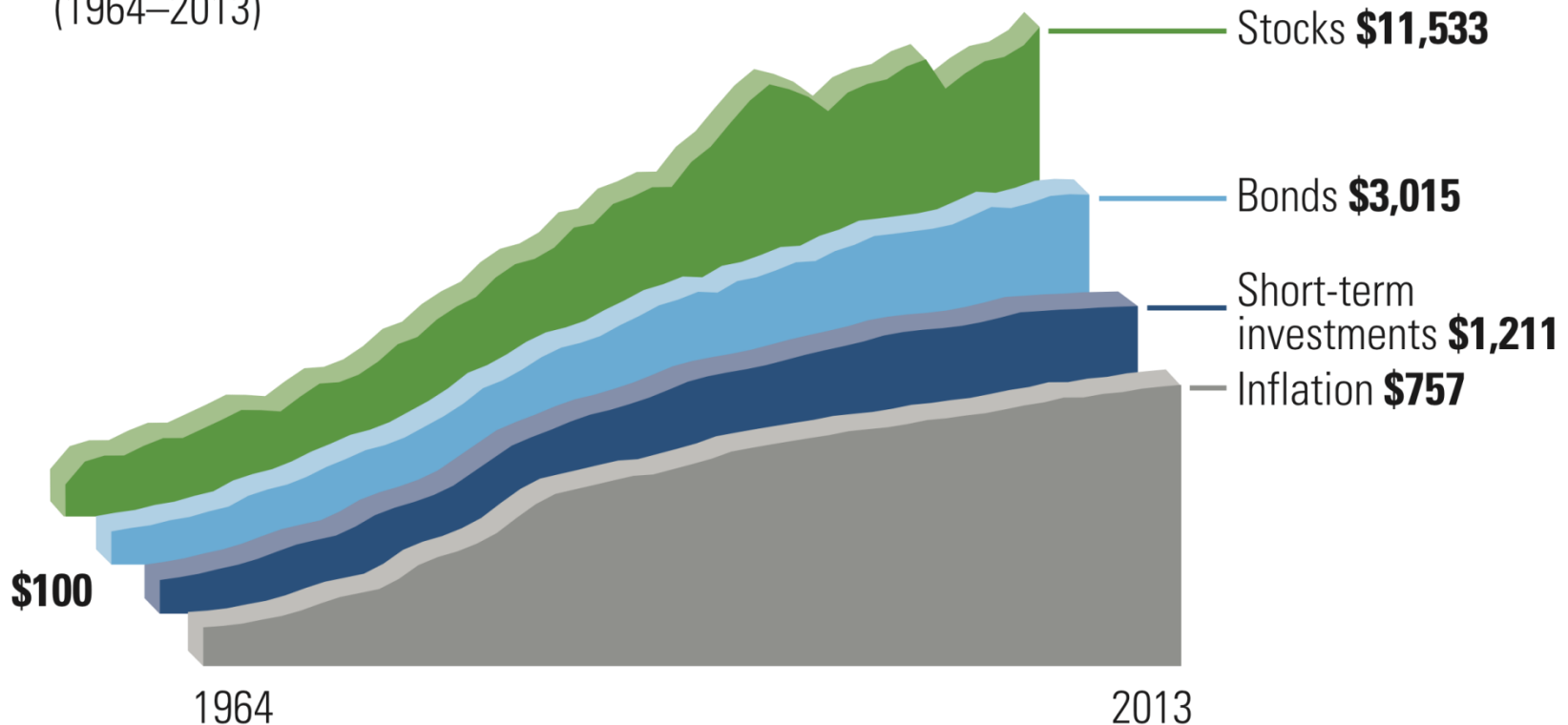
<sup>1</sup> US Dept. of Labor, Bureau of Labor Statistics, 2013.

<sup>2</sup> Annual cost per year (tuition and fees, room and board) at private non-profit university: The College Board, Trends in College Pricing 2013, Table 2B.



# Investment risk

**How \$100 grew over 50 years**  
(1964–2013)



Data Source: Ibbotson Associates, 2014 (1964–2013). Past performance is no guarantee of future results. The asset class (index) returns reflect the reinvestment of dividends and other earnings. This chart is for illustrative purposes only and does not represent actual or future performance of any investment option. It is not possible to invest directly in a market index. Stocks are represented by the Standard and Poor's 500 Index (S&P 500® Index). The S&P 500® Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. Bonds are represented by the U.S. Intermediate Government Bond Index, which is an unmanaged index that includes the reinvestment of interest income. Short-term instruments are represented by U.S. Treasury bills, which are backed by the full faith and credit of the U.S. government. Inflation is represented by the Consumer Price Index. (CPI) is a widely recognized measure of inflation, calculated by the U.S. government. Stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuations than stocks but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value (if held to maturity), but returns are only slightly above the inflation rate.



# Your time horizon

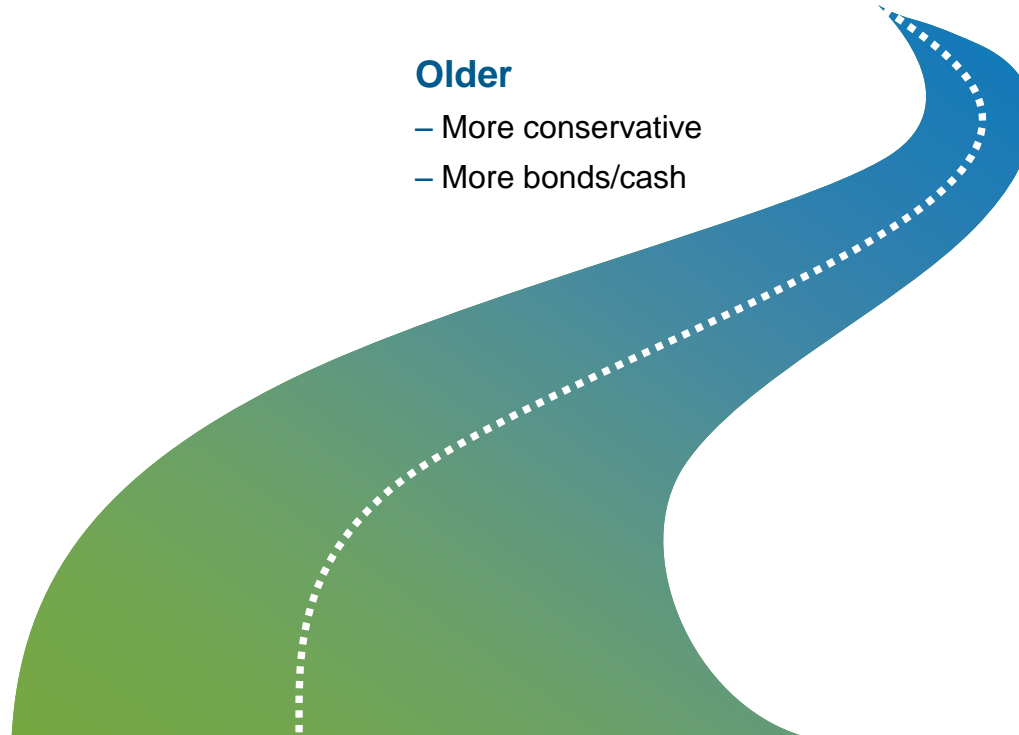
## Retirement

### Older

- More conservative
- More bonds/cash

### Younger

- More aggressive
- More stock funds



Then, determine what mix of investment types match your investment approach



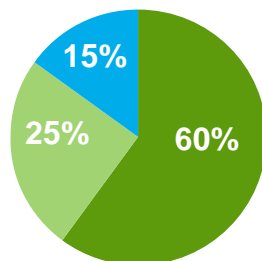
# Finding the right mix

## How four hypothetical investment mixes align with different approaches to investing

### Aggressive Growth

May be appropriate for investors:

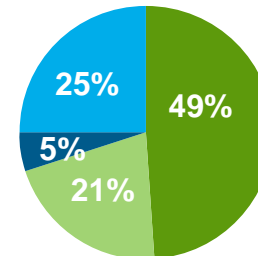
- Comfortable with wide fluctuation
- > 10 years until retirement goal



### Growth

May be appropriate for investors:

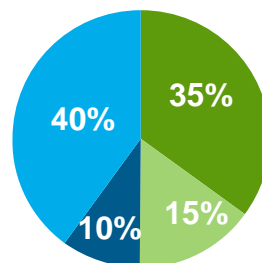
- Comfortable with significant fluctuation
- > 5 years until retirement goal



### Balanced

May be appropriate for investors:

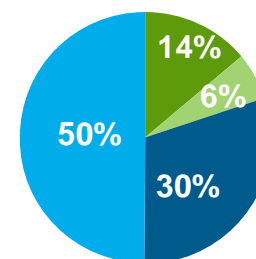
- Comfortable with moderate fluctuation
- < 5 years until retirement goal



### Conservative

May be appropriate for investors:

- Looking to minimize fluctuation
- < 5 years until retirement goal



■ Domestic Stock   ■ Foreign Stock   ■ Bond   ■ Short-term Investments

For illustrative purposes only.

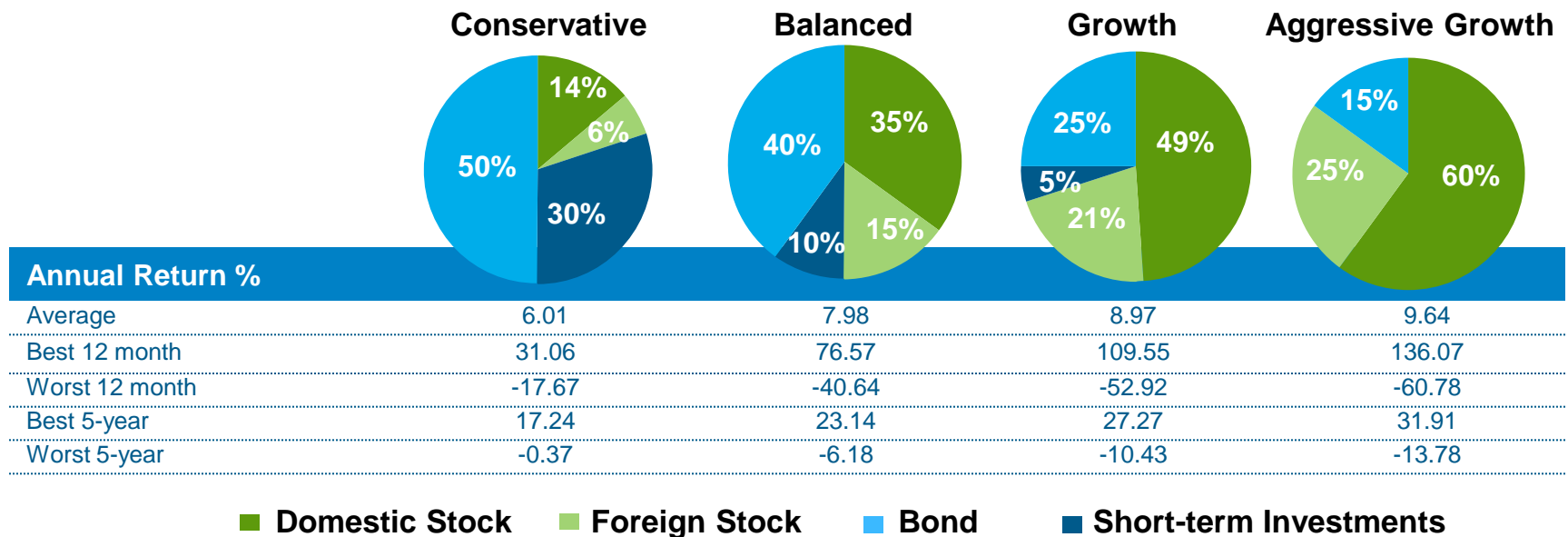
The purpose of the target asset mixes is to show how target asset mixes may be created with different risk and return characteristics to help meet a participant's goals. You should choose your own investments based on your particular objectives and situation. Remember, you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals. You should also consider any investments you may have outside the plan when making your investment choices.

These target asset mixes were developed by Strategic Advisers, Inc., a registered investment adviser and Fidelity Investments company, based on the needs of a typical retirement plan participant.





# Mixing asset classes can help moderate risk



Data Source: Ibbotson Associates, 2014 (1926–2013). Past performance is no guarantee of future results. Returns include the reinvestment of dividends and other earnings. This chart is for illustrative purposes only and does not represent actual or implied performance of any investment option. Stocks are represented by the Standard & Poor's 500 Index (S&P 500®). The S&P 500® Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. Bonds are represented by the U.S. Intermediate Government Bond Index, which is an unmanaged index that includes the reinvestment of interest income. Short-term instruments are represented by U.S. Treasury bills, which are backed by the full faith and credit of the U.S. government. It is not possible to invest directly in an index. Stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuation than stocks but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value (if held to maturity), but returns are generally only slightly above the inflation rate. Foreign Stocks are represented by the Morgan Stanley Capital International Europe, Australasia, Far East Index for the period from 1970 to the last calendar year. Foreign Stocks prior to 1970 are represented by the S&P 500®.

The purpose of the target asset mixes is to show how target asset mixes may be created with different risk and return characteristics to help meet a participant's goals. You should choose your own investments based on your particular objectives and situation. Remember that you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals. You should also consider any investments you may have outside the plan when making your investment choices. These target asset mixes were developed by Strategic Advisers, Inc., a registered investment adviser and Fidelity Investments company, based on the needs of a typical retirement plan participant.

# Reviewing your Dell 401(k) Plan's investment options

## Let's explore:

- What type of investor are you?
- Your plan's investment options



# Choosing your investments: hands-on or hands-off?

- Do you want to make your own investment decisions?
- Are you comfortable building your own portfolio?
- Do you have the time to actively manage your investments?

Hands-off

Hands-on

## Managed account- Financial Engines

Investment decisions and management of your portfolio are made by professionals on your behalf to help pursue your goals.

## Lifecycle Funds\*- Pre-Mixed Portfolios

Provide an automatic investment mix that becomes continually more conservative as time goes on. Just pick the fund with the year that's closest to the year you plan to retire.

## Let the tools guide you

Use the Fidelity investment guidance tool, Portfolio Review, to identify a target investment mix, receive a model portfolio suggestion, and easily implement your strategy. Financial Engines also offers online tools.

## Do it yourself

Access Fidelity's research resources, and utilize our fund selection tools to build your own portfolio.

\*Lifecycle funds are designed for investors expecting to retire around the year indicated in each fund's name. The investment risk of each lifecycle fund changes over time as its asset allocation changes. Lifecycle funds are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates.

\*\*Portfolio Review is an educational tool.

Guidance provided by Fidelity is educational in nature, is not individualized, and is not intended to serve as the primary or sole basis for your investment or tax-planning decisions.

Neither diversification nor asset allocation ensures a profit or guarantees against loss.



# Investment options by asset class and sub-asset class

## **Asset Class: Money Market (or Short Term)**

Money Market Fund

## **Asset Class: Bond**

### **Diversified**

Bond Fund

Bond Index Fund

Short Duration Bond Fund

## **Asset Class: Balanced/Hybrid**

Balanced Fund

Balanced Real Asset Fund

## **Asset Class: Domestic Equities**

### **Large Value**

Large Cap Value Fund

### **Large Blend**

Equity Index Fund

### **Large Growth**

Large Cap Growth Fund

## **Domestic Equities (con't)**

### **Mid Blend**

Small Mid Cap Core Index Fund

### **Mid Growth**

Small Cap Value Fund

Small/Mid Cap Growth Fund

## **Asset Class: International/Global**

### **Diversified**

International Fund

International Index Fund

International Value Fund

### **Emerging Markets**

Emerging Markets Equity Fund

# Lifecycle Chart

Your plan has assigned lifecycle funds based on target retirement date ranges, if you decide not to select individual investment options.

Fund Name
Pre-Mixed Portfolio 2015 Fund
Pre-Mixed Portfolio 2025 Fund
Pre-Mixed Portfolio 2035 Fund
Pre-Mixed Portfolio 2045 Fund
Pre-Mixed Portfolio 2055 Fund
Pre-Mixed Portfolio Retirement Fund

The target date investments are designed for investors expecting to retire around the year indicated in each fund's name. The investments are managed to gradually become more conservative over time as they approach the target date. The investment risk of each target date investment changes over time as its asset allocation changes. The investments are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after the target dates.



# Managed account services through Financial Engines

- Delegate the management of your account to professional investment managers
- Professionals watch the changes in the market and in the funds in your account
- Rebalances to bring your mix back to an appropriate risk level for your situation

# Make sure your portfolio stays on target

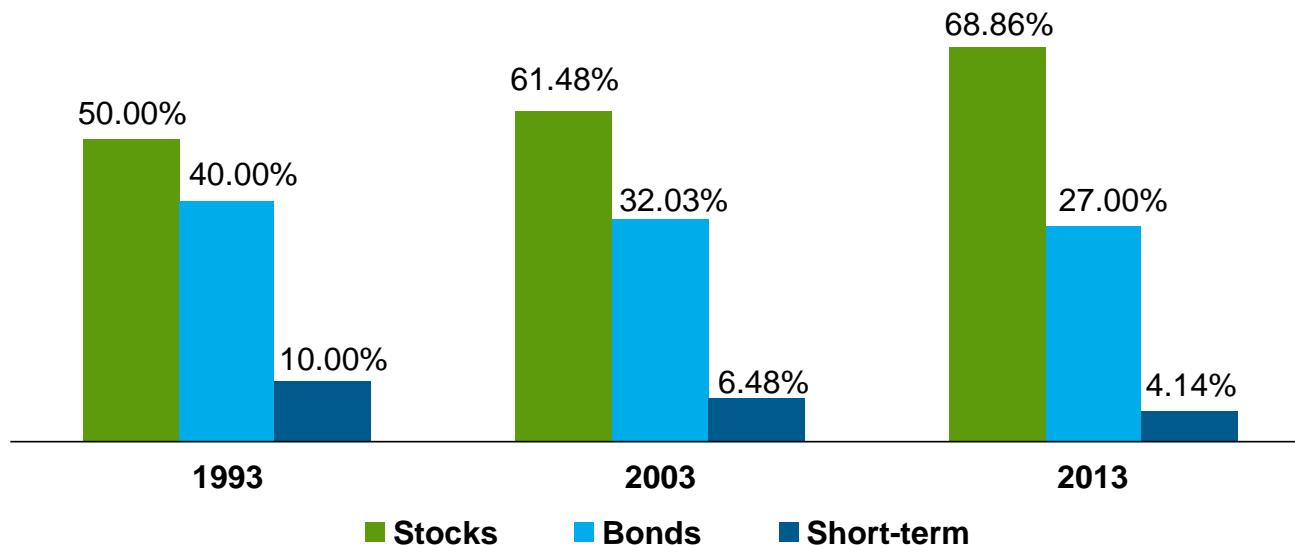
## Let's explore:

- How an investment mix can change over time
- The importance of periodic rebalancing
- When to make a change





# How an investment mix can change over time



Data Source: Ibbotson Associates, 2014. Stocks are represented by the S&P 500® Index, and bonds are represented by the Barclays U.S. Aggregate Bond Index for bonds. Barclays U.S. Aggregate Bond Index is a market value-weighted index that covers the U.S. fixed-rate investment grade bond market with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities with maturities of one year or more. Short-term instruments are represented by U.S. Treasury bills, which are backed by the full faith and credit of the U.S. government.

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. Indices are unmanaged and you cannot invest directly in an index.

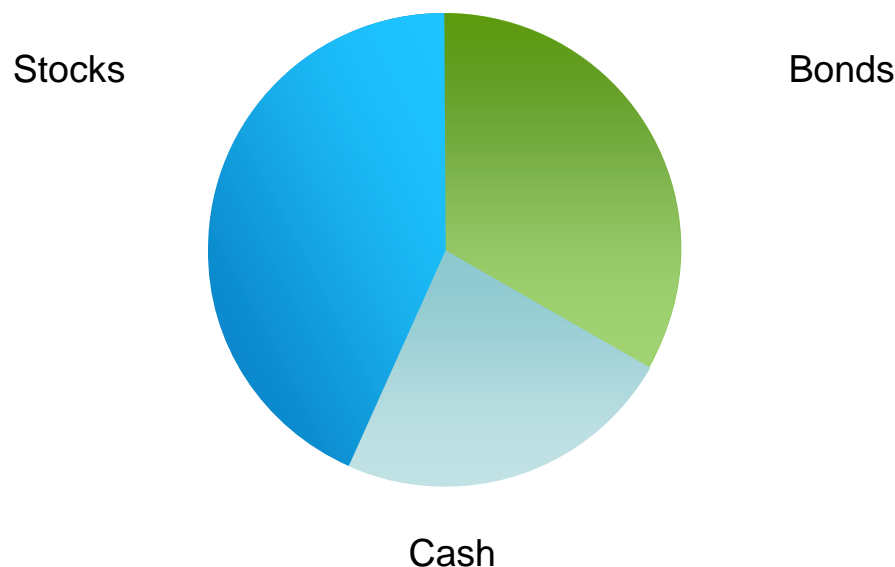
Past performance is no guarantee of future results. This chart is for illustrative purposes only.





# It can help keep your portfolio in line with your goals

Monitor and adjust your portfolio over time



▶ **What to Do:** Use **Portfolio Review** to help make sure your investment mix is still consistent with your unique situation.



# Two ways to help keep your portfolio in balance

## Static rebalancing

	Target portfolio	Current portfolio	Change +/-
Stocks	70%	74%	-4%
Bonds	25%	21%	+4%
Short-term investments	5%	5%	None
TOTAL	100%	100%	

## Tactical rebalancing

	Target portfolio	Current portfolio	Change +/-
Stocks	70% (+/- 5%)	74%	None
Bonds	25% (+/- 5%)	21%	None
Short-term investments	5% (+/- 5%)	5%	None
TOTAL	100%	100%	

For illustrative purposes only.



# To get your portfolio back where you want it

- Change the way future contributions are directed
- Exchange your current account balances
- Move small amounts of money at a time

▶ **Tools and Services to Help:** To make changes—on the spot if you'd like—through the **NetBenefits** contribution page. Also available is the:

Rebalance Notification Service: Notifies you when your account has strayed from the desired investment allocation.

-And-

Automatic Rebalance Service: Automatically rebalances your account to the desired investment mix you elect.



## Key indicators that a change may be necessary

- Your mix shifts from 5% to 10% from its target
- A major life event such as marriage, birth of a child, or divorce



# Stay on track

## Let's explore:

- Steps to help make sure you're properly invested
- Common pitfalls
- How Fidelity can help





# Make sure you are properly invested

- Determine an appropriate investment mix
- Determine your investment style
- Select investment options that fit your target investment mix and investment style
- Review and adjust your investment mix as needed
- Simplify your finances by consolidating accounts

▶ **What to Do:** Visit NetBenefits® and use our **online guidance tools.**



# Avoid common pitfalls

- Chasing “hot” performance
- Trying to time the market
- Emotional panic selling
- Avoiding the market
- Investing without sufficient research and understanding
- Viewing investing as a one-time task



# Put all you've just learned to work for your future

## We will work one on one with you to provide:

- Information about your plan's features and benefits
- Assistance with a range of services from plan enrollment to investment education as well as account consolidation
- Guidance on next steps to help you maximize your workplace savings plan and other retirement savings opportunities
- Assistance with more complex needs including, multi-goal and retirement income planning, charitable giving strategies, and investment management

Contact our **Workplace Planning and Guidance Consultants**  
for a complimentary consultation today!

**Call 800-603-4015**

Representatives are available from 8:30 am – 8:30 pm EST





***Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, contact Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.***

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Portfolio Review, Income Simulator, Retirement Quick Check, Retirement Income Planner, and Fidelity Income Strategy Evaluator are educational tools.

Guidance provided by Fidelity is educational in nature, is not individualized, and is not intended to serve as the primary or sole basis for your investment or tax-planning decisions.

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# Your plan's toll-free number

## **1-800-466-2900**

**[www.netbenefits.com/dell](http://www.netbenefits.com/dell)**

**8:30 am – 8:00 pm**  
**VRS virtually 24 hours**