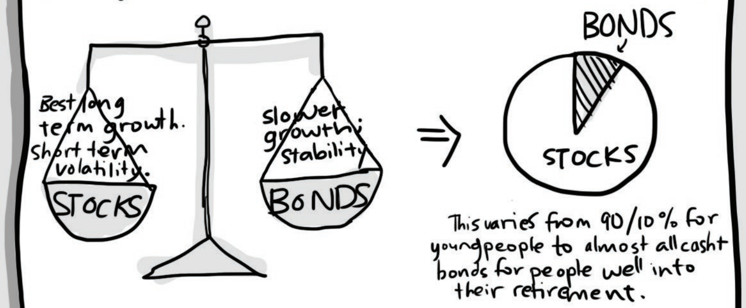
The Awesome Portfolio Checklist

☐ Make sure your portfolio is correct for your age

Your age and risk tolerance determine your strategy.

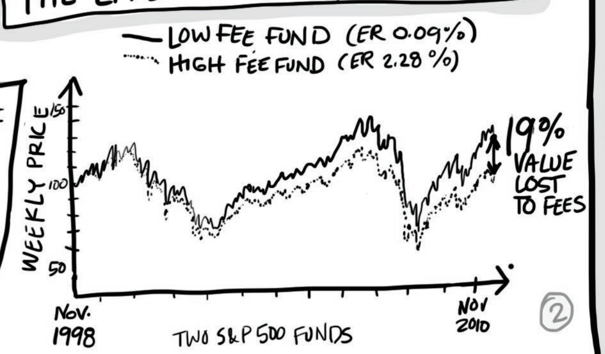


This varies from 90/10% for young people to almost all cash + bonds for people well into their retirement.

☐ Make sure that it's low in fees

Replace funds with high expense ratios with low cost equivalents.

THE EFFECT OF A HIGH EXPENSE RATIO



(2)

A study found: 90% of ACTIVELY MANAGED Funds fail to "BEAT THE MARKET". Low fee index funds perform better. (1)

☐ Make sure you invest idle cash

(3)

$10K TODAY → leave in CD → $13,775 in 20 Years

$10K TODAY → Invest it → $21,456 in 20 Years

☐ Make sure that you own broadly diversified funds

Don't pick individual stocks. Use mutual funds or ETFs to capture the total market returns instead. (4)

SPLIT YOUR STOCKS ALLOCATION AMONG

- ☐ 43% DOMESTIC — Proven returns. No currency risk.
- ☐ 25% FOREIGN DEVELOPED — Capture market returns worldwide.
- ☐ 15% REITs — Real estate investment trusts let you own a slice of commercial real estate.
- ☐ 17% FOREIGN EMERGING

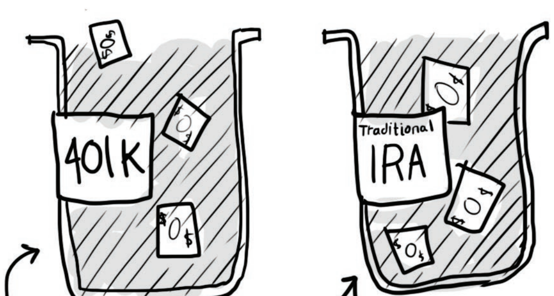
SPLIT YOUR BONDS Allocation:

- 50% ☐ INVESTMENT GRADE BONDS — Provides stability.
- 50% ☐ TREASURY INFLATION PROTECTED SECURITIES (TIPS) — Protects you from unexpected inflation.

☐ Make sure you own small cap and value stock

Seminal research by Fama & French shows that small companies and "value" stocks significantly outperform the market as a whole over the long run, both in the US and abroad. (5)

☐ Make sure you use your tax shelters



Pre-tax $ contributions = more money to grow. Be sure to pick low fee funds from your 401K options.

Roth IRAs, you put $ in post tax. But withdrawals in retirement are tax free. Open one if you can.

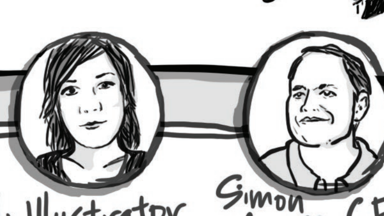
☐ Make sure you look at it 2 or 3 times a year and that all the above are true

1. HAVE THE RIGHT STOCK BOND RATIO — every few years you'll adjust to have slightly more bonds. This adds stability as you near retirement.
2. REBALANCE — what you have → your ideal plan. Market shifts will move you away from your ideal asset allocation.
3. CONTRIBUTE TO THE RIGHT ACCOUNTS — 401K, IRA, Roth. Maximize contributions to your tax sheltered accounts.

☐ Make it automatic

Because emotions cost investors millions. See the Dalbar study. (6)

- ★ Make saving the default by setting up automatic investment plan
- ★ Consider target date funds or a service like FutureAdvisor (futureadvisor.com) to have someone do it all for you.



Amelia Greenhall, Illustrator
Simon Moore, CFA

(1) Arnott, Berkin, Ye, "The management and mismanagement of taxable assets." 2000. (2) See Futureadvisor.com/save-on-fees for details. (3) Assumes CD has 1.7% annual return; investments made 4.1% annual return. (4) Great book on the futility of picking stocks: *Unconventional Success* (5) Fama French. "Value vs Growth. The International Evidence." 1997. (6) See Dalbar's 'Quantitative Analysis of Investor Behavior.'