The Broaster Company 401(k) Profit Sharing Plan

Compensation & Capital's Financial Planning Commentary as of March 31, 2024
"The Balancing Act – a.k.a. Life"

No doubt, with everything that can impact each and every day of our lives combined with challenges faced by our families, our employers, our country and global partners, "maintaining balance" is a very tall and ever changing goal. Compartmentalizing can help. But overall, the common thread to this challenge is timeframe. That is, our focus on managing to achieve short-term versus medium-term versus long-term goals. Former and famous CEO of General Electric, Jack Welch, is credited with the observation: "You can't grow long-term if you can't eat short-term. Anybody can manage short. Anybody can manage long. Balancing those two things is what management is." We'd add that a healthy dose of luck can't hurt! Here's our thoughts…

<u>The Personal Stuff</u>*:*
Spending / Saving: Many households approach the savings vs. spending decision – either by necessity or compulsive behavior – by saving only what remains after covering current demands. Prioritizing saving before spending forces us to accept the reality that we will all need to fund large ticket goals down the road. Where to start? There's clearly no generalized savings rate that works for everyone. But without doing some pretty complex analysis of your goals, targeting 10% to 20% of your gross income can create a line in the sand. Consider it a starting point. Not just for retirement but simply as a "bucket" for tomorrow's goals. Then make adjustments as you go. The great thing about setting with your savings rate first? It allows you to better gauge what's available to pay for fixed and discretionary expenses right now, reducing worry or guilt over your responsibilities to your future.

Work / Family: With COVID's spectrum of disruptions to this balancing act receding into the rearview mirror, most households are back to basics. In short: Attempting to be satisfied with work and comfortable with time available for yourself and your family. Easy to say. Difficult to attain. Where to begin? Consider, establish and prioritize your core values. Not unlike the spending/saving decision, establish a loose rule to proportion your waking hours to each general core value. To the extent possible, set routines. Learn to say "No" when you see your daily path looming too close to those guardrails. Enlist the help of the people around you; colleagues, friends, family. Never forget that each of them has a stake in your happiness and certainly stands to gain when you're in balance!

Today / Tomorrow: Back to timeframe. There's pretty much nothing about tomorrow that's "promised". But how we live our todays can certainly shape and influence our tomorrows. Prioritize control over your todays before worrying about tomorrows. Set realistic goals. Identify and quantify dollar impacts. Assign realistic timeframes to each. Meanwhile: Effectively manage your time. Take control of our physical and mental health. Maintain meaningful relationships. Once again, compartmentalizing the facets of these complex challenges can work wonders toward attaining balance.

<u>Macro Economic and Global Tensions:</u>
So much to consider here: Middle East tensions drive persistent high fuel prices. Post-pandemic interest rates weigh on homes and autos. Food and housing inflation persistently stress household budgets. Low unemployment pushes wage gains. AI and robotics disrupt formerly stable and good paying careers. Domestic politics. Natural disasters. All of these forces themselves are clearly uncontrollable by any of us. That is, except for how you and your family prepare for and respond to their direct impacts on your personal lives. Some create more stress. Some create opportunities.

We've focused upon these facets of life to shed light upon the fact that economies, markets, geopolitics, governments and yes – our own lives and households – are all to a great extent simply feedback-regulated mechanisms that constantly seek balance. Extreme lows beget extreme highs that ultimately work in tandem both internally and externally to return to balance over time. Balance not only within a particular facet (inflation, politics, wars, employment, career, home life, etc.) but across all impacting each. Only to cycle through the process yet again.

Compensation & Capital's March 31, 2024
Retirement Saving and Investing "Action Points"

<u>Personal Finance Conventional Wisdom – When the Rules Work and When They Don't:</u>

"If-Then" rules can take much of the complexity out of personal finance decisions. But if applied blindly, without careful consideration of their "fine print" conditions and exceptions, they can yield very UN-desired results. So let's look under the sheets of four rules embedded in conventional wisdom:

- When we speak 1-on-1 with 401(k) plan participants, a commonly asked question is: What percentage of my gross pay should I be contributing? Jim Cramer, a very respected CNBC financial whiz, recently recorded a public service video aired on mass media in which he stated, *without qualification*, that 10% to 15% of pay is generally appropriate. Though we are not saying he's wrong, that contribution rate (always including profit sharing contributions) is appropriate *only if it's initiated in your early 20's* <u>and</u> *unfailingly applied throughout entire your career* <u>and</u> *only if your career-long income is in the lower to middle range.* For people who begin saving for retirement in their 30's, an appropriate rate range is 15% to 20%; for 40-somethings, it's 20% to 30%. Note that we are NOT suggesting that if you can't afford to contribute an age-appropriate rate, you shouldn't contribute at all. Anything saved and appropriately invested during your career will make retirement less economically stressful.
- We've devoted many of our past *Quarterly Memos* to the subject of appropriate "strategic asset allocations" (SAA) across stocks, bonds, and money markets. Second only to contribution rate, getting this one right is absolutely vital to your retirement planning success. Suffice to say that if the simple rule "invest 100-minus-your age as your stocks %" worked for everyone all the time, it would be worth its weight in retirement bliss! Age-based SAA rules, back-tested and currently agreed upon by many respected academicians, run more like this:

Age →	**18-41**	**42-46**	**47-51**	**52-56**	**57-61**	**62-66**	**67-71**	**Retired**
Stocks	90%	86%	80%	77%	70%	65%	55%	50%
Bonds	10%	14%	20%	23%	30%	31%	37%	34%
MMkts	0%	0%	0%	0%	0%	4%	8%	16%

  So the simple rule is advisable *only*, according to our objective experts, when your nest egg is woefully insufficient and must be stringently protected from any possibility for market loss. Otherwise, it puts too much into bonds; in fact, *way too much to bonds over our entire adult lifespans*. Overly conservative, stocks-light investing by young savers can't beat inflation.
- Annual post-retirement withdrawals of 4% can indeed *help* your nest egg last through your lifetime. But it's no guaranty of that result. This 4% "silver bullet" withdrawal rate assumes that your investment SAA's annual returns are at least 4% PLUS inflation. Historic inflation's around 3%. So for the 4% rule to be successful, your annual investment returns must be around 7% for your entire retirement. Historically speaking, that requires an SAA of at least 60% to stocks which, by accepted standards (see the chart above) is far more aggressive than most experts would advise for retired folks. So this rule works only for those that are willing and able to accept that added risk of investment loss during their retirement years.
- "Your Retirement Number" is the current marketing rage of mutual funds, banks and insurance companies. Their motivation is simple: Curiosity drives eyes to their websites. Since most people are woefully under-saved relative to their computed "number," the marketers hope these folks will become new customers. The algorithms and assumptions behind these computations are complex and deep. Coupled with relatively long timeframes inherent in career to death extrapolations, very small variations in assumed inflation or investment returns can have dramatic impacts on your "number." Best to follow appropriate contribution rates, invest with appropriate SAA's, while keeping living costs well below 75% of your gross pay.

The Broaster Company 401(k) Profit Sharing Plan Select Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2024)

[(1)] A fund with a 2nd Ranking outperformed 98% of its peers.

Remember: **Past performance is absolutely NOT a guarantee of future performance!**

[(2)] "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

NAME OF SELECT VENUE FUND / *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile [(1)] Ranking Past: 5 Years	10 Years	OER[(2)]	Total Return Performance for: Past Qtr	12 Mos	Average Annualized Total Return for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
VANGUARD TREASURY MONEY MKT - VUSXX	**Money Markets**	**2nd**	**2nd**	**0.09%**	**1.3%**	**5.3%**	**2.6%**	**2.0%**	**1.3%**	**0.9%**
Money Market Funds >>		*Category Median >>*		*0.40%*	*1.2%*	*4.9%*	*2.4%*	*1.8%*	*1.1%*	*0.8%*
VANGUARD SHORT-TERM INVGRD BOND – VFSUX	**Bonds**	**38th**	**23rd**	**0.10%**	**0.7%**	**4.9%**	**0.3%**	**1.8%**	**1.9%**	**3.0%**
Short-Term Bond Funds >>		*Category Median >>*		*0.68%*	*0.9%*	*4.9%*	*0.5%*	*1.7%*	*1.6%*	*2.5%*
FIDELITY INVESTMENT GRADE BOND - FBNDX	**Bonds**	**8th**	**7th**	**0.14%**	**-0.4%**	**2.6%**	**-2.0%**	**1.2%**	**2.0%**	**3.8%**
Intermediate Term Core Bond Funds >>		*Category Median >>*		*0.60%*	*-0.5%*	*2.0%*	*-2.5%*	*0.4%*	*1.4%*	*2.9%*
BLACKROCK STRATEGIC GLOBAL BOND - MAWIX	**Bonds**	**23rd**	**13th**	**0.42%**	**-1.2%**	**3.5%**	**-3.3%**	**0.5%**	**1.1%**	**2.8%**
Global Bond Funds >>		*Category Median >>*		*0.94%*	*-1.5%*	*2.5%*	*-3.5%*	*-0.8%*	*-0.4%*	*2.1%*
T.ROWEPRICE CAPITAL APPRECIATION - PRWCX	**Bonds+Stocks**	**3rd**	**1st**	**0.57%**	**5.2%**	**17.5%**	**7.8%**	**11.4%**	**10.8%**	**13.3%**
Moderate Allocation Funds >>		*Category Median >>*		*1.04%*	*5.3%*	*15.2%*	*4.1%*	*7.5%*	*6.5%*	*9.3%*
VANGUARD EQUITY INCOME - VEIRX	**Stocks**	**44th**	**19th**	**0.19%**	**7.8%**	**18.7%**	**9.9%**	**11.2%**	**10.3%**	**14.0%**
Large-Cap U.S. Value Stock Funds >>		*Category Median >>*		*0.97%*	*8.8%*	*20.7%*	*8.9%*	*10.9%*	*9.1%*	*12.9%*
VANGUARD TOTAL STOCK MARKET INDEX – VTSAX	**Stocks**	**47th**	**36th**	**0.04%**	**10.0%**	**29.4%**	**9.6%**	**14.2%**	**12.3%**	**15.5%**
Large-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*0.86%*	*10.0%*	*27.2%*	*9.9%*	*13.7%*	*11.5%*	*14.4%*
FIDELITY CONTRAFUND - FCNTX	**Stocks**	**20th**	**24th**	**0.14%**	**18.0%**	**47.4%**	**12.7%**	**17.2%**	**14.7%**	**16.5%**
Large-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*1.00%*	*11.9%*	*36.5%*	*8.0%*	*14.9%*	*13.2%*	*15.7%*
VANGUARD MID-CAP STOCK INDEX - VIMAX	**Stocks**	**53rd**	**22nd**	**0.05%**	**7.9%**	**20.4%**	**5.7%**	**10.9%**	**9.9%**	**14.7%**
Mid-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*1.01%*	*9.2%*	*22.5%*	*6.5%*	*10.9%*	*9.0%*	*13.6%*
T.ROWE PRICE OVERSEAS STOCK - TROSX	**Stocks**	**41st**	**35th**	**0.63%**	**4.3%**	**13.6%**	**2.8%**	**7.1%**	**4.8%**	**8.9%**
Large-Cap Foreign Blend Stock Funds >>		*Category Median >>*		*0.98%*	*5.2%*	*13.5%*	*2.9%*	*6.6%*	*4.5%*	*8.2%*
VANGUARD TAX-MANAGED SMALL CAP - VTMSX	**Stocks**	**58th**	**16th**	**0.09%**	**2.5%**	**15.9%**	**2.3%**	**9.2%**	**8.8%**	**14.3%**
Small-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*1.05%*	*5.7%*	*18.9%*	*3.4%*	*9.3%*	*7.7%*	*13.1%*
LOOMIS SAYLES SMALL-CAP GROWTH - LSSIX	**Stocks**	**56th**	**48th**	**0.79%**	**6.8%**	**14.5%**	**-0.5%**	**8.4%**	**8.8%**	**14.4%**
Small-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*1.20%*	*7.5%*	*18.1%*	*-2.0%*	*9.1%*	*8.8%*	*13.8%*