The Broaster Company 401(k) Profit Sharing Plan

Compensation & Capital's Financial Planning Commentary as of March 31, 2025
"April Fool's 52 Card Pickup?"

Last week's tariff escalation was clearly not – as we had wishfully hoped – just some April Fools' chicanery. Combined with the other four primary vectors of public policy – immigration, fiscal, monetary and regulations – the trade war has proven an unprecedented systemic shock to the world's governments, economies and capital markets. That's an absolutely factual and apolitical statement. Combined with its "beat-the-clock" scrambling of eight decades of rules-based global trade and currency stabilization accords there's now no doubt we're witnessing a force with the momentum to turn our economic paradigms on their head. If you're confused, you're in good company. Investors and governments the world over are facing a virtual game of 52 Card Pickup with the cards seemingly floating in a gravity void.

Given this backdrop we felt absolutely appropriate – indeed imperative - to lead this quarter's *Commentary* with what would normally be its concluding remarks. That is: What should be top-of-mind for our Plan's participants as these events unfold and coalesce? No doubt, recurring readers of our 25+ years of the *Commentary* will recognize these recommendations. And given the fact that significant market swings *in either direction* can spur poor investor behaviors, there's never a better time to cite these tenets for successful investing than in the heat of market sell-offs.

- ✓ Is your Plan account's asset allocation (mix of cash, bonds, stocks) appropriate to your investing timeframe, goals and fiscal and emotional tolerance for market volatility? Remember that wealth invested in risk assets like stocks, high-yield bonds, and commodities should never represent value you might require to pay for your living necessities (lodging, food, clothing, transportation, etc) from now through the coming 5 to 7 years, and even longer if you are nearing retirement.
- ✓ Is your Plan account's stocks component well diversified across countries, regions, industries, and sizes of the corporations' stocks that you own? With the past decade strongly favoring U.S. stocks over non-U.S. stocks, the past 3+ months' clear reversal of that trend has cast an <u>un</u>favorable light on stock portfolios with NON-diversified regional mixes that are highly U.S.-centric.
- ✓ Do you have sufficient liquidity (such as highly-probable paycheck income, non-retirement plan cash or CD's, side gigs, etc.) to cover normal lifestyle spending and previously committed spending goals for the entire period that risk asset markets are under stress? Our read of the current situation is that investors should be prepared for a prolonged period of uncertainty with episodes that could break either way.
- ✓ Have you established and maintained an emergency fund that's equivalent to approximately 3 to 6 months of how much it would cost you to get by absent a paycheck for that length of time?

If you answered any of these questions "No" or "IDK", do yourself and your family a favor and correct that issue to the top of your To-Do List asap. Conclude as to how it should be rectified and execute that solution without regard to market trends at that time. That is, get it done sooner than later. Remember: Attempts to "time the markets" – almost regardless of your trading or investing acumen – are generally a losing venture. Absolutely no one – not even the Administration – will be able to accurately predict the short, medium and long -term impacts from all the varied actions being forced through the five policy vectors we cited above. And that includes directional, sequential, duration, and extent metrics of those results. In short, at this time, the only certainty is uncertainty.

If, on the other hand, you have followed our long-held and communicated lead and thereby can answer "Yes" to each of these questions, you'd best soldier on through this rough patch – however long it may persist. Stay focused on your career trajectory and keep your job at Broaster as productive as possible. In short, concentrate on the things you can control. In the interim, this promises to be a very interesting series of events and eventual outcomes; hopefully constructive for us and for our world as a whole!

Remember, Plan account strategy development help is available at www.planspecs.com/broaster >> *Plan Investing.* Or, contact us at info@plansecs.com with your questions. And, read on for more tips…

Compensation & Capital's March 31, 2025
Retirement Saving and Investing "Action Points"

Personal Finance Conventional Wisdom – When the Rules Work and When They Don't:

"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 markets pundit, 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* and *unfailingly applied throughout entire your career* and *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 a perennial marketing pitch 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, 2025)

(1) A fund with a 3rd Ranking outperformed 97% 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: 1 Year	15 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**	**3rd**	**4th**	**0.07%**	**1.1%**	**5.0%**	**4.3%**	**2.6%**	**1.8%**	**1.2%**
Money Market Funds >>		*Category Median >>*		*0.33%*	*1.1%*	*4.8%*	*4.2%*	*2.5%*	*1.7%*	*1.2%*
VANGUARD SHORT-TERM INVGRD BOND – VFSUX	**Bonds**	**14th**	**21st**	**0.09%**	**2.0%**	**6.5%**	**3.7%**	**2.7%**	**2.4%**	**2.5%**
Short-Term Bond Funds >>		*Category Median >>*		*0.68%*	*1.7%*	*5.9%*	*3.4%*	*2.7%*	*2.1%*	*2.1%*
FIDELITY INVESTMENT GRADE BOND - FBNDX	**Bonds**	**41st**	**9th**	**0.34%**	**3.0%**	**5.0%**	**0.8%**	**0.6%**	**2.0%**	**3.0%**
Intermediate Term Core Bond Funds >>		*Category Median >>*		*0.59%*	*2.7%*	*5.0%*	*0.6%*	*0.1%*	*1.4%*	*2.4%*
BLACKROCK STRATEGIC GLOBAL BOND - MAWIX	**Bonds**	**54th**	**22nd**	**0.40%**	**1.8%**	**3.5%**	**-0.1%**	**0.6%**	**1.6%**	**2.1%**
Global Bond Funds >>		*Category Median >>*		*0.96%*	*2.6%*	*3.2%*	*-0.2%*	*0.6%*	*0.6%*	*1.1%*
T.ROWEPRICE CAPITAL APPRECIATION - PRWCX	**Bonds+Stocks**	**16th**	**1st**	**0.56%**	**-0.0%**	**7.1%**	**6.7%**	**13.4%**	**10.2%**	**11.0%**
Moderate Allocation Funds >>		*Category Median >>*		*1.01%*	*-0.3%*	*5.4%*	*4.3%*	*10.1%*	*6.3%*	*7.3%*
VANGUARD EQUITY INCOME - VEIRX	**Stocks**	**17th**	**6th**	**0.18%**	**2.8%**	**9.8%**	**8.0%**	**16.5%**	**10.4%**	**11.9%**
Large-Cap U.S. Value Stock Funds >>		*Category Median >>*		*0.95%*	*1.5%*	*6.6%*	*6.9%*	*16.6%*	*8.9%*	*10.1%*
VANGUARD TOTAL STOCK MARKET INDEX – VTSAX	**Stocks**	**41st**	**25th**	**0.04%**	**-4.8%**	**7.1%**	**8.1%**	**18.1%**	**11.7%**	**12.7%**
Large-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*0.84%*	*-3.8%*	*5.8%*	*7.8%*	*17.3%*	*11.0%*	*11.9%*
FIDELITY CONTRAFUND - FCNTX	**Stocks**	**7th**	**17th**	**0.38%**	**-4.1%**	**10.6%**	**13.1%**	**20.0%**	**14.4%**	**14.5%**
Large-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*0.98%*	*-8.5%*	*5.0%*	*7.8%*	*17.0%*	*12.6%*	*13.1%*
VANGUARD MID-CAP STOCK INDEX - VIMAX	**Stocks**	**11th**	**14th**	**0.05%**	**-1.6%**	**5.1%**	**4.5%**	**16.2%**	**8.9%**	**11.3%**
Mid-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*0.98%*	*-4.6%*	*-0.1%*	*4.5%*	*16.0%*	*8.0%*	*10.1%*
T.ROWE PRICE OVERSEAS STOCK - TROSX	**Stocks**	**68th**	**29th**	**0.64%**	**6.5%**	**5.1%**	**4.8%**	**11.9%**	**5.2%**	**5.9%**
Large-Cap Foreign Blend Stock Funds >>		*Category Median >>*		*0.95%*	*6.5%*	*6.1%*	*5.6%*	*11.5%*	*5.2%*	*5.5%*
VANGUARD TAX-MANAGED SMALL CAP - VTMSX	**Stocks**	**50th**	**15th**	**0.09%**	**-8.9%**	**-3.5%**	**0.6%**	**14.9%**	**7.4%**	**10.3%**
Small-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*1.05%*	*-8.1%*	*-3.5%*	*2.0%*	*15.3%*	*6.6%*	*9.2%*
LOOMIS SAYLES SMALL-CAP GROWTH - LSSIX	**Stocks**	**41st**	**25th**	**0.79%**	**-10.8%**	**-3.9%**	**0.7%**	**11.5%**	**7.8%**	**10.9%**
Small-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*1.2%*	*-10.5%*	*-4.6%*	*-0.3%*	*12.0%*	*7.5%*	*9.8%*