Compensation & Capital's Financial Planning Commentary as of September 30, 2023
"Modernizing Motivations for Long Term Savings: It's Not Your Father's Retirement Plan"

It's pretty much common knowledge that Americans as a whole aren't saving enough to transition the economic responsibilities for their current lifestyles from employment days to thereafter. With only around 50% of small (<100 employees) employers offering a 401(k) plan, participation rates in all 401(k) plans stuck at around 70%, and combined employee+employer saving rates around 10% of current pay, this is just one more reason America's wealth gap won't be closing anytime soon. For America as a whole, the problem is dire and the realistic fix, frankly impossible to conceive let alone execute. But specific to each of us as individuals, this is one of those problems for which the list of cures is so extensive that it's hard to believe that America *can't* overcome this challenge – if by no other way but one by one by one by one!

We see this problem in a very different frame than the majority of our financial services industry colleagues. In our view, their sales pitch needs to dangle a fresh carrot. The obstacle to Americans' excitement for long term savings is far more one of mindset than lack of methods. More specifically, the old-line concept of retirement that's been sold by the industry for over a generation is increasingly impossible to perceive for a quickly growing portion of Americans, both young and old. Drivers of this sea change in perception abound. We'll pick up on the tangential ones as we unroll our thoughts here. But the big one is this: Retirement security as an end-game goal for most Americans is just not sufficiently realistic, "touchable", probable or compelling enough to overcome our psychological tendency toward shorter term gratifications that instantly (albeit momentarily) quiet our here-and-now insecurities.

Consider most Americans' perception of a traditional retirement – the second act of a two-act play of working until you don't anymore, then kicking back and doing nothing. As a motivator for sacrificing the immediately-available good things in our lives by spending every dollar we earn this pitch is, to be blunt, pretty abysmal. For younger Americans the complexities of personal finance in their new independence are so complicated that there's slim prospect of emotional pleasure to be gained from finding room for sacrificing now for an elusively risky goal 50 years out. For many older Americans, contemplating the abrupt lifestyle change of traditional retirement is just too scary or amorphous to be attractive.

What we're proposing is nothing short of an attitude adjustment. That is, enhancing the message into one that promotes the idea that spending significantly less than you make will make you feel good - now. That's radically different than the distant reward of traditional retirement savings message. Add to that "feel good now" message the notion that our own human capital accumulated over our lifetimes can be additive to - and thereby even more valuable than – our accumulated financial capital. That is, by spending significantly less than we earn, funds can be available to enhance our human capital through continuing education, avocational and civic pursuits, and more rewarding family time. Our new-found thrift will lessen the psychological stresses of a hand-to-mouth financial existence. Work can be far more rewarding day-to-day when its monetary compensation fulfills more than just the material necessities of life. And later in our lives, our less expensive lifestyles will require that much less accumulated financial capital to sustain. Talk about a great way to save for retirement!

Saving for our future independence and security can take many forms. Balancing spending on immediate necessities with enhancements to our human capital and additions to our financial reserves will result in a far more personalized, adaptable, rewarding and lifelong "retirement plan". Add to that just feeling better about your choices while stacking your odds against the vagaries of fate at every phase of your life. That's a "W" you'll be flying for the rest of your life.

Compensation & Capital's September 30, 2023
Retirement Saving and Investing "Action Points"

Annuities get a toe in the mainstream of 401(k)s: What's in this for me?

This past July, one facet of the Senate's 2019 SECURE Act arrived front-and-center to your mailbox. Beginning Jul, 2022, 401(k) Plans are now required to annually distribute personalized lifetime income illustration statements. They're intended to show how much money you could potentially receive each month if your total 401(k) balance was used to purchase an annuity. Our perspective on the Senate's decision to formally endorse annuities for 401(k) plans is clearly objective as you will see below. But in the interest of full disclosure, we're skeptical of the wisdom in this decision. On the one hand, we feel that a properly structured, vetted, sanctioned and monitored straight-forward single payment immediate annuity [SPIA] option could be a credible choice for some plan participants. But that string of adjectives in our foregoing sentence presents a formidable hurdle for a set of standardized regulations administered by Plan sponsors with little formal training in annuities. Finally, the fact that annuities are already available in IRA's accessible by 401(k) rollovers further blunts our perception of the bottom-line need for adding this complexity to 401(k) participant communications.

If you watch any mass media TV you've surely seen ads touting the emotional and financial security available through "guaranteed lifetime income." The ads are selling annuities and the "bait" phrase clearly has appeal. So first off, a bit of background into the world of annuities. Simply put, an annuity contract legally obligates an insurance company (the "issuer") to make future payment(s) to the "annuitant" who is usually the annuity's purchaser - you. Annuities can be relatively simple; they can be incredibly complex. The type we mentioned above, SPIAs, are at the simple end.

With a basic SPIA, the annuitant specifies purchase variables of gender (as a determinant of mortality), current age, initial investment amount, and future payments start date and frequency (usually monthly.) The prospective issuer presents the annuitant with a quote of a fixed guaranteed monthly dollar payment ending at the annuitant's death, at which time the annuity's value becomes zero. The annuitant can accept or decline the proposal. If the annuitant dies before normal mortality age (approx. 83 for males, 86 for females) then the annuitant "loses" allowing the insurance company to pool that remaining value to help pay longer-lived annuitants. In the big picture, the insurance company must price its annuities so that it "wins" more than it "loses." So the longer you live, the more you win! Pretty straight-forward, right?

There's a lot to like about the concept of an SPIA: The annuitant collects his monthly annuity, free from worrying over managing investments, market downturns and possibly outliving his nest egg.

And the downsides? ►Insurance companies determine future payment amounts based upon current interest rates, their projections for future investment returns, mortality and inflation. Though annuities are available with an inflation rider that gradually increases the future monthly payment to offset for inflation, annuities with inflation riders have lower initial payments than a non-rider annuity. So annuitants generally opt for the higher initial payment amount – it just feels better at the time. If inflation picks up over the life of the annuity a fixed dollar payment can quickly lose purchasing power. ►When you die, your heirs get no portion of your account that was annuitized. ►Though unlikely, the issuer could default on the payments. ►The annuitant could misunderstand the contract's legalese and unwittingly approve an inappropriate binding commitment. ►The annuitant's personal situation could change over the generally long life of the annuity contract such that it's no longer an appropriate investment. Annuity contracts are generally irrevocable or precipitate onerous penalties if an annuitant subsequently decides to cancel the contract.

Our discussion here has only scratched the surface of annuities as a viable choice for 401(k) plan participants. Be sure to give your annual Lifetime Income Illustrations a serious read when they arrive in your mailbox. As always, we're happy to respond to your questions at info@planspecs.com.

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

(All for periods ended September 30, 2023)

[1] A fund with a 12th Ranking outperformed 88% 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: 3 Years	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**	**12th**	**6th**	**0.09%**	**1.3%**	**4.6%**	**1.7%**	**1.7%**	**1.1%**	**0.8%**
Money Market Funds >>		*Category Median >>*		*0.41%*	*1.2%*	*4.3%*	*1.6%*	*1.5%*	*0.9%*	*0.6%*
VANGUARD SHORT-TERM INVGRD BOND – VFSUX	**Bonds**	**68th**	**23rd**	**0.10%**	**0.4%**	**3.9%**	**-1.1%**	**1.5%**	**1.6%**	**2.6%**
Short-Term Bond Funds >>		*Category Median >>*		*0.69%*	*0.6%*	*3.6%*	*-0.6%*	*1.3%*	*1.3%*	*2.2%*
FIDELITY INVESTMENT GRADE BOND - FBNDX	**Bonds**	**25th**	**19th**	**0.35%**	**-3.2%**	**1.3%**	**-4.7%**	**0.8%**	**1.6%**	**3.2%**
Intermediate Term Core Bond Funds >>		*Category Median >>*		*0.61%*	*-3.0%*	*0.8%*	*-5.0%*	*0.0%*	*1.0%*	*2.6%*
BLACKROCK STRATEGIC GLOBAL BOND - MAWIX	**Bonds**	**39th**	**23rd**	**0.42%**	**-2.7%**	**2.4%**	**-4.9%**	**-0.1%**	**0.8%**	**2.2%**
Global Bond Funds >>		*Category Median >>*		*0.91%*	*-3.0%*	*4.1%*	*-5.4%*	*-1.6%*	*-0.7%*	*1.6%*
T.ROWEPRICE CAPITAL APPRECIATION - PRWCX	**Bonds+Stocks**	**2nd**	**1st**	**0.57%**	**-1.4%**	**15.8%**	**8.5%**	**9.6%**	**10.3%**	**10.5%**
Moderate Allocation Funds >>		*Category Median >>*		*1.05%*	*-2.7%*	*10.6%*	*3.7%*	*4.4%*	*5.7%*	*6.6%*
VANGUARD EQUITY INCOME - VEIRX	**Stocks**	**48th**	**15th**	**0.19%**	**-2.0%**	**12.6%**	**12.0%**	**7.8%**	**9.7%**	**10.0%**
Large-Cap U.S. Value Stock Funds >>		*Category Median >>*		*0.97%*	*-2.5%*	*14.9%*	*11.8%*	*6.5%*	*8.4%*	*8.8%*
T.ROWEPRICE OVERSEAS STOCK – TROSX	**Foreign Stocks**	**35th**	**23rd**	**0.65%**	**-4.6%**	**23.7%**	**5.4%**	**3.1%**	**4.1%**	**5.2%**
Foreign Large Blend Stock Funds >>		*Category Median >>*		*0.98%*	*-4.5%*	*22.9%*	*4.3%*	*2.8%*	*3.6%*	*4.5%*
VANGUARD TOTAL STOCK MARKET INDEX - VTSAX	**Stocks**	**58th**	**23rd**	**0.04%**	**-3.3%**	**20.4%**	**9.2%**	**9.1%**	**11.2%**	**11.1%**
Large-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*0.86%*	*-3.2%*	*19.1%*	*9.3%*	*8.6%*	*10.4%*	*10.2%*
VANGUARD MID-CAP STOCK INDEX - VIMAX	**Stocks**	**81st**	**17th**	**0.05%**	**-5.1%**	**12.6%**	**7.3%**	**6.5%**	**9.1%**	**10.4%**
Mid-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*1.02%*	*-3.9%*	*14.0%*	*9.7%*	*5.7%*	*8.0%*	*9.3%*
VANGUARD TAX-MANAGED SMALL CAP - VTMSX	**Stocks**	**38th**	**19th**	**0.09%**	**-4.9%**	**10.0%**	**12.0%**	**3.3%**	**8.1%**	**9.5%**
Small-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*1.06%*	*-4.2%*	*12.5%*	*11.0%*	*3.7%*	*6.8%*	*8.6%*
FIDELITY CONTRAFUND - FCNTX	**Stocks**	**39th**	**33rd**	**0.30%**	**-0.1%**	**29.9%**	**6.5%**	**10.0%**	**12.7%**	**12.2%**
Large-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*1.00%*	*-3.6%*	*23.5%*	*4.3%*	*9.0%*	*11.6%*	*11.5%*
LOOMIS SAYLES SMALL-CAP GROWTH - LSSIX	**Stocks**	**45th**	**33rd**	**0.78%**	**-5.2%**	**11.6%**	**3.1%**	**3.8%**	**8.0%**	**10.3%**
Small-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*1.19%*	*-6.5%*	*9.1%*	*2.3%*	*3.7%*	*7.8%*	*9.7%*