

The Broaster Company 401(k) Profit Sharing Plan

Compensation & Capital's Financial Planning Commentary as of September 30, 2024

"Want a Truly Personal Financial Plan? First Step: Get in Touch With The Inner You."

Here's how Noah Webster defined money. But what's money mean to you? Not particularly in this tangible *dictionary* sense. But more broadly – more like: Why is money important (or not so) to you?

mōn'ey, *n.* something generally accepted as a medium of exchange, a measure of value, or a means of payment such as officially coined or stamped metal currency.

Contemplating your initial investment strategy or a makeover of current investments for whatever goal(s) may be in your sights (retirement, kids' college, housing, etc.)? It's vital to tackle the "*Whys*" first. *Why is each goal important to me? Why should it command my resources? How does it rank compared to all my other goals?* In short, don't buy the prescription before concluding the diagnosis.

We know this line of inquiry is averse to what you're accustomed to hearing from the mainstream financial services industry. Our fast-paced lives increasingly demand results-driven business relationships. In response to that demand and the competition to deliver the easy-to-implement answer, much of financial advisory tends to begin at "*How*" and "*Where*" to invest. The "*Why*" - the most difficult and potentially time consuming facet of the equation - is way too frequently assumed to be one-size-fits-all. This often faulty assumption likely results in wholly inappropriate guidance that's self-serving to the advisor and detrimental to your cause. Worse yet, that disconnect is rarely discovered by you until way too late – sometimes many years down the road. Let's put some feet under our contention and show you how to start your plan - *YOURS* – right from beginning!

How we spend, save and invest is an individual and dynamic expression of our personal values: Granted, with over 130M households in America there's bound to be many with similar money values. That's the foundation of crowd-based robotic financial advisory. But the bases for your own financial choices are very personalized. Add a spouse's input and the permutations can balloon. Then there's the passage of time and the fact that life, well, happens! Suffice to say, assuming a household's personal money values based solely on broad demographics like age, income, savings, education, race, etc. is absurd. So, getting your plan right requires you to contrast your individuality from your 130M "neighbors." Recognizing what really matters *to you* must be your first step.

How we spend our time is a window into our money values: Time is possibly the most important part of your investable capital. It's truly "money." Many of us are so caught up in our high-speed worlds attempting work/life balance that even the contemplation of "*Why*" we spend our time doing what we do can be a luxury. But consider this: If you do indeed devote that much time to whatever endeavor dictates your balance - whether that be your career, your kids, or past judgements that worked out less-than-great – you're already tied to a set of personal financial values that may not really be yours. How does the time you spend on your home, or hobbies, or _____ (fill in the blank) peg that pursuit's relative importance to your other goals? For a real insight into your values, review your calendar before your checkbook. You may discover that you're spending far too little time/money on something that's really important to you. That's when you'll know that this exercise actually works!

To change the future, let go of the past: Now, IF (and that's an important if) you conclude that your priorities are significantly out of sync with your values, then you have a decision to make. Will you let your life control you, or will you control your life? And more specifically, where/how will you generate and spend your time and your money? For some this could require close to a life makeover. For others, a heart-felt commitment to tuning up a facet or two. But the "Blood from a rock" adage holds firm. We are all constrained by "You get what you give." Want more time to pursue non-money-producing values? Reduce your need for work income by scaling back your lifestyle. Want to raise your probability of a financially secure retirement? Re-educate and re-invent yourself, or downsize your lifestyle, or live healthier, or some of each!

In the end, our choices are constrained mostly by ourselves. Take time to identify, prioritize and reconstitute your values. You can find a way to make your resources realize your dreams.

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Retirement Saving and Investing "Action Points"

"Maintain Realistic Expectations" Isn't Just for Your Stock Funds – How 'Bout Them Bonds??

You don't need to be wired to the investments world to know that interest rates are trending down from recent high levels. You do, however, need to understand some basic investment theory to realize that when interest rates fall, the value of existing bonds rises. That's because those existing bonds were originally issued at higher stated interest rates than newer bonds are now. And therefore the older bonds are more valuable than their newer, lower-interest-rate peers. Furthermore, the total return that a bond mutual fund adds to an investor's account value is the combination of the fund's interest receipts plus (or minus) the change in the value of its bond portfolio. So, when interest rates fall, bond fund investors get the "daily-double" of collecting higher (than current market) interest rates *plus* price gains on their fund's underlying bonds too. That's the good news. And that's why (referring to Page 3's Columns 6 and 7) your Plan's two Bond funds' past quarter's and 12-month's total returns came in at levels not seen since our March 31st reports for 2008 and 2020. As much as it's painful to recall, those were respectively the direct result of dramatic monetary policy responses to the Great Recession and COVID-19's lockdown.

We could spend the remainder of this narrative describing our take on WHY this quarter's aberration of big bond returns took place. Suffice to say: It's likely just that – a surprise, unusual upside "blip". In fact, over the first week+ of October the aggregate US bond market has dropped almost 2%. In short, these big bond returns were fun to see. But value gains that you don't cash out is money you don't have. Our expectation (and hope) is that the bond market's recent aberration is its way of balancing back from its past 10-15 years of under-performance relative to historical annualized averages of 4% to 5%. We'll see.

So let's remember that bond investments are included in long-term retirement strategies primarily as a risk diversifier. They act to dampen the far greater volatility of our stocks component. They generate stable interest income. And finally, bond performance normally runs inversely to stock performance. Over the past 10-15 years stock markets have *over*-performed their historic full-cycle annual averages by over 3%. Conversely, our retirement plan portfolios' diversified bond funds have produced, in aggregate, average annualized total returns almost 2% *below* their historic averages. That's made many plan participants frustrated with their bond funds. But never forget that cyclical *under*- OR *over*-performance of any asset class (bonds, stocks, real estate, gold, etc) is always a harbinger of a reversal of that trend. And timing and resilience of that reversal – like the timing of the recent big bond returns – is always anyone's guess.

Second, there's no doubt that the bond segment of 401(k) plan investment menus has historically been treated with subordinated importance relative to plans' stock segment menus. You need only review the investment options for every participant-directed retirement plan in America to notice that stock fund options out-number bond fund options by at least two-to-one. Why? First, a solid majority of retirement plan participants are still at least 15 years from spending any of their retirement savings. Most investment advisors recommend bond allocations of only 20% to 30% for participants in this age range – and even lower bond portions for younger participants. So there has historically been less need for bond funds in plans. Second, bonds as an asset class possess less than one-tenth the volatility of stocks. Since volatility is dampened by diversification, retirement plan investment advisors have been well-advised to include a far wider range of stock categories in plans, as compared to bond categories.

So what can you do to control the impact on your Plan account of the coming (but who knows when?) reversal of the downward interest rate trend? Be sure that you are diversified across *all* the bond funds that your Plan has to offer, and the Money Market Fund too. We've made sure that each fund operates in different segments of the credit (bond) markets, employs different strategies in picking and holding their portfolio's securities, and has a relatively broad level of flexibility to position their portfolio in defense of rising interest rates. That said, make no mistake that these funds (exclusive of the Money Market Fund) can experience losses to their value resulting in negative total returns over year-plus time periods. Your control mechanism for *that* risk is your long-term discipline.

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

(All for periods ended September 30, 2024)

(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 <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past		OER(2)	Total Return Performance for		Average Annualized Total Return for:			
		5 Years	10 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
VANGUARD TREASURY MONEY MKT - VUSXX	Money Markets	3rd	1st	0.09%	1.3%	5.4%	3.5%	2.3%	1.6%	1.1%
<i>Money Market Funds >></i>		<i>Category Median >></i>		0.41%	1.2%	5.1%	3.3%	2.1%	1.4%	0.9%
VANGUARD SHORT-TERM INVGRD BOND – VFSUX	Bonds	40th	22nd	0.10%	3.8%	9.6%	1.6%	2.2%	2.3%	2.6%
<i>Short-Term Bond Funds >></i>		<i>Category Median >></i>		0.68%	3.2%	8.7%	1.7%	2.1%	2.0%	2.2%
FIDELITY INVESTMENT GRADE BOND - FBNDX	Bonds	12th	7th	0.35%	5.1%	12.0%	-1.1%	1.1%	2.3%	3.3%
<i>Intermediate Term Core Bond Funds >></i>		<i>Category Median >></i>		0.59%	5.1%	11.6%	-1.4%	0.4%	1.8%	2.7%
BLACKROCK STRATEGIC GLOBAL BOND - MAWIX	Bonds	29th	12th	0.40%	6.3%	12.8%	-1.6%	0.7%	1.7%	2.3%
<i>Global Bond Funds >></i>		<i>Category Median >></i>		0.95%	6.3%	11.7%	-1.8%	-0.2%	0.3%	1.3%
T.ROWEPRICE CAPITAL APPRECIATION - PRWCX	Bonds+Stocks	52nd	39th	0.56%	5.5%	22.4%	7.8%	11.8%	11.1%	11.8%
<i>Moderate Allocation Funds >></i>		<i>Category Median >></i>		1.04%	5.3%	22.0%	4.9%	8.0%	6.9%	8.0%
VANGUARD EQUITY INCOME - VEIRX	Stocks	43rd	19th	0.18%	8.4%	26.4%	10.8%	11.6%	10.6%	12.5%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Median >></i>		0.97%	8.0%	27.1%	9.6%	11.2%	9.3%	10.9%
VANGUARD TOTAL STOCK MARKET INDEX – VTSAX	Stocks	43rd	32nd	0.04%	6.2%	35.2%	10.1%	15.2%	12.8%	13.8%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Median >></i>		0.85%	5.9%	32.8%	10.1%	14.3%	11.8%	12.8%
FIDELITY CONTRAFUND - FCNTX	Stocks	16th	22nd	0.29%	4.5%	46.3%	12.4%	19.0%	15.2%	15.4%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Median >></i>		0.99%	3.7%	38.8%	7.4%	16.1%	13.7%	14.2%
VANGUARD MID-CAP STOCK INDEX - VIMAX	Stocks	54th	26th	0.05%	9.4%	28.8%	5.3%	11.2%	10.2%	12.4%
<i>Mid-Cap U.S. Blend Stock Funds >></i>		<i>Category Median >></i>		1.01%	8.3%	27.6%	6.7%	11.2%	9.4%	11.3%
T.ROWE PRICE OVERSEAS STOCK - TROX	Stocks	44th	44th	0.63%	6.8%	22.4%	4.3%	8.1%	5.7%	6.4%
<i>Large-Cap Foreign Blend Stock Funds >></i>		<i>Category Median >></i>		0.97%	7.3%	24.2%	4.3%	7.7%	5.4%	5.9%
VANGUARD TAX-MANAGED SMALL CAP - VTMSX	Stocks	54th	14th	0.09%	10.1%	25.6%	4.0%	10.1%	10.0%	12.0%
<i>Small-Cap U.S. Blend Stock Funds >></i>		<i>Category Median >></i>		1.05%	8.5%	25.0%	4.4%	10.2%	8.6%	10.6%
LOOMIS SAYLES SMALL-CAP GROWTH - LSSIX	Stocks	52nd	39th	0.79%	6.4%	22.4%	0.9%	9.6%	10.4%	12.7%
<i>Small-Cap U.S. Growth Stock Funds >></i>		<i>Category Median >></i>		1.20%	7.4%	25.7%	-1.4%	10.0%	9.9%	11.6%