

Chicago Blower Corporation Profit Sharing & 401(k) Plans

Compensation & Capital's Financial Planning Commentary as of March 31, 2019

“What’s More Important to Your Investing Strategy Now: China, Brexit or Your Birth Date?”

Americans’ propensity to zig when others zag is clearly a source of national pride. Our collective mindset of independence, personal freedom and preference for the unique over the accepted has fired our ability to innovate on an incomparable scale. But as vital as being “special” has been to our global success, there are absolutely facets of our lives where “Go With the Crowd” has proven its wisdom in success.

Determining the most appropriate mix of investments for your retirement Plan account is a perfect example. That’s because, for the vast majority of retirement investors, dynamically setting investment mix appropriate to your age has helped attain realistic investment goals. No doubt, there’s definitely virtue in examining this age-based prescription in light of the “special” that’s you. We’ll highlight unusual personal circumstances, goals and values below – situations that could override the age-based rule. For now, let’s review the basics of “Strategic Asset Allocation” (SAA) and consider how age-based SAA investment mixes work. Then we’ll dip into how these mixes have fared through past economic downturns to get a sense for their intrinsic value to your goals.

SAA describes the proportion of the broader investment classes (stocks, bonds and shorter-term “cash” reserves) that comprise a diversified portfolio.

As important as investing is, don’t forget: It’s only one facet of retirement planning. Saving and lifestyle are always the more important of the trio. You can’t invest unless you save. You can’t save if your spending prohibits it. To succeed you must get all three right!

SAA has been proven to be the most critical facet in

determining any portfolio’s success or failure to meet its goals for risk-managed returns over its targeted timeframe. Bottom line, get your SAA correct and you’re about 88% assured of meeting your investing goals.

In general, consensus age-based SAA’s are constructed to accept more portfolio volatility (shorter term, market-driven fluctuations in account value) for investors with longer timeframes. Stocks are more volatile than bonds. But stocks have historically produced higher returns. When paycheck replacement in retirement is your portfolio’s goal, consensus dictates an SAA at retirement “target date” of around 50% stocks and 50% bonds (that is, “50/50”). In contrast, consensus SAA for investors 40 years away from retirement is in the 90/10 range. Investors 20 years away from retirement: 75/25. Investors (retirees) 10 years *into* retirement: 30/70.

These age-based SAA’s are principally driven by two factors. First and probably most important to our personal emotional well-being is each SAA’s potential short-term downside risk. In other words, how much short-term loss might you need to absorb while sticking with the SAA? Second, but equally as important to statistical investment success: How long might it take to recover from that loss? The table on the right says it all^(a). In short: More stocks beget bigger downside risk requiring longer recovery from a downturn. If you’ll need to spend the

SAA (Stocks-to-Bonds) —→	90 / 10	50 / 50	30 / 70
Cyclical Downside Risk	Down 55%	Down 30%	Down 18%
Months to Recover	30 months	18 months	8 months
Target Return - Annualized	~ 7½%	~ 5½%	~ 4%

stocks portion before it recovers, don’t accept that level of risk. If you won’t need to access the stocks portion before it recovers, accept the risk and benefit from its probable higher return. Then stick with the SAA until your age deems a reduction to your stock allocation. Continue that “de-risking” adjustment as your life marches on^(b).

As we said in our opening paragraphs, these consensus age-based SAA’s work well for *most* Americans but aren’t the “last word” for everyone. Personal exception examples might be: Severe emotional aversion to investment loss, significant pension benefits, substantial savings accumulated early in life, intent to provide heirs with inheritance, intent to use a portion of your retirement savings as a loan for house down payment, chronic health issues, significant age differences between spouses and/or unusual family situations.

Finally, you probably noticed that these special circumstances didn’t include Brexit, China or any other story in the news. Only *your* personal circumstances should impact your selection of your appropriate SAA.

^(a) The statistics presented are hypothetical and, though based upon historical experience, intended only to present relative levels of future estimated target returns for each SAA. Downside risk and recovery periods are based upon 2008/09 capital crisis performance for portfolios ascribing to each SAA and structured with broad-based indexed funds.

^(b) Your CBC Plan’s investing menu includes the comprehensive set of Vanguard Target Date Funds. These funds provide for “auto-pilot” investing and SAA migration (lightening up on risk) as you progress through your career and retirement.

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Retirement Saving and Investing "Action Points"

Clicking America into financial literacy and a more financially secure future for all:

Over the past 15 years the U.S. Senate has annually designated April as "Financial Literacy Month." This formal recognition has yielded some success, primarily in the form of spawning organizations devoted to creating and distributing curriculum. Unfortunately, absorption of these materials into the mainstream of American education has been admittedly slow.

Readers of our *Quarterly Commentary* and *Action Points* are well aware of Compensation & Capital's commitment to these memos as a commercial-free, objective, informative format for personal finance education focused on the practical concerns of our client's plan participants. That commitment is born of our concern over the unfortunate fact that Americans' primary source for financial information continues to be distributed by biased sources and principally for commercial gain.

There's no doubt that audiences with limited knowledge of facts, whatever the subject, are far more susceptible to biased sources than those with even a basic foundation of understanding. Coupled with the very nature of personal finance's complexities, its common use as a yardstick to our life's success, and its ability to bore into our emotional core, America's need for comprehensive, unbiased financial education has never been greater.

Action Points generally focuses upon two facets of personal finance: Retirement saving and retirement investing. But we also frequently reference our belief that a successful deployment of these two facets is wholly dependent upon a comprehensive, well-executed individualized financial plan. We've therefore devoted this quarter's *Action Points* to a sampling of what we consider high-quality, objective websites promoting core competency in personal financial wellness. Please consider spending some of your internet browsing time with these links. There's literally something for everyone embedded in these excellent resources.

<https://americasaves.org/for-savers> America Saves is a campaign managed by the nonprofit Consumer Federation of America that strives to motivate, encourage, and support low-to-moderate income households to save money, reduce debt, and build wealth. We've written frequently that you must first save. Only then can you invest. The site's contents are available in Spanish too.

<https://money.cnn.com/pf/money-essentials/> This paid-product sponsored website is a longtime favorite of Compensation & Capital. It's an easily-navigated, well-written and comprehensive repository of personal financial basics across seven major categories containing a multitude of sub-topics. Just do everything you can to stay focused on the site's personal finance information and ignore its visually delicious, but generally useless, paid content!

<https://www.investor.gov/> The U.S. Securities and Exchange Commission, the "SEC", sponsors this site. Its focus is similar to that of our *Action Points* memos with roadmaps to saving and investing, figuring out your finances, paying off credit cards, building emergency funds, and managing financial risks.

<https://edu.gcfglobal.org/en/moneybasics/> Launched by the Goodwill Community Foundation, this tab of the site holds 17 free narrative tutorials that detail topics like creating a budget, credit, choosing among banking options, responsible shopping, job search, housing decisions, major purchases, and how to live within your means.

<https://www.khanacademy.org/college-careers-more/personal-finance> Khan Academy has compiled a series of video presentations on personal finance that teach everything from taxes, accounting and financial statements, investment vehicles, interest and debt, inflation, and current economics. While there is an emphasis on personal finance, the videos also discuss the bigger picture. For example, the video on inflation takes a look at how it impacts your personal finances, as well as how inflation is actually caused. Their "rifle-shot" video format is a welcome alternative to text-based websites.

Ben Franklin had it right: "An investment in knowledge pays the best interest." Add these links to your web browser favorites. Then click into some valuable knowledge next time you have a few minutes to spare.

Page3: Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2019)

(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 VANGUARD 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:			
		3 Years	10 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TREASURY MONEY MARKET - VUSXX	Money Market	2nd	6th	0.09%	0.6%	2.0%	1.1%	0.7%	0.4%	1.3%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.48%	0.5%	1.7%	0.8%	0.5%	0.3%	1.1%
INTERMEDIATE TERM BOND INDEX ADM - VBILX	Bonds	60th	37th	0.07%	3.8%	5.7%	2.1%	3.2%	4.9%	4.6%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.75%	3.1%	4.0%	2.4%	2.5%	4.6%	3.8%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	50th	33rd	0.10%	3.2%	2.7%	1.6%	1.9%	3.3%	3.5%
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.75%	3.2%	2.2%	1.7%	1.4%	3.0%	3.2%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	10th	11th	0.17%	8.7%	7.0%	9.5%	7.6%	11.7%	8.0%
<i>US Allocation – 50% to 70% Equity Funds >></i>		<i>Category Average >></i>		1.12%	8.9%	3.9%	7.4%	5.1%	10.0%	6.0%
EQUITY INCOME ADMIRAL - VEIRX	Stocks	21st	14th	0.18%	11.1%	7.6%	11.3%	9.4%	15.4%	9.0%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.00%	11.3%	4.5%	10.0%	7.2%	13.7%	7.1%
500 INDEX ADMIRAL - VFIAX	Stocks	17th	15th	0.04%	13.7%	9.5%	13.5%	10.9%	15.9%	8.6%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		0.97%	12.9%	6.9%	11.8%	8.9%	14.5%	7.7%
SELECTED VALUE - VASVX	Stocks	74th	59th	0.36%	13.0%	-5.2%	7.6%	4.5%	14.3%	8.5%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.12%	12.9%	0.7%	8.6%	5.9%	14.5%	7.6%
GROWTH INDEX ADMIRAL – VIGAX	Stocks	53rd	32nd	0.05%	16.9%	11.7%	15.2%	12.3%	16.8%	9.4%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.08%	15.7%	10.7%	15.4%	11.3%	15.9%	8.8%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	56th	48th	0.36%	20.7%	12.2%	13.7%	9.4%	16.0%	9.6%
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.20%	18.2%	8.0%	14.2%	9.0%	15.7%	8.8%
SMALL-CAP INDEX ADMIRAL - VSMAX	Stocks	15th	7th	0.05%	16.2%	5.6%	12.8%	7.9%	17.0%	9.2%
<i>Small-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.17%	13.3%	0.0%	10.2%	5.6%	14.7%	7.7%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	3rd	7th	0.32%	14.9%	-2.8%	14.3%	6.8%	12.4%	7.7%
<i>Foreign Large Growth Stock Funds >></i>		<i>Category Average >></i>		1.14%	13.0%	-3.2%	8.1%	3.9%	10.0%	5.7%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	45th	54th	0.14%	11.3%	-6.8%	9.8%	3.6%	8.6%	7.6%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.36%	10.3%	-9.3%	9.1%	2.6%	8.9%	7.5%
ENERGY ADMIRAL - VGELX	Energy Stocks	7th	27th	0.30%	15.2%	-2.2%	6.8%	-2.9%	5.8%	7.3%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.38%	16.9%	-9.5%	-0.1%	-11.0%	3.0%	4.5%

Page4: Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2019)

(1) A fund with a 23rd Ranking outperformed 77% 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.

VANGUARD INDEXED AUTO-BALANCED 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
TARGET RETIREMENT INCOME - VTINX	Target Date Retire Income	23rd	53rd	0.12%	5.5%	3.9%	4.9%	4.1%	6.7%	N/A
<i>Retirement Income Funds >></i>		<i>Category Average >></i>		0.77%	5.8%	3.4%	4.8%	3.5%	6.6%	N/A
TARGET RETIREMENT 2015 - VTXVX	Target Date 2015	29th	47th	0.13%	6.5%	3.9%	6.3%	5.0%	9.3%	N/A
<i>Target Date 2015 Funds >></i>		<i>Category Average >></i>		0.72%	6.9%	3.5%	6.2%	4.4%	8.8%	N/A
TARGET RETIREMENT 2020 - VTWNX	Target Date 2020	5th	23rd	0.13%	7.8%	3.8%	7.4%	5.7%	10.2%	N/A
<i>Target Date 2020 Funds >></i>		<i>Category Average >></i>		0.78%	7.4%	3.4%	6.6%	4.6%	9.2%	N/A
TARGET RETIREMENT 2025 - VTTVX	Target Date 2025	5th	22nd	0.13%	8.8%	3.8%	8.2%	6.1%	11.0%	N/A
<i>Target Date 2025 Funds >></i>		<i>Category Average >></i>		0.77%	8.4%	3.4%	7.5%	5.1%	10.3%	N/A
TARGET RETIREMENT 2030 - VTHRX	Target Date 2030	16th	20th	0.14%	9.5%	3.7%	8.9%	6.4%	11.7%	N/A
<i>Target Date 2030 Funds >></i>		<i>Category Average >></i>		0.80%	9.4%	3.3%	8.3%	5.6%	10.8%	N/A
TARGET RETIREMENT 2035 - VTTHX	Target Date 2035	19th	20th	0.14%	10.2%	3.6%	9.5%	6.7%	12.3%	N/A
<i>Target Date 2035 Funds >></i>		<i>Category Average >></i>		0.78%	10.4%	3.2%	9.1%	6.0%	11.5%	N/A
TARGET RETIREMENT 2040 - VFORX	Target Date 2040	21st	17th	0.14%	11.0%	3.4%	10.2%	7.0%	12.6%	N/A
<i>Target Date 2040 Funds >></i>		<i>Category Average >></i>		0.81%	11.0%	3.0%	9.5%	6.2%	11.7%	N/A
TARGET RETIREMENT 2045 - VTIVX	Target Date 2045	16th	19th	0.15%	11.5%	3.3%	10.4%	7.1%	12.6%	N/A
<i>Target Date 2045 Funds >></i>		<i>Category Average >></i>		0.79%	11.5%	2.9%	9.9%	6.4%	12.1%	N/A
TARGET RETIREMENT 2050 - VFIFX	Target Date 2050	22nd	19th	0.15%	11.5%	3.3%	10.4%	7.1%	12.6%	N/A
<i>Target Date 2050 Funds >></i>		<i>Category Average >></i>		0.82%	11.7%	2.9%	9.9%	6.4%	12.0%	N/A
TARGET RETIREMENT 2055 - VFFVX	Target Date 2055	26th	n/a	0.15%	11.5%	3.3%	10.4%	7.1%	N/A	N/A
<i>Target Date 2055 Funds >></i>		<i>Category Average >></i>		0.79%	11.8%	2.8%	10.1%	6.5%	N/A	N/A
TARGET RETIREMENT 2060 - VTTSX	Target Date 2060+	1st	n/a	0.15%	11.5%	3.3%	10.4%	7.1%	N/A	N/A
<i>Target Date 2060+ Funds >></i>		<i>Category Average >></i>		0.80%	11.9%	3.0%	10.2%	6.3%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	13th	44th	0.12%	6.8%	4.3%	6.0%	5.0%	8.0%	5.2%
<i>Allocation – 30% to 50% Equity Funds >></i>		<i>Category Average >></i>		1.13%	7.1%	3.0%	5.5%	3.7%	7.9%	4.8%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	17th	26th	0.14%	10.6%	3.5%	9.5%	6.7%	11.8%	6.7%
<i>Allocation – 70% to 85% Equity Funds >></i>		<i>Category Average >></i>		1.22%	10.3%	2.9%	8.4%	5.3%	11.1%	6.3%