

Compensation & Capital's Financial Planning Commentary as of September 30, 2018

"The Dangers of Seeking Simplicity By Blindly Following the Rules"

"Self Help" can be a fascinating experience whether you do so as an active participant in a weekend seminar, an interested party hoping for a positive transformation for a friend, or an onlooker biding your time gazing at posters with rules-based platitudes for a successful life while awaiting your turn in an annoyingly long line! No matter your perspective, its "rules to live by" messages are arguably almost always fundamentally true. They're also often over-simplified idealistic takes on some of the most complex issues we face in our increasingly complicated lives.

"I went to a bookstore and asked the saleswoman, 'Where's the self-help section?' She said if she told me, it would defeat the purpose."
George Carlin

In fact, many of these messages designed to focus our thoughts and actions to accomplish a very definitive goal can have exactly the opposite result. For instance, if the pithy advice "Done is better than perfect" is applied universally to your To-Do List, your Grandma's wisdom "A stitch in time saves nine" can become painfully clear as loose ends crater the "results" of moving on before the task is truly complete.

Similarly, mottos like "The true measure of success is how many times you can bounce back from failure" don't work so well when applied to choices that each of us face with our family's personal finances. For all but the most wealthy of us, our financial lives can withstand only a very limited number of failed financial choices before we find ourselves in an inescapable hole. These choices increasingly present themselves earlier and earlier in our lives: Developing a sincere appreciation for your wants versus needs. Shunning immediate gratification available through credit card debt. Grasping early on the amazingly positive psychological impact of sharing your good fortunes with others. Understanding and appreciating the power of compounding investment returns. Accepting the relationship between investment risk and realistic expectations for long-term returns. These are but a few of the fundamentals that each of us must embed in our lives before we can even hope to make successful day-to-day money choices.

No doubt, a rule of thumb can help with the application of these personal finance fundamentals. Accepting personal finance conventional wisdom can evoke a sense of security based in simplicity as we face complicated life challenges. And, if you're "most folks" then some simple rules may actually work, just as the Self Help mottos and our Grandmas' pearls of wisdom can help us succeed too!

But if your situation happens to fall outside that norm, the rules can result in seriously unwelcome outcomes. You've likely heard some of these conventional wisdom personal finance rules:

- Contributing between 10% and 15% (including profit sharing contributions) of your gross pay to your retirement plan annually should accumulate sufficient retirement savings that, when combined with Social Security benefits, could replace about 80% of your pre-retirement pay.
- An appropriate strategic asset allocation is investing "100-minus-your age as your stocks %."
- Limiting your annual post-retirement withdrawals to 4% of your retirement account balance will make it likely that you will not deplete your retirement savings within your lifetime.
- Everyone has a wealth goal "retirement number" that if attained before retirement will allow us to live comfortably for the rest of our life. A financial advisor can provide you with that number.

So who are these "most folks" when it comes to each of these rules? And what sorts of adaptations, if any, are required to make them work for you? For these answers and more incisive explanations of the how's and why's of these pearls of conventional personal finance wisdom, just turn the page!

Chicago Blower Corporation Profit Sharing & 401(k) Plans

Compensation & Capital's September 30, 2018

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 the four "old saws" we cited in our *Commentary*:

- 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're 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 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%	84%	76%	69%	61%	52%	38%	32%
Bonds	10%	16%	24%	31%	39%	44%	58%	56%
MMkts	0%	0%	0%	0%	0%	4%	8%	12%

So, according to our objective experts, the simple rule is advisable *only* when you're in your mid-to-late 60's. Otherwise, it puts too much, in fact *way too much* into bonds *when you're younger*. Overly conservative, bonds-heavy investing especially 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 *requires* that your investment SAA's annual returns are at least 4% PLUS inflation. Historically, inflation's been around 3%. So for the 4% rule to be successful, your annual investment returns must be around 7% throughout your entire retirement. Historically speaking, that requires an SAA of at least 55% to stocks which, by accepted standards (see the chart above) is far more aggressive than most experts would advise. So this rule works only for those that are willing 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 85% of your gross pay.

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

(All for periods ended September 30, 2018)

(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 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:			
		5 Years	10 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TREASURY MONEY MARKET - VUSXX	Money Market	12th	26th	0.09%	0.5%	1.5%	0.8%	0.5%	0.3%	1.2%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.49%	0.4%	1.1%	0.5%	0.3%	0.2%	1.1%
INTERMEDIATE TERM BOND INDEX ADM - VBILX	Bonds	32nd	21st	0.07%	0.2%	-2.0%	1.2%	2.4%	5.0%	4.4%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.76%	0.2%	-1.1%	1.7%	2.1%	4.2%	3.8%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	21st	36th	0.10%	-0.8%	0.3%	1.9%	1.3%	3.2%	3.8%
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.76%	-0.6%	0.4%	2.0%	1.0%	2.9%	3.4%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	7th	8th	0.17%	4.8%	8.4%	11.2%	9.1%	9.5%	8.7%
<i>US Allocation – 50% to 70% Equity Funds >></i>		<i>Category Average >></i>		1.13%	3.2%	6.8%	8.8%	6.7%	7.6%	6.8%
EQUITY INCOME ADMIRAL - VEIRX	Stocks	19th	15th	0.17%	5.3%	10.7%	14.9%	11.6%	11.2%	10.0%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.00%	5.5%	10.8%	13.5%	10.2%	9.7%	8.4%
500 INDEX ADMIRAL - VFIAX	Stocks	9th	19th	0.04%	7.7%	17.9%	17.3%	13.9%	12.0%	9.6%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		0.97%	6.7%	15.4%	15.2%	11.9%	10.8%	8.8%
SELECTED VALUE - VASVX	Stocks	76th	30th	0.39%	0.2%	0.8%	11.2%	8.4%	11.4%	10.2%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.13%	3.1%	8.9%	12.6%	9.3%	10.4%	9.1%
GROWTH INDEX ADMIRAL – VIGAX	Stocks	37th	34th	0.05%	7.8%	22.7%	18.6%	15.2%	13.5%	10.4%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.10%	7.5%	23.2%	17.7%	14.0%	12.6%	9.8%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	51st	36th	0.36%	8.2%	25.0%	14.0%	11.7%	12.6%	10.6%
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.20%	6.5%	20.3%	15.8%	11.7%	12.0%	10.1%
SMALL-CAP INDEX ADMIRAL - VSMAX	Stocks	17th	15th	0.05%	4.8%	16.7%	16.3%	44.5%	12.4%	11.1%
<i>Small-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.17%	2.8%	12.1%	14.7%	9.7%	10.7%	9.7%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	7th	7th	0.32%	-1.5%	6.8%	17.0%	8.6%	8.5%	9.2%
<i>Foreign Large Growth Stock Funds >></i>		<i>Category Average >></i>		1.17%	0.2%	4.1%	10.3%	5.7%	6.4%	7.2%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	45th	50th	0.14%	-1.8%	-3.1%	10.1%	3.0%	4.7%	9.1%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.38%	-2.5%	-3.6%	10.1%	2.5%	4.9%	9.2%
ENERGY ADMIRAL - VGELX	Energy Stocks	4th	23rd	0.30%	1.7%	15.1%	13.9%	1.2%	3.1%	9.8%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.37%	0.4%	13.2%	7.3%	-5.6%	-0.1%	7.4%

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

(All for periods ended September 30, 2018)

(1) A fund with a 33rd Ranking outperformed 67% 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	33rd	35th	0.13%	1.3%	3.3%	5.4%	4.5%	5.7%	N/A
<i>Retirement Income Funds >></i>		<i>Category Average >></i>		0.78%	1.3%	2.7%	5.2%	4.0%	5.2%	N/A
TARGET RETIREMENT 2015 - VTXVX	Target Date 2015	36th	30th	0.13%	1.8%	4.5%	7.2%	5.9%	6.9%	N/A
<i>Target Date 2015 Funds >></i>		<i>Category Average >></i>		0.72%	1.8%	4.2%	7.0%	5.3%	6.4%	N/A
TARGET RETIREMENT 2020 - VTWNX	Target Date 2020	6th	13th	0.13%	2.4%	5.9%	8.7%	6.9%	7.6%	N/A
<i>Target Date 2020 Funds >></i>		<i>Category Average >></i>		0.79%	1.9%	4.7%	7.5%	5.6%	6.6%	N/A
TARGET RETIREMENT 2025 - VTTVX	Target Date 2025	7th	23rd	0.14%	2.8%	6.8%	9.7%	7.6%	8.0%	N/A
<i>Target Date 2025 Funds >></i>		<i>Category Average >></i>		0.77%	2.4%	5.9%	8.8%	6.4%	7.3%	N/A
TARGET RETIREMENT 2030 - VTHRX	Target Date 2030	16th	21st	0.14%	3.1%	7.7%	10.7%	8.1%	8.4%	N/A
<i>Target Date 2030 Funds >></i>		<i>Category Average >></i>		0.81%	2.7%	6.9%	9.9%	7.1%	7.6%	N/A
TARGET RETIREMENT 2035 - VTTHX	Target Date 2035	18th	29th	0.14%	3.5%	8.5%	11.6%	8.7%	8.8%	N/A
<i>Target Date 2035 Funds >></i>		<i>Category Average >></i>		0.78%	3.2%	8.0%	11.0%	7.7%	8.2%	N/A
TARGET RETIREMENT 2040 - VFORX	Target Date 2040	16th	21st	0.15%	3.8%	9.4%	12.5%	9.2%	9.1%	N/A
<i>Target Date 2040 Funds >></i>		<i>Category Average >></i>		0.82%	3.3%	8.6%	11.6%	8.1%	8.2%	N/A
TARGET RETIREMENT 2045 - VTIVX	Target Date 2045	12th	20th	0.15%	4.0%	9.9%	12.9%	9.4%	9.2%	N/A
<i>Target Date 2045 Funds >></i>		<i>Category Average >></i>		0.79%	3.6%	9.2%	12.1%	8.4%	8.5%	N/A
TARGET RETIREMENT 2050 - VFIFX	Target Date 2050	11th	19th	0.15%	4.0%	9.8%	12.9%	9.4%	9.3%	N/A
<i>Target Date 2050 Funds >></i>		<i>Category Average >></i>		0.83%	3.6%	9.2%	12.2%	8.5%	8.4%	N/A
TARGET RETIREMENT 2055 - VFFVX	Target Date 2055	22nd	n/a	0.15%	4.0%	9.8%	12.9%	9.3%	N/A	N/A
<i>Target Date 2055 Funds >></i>		<i>Category Average >></i>		0.79%	3.7%	9.5%	12.4%	8.7%	N/A	N/A
TARGET RETIREMENT 2060 - VTTSX	Target Date 2060+	1st	n/a	0.15%	4.0%	9.8%	12.9%	9.4%	N/A	N/A
<i>Target Date 2060+ Funds >></i>		<i>Category Average >></i>		0.80%	3.8%	9.7%	12.7%	8.4%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	16th	46th	0.12%	1.7%	4.2%	6.7%	5.6%	6.1%	5.7%
<i>Allocation – 30% to 50% Equity Funds >></i>		<i>Category Average >></i>		1.15%	1.8%	3.3%	6.3%	4.7%	6.1%	5.4%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	23rd	43rd	0.14%	3.5%	8.7%	11.7%	8.7%	8.4%	7.7%
<i>Allocation – 70% to 85% Equity Funds >></i>		<i>Category Average >></i>		1.24%	3.5%	8.5%	10.4%	7.5%	7.9%	7.1%