Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan

Compensation & Capital's Financial Planning Commentary as of March 31, 2017
"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 workplace retirement plan participation rates across all workers stuck at around 40% and saving rates for those plan participants, on average, around 6% 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. 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 – 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, 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 drop, then kicking back and doing nothing. As a motivator for sacrificing the good things available in our lives by spending every dollar we make 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 the abrupt lifestyle change and potential boredom of traditional retirement is potentially too scary 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. Add to that "feel good now" message the notion that we all possess our own human capital that can over our lifetimes be additive to and thereby even more valuable than the financial capital we can accumulate. 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.

Is the Bond Market Doomed? Should I Sell My Bond Funds?

All good things got to come to an end
The thrills have to fade
Before they come 'round again
The bills will be paid
And the pleasure will mend
All good things got to come to an end
1992: Jackson Browne

For Boomers building their long-term investment portfolios over the past three-plus decades of stock market excitement, bond investing has been easy to relegate to a necessary but seemingly inconsequential sliver of our attention. Fortunately, over those 35 years since 1982's peak in interest rates, ignorant bliss worked just fine in this asset class. Economic tailwinds, borne on declining rates of interest and inflation, resulted in about as low risk an environment for the aggregate bond market as has ever existed in modern economies. Returns that exceeded annualized historical norms by around 2% were commonplace. So much so that the mantra "Bonds are boring" became a staple of investors. But as Jackson Browne lamented of virtues of loves gone by, so too will these once loyal and loving friends require our renewed attentions if we are to expect their function as risk managers – albeit with a side order of reasonable return – to stand by our side for the foreseeable future.

So on to the basics, and some nuances, of bond investing from which even the most casual of DHC/MWC Plan participant investors can benefit.

If the party's over for bonds, why retain them in my portfolio? In short, these seemingly boring buddies are the guys that keep your portfolio's excesses in check. Not only are they far less volatile than your stock investments, in most cycles of the economy, their values will move inversely to stocks. That inverse relationship diversifies your portfolio by dampening the stocks' volatility. And to be sure, no one really knows if, or when, bonds' longer term tailwinds will definitively reverse to headwinds. Though overall bond market returns for the past 12 months have declined to about half of their past 10 year comparisons, the global bond market as a whole continues to earn its investors more than the rate of inflation. Few seasoned investors expected those halcyon 3+ decades of historically high returns from bonds. But bonds' prospect of future declining returns was pretty much a "given" at our recent inflection point trough of near zero short-term rates. Why?

Periods of improving economics are inherently gloomy times for bonds: Conversely, recessions generally boost bond prices while hurting stock values. Bond values face risks just like stock prices do; just different risks from different sources. Currently, the most probable risk to the value of bonds is called "interest rate" risk. Improving economies generally drive interest rates and inflation up. (Bonds also have inherent risks borne on the possibility that their issuers, corporations or governments, may not be able to repay the bond debt when it becomes due. That's called "credit" risk. Our decent economic period has dampened credit risk for the time being.) When interest rates rise, bond values fall. But to be sure, the extent of losses in a bad year for bonds would be a veritable "walk on the beach" compared to a bad year for stocks. So the probability's pretty good that we'll see bond values drop sometime in the future as interest rates rise.

But when and by how much? Answers to these questions have been making the bond experts' crystal balls appear very hazy for the past 6+ years. Bond bears have warned of sell-off's throughout. In the interim, the aggregate bond market has returned around 3.5% annually with one losing year, shedding about -3.5% in 2013. Sectors of the bond market continue to outperform the aggregate bond market so the diversified bond funds available in your Plan's Select and Auto-Balanced Venues will further stabilize your Plan account even if rates continue to climb. Bottom line: Be aware of the situation and its likely impacts. But remember: Your strategy's for the long run.

Dechert-Hampe & Co Employees' Savings and Profit Sharing Plan Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2017)

***Remember:* Past performance is absolutely NOT a guarantee of future performance!**

(1) A fund with a 17th Ranking outperformed 83% of its peers.

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

Name of VANGUARD Select Venue Fund / *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past: 3 Years	10 Years	OER(2)	Total Return Performance for: Past Qtr	12 Mos	Average Annualized Total Return for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
Treasury Money Market - VUSXX	**Money Market**	**38th**	**66th**	**0.14%**	**0.1%**	**0.3%**	**0.1%**	**0.1%**	**0.6%**	**1.2%**
Taxable Money Market Funds >>		*Category Average >>*		*0.33%*	*0.1%*	*0.3%*	*0.1%*	*0.1%*	*0.7%*	*1.2%*
Total Bond Market Index Admiral - VBTLX	**Bonds**	**40th**	**48th**	**0.07%**	**0.9%**	**0.4%**	**2.6%**	**2.3%**	**4.2%**	**4.5%**
Intermediate Bond Funds >>		*Category Average >>*		*0.79%*	*1.1%*	*1.7%*	*2.4%*	*2.5%*	*4.1%*	*4.4%*
Inflation Protected Securities Adm - VAIPX	**Bonds**	**10th**	**15th**	**0.10%**	**1.4%**	**1.5%**	**2.0%**	**1.0%**	**4.1%**	**5.2%**
Inflation-Protected Bond Funds >>		*Category Average >>*		*0.73%*	*1.2%*	*2.1%*	*1.2%*	*0.4%*	*3.3%*	*4.4%*
Wellington Admiral - VWENX	**Bonds & Stocks**	**4th**	**4th**	**0.18%**	**3.5%**	**12.8%**	**7.3%**	**9.7%**	**7.2%**	**7.7%**
Allocation Funds – 50% to 70% Equity >>		*Category Average >>*		*1.19%*	*3.8%*	*10.5%*	*4.4%*	*7.0%*	*5.1%*	*5.7%*
Windsor II Admiral - VWNAX	**Stocks**	**46th**	**37th**	**0.28%**	**4.8%**	**18.7%**	**7.6%**	**11.8%**	**6.1%**	**7.3%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*1.07%*	*3.7%*	*17.4%*	*7.3%*	*11.5%*	*5.6%*	*6.5%*
500 Index Admiral - VFIAX	**Stocks**	**7th**	**19th**	**0.05%**	**6.1%**	**17.1%**	**10.3%**	**13.3%**	**7.5%**	**7.1%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*1.01%*	*5.6%*	*16.0%*	*8.1%*	*11.7%*	*6.5%*	*6.5%*
Selected Value - VASVX	**Stocks**	**53rd**	**22nd**	**0.41%**	**5.8%**	**21.6%**	**7.2%**	**13.3%**	**7.7%**	**9.2%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*1.18%*	*3.5%*	*18.9%*	*7.0%*	*12.0%*	*6.7%*	*8.3%*
Morgan Growth Admiral – VMRAX	**Stocks**	**27th**	**49th**	**0.26%**	**9.3%**	**15.1%**	**10.0%**	**12.2%**	**7.8%**	**7.7%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.15%*	*8.6%*	*14.9%*	*8.5%*	*11.6%*	*7.7%*	*6.7%*
Mid-Cap Growth Investor - VMGRX	**Stocks**	**65th**	**38th**	**0.44%**	**6.1%**	**9.5%**	**5.3%**	**9.7%**	**7.7%**	**7.8%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.24%*	*7.3%*	*15.6%*	*6.1%*	*10.3%*	*7.1%*	*7.6%*
Explorer Admiral - VEXRX	**Stocks**	**47th**	**51st**	**0.35%**	**6.2%**	**20.8%**	**5.7%**	**11.7%**	**7.5%**	**7.9%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.31%*	*5.6%*	*22.4%*	*5.3%*	*10.7%*	*7.3%*	*7.8%*
International Growth Admiral - VWILX	**Foreign Stocks**	**15th**	**7th**	**0.34%**	**12.7%**	**17.1%**	**2.8%**	**7.0%**	**3.5%**	**7.1%**
Foreign Large Growth Stock Funds >>		*Category Average >>*		*1.26%*	*9.2%*	*8.6%*	*1.1%*	*5.5%*	*1.9%*	*5.8%*
Emerging Markets Index Admiral - VEMAX	**Foreign Stocks**	**31st**	**42nd**	**0.15%**	**10.8%**	**17.6%**	**1.9%**	**0.9%**	**2.7%**	**9.3%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*1.48%*	*11.6%*	*16.4%*	*0.7%*	*1.2%*	*2.2%*	*9.0%*
Energy Admiral - VGELX	**Energy Stocks**	**13th**	**24th**	**0.32%**	**-4.0%**	**18.6%**	**-5.6%**	**0.0%**	**2.1%**	**8.9%**
Energy Sector Stock Funds >>		*Category Average >>*		*1.49%*	*-5.9%*	*19.0%*	*-11.6%*	*-3.8%*	*-0.1%*	*6.0%*

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(All for periods ended March 31, 2017)

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VANGUARD INDEXED AUTO-BALANCED FUND / *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past: 1 Year	10 Years	OER(2)	Total Return Performance for: Past Qtr	12 Mos	Average Annualized Total Return for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	**Target Date Retire Income**	**73rd**	**10th**	**0.13%**	**2.5%**	**5.4%**	**3.8%**	**4.6%**	**5.0%**	**N/A**
Retirement Income Funds >>	*Category Average >>*			*0.83%*	*2.6%*	*6.0%*	*2.9%*	*3.9%*	*3.6%*	*N/A*
TARGET RETIREMENT 2015 - VTXVX	**Target Date 2015**	**64th**	**7th**	**0.14%**	**3.4%**	**7.7%**	**4.6%**	**6.5%**	**5.0%**	**N/A**
Target Date 2015 Funds >>	*Category Average >>*			*0.79%*	*3.4%*	*8.0%*	*3.7%*	*5.8%*	*4.3%*	*N/A*
TARGET RETIREMENT 2020 - VTWNX	**Target Date 2020**	**27th**	**4th**	**0.14%**	**4.1%**	**9.4%**	**5.2%**	**7.3%**	**5.2%**	**N/A**
Target Date 2020 Funds >>	*Category Average >>*			*0.86%*	*3.6%*	*8.5%*	*3.8%*	*5.7%*	*3.9%*	*N/A*
TARGET RETIREMENT 2025 - VTTVX	**Target Date 2025**	**34th**	**13th**	**0.14%**	**4.6%**	**10.7%**	**5.5%**	**7.9%**	**5.3%**	**N/A**
Target Date 2025 Funds >>	*Category Average >>*			*0.84%*	*4.3%*	*10.1%*	*4.3%*	*6.8%*	*4.4%*	*N/A*
TARGET RETIREMENT 2030 - VTHRX	**Target Date 2030**	**40th**	**13th**	**0.15%**	**5.1%**	**11.9%**	**5.7%**	**8.5%**	**5.3%**	**N/A**
Target Date 2030 Funds >>	*Category Average >>*			*0.89%*	*4.8%*	*11.5%*	*4.7%*	*7.1%*	*4.2%*	*N/A*
TARGET RETIREMENT 2035 - VTTHX	**Target Date 2035**	**41st**	**15th**	**0.15%**	**5.5%**	**13.0%**	**6.0%**	**9.0%**	**5.5%**	**N/A**
Target Date 2035 Funds >>	*Category Average >>*			*0.87%*	*5.4%*	*12.8%*	*5.0%*	*7.9%*	*4.7%*	*N/A*
TARGET RETIREMENT 2040 - VFORX	**Target Date 2040**	**24th**	**12th**	**0.16%**	**6.0%**	**14.3%**	**6.1%**	**9.4%**	**5.7%**	**N/A**
Target Date 2040 Funds >>	*Category Average >>*			*0.91%*	*5.6%*	*13.5%*	*5.1%*	*8.0%*	*4.4%*	*N/A*
TARGET RETIREMENT 2045 - VTIVX	**Target Date 2045**	**29th**	**19th**	**0.16%**	**6.2%**	**14.7%**	**6.2%**	**9.5%**	**5.7%**	**N/A**
Target Date 2045 Funds >>	*Category Average >>*			*0.87%*	*5.9%*	*14.0%*	*5.3%*	*8.4%*	*4.8%*	*N/A*
TARGET RETIREMENT 2050 - VFIFX	**Target Date 2050**	**34th**	**19th**	**0.16%**	**6.2%**	**14.7%**	**6.2%**	**9.5%**	**5.7%**	**N/A**
Target Date 2050 Funds >>	*Category Average >>*			*0.91%*	*5.8%*	*14.2%*	*5.4%*	*8.3%*	*4.5%*	*N/A*
TARGET RETIREMENT 2055 - VFFVX	**Target Date 2055**	**36th**	**n/a**	**0.16%**	**6.2%**	**14.7%**	**6.2%**	**9.5%**	**N/A**	**N/A**
Target Date 2055 Funds >>	*Category Average >>*			*0.87%*	*6.0%*	*14.2%*	*5.5%*	*8.8%*	*6.2%*	*N/A*
TARGET RETIREMENT 2060 - VTTSX	**Target Date 2060+**	**41st**	**n/a**	**0.16%**	**6.2%**	**14.7%**	**6.2%**	**9.5%**	**N/A**	**N/A**
Target Date 2060+ Funds >>	*Category Average >>*			*0.87%*	*6.1%*	*14.4%*	*4.9%*	*9.5%*	*N/A*	*N/A*
LIFE STRATEGY CONSERVATIVE - VSCGX	**Conservative Allocation**	**69th**	**40th**	**0.13%**	**3.1%**	**6.8%**	**4.6%**	**5.7%**	**4.6%**	**5.3%**
Allocation – 30% to 50% Equity Funds >>	*Category Average >>*			*1.21%*	*3.0%*	*8.0%*	*3.3%*	*5.1%*	*4.3%*	*5.0%*
LIFE STRATEGY GROWTH - VASGX	**Aggressive Allocation**	**38th**	**40th**	**0.15%**	**5.6%**	**13.1%**	**6.0%**	**8.8%**	**5.1%**	**6.3%**
Allocation – 70% to 85% Equity Funds >>	*Category Average >>*			*1.32%*	*4.8%*	*12.6%*	*4.5%*	*7.9%*	*4.5%*	*5.8%*