

Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan
Compensation & Capital's Financial Planning Commentary as of June 30, 2018
"What's Driving Your Investing Attitude? What *Should* Be?"

By the time we pen our NEXT *Quarterly Commentary* we'll be into a whole new season. Yes, Fall will be upon us, hand-in-hand with the season of political Robo-Calls! So if you are one of the electorate that actually picks up the phone when the ID says "Out of State Call" we thought a multiple choice polling question might help prime you for that coming tsunami of annoyance. Ring, Ring, Ring!

"When it comes to news that could impact your retirement security and your retirement investments specifically, which of the following provokes your most fervent concern?"

- a) The corporate tax cut elevated our 401(k)'s. Now the trade wars have boiled away those gains.
- b) The Federal Reserve relentlessly escalates interest rates for loans. What about wages?
- c) Stalled-out stock market. Bonds with negative returns. Money markets with zero interest.
- d) None of the above.

Clearly our list of choices preceding the obligatory "None of the above" could have encompassed every letter of the alphabet and then some. Complexity has always been a staple of modern investing. But shorter-term, risk-managed fundamental investing is tougher than ever, even for the smartest guys in the room. Recent ho-hum performance from those fancy-pants hedge fund guys clearly supports the fact that investing has become, well – REALLY complicated.

So for many Americans, option (d) would be more appropriately phrased: "Absolutely Nothing. It's all so frustrating and arcane that I get nauseous thinking about it!" And though this attitude is probably a bit more negative than would be in your best interests, its "No Action" *outcome* is possibly the best of the choice of perspectives you could reasonably adopt. Here's why:

Successful long term investing is all about developing an appropriate investing strategy based upon a time horizon that's in sync with your intentions for actually using those savings to support your post-paycheck life. Ongoing adjustments to that strategy are then based *only* upon changes in your personal situation that would somehow alter your projection of either the time horizon itself or your attendant retirement expenses. In short, any significant change to your strategy resulting solely from your concerns over current economic or market issues is probably counterproductive to your long-term goals. No matter (within reason) how critical, global or long-term you believe those issues are.

As for our polling question, here are our thoughts: (a) Last December's 40% reduction in corporate tax rates resulted in positive changes for companies, workers and investors. Stock prices moved higher. But the ride got bumpy in May when the White House re-aimed its public relations shotgun at ALL countries with a no-favored-country trade policy with details articulated by Twitter feeds. Countries, companies and investors are left in a state of confusion which is never positive for the economy. Hopefully most of this is posturing. A world in which tariffs are very low or zero would be constructive. (b) The Fed continues its long-telegraphed gradual tightening of monetary policy by raising interest rates about 1% each year while reducing its 2008 Capital Crisis inventory of Treasury Bonds. This will probably continue for another two years. Employment is strong, the economy is good and inflation sits around 2%, the Fed's goal. We've been coddled by historically low rates for the past 8 years. That couldn't persist if we want wages to rise, a strong dollar, and low inflation. (c) All markets seek balance after sustained periods of historically unusual performance. It just so happens that the stock, bond and money markets have all experienced historical records of late: Highs in stock and bond prices. Lows in money market rates. Patience... We just may yet see a day when putting cash in a money market fund is no longer a losing proposition!

There's no doubt that very different outcomes result from different investment strategies – especially in the short term. But the advantages provided by a time-appropriate, well-diversified, continuously funded strategy have stood the test of time and offer every retirement saver a relatively resilient oasis from the worries that saturate our daily world. Remember, strategy development help is available at www.planspecs.com/dhc >> *Plan Investing*. Or, contact us at info@plansecs.com with your questions.

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Compensation & Capital's June 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 four rules embedded in conventional wisdom:

- 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 are 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%	54%	56%
MMkts	0%	0%	0%	0%	0%	4%	8%	12%

So the simple rule is advisable *only*, according to our objective experts, when you're in your mid-to-late 60's. Otherwise, it puts too much into bonds; in fact, *way too much to bonds when you're younger*. Overly conservative, stocks-light investing 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 assumes that your investment SAA's annual returns are at least 4% PLUS inflation. Historic inflation's around 3%. So for the 4% rule to be successful, your annual investment returns must be around 7% for 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 for retired folks. 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.

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

(All for periods ended June 30, 2018)

(1) A fund with a 13th Ranking outperformed 87% 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	15 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TREASURY MONEY MARKET - VUSXX	Money Market	13th	10th	0.09%	0.4%	1.3%	0.6%	0.4%	0.3%	1.2%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.49%	0.3%	0.9%	0.4%	0.2%	0.2%	1.1%
TOTAL BOND MARKET INDEX ADMIRAL - VBTIX	Bonds	49th	53rd	0.05%	-0.2%	0.5%	1.7%	2.2%	3.7%	3.7%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.76%	-0.2%	-0.4%	1.7%	2.2%	3.9%	3.7%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	23rd	8th	0.10%	0.8%	1.9%	1.9%	1.6%	2.8%	3.9%
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.69%	0.7%	1.9%	1.6%	1.3%	2.5%	3.4%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	7th	3rd	0.17%	0.8%	6.9%	8.0%	8.9%	8.1%	8.5%
<i>Allocation Funds – 50% to 70% Equity >></i>		<i>Category Average >></i>		1.14%	1.2%	6.6%	5.6%	6.9%	6.3%	6.7%
WINDSOR II ADMIRAL - VWNAX	Stocks	56th	30th	0.26%	2.3%	7.6%	8.1%	10.1%	8.8%	8.7%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.01%	1.6%	9.0%	8.4%	9.9%	8.3%	8.2%
500 INDEX ADMIRAL - VFIAX	Stocks	12th	23rd	0.04%	3.4%	14.3%	11.9%	13.4%	10.2%	9.3%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		0.95%	2.7%	12.6%	9.9%	11.7%	9.1%	8.6%
SELECTED VALUE - VASVX	Stocks	58th	24th	0.39%	-0.1%	5.7%	7.6%	10.4%	10.6%	10.6%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.12%	2.6%	8.9%	8.0%	10.1%	9.2%	9.3%
MORGAN GROWTH ADMIRAL – VMRAX	Stocks	35th	27th	0.28%	5.4%	22.9%	13.7%	15.8%	10.6%	10.3%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.09%	5.1%	20.6%	12.2%	14.4%	10.2%	9.5%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	74th	42nd	0.36%	4.7%	20.4%	7.9%	11.8%	10.2%	10.4%
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.20%	4.2%	18.1%	9.7%	12.3%	9.5%	10.1%
EXPLORER ADMIRAL - VEXRX	Stocks	40th	47th	0.32%	7.2%	23.7%	11.6%	13.5%	11.2%	10.8%
<i>Small-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.26%	8.5%	22.7%	11.0%	12.8%	10.9%	10.6%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	3rd	2nd	0.32%	0.7%	20.0%	12.3%	11.7%	6.3%	9.9%
<i>Foreign Large Growth Stock Funds >></i>		<i>Category Average >></i>		1.18%	-0.7%	10.5%	6.6%	7.7%	3.9%	7.7%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	72nd	58th	0.14%	-9.1%	6.3%	3.6%	4.3%	7.8%	10.2%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.40%	-8.9%	6.1%	4.8%	4.1%	2.1%	10.3%
ENERGY ADMIRAL - VGELX	Energy Stocks	2nd	4th	0.33%	9.0%	21.9%	5.6%	2.4%	-0.8%	9.8%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.38%	13.1%	20.8%	-2.1%	-3.7%	-4.1%	7.4%

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

(All for periods ended June 30, 2018)

(1) A fund with a 36th Ranking outperformed 64% 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:			
		1 Year	5 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date Retire Income	36th	33rd	0.13%	0.4%	4.0%	4.2%	4.8%	5.1%	N/A
<i>Retirement Income Funds >></i>		<i>Category Average >></i>		0.79%	0.3%	3.5%	3.7%	4.3%	4.5%	N/A
TARGET RETIREMENT 2015 - VTXVX	Target Date 2015	36th	31st	0.13%	0.5%	5.4%	5.1%	6.4%	6.0%	N/A
<i>Target Date 2015 Funds >></i>		<i>Category Average >></i>		0.74%	0.5%	5.1%	4.8%	5.8%	5.2%	N/A
TARGET RETIREMENT 2020 - VTWNX	Target Date 2020	20th	9th	0.13%	0.6%	6.7%	6.1%	7.4%	6.4%	N/A
<i>Target Date 2020 Funds >></i>		<i>Category Average >></i>		0.81%	0.5%	5.7%	5.1%	6.1%	5.3%	N/A
TARGET RETIREMENT 2025 - VTTVX	Target Date 2025	27th	13th	0.14%	0.7%	7.6%	6.7%	8.1%	6.7%	N/A
<i>Target Date 2025 Funds >></i>		<i>Category Average >></i>		0.79%	0.6%	6.8%	5.8%	6.9%	5.9%	N/A
TARGET RETIREMENT 2030 - VTHRX	Target Date 2030	33rd	16th	0.14%	0.8%	8.5%	7.2%	8.7%	7.0%	N/A
<i>Target Date 2030 Funds >></i>		<i>Category Average >></i>		0.83%	0.8%	7.9%	6.5%	7.6%	6.1%	N/A
TARGET RETIREMENT 2035 - VTTHX	Target Date 2035	42nd	20th	0.14%	0.8%	9.3%	7.7%	9.3%	7.3%	N/A
<i>Target Date 2035 Funds >></i>		<i>Category Average >></i>		0.80%	0.9%	8.9%	7.1%	8.4%	6.6%	N/A
TARGET RETIREMENT 2040 - VFORX	Target Date 2040	33rd	15th	0.15%	0.9%	10.1%	8.1%	9.8%	7.6%	N/A
<i>Target Date 2040 Funds >></i>		<i>Category Average >></i>		0.84%	0.9%	9.6%	7.5%	8.7%	6.6%	N/A
TARGET RETIREMENT 2045 - VTIVX	Target Date 2045	39th	19th	0.15%	0.9%	10.5%	8.4%	10.0%	7.7%	N/A
<i>Target Date 2045 Funds >></i>		<i>Category Average >></i>		0.81%	1.0%	10.1%	7.8%	9.1%	6.8%	N/A
TARGET RETIREMENT 2050 - VFIFX	Target Date 2050	44th	20th	0.15%	0.9%	10.5%	8.4%	10.0%	7.7%	N/A
<i>Target Date 2050 Funds >></i>		<i>Category Average >></i>		0.85%	1.0%	10.2%	7.8%	9.2%	6.8%	N/A
TARGET RETIREMENT 2055 - VFFVX	Target Date 2055	52nd	27th	0.15%	1.0%	10.5%	8.4%	9.9%	N/A	N/A
<i>Target Date 2055 Funds >></i>		<i>Category Average >></i>		0.82%	1.0%	10.5%	8.0%	9.4%	N/A	N/A
TARGET RETIREMENT 2060 - VTTSX	Target Date 2060+	61st	1st	0.15%	0.9%	10.5%	8.4%	9.9%	N/A	N/A
<i>Target Date 2060+ Funds >></i>		<i>Category Average >></i>		0.82%	1.1%	10.6%	8.3%	9.7%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	26th	16th	0.12%	0.5%	5.0%	5.1%	6.0%	5.3%	5.7%
<i>Allocation – 30% to 50% Equity Funds >></i>		<i>Category Average >></i>		1.15%	0.5%	4.0%	4.2%	5.0%	5.1%	5.4%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	40th	23rd	0.14%	0.9%	9.4%	7.8%	9.2%	6.9%	7.7%
<i>Allocation – 70% to 85% Equity Funds >></i>		<i>Category Average >></i>		1.25%	1.6%	8.5%	6.4%	8.0%	6.3%	7.1%