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

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

> *"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**

"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.

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!

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

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.

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

(All for periods ended September 30, 2018)

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

(1) A fund with a 12th Ranking outperformed 88% 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: 5 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**	**12th**	**15th**	**0.09%**	**0.5%**	**1.5%**	**0.8%**	**0.5%**	**0.3%**	**1.2%**
Money Market Funds >>		*Category Average >>*		*0.33%*	*0.2%*	*0.7%*	*0.2%*	*0.2%*	*0.2%*	*1.1%*
TOTAL BOND MARKET INDEX ADMIRAL - VBTLX	**Bonds**	**50th**	**72nd**	**0.05%**	**0.0%**	**-1.2%**	**1.3%**	**2.1%**	**3.7%**	**3.7%**
Intermediate Bond Funds >>		*Category Average >>*		*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%**
Inflation-Protected Bond Funds >>		*Category Average >>*		*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%**
Allocation Funds – 50% to 70% Equity >>		*Category Average >>*		*1.13%*	*3.2%*	*6.8%*	*8.8%*	*6.7%*	*7.6%*	*6.8%*
WINDSOR II ADMIRAL - VWNAX	**Stocks**	**40th**	**38th**	**0.26%**	**7.0%**	**12.5%**	**13.8%**	**10.7%**	**10.2%**	**9.2%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*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%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*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%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*1.13%*	*3.1%*	*8.9%*	*12.6%*	*9.3%*	*10.4%*	*9.1%*
MORGAN GROWTH ADMIRAL – VMRAX	**Stocks**	**29th**	**37th**	**0.28%**	**8.1%**	**24.7%**	**19.1%**	**15.7%**	**13.3%**	**10.6%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.10%*	*7.5%*	*23.2%*	*17.7%*	*14.0%*	*12.6%*	*9.8%*
MID-CAP GROWTH INVESTOR - VMGRX	**Stocks**	**51st**	**36th**	**0.26%**	**8.2%**	**25.0%**	**14.0%**	**11.7%**	**12.6%**	**10.6%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.20%*	*6.5%*	*20.3%*	*15.8%*	*11.7%*	*12.0%*	*10.1%*
EXPLORER ADMIRAL - VEXRX	**Stocks**	**29th**	**33rd**	**0.32%**	**8.6%**	**28.6%**	**20.1%**	**12.9%**	**13.4%**	**10.8%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.26%*	*7.0%*	*24.4%*	*18.4%*	*11.8%*	*12.6%*	*10.5%*
INTERNATIONAL GROWTH ADMIRAL - VWILX	**Foreign Stocks**	**7th**	**7th**	**0.32%**	**-1.5%**	**6.8%**	**17.0%**	**8.6%**	**8.5%**	**9.2%**
Foreign Large Growth Stock Funds >>		*Category Average >>*		*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%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*1.38%*	*-2.5%*	*-3.6%*	*10.1%*	*2.5%*	*4.9%*	*9.2%*
ENERGY ADMIRAL - VGELX	**Energy Stocks**	**4th**	**23rd**	**0.33%**	**1.7%**	**15.1%**	**13.9%**	**1.2%**	**3.1%**	**9.8%**
Energy Sector Stock Funds >>		*Category Average >>*		*1.37%*	*0.4%*	*13.2%*	*7.3%*	*-5.6%*	*-0.1%*	*7.4%*

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

(All for periods ended September 30, 2016)

[1] A fund with a33rd 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	Securities	Morningstar™ Category Percentile [1] Ranking Past			Total Return Performance for		Average Annualized Total Return for:			
Morningstar Category Name	**Type(s)**	**5 Years**	**10 Years**	**OER[2]**	**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**
Retirement Income Funds >>		*Category Average >>*		*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**
Target Date 2015 Funds >>		*Category Average >>*		*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**
Target Date 2020 Funds >>		*Category Average >>*		*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**
Target Date 2025 Funds >>		*Category Average >>*		*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**
Target Date 2030 Funds >>		*Category Average >>*		*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**
Target Date 2035 Funds >>		*Category Average >>*		*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**
Target Date 2040 Funds >>		*Category Average >>*		*0.82%*	*3.3%*	*86%*	*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**
Target Date 2045 Funds >>		*Category Average >>*		*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**
Target Date 2050 Funds >>		*Category Average >>*		*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**
Target Date 2055 Funds >>		*Category Average >>*		*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**
Target Date 2060+ Funds >>		*Category Average >>*		*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%**
Allocation – 30% to 50% Equity Funds >>		*Category Average >>*		*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%**
Allocation – 70% to 85% Equity Funds >>		*Category Average >>*		*1.24%*	*3.5%*	*8.5%*	*10.4%*	*7.5%*	*7.9%*	*7.1%*