

Compensation & Capital's Financial Planning Commentary as of December 31, 2014

"The 70's Were a Such Long Time Ago! How Could They Be Relevant to My Investing?"

Remember the 70's? If you do, you might freely admit that your "Yes" has its downsides. Obviously, first-hand memories of that decade place you well over 50. But beyond that? Funky clothes. Big hair. Lots of tasteless cultural experimentation. First wave of computer "tech effect" job dislocations. Nasty recession. Inflation. Gas spike (above \$1/gallon!) Energy cuts. Nixon resignation. Lots of poignant memories. And so long ago. Could any of this be relevant to our investing futures?

Whether your memories are first hand or infused from your parents' ramblings, the point of today's march down memory lane is this: From our *Quarterly Commentary's* persistent focus on the value of a long term investing perspective combined with retirement saving/investing timelines moving into the 70+ year range on the back of rapidly increasing mortality, events back 45 years are indeed relevant.

But how so? Today's investing discussions focus on central bank policies, interest rate cycles, foreign currency and oil gyrations, income disparity, the "obvious economic supremacy" of anything U.S., etc., etc. No doubt, each is important in the short term, possibly even decades out. But 45 years hence, which events will be decisive to our investments? Impossible to say. So let's take a different approach to their relevance. Let's try the perspective that this condition of unpredictability further reinforces the contention that our best investment strategy is dictated by conditions within our own "household," not what's happening the world over. How can this reset of investing perspective help you reach your investing goals? It will help you focus upon what you can and should control – your portfolio's risk of possible loss that would significantly impact your goals for your savings.

Short term events and conditions are continuously cycling: Over the past 45 years (since 1970) we've seen the gamut of economic and market conditions. Three major recessions (and two long boom cycles.) Two separate decades of significant stock market under-performance (and two decades of historic bull markets.) Significant decoupling (and historic coupling) of market valuations across asset classes (like stocks versus bonds) and across securities categories (like U.S. stocks versus foreign stocks or bonds versus income-generating stocks.) Granted: The circumstances that create these macro cycles are never the same. But their components do repeat and each has swung from low to high multiple times over the past 45-years. Facts are: You can't know the ultimate impact of current conditions upon the dollars you save now or at any time in the future. And investments during seemingly ugly current economic and market conditions generally lead to surprisingly good performance down the road. Case in point, the 70's were actually a great time to invest long term. Who'd have thought it?

Focusing on what you *can* control yields the best results: The "best results" are not synonymous with the highest returns. The "best results" are the highest returns resulting from the level of risk (that is, the range of losses/gains you may experience) that you *dynamically employ* during your investing timeline. The greater portion of stocks you own, the larger the percentage losses you may experience in any cycle. For instance, for our subject 45 year period, the worst cycle loss to a portfolio split 50/50 stocks/bonds was 32%. That 50/50 portfolio recovered in 18 months. A portfolio mixed 80/20 lost 49% during its worst cycle. It took 29 months to recover. The 50/50 portfolio returned 1.6% per year less than the far riskier 80/20 mix. Higher return is attractive. But its attendant potential losses could be fatal to your near-term financial goals. And that's why only risk-measured return is relevant.

Every investing generation will undoubtedly have their own 70's decade – at least one! It will impact their overall investing outcome. But that impact will be relatively insignificant provided that they have acted to appropriately control their investment risk during each savings phase along the way. See Page 2 for more focused guidance.

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

Compensation & Capital's December 31, 2014

Retirement Saving and Investing "Action Points"

Developing and Maintaining YOUR Perfect Portfolio:

Our recurring readers are well aware that the topic of determining and executing appropriate strategic asset allocation (your "SAA" for short) is our most frequent choice. That's by design, not random selection. It's based upon the fact that an impressive array of studies sponsored by esteemed and objective academic institutions worldwide over the past four or five decades have decisively concluded that the most important determinant of retirement investing success is the investor's selection of an SAA appropriate to their ability to withstand downside risk. Hands down. Not market timing. Not hiring to the right broker. Not buying the top-rated mutual fund each year.

SAA's represent how much of a portfolio is in each of the major "asset classes". Those classes are generally considered to be stocks, bonds, and money markets – also referred to as "cash." (As an aside, asset classes can be further delineated into "categories" such as government bonds or large company U.S. value stocks. Fine tuning of asset classes both complicates and customizes portfolios. That said, executing a complicated SAA doesn't necessarily improve its chances of reaching its goal.)

So increasing your stocks portion increases the risk of a severe loss. Bonds/cash reduce that risk. But what SAA is right for you? And how (or whether) to modify it over time? Two approaches follow:

Target Date Funds: In an effort to simplify the SAA decision (and to market mutual funds,) the financial services industry created "Target Date Funds." These funds start out with approx. 90/10 stock/bond mixes, stay at that SAA until about 20 years from normal retirement (assumed 65) when they "glideslope" SAA down (and remain close) to around 50/50 at age 65, then ultimately about 30/70 around age 75. The concept works best the closer you are to a "typical" career, retirement, investment portfolio combo. In fairness, these funds do work for many investors. To determine your fit, read the funds' literature carefully before you invest.

Select Funds Guideline Portfolios: When DHC initiated your Select Funds Venue almost 20 years ago, we developed four Sample Guideline Portfolios using a continually monitored, and replaced as warranted, set of around 12 cost-effective, high-quality mutual funds. We constructed each of these four portfolios using mixes of these funds to result in SAA's from 80/20 (stock/bond) to 30/70 as suitable for very long (over 15 years) to very short (less than 3 years) investing horizons.

Understandably, the majority of retirement plan participants tend to stay in the "very long term" investing phase the longest. Therefore, many participants employ the 80/20 SAA's Guideline Portfolio, making adjustments only as fine-tuning "rebalancing" every year or two to bring their fund mix back into line with the Guideline Portfolio's. So, compared with Target Date Funds, this approach requires a bit more effort.

That said, our Guideline Portfolios using the Plan's Select Funds allow you to personalize (as compared with Target Date Funds) your SAA to your actual (and sometimes changing) time horizon for employing your investments for retirement income. Decide to work a few more years? No problem: Just maintain your current SAA a bit longer. Feeling uncomfortable with risk as you get closer to retirement? Dial your SAA down as you see fit.

In summary, your perfect portfolio is always a work in process throughout your accumulation, then into your withdrawal stages of retirement investing. You are best served by choosing an SAA that combines a balance of risk of loss you can tolerate (both emotionally and financially,) with a program that suits your motivations to be actively or passively involved at each phase of your investing "career."

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

(All for periods ended December 31, 2014)

(1) A fund with a 18th Ranking outperformed 82% 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
PRIME MONEY MARKET - VMMXX	Money Market	18th	16th	0.14%	0.0%	0.0%	0.0%	0.0%	1.6%	2.0%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.17%	0.0%	0.0%	0.0%	0.0%	1.3%	1.7%
TOTAL BOND MARKET INDEX ADMIRAL - VBTIX	Bonds	68th	42nd	0.08%	1.7%	5.9%	2.6%	4.4%	4.7%	5.5%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.87%	1.1%	5.2%	3.4%	4.8%	4.4%	5.4%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	6th	12th	0.10%	0.2%	4.0%	0.4%	4.1%	4.3%	N/A
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.79%	-0.8%	1.8%	-0.2%	3.2%	3.5%	5.8%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	9th	5th	0.18%	3.2%	9.9%	14.0%	11.4%	8.1%	7.9%
<i>Moderate Allocation Funds >></i>		<i>Category Average >></i>		0.94%	1.9%	6.2%	11.7%	9.4%	5.9%	5.1%
WINDSOR II ADMIRAL - VWNAX	Stocks	35th	30th	0.28%	3.6%	11.3%	19.3%	14.1%	7.3%	7.4%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.14%	3.6%	10.2%	18.3%	13.5%	6.7%	6.4%
500 INDEX ADMIRAL - VFIAX	Stocks	19th	23rd	0.05%	4.9%	13.6%	20.4%	15.4%	7.7%	4.2%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.10%	4.2%	11.0%	19.0%	13.9%	7.0%	4.5%
SELECTED VALUE - VASVX	Stocks	31st	18th	0.41%	2.9%	6.4%	20.3%	16.0%	9.3%	11.0%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.25%	4.9%	9.3%	19.9%	15.1%	8.1%	9.3%
MORGAN GROWTH ADMIRAL - VMRAX	Stocks	32nd	37th	0.26%	5.0%	11.1%	20.0%	14.9%	8.1%	4.2%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.20%	4.4%	10.0%	19.4%	14.1%	7.7%	3.3%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	18th	22nd	0.44%	7.8%	10.9%	19.5%	16.4%	9.7%	6.1%
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.31%	5.2%	7.0%	18.2%	14.8%	8.3%	5.6%
EXPLORER ADMIRAL - VEXRX	Stocks	29th	41st	0.35%	6.6%	4.1%	20.1%	16.8%	8.4%	7.7%
<i>Small-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.38%	8.0%	2.4%	18.1%	15.5%	8.1%	5.9%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	34th	25th	0.34%	-2.9%	-5.5%	11.8%	7.0%	6.4%	4.1%
<i>Foreign Large Growth Stock Funds >></i>		<i>Category Average >></i>		1.30%	-5.0%	-6.3%	9.4%	4.3%	3.5%	3.5%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	49th	37th	0.15%	-3.7%	0.6%	4.3%	1.9%	8.1%	7.2%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.58%	-5.0%	-3.0%	4.7%	1.8%	7.6%	6.9%
ENERGY ADMIRAL - VGELX	Energy Stocks	34th	8th	0.32%	-16.4%	-14.2%	1.4%	3.1%	8.1%	11.7%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.51%	-19.8%	-16.7%	1.1%	1.5%	6.4%	9.2%

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

(1) A fund with a 19th Ranking outperformed 81% of its peers.

(All for periods ended December 31, 2014)

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	3 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date 2000-2010	19th	51st	0.16%	1.5%	5.5%	6.5%	6.8%	5.4%	N/A
<i>Retirement Income Funds >></i>		<i>Category Average >></i>		0.50%	1.2%	4.4%	7.2%	6.5%	4.0%	3.8%
TARGET RETIREMENT 2010 - VTENX	Target Date 2000-2010	7th	39th	0.16%	1.7%	5.9%	8.4%	8.0%	N/A	N/A
<i>Target Date 2000-2010 Funds >></i>		<i>Category Average >></i>		0.54%	1.0%	4.1%	7.5%	6.8%	4.5%	3.3%
TARGET RETIREMENT 2015 - VTXVX	Target Date 2011-2015	3rd	14th	0.16%	1.9%	6.6%	10.3%	8.9%	5.9%	N/A
<i>Target Date 2011-2015 Funds >></i>		<i>Category Average >></i>		0.45%	1.2%	4.5%	8.4%	7.4%	4.5%	2.8%
TARGET RETIREMENT 2020 - VTENX	Target Date 2016-2020	1st	8th	0.16%	2.3%	7.1%	11.7%	9.7%	N/A	N/A
<i>Target Date 2016-2020 Funds >></i>		<i>Category Average >></i>		0.52%	1.4%	4.7%	9.2%	7.9%	4.7%	3.0%
TARGET RETIREMENT 2025 - VTXVX	Target Date 2021-2025	4th	19th	0.17%	2.3%	7.2%	12.8%	10.2%	6.2%	N/A
<i>Target Date 2021-2025 Funds >></i>		<i>Category Average >></i>		0.46%	1.6%	5.1%	11.0%	9.1%	5.3%	N/A
TARGET RETIREMENT 2030 - VTENX	Target Date 2026-2030	5th	13th	0.17%	2.3%	7.2%	13.8%	10.7%	N/A	N/A
<i>Target Date 2026-2030 Funds >></i>		<i>Category Average >></i>		0.53%	1.7%	5.0%	11.5%	9.1%	5.1%	3.1%
TARGET RETIREMENT 2035 - VTXVX	Target Date 2031-2035	10th	17th	0.18%	2.4%	7.2%	14.9%	11.3%	6.5%	N/A
<i>Target Date 2031-2035 Funds >></i>		<i>Category Average >></i>		0.46%	1.9%	5.2%	13.0%	10.1%	5.7%	N/A
TARGET RETIREMENT 2040 - VTENX	Target Date 2036-2040	12th	13th	0.18%	2.3%	7.2%	15.5%	11.6%	N/A	N/A
<i>Target Date 2036-2040 Funds >></i>		<i>Category Average >></i>		0.52%	1.9%	5.3%	13.0%	9.8%	5.4%	2.8%
TARGET RETIREMENT 2045 - VTXVX	Target Date 2041-2045	12th	20th	0.18%	2.3%	7.2%	15.5%	11.6%	6.8%	N/A
<i>Target Date 2041-2045 Funds >></i>		<i>Category Average >></i>		0.46%	2.0%	5.4%	14.2%	10.5%	6.2%	N/A
TARGET RETIREMENT 2050 - VTENX	Target Date 2046-2050	16th	19th	0.18%	2.3%	7.2%	15.5%	11.6%	N/A	N/A
<i>Target Date 2046-2050 Funds >></i>		<i>Category Average >></i>		0.51%	2.0%	5.4%	13.5%	10.1%	5.8%	N/A
TARGET RETIREMENT 2055 - VTXVX	Target Date 2051+	16th	25th	0.18%	2.3%	7.2%	15.5%	N/A	N/A	N/A
<i>Target Date 2051+ Funds >></i>		<i>Category Average >></i>		0.45%	2.1%	5.5%	14.5%	10.1%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	9th	31st	0.15%	2.2%	7.0%	8.4%	7.6%	5.3%	4.9%
<i>Conservative Allocation Funds >></i>		<i>Category Average >></i>		0.85%	0.6%	4.0%	7.1%	6.8%	4.9%	4.8%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	20th	36th	0.17%	2.3%	7.2%	14.1%	10.8%	6.2%	4.4%
<i>Aggressive Allocation Funds >></i>		<i>Category Average >></i>		0.86%	2.0%	5.7%	13.5%	10.1%	5.9%	4.4%