

Financial Intelligence

Produced Exclusively for Members of the
Senior Executives Association

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- Registered Investment Advisor
- SEA Benefit Provider Since 1999
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- "Ask the Experts" Panelist at www.federaltimes.com

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Contents

1. Market Review
2. Tactical Recommendations
3. Understanding Portfolio Diversification
5. Questions & Answers

How to Submit Your Questions

Market Review - Stocks



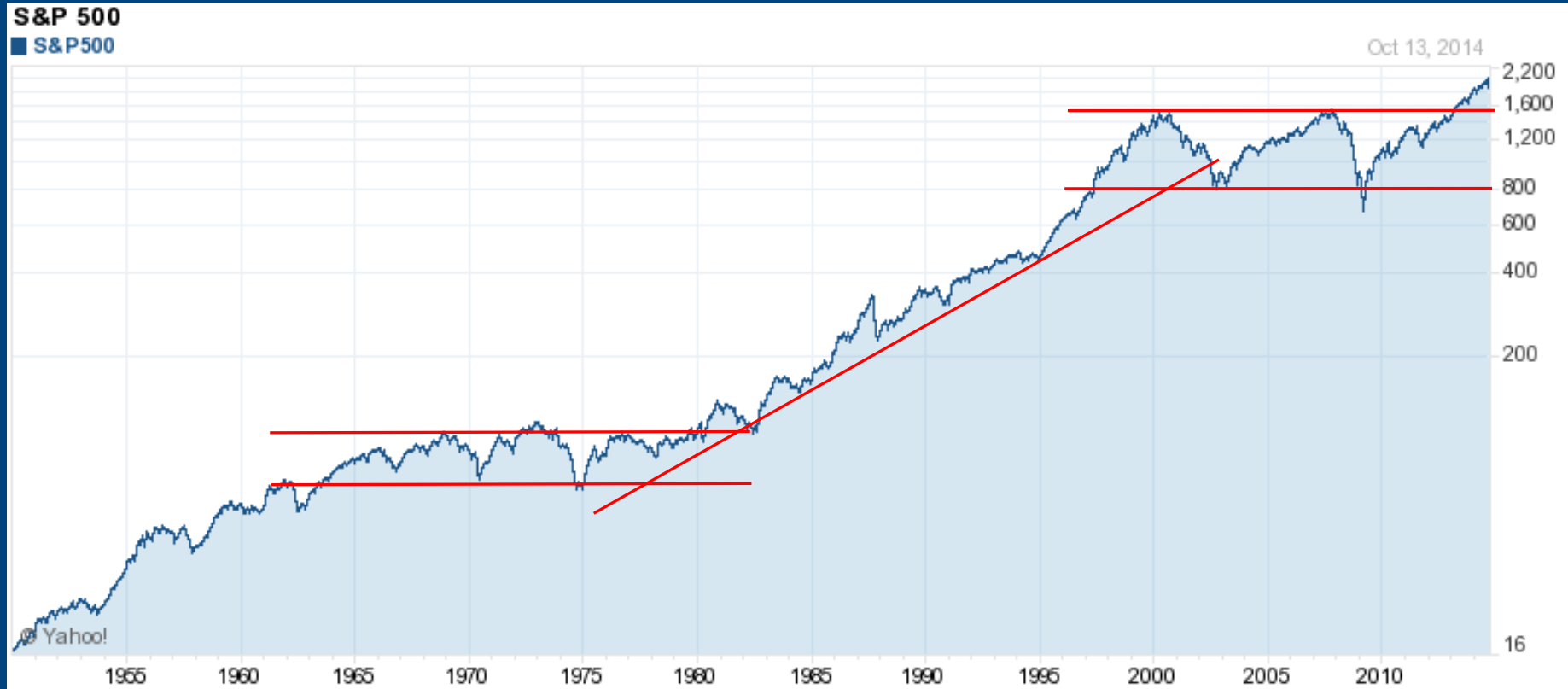
Market Review - Stocks



Market Review - Stocks



Market Review - Stocks



Market Review - Interest Rates



Market Review – Stocks vs. Bonds

iShares 20 Year Treasury Bond E

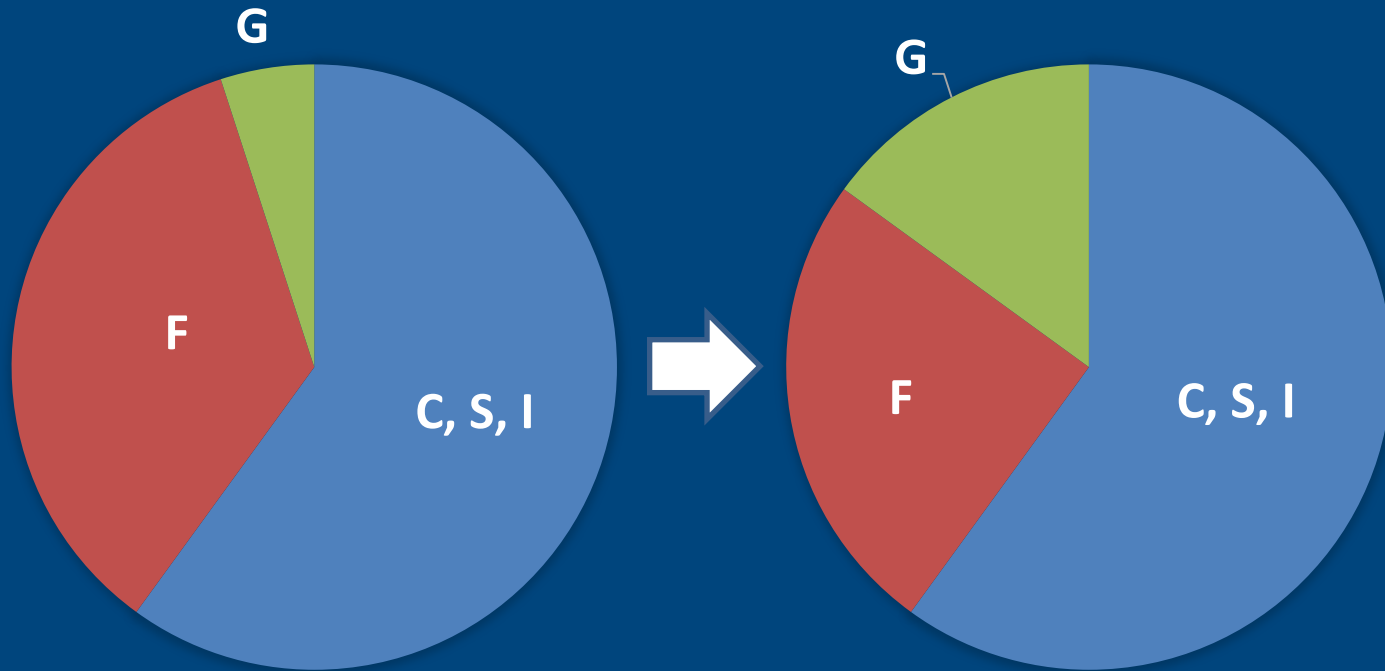
■ TLT ■ IWV

Oct 13, 2014



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Tactical Recommendation



Understanding Portfolio Diversification

Financial Planning and Management



- Wants
- Needs

- **Guaranteed**
 - Annuities
 - Insurance
- **At Risk**
 - **Liquid Assets**
 - Cash
 - Marketable Securities
 - **Illiquid Assets**
 - Real Estate
 - Business Interests

- **Action**
 - Constraints
- **Decisions**
- **Analysis**
 - Assumptions
 - Experience
 - Probabilities
 - Estimates

- **Risk**
- **Return**

- Cash Flow
- Wealth

Inflation & Taxes

Diversification

- Intra-Market (Within Markets)
- Inter-Market (Between Markets)

Intra-Market Diversification

Security A
Specific Risk
1

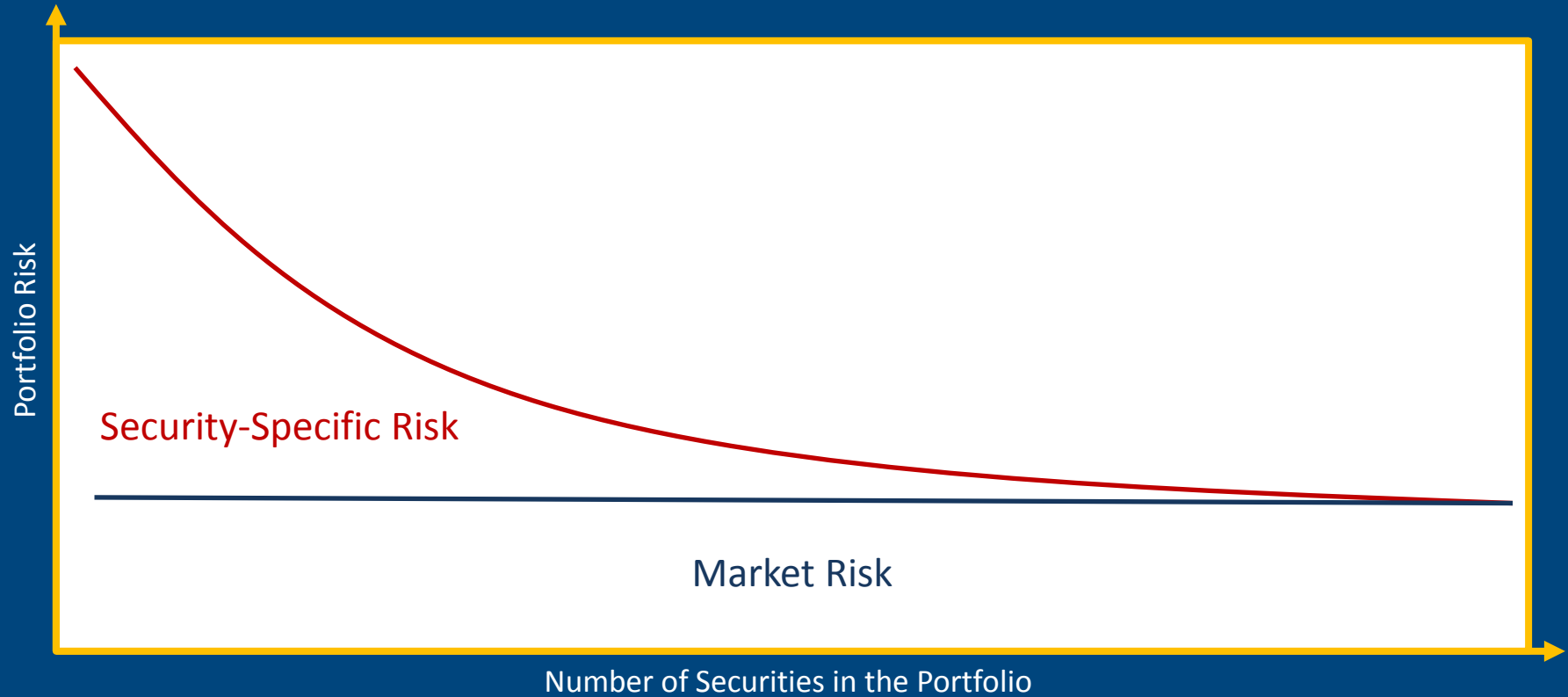
Intra-Market Diversification



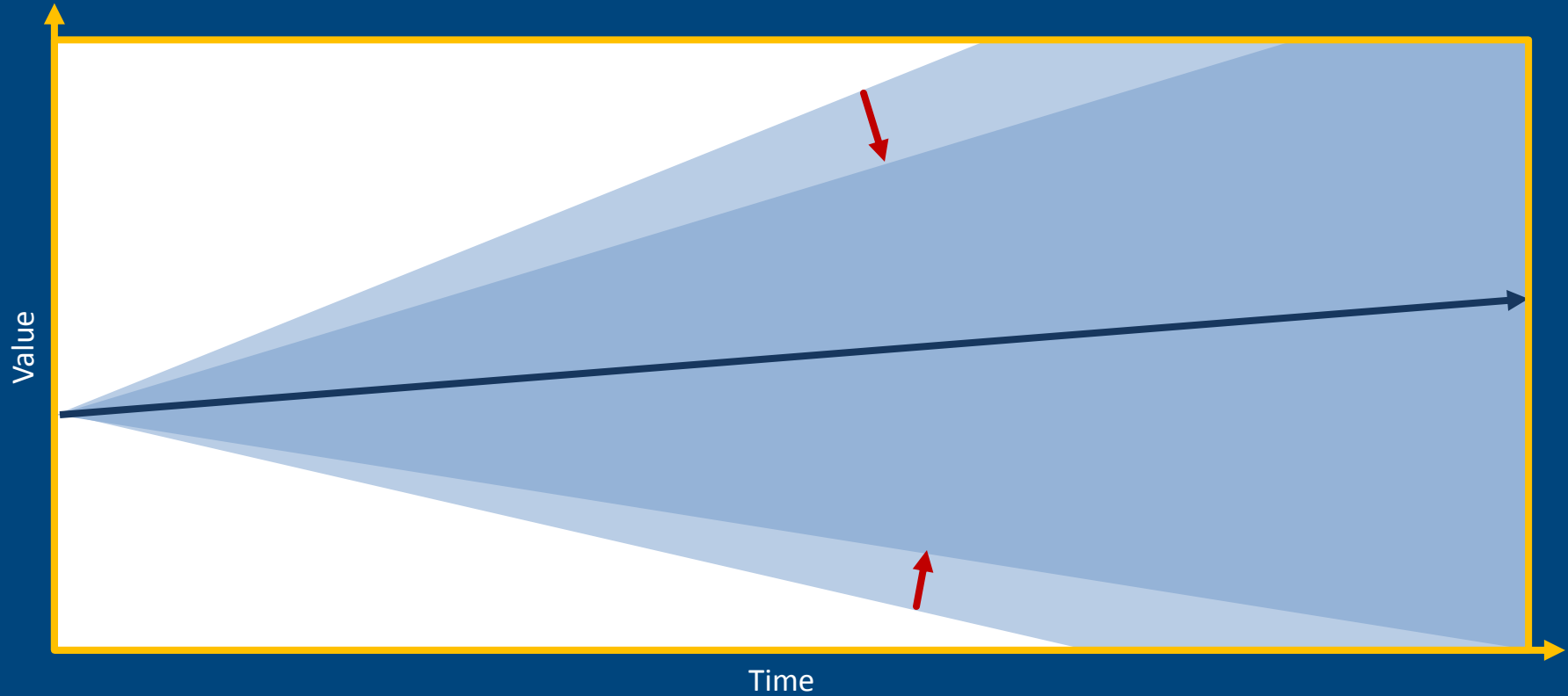
Intra-Market Diversification



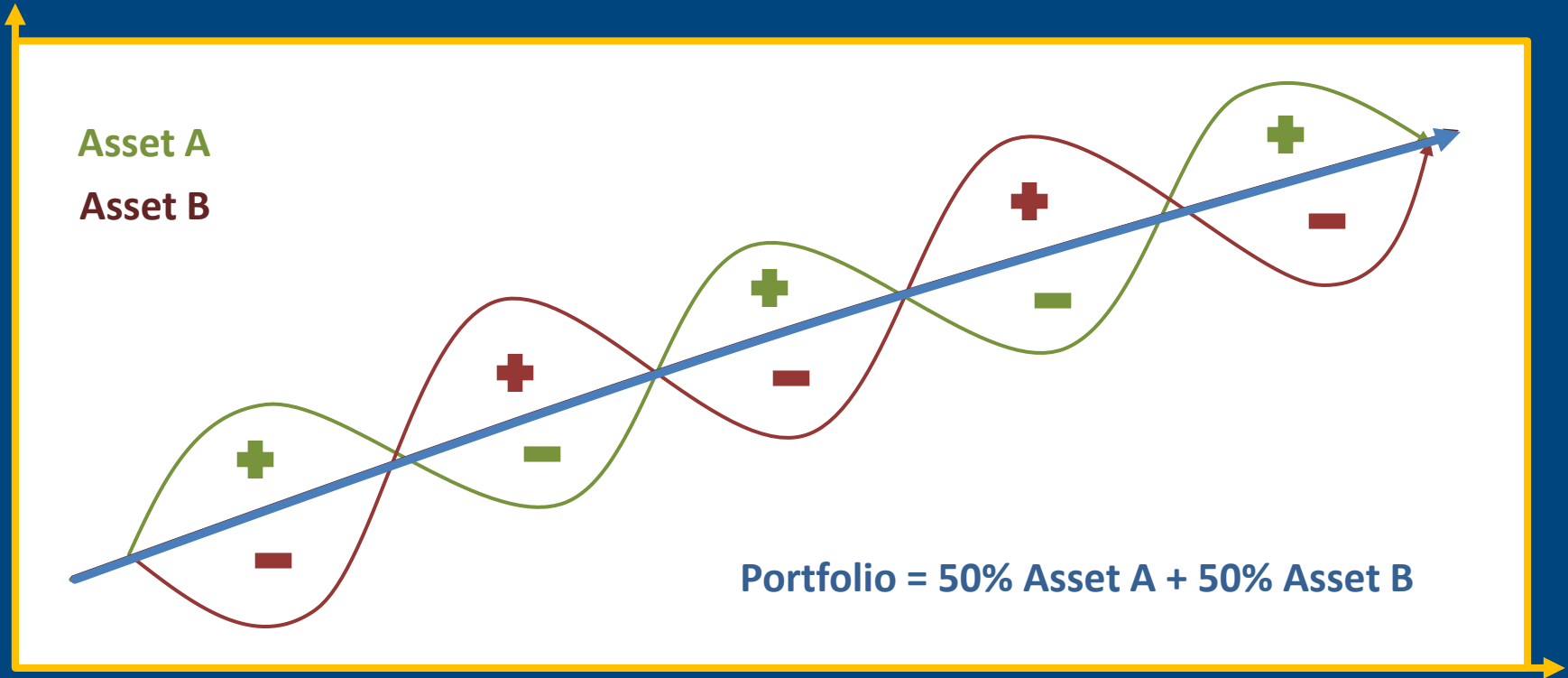
Intra-Market Diversification



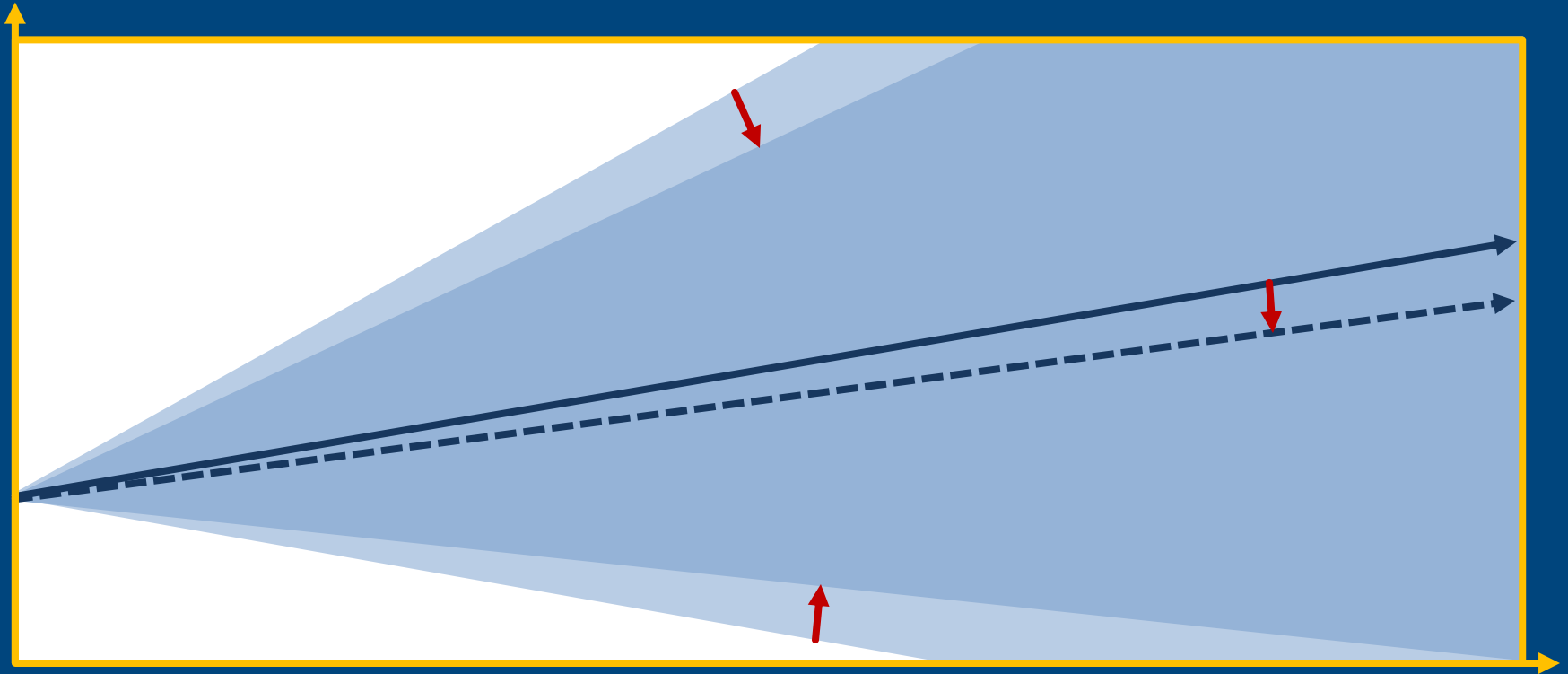
Intra-Market Diversification



Inter-Market Diversification

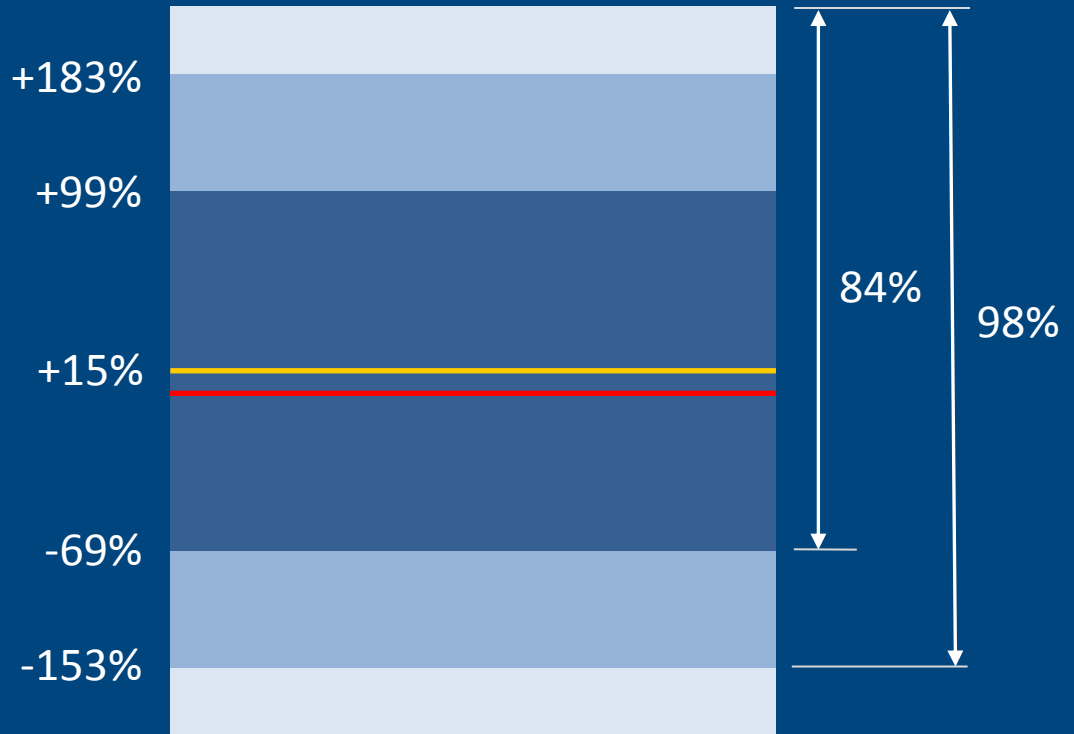


Inter-Market Diversification



Single Small Cap Stock

Expected Annual Return: 15%
Standard Deviation: 84%

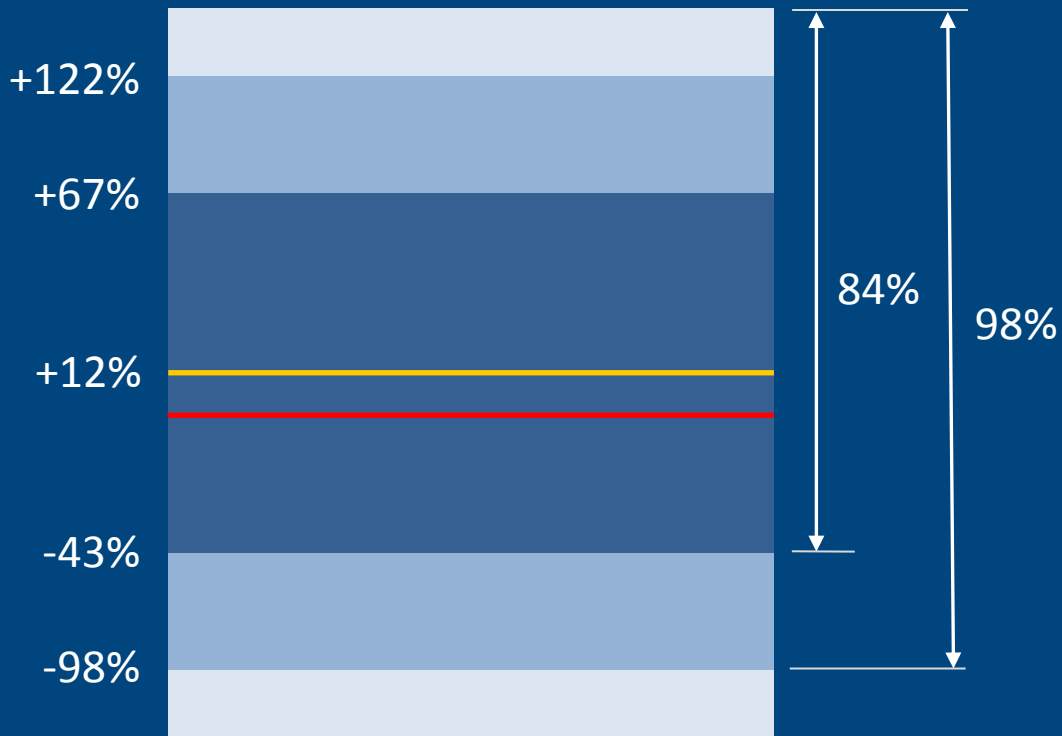


Portfolio Efficiency



Single Large Cap Stock

Expected Annual Return: 12%
Standard Deviation: 55%

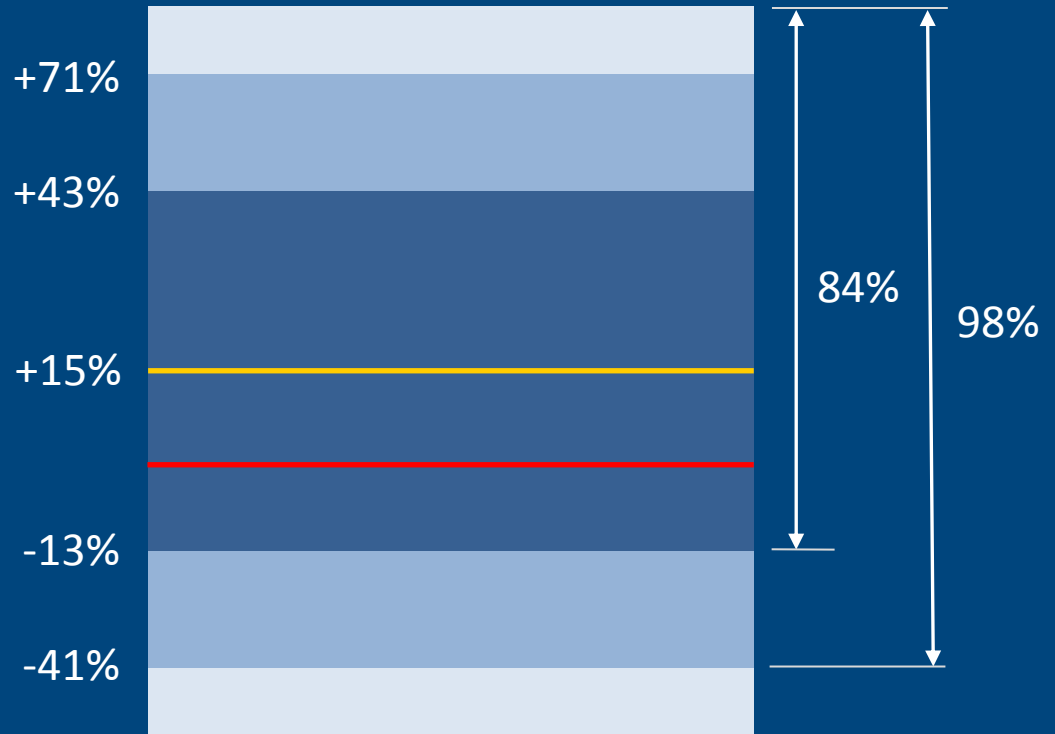


Portfolio Efficiency



Small Cap U.S. Stocks – S Fund

Expected Annual Return: 15%
Standard Deviation: 28%

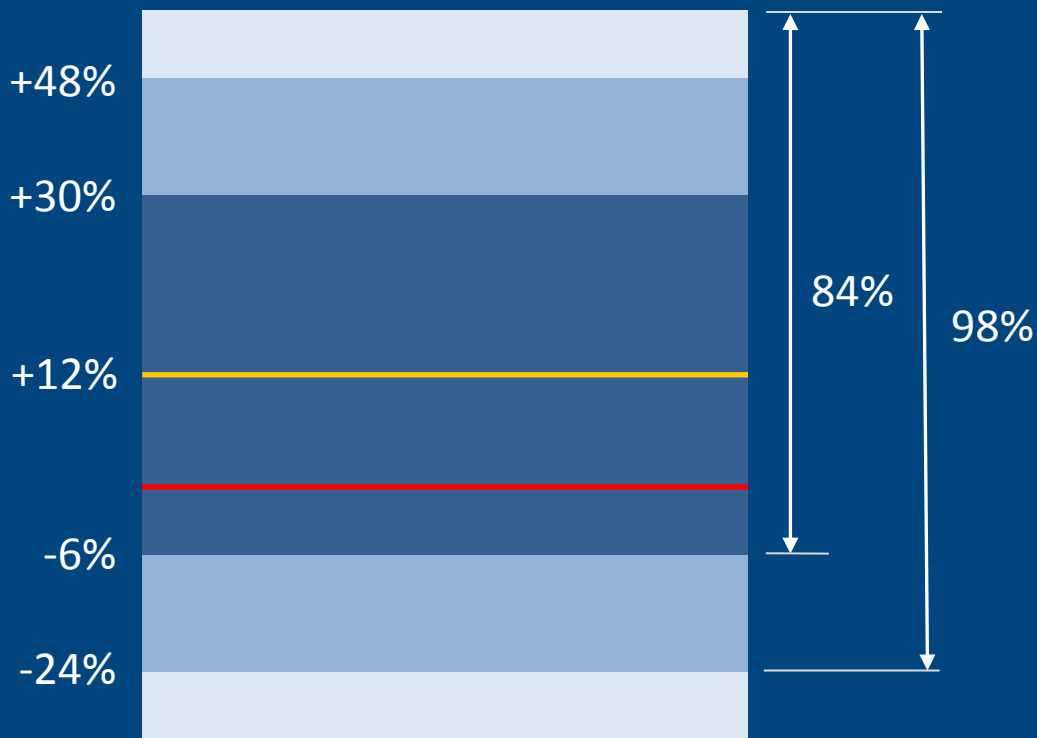


Portfolio Efficiency

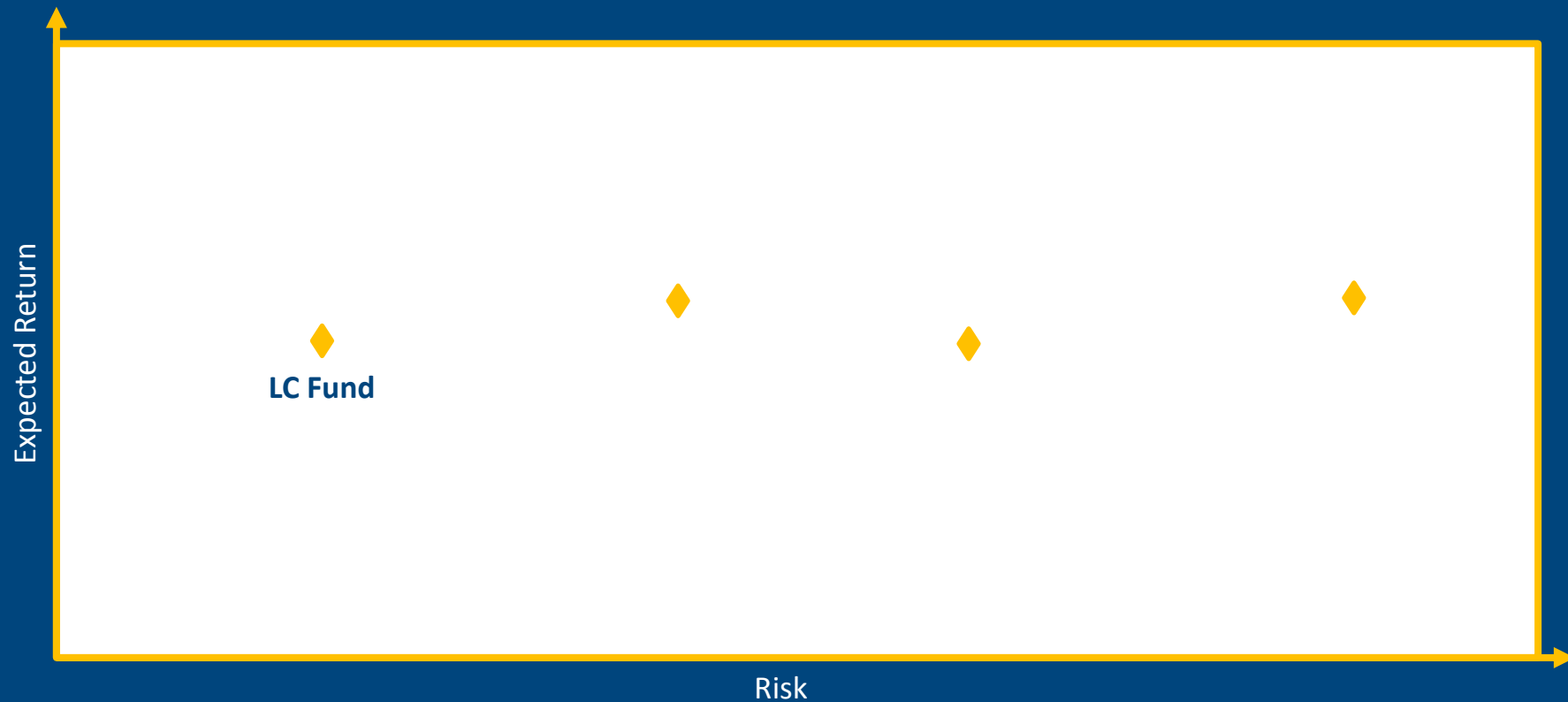


Large Cap U.S. Stocks – C Fund

Expected Annual Return: 12%
Standard Deviation: 18%

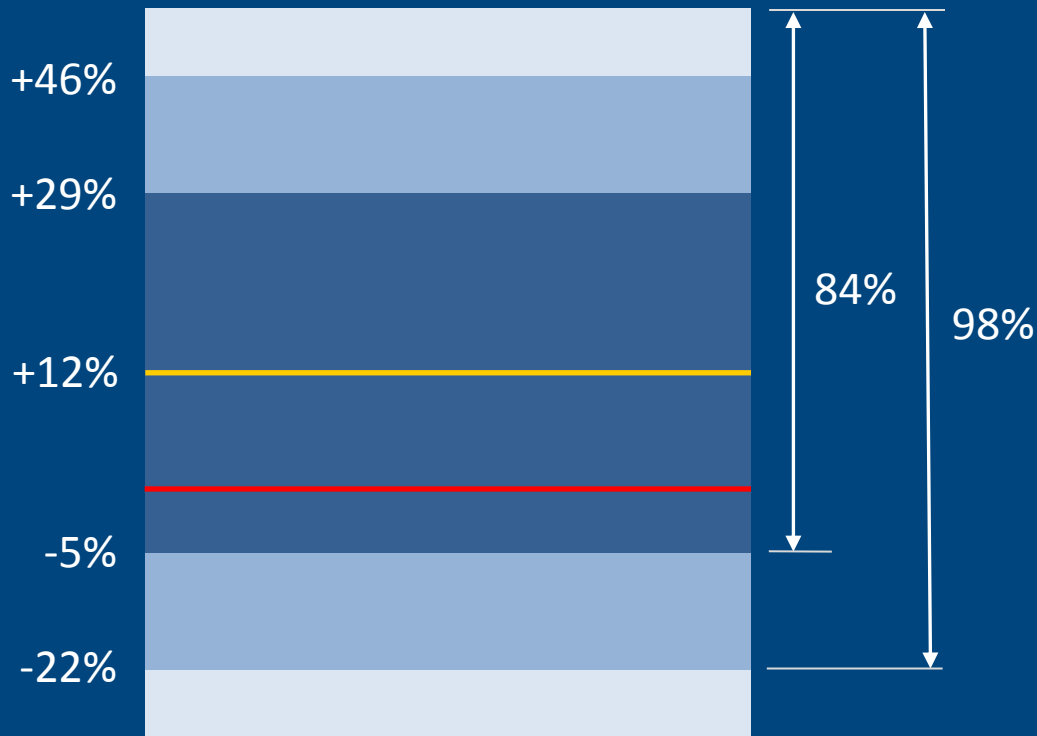


Portfolio Efficiency

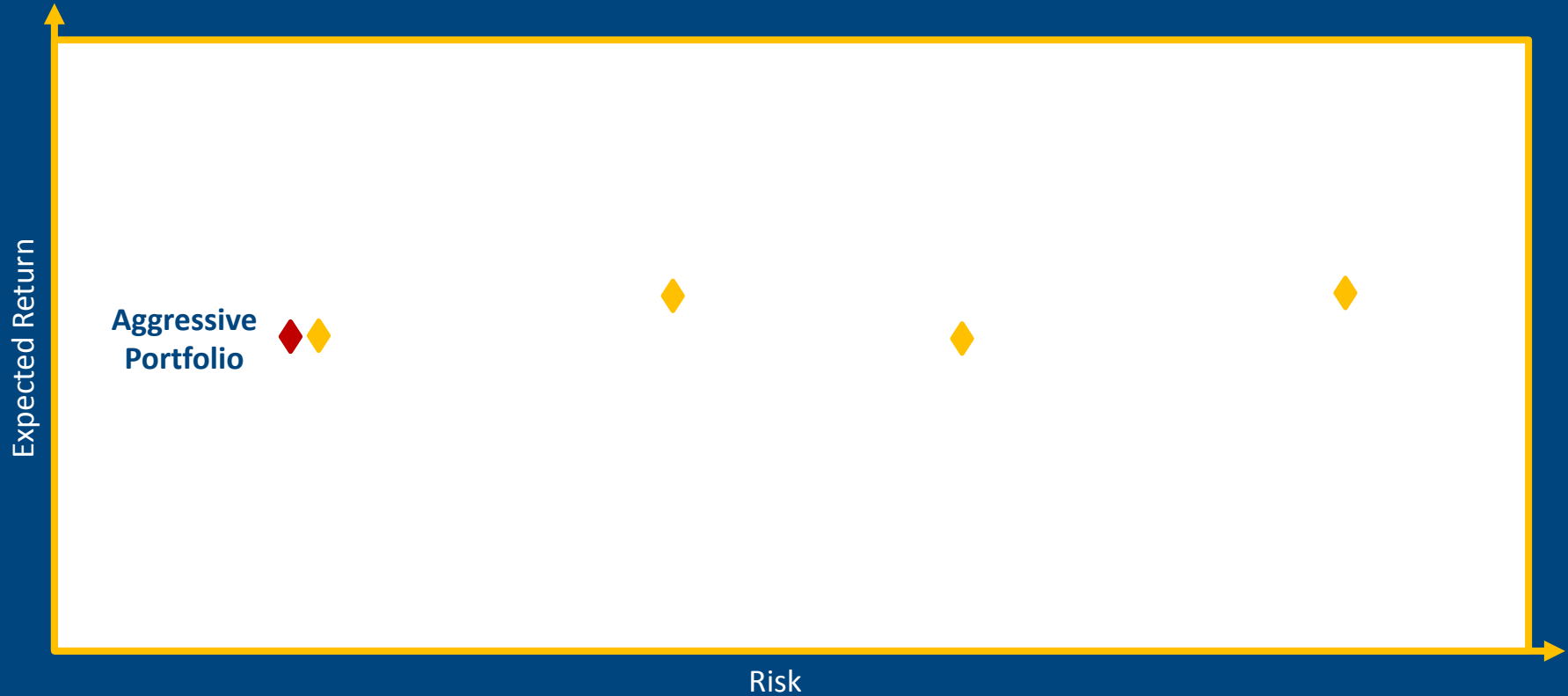


Aggressive Portfolio

55% C Fund
26% S Fund
9% I Fund
1% G Fund
9% F Fund

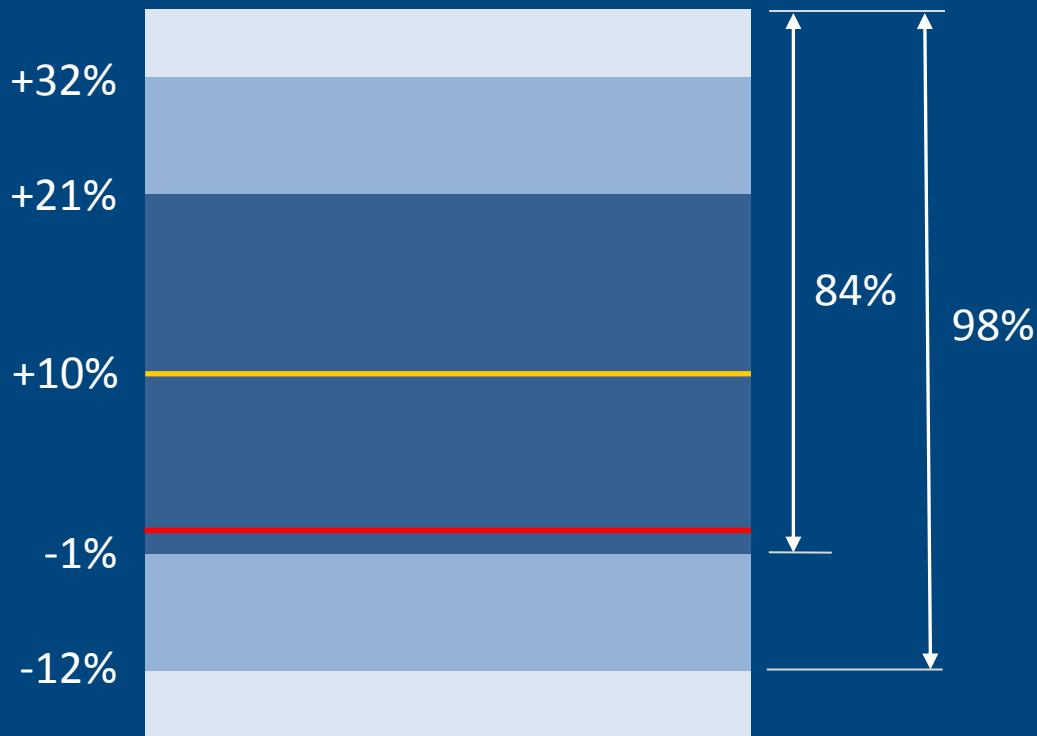


Portfolio Efficiency

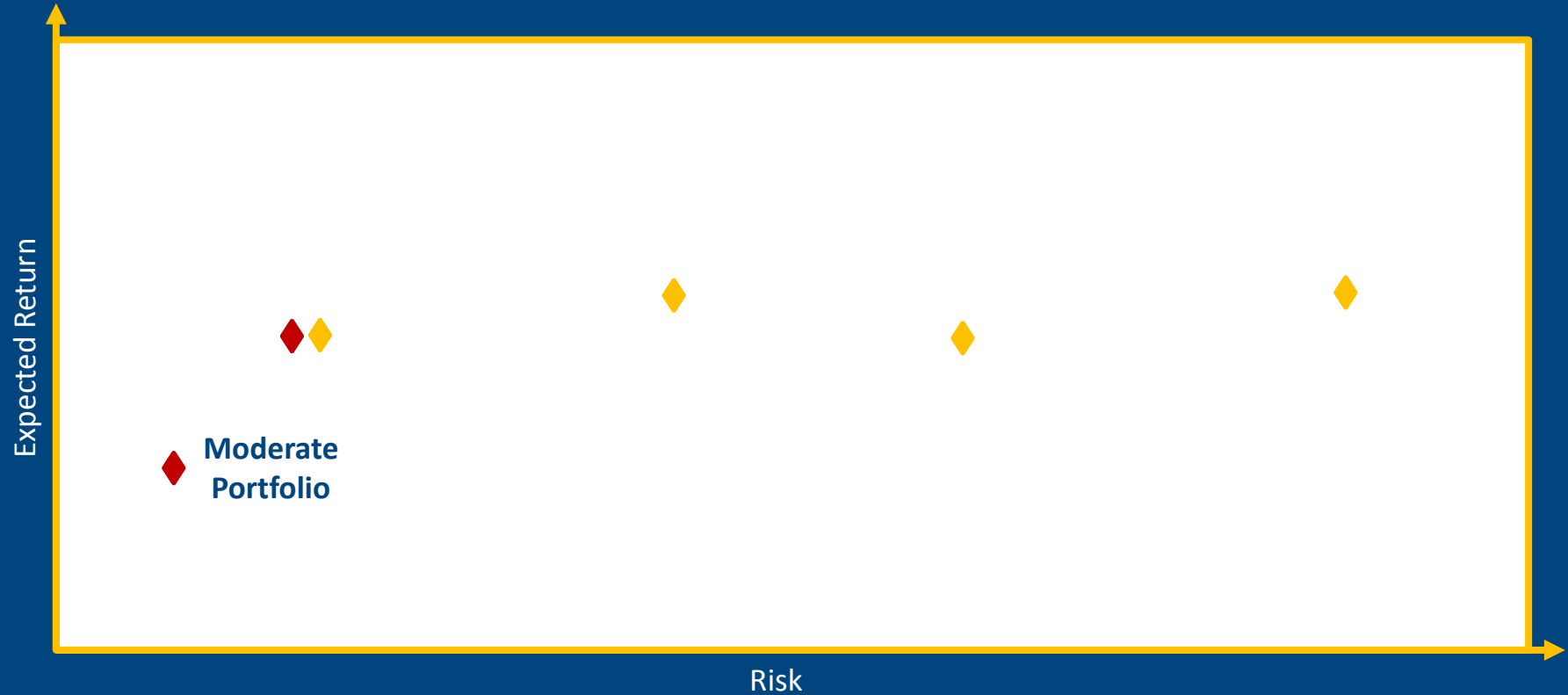


Moderate Portfolio

- 40% C Fund
- 15% S Fund
- 5% I Fund
- 3% G Fund
- 37% F Fund

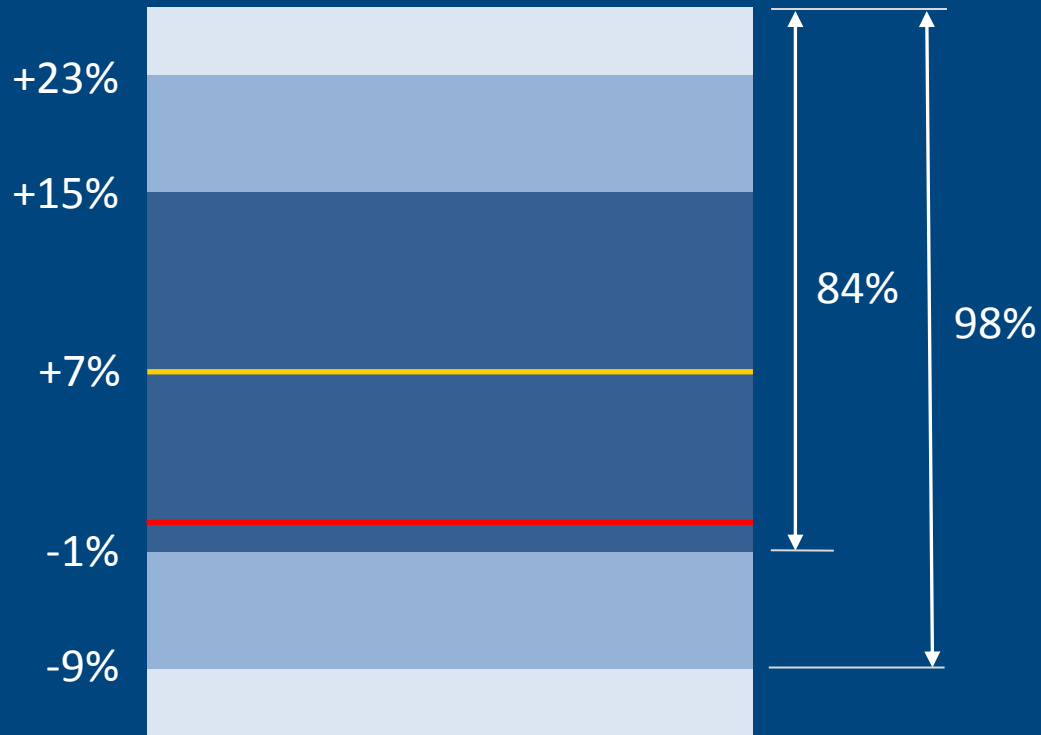


Portfolio Efficiency

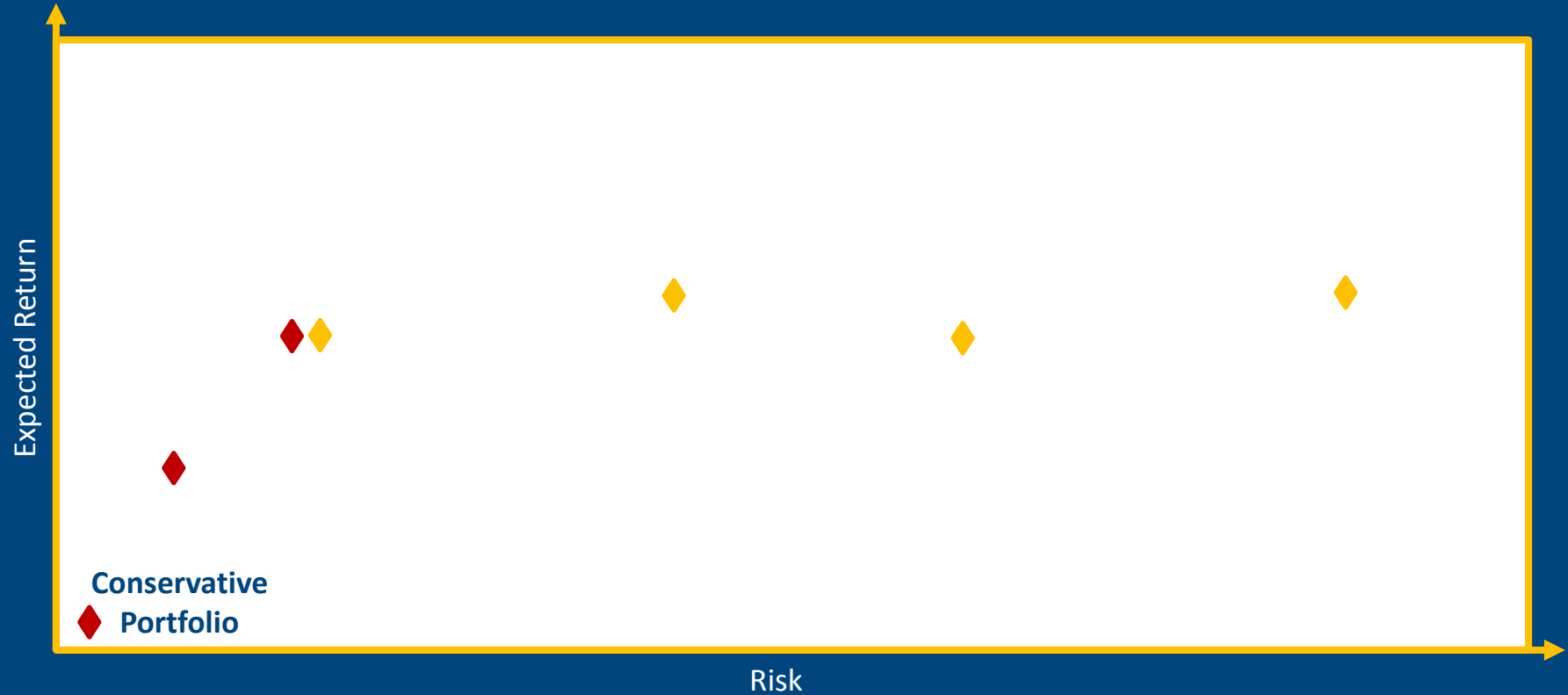


Conservative Portfolio

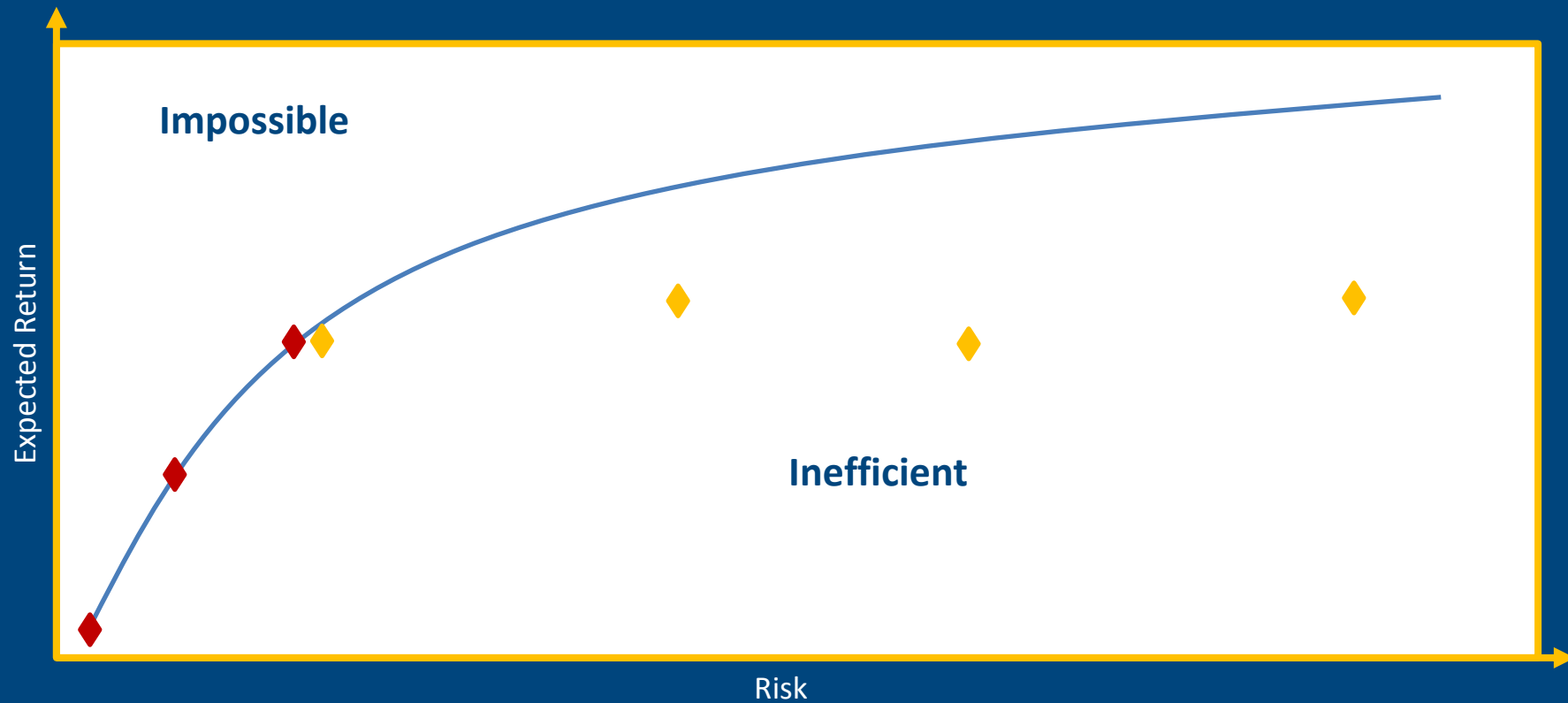
20% C Fund
7% S Fund
3% I Fund
10% G Fund
60% F Fund



Portfolio Efficiency



The Efficient Frontier



Diversification

- Essential for Risk Efficiency
- Reduces Risk Faster than Return
 - Is Not Arbitrary
- Is Easily Accomplished in the TSP

Questions / Comments / Suggestions



V A R I P L A N

Advanced Retirement Planning and Management

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