

Financial Intelligence

Produced Exclusively for Members of the
Senior Executives Association

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- SEA Member Benefit Provider Since 1999
- Federal Times' "Money Matters" Columnist
- Founder / Instructor Federal Retirement University
- "Ask the Experts" Panelist at www.federaltimes.com

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Variplan Article Database



The image shows a screenshot of the Variplan website's navigation menu. The background is dark blue with a large, faint 'VP' logo. On the left, the Variplan logo is displayed in white, consisting of a stylized 'VP' above the word 'VARIPLAN' and the tagline 'Advanced Retirement Planning and Management' below it. To the right of the logo is a vertical list of navigation items, each preceded by a small yellow square icon. The items are: 'WHO WE ARE', 'WHAT WE DO', 'HOW WE DO IT', 'OUR CLIENTS', 'CONTACT US', and 'ARCHIVE'. The 'ARCHIVE' item is circled in red. In the bottom right corner of the navigation area, there is a yellow box containing the text 'CLIENT RESOURCES'. At the bottom of the page, there are two columns of logos and text. The left column features the CFP® logo, the text 'CERTIFIED FINANCIAL PLANNER', and a paragraph of text: 'Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP® in the U.S.'. The right column features the PALADIN logo, the text 'SERVICES', and five stars with the text 'AIAA OCB' below them.

VP
VARIPLAN
Advanced Retirement Planning and Management

- WHO WE ARE
- WHAT WE DO
- HOW WE DO IT
- OUR CLIENTS
- CONTACT US
- ARCHIVE

CLIENT RESOURCES

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PALADIN
SERVICES
★★★★★ AIAA OCB

Federal Money Matters Blog
<http://money.federaltimes.com>

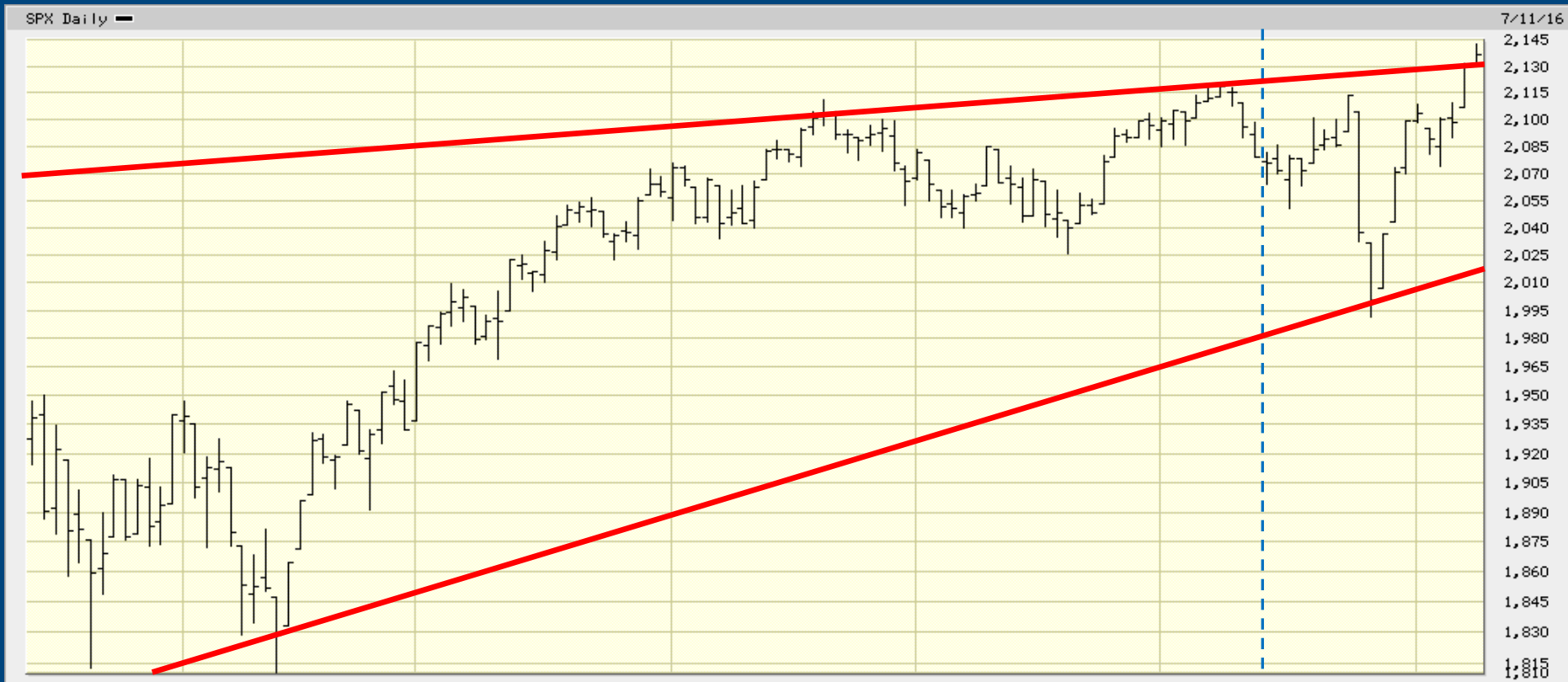
Federal Retirement University
www.federaltimes.com/retirement

Contents

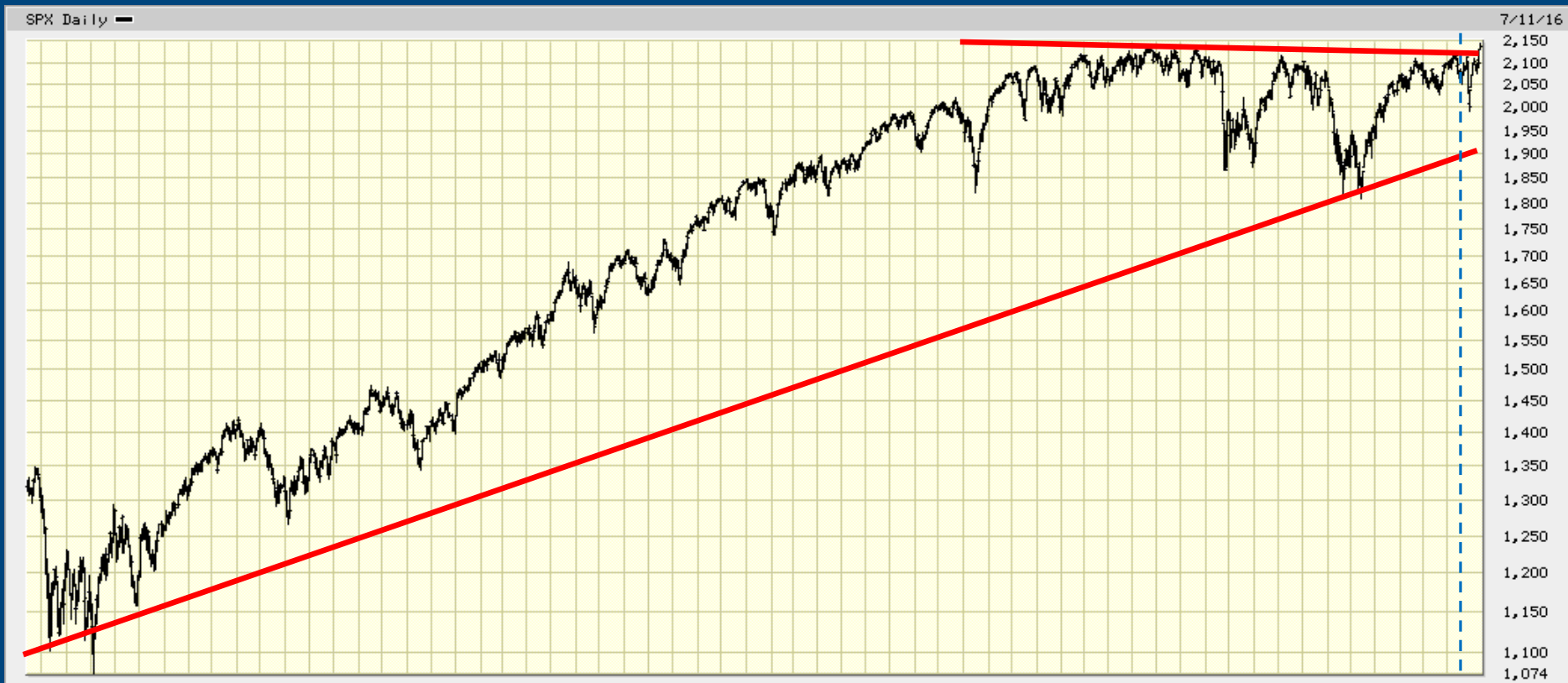
1. Market Review
2. Tactical Recommendations
3. Asset Classes and Types
5. Questions & Answers

How to Submit Your Questions

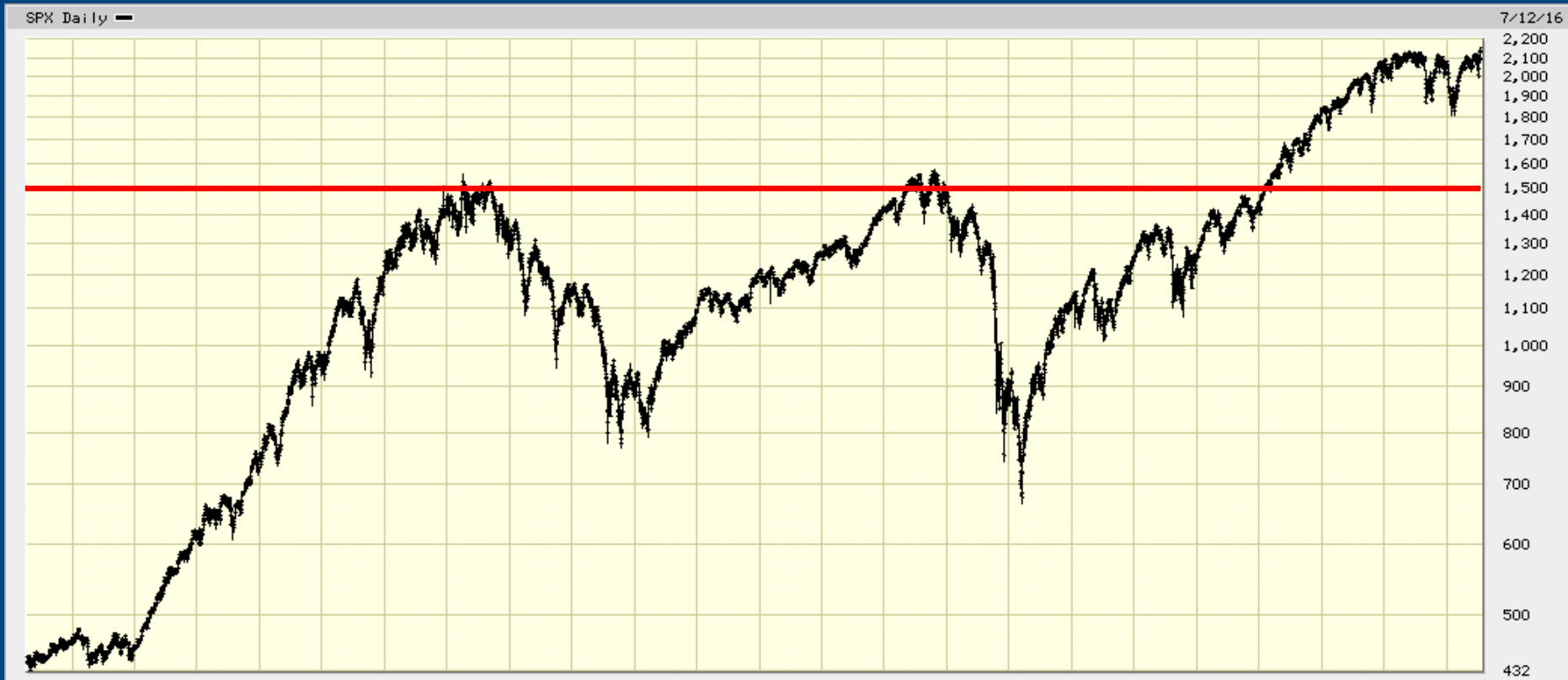
Market Review – Stocks (6 months)



Market Review – Stocks (5 Years)



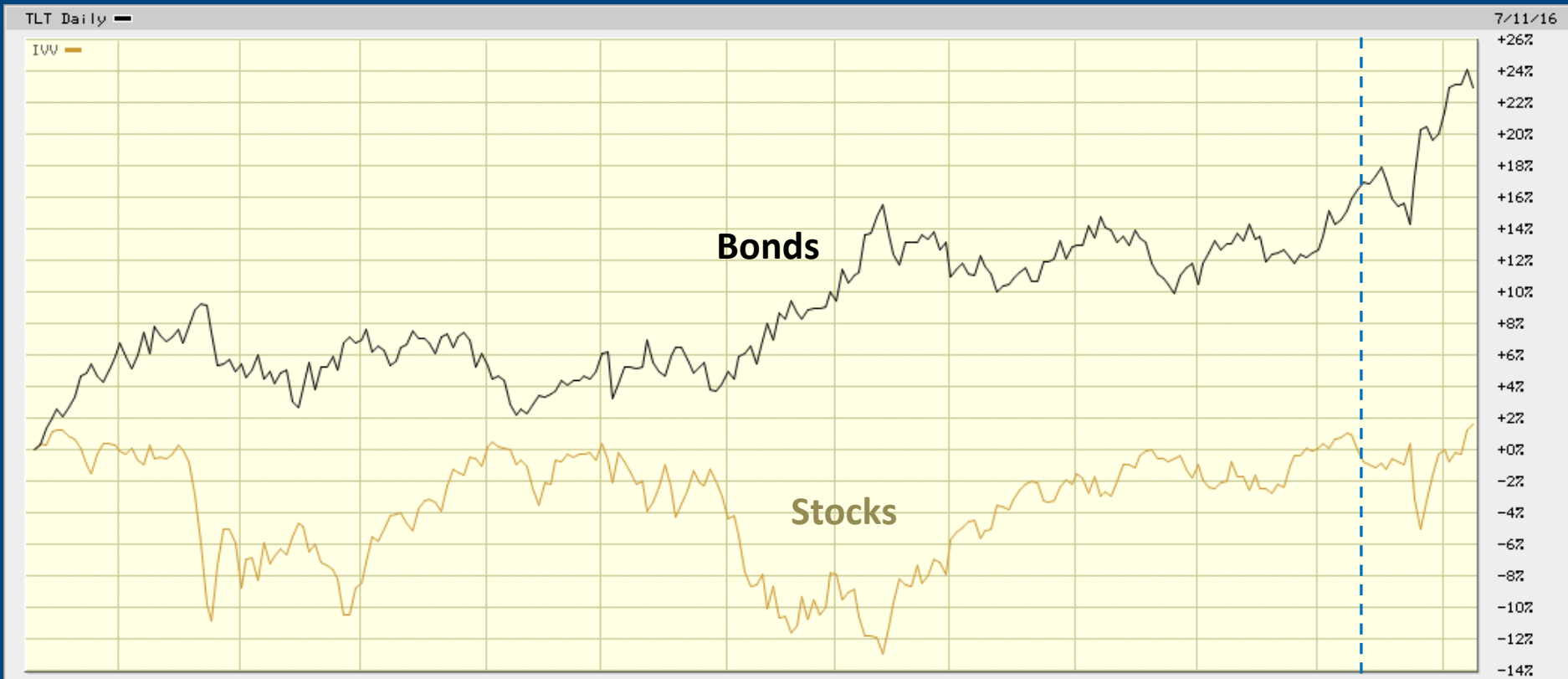
Market Review – Stocks (20 Years)



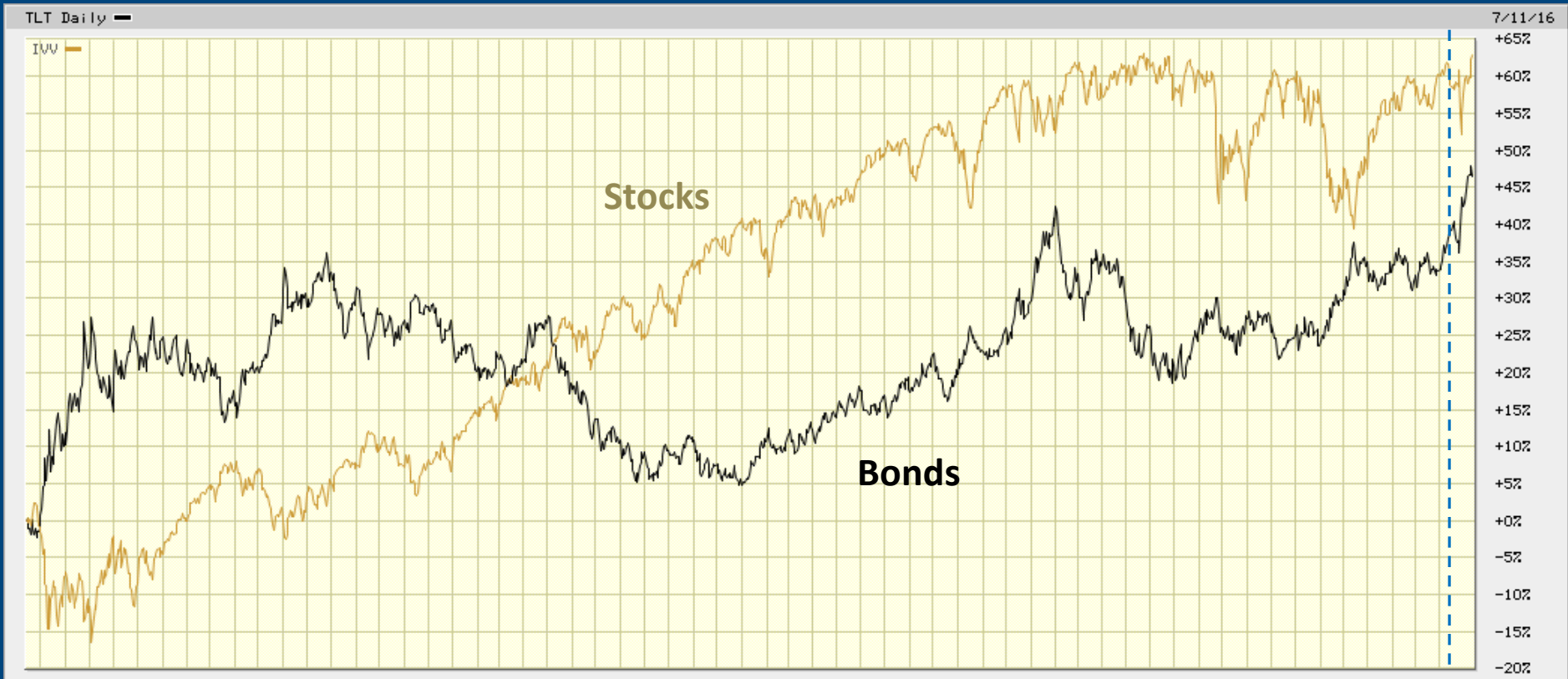
Market Review - Interest Rates (20 Years)



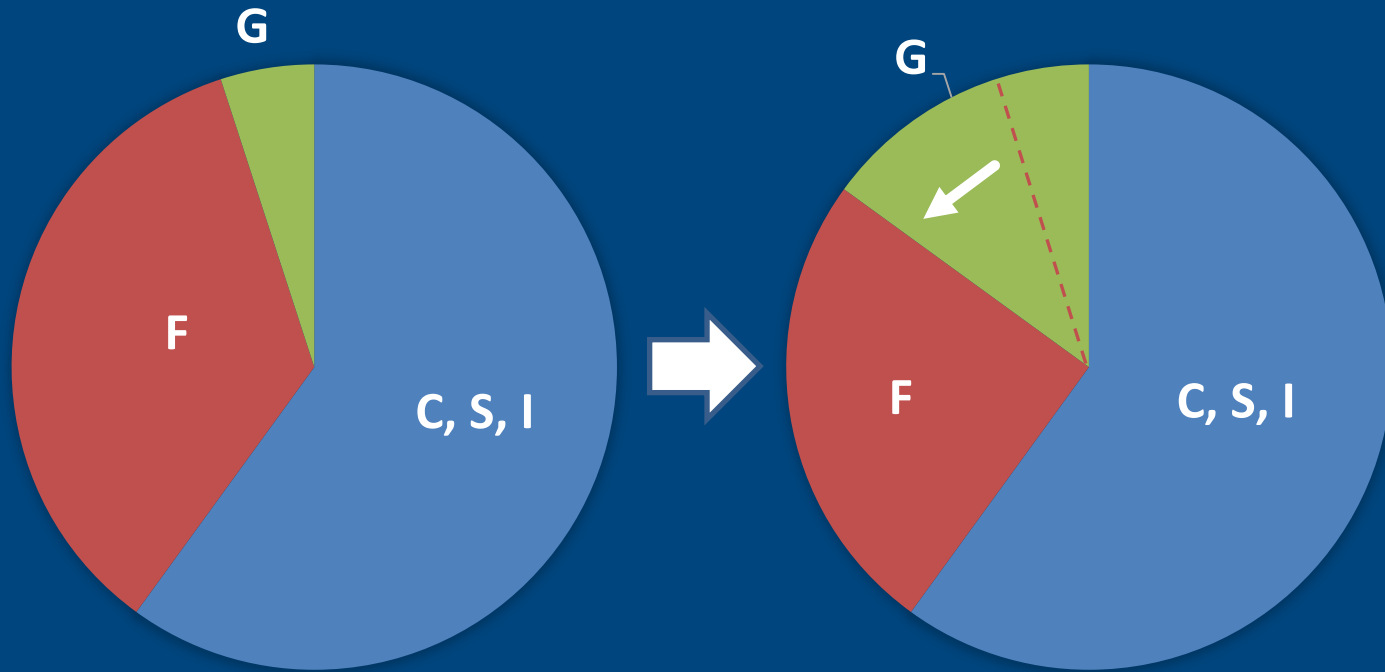
Market Review – Stocks vs. Bonds (1 Year)



Market Review – Stocks vs. Bonds (5 Years)



Tactical Recommendation



Asset Classes and Types

The Retirement Planning and Management Process



Asset Classes



Stocks



Bonds



Cash

Fractions or Hybrids of Asset Classes

Sector Funds

Commodities / Resources

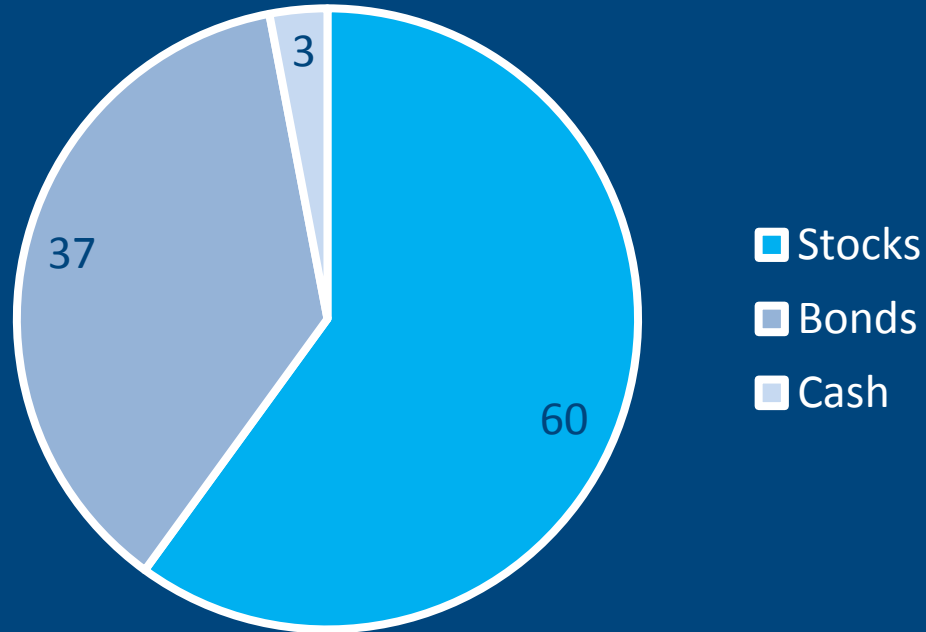
Real Estate Investment Trusts

Derivatives

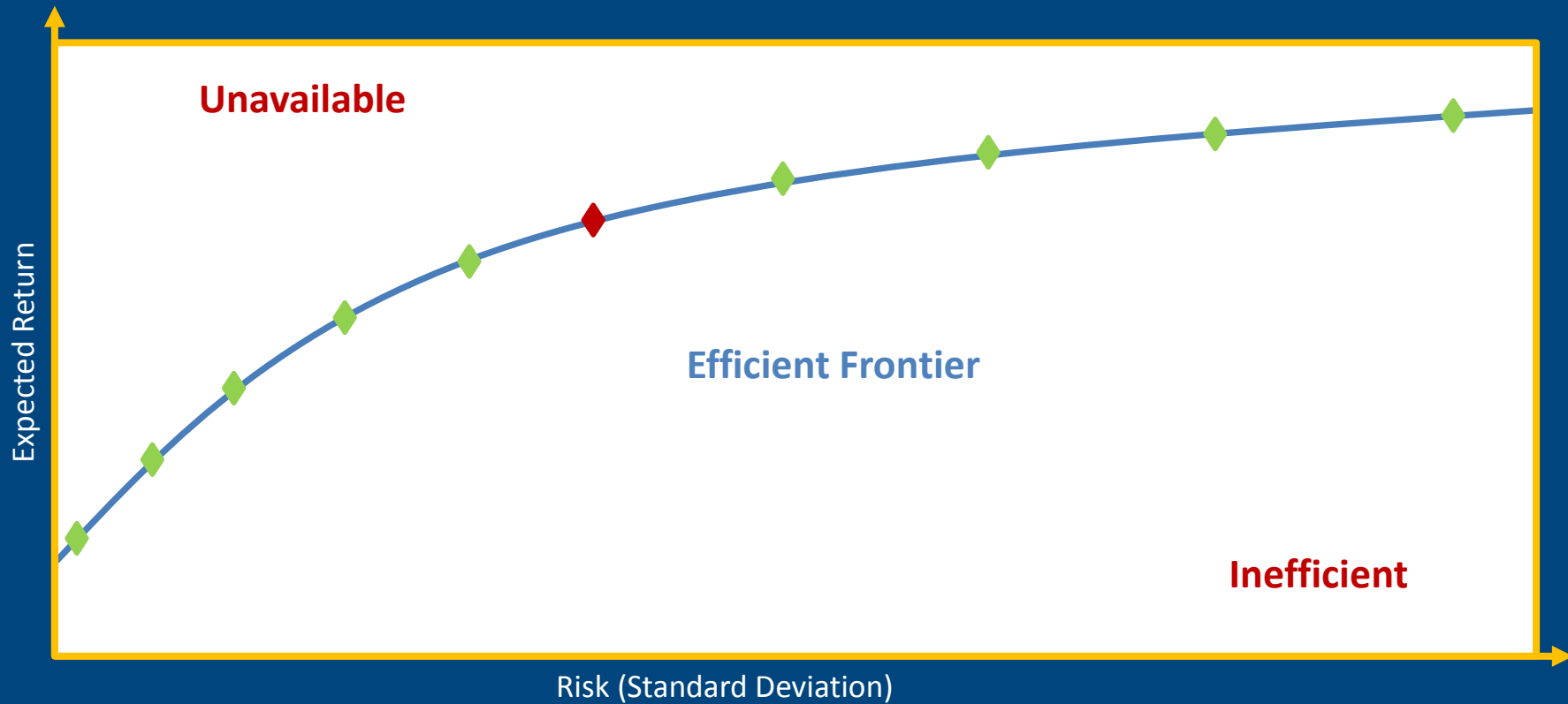
Foreign Currencies

Selecting Asset Types

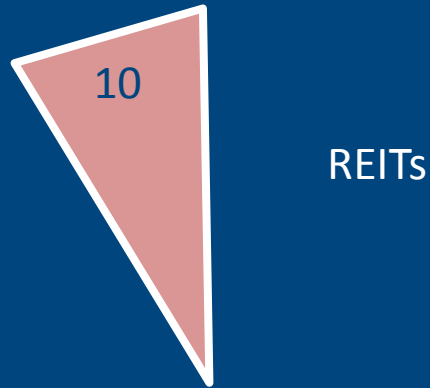
Selecting Asset Types



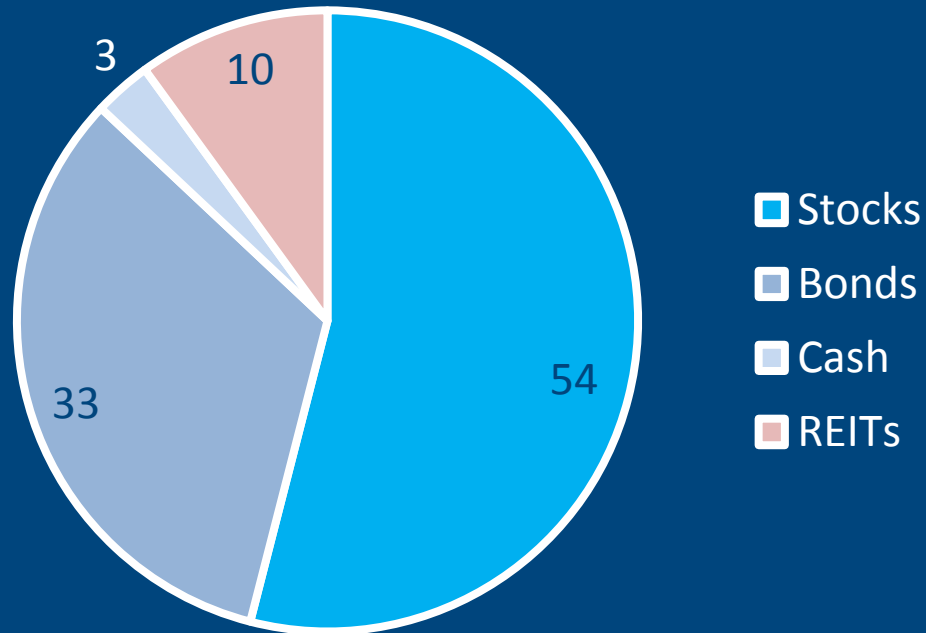
The Efficient Frontier



How About Adding REITs to the Allocation?



Compromising REITs Into the Allocation



Return and Risk for the Assets

Asset	Expected ROR	Standard Deviation
Stocks	13%	19%
Bonds	5%	5%
Cash	4%	3%
REITs	8%	15%

REITs vs. Asset Classes

Asset	Expected ROR	Standard Deviation	Change in EROR	Change in SD
Stocks	13%	19%	-39%	-21%
Bonds	5%	5%	+60%	+200%
Cash	4%	3%	+100%	+400%
REITs	8%	15%	-	-

Correlation Coefficients

	Stocks	Bonds	Cash	REITs
Stocks	1.00	0.14	0.06	0.51
Bonds		1.00	0.23	0.18
Cash			1.00	-0.05
REITs				1.00

Adding REITs to the Portfolio

Portfolio	Expected ROR	Standard Deviation	Change in EROR	Change in SD
a. Moderate 60/37/3	10.1%	12.0%	-	-
b. Moderate w/ 10% REITs	9.9%	11.7%	-2.0%	-2.5%
c. 57/40/3 Variant	9.9%	11.5%	-	-1.7%
d. Moderate w/ 20% REITs	9.6%	11.3%	-5.0%	-5.8%
e. 53/44/3 Variant	9.6%	10.9%	-	-3.5%

Developing a Menu of Asset Types

- Time
- Skill
- Method
- Expense
- Access
- Performance

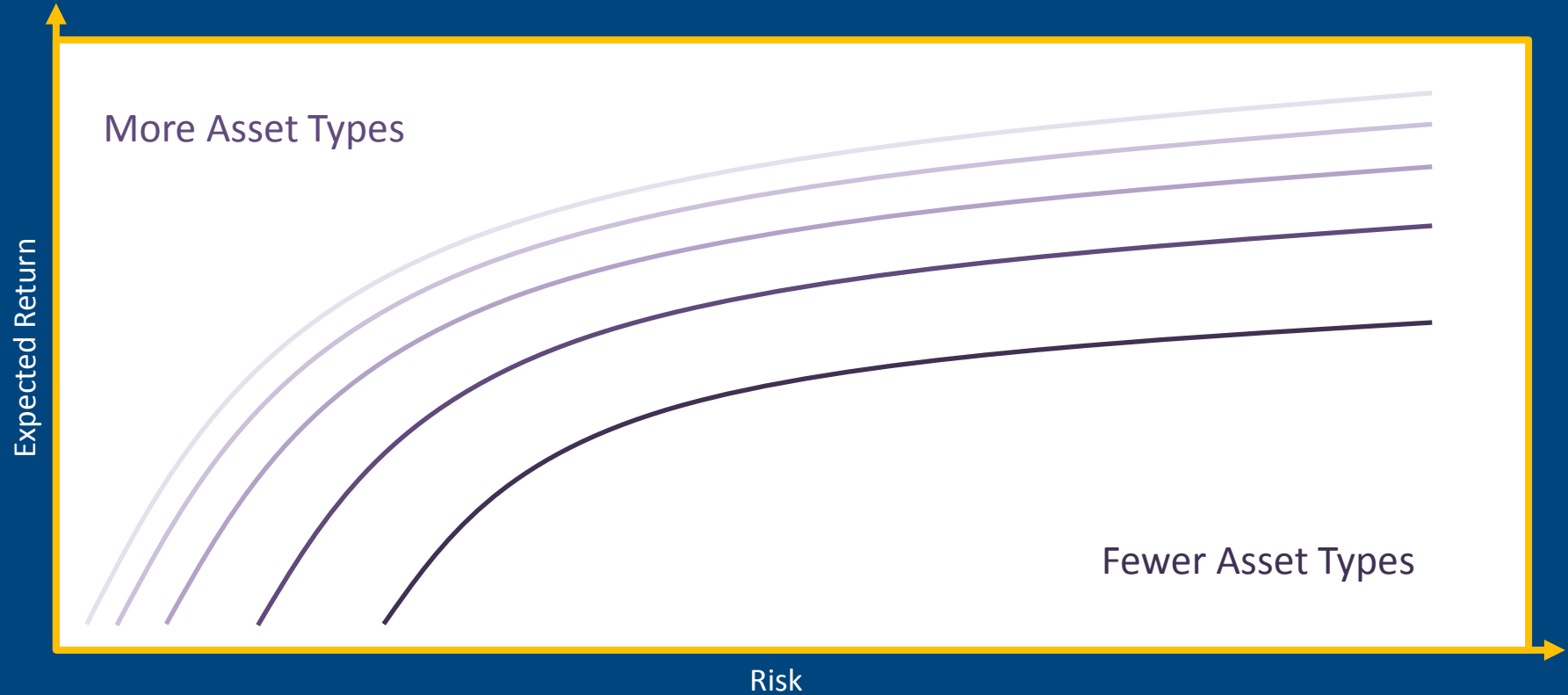
Example: Asset Types Menu

SIMPLE ←		→ COMPLEX	
Stocks	Domestic	Large	Value
			Growth
		Medium	Value
			Growth
	Foreign	Small	Value
			Growth
		Developed	Blend
	Emerging	Blend	
Cash	Cash	Cash	Cash
Bonds	Domestic	Government	Short
			Medium
			Long
			TIPS
	Commercial	Invest Grade	
		High Yield	
Foreign	Government	Diversified	

How Much Inter-Market Diversification is Too Much?

Cost–Benefit Analysis

Diminishing Returns



Next Month:

Understanding Asset Allocation and Hedging
August 9 @ 12:00

www.seniorexecs.org

Questions / Comments / Suggestions



V A R I P L A N

Advanced Retirement Planning and Management

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