5 Steps to Effective Retirement Plan Portfolios

With many thousands of mutual funds available, how do you select the few that should belong in your retirement plan? Too many choices can make it difficult for plan participants to make wise decisions with their retirement assets.

There is a better way. Loring Ward’s Structured Investing approach to retirement plans is grounded in financial science and real-world results.

Headquartered in San Jose, California, Loring Ward has provided innovative and prudent wealth management, investment, and retirement plan solutions since 1990.

THE LORING WARD APPROACH

Loring Ward offers a prudent, strategic approach to portfolio management designed to help your plan participants achieve their long-term retirement goals. There are five key concepts which play a vital role in the construction of all Loring Ward portfolios:

- Markets Work
- Risk & Return are Related
- Diversify with Structure
- Provide Prudent Portfolios
- Invest for the Long Term

I. MARKETS WORK

Instead of trying to beat the market, we believe that you should let the market work for you.

In 1965, University of Chicago economics professor, Eugene Fama, developed The Efficient Markets Hypothesis. According to Fama’s research, it is nearly impossible to consistently “beat” the markets using stock selection or market timing. Instead, we believe investors should focus on capturing the capital markets’ long-term rates of return. Over the last eight decades, equities have significantly outpaced inflation, as well as fixed income, in terms of long-term growth.

II. RISK & RETURN ARE RELATED

Markets can be chaotic, but over time they have shown a strong relationship between risk and reward. This means that the compensation for taking on increased levels of risk is the potential to earn greater returns. According to noted academic research by Professors Eugene Fama and Ken French, there are three “factors” or sources of potentially higher returns with higher corresponding risks.

1. Invest in Stocks
2. Emphasize Small Companies
3. Emphasize Value Companies

Structured Investing portfolios overweight small and value company stocks in order to try and capture their higher expected returns.

III. DIVERSIFY WITH STRUCTURE

When it comes to investing for retirement, risk cannot be eliminated, but it can potentially be reduced or mitigated through a prudent, structured approach:

1. **Combine Multiple Asset Classes** that have historically experienced dissimilar return patterns across various financial and economic environments.
2. **Diversify Globally** — 60% of global stock market value is non-U.S., and international stock markets as a whole have historically experienced dissimilar return patterns to the U.S.
3. **Invest in Thousands of Securities** to limit portfolio losses by reducing company-specific risk.
4. **Invest in High-Quality, Short-Term Fixed Income.** Consider shorter maturities that have low correlations historically with stocks. And decrease default risk with high-quality instruments.

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Note: Past performance is not indicative of future results. Diversification does not guarantee a profit or protect against a loss. Foreign securities involve additional risks including foreign currency changes, taxes and different accounting and financial reporting methods. The risks associated with investing in small company and value company stocks and overweighting small company and value company stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Small company stocks may be less liquid than large company stocks. Investors with time horizons of less than five years, should consider minimizing or avoiding investing in common stocks.

IV. PROVIDE PRUDENT PORTFOLIOS

Traditionally many retirement portfolios have been built using average historical returns and volatility of returns. We take portfolio modeling to the next level by analyzing what really matters to most investors — downside risk (the likelihood that an investment will decline in value) and the degree to which a portfolio is focused on asset protection versus asset growth. Our advanced approach to portfolio analysis is designed to optimize the process and match plan participants with a prudent portfolio that will help them reach their retirement goals. Each portfolio is professionally managed by an experienced team, built using low-cost, institutional asset class mutual funds and contains as many as 9,000 securities in 45 countries, representing 35 currencies and 9 distinct asset classes.

V. INVEST FOR THE LONG TERM

We believe a long-term perspective is one of the most important ingredients in the retirement success of plan participants. Your financial advisor working with Loring Ward can provide education and guidance to help plan participants stay patiently invested and not try to time the ebb and flow of the market.

Your advisor also provides regular reviews and monitoring of the plan and participant performance.

These 5 Steps to Effective Retirement Plan Portfolios are the building blocks for almost any successful retirement plan, reducing your fiduciary liability and helping your employees gain confidence in a more secure retirement. To find out how Loring Ward may improve your retirement plan experience, talk to your financial advisor or visit www.loringward.com

FIDUCIARY RESPONSIBILITY

Loring Ward will serve as the ERISA §3(38) fiduciary for your retirement plan for our globally-diversified model portfolios. This means that we have a duty of loyalty, care and competence and must put the needs of plan sponsors and participants first.

By working with an ERISA §3(38) fiduciary, you (as the plan sponsor) can transfer significant responsibility to Loring Ward.

As an ERISA §3(38) fiduciary, we will acknowledge our fiduciary status in writing. Common terms such as “fiduciary guarantee” or “co-fiduciary” do not offer the same protection. As an ERISA §3(38) fiduciary, Loring Ward provides extensive benefits, including:

- Offering risk-adjusted retirement asset allocation models
- Providing professionally-built, globally diversified retirement portfolios
- Acknowledging our fiduciary status in writing
- Prudently selecting, monitoring and updating retirement plan investment options

Loring Ward accepts these duties as the ERISA §3(38) fiduciary which helps keep your plan in compliance and operating in the best interests of the participants.