

Retirement Benefits

Breakout Session II

Marlo J Kauffman

Wednesday, November 29th, 2006

3:30 PM – 5:00 PM

A worksheet to help you understand how the MRT portfolios can work for you.

How do I decide where to invest my money?



How do you decide where to invest your money? We're talking about your hard-earned dollars – the money that will see you through your retirement years. Whether you are new to MRT or have been enjoying the benefits of this retirement plan for years, you want to get the most out of it by making the right investment choices. What if you don't have the time or expertise to research individual funds? Relax, MMA has made it easier for you to construct an investment portfolio you're comfortable with. All you need to do is answer a few simple questions.

The choices for Mennonite Retirement Trust are clear

You want easier choices – clearer choices. By factoring in the number of years you have until retirement, finding your comfort level for taking risk, and investing in the right mix of funds, you can build a solid plan. It sounds complex, but we've made it simple.

We've developed **three portfolios** to match your style of investing. The MRT portfolios – conservative portfolio, moderate portfolio, aggressive portfolio – give you clear-cut choices for your retirement plan. Select a portfolio by following the steps in this worksheet, or contact your MMA counselor for additional guidance.*

Making choices

To help you find the correct MRT portfolio for your retirement needs, follow these simple steps.

Step 1: How many years until you retire?

A very important step to consider when evaluating your investment strategy is how many years you have until retirement. The amount of risk you can afford to take while working toward your retirement goal is determined by the number of years you have for making investments.

In general, the more time you have until retirement, the more risk you can afford to take on. And, conversely, as you get closer to retirement, the more conservative your portfolio should become.

At what age would you like to retire? _____

What is your current age? - _____

Years I have to retirement = _____

* MRT participants will be responsible for fees associated with MMA counselor services. Not all counselors are licensed to provide investment advice.

Helping Participants With Investment Decisions


Marlo Kauffman



MMA[®]
Stewardship Solutions


Participant Behavior - Alliance Bernstein

- Education programs not doing the job
- Employees lack the self-discipline to follow through
- Procrastination and inertia
- Fear of making decisions



Making Investment Decisions

- Participants split their investments equally among available choices
- Increased choice leads participants to select lower risk options
- Participants chase performance (today's winners are tomorrow's losers)
- Participants don't rebalance their investments



Potential Solutions

- Automatic Enrollment
- Automatic savings rate increases
- Target-Date retirement funds



Mennonite Church USA

- MC USA pension plan does not have automatic enrollment, but we are looking at it
- What we have tried to do is make the investment decision easier by offering three strategic portfolios



Background

- MC USA pension plan covers both clergy, non-clergy and church agency employees
- Prior to 1997, we didn't offer choice
- Investment choice introduced in 1997 with 5 choices, including a moderate portfolio
- Today we have 19 options
- Valuation is done monthly



Investment Choice

- **Two Tracks**
 - Select a portfolio
 - Design your own



Select a Portfolio

- **Most people don't have enough information or interest in designing a portfolio**
- **Investment brochure helps them determine risk profile, then choose an appropriate portfolio (Aggressive, Moderate or Conservative).**
- **If no choice, default is Moderate**
- **77% of all funds in one of the portfolios**



Design Your Own

- **Can choose from 19 options, including the portfolios**
- **Real estate and alternative investment asset classes not available outside portfolios**
- **Unless the participant uses a financial advisor, we don't have a good solution**



Strategy

- Encourage all participants to select a portfolio



Step 2: What type of investor are you?

Deciding how much risk you can tolerate is something only you can do. By answering these questions, you can determine what risk level you are most comfortable with.

1. Inflation causes prices to rise over time. Which is more important to you – investing to avoid short-term losses, or investing to beat inflation, even if it means accepting short-term losses?
 - a) It is more important to avoid losing money in the short term. (5 points)
 - b) Both concerns are equally important. (3 points)
 - c) It is more important to beat inflation. (1 point)

2. Let's say you have \$100,000 invested at the beginning of the year. Choose the portfolio with which you are most comfortable, based on the best and worst case range.
 - a) Portfolio A: (5 points)
Worst case returns – \$95,000
Best case returns – \$115,000
 - b) Portfolio B: (3 points)
Worst case returns – \$85,000
Best case returns – \$140,000
 - c) Portfolio C: (1 point)
Worst case returns – \$80,000
Best case returns – \$150,000

3. Which statement best describes your attitude about investing?
 - a) I want to minimize my chance of losing money in the short-term, even if I receive lower, long-term returns. (5 points)
 - b) I am comfortable losing some money in the short term to achieve potential long-term gains. (3 points)
 - c) It's important for me to maximize my long-term returns, and I'm willing to accept substantial short-term losses to achieve my objective. (1 point)

4. The key to investing your retirement dollars is having the right blend of stocks and bonds. This basic strategy helps you spread your risk so you can reach your ultimate financial goals. What would you do if the stock market took a downturn?
 - a) At the first sign of loss, I would move my riskier investments to safer assets. (5 points)
 - b) If a loss was greater than 20 percent, or lasted for over a year, I would move my riskier investments to safer assets. (3 points)
 - c) I wouldn't move my investments, but would stay the course with my original investing plan. (1 point)

Record your points below:

a = 5 points

b = 3 points

c = 1 point

Add the numbers

Use your score to determine what type of investor you are:

4 to 7 = Aggressive investor

8 to 16 = Moderate investor

17 to 20 = Conservative investor

I am this type of investor:

Step 3: Which portfolio fits you?

Now that you have determined how many years you have until retirement and found your comfort level for investment risk, see which portfolio could work for you.

Step 1: Years to retirement

	15 or more	5-15	5 or less
<i>Aggressive investor (4-7 points)</i>	Aggressive portfolio	Aggressive portfolio	Moderate portfolio
<i>Moderate investor (8-16 points)</i>	Aggressive or Moderate portfolio	Moderate portfolio	Moderate or Conservative portfolio
<i>Conservative investor (17-20 points)</i>	Conservative portfolio	Conservative portfolio	Conservative portfolio

Step 2:
Type of investor

Circle the number of years to retirement that you answered in step 1.

Circle the type of investor you are from step 2.

Find the square on the chart where your two answers come together. Circle it.

Write the name of your chosen portfolio here:

Need more choices? You always have the option to build your own personal portfolio. Contact your MMA counselor or the MRT office for help in setting up a customized investment strategy.

The MRT portfolios

We designed our portfolios to meet the needs of different types of investors. We've done the homework and pulled together a mix of funds that, together, give you an aggressive, moderate, or conservative investment strategy. Our professionally managed portfolios are periodically rebalanced to maintain focus on the objectives of each mix of funds.

Remember to carefully review the risk and returns of each portfolio to determine if the answer you arrive at is in agreement with your comfort level. It is important to remember that all investment paths involve some level of risk.

Portfolio allocations (subject to change)

	Aggressive	Moderate	Conservative
Large cap blend stock fund	21%	22%	13%
Large cap value index fund	5%	5%	5%
Large cap growth index fund	5%	5%	5%
International fund	22%	15%	10%
Small cap value fund	10%	6%	3%
Small cap growth fund	10%	6%	3%
Intermediate term bond fund	15%	30%	55%
Real estate	10%	10%	5%
Alternative assets	2%	1%	1%

Portfolio expected return and risk information One-year time horizon

	Aggressive	Moderate	Conservative
Expected return ¹	7.84%	7.23%	6.47%
Best case return ²	28.98%	24.81%	19.84%
Worst case return ²	-10.98%	-8.71%	-5.92%

20-year time horizon

	Aggressive	Moderate	Conservative
Expected return ¹	7.19%	6.77%	6.20%
Best case return ²	11.69%	10.54%	9.09%
Worst case return ²	2.81%	3.08%	3.35%

Source: Ibbotson Associates

¹ Expected return: Indicates the average annual return anticipated from the designated asset class mix. This number assumes that future returns will be consistent with historical trends. The trends forecasted above are based on historic trends for U.S. equities since 1926 and U.S. bonds and international equities since 1970. Please keep in mind that past performance is no guarantee of future results.

² The term Best Case represents a portfolio at the 98th percentile and the term Worst Case represents a portfolio at the 2nd percentile based on past performance and future expectations. Therefore, there is only a 4 percent chance that future returns will fall outside these ranges.

Step 4: What next?

Now that you've selected the right portfolio for your needs, simply fill out the enclosed Participant Enrollment Form, if you are a new participant, or the Change Request form, and return it to us in the envelope provided. We'll take care of the rest. All changes will be effective on the first day of the next month.

If you still have questions, we're here for you. Contact your MMA counselor or, if you do not have an MMA counselor, contact the MRT office at (800) 348-7468. You can also search for a counselor in your area on our Web site: www.mma-online.org.



Stewardship Solutions

1110 North Main Street
Post Office Box 483
Goshen, IN 46527

Toll-free: (800) 348-7468
Telephone: (574) 533-9511
www.mma-online.org

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