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Economic Uncertainty Is Certain

In recent months, investors have become increasingly nervous that weaker economic data and an escalation in the US–China trade war could mean a recession is approaching. This article, by financial planner and author Ron Blue, founding director of Kingdom Advisors, reminds us that economic uncertainties are nothing new. Ron explains how to stay focused on your long-term plan, and he offers suggestions for building a strategy based on facts, not myths.

by Ron Blue

The picture is as clear in my mind as it was 43 years ago. As I pulled off the interstate en route to my office, I did not see the road markers; instead, my eyes swam with the signs of the times. The year was 1982. Interest and inflation rates had soared to all-time highs, investors faced crushing 70% tax brackets, and the price of gold leapfrogged daily. Taking stock of the situation, most analysts warned of a devastating financial explosion within the next few years.

As I drove to work that day, the economic consequences seemed both crippling and inevitable. I had just launched our investment and financial counseling firm. How, I wondered, were we supposed to respond to the clients who came to us for advice? Could anyone afford to purchase a home with 15% to 20% interest rates? Which kinds of investments and tax plans could stand up to double-digit inflation? And if the predicted monetary collapse did occur, would the resulting political turmoil uproot even the best-laid financial plans?

One of my fears as I navigated the interstate highway that day was that we faced a "worst-ever" economic climate. Yet economic uncertainty—and its accompanying effects on our sense of security and well-being—are nothing new.

Ten years earlier, in 1972, we had been saddled with Watergate and an oil crisis that threatened to throttle the world's economy. Who can forget the lines at the gas stations or the rationing of fuel oil that winter? Then, too, I remember being hit with wage and price controls for the first time since World War II. And for the first time in my memory, the prime rate hit 10 percent. Economic security seemed an elusive, if not impossible, dream.

Ten years before that, in 1962, the specter of economic and political uncertainty had hovered in every corner of the world. Our amazement at seeing a shoe-pounding Nikita Khrushchev vow to "bury" us turned to horror as the Cuban missile crisis unfolded. At that point a nuclear holocaust seemed at least possible, if not imminent. And Vietnam lay just around the corner.

In 1952, in the shadow of the spread of Communism, amid the mud and blood of the Korean War, bomb shelters were among the best-selling items in the United States. In 1942, we faced the aftermath of Pearl Harbor and felt the full force of our entry into World War II. In 1932, we awoke to the nightmare of the Great Depression.

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"FOR GOD HAS NOT GIVEN US THE SPIRIT OF FEAR BUT OF POWER, AND OF LOVE, AND OF A SOUND MIND."

EDITORIAL

When Markets Get Noisy

The Trump administration was widely expected to usher in an era of unprecedented disruption, and it has exceeded those expectations. For investors, that has meant a bumpy and, at times, frightening ride this year. By early April, the market was down –15%. As of this writing, it has bounced back and then some. (Who knows where it will be by the time this piece is published!)

Same song, different band

If you had fallen asleep on Feb. 19, 2020, didn't wake up again until Dec. 31 of that year, and then checked on the stock market, you would have thought it was a wonderful year to be an investor. The market ended the year up more than +18%. You would have slept right through the unnerving –34% drop that took place over the 16 trading days that followed your Feb. 19 bedtime. The market had never fallen that far that fast.

This year's roller coaster hasn't been *that* interesting, but it's been quite a ride nonetheless. Still, if you had hit the snooze button on New Year's Day and didn't rise from your slumber until about now, you'd have thought the markets have been snoozing as well.

What markets do

Fortunately, wild swings in the market are not every-quarter occurrences. But they aren't uncommon either. That's why, as we preach again and again, investing requires a long-term perspective. A two-dimensional approach to your personal risk tolerance helps significantly as well. (More on that in a minute.)

In our May cover article, money manager Barry Ritholtz described what has become a routine occurrence when the market falls. "The phones ring with reporters wanting a comment on the volatility. 'What's going on in the markets?' they say. My response is always the same: 'You won't like my answer: This is what markets do—they go up and down, sometimes violently.'"

When markets move strongly, the headlines come fast and furious. During this year's big dip, investors were treated to these pronouncements: "Dow Plunges on Trump's Tariff Announcement," "S&P 500 Briefly Enters Bear Market," and "Oil Prices Sink Amid Recession Fears." Writing dramatic headlines in a quest for attention—this is what the media do.

Investor, know thyself

It's one thing to consider your risk tolerance when the markets are calm. But it's something altogether different when the markets get volatile. The next time the market tumbles, check your reaction. Are you taking it in stride, or not? If you're feeling unnerved, the risk level of your portfolio may be set too high.

However, there's an important second dimension to the risk tolerance conversation. Every investor has to be willing to take *some* risk. That's the nature of investing. You can't say, "I want the market's long-term average annual return, but I prefer to keep all my money in cash."

Investing requires some intestinal fortitude, which is built through a combination of live-fire testing and knowledge of market history. Every downturn you live through, as well as the eventual, inevitable recovery, should better equip you for the next one. And every bit of knowledge you add to your investor databank, such as the fact that the long-term average intra-year market decline is –14% from high to low, should better equip you for the next downturn as well.

Get ready

President John F. Kennedy said, "The time to fix the roof is when the sun is shining." For investors, the time to commit (or recommit) to following your plan come what may is when markets are calm. Even better to jot it down as part of a written investment plan: "I have chosen a strategy I can live with in good markets and bad, *and so I will* live with it in good markets and bad.

Then, when the next sharp decline comes, when you feel that old familiar fear, when you wonder how much worse it may get, when you catch glimpses of headlines saying to run for the sidelines—when all of that happens, as it certainly will, pull out your written investment plan, re-read it, remember who you are (a long-term investor, not a short-term trader), and go on about your life.

Market-related noise can be full of sound and fury, but for those following an objective, process-driven plan suited to their time frame and risk tolerance, it signifies nothing.

Matt
MATT BELL
MANAGING EDITOR

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FEATURE ARTICLE

Economic Uncertainty Is Certain

(continued from front page)

And on and on and on. The point is that we will always face uncertainty. Suddenly, I felt the subconscious click of the proverbial light bulb: The biblical principles of money management I had been teaching and using for years would work under any economic scenario. Armed with these concepts, I knew exactly how to help our clients weather the coming storm, no matter how hard the financial winds blew.

The predicted financial blowout never did occur. Yet as our business grew in the years that followed, we faced a thousand different financial situations that seemed specially tailored to test the worth and endurance of the money-management concepts our firm espoused. But in each and every case the biblical principles held fast, strengthening our clients' economic positions—and bringing them peace and security in the bargain.

Are you a thermometer or thermostat?

The economic upheaval caused by problems such as the federal budget deficit and inflation can create a climate of tension, anxiety, and fear. People tend to respond to this environment in one of two ways: Some of us act like thermometers while others behave as thermostats.

Thermometers respond to mounting fear and uncertainty with a jump in their emotional mercury. The red line shoots up, shouting, "Danger! Danger! Rocky road ahead!" Suddenly, even routine tasks can seem impossible, and small obstacles become insurmountable. Fear takes hold, and our strongest instinct is to moan, cry, or collapse in a puddle of ineffectiveness. When the situation stabilizes, our memory recedes, and we regain a sense of control—at least until the next crisis appears. Often, that crisis is only as far away as the next headline.

Thermometers reflect their environment. They react to and are at the mercy of an ever-changing climate. Thermostats, on the other hand, control their environment. We do not have to react to our changing financial climate in a knee-jerk or haphazard fashion. We can become thermostats, controlling our individual environments through proper planning and preparation. We can thrive during economic uncertainty. This should be not merely our desire, but our expectation—regardless of the financial forecast.

Planning for a secure future

We have seen how the federal deficit, income taxes, inflation, and the like can sabotage our financial-planning efforts and threaten our personal security. Their impact on the national economy is equally significant. As a result, the desire to harness these problems and manipulate the financial forecast generates more discussion and debate on the floor of the U.S. Congress than anywhere else.

In the early 1990s, I had the opportunity to testify before a Senate subcommittee holding hearings on "Solutions for the New Era: Jobs and Families." While others on the panel pressed for more social programs, I said I believed the American family could benefit from following a four-part financial plan: (1) spend less than you earn; (2) avoid the use of debt; (3) maintain liquidity; and (4) set long-term goals. These four principles are simple. So simple, in fact, that they may easily be overlooked. Yet they have stood the test of time, having been developed and outlined thousands of years ago in the Old and New Testaments.

As you study today's financial horizon, which will it be: inflation or deflation? Economic growth or a return to recession? Do you know what to expect? Can you guess?

These are among the many things we cannot control. What we *can* control is our preparedness to deal with these financial realities. We can trade in our thermometer mentality for that of a thermostat. With an effective money-management plan in place, we can approach the future—any future—with a sense of genuine security.

Unexpected events such as the 1987 stock market crash and the 2008 financial crisis bring our worst nightmares to life. The question of what to do in a crisis situation is a universal concern. Many people panic, others are paralyzed by fear, and still others fall prey to the temptations that uncertainty creates.

The perils of panic

Many investors viewed the '87 crash from a perspective of panic. One of our 500 clients terminated his relationship with our firm, pulling all of his money out of the market in a fear-driven frenzy. I heard a similar story about another client who had left our firm a few months before the crash. We had not been "aggressive" enough to suit him, he said. He had wanted to invest most of his life savings entirely in the stock market, which seemed—to him—to know no limits. When he left us, he bought the most aggressive stocks he could find. On the day after the crash, he panicked and sold everything—at just about the worst possible time. Panic often stems from two sources: the fear of a missed opportunity and the fear of an economic or political collapse.

1. Fear of a missed opportunity. Surefire "opportunities of a lifetime" arise every day, from business deals to stock market "finds." I view these investments with a skeptical eye, keeping in mind three rules: First, if it sounds too good to be true, it probably is. Second, there are no "bad deals" from the promoter's perspective. And finally, I have lived long enough to know that there is always another "guaranteed opportunity" coming tomorrow.

2. Fear of forces beyond our control. Our firm had a client named Bill, the head of a large corporation, who asked us to manage his company's pension fund. He had benefited from the personal financial plan he had established with our help, and he was eager to develop a similar program for his employees. You can imagine my surprise when I learned that a week after Bill solicited our help, he wanted to take all of his personal holdings out of the stock market and convert everything to cash. Curious about his sudden change of heart, I discovered that several arch-conservative economic analysts had convinced him of an impending financial collapse in which the entire nation would become bankrupt. Terrified by that prospect, Bill panicked, grabbed his money, and ran.

Fear or reasonable caution?

How can you tell if a decision is motivated by fear or simply by conservative caution? A "gloom and doom" forecast may be entirely legitimate, yet it should never be the foundation of your decision-making. Fear-based decisions may be characterized by one or more of the following traits:

- The decision is made quickly, with little forethought.
- The decision is presumptive, based on conclusions that have little or no substantiating proof.
- The decision is ill-advised, having been made under the counsel of untested, unreliable, or biased sources.

A fear-based decision often has an accompanying gut reaction of anxiety or tension. By contrast, wise and thoughtful decisions are usually characterized by a sense of stability and calm. Scripture attests to this pattern. Philippians 4:7 promises that *"the peace of God, which surpasses all understanding, will guard your hearts and minds through Christ Jesus."* Good decisions, financial and otherwise, are marked by peace, not panic.

Panic can ruin even the best-laid financial plans. Equally devastating, though, is an inability to act. Fear of making a wrong decision can result in our making no decision at all. Or we may get caught in "analysis paralysis," endlessly weighing our options until we are completely unable to make a move of any kind.

As you consider any financial decision, three simple questions are useful in gauging your degree of panic, paralysis, or peace:

1. What is the very worst that can happen if I do (or do not do) this?
2. How likely is that worst-case scenario to occur?
3. Am I willing to live with the consequences—favorable or not—of this decision?

The answers to these questions will help remove the biases created by fear and greed, allow you to view your options objectively, and help you honestly evaluate your level of peace.

Rather than allowing the spiritual and economic fragility of our society to corner us with fear and uncertainty, we must go on the offensive. Christ knew the trials His disciples—and we—would face, and He provided a battle plan: *"Watch and pray,"* he said, *"lest you enter into temptation"* (Mark 14:38).

Tackling temptation

Probably the single greatest temptation during times of economic uncertainty is to hoard our wealth. This desire is nothing new. In Luke 12, Christ told of a rich fool who thought he could protect himself by building bigger barns to store his better-than-expected crops. Having thus secured his economic future, the fellow reasoned he could *"eat, drink and be merry"* (verse 19), enjoying his good fortune on easy street. This story illustrates three temptations fear and uncertainty can create:

1. The first temptation is a longing for a life of comfort and ease. The rich fool probably figured he had worked hard managing his farm and that he deserved to enjoy his remaining years in comfort. Likewise, most Americans look forward to their retirement years. The thought that some financial calamity could prevent their "rightful relaxation" is intolerable.

To me, however, the resort communities and fun-in-the-sun spots that dot our southern and coastal landscapes are the most depressing places in the world! I do not condemn retirement; on the contrary, our firm helps people plan to enjoy it. I do, however, feel very strongly that a life of leisure and total freedom from responsibility has no place in a God-directed plan. Christians should never retire. They may leave their paying jobs or change vocations, but their newfound freedom should not be used exclusively for self-indulgence and entertainment. Instead, it should become a vehicle for fulfilling God's call to service.

2. The second temptation is the perceived right to a particular life-style. Just as the rich fool wanted to "eat, drink and be merry," we have all sorts of similar desires and demands. The 10-year-old boy must have the right pair of athletic shoes—despite a price tag topping $100. By the time that same boy turns 16, he will expect a car—and not just any old jalopy. Next, it's a college education and then a particular job.

This list goes on and on. After we land that perfect job, we want a lovely house in a good neighborhood. Then it's the right vacation, followed by acquiring a second home, and ultimately, retirement. When we view these things as our "rights," any threat to our achieving them becomes intolerable. The thought of not getting into a "good" college or being able to afford that ski-lodge getaway fills us with great anxiety and fear. Yet none of these things that make for a "desirable" lifestyle are our inalienable rights. We must watch out for this kind of desire and pray against that temptation.

3. The third temptation is the desire to protect ourselves from the consequences of economic uncertainty. The rich fool wanted to build bigger barns to create self-sufficiency in his future. Yet this kind of protection is not our responsibility. It is God's. God promises to protect us. Psalm 50:14-15 paints God as our source of help: *"Offer to God thanksgiving, and pay your vows to the Most High. Call upon Me in the day of trouble; I will deliver you, and you shall glorify Me."* Inherent in these verses is the need to credit God with our protection and deliverance. Nowhere does the Bible give any indication that we can do anything to protect or save ourselves.

God does, however, vest us with the responsibility to provide for our families. Proverbs 6:6-8 advises us to consider the hard-working ant, that *"provides her supplies in the summer, and gathers her food in the harvest."* Moreover, God's view of those who fail to provide is clear in 1 Timothy 5:8: *"If anyone does not provide for his own, and especially for those of his household, he has denied the faith and is worse than an unbeliever."*

Thus, being able to provide for your family becomes a legitimate concern. Many Christians, however, take this responsibility to an extreme, allowing their responsibility for provision to become a self-sufficient desire to protect. A hoarding mentality ensues, driving people to "build bigger barns" as a hedge against an uncertain future.

Our protection is God's job—and yet we must recognize our own accountability for good stewardship. My wife, Judy, and I like to remind each other, "You can only do what you can do, and only you can do what you can do." Your talents and abilities are unique; the circumstances of your life are yours alone to confront.

So what can you do? In financially difficult times, you can confront uncertainty from a perspective of peace instead of panic or paralysis. You can, as Christ commands, "watch and pray" against the temptation to hoard your resources in a futile attempt to protect yourself. Trusting in God's guidance, you can establish plans, make decisions, and accept responsibility for your own actions.

Your investment philosophy: truth or "mythconception"?

I want to help you develop a commonsense investment strategy. With this plan, you can weather the economic storms of today as well as those in the far-off financial future. In times of economic uncertainty, the strength of your storm shelter—supported by your investment philosophy—will determine whether you struggle, thrive, or just survive.

Many investors believe that good decision-making requires expert knowledge and constant updates. In reality, though, the best decision-makers are those who have developed a sound investment philosophy on which to base their choices. As we counsel clients, our firm has identified two distinct investment philosophies. One is rooted in a secular perspective that is shaped by worldly "mythconceptions." The other is based on strategic truths that are outlined in the Bible and proven through practical experience. Consider the following contrasts:

- **Mythconception: Spend and consume, saving can wait.**
- **Strategic Truth: Save and invest, spending can wait.**

As a society, Americans have run up a $3.2 trillion tab in car loans, credit card debt, and home-equity loans.[1] When buying opportunities present themselves, we take the bait, reasoning that there will always be money to save out of the next paycheck. To build a solid storm shelter, however, saving and investing must take top priority—and even more so in an uncertain economic climate. (As noted earlier, Proverbs 6:8 commends the hardworking ant, who *"provides her supplies in the summer, and gathers her food in the harvest."*)

- **Mythconception: Get rich quick.**
- **Strategic Truth: Get rich slow.**

One young man I know spends $5 per week on lotto tickets. Not long ago he won a $14 payoff. He was elated and, I suspect, more determined than ever to keep playing in pursuit of "the big one." Consider, though, what that young man could do instead by investing his $5 each week. Even at a (relatively low by historic standards) 5% return, his money would grow to $1,476 in just five years. And in 48 years, when the fellow was ready to retire, he would have $52,054. Proverbs 21:5 says, *"The plans of the diligent lead surely to plenty, but those of everyone who is hasty, surely to poverty."* From an economic standpoint, it makes no sense to pursue long-shot odds in a hurry-up effort to get rich when there is a guaranteed—albeit slower—way to make money.

- **Mythconception: Time is an enemy.**
- **Strategic Truth: Time is an ally.**

Watching today's investors is like watching a rerun of the old *Beat the Clock* TV game show. Thinking that time is short, people scurry around looking for the "best" investment options since every day that passes is one less day available for wealth accumulation. Too often, such anxiety-driven decisions turn out to be poor ones.

Harrison is a dermatologist I know. The short-term mindset that once drove him to buy a big house, join an expensive country club, and generally go for life's "gusto" has come back to haunt him. Burdened by debt and with no preparations made for his retirement, Harrison is in a race against time. He delayed starting to invest for the future, and now sees time as an enemy. Had Harrison adopted a long-term outlook, time would have become his ally.

Time is a tool—and the more you have of it, the better. It does not matter whether you have a lot of money to invest or just a little, as long as you are willing to let time work on your behalf.

- **Mythconception: Expect upward trends.**
- **Strategic Truth: Expect cycles.**

People purchase stocks in the hope or belief that the stock price will go up. In our dogged attempts to ride the upward trends, any investment loss generally comes as an unwelcome surprise. In reality, however, market cycles—the highs and the lows—should be expected. What goes up must come down, and vice versa. The cycles experienced by stocks and bonds characterize every investment, from money markets to real estate. Such ups and downs would make perfect sense to King Solomon, who referred to a *"day of prosperity"* and a *"day of adversity"* (Ecclesiastes 7:14) and wrote that there is a time for everything—from mourning to dancing (see Ecclesiastes 3). As investors, we must be prepared for both scenarios.

- **Mythconception: Time the market.**
- **Strategic Truth: Diversify your assets.**

One of the most common investment strategies pursued by today's investors is market timing. The hope is that, with the proper combination of guesswork, maneuvering, and luck, the investor can "beat the system" and make money fast. The idea is simply to buy low and sell high—a strategy that works well in theory but is virtually impossible to put into consistent practice.

Instead of trying to time the market, biblical wisdom encourages a diversification of assets. We ought to divide our assets into seven or eight portions, says Ecclesiastes 11:1-2, since we *"know not what disaster may happen on earth."* As an investment strategy, asset diversification succeeds where market timing fails.

And peace will follow

My firm is in the business of imparting peace of mind to people who want to take proactive and responsible control of their resources. Peace of mind is the foundation of prosperity. Scripture is full of admonitions against fearfulness. Hand in hand with these verses are promises of God's provision. He is fully aware of our fears and desires—as Matthew 6:8 says, *"Your Father knows the things you have need of before you ask Him."*

God will provide. He has already given us a scriptural outline for proactive financial planning. The points are the same ones I shared with the Senate subcommittee more than 25 years ago: spend less than you earn, avoid debt, maintain liquidity, and establish long-term goals. By creating—and practicing—your own proactive plan, you will defeat fear and uncertainty and enjoy a thriving financial future. ◆

[1]The $3.2 trillion figure, calculated from New York Federal Reserve data, is as of March 31, 2025. See nyfed.org/3H3hFFc.

LEVEL 1 ONE

Strengthening Your Foundation

Wise money management begins with a strong financial foundation. In this column, we cover topics such as how to manage cash flow, apply strategies for getting debt-free, make wise purchasing decisions, build savings, choose appropriate insurance protection, navigate marital financial issues, and many more.

"By wisdom a house is built, and through understanding it is established." Proverbs 24:3

GETTING YOUR RESUMÉ PAST AI SCREENERS AND INTO HUMAN HANDS

The toughest part of the job-search process is gaining access to the person with the authority to make hiring decisions. If you can't connect with the decision-maker, an interview, much less an employment offer, is unlikely.

In the past, sending a persuasive cover letter or making a personal appointment may have been effeictive. No more.

Today's job seekers, especially those seeking work in "corporate America," typically must match wits with machines—namely, Applicant Tracking Systems (ATS) that filter the candidate field using algorithms and artificial intelligence. Only resumés that pass muster at the robot-review stage proceed to the next round: assessment by an actual human.

Plain, not fancy

Although artificial intelligence and "machine learning" have made significant strides, computers still struggle to handle nuance and recognize creativity. No matter the applicant's qualifications, a resumé with color graphics and a multi-column layout is unlikely to pass muster with an ATS scanner because the software can't parse it correctly.

"Formatting issues are a big reason for resumés not being passed through an Applicant Tracking System," notes Jenna Spathis Resnick, a manager at job recruiter LaSalle Network. "For a resumé to pass screening tools…make sure it is clean and plain."[1]

"Clean and plain" means avoiding elements interfering with a scanning system's ability to process information, such as tables, images, and even underlining. It's best to use a single-column layout and choose a commonly used font such as Arial or Times New Roman.

Choosing the type of file to submit is crucial, too. Sending a resumé in Pages, Apple's word-processing format, is almost a surefire path to rejection. Some scanning systems even struggle to read PDF files. Experts recommend submitting your resumé in Microsoft Word (.docx extension) unless the job posting specifically requests a PDF.

Keywords are key

Applicant Tracking Systems pinpoint keywords from a company's employment listings and then scan for close matches in submitted resumés. The more matches a resumé has, the more likely a hiring manager will review it.

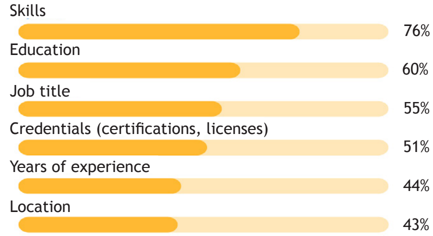
That's why tailoring a resumé to align with what a company is looking for is crucial. If a company is seeking a "skilled project manager with strong organizational ability," an applicant who fails to use "manage" and "organize" in a submitted resumé is likely to never get past the scanning stage.

In addition to searching for keyword matches, Applicant Tracking Systems also scan for specific evidence of on-the-job effectiveness, so it's wise to quantify achievements, if possible. For example, a resumé is more ATS-friendly if it reads "Expanded subscriber base by 15% in 2024," rather than a vague "Added more subscribers."

Another scanner-friendly tactic (also likely to appeal to a human screener who may review your resumé) is to use action verbs to describe work experience. Examples include "achieved," "developed," "implemented," and "enhanced."

WINNOWING THE RESUMÈ FIELD

The Profiling Filters Most Commonly Used in Automated Application Tracking Systems



Data from Jobscan's *2025 State of the Job Search* report, based on a survey of 384 corporate job recruiters.

Make AI your ally

Many employers, including 98% of the Fortune 500 companies, now use artificial intelligence or related technologies to winnow the field of job candidates.[2] Dislike it all you want, but that's our world in 2025.

In response, many job seekers have decided to follow the adage, "If you can't beat 'em, join 'em." They are enlisting AI as a job-search ally.

Services such as ChatGPT and Google's Gemini can offer helpful resumé and cover letter suggestions. Other AI-powered platforms focus specifically on helping job applicants craft resumés and letters that "speak the language" of Application Tracking Systems.

Companies such as JobScan,[3] Resume Worded,[4] and Teal[5] offer free and paid services that use artificial intelligence and other tools to help job seekers tailor their job applications to specific openings. On its website, Jobscan claims it has "reverse-engineered all the top ATS and studied recruiter workflows to get you in the 'yes' pile."

Help from above

It is clear from both Scripture and experience that God provides for those who put their faith in Him. At one time or another, all of us have been in situations of significant need and have seen our heavenly Father make a way.

So, when it comes to your job searching, don't neglect the best of all "best practices." In addition to following the "practical" suggestions above, *prayerfully ask God to provide*. An employment search can be wearying and difficult. Humbly ask the Lord of all things to open a door of opportunity for you. Put your faith in the One who rules "even the winds and the waves" (Matthew 8:27). ◆

[1]Quoted at bit.ly/4kk0YUh [2]bit.ly/4dngnkH [3]www.jobscan.co [4]resumeworded.com [5]www.tealhq.com

LEVEL 2 TWO

Developing Your Investing Plan

Investing decisions are best made as part of a comprehensive personalized plan. In this column, we focus on topics that will help you implement an investment strategy that takes into account your personal goals, attitude toward risk-taking, and current season of life. We explain investing essentials, discuss SMI's core investing strategies, and help you decide which strategy is best for your situation.

"The plans of the diligent lead to profit as surely as haste leads to poverty." Proverbs 21:5

THE WISDOM OF WARREN BUFFETT

Famed investor Warren Buffett is calling it a career, announcing at the recent Berkshire Hathaway shareholder gathering that he plans to retire at the end of this year. During his 60 years at the helm of his investment holding company, Buffett plied his trade in the most public of ways, always quick to offer bite-sized bits of investing wisdom.

What follows are insights about his unrivaled investing results and some of the lessons for everyday investors that he shared along the way.

Revolutionary approach, stunning results

Buffett's success as an investor is legendary. Consider this: according to *The Wall Street Journal*, if you had invested $100 in Buffett's Berkshire Hathaway stock in 1965, it would have been worth a mind-blowing $5.5 million at the end of last year. By contrast, a $100 investment in the S&P 500 would have grown to just $39,000. Is it any wonder that when asked to name the greatest investor of all time, the name that comes most readily to most people's minds is Warren Buffett?

What did Buffett do differently from most investors? What was the secret to his success? Many have weighed in on such questions. Some point to his patience. He would keep large portions of his portfolio lingering in cash until he could find the right opportunities. He usually spotted those opportunities, and deployed that cash, during market declines, leading to one of his most famous quotes: "Be fearful when others are greedy and greedy when others are fearful." Some emphasize his work ethic. He would spend hours poring over detailed financial reports in a quest to find undervalued companies.

One especially contrarian decision may have had the greatest impact of all. Buffett determined early on that Berkshire Hathaway would not issue dividends, a decision that flew in the face of conventional 1960s finance industry wisdom. Instead, he would reinvest profits into buying more companies.

As noted on the YWR investment blog, "Buffett's insight was that paying dividends exposed investors to taxes on those dividends. There was tax leakage. Over time, the compounding engine was stronger if Berkshire retained that money and reinvested it for the shareholder. The value would be captured through the Berkshire Hathaway share price, not the dividends…. This 'no dividend ever' company would go on to…outperform all other companies in the S&P 500 for the next 60 years!"[1]

Lessons for the rest of us

You probably don't own a publicly-traded investment holding company, have billions of dollars to deploy when opportunity strikes, or the time (or skill!) to pore over detailed financial reports. Still, there's much that you can learn from Warren Buffett. Throughout his long career, he doled out plenty of investing lessons, usually in pithy statements made to the press or in his annual Berkshire Hathaway shareholder letters. Here are several examples.

"If you don't find a way to make money while you sleep, you will work until you die."

Buffett made his first stock investment when he was just 11 years old, quickly discovering the benefits of putting money to productive use.

"Risk comes from not knowing what you're doing."

Some have equated stock market investing with gambling, and indeed, it *can* be similar. But not for those who adhere to certain timeless principles—diversifying holdings, keeping emotions in check, and maintaining a long-term perspective. If you "know what you're doing," the stock market represents most people's best opportunity to build wealth.

"You should never test the depth of the water with both feet."

Investing is inherently a risk-taking proposition. The wise investor is careful not to take *too much* risk.

"Only when the tide goes out do you discover who's been swimming naked."

Buffett's comment was aimed at businesses that take on too much debt when economic times are good, only to be exposed for their excessive leverage when conditions worsen. It can be equally applied to individual investors who may be tempted to take on more risk than they should when the market is booming.

"In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497."

A related quote: "*For 240 years, it's been a terrible mistake to bet against America, and now is no time to start.*"

Two of the most consistent themes in Buffett's annual shareholder letters were his endless optimism about American businesses and his almost giddy enthusiasm for the opportunity to become a part (or, in his case, sole) owner of some of those businesses through investing.

"Games are won by players who focus on the playing field—not by those whose eyes are glued to the scoreboard."

In other words, follow your investment process and let the outcome take care of itself.

"Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future."

Like most experienced investors, Buffett paid no heed to those claiming to know what the market will do next.

"Success in investing doesn't correlate with IQ.... What you need is the temperament to control the urges that get other people into trouble in investing."

There are many *(continued on page 93)*

[1]www.ywr.world/p/ywr-stop-caring-about-earnings

LEVEL 3 THREE

Broadening Your Portfolio

This column goes beyond the investing essentials taught in Level 2, introducing you to a wider range of investment securities and markets. By further diversifying your holdings, you can create a more efficient, less volatile portfolio. We also comment quarterly on the performance of the various markets, and on how SMI's fund recommendations and strategies have fared.

"Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth." Ecclesiastes 11:2

BITCOIN (& CRYPTO) GO MAINSTREAM: WHAT YOU NEED TO KNOW

Three and a half years ago, SMI provided a framework for the emerging Bitcoin and crypto[1] phenomenon in our February 2022 cover article: *Intro to Crypto*. That article remains an excellent starting point for those unfamiliar with this potentially bewildering space. We recommend reviewing it first if you're unfamiliar with crypto, as this article builds on that foundation with an update of recent events.

Critical distinction: Bitcoin vs. Crypto

Bitcoin (BTC) is the oldest and most recognizable name in the crypto space. Its market value currently comprises roughly 60% of the total crypto universe. While there are thousands of other "cryptos" chasing hundreds of different objectives, BTC stands apart. At this stage of the crypto world's development, it's fair to separate BTC from "everything else" and approach the two very differently.

Birthed in the throes of the 2008 Global Financial Crisis, the vision of early proponents was that BTC would be a decentralized, alternative form of money. Over time, BTC's primary "use case" (or function) has shifted. While some BTC enthusiasts still dream of a day when we'll all be buying daily coffee with BTC (i.e., using it as a primary currency), a new global consensus around its future role and function has gradually emerged as it has matured.

Rather than an alternative form of money, most BTC investors today tend to view it through the lens of a store of value. That may sound odd for an asset with such extreme historical price volatility, but it is BTC's scarcity (enforced through its strict 21 million max limit) that appeals to investors wary of the continual debasement of fiat currencies by global governments and central banks. In many respects, today's investors tend to view BTC similarly to the way they view gold: a separate asset class that can resist debasement and hold its value while all other forms of "money" become less valuable over time. ("Debasement" refers to devaluing fiat currencies, typically by inflationary policies like increasing the money supply.)

Bitcoin as digital gold

Naturally, old-time gold bugs scoff at the notion that this teenage upstart will ever fulfill the role gold has held for several thousand years.

But there is a strong generational tilt surrounding BTC. When one starts to think about BTC through the digital-gold lens, it becomes clear that BTC appeals to younger investors for many of the same reasons that gold appeals to older investors. The reality is that both groups include many who see the potential dangers of currency debasement and are looking for ways to insure against it.

Younger investors are more comfortable with digitally native assets. Many have grown up on the Internet, transacting in digital assets within video games, app stores, and the like. It's not an uncomfortable leap to do the same thing with a digitally native asset like BTC in an online investing account.

The correlation of BTC with gold has dramatically increased over the past three years. This is important confirmation of its shifting store-of-value use case (as well as suggesting that institutional investors are becoming bigger players in the BTC space). Make no mistake, BTC continues to be much more volatile than gold. But as it matures, it's easier to see how investors increasingly view these two assets similarly in terms of their resistance to currency debasement.

The shifting global reserve system

At the same time that inflation has pushed currency debasement to the forefront of investors' minds, the 2022 Ukraine invasion and subsequent freezing/confiscation of Russian reserve assets sharpened the focus of foreign governments regarding the safety of continuing to rely on U.S. Treasury bonds as the primary global reserve asset. Many governments had been gradually shifting more of their reserves away from dollars and U.S. Treasuries prior to 2022, but the events of the past few years have created an altogether new sense of urgency.

As difficult as it is for many U.S. investors to imagine, one of the most important big-picture investment themes today is the transition from the largely unipolar monetary (U.S. Dollar) and reserve asset (U.S. Treasury Bonds) system to something new. The current system, under which the dollar is the readily convertible currency for the whole world and U.S. Treasuries are the default reserve asset for global savers (specifically governments and central banks), dates back to 1971 when President Nixon closed the international gold window, ending foreigners' ability to convert dollars to gold. By historical standards, this system has lasted longer than most. It's not clear what exactly will replace it, but there are plenty of signs that change is underway.

It's hard to imagine what could replace the U.S. dollar as the primary global unit of exchange, but it's not at all difficult to see that many countries are already voting with their feet against continuing to use U.S. Treasury bonds as the primary global reserve asset. The recent tariff experience provided the latest reinforcement of a trend that has been picking up steam since 2022. Within a week of the April 2 tariff announcement, global investor selling of U.S. Treasuries pushed long-term yields sharply higher, causing the Trump administration to abruptly pivot its tariff policies.

This was far from the first sign of foreign nations seeking to diversify their reserves away from *(continued on page 93)*

[1] Often referred to as crypto-currencies, but that unfortunate label tends to be more confusing than helpful, given that most crypto projects more closely resemble start-up technology businesses. As with most things crypto-related, Bitcoin is the exception, which is why it stands apart.

LEVEL 4 FOUR

Looking Toward Retirement

As you move through your 50s, 60s, and beyond, you face a new set of financial decisions related to reducing your investment risk and generating income from your portfolio. In this column, we address such topics, as well as those pertaining to Social Security, long-term health care, advanced giving strategies, estate planning, and other matters of importance to those nearing and in retirement.

"There is precious treasure and oil in the dwelling of the wise." Proverbs 21:20a

WHEN YOUR RETIREMENT ACCOUNT OUTLIVES YOU

Setting money aside for retirement helps today's workers allay the common fear of facing financial shortfalls in later life. But there is another side to this retirement-preparation coin: Far from running short of money, millions of retirees pass from this life to the next *before* exhausting their 401(k) and IRA accounts.

Wise stewardship means not only preparing for your retirement years, but also planning for what will happen to any remaining retirement-fund assets when you die. The remaining money, likely amassed from years of sustained saving and investment growth, could represent a significant portion of the overall wealth you leave behind.

Designating beneficiaries

• **Primary.** When setting up a workplace retirement account or an IRA, an account holder is prompted to designate a "primary beneficiary." (It's possible to list several primary and "contingent beneficiaries." More on that below.)

Designating beneficiaries—and keeping those designations up to date through life events (births, deaths, marriages)—is crucial. By law, a beneficiary designation attached to a retirement account decides who inherits the account, outweighing any conflicting designations in a will or other estate-planning document.

For 401(k)s and other types of retirement accounts governed by the Employee Retirement Income Security Act (ERISA), the spouse of a married account holder is *presumed* to be the primary beneficiary even if no beneficiary is named on the account itself. Depending on state law, the spouse may or may not be the presumed primary beneficiary for IRAs and any workplace plans that don't fall under ERISA.

As noted above, it is possible to designate more than one primary beneficiary of a retirement account— for example, naming a spouse, a sibling, and a charitable organization. However, for ERISA-governed accounts, the spouse must consent to receiving less than 100%.

• **Contingent.** Contingent beneficiaries—also called secondary beneficiaries—inherit only if the primary beneficiary (usually the spouse) has passed away or if that person chooses to disclaim the inheritance (to avoid tax complications, for example).

In a typical scenario, an account holder designates his or her spouse as the primary beneficiary and the couple's children as contingent beneficiaries.[1] If the spouse were to disclaim the inheritance or had died, the children would inherit according to the percentages recorded on the beneficiary form (such as a 50/50 split for two children). Contingent beneficiaries have no inheritance rights unless a primary beneficiary cannot inherit or chooses not to.

Although an account holder could name his "estate" as a contingent beneficiary, this approach may subject the distribution of retirement account money to a potentially lengthy probate process. Further, the ultimate inheritors may forfeit tax advantages available to direct beneficiaries.

Rules and options

• **For spouses.** A surviving spouse who inherits 401(k) money has several options. First, the existing account could stay in place as an "Inherited 401(k)." Distributions from such an account aren't subject to the 10% early withdrawal penalty that accompanies most other retirement account withdrawals, which could be helpful for a surviving spouse under age 59½. Of course, any withdrawals would still be taxable unless the inherited 401(k) was a Roth account.[2]

Another attractive option for a beneficiary under age 59½ is rolling over the 401(k) assets into a new "Inherited *IRA*" account. (Be sure to use an account application labeled "Inherited IRA.") As with an Inherited 401(k), an Inherited IRA—or "Beneficiary IRA"—carries no penalty for premature withdrawals.

An inheriting spouse who is under age 73 can delay Required Minimum Distributions (RMDs) until reaching that age, even if the deceased account holder was already taking such distributions.[3]

In cases where the deceased account holder was *younger* than the surviving spouse, an Inherited IRA makes it possible for the survivor to delay RMDs beyond age 73 if desired. That's because the law allows such distributions to be based on the year in which the younger spouse would have reached RMD age.

The rules and options for spousal inheritance of an Individual Retirement Account differ in some respects from those for a 401(k). Generally speaking, a surviving spouse who is sole beneficiary of an IRA can move the money to a newly opened Inherited IRA, roll the funds over to an existing IRA, or elect to be treated as the *owner* rather than the beneficiary of the deceased person's IRA (thus resetting the RMD schedule based on the surviving spouse's age).

The approach chosen for inheriting an IRA will determine if early withdrawal penalties apply and also affect the timing of any Required Minimum Distributions. In some cases, a beneficiary can combine inheritance approaches to avoid or delay tax downsides.

SMI Private Client, a separate (but affiliated) company from the Sound Mind Investing newsletter, has produced a "decision-tree" graphic illustrating the options spouses have for inheriting a traditional IRA. It's available at bit.ly/44LqehS (PDF).

• **For non-spouses.** The rules for non-spouses who inherit retirement assets differ from those affecting spousal beneficiaries. Under legislation enacted in 2019, *(continued on page 94)*

[1]In the case of minor children, an account holder may want to designate a "see-through trust" designed to handle retirement assets as beneficiary. [2]Roth withdrawals are non-taxable if the deceased held the account for at least five years. [3]An RMD may be required for the year in which the original account holder died.

SOUND MIND PORTFOLIOS

Basic Strategies

The fund recommendations shown below for Upgrading account holders are based primarily on "momentum" scores calculated just before this issue was published (not the earlier end-of-month scores shown on this page). Consistency of performance is considered as well, along with the fund's risk level and portfolio manager's philosophy. Recommendations are made in each of the three risk categories shown. Select the fund(s) most in accord with your preferences and broker availability.

"Plans fail for lack of counsel, but with many advisers they succeed." Proverbs 15:22

RECOMMENDED FUNDS FOR SMI'S JUST-THE-BASICS STRATEGY

Data through 4/30/2025	Portfolio Invested in	------------ Performance ------------ MOM	YTD	1Mo	3Mo	6Mo	12Mo	3Yr Avg	Relative Risk	Expense Ratio	------ Stock/Bond Mix ------ 100/0	80/20	60/40	40/60	Ticker Symbol
Total International Stock	Foreign stocks	23.2	8.8%	3.1%	5.3%	5.7%	12.2%	8.0%	1.00	0.09%/0.05%	10%	8%	6%	4%	VTIAX/VXUS
Extended Market Index	Small company stocks	-14.3	-9.6%	-0.8%	-13.9%	-6.0%	5.6%	6.3%	1.35	0.05%/0.05%	30%	24%	18%	12%	VEXAX/VXF
S&P 500 Index	Large company stocks	2.8	-4.9%	-0.7%	-7.5%	-1.8%	12.1%	12.1%	1.00	0.04%/0.03%	60%	48%	36%	24%	VFIAX/VOO
Total Bond Market Index	Medium-term bonds	13.0	3.2%	0.4%	2.5%	2.6%	7.9%	2.0%	1.00	0.04%/0.03%	None	20%	40%	60%	VBTLX/BND

JUST-THE-BASICS: JtB is a buy-and-hold *indexing* strategy that helps ensure that your returns are in line with those of the overall market. You won't "beat the market," but neither will you fall far behind. Depending on your particular stock/bond mix, your JtB portfolio should be allocated across either three or four traditional funds/ETFs (see ticker symbols in rightmost column—performance data above is for traditional funds). JtB requires only once-a-year maintenance. For more, see soundmindinvesting.com/strategies/just-the-basics.

RECOMMENDED FUNDS FOR SMI'S STOCK FUND UPGRADING STRATEGY

For alternative fund options, see footnotes and consult SMI's monthly *Fund Performance Rankings* report at soundmindinvesting.com/FPR.

Risk	Data through 4/30/2025[1]	Ticker Symbol	% Allo-cated	Date Added	Fidelity Avail[2]	Schwab Avail[2]	E-Trade Avail[2]	Firstrade Avail[2]	MOM[3]	---------------- Performance ---------------- YTD	1Mo	3Mo	6Mo	12Mo	Relative Risk[4]	Exp Ratio	Redemp Fee?[5]
Situational	First Trust STOXX Eur Sel Div	FDD	10%	05/25	ETF	ETF	ETF	ETF	75.1	28.0%	5.6%	20.6%	24.5%	30.0%	1.23	0.59%	None
Situational	Cambria Global Value	GVAL	10%	04/25	ETF	ETF	ETF	ETF	59.7	22.7%	3.4%	16.0%	19.6%	24.1%	1.04	0.64%	None
Small Company	Aegis Value	AVALX	10%	04/25	Yes	Yes	NTF	NTF	34.9	12.4%	0.7%	9.3%	6.5%	19.1%	1.37	1.45%	None
Small Company	Kinetics Market Oppr No Load	KMKNX	10%	03/25	NTF	NTF	NTF	NTF	93.0	10.5%	0.4%	-1.1%	14.4%	79.8%	2.00	1.40%	None
Large Company	☎Morgan Stanley Inst Growth A[6]	MSEGX	10%	06/25	NTF	NTF	NTF	NTF	50.0	-2.9%	8.7%	-11.7%	15.6%	46.1%	2.09	0.82%	None
Large Company	SMI 3Fourteen Full-Cycle Trend	FCTE[7]	50%	08/24	ETF	ETF	ETF	ETF	N/A	-2.3%	0.8%	-6.5%	-3.9%	N/A	N/A	0.85%	None

Footnotes: [1] Upgrading recommendations are based primarily on unpublished momentum data current through late May, rather than on the end-of-April momentum scores shown on this page. A telephone symbol (☎) signals a change in recommendation. **[2] Fund Availability:** NTF (no transaction fee) means the fund can be bought and sold without paying a transaction fee if you stay within the trading limitations imposed by Fidelity (800-343-3548), Schwab (800-435-4000), E-Trade (800-387-2331), or Firstrade (800-869-8800). Policies may change so verify accuracy. "Yes" means the fund is available for purchase but carries a transaction fee or load. ETFs (exchange-traded funds) are available at all brokers and typically carry no transaction fee if bought/sold online. See bit.ly/ETF-orders for details about trading ETFs. **[3] Momentum** is SMI's primary performance-evaluation tool. It is a measure of a fund's performance over the past year. See bit.ly/SMI-momentum. **[4]** A 1.00 relative-risk score indicates the fund has had the same volatility as the market in general over the past three years. A score of 1.40 means the fund was 1.4 times (40%) more volatile than the market. See Nov2020:p167. **[5]** Depending on how long you hold a fund, a redemption fee may apply when selling (e.g., a fee of 1% if you sell within 60 days of purchase). Fees may change and can vary by broker. Check with your broker for current information. **[6]** This is normally a "load" fund (i.e., it charges a sales commission). *Purchase only if available load-waived at your broker.* **[7]** For more on FCTE, see the August 2024 SMI cover article and Aug2024:p119. Longer-term performance data for this relatively new ETF isn't yet available.

RECOMMENDED FUNDS FOR SMI'S BOND FUND UPGRADING STRATEGY

Data through 4/30/2025[1]	Ticker Symbol	% Allo-cated	Date Added	Fidelity Avail[2]	Schwab Avail[2]	E-Trade Avail[2]	Firstrade Avail[2]	MOM[3]	--------------- Performance ---------------- YTD	1Mo	3Mo	6Mo	12Mo	Duration[8]	Exp Ratio	Redemp Fee?[5]
Invesco BulletShares 2025[9]	BSCP	50%	05/24	ETF	ETF	ETF	ETF	9.1	1.6%	0.4%	1.1%	2.4%	5.6%	0.3	0.10%	None
Permanent: Vanguard I-T Bond	BIV[10]	25%	Perm	ETF	ETF	ETF	ETF	16.2	4.1%	0.9%	3.4%	3.5%	9.2%	6.1	0.03%	None
Permanent: Vanguard S-T Bond	BSV[11]	25%	Perm	ETF	ETF	ETF	ETF	13.3	2.9%	1.0%	2.5%	3.4%	7.5%	2.6	0.03%	None

Footnotes: [8] Duration: This column shows the average duration (in years) of the bonds in the portfolio. Typically, the longer the duration, the greater the risk/reward. To learn more, see Nov2023:p167. **[9] Rotating Fund:** This bond recommendation changes periodically based on SMI's Upgrading methodology. The Intermediate-Term (I-T) and Short-Term (S-T) index recommendations (shown below the rotating fund) are fixed allocations and don't change periodically. See bit.ly/bond-upgrading for more information. **[10]** Investors preferring a traditional mutual fund option can invest via Vanguard's VBILX. **[11]** Investors preferring a traditional mutual fund option can use Vanguard's VBIRX.

☎ The new fund recommendation is explained in the MoneyTalk column on page 92.

Upgrading: Easy as 1-2-3

Fund Upgrading has long been SMI's most popular Basic Strategy. Whether used in isolation or in combination with SMI's Premium Strategies, Upgrading forms a solid foundation for an investing plan. Upgrading has proven itself over time and is easy to implement. This page explains how to set up your own Upgrading portfolio.

"If you have not been trustworthy in handling worldly wealth, who will trust you with true riches?" Luke 16:11

WHY UPGRADE?

SMI subscribers with a Basic-level membership have access to two investing strategies. These strategies differ in philosophy and the amount of attention required.

Our preferred strategy is **Fund Upgrading.** It's based on the idea that if you are willing to monitor your mutual-fund holdings regularly and replace laggards periodically, you can improve your returns. While Upgrading is relatively low-maintenance, it does require checking your holdings each month and replacing funds occasionally. (If you don't wish to do this yourself, a professionally managed version of Upgrading is available—learn more at bit.ly/smifx.)

As an alternative to Upgrading, we offer **Just-the-Basics** (JtB), a strategy based on investing via index funds. JtB requires attention only once a year. The JtB strategy is helpful to SMI members whose workplace retirement plans lack a sufficient number of fund options to make successful Upgrading possible. On the Basic Strategies page at left, see the top section for the funds and percentage allocations we recommend for JtB.

Past returns for both Upgrading and Just-the-Basics are shown on the back page of this issue.

A BROKERAGE ACCOUNT

Opening an account with a discount broker offering a large selection of no-load funds simplifies the Upgrading process. Having such an account allows you to easily buy/sell no-load mutual fund shares without having to open separate accounts at various fund organizations. We recommend reading our latest Broker Review (Oct2023:Cover, also available online at bit.ly/smi-broker) for the pros and cons of each broker. Your specific investing needs will dictate which broker is best suited to your situation.

401(K) INVESTORS

For an explanation of how to Upgrade within a 401(k) plan, see bit.ly/smi401ktracker. That article also contains ideas on Upgrading in any account in which available fund choices are limited.

HOW TO BEGIN UPGRADING

❶ Determine your stock/bond target allocation by working through the investment temperament quiz online in the "Start Here" section of the SMI website at soundmindinvesting.com. (Look for the "Start Here" link on the main navigation bar near the top of the page). Table 1 in the center column at left provides guidelines for those with an "Explorer" temperament.

❷ Using Table 2, find the column that matches your suggested stock/bond allocation. For example, an investor whose stock/bond allocation is 80% stocks/20% bonds would use the percentages shown in the second column. (If your allocation target falls between two listed columns, split the difference.)

For each of the recommended stock funds and, if applicable, each of the three recommended bond funds, calculate the dollar amount to invest in each fund.[1] Simply multiply the percentage shown for each fund by the overall number of dollars you have to invest.[2]

❸ Now, it's time to buy your funds. Look at the fund recommendations on the opposite page. For each category—Situational, Small Company, Large Company, and (if applicable) Bonds—invest in the funds shown. If a recommended fund isn't available via your broker, find an alternative fund from the same category by using SMI's monthly *Fund Performance Rankings* report (bit.ly/smi-fpr).

Once you've made your fund investments and your portfolio is in place, check the Basic Strategies page each month for any new recommendations. When an owned fund is dropped as a recommendation, sell it and invest in a newly recommended fund.

❶ PICK YOUR ALLOCATION

Seasons of Life	Stocks	Bonds
15+ years until retirement	100%	0%
10-15 years until retirement	80%	20%
5-10 years until retirement	70%	30%
5 years or less until retirement	60%	40%
Early retirement years	50%	50%
Later retirement years	30%	70%

Note: These are SMI's Seasons-of-Life recommendations for an investor with an "Explorer" temperament. See Step ❶ in the text for information on our investment temperament quiz. You may want to fine-tune the above percentages to suit your personal approach to risk-taking.

❷ FIND YOUR PORTFOLIO MIX

Portion of Portfolio Allocated to Stocks:	100%	80%	60%	40%
Portion of Portfolio Allocated to Bonds:	**None**	**20%**	**40%**	**60%**
Stock: Situational Fund	10%	8%	6%	4%
Stock: Situational Fund	10%	8%	6%	4%
Stock: Small-Company / Active Fund	10%	8%	6%	4%
Stock: Small-Company / Active Fund	10%	8%	6%	4%
Stock: Large-Company / Active Fund	10%	8%	6%	4%
Stock: Large-Company / FCTE ETF*	50%	40%	30%	20%
Bond: "Rotating" Bond Fund	None	10%	20%	30%
Bond: Intermediate-Term Bond Fund	None	5%	10%	15%
Bond: Short-Term Bond Fund	None	5%	10%	15%

*See August 2024 cover article and Aug2024:p119.

❸ BUY YOUR FUNDS

Using the dollar amounts calculated for each row in Table 2, invest in the corresponding funds listed in the Fund Upgrading section of the Basic Strategies page.

To purchase a fund, log in to your brokerage account. Click the word "Trade" or "Invest" (account interfaces vary by broker), then choose the type of fund you wish to buy. Some SMI recommendations are traditional mutual funds while others are exchange-traded funds (ETFs).

Enter the fund's ticker symbol along with the dollar amount of your investment. If purchasing an ETF, you may have to convert the dollar amount to "number of shares" using your broker's online calculator.

Review your order and complete your purchase. Trades of traditional mutual funds will be filled after the market closes for the day. ETF trades, if using a "market order," typically will execute right away. For more on ETF order types, see Dec2020:p184.

MORE ON BOND UPGRADING

Your bond allocation (if any) is divided among three funds, as seen in Table 2. One-half of the bond allocation is invested in a "rotating" Upgrading selection, which is reviewed monthly and changes from time to time. The other half is divided evenly between two permanent holdings: a short-term bond fund and an intermediate-term bond fund (both are index funds).

For more on why SMI approaches bond investing this way, see "Introducing an Upgrading Approach to Bond Investing that Outperforms the Bond Market" (bit.ly/smibondupgrading). ◆

[1]During extended periods of market weakness, stock Upgrading may recommend holding cash (via a money-market fund or cash-like bond fund). [2]Use SMI's Fund Upgrading Calculator at bit.ly/fund-upgrading-calc. Rounding to the nearest $100 for each fund is fine.

MONEYTALK

STOCK UPGRADING — NEW FUND RECOMMENDATION

[Stock Upgrading is a strategy involving owning traditional mutual funds and ETFs exhibiting strong recent momentum. As momentum fades, holdings are replaced. The simplest method of selecting funds is to buy those recommended on the “Basic Strategies” page.]

It’s been less than two months since President Trump’s “Liberation Day” tariff announcements roiled markets on April 2. The stock market’s sharp immediate decline has been matched by the strength of its rebound since those tariffs were postponed roughly a week later. As of May 27, the S&P 500 Index is +4.3% higher than it was pre-tariff announcement, and while it remains below its February highs, it is now slightly positive year-to-date for 2025.

The bond market hasn’t been quite as sanguine. The administration’s focus on cutting spending via DOGE and other restraint during January-March has been replaced with “One Big Beautiful Bill,” which appears likely to keep deficit spending high for years to come.

It’s been a remarkable transition. Early in the year, Treasury Secretary Bessent’s “3-3-3 plan” focused in large part on significant government spending cuts to reduce the deficit to 3% of GDP and convince bond investors it was appropriate to lend to the U.S. government at lower interest rates (ideally, as low as 3%, another of the “threes” in the plan). Now, that approach has been replaced by a new strategy of running the economy hot to “stabilize our finances and grow our way out of this.”

This shift represents a stark sea change for investors, and we need to pay attention. Big government deficits have been a strong tailwind for stock markets since COVID. What looked like a plan to cut the U.S. deficit from roughly 7% of GDP to a goal of 3% *just a few months ago* has transformed into a plan that projects to run deficits of 7% or even higher throughout the rest of Trump’s term. This is unambiguously positive for stocks on its face and is a big reason why the U.S. market has been levitating higher.

On the flip side, this same dynamic is causing longer-term bond yields to rise, resulting in indigestion for bond investors. The benchmark 10-year Treasury yield has climbed from roughly 4.0% to 4.5% over the past two months, reflecting both a diminishing fear of recession but also nervousness about the U.S. government’s ability to efficiently finance so much more debt indefinitely into the future.

While the threat of tariffs disrupting the economy later in the year hasn’t gone away, investors are clearly focusing on the primary economic lesson of the past few years—specifically that it’s unlikely for the economy to slip into recession when the government is spending so much money. Bond investors are gradually pricing reduced odds of the Federal Reserve cutting rates in 2025, expecting higher economic growth and an increased risk of inflation. Bessent’s “we’re going to run it hot” message is coming across loud and clear, and both stock and bond investors are responding.

With reduced tariff anxiety leading to declining recession risks, does that mean it’s all blue skies ahead for the stock market? Some investors clearly think so, as U.S. stocks have roared back. However, recent experience suggests that rising bond yields could once again prove disruptive to stocks. Each of the three past calendar years has seen spiking interest rates spark a notable correction in stocks at some point (October 2022, October 2023, April 2024). That pattern notably *didn’t* repeat this January when rates approached their late-2023 highs. But with *deflationary* recession risks being replaced with *inflationary* government spending concerns, this is worth watching as the rest of 2025 unfolds.

◆ **In the Large Company Group, our cash position is being used to buy Morgan Stanley Inst Growth A (MSEGX).**[1] Last month, Stock Upgrading’s risk-management process had us shift this slot to cash. But following May’s strong continuation of the recent market rally, that signal has reversed and this money is being quickly put back to work.

This recommendation is a little bit uncomfortable, as this Morgan Stanley fund is very aggressive. Currently, all the top-ranked U.S. funds in our momentum rankings share the same rough profile: aggressive, have rallied strongly since early April, and still have a big 12-month performance figure from the huge August-February rally. But they also share the characteristic that these funds fell sharply from Feb. 19-April 8 as well. This Morgan Stanley fund is up +61% over the past year, but fell -32.5% during that seven-week span (vs. roughly -19% for the S&P 500 Index).

Note that this is a “load” fund (i.e., it normally charges a sales commission). But MSEGX is available *load-waived* and with *no-transaction fee* at the largest brokers (Fidelity and Schwab). Buy this fund only if it is available load-waived at your broker. Otherwise, select an alternative from SMI’s Fund Performance Rankings[2] (see Categories 203/204).

It’s important to take a whole-portfolio view with this recommendation. After paring Stock Upgrading’s riskiest positions in a series of risk-management changes starting at the end of January, the portfolio doesn’t have much “high-octane” growth exposure left. For a typical SMI member, this holding will represent 3-4% of a total portfolio. Looked at that way, it’s not unreasonable to push our comfort level a bit to the aggressive side with this choice, thus giving the overall portfolio more upside growth potential in the event that the current market rally continues.

That said, a member who doesn’t want as aggressive a choice here has several strong international options with a very different, less-volatile profile. Whereas the top-ranked U.S. fund options share a profile of strong 1-month and 12-month performance, with weak 3- and 6-month numbers, the best foreign funds have much smoother 3-mo, 6-mo, and 12-mo performance, with much lower relative-risk scores as well. They won’t go up as much if U.S. markets continue to rally, but they likely won’t fall as much if the market rolls over as a result of renewed tariff issues, spiking interest rates, or some other reason. Check the FPR report[2] (Categories 209/210) if you prefer to go that route. ◆

[1]For more on this fund, visit www.morningstar.com. [2]bit.ly/smi-fpr

LEVEL 2 / CONTINUED FROM PAGE 87

THE WISDOM OF WARREN BUFFET

risks that come with the territory of investing. There's market risk, inflation risk, sequence of returns risk, longevity risk, and more. But the single biggest risk for an investor is letting emotion guide decision-making.

"*Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down.*"

We don't automatically encourage members to add significantly to their portfolio when the market is falling, but we absolutely encourage them to continue dollar-cost averaging into the market through thick and thin.[1]

"*It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.*"

When making hiring decisions, Buffett placed an especially high value on integrity. His comment is good life advice.

"*If you're in the luckiest 1% of humanity, you owe it to the rest of humanity to think about the other 99%.*"

Buffett famously said that he won the "ovarian lottery," humbly attributing much of his success simply to having been born in America to his particular parents at that particular point in history. He has pledged to give away 99% of his wealth, with all of his shares of Berkshire Hathaway stock given toward philanthropic purposes within 10 years of his estate being settled.

"*Investing is a lifelong journey. Stay disciplined, keep learning, and never stray from the principles that have built enduring wealth.*"

Amen to that! ◆

LEVEL 3 / CONTINUED FROM PAGE 88

BITCOIN (& CRYPTO) GO MAINSTREAM: WHAT YOU NEED TO KNOW

U.S. Treasuries. Gold has doubled in price since late 2022, decoupling from many of its historical valuation relationships to interest rates following the Russian invasion of Ukraine. Not coincidentally, governments' buying of gold through their central banks has soared in recent years.

This is the context in which BTC's gradual acceptance by a growing proportion of global (especially younger) investors as "digital gold" is important. True, central banks aren't buying BTC in an effort to diversify their foreign reserves away from U.S. Treasury Bonds and dollars—yet. But with countries making BTC legal tender for paying taxes and satisfying debts, that next step may just be a matter of time. Many investors who are long-time fans of gold view diversifying a bit of that into BTC as a way of potentially skating to where the puck is likely *going*, as opposed to where it is today.

Big regulatory shift clears way for institutional adoption

In our *Intro to Crypto* article three years ago, we identified regulatory risk as the greatest big-picture threat to digital assets. At that time, U.S. regulators were openly hostile to the industry, and it was uncertain whether action might be taken to kill crypto in its infancy before it became able to pose a significant challenge to the dollar and the traditional finance industry.

Those concerns have largely been eliminated over the past three years. The election of the first openly pro-crypto president (perhaps too pro-crypto for some tastes!) and his appointment of several advisers with deep ties to the crypto industry have led to a much friendlier regulatory regime. Steps to normalize BTC and crypto within the financial framework are underway across the federal and state levels, with new positive developments happening every week.

Possibly the most transformational step came last year when the long-anticipated approval of a wave of spot-Bitcoin ETFs was granted. These ETF approvals signaled acceptance by the investment regulators. They also provided a vital bridge for institutional investors to enter the space. Prior to these ETFs, buying and selling BTC (like any crypto) was difficult, scary, and frankly just too risky for most advisors and institutions. That changed instantly once the BTC ETFs were approved and began trading.

Importantly, this also started the process for many advisors and institutions to begin thinking about BTC as they would any other major asset class. This ability to easily include it within their broader asset allocation framework became immediately apparent, as the BTC ETFs gathered over $94 billion in assets in less than 18 months. These ETFs collectively hold roughly 5% of the total BTC supply today.

Further validation of crypto as a mainstream financial asset continues to roll in regularly. Just last month, Standard & Poor's announced it would soon replace Discover Financial Services in the S&P 500 Index with Coinbase, the largest global crypto exchange.

Updating crypto's maturing use cases

While BTC deserves most of our attention at this stage, that's not to say important developments haven't also been occurring in the rest of the crypto space. Specifically, two primary use cases have emerged:

1. Cross-border asset flows. This goes way beyond providing ways for bad guys to move money across borders. Anyone who has dealt with a U.S. bank—or with a foreign bank as a U.S. citizen—in the past 15 years can immediately grasp the appeal of being able to do what you want, when you want, with your own assets. The promise of instant, seamless crypto transactions stands in stark contrast to the heavily regulated, ossified U.S. financial/banking system.

Regulatory overreach has made it burdensome, or even illegal, to do simple things like *withdraw as much of your own cash as you want*. Industry consolidation has made the largest U.S. banks so indifferent to the needs of all but their very largest customers that it's hard for smaller businesses, much less individuals, to get reasonable banking services without having to jump through hoops and provide intrusive information and personal guarantees.

Various crypto projects are working on cutting through these bottlenecks and red tape, allowing the free flow of capital around the globe, instantly, without layers of fees.

[1] May2025:p66

2. Tokenization of financial assets. This refers to the process of creating a digital representation of a physical asset (such as a stock, bond, or piece of real estate) on the blockchain. That digital token can then be bought, sold, moved, and so on. This can broadly be thought of as "modernizing the relatively ancient world of traditional finance," which still operates under largely the same rules as it did 50 or more years ago.

Most investors never stop to think that in our instant-everything economy, trading most financial assets is only possible during a 6-7 hour window each day—and impossible on weekends. This isn't a huge problem for longer-term investors. But it's wild to think you can order an item on Amazon after the market closes one day, and often have it physically delivered to your house before the stock market opens the next day! In that light, crypto's 24/7 trading hours make a lot more sense.

Moving your assets from one institution to another today involves signing a bunch of forms and then often waiting weeks for the transfer to be completed. Trading a foreign stock is often impossible if it's not on a select list at your broker, and even then will often cost an extra $50 each way for the privilege. Anyone who has participated in a real estate transaction knows you're looking at multiple hours, usually during the work day, to handle all the paperwork.

Crypto projects are working on solutions to all of these (and many other) traditional finance problems. The goal is for any crypto asset, *in theory*, to be represented digitally (i.e., tokenized), allowing 24/7 access to trading or moving it (with the side benefit of this being available from anywhere in the world if a person can obtain an Internet connection).

Conclusions

The most important takeaway today is the distinction between BTC and "everything else" in crypto. At this point, the rest of crypto includes a lot of promise, but also a lot of rubbish. And it's still early enough that almost every non-BTC project still has serious "go to zero" risk.

BTC, on the other hand, has passed the regulatory survival test. It has generated a broad enough global consensus regarding its primary use case that its survival is all but assured at this point. It has made the leap into institutional and even governmental adoption.

Now, all of that is a different thing altogether than saying an investor *needs* to have exposure to BTC. You don't.

That said, if an investor believes gold has a compelling use case—and SMI obviously believes this to be the case—then it's worth considering if it's worth having at least a small degree of exposure to BTC as well, strictly on the demographic argument that BTC fills a similar role for the upcoming wave of younger investors that gold fills for today's older investors. It's a diversification play, if nothing else, though one where an investor needs to take their different levels of volatility into account. A small BTC holding alongside a larger gold allocation makes sense.

The good news is SMI investors already have a small degree of BTC exposure, which is probably all most of them need. Specifically, the new RAA ETF,[1] which constitutes 50% of SMI's DAA allocation, includes an allocation of 0-3% BTC. An SMI investor with half their portfolio allocated to DAA currently has 0.75% of their total portfolio allocated to BTC (50% DAA strategy allocation x 0.5 RAA x 3% BTC allocation). That's probably a reasonable top-end level of exposure for most SMI members (RAA sometimes owns less BTC, but never more than 3%). For those who want more, it's easy to add via FBTC or any of the other BTC ETFs.

Yes, opportunities exist in other cryptos, like Ethereum, Solana, and many others. Similar to the way venture capital invests in early-stage technology companies, it's certainly possible to do exceedingly well. But it's highly specialized, time-consuming, and the opportunity for complete failure is high. As with many other corners of the investing world, most investors don't need these assets in their portfolios and are probably playing with fire allocating to them in any significant way. Stick with BTC for now and let the rest of the industry mature before trying to pick the winners. ◆

LEVEL 4 / CONTINUED FROM PAGE 89

WHEN YOUR RETIREMENT ACCOUNT OUTLIVES YOU

most non-spouses[2] must withdraw all inherited funds within 10 years of the date of the owner's death. Each withdrawal is subject to income tax in the year the withdrawal is made.

Depending on the size of an inheritance, the mandated 10-year timeline means an heir could be forced into a higher tax bracket year after year. (Currently, for a married couple filing jointly, the federal income-tax rate jumps from 12% to 22% for annual income that exceeds $96,950.)

Consider that a non-spouse who inherits a $500,000 traditional 401(k) and chooses to withdraw the money in equal amounts over 10 years would see an income boost of $50,000 annually for a decade. It may be more advantageous from a tax standpoint to *time* withdrawals, taking less in some years than in others. Another option would be for an heir to wait until near the end of the 10-year period and then make a complete withdrawal, in hopes that allowing years of growth in the account will significantly offset the tax hit.[3]

The 10-year withdrawal rule applies to Roth accounts too, although their tax-free nature makes them much more attractive for non-spouse beneficiaries.

Consider professional counsel

Because the rules governing inheriting retirement accounts vary based on account type, beneficiary relationship (spouse or non-spouse), age, and even a beneficiary's health, consider getting professional advice about beneficiary designations if you have a complex family situation.

Professional counsel may be even more critical for those on the *receiving* end of a retirement-account inheritance. Beneficiaries need to understand how the rules apply and which choices will likely be the most advantageous in their situation. ◆

[1]Mar2025:p40 [2]Certain non-spouse beneficiaries fall under rules similar to those that apply to a spouse: minor children, a person with a disability, someone less than 10 years younger than the deceased (typically a sibling). [3]As of 2025, strategic timing of withdrawals isn't allowed if the original account holder had already started taking RMDs.

PREMIUM STRATEGIES

The strategies described below are available to SMI Premium-level members. They have characteristics that may make them desirable depending upon your individual goals, risk tolerance, and tax bracket. You can learn more about each strategy in the Premium section of the SMI website.

DYNAMIC ASSET ALLOCATION

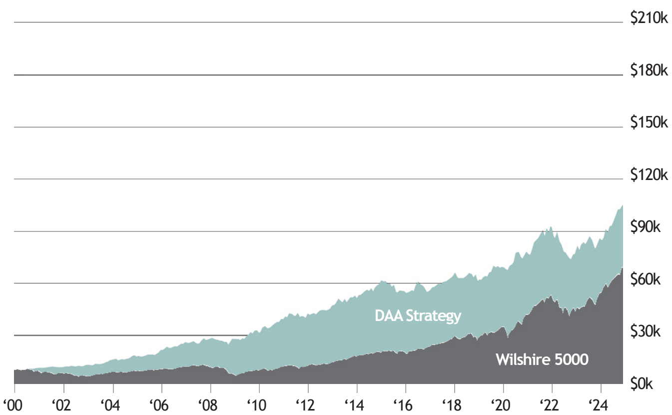
Overview

An investor can use Dynamic Asset Allocation (DAA) in combination with or in place of SMI's Basic Strategies. DAA is designed to help investors share in some of a bull market's gains while minimizing or even preventing losses during bear markets. It's a low-volatility strategy that nonetheless has generated impressive back-tested results over the long term. DAA involves rotating among six assets classes—U.S. Stocks, Foreign Stocks, Gold, Real Estate, Bonds, and Cash—by using exchange-traded funds (ETFs). Only three ETFs are held at any one time.

Who Should Consider This Strategy

Anyone—but especially those more concerned with avoiding major losses during bear markets than with capital growth during bull markets. **Pros:** Excellent downside protection during bear markets, as reflected in both a comparatively small worst-case result and a low relative-risk score (see performance table below). Great long-term track record. **Cons:** Subject to short-term whipsaws. Lags the market in "up" years. Making trades promptly and concentrating one's entire portfolio in only three asset classes can be emotionally challenging.

Dynamic Asset Allocation vs Wilshire 5000
Growth of $10,000 — January 2000–December 2024
(DAA performance data before January 2013 is backtested)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Avg[1]	Worst12[1]	Rel Risk[1]
DAA	7.1	4.0	10.4	22.4	19.3	8.6	25.7	10.1	1.3	17.6	20.3	1.4	13.9	16.2	13.0	-6.8	-0.5	16.0	-4.5	13.7	12.4	19.2	-17.1	11.3	17.3	9.6%	-19.0%	0.60
Wilshire	-10.9	-11.0	-20.9	31.6	12.5	6.4	15.8	5.6	-37.2	28.3	17.2	1.0	16.1	33.1	12.7	0.7	13.4	21.0	-5.3	31.0	20.8	26.7	-19.0	26.1	23.8	7.9%	-43.3%	1.00

SECTOR ROTATION

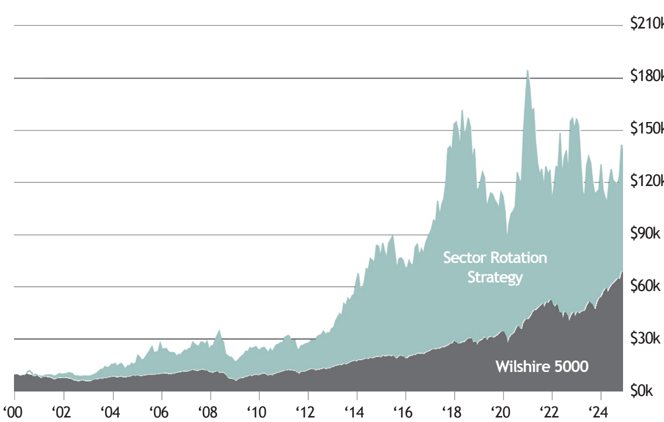
Overview

Sector Rotation (SR) is intended to be used in combination with Just-the-Basics, Fund Upgrading, or DAA (or a mix of these). SR is a high-risk strategy that invests in a single special-purpose stock fund focused on a specific sector (such as biotech, energy, or financial services). Such funds carry a higher degree of risk because they invest in a narrow slice of the economy. In making our fund recommendation, we choose a fund demonstrating especially strong momentum relative to other sector options. Sector Rotation has generated especially impressive long-term returns but with the performance peaks and valleys higher and lower than SMI's other strategies. We suggest that an SR investment account for no more than 20% of one's *total stock allocation*—or, if using SR in combination with DAA, no more than 20% of one's *overall* portfolio.

Who Should Consider This Strategy

Experienced investors willing to concentrate an investment in a single sector of the economy. **Pros:** Attractive long-term returns. **Cons:** Much greater month-to-month volatility and relative risk, dramatic short-term loss potential.

Sector Rotation vs Wilshire 5000
Growth of $10,000 — January 2000-December 2024
(SR performance data before November 2003 is backtested)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Avg[1]	Worst12[1]	Rel Risk[1]
SR	0.7	3.7	-13.1	54.4	12.6	46.1	-1.9	28.1	-31.5	30.5	9.1	-3.2	23.3	65.7	49.9	-9.7	16.9	56.7	-15.8	-1.6	45.8	-24.1	18.5	-22.8	9.6	10.7%	-40.9%	1.85
Wilshire	-10.9	-11.0	-20.9	31.6	12.5	6.4	15.8	5.6	-37.2	28.3	17.2	1.0	16.1	33.1	12.7	0.7	13.4	21.0	-5.3	31.0	20.8	26.7	-19.0	26.1	23.8	7.9%	-43.3%	1.00

[1]The three data points at the far right in each table reflect the 25-year period from Jan2000-Dec2024. "Avg" shows the average annualized return over those years. "Worst12" represents the worst investor experience over the 289 rolling 12-month periods during those years.

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PERFORMANCE DATA

SOUND MIND INVESTING MODEL PORTFOLIOS • DATA THROUGH APRIL 30, 2025

BASIC STRATEGIES - STOCKS

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	25 Yrs Annual
U.S. Stock Market[1]	-5.5%	-0.7%	-8.3%	11.3%	11.4%	15.3%	11.9%	7.7%
Just-the-Basics[2]	-4.2%	0.0%	-7.6%	9.8%	9.1%	13.2%	9.2%	6.9%
Stock Upgrading[3]	-3.6%	1.5%	-7.0%	7.6%	6.1%	12.0%	8.0%	8.2%

BASIC STRATEGY - BONDS

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	25 Yrs Annual
U.S. Bond Market[4]	3.2%	0.4%	2.6%	8.0%	1.9%	-0.7%	1.5%	3.8%
Bond Upgrading[5]	2.5%	0.7%	2.0%	7.0%	1.9%	1.2%	2.2%	5.6%

PREMIUM STRATEGIES

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	25 Yrs Annual
DAA[6]	5.5%	1.6%	1.8%	18.8%	7.9%	8.6%	5.9%	9.9%
Sector Rotation[7]	-35.6%	-21.1%	-39.4%	-24.4%	-14.0%	-3.3%	0.7%	10.2%

BLENDED PORTFOLIOS

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	25 Yrs Annual
60/40 JtB indexed[8]	-1.2%	0.2%	-3.6%	9.3%	6.5%	7.6%	6.3%	6.2%
60/40 Upgrading[9]	-1.1%	1.2%	-3.5%	7.1%	4.3%	7.5%	5.7%	7.5%
50/40/10[10]	-1.3%	-0.4%	-4.6%	9.9%	4.8%	7.6%	5.7%	9.3%

Notes: Transaction costs and redemption fees—which vary by broker and fund—are not accounted for in the performance calculations. • [1]Based on the float-adjusted Wilshire 5000 Total Return index, the broadest measure of the U.S. stock market. • [2]Assuming rebalancing at the beginning of each year with 40% of the stock allocation invested in the Vanguard S&P 500 (VOO), 40% in Extended Market (VXF), and 20% in Total International Stock (VXUS). • [3]For a 100% stock portfolio, assuming the allocation for each risk category was divided evenly among all recommended funds. • [4]Based on the Bloomberg U.S. Aggregate Bond Index, the broadest measure of the U.S. bond market. • [5]For a 100% bond portfolio, assuming 25% of the portfolio was invested in Vanguard's I-T Bond Fund (BIV), 25% in Vanguard's S-T Bond Fund (BSV), and 50% in the rotating recommended bond fund. Bond Upgrading results before January 2015 were calculated by backtesting the strategy using a mechanical rules-based system. • [6]DAA results before January 2013 were calculated by backtesting the strategy using a mechanical rules-based system. • [7]Sector Rotation results before November 2003 were calculated by backtesting the strategy using a mechanical rules-based system. • [8]Performance data is for a Just-the-Basics 60% stocks/40% bonds portfolio (see 60/40 column in the JtB section on the Basic Strategies page). • [9]Data is for an Upgrading portfolio using a mix of 60% stocks/40% bonds. • [10]For a blended portfolio allocated 50% to SMI's Dynamic Asset Allocation strategy, 40% to Fund Upgrading (split 60% stocks/40% bonds), and 10% to Sector Rotation. See bit.ly/SMI-50-40-10 for details. 50/40/10 results before January 2013 were calculated from backtesting the strategy using a mechanical rules-based system.