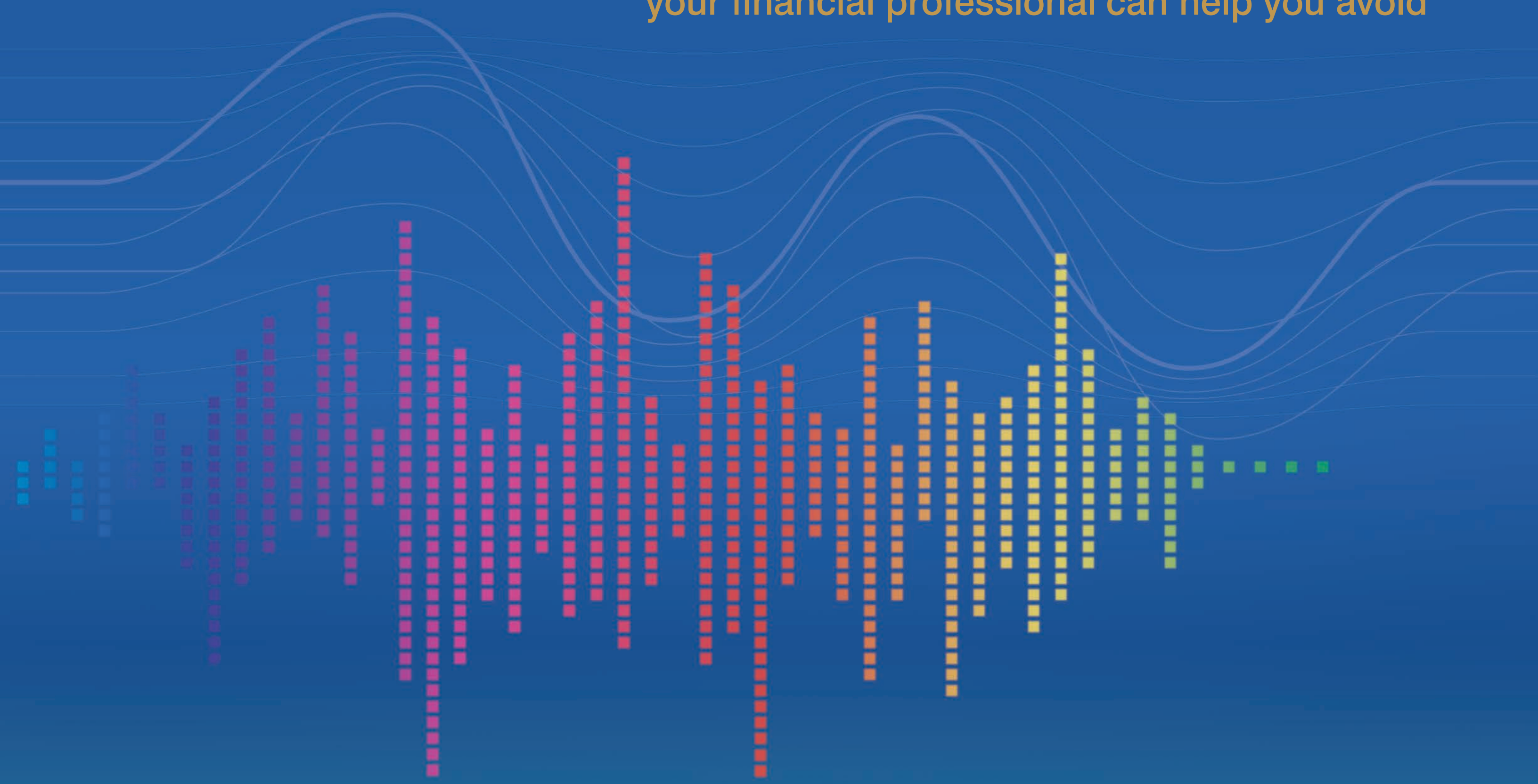
Emotions and your money

5 potentially costly mistakes that your financial professional can help you avoid



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Emotions can cost investors

Break the cycle of emotional investing by partnering with an experienced financial professional today!

Emotions can be a great asset in life, but when it comes to investing, they may be a liability. In volatile times, equity investing can feel a lot like riding an out-of-control roller coaster. There's the thrill and excitement when the market goes up, but also the fear and panic when it falls. As emotions increase in intensity, many investors forget that the equity market tends to move in cycles. Instead, they focus too much on short-term returns, leading them to feel overconfident in bull markets and despondent in bear markets. These strong emotions can cloud an investor's judgment, resulting in costly mistakes, such as buying at the market's peak or selling just before the market rebounds.

An experienced financial professional can help you navigate the emotional ups and downs of investing in today's market. He or she offers knowledge, expertise and third-party objectivity that can help you create a customized investment strategy that can take the emotions out of investing.

A financial professional can help you overcome emotions like overconfidence and despair by building an investment strategy that keeps you focused on long-term goals rather than short-term returns.

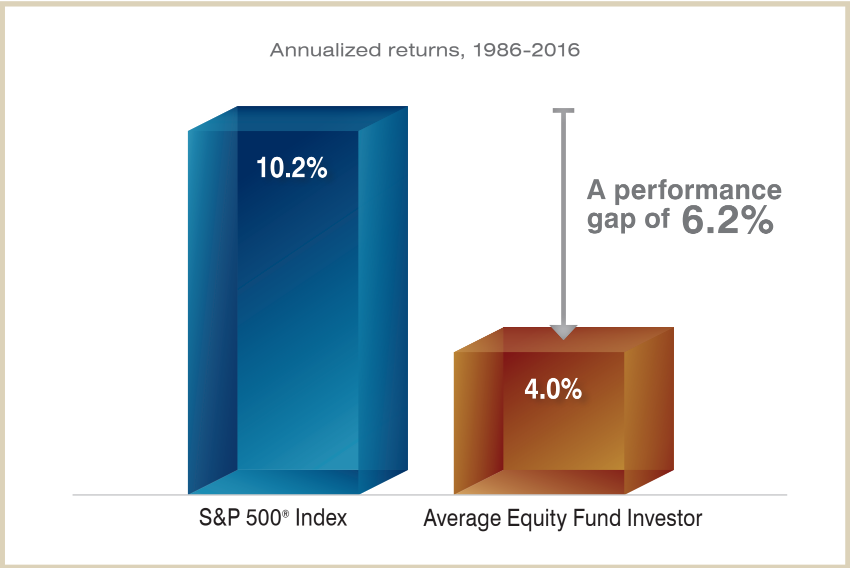
Note: This illustration is based on the Cycle of Market Emotions chart created by Christianna Wood at Westcore Funds/Denver Investment Advisors LLC, 1998.

1 Impatience

- **Investment Trap:** Trading more frequently to try to quickly enhance returns
- **Unintended Consequence:** Potentially higher costs and lower returns

Many equity investors get impatient waiting for their investments to increase in value. They try to enhance performance by trading more frequently, constantly moving in and out of equities in search of higher returns, but often without success. Many of these investors end up not only paying higher trading costs, but also earning significantly lower returns versus the overall stock market. In fact, DALBAR, a leading investment research firm, found that the average equity fund investor underperformed the S&P 500® Index by 6.2% over the last 30 years!

Emotional investing can reduce an investor's portfolio returns



Source: 2017 Quantitative Analysis of Investment Behavior, DALBAR. This study utilizes data from the Investment Company Institute and Standard & Poor's to compare investor behavior with the returns of the overall equity market. The Average Equity Fund Investor represents the aggregate action of all investors in equity mutual funds. Investor returns are determined using the change in total equity fund assets after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. The S&P 500® Index is an unmanaged index of large-cap U.S. stocks that is considered to be representative of the U.S. equity market.

AVOIDING THE TRAP. Consider staying invested. A financial professional can help you build and maintain a disciplined investment plan. Over time, a steady investment approach generally outperforms strategies that rely on impulse buying and market timing.

Note: Past performance is not a guarantee of future results. The examples in this brochure are for illustrative purposes only and are not specific to any particular investment. Indices are unmanaged, have no identifiable objectives and cannot be invested in directly.

2 Overconfidence

- **Investment Trap:** Relying on "hot" investment tips to help boost performance
- **Unintended Consequence:** Increased risk of loss

Could emotions be affecting the type of equity investments investors choose? Have they invested in a stock or asset class simply because it's the "hottest pick" in today's market or a friend recommended it? Although this approach may work at times, it comes with a lot of risk. Investments that perform well one year may not do as well the next. For example, the top asset class performer in 2007 was emerging market stocks, earning 39.8%, but in 2008, its returns dropped to the bottom of the rankings with returns of -53.2%!

What a difference a year makes— Last year's winner may be this year's loser!

BEST Performing Asset Class (Ranked by annual return and year)	WORST Performing Asset Class (Ranked by annual return and year)
Emerging Market Stocks, 2007 +39.8%	**Emerging Market Stocks, 2008** -53.2%

Source: Callan Associates, 2017. Emerging market stocks are represented by the MSCI Emerging Markets Index. Asset class rankings are based on 10 indices representing different asset classes from bonds to international stocks. Investments in non-US stocks are subject to additional risks including political and social instability, differing securities regulations and accounting standards and limited public information.

AVOIDING THE TRAP. Be wary of chasing performance. Work with your financial professional to select investments based on strategic planning and in-depth research, not on emotions or hot tips!

3 Fear

- **Investment Trap:** Waiting too long to get back into the equity market
- **Unintended Consequence:** Inability to capitalize fully on a potential market rebound

In bear markets, investors are often reluctant to invest in equities because of earlier losses and the fear that they'll make more costly mistakes. Some investors delay making investment decisions and wait for definitive signs of a market recovery before moving assets back into equities. While this approach may seem sensible at the time, it can significantly reduce a portfolio's returns. In fact, research has shown that much of the gains of a new bull market are made early in the rebound. For example, The Leuthold Group, a leading investment research firm, found that the Dow Jones Industrial Average generated a median return of 41.8% in the first year of every bull market since 1900. That's almost half of the median total gain of 85.7% for the 23 bull markets during this period!*

AVOIDING THE TRAP. Consider easing back into equities with an automatic investment strategy such as Dollar Cost Averaging (DCA). By making fixed, regular investments, DCA can help you reduce risk, while increasing your exposure to the growth potential of equities. Your financial professional can show you a range of DCA opportunities.

Note: Dollar cost averaging does not guarantee a profit or protect against a loss in declining markets. Dollar cost averaging involves continuous investment in securities regardless of fluctuating price levels. Before starting such a program, you should consider your ability to make purchases through periods of fluctuating price levels.

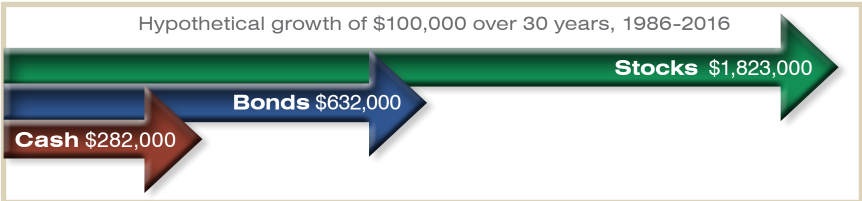
*Data Source: The Leuthold Group, from the following article: Michael Santoli, "Battle-Scarred Bull Market Turns 7" CNBC, March 7, 2016. The Dow Jones Industrial Average is an index that consists of 30 of the largest and most widely held public companies in the U.S.

4 Panic

- **Investment Trap:** Selling equities in down markets and moving to cash for short-term safety
- **Unintended Consequence:** Potential shortfall in retirement income

While stocks can certainly drop in value over the short term, they're also one of the few investments that offer the long-term growth potential necessary for investors to reach their retirement goals. For example, despite numerous wars, recessions and financial crises over the last 30 years, $100,000 invested in stocks would have increased to $1,823,000 by the end of 2016. The same amount invested in bonds and cash would have reached $632,000 and $282,000 respectively. That's a difference of up to $1.5 million!

Stocks have historically outperformed bonds and cash over time



Note: Past performance is not a guarantee of future results. Illustration not to scale. Stocks are represented by the S&P 500® Index; bonds by the Bloomberg Barclays U.S. Aggregate Bond Index; and cash by the BofA Merrill Lynch US Treasury Bill 3-Month Index. Stocks are subject to significant price fluctuations and therefore an investor may have a gain or loss in principal when shares are sold. Government bonds and Treasury bills are subject to interest rate risk but are backed by the full faith and credit of the U.S. government if held to maturity. Indices are unmanaged and cannot be invested in directly. Source: Wilshire Compass, 2017.

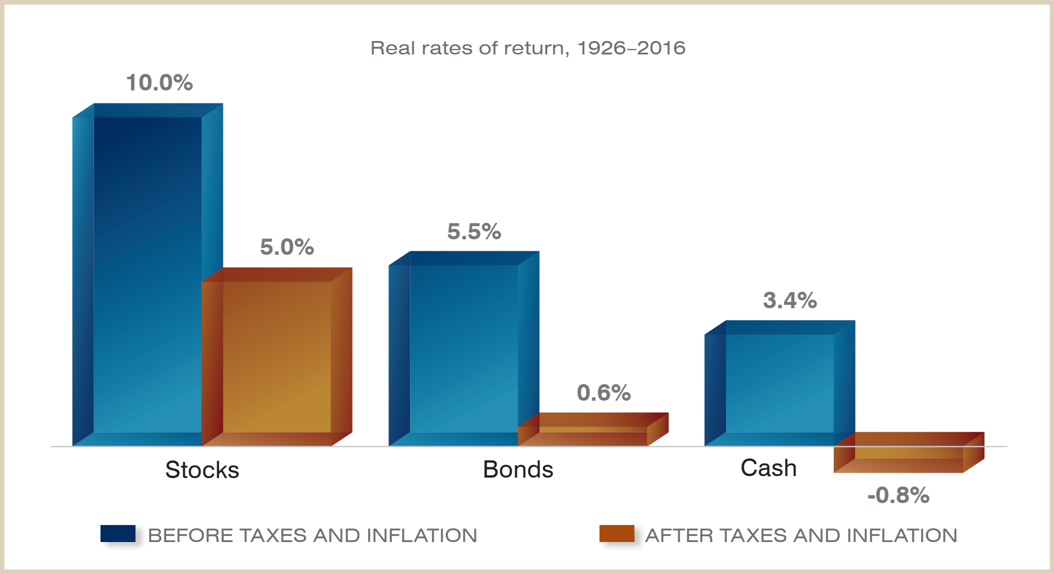
AVOIDING THE TRAP. Stay calm and maintain your long-term focus. Talk to your financial professional. He or she can help you put current market conditions into perspective.

5 Indecision

- **Investment Trap:** Staying in cash to help protect assets from market volatility
- **Unintended Consequence:** Loss of purchasing power over time

It's true that cash investments like Treasury bills and money market funds can help preserve principal and provide investors with liquidity in turbulent markets. But over time, they're unlikely to generate the returns needed to offset the impact of taxes and inflation. In fact, after taxes and inflation, cash has an average annualized return of -0.8% since 1926!

Cash may not provide the growth potential necessary to achieve your retirement goals!



Source: Morningstar, 2017. Stocks are represented by the Ibbotson Large Company Stock Index; bonds by the 20-year U.S. government bond; cash by the 30-day U.S. Treasury bill; and inflation by the Consumer Price Index. Stocks are often subject to significant price fluctuations and therefore an investor may have a gain or loss in principal when shares are sold. Government bonds and Treasury bills are subject to interest rate risk but are backed by the full faith and credit of the U.S. government if held to maturity. The data assumes reinvestment of income and does not account for transaction costs. Federal income tax is calculated using the historical marginal and capital gains tax rates for a single taxpayer earning $120,000 in 2015 dollars every year. No state income taxes are included. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

AVOIDING THE TRAP. Review your asset allocation mix. Your financial professional can help you determine the appropriate level of liquidity (cash and equivalents) for your portfolio.

Team up with your financial professional

to build a disciplined investment strategy that can help you avoid costly emotional mistakes!

a lot of money!

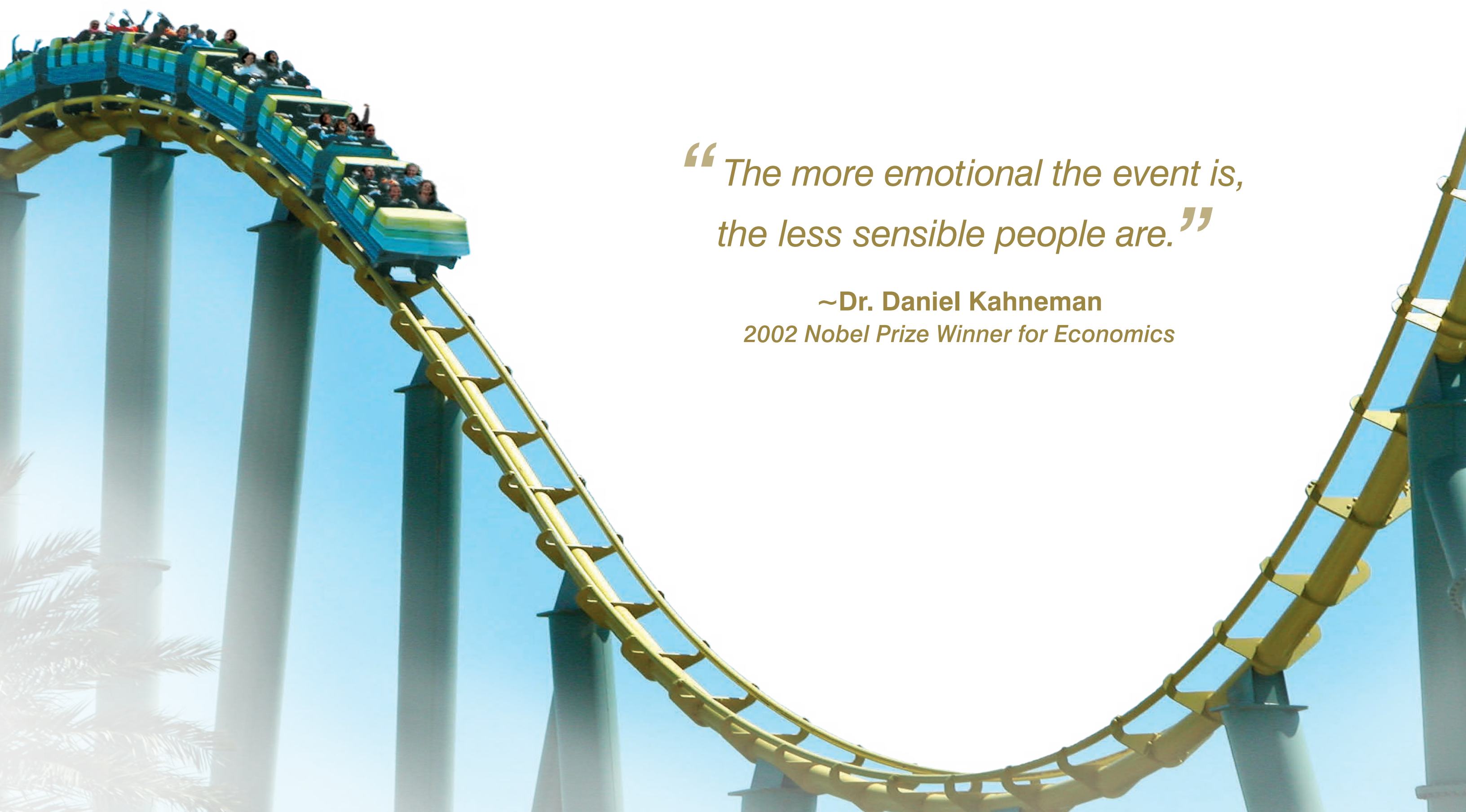
Help enhance your portfolio's return potential by avoiding key emotional mistakes

Research conducted by Dr. Daniel Kahneman, one of the founding fathers of behavioral economics and the only psychologist to ever win the Nobel Prize for Economics, suggests that:

- When faced with uncertainty, investors tend to make decisions based on their emotions and subjective experiences, not on logic or objective reality.
- As a result, investors can easily make the wrong decision for their individual situation.

By working with an objective financial professional and recognizing the most common emotional mistakes that investors make during the market cycle, you'll be better equipped to ride out the market's volatility and stay on track with your retirement goals!

Note: The quote below is taken from ***Daniel Kahneman: The Thought Leader Interview*** by Michael Schrage, Strategy + Business, Winter 2003. Information on Daniel Kahneman's research can be found in publications such as ***Judgment Under Uncertainty: Heuristics and Biases*** by Daniel Kahneman, Paul Slovic and Amos Tversky (Editors), New York: Cambridge University Press, 1982; and ***Prospect Theory: An Analysis of Decision Under Risk*** by Daniel Kahneman and Amos Tversky, Econometrica, 1979.



"The more emotional the event is, the less sensible people are."

~Dr. Daniel Kahneman
2002 Nobel Prize Winner for Economics

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