

The key to long-term retirement planning is broad diversification. (The old adage is to avoid “*putting all of your eggs in one basket.*”) With the 403(b) at the Archdiocese of Milwaukee, this is easy.

There are (2) options, designated by the (2) golden stars on the Investment Stylesheet.



The first option is the Age-Based portfolios from American Funds. These are broadly diversified portfolios based upon the year when each employee will be approximately 65. Choosing this option allows younger employees to be invested more aggressively and then decreases risk (becoming less aggressive) as they age. This is one of the lowest cost options. This is the most broadly diversified option. And this is the default investment option for those who do not make a choice. This is also the Easy Button, allowing the professionals to diversify your portfolio.



The second option is for the employees to choose their own diversification from among the (17) different funds listed.

Understanding the Stylesheet

- Each box on the grid has a number in the lower right corner that corresponds with the amount of investment risk for that particular sector. Cash, for example, is **1** because it has less risk. (There is still risk with cash, the risk of inflation, but this is considered less risky than some market risks.)
- The Large Cap sectors are lower risk than the Small Cap sectors, and the Value sectors are lower risk than the Growth sectors, just as cash and bonds are much less risk than specialty sectors and international sectors.
- The Real Estate sector is higher risk because of the concentration in one particular sector.
- The International sector is higher risk because, in addition to market fluctuation risk, the international funds are subject to currency risk and political risk.
- All funds are evaluated for values-based investing as well as pecuniary measures like market returns and investment fees.
- Some funds screened better for Catholic Values than others. The investments that are in **RED** screened best. In some sectors, like Mid Cap Value, there were no funds that screened well for Catholic Values that also performed well, so Vanguard Select Value was chosen instead.

Ways to diversify your account (from best to worst):

- The best way to diversify your account is to choose the Age-Based portfolios from American Funds. (Or, if you do not make a choice, this is the option that will be chosen for you.)
- The next best way, if choosing to self-direct from the underlying funds in Option 2, is to use all the investments. For example, dividing the account to invest one-thirteenth in each sector.
- The next best way, if choosing to self-direct from the underlying funds in Option 2, is to choose all the RED investments that screened well for Catholic Values. There are (10) in total, so using all (10) diversifies your portfolio (although the portfolio will miss several sectors).
- Other employees may want to choose the lowest cost investment options. The three lowest cost options are the Catholic Responsible Investing Equity Index, the Catholic Responsible Investing Small-Cap, and then the American Funds Target Date Fund portfolios.
- Putting the entire portfolio into just one or two funds is not recommended.