

Monthly Update

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What Are the Most Important Factors for Investing in a 401k Plan?

Junius V. Beaver, III

Co-Chief Investment Officer, Principal

401k plans can play a critical role in helping employees save for retirement. 401k plans are set up by employers for the benefit of their employees. These plans allow employees to set aside money from their paychecks on a pre-tax basis to invest on a tax deferred basis in their 401k account. In its simplest form, for every dollar you put into the plan, it will cost you between 60-80 cents because of the tax benefit. That dollar then grows, without tax consequences until you take it out in the form of a distribution in retirement. Many large companies provide these plans. Some small companies also provide them. Unfortunately, across all plans, only about a third of the employees take advantage of them.

What are the things you should consider when looking at investing through your 401k plan?

- **Opt in**—This may seem like an obvious point, but across companies, only 41% of eligible employees opt into their plans.
- **Maximize the benefit**—To the extent that you can, maximize the amount that you are putting into the plan every year. If your company provides a match, participate in that match as much as the company will allow. That's free money. If you can contribute more than what's required to get a company match, do that too. These plans are a gift! Even if your plan doesn't provide a match, you're still way ahead because you don't pay taxes on the money when you put it in. It reduces your gross income, which in turn reduces your taxes.
- **Minimize the costs**—401k plans vary in cost from 0.25%/year to over 2%. The biggest driver of this is the cost of the funds that you are investing in. Make sure your plan has low cost index funds! The difference of just 1% of added cost can result in hundreds of thousands of dollars less that you will have when you need it at retirement. If your plan doesn't offer low cost investing options – including index funds – go ask why. It should.
- **Seek diversification**—All plans are not created equal. We have seen plans that only offer 5-6 choices. We believe an optimal plan provides enough options that you can invest across multiple asset classes. This should extend beyond stocks, bonds and cash. We find the best plans also include asset classes with lower correlated assets such as real estate and alternatives.



- **Get sound investment advice**—While most people aren't in the business of investments, getting sound advice is critical. For example, I'm not a doctor, and I don't profess to be. When my son needed surgery, I sought out the best help I could possibly get. It is no different for your investments. Over 90% of the battle is proper asset allocation. Please find someone that you trust who has at least ten years in the business.

At Lanier, we have seen a wide variety of plans while helping our clients navigate their 401k investments. Some are terrific and are truly helping employees' chances of success in retirement. Some are just downright awful. Some that we've seen were so bad, we more motivated to research the alternatives and get the company to replace the whole thing – for the benefit of both the employees and the company!

If you haven't looked at your 401k plan in a while – and we mean the plan itself, not how your portfolio is doing – we urge you to do so. If you're paying more than 1% per year, you shouldn't be. Many plans are not transparent and can be very challenging to understand. They are written this way intentionally! If you are stuck with an old school plan delivering subpar results and limited (but expensive) investment options, say something. In many cases, there are alternatives today that did not exist when your plan was set up. If you need help evaluating how good your plan is, let us know. We are here to help.

Junius V. (Trip) Beaver III, is a co-founder of Lanier Asset Management and serves as its Co-Chief Investment Officer. Trip has been a financial advisor delivering high-value investment solutions to affluent individuals since 1994. In addition to his work at Lanier, Trip donates his time and investment expertise to charitable organizations such as the Library Foundation and the Metro United Way.

Key Points From Our Investment Meeting – 2/15/19

Macro Viewpoint

- Trade discussions with China continue to provide comfort for equity markets in the near term.
- The Federal Reserve changes course (takes immediate rate hikes off the table) to stabilize markets.
- After Q4 selloff in US equity markets, markets have come racing back toward pre-rate hike levels. Will earnings growth support the move?

Asset Class Comments

- Brexit and structural issues in Europe still give pause to developed overseas investments. There is a reason the German 10-year is at 10 bps!
- A massive amount of US debt must be rolled over in 2019-2020. Be aware that current spreads may widen.

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Performance Update

Investment Vehicle	Total Return (%)							
	January	QTD	YTD	1-Year	Annualized			
					3-Year	5-Year	7-Year	10-Year
TRADITIONAL ASSETS								
Cash								
Vanguard Reserve Prime Money Market	0.2%	0.2%	0.2%	2.1%	1.3%	0.8%	0.6%	0.5%
Fixed Income								
Domestic (Barclays US Agg)	1.1%	1.1%	1.1%	2.2%	1.9%	2.3%	2.0%	3.6%
Vanguard Total Bond Market	1.0%	1.0%	1.0%	2.0%	1.8%	2.3%	2.0%	3.5%
RiverNorth Doubleline	3.5%	3.5%	3.5%	2.3%	4.7%	3.8%	3.6%	4.7%
Eaton Vance Floating Rate	2.3%	2.3%	2.3%	2.2%	6.5%	3.4%	4.1%	7.4%
US Preferred Stock ETF	5.6%	5.6%	5.6%	1.9%	3.5%	4.9%	5.1%	10.3%
High Yield (Barclays US Corp HY)	-2.3%	5.2%	5.2%	1.9%	8.0%	3.7%	3.0%	8.4%
Short Term High Yield	3.9%	3.9%	3.9%	2.9%	8.4%	2.9%	4.4%	9.6%
Equities								
Domestic Large Cap (S&P 500 TR)	7.9%	7.9%	7.9%	-4.2%	11.7%	8.7%	10.9%	12.6%
S&P Equal Weight	9.8%	9.8%	9.8%	-3.1%	13.3%	9.5%	12.6%	16.5%
Domestic Mid Cap (S&P 400 TR)	10.5%	10.5%	10.5%	-4.5%	13.5%	8.5%	11.7%	15.8%
Vanguard Mid-Cap ETF	10.5%	10.5%	10.5%	-3.8%	12.9%	8.9%	11.9%	15.8%
Domestic Small Cap (S&P 600 TR)	10.6%	10.6%	10.6%	-1.2%	15.4%	9.2%	12.7%	16.3%
Vanguard Small-Cap ETF	11.7%	11.7%	11.7%	3.6%	16.6%	9.1%	12.7%	16.6%
Developed Intl. (MSCI EAFE)	6.5%	6.5%	6.5%	-15.0%	6.5%	1.9%	5.4%	7.7%
MSCI EAFE	6.6%	6.6%	6.6%	-12.4%	7.3%	2.7%	5.8%	8.1%
Emerging Intl. (MSCI EM)	8.7%	8.7%	8.7%	-16.3%	13.7%	4.1%	2.4%	9.3%
Vanguard FTSE Emerging Markets ETF	9.7%	9.7%	9.7%	-13.9%	13.5%	4.9%	2.5%	9.5%
Real Assets								
Real Estate (FTSE NAREIT US REIT)	11.4%	11.4%	11.4%	8.9%	8.6%	9.0%	9.2%	15.2%
Mortgage Real Estate	9.2%	9.2%	9.2%	13.8%	17.4%	9.0%	8.7%	9.3%
REIT ETF	11.9%	11.9%	11.9%	9.8%	7.4%	8.9%	8.8%	15.5%
Commodities (Thomson Reuters/Jefferies CRB Index)	10.0%	10.0%	10.0%	-6.3%	12.6%	-7.6%	-6.8%	-1.4%
DBC	7.1%	7.1%	7.1%	-8.0%	7.2%	-10.7%	-9.3%	-2.5%
BlackRock	7.1%	7.1%	7.1%	-2.5%	10.7%	-2.7%	-4.1%	0.5%
Gold	2.9%	2.9%	2.9%	-2.3%	5.3%	1.2%	-2.7%	3.9%
DIVERSIFYING STRATEGIES								
Hedge Funds								
HFRI WCI	3.5%	3.5%	3.5%	-2.2%	5.6%	3.2%	4.0%	5.4%
INFINITY*	1.4%	1.4%	1.4%	1.0%	3.9%	4.7%	6.5%	7.2%
Boston Partners Long/Short Equity	4.9%	4.9%	4.9%	-16.4%	1.5%	2.5%	3.8%	12.5%
QIM Tactical Aggressive*	1.2%	1.2%	1.2%	-43.0%	4.1%	2.9%	4.8%	11.1%
Millennium*	1.2%	1.2%	1.2%	3.9%	5.6%	7.5%	8.0%	9.0%
Verition*	2.0%	2.0%	2.0%	3.2%	6.7%	7.9%	10.4%	11.0%
Renaissance*	3.0%	3.0%	3.0%	8.8%	12.1%	16.0%	14.2%	14.4%
Third Point*	2.8%	2.8%	2.8%	-12.4%	4.8%	2.8%	6.9%	11.0%
Lanier Hedge Fund*	2.1%	2.1%	2.1%	0.3%	5.8%	7.1%	8.4%	9.9%
Boston Partners Global Long/Short	3.2%	3.2%	3.2%	-8.1%	1.6%	2.1%	3.6%	5.1%
Managed Futures								
Barclays CTA Index	-2.0%	-2.0%	-2.0%	2.4%	1.9%	3.0%	1.5%	1.4%
WINTON*	-1.9%	-1.9%	-1.9%	-11.2%	-4.8%	-1.0%	-2.1%	-1.5%
QIM*	-1.8%	-1.8%	-1.8%	-11.9%	-0.5%	-0.7%	-0.1%	-1.4%
AQR Managed Futures Strategy	-2.3%	-2.3%	-2.3%	-14.5%	-7.8%	-1.7%	0.1%	0.0%
Natixis ASG Managed Futures Strategy	-2.9%	-2.9%	-2.9%	-20.2%	-6.8%	1.3%	0.6%	1.2%

■ = Benchmarks
 □ = Lanier Selections

* For Accredited Investors

Our Team



Mark R. Hoffman
 CEO, Principal



Junius V. (Trip) Beaver, III
 Co-Chief Investment
 Officer, Principal



Carl W. Hafele, CFA, CPA
 Co-Chief Investment
 Officer, Principal



John E. Thompson
 Director, Private Client
 Group



Dr. Daniel L. Bauer
 Financial Consultant



Sara B. Thomas, JD, CPA
 Financial Consultant



Deidre M. Durbin
 Chief Compliance Officer



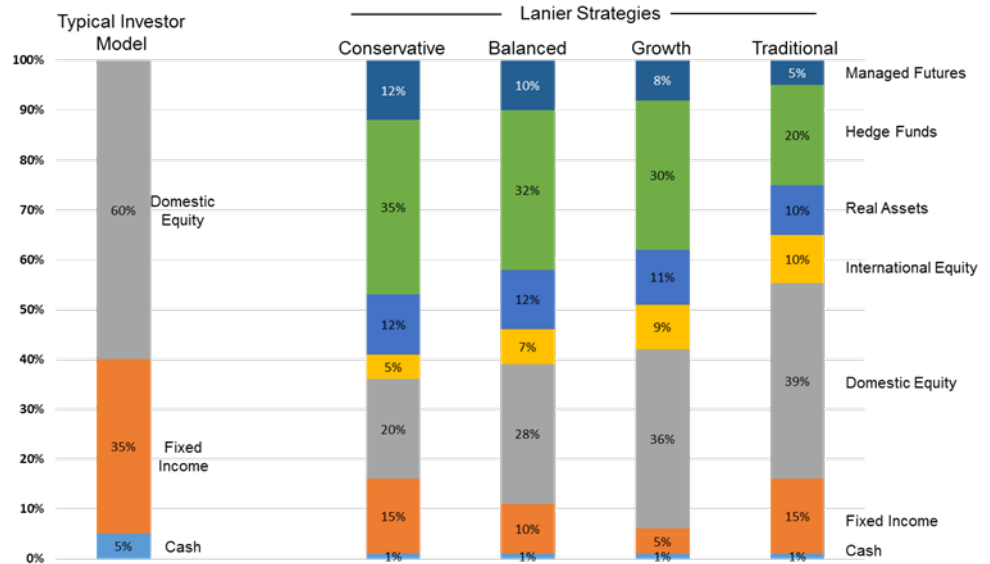
Stephanie E. Milby
 Investment Associate

Building Confidence and Security in Your Financial Future



Our Approach

At Lanier, we believe that portfolios designed to deliver superior performance and lower correlation with the overall markets must decrease reliance on stocks and bonds and be complemented with a set of diversifying strategies and alternatives



Each of our clients has a unique set of needs (based on age, risk tolerance, income need, etc.) and an asset allocation model designed specifically to meet those needs. Consequently, actual client investment models can and do vary from the allocation percentages listed above.

Lanier Asset Management is an independent Registered Investment Advisory firm. Our mission: **To Build Confidence and Security in our Clients' Financial Future.** We use an open architecture investment structure to combine the best of proprietary and independent investment strategies. At Lanier, we deliver superior service and performance to our clients as a result of four distinguishing elements:

- **People:** we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
- **Investment Philosophy:** we seek to smooth investment returns, providing superior investment performance and a significantly lower correlation to the overall market
 - Focus on projected returns rather than historic for all asset classes
 - Similar to the largest U.S. endowments
- **Investment Process:** combine active and passive management in traditional asset classes; complement with diversifying strategies/ alternatives
- **Conviction:** we believe in our approach – this is how we invest our own money

Past performance is no guarantee of future results. Investing entails risk, including possible loss of some or all principal. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges. It should not be assumed that your account holdings correspond directly to any comparative indices.

Lanier Asset Management, LLC ("Lanier") is an SEC registered investment adviser located in Louisville, Kentucky. The firm's CRD number is 150888. Certain Representatives of Lanier hold Series 7, 31, 63, and 65 Securities Licenses. Certain representatives of Lanier are also Registered Representatives offering securities through APW Capital, Inc., Member FINRA/SIPC. 100 Enterprise Drive, Suite 504, Rockaway, NJ 07866 (800) 637-3211.

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