



Chlebina Capital Management, LLC

Larry Chlebina
President
843 N. Cleveland-Massillon Rd
Suite DN12
Akron, OH 44333
330-668-9200
lchlebina@ccapmanagement.com
www.chlebinacapital.com



CHLEBINA CAPITAL

Investing Basics and Your Retirement





The more you can save for retirement, the better your chances of retiring comfortably. Some ways to get started include:

- **Start saving as early as possible**
- **Invest on a regular basis**
- **If you participate in an employer-sponsored retirement plan, take advantage of automatic contributions**
- **If your plan allows, make appropriate investment choices for your time horizon**

Although tax-deferred accounts may have benefits over taxable accounts, it is possible that lower maximum tax rates for capital gains and dividends, as well as the tax treatment of investment losses, would make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the taxable and tax-deferred investments.

Saving and Investing Wisely for Retirement

The benefits of saving in an employer-sponsored retirement plan

The more you can save for retirement, the better your chances of retiring comfortably. One of the best ways to save for retirement is to max out your contributions to an employer-sponsored retirement plan, such as a 401(k) plan, up to the legal limit.

Why is an employer-sponsored retirement plan such a good retirement savings vehicle? One reason is that your pre-tax contributions to your employer's plan lower your taxable income for the year. This means you save money in taxes when you contribute to the plan. For example, if you earn \$100,000 per year and you contribute \$10,000 to a 401(k) plan, you'll pay income taxes on \$90,000 instead of \$100,000.

Another reason is the power of tax-deferred growth. With an employer-sponsored retirement plan, any investment earnings have the potential to compound year after year and aren't taxable as long as they remain in the plan. Over the long term, deferring taxes could leave you with a much larger balance than that of someone who invests the same amount in taxable investments at the same rate of return.

Also, keep in mind that when you do take withdrawals from an employer-sponsored retirement plan, federal and state income taxes will be due at current rates on your pre-tax contributions, any employer contributions, and any investment earnings (special rules apply to Roth accounts). Also, early withdrawals will generally be subject to a 10% penalty tax.

Why is it important to invest your retirement savings wisely?

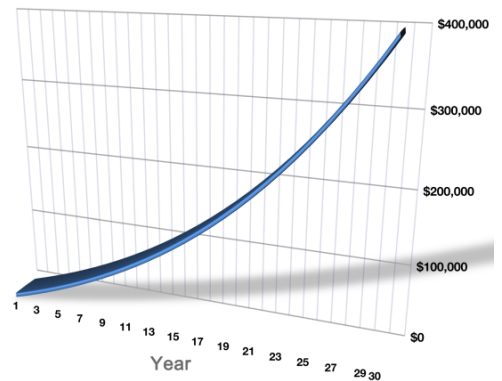
To try to fight inflation

When people say, "I'm not an investor," it's often because they worry about the potential for market losses. It's true that investing involves risk (e.g., investment losses) as well as reward, and investing is no guarantee that you'll beat inflation or even come out ahead. However, there's also another type of loss to be aware of: the loss of purchasing power over time. During periods of inflation, each dollar you've saved for retirement will buy less and less as time goes on.

To take advantage of compounding

Anyone who has a savings account probably understands the basics of compounding: The funds in your savings account earn interest, and that interest is added to your account balance. The next time interest is calculated, it's based on the increased value of your account. In effect, you earn interest on your interest.

Example of compounding interest

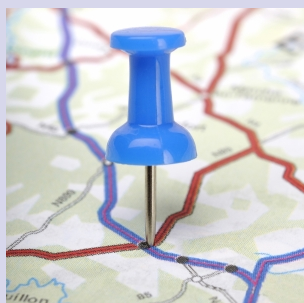


Compounding works similarly over time with investment earnings. Let's say you invest \$5,000 a year for 30 years (see chart). After 30 years you will have invested a total of \$150,000. Yet, assuming your funds grow at exactly 6% each year, after 30 years you will have over \$395,000 because of compounding.

Note: This hypothetical example of mathematical principles is used for illustrative purposes only and does not represent the performance of any specific investment. Fees, expenses, and taxes are not considered and would reduce the performance shown if they were included. Actual results will vary. Rates of return will vary over time, particularly for long-term investments. Investments with the potential for higher rates of return also carry a greater degree of risk of loss.

Compounding has a "snowball" effect, which can be advantageous when saving for retirement. The more money that is added to a retirement account, the greater its benefit. The sooner you start saving or investing for retirement, the more time and potential your investments have for growth. In effect, compounding helps you save for retirement by doing some of the work for you.





Creating an Investing Road Map for Retirement

Set retirement goals

Setting goals for retirement is an important part of retirement investing. For example, do you want to retire early? Would you like to travel during retirement? Do you plan on working post-retirement? Having goals can help you and your financial professional develop an appropriate investment plan for your retirement.

Think about your time horizon

One of the first questions you should ask yourself before you invest for retirement is "When will I need the money?" Will it be in three years or 30? Your time horizon for when you would like to retire will have a significant impact on your retirement investment strategy.

The general rule is: the longer your time horizon, the more risky (and potentially more lucrative) investments you may be able to make. Many financial professionals believe that with a longer time horizon, you can ride out fluctuations in your investments for the potential of greater long-term returns. On the other hand, if your time horizon is very short, you may want to concentrate your investments in less risky vehicles because you may not have enough time to recoup losses should they occur.

Understand your risk tolerance

Another important question is "What is my investment risk tolerance?" How do you feel about the potential of losing your hard-earned money? Many investors would forgo the possibility of a large gain if they knew there was also the possibility of a large loss. Other investors are more willing to take on greater risk to try to achieve a higher return. You can't completely avoid risk when it comes to investing, but it's possible to manage it.

Almost universally, when financial professionals or the media talk about investment risk, their focus is on price volatility. Advisors label as aggressive or risky an investment whose price has been prone to

dramatic ups and downs in the past, or that involves substantial uncertainty and unpredictability. Assets whose prices historically have experienced a narrower range of peaks and valleys are considered more conservative.

In general, the risk-reward relationship makes sense to most people. After all, no sensible person would make a higher-risk investment without the prospect of a higher reward for taking that risk. That is the tradeoff. As an investor, your goal is to maximize returns without taking on more risk than is necessary or comfortable for you. If you find that you can't sleep at night because you're worrying about your investments, you've probably assumed too much risk. On the other hand, returns that are too low may leave you unable to reach your retirement goals.

The concept of risk tolerance refers not only to your willingness to assume risk but also to your financial ability to endure the consequences of loss. That has to do with your stage in life, how soon you'll need the money for retirement, and your retirement goals.

Remember your liquidity needs

Liquidity refers to how quickly you can convert investments into cash. For example, as an investment, your home would be considered relatively illiquid, since it can take a very long time to sell. Publicly traded stock, on the other hand, tends to be fairly liquid.

Your need for liquidity will affect the types of investments you might choose to meet your retirement goals. For example, if you have an emergency fund, you're in good health, and your job is secure, you may be willing to hold some less liquid investments that may have higher potential for gain. However, you probably don't want to invest money you'll need in the next couple of years in less liquid assets. Also, having some relatively liquid investments may help protect you from having to sell others when their prices are down.





Advantages of Stocks

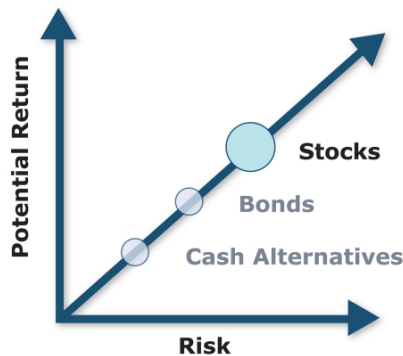
- Historically, have had greater potential for higher long-term total return than cash or bonds
- Easy to buy and sell
- Can provide capital appreciation as well as income from dividends
- Ownership rights

Tradeoffs

- Poor company performance can affect dividends and share value
- Greater risk to principal
- May not be appropriate for short-term investment
- Subject to market volatility

The amount of a company's dividend can fluctuate with earnings, which are influenced by economic, market, and political events. Dividends are typically not guaranteed and could be changed or eliminated. Before investing in a mutual fund, carefully consider the investment objectives, risks, charges, and expenses of the fund. This information can be found in the prospectus, which can be obtained from the fund. Read it carefully before investing.

Types of Retirement Plan Investments: Stocks



If you purchase stock, you can make money in one of two ways. The company's board of directors can decide to distribute a portion of the company's profits to its shareholders as dividends, which can provide you with income. Also, if the value of the stock rises, you may be able to sell your stock for more than you paid for it. Of course, if the value of the stock has declined, you'll lose money.

The role of stocks in your retirement portfolio

Though past performance is no guarantee of future results, stocks historically have had greater potential for higher long-term total returns than cash alternatives or bonds. However, that potential for greater returns comes with greater risk of volatility and potential for loss. You can lose part or all of the money you invest in a stock. Because of that volatility, stock investments may not be appropriate for money you count on to be available in the short term. You'll need to think about whether you have the financial and emotional ability to ride out those ups and downs as you try for greater returns.

The universe of stock mutual funds offers flexibility to construct a portfolio that is tailored to your needs. There are many different types of stock, and many different ways to diversify your stock holdings.

Growth stocks are usually characterized by corporate earnings that are increasing at a faster rate than their industry average or the overall market. Income stocks (for example, utilities or financial companies) generally offer higher dividend yields than market averages. Value stocks are typically characterized by selling at a low price relative to a company's sales, earnings, or book value.

These are only some of the many ways in which stocks can be identified. With stocks, it's especially important to diversify your holdings. That way, if one company is in trouble, it won't have as much impact on your overall return as it would if it represented your entire retirement portfolio.

How do stocks work?

When you buy a company's stock, you're purchasing a share of ownership in that business. You become one of the company's stockholders. Your percentage of ownership in a company also represents your share of the risks taken and profits generated by the company. If the company does well, your share of its earnings will be proportionate to how much of the company's stock you own. Of course, your share of any loss also will reflect your percentage of ownership.

Stocks by size

Size	Description
Large cap	<ul style="list-style-type: none"> • \$10+ billion • Widely bought and sold • Often are well-known names
Midcap	<ul style="list-style-type: none"> • \$2 billion-\$10 billion • Somewhat smaller than large caps
Small cap	<ul style="list-style-type: none"> • \$200 million-\$2 billion • Less widely traded • Fewer institutional investors
Microcap	<ul style="list-style-type: none"> • \$20 million-\$200 million • May trade infrequently • More difficult to research

Note: Different organizations define these ranges in different ways, and the ranges can vary over time.





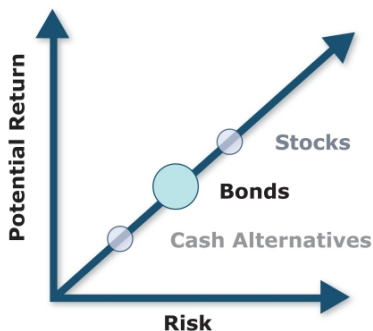
Advantages of Bonds

- Generally, a predictable stream of income
- Income typically higher than cash investments
- Relatively lower risk compared to stocks
- Low correlation with stock market

Tradeoffs

- Risk of default
- Bond values fluctuate with interest rates
- Generally, lower potential long-term returns compared to stocks

Types of Retirement Plan Investments: Bonds



than you paid for it. As with any security, bond prices move up and down in response to investor demand; they also are sensitive to changes in interest rates. A bond that is sold before its maturity date may be worth more or less than its face value, depending on how its interest rate compares to others.

The role of bonds in your retirement portfolio

One of the most important reasons that investors choose bonds is for their steady and predictable stream of income through interest payments. Bonds have traditionally been important for retirees for this reason. Also, though they are not risk-free — for example, a bond issuer could default on a payment or even fail to repay the principal — bonds are considered somewhat less risky than stocks. In part, that's because a corporation must pay interest to bondholders before it pays dividends to its shareholders. Also, if it declares bankruptcy or dissolves, bondholders are first in line to be compensated.

The bond market often behaves very differently from stocks. For example, when stock prices are down, investors often prefer bonds because of their relative stability and interest payments. Also, when interest rates are high, bond returns can be attractive enough that investors decide not to assume the greater risk of stocks. Interest from bonds can help balance stock fluctuations and increase a portfolio's stability. And because a bond's face value gets repaid upon maturity, you can choose a bond that matures when you need the money.

How do bonds work?

A bond is basically an IOU. Bonds, sometimes called fixed-income securities, are essentially loans to a corporation or governmental body. The borrower (the bond issuer) typically promises to pay the lender, or bondholder, regular interest payments until a certain date. At that point, the bond is said to have matured. When it reaches that maturity date, the full amount of the loan (the principal or face value) must be repaid.

A bond typically pays a stated interest rate called the coupon, a term that dates back to the days when a bondholder had to clip a coupon attached to the bond and mail it in to receive each interest payment. Most bonds pay interest on a fixed schedule, usually quarterly or semiannually, although some pay all interest at maturity along with the principal.

There are two fundamental ways that you can profit from owning bonds. The most obvious is the interest that bonds pay. However, you can also make money if you sell a bond for more

Advantages of Cash

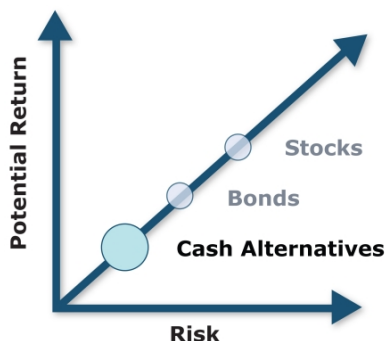
- Predictable earnings
- Highly liquid
- Relatively low risk to principal

Tradeoffs

- Relatively low returns
- May not outpace inflation

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

Types of Retirement Plan Investments: Cash and Cash Alternatives



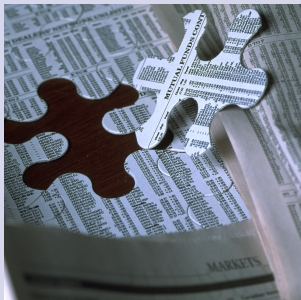
Cash and cash alternatives

In daily life, cash is all around you, as currency, bank balances, negotiable money orders, and checks. However, in investing, "cash" is also used to refer to so-called cash alternatives: investments that are considered relatively low-risk and can generally be converted to cash quickly. Money market mutual funds and guaranteed investment contracts (GICs), government savings bonds, U.S. Treasury bills, and commercial paper are some examples of cash alternatives.





U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.



Advantages of Mutual Funds

- Professional money management
- Small investment amounts
- Diversification
- Liquidity

Tradeoffs

- Fluctuating share values
- Some money kept in cash for fund liquidity needs
- Mutual fund fees and expenses

Using cash alternatives

Because of their conservative nature, cash alternatives involve the least risk. However, there is a tradeoff for their relative safety: their potential return is not as high as the return on investments that involve more risk. By focusing solely on playing it safe, you may limit your investment income, especially over longer time periods.

Cash alternatives can be useful in many ways.

First, they can provide relative stability. While cash alternatives can't assure you of a gain or protect you from losses, they are generally considered safer than other asset classes, such as stocks or bonds. Also, they can provide income on cash that would otherwise be idle. Readily available cash also can help you cope in a financial emergency. Finally, cash alternatives can serve as a temporary parking place when you're not sure where to invest.

Investing for Retirement with Mutual Funds

You can invest in all three major asset classes through mutual funds, which pool your money with that of other investors. Each fund's manager selects specific securities to buy based on a stated investment strategy.

Mutual funds offer two key benefits. Because most mutual funds own dozens or hundreds of securities, you achieve greater diversification than you would by buying a few individual securities on your own. Also, the fund manager's expertise is part of what you pay for in buying mutual fund shares.

A mutual fund may invest in one of the three major asset classes, or combine them. For example, a balanced fund typically includes stocks and bonds. With an actively managed mutual fund, the fund manager buys and sells specific securities, trying to beat a benchmark index such as the S&P 500. A passively managed or index fund tries to match the return of a specific index by holding only the securities included in that index.

Some mutual funds attempt to tailor each fund's asset allocation not only to your risk tolerance, but to how soon you expect to use that money. These types of funds, known as life cycle or target-date funds, tend to set and adjust a given asset allocation based on a given date in the future, shifting the mix of investments gradually over time to increase the focus on capital preservation as the target date approaches.

Life cycle or target date funds tend to be available in series; each fund in the series targets a different time horizon. The "target date" is the approximate date when an investor expects to begin withdrawing money from the fund. For example, someone investing for retirement in a fund with a target date of 2040 typically expects to retire in 2040 and begin tapping the fund for income.

With target date funds, the principal value is not guaranteed at any time, including at the target date. There is no guarantee that a target date fund will meet its stated objectives. It is important to note that no two target date funds with the same target date are alike. Typically, they won't have the same asset allocation, investment holdings, turnover rate or glide path. It is important for an investor to look beyond the target date to determine if a particular target date fund is an appropriate investment.

Note: Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.





Asset allocation and diversification don't guarantee a profit or insure against a loss. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

Asset Allocation

The combination of investments you choose for your retirement portfolio can be as important as your specific investments. The mix of various asset classes, such as stocks, bonds, and cash alternatives, account for most of the ups and downs of a portfolio's returns.

Deciding how much of each you should include is one of your most important tasks as an investor. The balance between potential for growth, income, and stability is called your asset allocation. It doesn't guarantee a profit or insure against a loss, but it does help you manage the level and type of risks you face.

Balancing risk and return

Ideally, you should strive for an overall combination of investments that minimizes the risk you take in trying to achieve a targeted rate of return. This often means balancing more conservative investments against others that are designed to provide a higher return but that also involve more risk. For example, let's say you want to get a 7.5% return on your money. You learn that in the past, stock market returns have averaged about 10% annually, and bonds roughly 5%. One way to try to achieve your 7.5% return would be by choosing a 50-50 mix of stocks and bonds. It might not work out that way, of course. This is only a hypothetical illustration, not a real portfolio, and there's no guarantee that either stocks or bonds will perform as they have in the past. But asset allocation gives you a place to start.

Many publications feature model investment portfolios that recommend generic asset allocations based on an investor's age. These can help jump-start your thinking about how to divide up your investments. However, because they're based on averages and hypothetical situations, they shouldn't be seen as definitive. Your asset allocation is — or should be — as unique as you are. Even if two people are the same age and have similar incomes, they may have very different needs and goals for retirement. You should make sure your asset allocation is tailored to your individual circumstances.

Many ways to diversify

When financial professionals refer to asset allocation, they're usually talking about overall classes: stocks, bonds, and cash or cash alternatives. However, there are others that also can be used to complement the major asset classes once you've got those basics covered.

Even within an asset class, consider how your assets are allocated. For example, if you're investing in stocks, you could allocate a certain amount to large-cap stocks and a different percentage to stocks of smaller companies. Or you might allocate based on geography, putting some money in U.S. stocks and some in foreign companies. Bond investments might be allocated by various maturities, with some money in bonds that mature quickly and some in longer-term bonds.

Monitoring your retirement portfolio

Even if you've chosen an asset allocation, market forces may quickly begin to tweak it. For example, if stock prices go up, you may eventually find yourself with a greater percentage of stocks in your retirement portfolio than you want. If they go down, you might worry that you won't be able to reach your retirement goals. The same is true for bonds and other investments.

Do you have a strategy for dealing with those changes? Of course you'll probably want to take a look at your individual investments, but you'll also want to think about your asset allocation. Just like your initial investing strategy, your game plan for fine-tuning your retirement portfolio periodically should reflect your investing personality.

Even if you're happy with your asset allocation, remember that your circumstances will change over time. Those changes may affect how well your investments match your retirement goals. At a minimum, you should periodically review the reasons for your initial choices to make sure they're still valid. Also, some investments, such as mutual funds, may actually change over time; make sure they're still a good fit.



IMPORTANT DISCLOSURES

Securities offered through Securities Service Network, LLC., Member FINRA/SIPC. Fee-based advisory services are offered through Chlebina Capital Management, LLC., a registered investment advisor.



Chlebina Capital Management,
LLC
Larry Chlebina
President
843 N. Cleveland-Massillon Rd
Suite DN12
Akron, OH 44333
330-668-9200
lchlebina@ccapmanagement.com
www.chlebinacapital.com

