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Financial Wisdom for Living Well

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Your 10 Most Important Financial Moves for 2022

What's your plan for strengthening your finances in the new year? What goals do you have for your giving? How will you improve your spiritual disciplines? SMI's annual Top 10 approach will help you select your most important stewardship-related "action items" for 2022. As you consider your choices, remember your heavenly Father stands ready to help! "If any of you lacks wisdom, you should ask God, who gives generously to all without finding fault, and it will be given to you" (James 1:5).

by Joseph Slife

"Now is the winter of our discontent"—to borrow half a phrase from Shakespeare. Our worrisome winter follows several other seasons of discontent stretching back into early 2020. Put bluntly, the past 22 months have been the most disorienting period many of us have ever experienced.

But times of turmoil are nothing new. A survey of human history, and certainly the history of the Church, shows that eras of upheaval are not so much the exception as the rule. And yet, undergirded by God's grace, the Lord's people have persevered. Centuries before a World War II-era British motivational poster urged citizens to "keep calm and carry on," faithful believers learned to do just that. They trusted that the Sovereign God of the universe was for them and not against them (see Romans 8) and that He would see them through.

At SMI, we want *you* to live with that kind of unshakeable confidence. Yes, these are disorienting days—and there is no guarantee that the year ahead will be less disorienting. But through it all, you can keep calm and carry on—not paralyzed by fear or anxiety, but busy about the Master's work.

How? By embracing an *eternal* perspective, not a temporal one. A person with an eternal perspective seeks "the Kingdom of God above all else" (Matthew 6:33 NLT). He has taken to heart the biblical instruction to "keep your lives free from the love of money and be content with what you have, because God has said, 'Never will I leave you; never will I forsake you'" (Hebrews 13:5-6). A person with this kind of perspective is "generous on every occasion" (2 Corinthians 9:11).

An eternal perspective fosters faithful stewardship. A trustworthy steward acknowledges that God is the owner of everything (1 Chronicles 29:11). He recognizes that the Lord has called each of us to manage His resources for His purposes (Romans 11:36, Hebrews 13:20-21).

As always, our hope at SMI is that in the year ahead *you* will be a wise and faithful steward—one who "honor[s] the LORD with your wealth and the best part of everything you produce" (Proverbs 3:9 NLT). And no matter what may happen in 2022, we pray you will hold fast to the promise that "neither death nor life, neither angels nor demons, neither the present nor the future, nor any powers, neither height nor depth, nor anything else in all creation, will *(continued on page 179)*

IN THIS ISSUE

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

EDITORIAL

Learn Rule #1

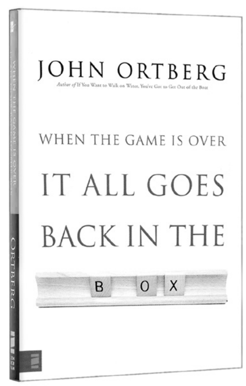
by John Ortberg

When the Game Is Over, It All Goes Back in the Box by John Ortberg is one of my favorite books. I'm offering it as a Christmas gift to SMI members this year. See page 190 for details. Here's a brief excerpt. — Austin

Somebody a long time ago said that life is a game, and that is the main image behind this book. In using this image, I'm not saying that we should take our lives lightly. But life, like a game, is moving toward a goal. It has an object. Furthermore, there are rules to follow in life, and each of us will develop a strategy. The game will not go on forever. How to play the game of life is what this book is about.

My grandmother had just gotten out of jail.

She was a roll away from the yellow properties. And the yellow properties meant trouble. They were mine. And they had hotels. And Gram had no money. She had wanted to stay in jail longer to avoid landing on my property and having to cough up dough she did not have, but she rolled doubles, and that meant her bacon was going to get fried.



I was a ten-year-old sitting at the Monopoly table. I had it all—money and property, houses and hotels, Boardwalk and Park Place. I had been a loser at this game my whole life, but today was different. Today my grandmother was one roll of the dice away from ruin. And I was one roll of the dice away from the biggest lesson life has to teach: the absolute necessity of arranging our life around what matters in light of our mortality and eternity. It is a lesson that some of the smartest people in the world forget but that my grandmother was laser clear on.

For my grandmother taught me how to play the game.

My grandmother was a game player, and she did not like to lose. Every Friday night as long as my grandfather was alive, the whole family, including spouses, would gather to play a card game called Rook; and if you were Gram's partner, it was not wise to miss a trick or lose the bid. When she played Chinese checkers with small grandchildren, she was not one of those pushover grandmothers who would lose on purpose to make the grandchildren feel better about themselves. Gram believed that a leader's first task is to define reality. She was the leader, and the reality was that she played to win. Pouting and self-pity, two of my spiritual gifts, did not elicit sympathy from her, for even when she was playing, she kept an eye on what kind of person you were becoming. Grandmother was at her feistiest when it came to Monopoly. She was a gentle and kind soul, but at the Monopoly table she would still take you to the cleaners.

I can still remember—it happened at Marvin Gardens. I looked at my grandmother—this was the woman who had taught me how to play. She was old by now. A widow. She had raised my mother. She loved my mother, as she loved me. And I took everything she had. I destroyed her financially and psychologically. I watched her give up her last dollar and quit in utter defeat.

It was the greatest moment of my life. I had won. I was cleverer, and stronger, and more ruthless than anyone else at the table. I was Master of the Board. But then my grandmother had one more thing to teach me. The greatest lesson comes at the end of the game. And here it is. In the words of James Dobson, who described this lesson from Monopoly in playing with his family many years ago: "Now it all goes back in the box."

All those houses and hotels. All that property—Boardwalk and Park Place, the railroads and the utility companies. All those thousands of dollars. When the game is over, it all goes back in the box.

It's not bad to play the game. It's not bad to be good at it. My grandmother taught me to play to win. But there are always more rungs to climb, more money to be made, more deals to pull off. And the danger is that we forget to ask what really matters.

This is how my grandmother taught me to play the game of my life. In many ways, she led a pretty simple life. She never went to high school, never led a company, never wrote a book, never traveled the world. She met her lifelong sweetheart in the eighth grade, her last year of formal education. She was content with her life because she believed she knew what mattered. She had a clear understanding about what she thought was temporal and what was eternal. Everybody has to decide what he or she believes constitutes winning and losing in life.

My grandmother taught me how to play the game. ◆

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Your 10 Most Important Financial Moves for 2022

(continued from front page)

be able to separate us from the love of God that is in Christ Jesus our Lord" (Romans 8:38-39).[1]

Selecting your personal Top 10

Below are more than 75 "action items" that can help you improve your financial condition and advance in your Christian discipleship. Many involve measurable, hands-on tasks. Others are more "educational" in nature, focusing on enhancing your understanding of a topic. A few of the items are aimed at strengthening your spiritual disciplines.

Next to each item, we've placed a small box. Put a checkmark in that box—☑—if an idea or task seems particularly relevant to you. Later, go back through your checked items. Ask the Lord to guide you in selecting 10 to set as your financial/spiritual priorities for 2022.

Then, assign each item a priority. Make your most important task #1, the second-most important #2, and so on—keeping in mind that some tasks can be done quickly while others may require significant time. If you're married, we suggest you go through this planning process with your spouse so that you can clarify understandings and be united in your goals.

The purpose of SMI's annual "Top 10" process is to help you turn *good intentions* into *concrete actions*. Don't try to accomplish too many things at once, however. Taking on too many tasks can be overwhelming. We suggest you finish implementing your top three tasks before starting on the other items on your list.

Each suggested action item is accompanied by a footnote that indicates where to find more information (the online version of this Top 10 article includes direct links to related material). Most footnotes refer to articles published in the SMI newsletter in 2021, although some refer to SMI articles from previous years or information in *The Sound Mind Investing Handbook*. (You can buy the newly released 7th Edition of the *Handbook* at a 20% discount via the SMI website![2] This 350-page book written by Austin Pryor with Mark Biller offers clear guidance on investing, plus rich and compelling spiritual content.[3])

What's most important

Being a faithful steward begins with putting first things first—both spiritually and financially. The suggestions in this section will help you do that.

❑ **Practice living in "conscious dependence" on God.**[4] Take time each day to recognize your dependence on the Lord for life and breath and everything else. Develop the habit of offering short prayers throughout the day that acknowledge your powerlessness and His power. Pray that God will make you increasingly aware that you are dependent on Him.

❑ **Meditate on the loveliness of Jesus.**[5] Jesus Christ is like no other—in his perfect humanity, sympathy, humility, dignity, courage, and gentleness with sinners. He is altogether lovely—and truly worthy of our worship!

❑ **Build your financial house on the bedrock of biblical principles.**[6] You never know what kind of financial storms may come your way—or when. By basing your financial decisions and actions on the protective principles taught in Scripture, you'll be able to weather those storms.

❑ **Accept your responsibility as a "financial disciple."**[7] Everything you possess has been committed to you as a trust from God. In recognition of that, a financial disciple surrenders to the lordship of Christ and seeks to be led by the Holy Spirit in all financial decisions.

❑ **Commit to making the changes necessary for financial progress.**[8] Unfortunately, some new SMI members give up within the first year. When it becomes apparent that a time commitment is required to work through the Four Levels process and get on the road to financial security, they fall by the wayside. Don't let that happen to you! We're here to help—and you have the encouraging example of thousands of subscribers who have been with Sound Mind Investing for five years or longer. The SMI process works for anyone willing to commit to it!

❑ **Examine yourself to see if you bear the marks of a Christian investor.**[9] When the market is jumpy, do you react with fear or with prayer? Do you seek guidance from market gurus or God's Word? (For a list of Scriptures that can calm your nerves during rough times and refocus your attention on the goodness of God, visit the "Resources" section of the SMI website.[10])

❑ **If you have the spiritual gift of giving, cultivate it.**[11] Every follower of Jesus is called to be generous, but God has given some the special gift of giving. Do you have that gift? If you're not sure, study what the Scriptures say about it. If you have the gift of giving, make the most of it—for the benefit of others and the glory of God.

❑ **Even if the Lord hasn't given you the specific gift of giving, resolve to make the most of every opportunity to give boldly.**[12] Give generously to your church and to other ministries that proclaim the gospel, disciple new believers, and offer mercy and help for physical needs. ❑ Teach your children to give generously too.[13]

Strengthening your financial foundation

A solid foundation is essential to long-term financial health and stability. If your financial foundation isn't firmly in place, concentrate your 2022 efforts on the suggestions in this section rather than jumping ahead to more advanced topics.

❑ **Cultivate good habits.**[14] New Year's resolutions are easy to make but not easy to keep. If you take specific actions that reinforce good habits—and discourage bad ones—you're more likely to achieve lasting change.

❑ **Escape debt with a spending plan.**[15] Make paying off credit card debt, car loans, and other short-term debts

[2]soundmindinvesting.com/handbook [3]Sep2021:p130 [4]Nov2021:Cover [5]Apr2021:p50 [6]Jan2021:p2 [7]Mar2021:Cover [8]Aug2021:p114 [9]May2021:p66
[10]soundmindinvesting.com/resources#encouragement [11]Jul2021:Cover [12]Jul2021:p98 [13]Dec2021:p182 [14]Jan2021:p6 [15]SMI Handbook:Chapter 1

a priority. Don't take on the risks that come with investing unless you have a solid financial base, which means having an adequate amount of savings and good cash flow. Getting out of debt will enable you to build that base.

❑ **If you use credit cards or mobile pay, protect yourself.**[16] ID thieves want to steal your account numbers and other information. Take simple and effective steps to protect your data.

❑ **Start using a money-management app.** An app can help you 1) plan your spending and 2) make the most of what you have. Consider the Christian-based MoneyWise App[17] (available in both free and paid versions) or any one of several other helpful apps on the market.[18]

❑ **Speak up to save money.**[19] You can sometimes get fees waived, subscription prices lowered, and price hikes canceled by making a polite request. You never know unless you ask.

❑ **"Stress test" your household finances.**[20] Each of America's top banks is required to prove 1) it has enough cash on hand to survive difficult times and 2) it has an effective plan for managing risks. Take that same approach to your personal finances. We suggest building your emergency savings reserve to at least $10,000. As for managing risks, have adequate insurance—including coverage for property/casualty, health, disability, life, and (perhaps) long-term care.

❑ **In the market for a house? Buy only what you can afford.**[21] Set your sights on a dwelling for which your monthly payment (mortgage, taxes, and insurance) totals no more than 25% of your monthly gross income. If you're married, apply that 25% standard to *one* income, not two. Taking on a sizable and ongoing housing expense based on two incomes isn't wise. Also, be sure to budget enough money for regular maintenance.

❑ **If health insurance is becoming unaffordable, join a Christian-based nonprofit Health Care Sharing Ministry.**[22] Sharing ministries don't provide insurance per se. Instead, they facilitate the "sharing" of medical expenses among members. Members voluntarily help each other meet the cost of large medical bills. More than 1.5 million Americans participate in sharing ministries, a number that's grown more than sevenfold since 2010.

❑ **Don't start a new year with debt from Christmas spending.**[23] Marketing hype and financing deals abound at Christmas time. Ignore them. Develop a plan for your Christmas spending and buy only what you can afford.

Developing your investing plan

Scripture encourages us to prepare for the needs of tomorrow (Proverbs 6:6-8) without becoming hoarders (Luke 12:15-21). The following suggestions can help you invest wisely and well.

❑ **Start making the "right" investing choices.**[24] Making good decisions flows from looking realistically at where you are now and developing a prudent plan that moves you toward your long-term goals. As you consider various options, don't neglect prayer and wise counsel.

❑ **Recognize that wise investing choices often reflect common sense.**[25] Many basic investing lessons are closely connected to what you already know and do. For example, when you take a trip, you probably map out a travel plan and stick to it. Ditto for investing. Weather is another example. You know not every day will be sunny. Likewise, you can be aware that occasional "stock market storms" will come along.

❑ **Don't be overly rigid with your investment plan.**[26] Developing a long-term plan is crucial to meeting your financial goals, but there are times to be flexible. An overly rigid approach can stunt your growth in generosity ("I can't afford to give because it will interfere with my plan"). Being too strict also could cause you to miss out on things that may be more important than money ("A memorable family vacation costs too much—it will mess up my plan").

❑ **Distinguish fact from opinion.**[27] There's no shortage of financial news available. Unfortunately, much of it is "noise" rather than information that is helpful. The SMI newsletter and website help you put financial news into perspective—without speculating about what will happen next week, next month, or next year.

❑ **Understand why Federal Reserve policy has so much impact on the stock market.**[28] As noted above, SMI tries to cut through the noise to what's important. Fed policy drives a lot of what happens in the market, so we try to keep you informed about what the Fed is doing—or is proposing to do—and how the overall market is reacting.

❑ **During times of market excess, pray for the wisdom to show restraint.**[29] It's easy to get carried away by the prospect of quick riches from whatever the latest investing fad is. A sober investor has the wisdom to *not* get carried away. When presented with a risky investment option, focus on risk first and returns second. Also, don't take more risk than is necessary to meet your financial goals.

❑ **Subdue your three great investing adversaries.**[30] Those three are 1) your own emotions, 2) a Wall Street industry that urges you to change your strategy—when you make changes, Wall Street makes money!—and 3) financial media that stir up anxiety (it's good for ratings). Insulate yourself from all three by putting your investing on "automatic pilot" as much as possible (see next two items).

❑ **Panic-proof your investing.**[31] Panic is a common human response to fearful situations—but panic often does more harm than good. That is undoubtedly true in investing-related situations such as a sharp market downturn. Fight panic and remain calm by having a written investing plan, along with a portfolio suited to your age and risk tolerance. Prayer is a big help too, because it focuses your attention on God's promises and provision rather than on present circumstances.

❑ **Launch a dollar-cost averaging program.**[32] Dollar-cost averaging involves investing the same amount at a particular time interval (typically monthly) no matter whether the market is doing well or not. Over the long haul (at least 10 years), the likelihood that you'll lose money with this approach is tiny. There will be ups and downs, but there is little risk to your capital if you stay the course.

[16]Oct2021:p150 [17]Apr2021:p54 [18]Jan2019:p6 and Feb2019:p22 [19]Sep2021:p134 [20]May2021:p70 [21]Feb2021:p22 [22]Jun2021:Cover [23]Nov2021:p166
[24]Jan2021:p7 [25]Jun2021:p82 [26]Nov2021:p162 [27]Oct2021:p146 [28]Oct2021:p152 [29]Feb2021:p18 [30]Aug2021:Cover [31]Sep2021:p135 [32]Mar2021:p39

❑ **Implement a systematic investing plan.**[33] Setting up an automatic plan for making regular investments eliminates the need to ask the question, "Is this a good time to buy stocks?" (That question is unanswerable anyway, except in hindsight.) A systematic plan assures you'll invest consistently, even when the market is falling and your emotions might tell you not to.

❑ **Play the "loser's game" with SMI's Just-the-Basics strategy.**[34] It may sound strange, but one way to win in investing is *not trying* to win. Instead of attempting to beat the market, "loser's game" investors emphasize keeping expenses low and staying patient. This is the approach used by Just-the-Basics, which invests in a handful of passively managed index funds. JtB is particularly well-suited for investors with retirement plans that offer index funds but few actively managed funds.

❑ **Explore and understand SMI's Fund Upgrading strategy.**[35] We made significant changes to the Upgrading strategy in 2021, providing greater flexibility for the system to follow market trends. If you're using Upgrading, or are planning to start, learn why this strategy employs a mix of active and passive funds, how it alternates between growth vs. value funds, and how it approaches the use of foreign funds.

❑ **Study Sound Mind Investing's risk-category system for stock funds.**[36] Because SMI seeks to simplify investing for the average investor, we've made our system as simple as possible. We use only *four* options for stock funds: Large/growth, large/value, small/growth, and small/value. Be sure you understand how we apply those categories to funds that invest in *mid-size* companies, i.e., neither large nor small.

❑ **Don't have access to some of the Upgrading funds we recommend? Use SMI's monthly Fund Portfolio Rankings to find alternatives.**[37] The FPR report is a downloadable PDF file that lists more than 1,600 traditional mutual funds and ETFs according to risk characteristics, recent performance, and momentum score.

❑ **Start using SMI's Personal Portfolio Tracker to help implement Fund Upgrading within your workplace retirement plan.**[38] Using the Tracker, you can filter SMI's fund database to show only those funds that are available via your plan, along with related performance data and risk-category details. Using that information, you can adapt Upgrading to the specific funds available in your 401(k), 403(b), or another similar plan.

❑ **Take full advantage of your employer's retirement plan.**[39] Access to a company retirement plan is a significant benefit. We encourage you to contribute as much as you can—but at least enough to get the full company match (if any). If your company offers a "Roth" option, determine if that's the right choice for you.[40] Resist the temptation to withdraw money from your company plan early. You'll undermine your retirement savings—and pay a hefty tax penalty.

❑ **If you're a federal worker, take advantage of the government's Thrift Savings Plan.**[41] The TSP offers a mix of funds that can be used to implement SMI's Just-the-Basics strategy (or even Upgrading, with some variations). And the government offers generous matching contributions.

❑ **Discover the advantages of saving for retirement using both a company-sponsored plan *and* an Individual Retirement Account.**[42] Company plans, such as 401(k)s, have certain advantages over IRAs and vice versa. By using one of each (if you're eligible), you can enjoy the best of both worlds.

❑ **Organize your investments into a single, unified portfolio.**[43] Viewing and managing multiple accounts as parts of a single portfolio will simplify your financial life. This approach will require upfront effort to implement, but a "one-portfolio" model will *save* time over the long term.

❑ **Develop a plan for saving for short-term goals in today's low interest-rate environment.**[44] Traditional vehicles for shorter-term investing—such as short-term bond funds and Ginnie Mae funds—yield little these days. And using stocks for short-term investments is risky. So put your money where it is safe, but be on the lookout for signals that suggest it's time to move your money to higher-yielding instruments.

❑ **Put some of your savings in U.S. Government I-Bonds.**[45] I-Bonds, which must be purchased directly from the Treasury Department, carry no risk but are paying inflation-adjusted rates well above any other savings vehicle.

❑ **Know the difference between "yield" and "total return."**[46] SMI readers are sometimes perplexed when their calculations don't match our published data. Often, the discrepancy involves failing to take into account "total return." Any interest-rate changes that occurred while the investment was held will affect the total return of a bond investment. If rates have fallen, the bond price will rise and boost the total return. If rates have risen, the bond's value will have fallen, and the total return might be a loss. With stock investments, the total return takes into account the buying/selling price *and* any income distributions that occurred. Such distributions sometimes can change a so-so price performance into an attractive total return.

❑ **Accept the fact that some investments don't work out.**[47] Investing involves probabilities, not certainties. Some investments will be winners, others will be duds! Keep that in mind, and maintain a margin of safety that allows you to endure a range of potential outcomes in the shorter term.

❑ **Safeguard your brokerage account information.**[48] Account hacking is rare, and most brokers promise to reimburse you for any money taken from your account by an unauthorized party. However, things could get more complicated if you are at fault because you didn't safeguard your sign-in details. It's up to you to keep your log-in information secure and to review your account statements for unauthorized activity.

❑ **Watch out for fund-related capital gains taxes!**[49] If you're investing via a taxable account, fund distributions can create a tax liability. With careful planning, you can avoid, lessen, or delay the tax impact of distributions.

Broadening your portfolio

Once you become an experienced investor, you may wish to broaden your portfolio to reduce risk or take advantage of market conditions. Consider the *(continued on page 188)*

[33]Aug2021:p119 [34]Jul2021:p103 [35]Jan2021:Cover [36]Oct2021:p151 [37]bit.ly/SMI-FPR [38]Feb2021:p23 [39]Apr2021:Cover [40]Apr2019:p57 [41]Feb2021:p25 [42]Nov2021:p169 [43]Sep2021:Cover [44]Nov2021:p167 [45]Dec2021:p184 [46]May2021:p71 [47]Feb2021:Cover [48]Jun2021:p87 [49]Dec2021:p183

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

TEACH YOUR KIDS THE "WHY" BEHIND GENEROSITY THIS CHRISTMAS

by Matt Bell

I know several young adults who grew up in Christian homes and saw their parents giving to their church, but none of these young people really understood why. One 20-something man said that when his parents gave, it seemed as if they were just "checking a box."

If ever there were a time of year perfectly suited to teaching our kids why we give, and getting them involved in generosity, it is the Christmas season.

A grateful response

The Bible says we love because God first loved us (1 John 4:19). Much the same can be said about generosity. One reason we give is that God first gave to us. Out of His great love, God gave us his Son, and through faith in Him, the promise of salvation.

"For God so loved the world that he gave his one and only Son, that whoever believes in him shall not perish but have eternal life" (John 3:16).

In that well-known verse from John's gospel, we see God expressing one of the most fundamental aspects of His nature and acting as the ultimate role model for generous living. The Bible says we are made in God's image. Since God is endlessly generous, that means generosity is woven into our spiritual DNA. To live generously is to live in sync with our design.

So it's crucial to help your kids see that giving isn't about paying a bill or checking a box. It is an expression of gratitude toward our endlessly generous God. It is also a way of acknowledging that God gives us everything we have—the roof over our head, the food on our table (1 Chronicles 29:14). And, finally, partnering with God in addressing some of the world's greatest needs is essential to living the kind of meaningful, joyful lives he intends for us to live (Acts 20:35).

Putting a face on generosity

If our kids are to understand why God designed us to live generously, the topic has to be made personal and practical, not theoretical. They have to understand just how deeply Jesus cares about the poor. The Bible says that when we help the poor, it is as if we have assisted the Lord Himself.

"Whoever is kind to the poor lends to the Lord, and he will reward them for what they have done" (Proverbs 19:17).

The more real we can make this for our kids, the better. That means getting real money involved—their money. Here are some very tangible ways our kids can help those who are hurting. Each one comes with an opportunity to learn the surprising truth about the millions of people—millions of children—in different parts of the world who don't have access to so much that we so easily take for granted: food, clean water, a decent home, education, health care, safety, Bibles, and more.

● **Support a child through a ministry such as Compassion International.**[1] Sponsorship provides food, health care, clean water, education, and opportunities to hear about and experience the love of Jesus. Have your child contribute to the monthly cost and write to your sponsored child. Keep your sponsored child's picture somewhere visible in your home. If you already support a child, work as a family to send something extra as a Christmas gift this year.

● **Participate in Operation Christmas Child,**[2] a project of Samaritan's Purse. With this initiative, you and your children will fill a shoebox with small toys, school supplies, and hygiene items. The shoeboxes will be delivered to children around the world impacted by war, poverty, or natural disasters as a way of sharing the Good News of Jesus. (For an extra $6 donation, a child who receives a shoebox will have the opportunity to participate in a 12-lesson discipleship program and receive a Bible.) Have your child go with you to the store to buy supplies that will go in the shoebox and encourage them to use some of their own generosity dollars to make the purchase. Ask your child to write a note to the recipient.

● **Buy gifts that provide ongoing food, income, health care, spiritual encouragement, and more for needy families.**[3] Compassion International offers an online catalog that enables your child to choose among numerous items—such as Bibles, mosquito nets that protect children from malaria, farm animals that provide milk or eggs for the recipient's family to use (or to sell), and even soccer balls for kids who've had to use knotted up rags as balls.

● **Participate in Angel Tree.**[4] Through this Prison Fellowship program, parents who are in prison have the opportunity to suggest gifts for their children. Gifts are then purchased on their behalf and delivered to their children along with a message from their imprisoned parent, the Gospel message, and a Bible. Many churches continue to build relationships with Angel Tree families in their area throughout the year, with some offering children the opportunity to participate in Christian summer and sports camps.

● **Invest in spreading the Gospel by supporting Cru's Jesus Film Project.**[5] This initiative has been effective in introducing people to Jesus throughout the world. The organization's gift catalog offers creative opportunities to provide for people's spiritual needs as they are helped with their physical needs.

● **Provide clean water for families living in areas where access is in short supply** through ministries such as Water Mission[6] or Lifewater.[7]

This Christmas, as we celebrate and give thanks for the Greatest Gift ever given, is the perfect time to help our kids develop or strengthen hearts of generosity that are central to their God-given design. ◆

[1] www.compassion.com/sponsor_a_child/ [2] sampur.se/30i81K3 [3] www.compassion.com/charitable-gift-catalog.htm [4] www.angeltree.org [5] give.cru.org/2021-jesusfilm-catalog.html [6] watermission.org [7] lifewater.org

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

BEWARE THE MUTUAL FUNDS' END-OF-THE-YEAR TAX TRAP

December is the most dangerous time of the year for investors who own mutual funds in *taxable* accounts.[1] Here are some basics concerning taxes and mutual funds that can help you navigate what otherwise can be a tricky and confusing month.

As they invest their shareholders' money throughout the year, mutual funds incur capital gains and losses. They also receive dividend and interest income. From a tax point of view, all of this is done on behalf of shareholders. As far as the IRS is concerned, *it's as if you owned all the investments outright, and the gains and losses that result are all your personal gains and losses.* There are three ways gains happen:

- Funds invest in stocks that pay dividends. The funds collect the dividends and pay them to you periodically.
- Funds invest in bonds or other debt securities that pay interest. They collect the interest and pay it out periodically.
- Funds sell one of their investments for more than they paid, thereby reaping a capital gain. They keep track of these gains (and offset them against any capital losses), and pay them out to you periodically.

All of these payments to you are called "distributions." The fund decides whether to make these periodic distribution payments monthly, quarterly, semiannually, or annually. The amount you receive depends on how many shares you own.

The distribution two-step

A fund goes through a two-step process in making distributions. First, it "declares" the amount of the distribution it intends to make and sets aside the necessary cash. This has the effect of suddenly lowering the net asset value of the fund—one day the money is being counted as part of the fund, and the next day, the day of the declaration, it isn't.

This sudden drop in value startles newer investors because they mistakenly think money has been lost.[2] It hasn't—it's merely being removed from the fund so the fund company can pay it out. The date this declaration happens is called the "ex-dividend" date, *and it is the significant date as far as your taxes are concerned.*

The second step of the process is when the fund transfers the money to investors. This happens on the "payment date," but that date has no significance when computing taxable income.

What you don't know CAN hurt you

Investors tend to have two misconceptions about mutual-fund taxation.

- **Misconception #1:** "As long as I don't sell any of my mutual-fund shares, I won't have any capital gains taxes to pay." The mutual fund is continually buying and selling securities within its portfolio. Each time it sells one, it creates a capital gain or loss. You participate in your fair share of these gains or losses at the time the fund declares a capital-gain distribution, and you will owe tax on that distribution, *regardless of whether you've sold any shares.*

When you eventually sell your shares, any capital gain (or loss) must be reported on Schedule D of your Form 1040 tax return. One way to *delay* paying tax on a capital gain is to avoid selling mutual funds just before the end of the year. If you sell near year-end, any capital-gains taxes owed will be due by mid-April 2022. However, if you wait until the first week of January to sell, the tax on gains won't be owed until April 2023. (By the same token, a good time to sell a fund at a *loss* is in December, as the loss will be deductible on your next tax return—filed just a few weeks or months later.)

- **Misconception #2:** "It's a good idea to invest in a mutual fund just before one of its periodic distributions." Actually, it's a bad idea for investors in taxable accounts because it creates an immediate tax liability. If an investor buys a fund today and the fund declares a distribution tomorrow, the investor owes tax on the distribution amount. (There is no additional benefit to owning a fund on the ex-dividend date *because the amount the shareholders receive is deducted from the fund's value that same day.*)

Most funds make distributions at roughly the same time each year (December is the busiest month of all), and a fund company usually will announce ahead of time when a distribution will happen. This presents an opportunity for savings. Before making a significant purchase of shares in any mutual fund, check (1) if a distribution will be made soon, and (2) the fund's estimate of the amount. Most funds post this information on their websites. If a distribution is scheduled soon, you have the option of waiting to purchase your shares until after the distribution to avoid its tax impact.

Pay attention

Most investors likely didn't receive significant distributions last year due to the sharp market decline in early 2020. But given the considerable gains most stock funds have had since then, some funds will have significant distributions this year. If you're following SMI's strategies in a taxable account (Stock Upgrading is the strategy where this is most likely to apply), paying attention to distribution dates can save you money at tax time—or at least delay the paying of those taxes for another year.

One cautionary note: A preoccupation with taxes can be counterproductive. The information here is intended to help you make decisions regarding the *timing* of moves you are inclined to make already. Generally speaking, SMI doesn't recommend making fund changes *solely* for tax purposes. ◆

[1]Investors in tax-advantaged accounts such as IRAs, 401(k)s, and 403(b)s are not impacted by fund distributions. Distributions typically affect only investors using taxable accounts. [2]See Dec2018:p183 for a visual illustration of how distributions impact share prices and returns.

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

I-BONDS ARE THE BEST DEAL IN FIXED-INCOME RIGHT NOW

Bond investors haven't had much to smile about this year. Depending on which maturity one observes (10-year, 30-year, etc.), 2021 has been either the 3rd-, 4th-, or 5th-worst year to own Treasury Bonds in the past 50 years, according to market researcher Jim Bianco.

Meanwhile, October's Consumer Price Index surged to 6.2% over the prior 12 months. Historically, interest rates have tended to rise in tandem with higher inflation. But in the current cycle, the "transitory inflation" narrative (along with the constant buying by central banks) has kept bond yields subdued thus far. On the same day the latest 6.2% annual inflation rate was announced, the 10-year Treasury bond yielded only 1.5%. That's an enormous gap—and a significant problem for fixed-income investors.

Against this backdrop, the appeal of U.S. Government I-Bonds is easy to see: their annualized interest rate is currently 7.12%, exceeding any other type of bond yield available. Plus I-Bonds offer favorable tax treatment and significant protection against loss. How is this possible?

I-Bond basics

I-Bonds are savings bonds issued directly by the government to investors. The interest rate on I-Bonds consists of a *fixed rate* plus an *inflation rate* that adjusts every six months (the "I" in I-Bonds). Currently, the fixed rate is 0% and the semiannual inflation rate is 3.56%, so the composite (total) semiannual rate is 3.56%. The inflation rate, based on the federal government's CPI-U rate, adjusts twice a year—on the first business day of May and the first business day of November. Compounding on I-Bonds is semiannual,[1] so if this rate remains unchanged next May, the full-year return would be 7.12%. Of course, this rate could go up or down every six months.

The disparity between the I-Bond yield and other bonds comes from the fact that I-Bonds are guaranteed to match the rate of inflation. In contrast, other bond yields currently lag inflation by record margins. In other words, I-Bonds have already had their rates adjusted based on the recent surge in inflation, while other bonds have not.

More good news: the composite rate can never fall below 0%. So the only way the yield will decrease is if inflation does. That's different than the federal government's other inflation-based bond offering, TIPS (Treasury Inflation-Protected Securities), which can generate negative returns in a deflationary environment.

Another benefit of I-Bonds is their tax treatment. I-Bond interest is exempt from state and local income taxes. And, because you won't receive any income from your I-Bonds until you redeem them, federal income taxes are not due until maturity (30 years) or redemption, whichever comes first.

I-Bond drawbacks

All of this sounds rather amazing in a world in which 10-year Treasury bonds yield 1.5% and inflation is running 6.2%—but note these three restrictions.

1. Holding period. I-Bonds must be held at least 12 months, making them less liquid than other fixed-income investments. If they are redeemed between one and five years, you will lose the last three months of interest. Still, if the inflation rate doesn't decline before next May, you could buy an I-bond today, redeem it 366 days from now, and earn 5.3% (after forfeiting three months' interest).

2. Purchase maximums. In most cases, you can purchase only $10,000 of I-Bonds per calendar year per account holder. If you are due an income tax refund, that refund can be directed to purchase up to an additional $5,000 of I-Bonds.

While these restrictions are significant, a couple who act promptly could potentially buy $20,000 of I-Bonds between now and year-end, then turn right around and buy another $20,000 in early 2022. If you have a tax refund, that could be added on top, up to an additional $5,000 (per return, not per person).

3. Direct purchase only. This is a biggie because it means *you can't buy I-Bonds within your retirement or brokerage account.* Instead, you must open an account at treasurydirect.gov. The process isn't too painful, however, and the purchase money simply transfers from your bank account. So as long as you can get "buy bonds" money into your bank account, you're all set.[2]

I-BONDS	
Current annual rate:	7.12% for bonds issued November 2021 through April 2022
Denominations:	Electronic: $25 and above Paper: $50, $100, $200, $500, $1,000*
Max. yearly purchase:	Electronic bonds: $10,000 Paper bonds: $5,000

*Paper bonds are available only if purchased with a tax refund.

Conclusion

Attractive bond opportunities are few and far between right now, but I-Bonds certainly fit that description. If they were easier to own and transact in, they'd already be in every bond investor's portfolio. This is a rare deal that favors individuals over institutional investors. For once, the little guy comes out on top!

Unfortunately, you won't find I-Bonds in the SMI strategies because of their purchase restrictions. To be clear: We think I-Bonds are probably the best bond investment available right now—better than the funds currently recommended in SMI's Bond Upgrading portfolio. We can't recommend I-Bonds there because of the direct-purchase requirements. But if your portfolio calls for bond exposure and you can work with the TreasuryDirect restrictions, I-Bonds are a great option right now. ◆

[1]Interest is credited monthly and automatically reinvested. The total will result in the semi-annual yield of 3.56% after six months. [2]Trusts and businesses are also eligible to purchase I-Bonds. See bit.ly/I-bonds-how-to for details, as well as a helpful purchasing walkthrough.

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

RETIREMENT SURPRISES

Many people spend decades preparing for retirement. They consider how much money they may need, where they'd like to live, how they plan to spend their time, and more. Still, after so much time getting ready for the final season of life, when that time finally comes, even the best prepared often find that retirement comes with a surprising number of, well, surprises. To reduce *your* surprise factor, here are some of the often-unexpected realities of retirement, both financial and emotional.

Will I *have* enough?

Much research has revealed the need for workers to better prepare financially for retirement. For example, the Employee Benefit Research Institute has conducted a long-running series of studies highlighting the disconnect between the retirement expectations of today's workers and the actual experiences of today's retirees. The disconnect between expectation and reality can lead to very unpleasant surprises.

An overarching conclusion is that many of today's workers will retire sooner than they anticipate. The median age at which today's workers *expect* to retire is 65, whereas the median age at which today's retirees *actually* retired is 62. To be sure, some early retirees left the workforce because they found they could afford to retire sooner than expected. But many early retirees had no choice. They *had to* retire because of health issues—their own or those of a loved one—or because a company downsizing left them without a job.

A second conclusion from EBRI research relates to the expectation held by many of today's workers that they'll be able to generate paid income during retirement. EBRI concludes that relatively few will be able to do so. While 72% of today's workers anticipate doing some paid work in retirement, only 30% of today's retirees have done so, suggesting that the expectation of securing paid work in retirement is overly optimistic.

The ongoing burden of income taxes is another area of surprise for retirees. Many regret failing to take advantage of Roth IRAs or 401(k)s. A few years ago, when Vanguard asked readers of its blog about their retirement regrets, this was one of the most common. One reader said, "In addition to being diversified in asset classes, I should have been diversified in tax types. Most of my funds are in a traditional 401k...so now everything I withdraw is taxable."

Jim M., a recently retired SMI member, agrees. Jim and his wife are in fine shape financially, but looking back, he wishes he had chosen his employer's Roth 401(k) instead of a traditional account. He says that would have allowed him to "pay the taxes on the seed rather than on the harvest."

One more common surprise is the reluctance many retirees have to spend from the nest egg they worked so hard to accumulate. As a result, some retirees spend far less than they could, depriving themselves of the very activities they most looked forward to as they neared retirement. At 71, Jed Berliner told *The Wall Street Journal*, "I *still* cannot get around my 45-year-old mental block against spending retirement savings."

Will I *be* enough?

David Ekerdt, a former professor of sociology and gerontology at the University of Kansas, began researching retirement in the mid-1970s. Along the way, he became editor of the four-volume *Encyclopedia of Aging*. If ever there was an expert on later life, it would be him. And yet, as he wrote in *The Wall Street Journal*,[1] when he retired in 2020, "there was still plenty that I wasn't prepared for."

Since he no longer worked for the university, he no longer had access to services such as the school's tech support should something go wrong with his computer. He also had to find space to store his files. More importantly, and more difficult to resolve, were the emotional challenges he didn't anticipate.

For example, he now regularly faces questions about how he's doing and *what* he's doing, which can put him on the defensive. "I have had to devise an account of myself that I find appealing, even if not telling the whole picture."

That whole picture includes wondering whether his time is well-used. He doesn't allow himself to watch TV during the day, and yet, after decades of having a schedule to adhere to, he's reluctant to fill his days with ongoing commitments. So far, that has caused him to resist an invitation to volunteer once a week at a botanical garden he loves. "I have two angels perched on my opposite shoulders. One whispers in my ear, 'Relax!' The other asks, 'Shouldn't you be doing something?'"

When he is out in public, Ekerdt said he's noticed a strange new sense of self-consciousness. "Am I the oldest diner in the restaurant? In stores, are people treating me differently? Preretirement, I wore the shield of being a Working Adult, albeit with gray hair. Dropping that shield, I face membership in a new life stage, one apart from and discontinuous with the decades before."

Less than two years removed from the working world he was a part of for such a long time, Ekerdt sounds unsettled by what he sees when he looks in from the outside."Being away for a year or two, it is plain to me that I couldn't tomorrow walk in, sit down and readily resume my old duties. Things have moved on, and every day the organizational knowledge and skills of a retiree like me become a little more obsolete."

He's viewing himself differently as well. "What is clear now is that I have arrived at a place that is further than I had imagined from *(continued on page 190)*

[1] on.wsj.com/3H6V6Lv

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 10/31/2021	Portfolio Invested in	MOM	Performance 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	33.6	9.2%	2.7%	0.9%	2.2%	30.6%	12.5%	0.94	0.11%/0.08%	20%	16%	12%	8%	VTIAX/VXUS
Extended Market Index	Small company stocks	57.4	17.7%	5.4%	3.2%	4.8%	49.3%	21.9%	1.33	0.06%/0.06%	40%	32%	24%	16%	VEXAX/VXF
S&P 500 Index	Large company stocks	58.9	24.0%	7.0%	5.1%	10.9%	42.9%	21.4%	1.00	0.04%/0.03%	40%	32%	24%	16%	VFIAX/VOO
Total Bond Market Index	Medium-term bonds	-0.4	-1.6%	0.0%	-1.1%	1.1%	-0.4%	5.7%	1.00	0.05%/0.035%	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 Jan2019:p7-8.

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 10/31/2021[1]	Ticker Symbol	Percentage Allocated	Date Added	E-Trade Avail[2]	Fidelity Avail[2]	Schwab Avail[2]	MOM[3]	Performance YTD	1Mo	3Mo	6Mo	12Mo	Relative Risk[4]	Exp Ratio	Redemp Fee?[5]
Situational	Invesco Op Yld Commodity No K-1	PDBC	10%	11/21	ETF	ETF	ETF	94.7	45.0%	5.1%	8.6%	18.8%	67.3%	1.11	0.59	None
Situational	Wasatch Emrg Mrkts Select Inv	WAESX	10%	10/21	NTF	NTF	NTF	83.6	24.3%	2.4%	11.2%	18.5%	53.9%	1.15	1.51	2%/60days
Small Company	Invesco S&P SmCap Value Mtm	XSVM	10%	09/21	ETF	ETF	ETF	108.2	51.8%	4.5%	6.8%	7.3%	94.1%	1.75	0.39	None
Small Company	Bridgeway Small-Cap Value	BRSVX	10%	09/21	NTF	Yes	Yes	140.9	66.7%	6.4%	11.2%	16.9%	112.8%	1.56	0.94	None
Small Company	iShares Russell 2000 Value index	IWN[6]	10%	03/21	ETF	ETF	ETF	71.6	27.5%	3.8%	4.5%	3.2%	63.9%	1.43	0.24	None
Large Company	Kinetics Internet No Load	WWWFX	10%	11/21	NTF	NTF	NTF	99.9	32.8%	17.3%	11.8%	0.9%	87.2%	1.63	2.07	2%/30days
Large Company	Invesco S&P 500 High Beta ETF	SPHB	10%	04/21	ETF	ETF	ETF	104.9	39.5%	7.5%	8.3%	8.4%	88.2%	1.75	0.25	None
Large Company	iShares Russell 1000 Gwth index	IWF[7]	30%	08/21	ETF	ETF	ETF	64.4	24.1%	8.7%	6.4%	15.1%	43.0%	1.06	0.19	None

Footnotes: [1] Current Upgrading recommendations are based primarily on unpublished momentum data current through late November, rather than on the end-of-October momentum scores shown on this page. **[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 E-Trade (800-387-2331), Fidelity (800-343-3548), or Schwab (800-435-4000). Policies may change so verify accuracy. "Yes" means the fund is available for purchase but carries a transaction fee. ETFs (exchange-traded funds) are available at all brokers and typically carry no transaction fee if bought/sold online. See Dec2020:p184 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 Jan2019:Cover. **[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 this fund, a redemption fee may apply when selling (e.g., a fee of 1% if you sell within 60 days of purchase). Fees sometimes change and may vary from broker to broker. Check with your broker for current information. **[6]** Traditional-fund alternatives to the IWN ETF include Vanguard's VSIAX, Fidelity's FISVX, and Schwab's SWSSX. **[7]** Traditional-fund alternatives to the IWF ETF include Vanguard's VIGAX, Fidelity's FFIDX, and Schwab's SWLGX.

RECOMMENDED FUNDS FOR SMI'S BOND FUND UPGRADING STRATEGY

Data through 10/31/2021[1]	Ticker Symbol	Percentage Allocated	Date Added	E-Trade Avail[2]	Fidelity Avail[2]	Schwab Avail[2]	MOM[3]	Performance YTD	1Mo	3Mo	6Mo	12Mo	Duration[8]	Exp Ratio	Redemp Fee?[5]
Vanguard S-T Infln-Protected Sec[9]	VTIP[10]	50%	06/21	ETF	ETF	ETF	9.8	4.8%	0.7%	0.6%	2.8%	6.4%	2.6	0.05	None
Permanent: Vanguard I-T Bond	BIV[11]	25%	Perm	ETF	ETF	ETF	-2.6	-2.6%	-0.5%	-2.0%	0.7%	-1.2%	6.6	0.05	None
Permanent: Vanguard S-T Bond	BSV[12]	25%	Perm	ETF	ETF	ETF	-1.8	-0.9%	-0.5%	-0.9%	-0.5%	-0.4%	2.8	0.05	None

Footnotes: [8] Duration: For bond funds, 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 Nov2018: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 and don't change from month to month. See Jan2015:p7 for more information. **[10]** Those preferring a traditional mutual fund option can buy Vanguard's VTAPX. **[11]** Those preferring a traditional mutual fund option can buy Vanguard's VBILX. **[12]** Those preferring a traditional mutual fund option can buy Vanguard's VBIRX.

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.

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

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 that offers 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 (March 2018:Cover article, also available online at bit.ly/smibroker) 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.

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

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.

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: Small-Company / Index Fund	10%	8%	6%	4%
Stock: Large-Company / Active Fund	10%	8%	6%	4%
Stock: Large-Company / Active Fund	10%	8%	6%	4%
Stock: Large-Company / Index Fund	30%	24%	18%	12%
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%

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.[2]

MORE ON BOND UPGRADING

Your bond allocation (if any) is divided among three funds, as seen in Table 2. One-half 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]Rounding off to the nearest $100 for each fund is fine. To make the calculation process easier, use SMI's online Fund Upgrading Calculator at bit.ly/upgrading-calc. [2]For more on ETF order types, see Dec2020:p184.

COVER ARTICLE / CONTINUED FROM PAGE 181

YOUR 10 MOST IMPORTANT FINANCIAL MOVES FOR 2022

following suggestions.

❑ **Study how inflation affects various types of investments.**[50] The U.S. may have entered a new inflationary cycle. It's wise to understand how inflation poses both risks and opportunities for investors—and act accordingly.

❑ **Take inflation seriously—even at relatively low levels.**[51] Speculation about possible "hyperinflation" (a low-probability outcome) shouldn't obscure the fact that even relatively low levels of inflation can exert a crushing toll on the purchasing power of your dollars over time. It's wise to position your investments to keep up with inflation or exceed it.

❑ **Become acquainted with stock funds designed to benefit from inflation.**[52] One such fund is INFL, the Inflation Beneficiaries ETF, a fund launched early in 2021.

❑ **Understand why rising interest rates affect virtually all corners of the investing landscape.**[53] Higher rates may signal a strengthening economy, but rising rates harm bondholders—at least in the short term. Rising rates also can unsettle the stock market.

❑ **Become familiar with bond products that offer protection from the impact of rising interest rates.**[54] When rates rise, bond prices fall. However, a relatively new bond product called IVOL is designed to *benefit* from rising rates. You may also want to consider using BulletShares, which provide some rate protection via a diversified portfolio of individual bonds.[55]

❑ **Consider commodities.**[56] Commodities (such as oil, gold, and wheat) are strongly cyclical and tend to move independently of stock/bond prices. You can invest in commodities (when they are showing solid momentum) by following the recommendations in SMI's Upgrading and Dynamic Asset Allocation strategies.

❑ **If you are following Dynamic Asset Allocation, add refinements to boost DAA's upside.**[57] We've explored two optional refinements that we think will boost performance without compromising the downside protection integral to DAA's purpose. One refinement calls for splitting DAA's domestic stock allocation (when DAA is invested in stocks) between *two* ETFs, instead of using only one. The other refinement—used when DAA is holding foreign stocks—adds Emerging Markets exposure. Read the monthly DAA updates online for guidance on when to apply these refinements.

❑ **If you're a Sector Rotation investor, study SMI's recent changes to the SR strategy.**[58] Sector Rotation is a long-time SMI success story, but the strategy's performance has been erratic in recent years. After extensive research, we made strategy tweaks in 2021 that have the potential to improve performance while also slightly reducing risk.

❑ **Determine whether you have too much exposure to your employer's stock.**[59] Being able to invest in company stock can carry attractive tax advantages. At the same time, it's risky to put too many of your investing eggs in a single basket.

❑ **If you're considering investing in higher-yielding dividend stocks as an alternative to lower-yielding bonds, know the risks.**[60] Although dividend stock funds have done well of late, they are subject to deeper losses than bond funds during market downturns. Always keep an eye on investment risk.

❑ **Want to invest in individual stocks? Learn about the relationship between a company, its stock, and its shareholders.**[61] Buying an existing stock is a bit like purchasing a used car—you buy it from a shareholder (i.e., the owner of the stock), not from the company directly. Your broker does all the record-keeping, so the company doesn't know when you buy shares or sell them—nor does it really care, as long as its stock price remains strong.

❑ **If you've been following the SMI's strategies but no longer have the time or the inclination to implement them yourself, consider having them managed professionally.** One option is to use the SMI mutual funds.[62] Another is to take advantage of the investment management service offered by SMI Private Client.[63] (The SMI Funds and SMI Private Client are managed by SMI Advisory Services—an affiliated but separate business from the SMI newsletter.)

Looking toward retirement

Your investing journey consists of two main phases: the accumulation phase and the decumulation phase. Just as *building* wealth requires a plan, so does *spending down that wealth* in your later years. These suggestions may help.

❑ **Consider whether it is time to reduce your investment risk.**[64] Never take more risk than is necessary to reach your financial goals! If you're in your 50s, 60s, or 70s and your investments have prospered in recent years, maybe it's time to dial down your risk. MoneyGuide, the award-winning financial planning software available to SMI Premium-level members,[65] can help you assess your financial strength and determine if a lower level of risk is appropriate from here on out.[66]

❑ **Choose a "glide path" for your retirement investments.**[67] A glide path refers to the change in your stock allocation as you approach retirement and then move through your retirement years. SMI recommends a *declining* glide path, in which the stock allocation is steadily reduced as the years go by. However, some financial researchers suggest a different approach: the stock allocation is reduced before retirement but then reverses course and begins to rise after several years.

❑ **Don't get caught off-guard by retirement surprises.**[68] Leaving the paid workforce and joining the ranks of the retired brings forth unexpected realities—both financial and emotional. Be prepared. Start now to develop a plan for your money and your time.

❑ **If you're already retired, take full advantage of SMI's resources for those who have reached their retirement**

[50]May2021:Cover [51]Jun2021:p88 [52]Jul2021:p104 [53]Mar2021:p34 [54]Mar2021:p40 [55]Mar2019:p38 [56]Jan2021:p8 [57]Apr2021:p56 [58]Sep2021:p136 [59]Jan2021:p9 [60]Sep2021:p137 [61]Apr2021:p55 [62]www.smifund.com [63]www.smiprivateclient.com [64]Apr2021:p57 [65]For a one-time $50 fee. [66]soundmindinvesting.com/moneyguidepro [67]Oct2021:p153 [68]Dec2021:p185

years.[69] Sound Mind Investing helps you prepare financially for your later years, *and* we help you use your money wisely when those years arrive. From "Giving in Retirement" to "Estate Planning" to "How to Pay for Healthcare," we've got you covered.

❑ **Do careful beneficiary planning.**[70] Did you know beneficiary designations and property titles take precedence over the provisions of a will? Properly executed beneficiary and title decisions can keep assets away from creditors, reduce estate expenses, and speed up the distribution of assets. (Good beneficiary planning also can *slow down* the distribution of assets in situations where that would be helpful.)

❑ **Prepare financially for the death of your husband or wife.**[71] Death is a fact of life, so it's wise to prepare for your spouse's death (and your own) well before that time comes. Consider these questions: What will happen to your income stream from Social Security if your spouse were to die? How would any pension be affected? Is there sufficient life insurance? Have you identified a trustworthy person—an attorney, an accountant, an advisor—who would be available to help the surviving spouse?

❑ **Prayerfully develop a plan for transferring your wealth.**[72] Have you thought about how much of your wealth to leave to your children? Would it be better to pass on some wealth while you are still alive? Have you considered how receiving an inheritance might affect them *negatively*, especially if it's a large one? These are a few of the crucial questions surrounding wealth transfer. Don't ignore them.

College / Income Taxes / Social Security / Insurance / Miscellaneous

Wise financial management involves many "non-investing" matters, such as finding the best deal on a college education, saving on taxes, making the most of your Social Security benefits, and buying appropriate insurance. Here are ideas that may help you in such areas.

❑ **Learn how to navigate the college admissions process.**[73] If you and your child have "selective" colleges in mind, increase the odds of acceptance by having your child take Advanced Placement classes in high school and get involved in extracurricular activities, especially in leadership roles. Don't ignore less selective colleges, however. To recruit students, such schools often offer steep discounts.

❑ **Don't borrow money for college without studying loan terms and other details.**[74] Many people take out college loans without understanding what they're getting into. That includes parents who borrow to put their kids through school. (People older than 60 make up the fastest-growing segment of student-loan debtors.) Learn about the four main types of education loans and how they differ.

❑ **Cut your income-tax bill by tracking non-cash donations.**[75] A tax law change in 2018 means that fewer taxpayers itemize deductions than in the past. You may be able to stay among the itemizers (and reduce your tax liability) by getting the highest possible valuations for non-cash giving—such as donations to thrift stores. Some thrift store websites can help you document fair-market value. Commercially available software can help too, such as TurboTax's "ItsDeductible."

❑ **Learn how working in your later years may affect your Social Security benefits.**[76] If you claim retirement benefits before your "Full Retirement Age" (as defined by law) *and you also earn money by working*, your monthly benefit may be reduced. Reductions will kick in if you earn more than $19,560 (2022 limit). However, if you'll reach your Full Retirement Age in 2022, you can earn up to $51,960 before facing a reduction. Once you reach Full Retirement Age, earnings no longer affect benefits.

❑ **Educate yourself about the funding challenges facing Social Security.**[77] Social Security's financial situation is deteriorating year by year. The program's Board of Trustees estimates there won't be enough revenue coming in to pay full benefits within a dozen years. Before that happens, Congress likely will shore up the program with a combination of tax increases and benefit reductions. (Or, if not actual reductions, at least slowdowns in the inflation-adjusted growth of benefits.) The uncertainty surrounding the situation (*When will Congress act? What changes will be made?*) makes it all the more important to build your personal retirement savings via an employer-sponsored plan and/or an Individual Retirement Account.

❑ **Need to rent a car? Find out if you should get add-on insurance.**[78] You may be already covered for certain types of incidents under your regular auto insurance—or by a credit card benefit. But don't take chances. It may be wise to pay for the rental company's "loss-damage waiver" that gets you off the hook if the car is damaged or stolen.

Conclusion

As we enter a new year, you may be thinking, "If only I knew what lies ahead!" Of course, you can never know that.

But there is something you *can* know—something of inestimable value. You can "know Him"—Jesus Christ. In the words of the Apostle Paul, "[E]verything else is worthless when compared with the infinite value of knowing Christ Jesus my Lord…. I want to know Christ and experience the mighty power that raised him from the dead. I want to suffer with him, sharing in his death, so that one way or another I will experience the resurrection from the dead!" (Philippians 3:8,10-11 NLT).

So as you work through your Top 10 list, never lose sight of your *true* #1: knowing Christ Jesus, "the founder and perfecter of our faith, who for the joy that was set before him endured the cross, despising the shame, and is seated at the right hand of the throne of God" (Hebrews 12:2 ESV).

May the God of peace equip you in 2022 "with all you need for doing his will. May he produce in you, through the power of Jesus Christ, every good thing that is pleasing to him. All glory to him forever and ever! Amen" (Hebrews 13:21 NLT). ◆

[69]May2021:p73 [70]Mar2021:p41 [71]Jun2021:89 [72]Jul2021:p105 [73]Mar2021:p38 [74]Aug2021:p118
[75]Jul2021:p102 [76]Aug2021:p121 [77]Oct2021:Cover [78]Jun2021:p86

MONEYTALK

FUND UPGRADING: NO CHANGES FOR DECEMBER 2021

[Upgrading is a mechanical strategy that involves owning mutual funds and ETFs that are exhibiting strong recent momentum. Current recommendations are listed on the "Basic Strategies" page.]

There are no changes to Stock or Bond Upgrading for December. All current holdings are performing well and remain recommended. ◆

LEVEL 4 / CONTINUED FROM PAGE 185

RETIREMENT SURPRISES

the worker that I was, from the setting where I worked, and from the younger man that I had been."

Minimizing your financial surprises

Some of the most important ways to be more *financially* prepared for retirement include taking the steps SMI writes about regularly. These steps include running the numbers on how much you're likely to need and investing enough each month to get there. We also suggest holding off on taking Social Security at least until full retirement age and perhaps until age 70.

One other idea to consider is purchasing an annuity with a portion of your retirement savings. While there are pros and cons to consider,[1] an annuity may help you avoid an overly frugal retirement. Retirees who hold more of their wealth in forms that provide guaranteed income spend much more than those who hold their wealth primarily in non-annuitized assets.

Minimizing your emotional surprises

Reflecting on the candid words of David Ekerdt, dealing with the *emotional* surprises of retirement seems just as challenging as dealing with the *financial* surprises, if not more so.

As Christ-followers, our identity is found in our relationship with Jesus. Still, even for the strongest believer, retirement marks a significant turning point. To prepare, it's important to think not just about what we are retiring *from* but what we are retiring *to.* Our whole lives are to be lives of service and impact. Hopefully, the end of full-time paid work will mark the beginning of a new era of service—something that we find meaningful and look forward to each day.

Another way to navigate the transition is to *ease* into retirement. Find out if your employer will allow you to work part-time for a while as you acclimate to a life of less dependency on a paycheck and a full-time work schedule.

Lastly, develop a plan. Just as having a written investment plan during the accumulation phase of life is essential, it is important to have one for the decumulation phase. That means not just spelling out how you plan to tap financial resources, but how you plan to spend your time—how you will use your gifts and talents to make a difference for the rest of your days. ◆

CHRISTMAS GIFT BOOK ANNOUNCEMENT

by Austin Pryor

In 1995, I began what has become an annual Christmas tradition: offering, as a gift to our active members, a book that has been meaningful in my Christian life. I do this to express appreciation for your support. Without loyal readers, we could not have served the body of Christ these past 30-plus years.

This year, I've selected *When the Game Is Over, It All Goes Back in the Box* by John Ortberg as our Christmas gift book (see page 178 for an excerpt). This book offers a clear and challenging reminder that someday the "game" of life will be over. Living in light of that simple truth helps us focus our time, energies, and resources on what really matters.

To receive your gift copy, send your request (no phone calls or emails, please) to: **Christmas Gift Book, SMI, Unit 202, 9700 Park Plaza Ave, Louisville, KY 40241-2287**.

Note: This offer is for active SMI members only. Your letter must be postmarked no later than Dec. 20, 2021. (Please don't request this gift copy unless you are committed to reading it—the cost of sending out hundreds of books is substantial.) You should receive your book by the end of January.

Susie and I trust this book will be another avenue God uses to "equip you with everything good for doing his will, and may he work in us what is pleasing to him, through Jesus Christ, to whom be glory for ever and ever. Amen."

On behalf of the SMI staff and all the Pryor family, may you have a spiritually fulfilling celebration of Christ's first coming as you rejoice in our Savior. Merry Christmas! ◆

ANNUAL STATEMENT OF OWNERSHIP, MANAGEMENT, AND CIRCULATION

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[1] Aug2019:Cover

PREMIUM STRATEGIES

The strategies described below are available to SMI Premium-level members. They have characteristics that could 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

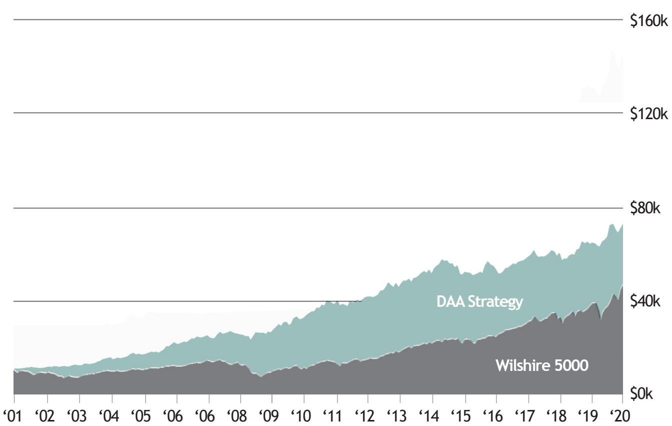
Overview

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 2001-December 2020



Strategy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Avg[1]	Worst12[1]	Rel Risk[1]
DAA	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%	10.4%	-13.7%	0.60
Wilshire 5000	-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%	8.0%	-43.3%	1.00

SECTOR ROTATION

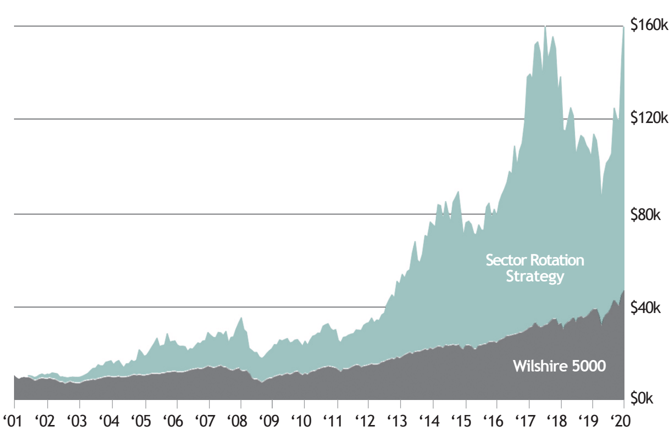
Overview

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:** Extremely 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 2001-December 2020



Strategy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Avg[1]	Worst12[1]	Rel Risk[1]
SR	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%	15.1%	-38.6%	1.69
Wilshire 5000	-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%	8.0%	-43.3%	1.00

[1]The three data points at the far right in each performance table cover the full 20 years from Jan2001-Dec2020. "Avg" shows the average annualized return over those 20 years. "Worst12" represents the worst investor experience over 217 rolling 12-month periods during those 20 years.

PERIODICALS POSTAGE
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Dated Investment Material
Please Do Not Delay!

PERFORMANCE DATA

SOUND MIND INVESTING MODEL PORTFOLIOS • DATA THROUGH OCTOBER 31, 2021

BASIC STRATEGIES

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	15 Yrs Annual
U.S. Stock Market[1]	23.4%	6.7%	5.0%	44.4%	21.8%	19.0%	16.2%	10.8%
Just-the-Basics[2]	18.7%	5.6%	3.6%	43.3%	20.0%	17.1%	14.1%	9.6%
Stock Upgrading[3]	14.5%	5.6%	5.0%	39.3%	15.0%	13.8%	12.3%	8.7%
U.S. Bond Market[4]	-1.6%	0.0%	-1.1%	-0.5%	5.6%	3.1%	2.9%	4.0%
Bond Upgrading[5]	-1.0%	0.1%	-0.4%	0.4%	6.3%	3.5%	3.7%	5.8%

PREMIUM STRATEGIES

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	15 Yrs Annual
DAA[6]	16.9%	5.8%	3.2%	23.5%	13.0%	9.8%	8.3%	9.3%
Sector Rotation	-22.6%	10.6%	4.1%	7.8%	-0.7%	10.4%	17.2%	12.7%
50-40-10 Blend[7]	12.0%	6.0%	4.0%	28.9%	12.8%	11.9%	11.1%	9.9%

Notes: Transaction costs and redemption fees—which vary by broker and fund—are not included. • [1] Based on the float-adjusted Wilshire 5000 Total Return index, the broadest measure of the U.S. stock market. • [2] Calculated assuming account 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 portfolio allocation for each risk category was divided evenly among all recommended funds. • [4] Based on Bloomberg Barclay's 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 I-T Bond Index (BIV), 25% in Vanguard S-T Bond Index (BSV), and 50% in the rotating recommended bond fund. The results prior to January 2015 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system. • [6] The results prior to January 2013 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system. • [7] For a portfolio allocated 50% to DAA, 40% to Stock Upgrading, and 10% to Sector Rotation. See the April 2018 cover article for details. Results prior to January 2013 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system.

THE SOUND MIND INVESTING MUTUAL FUND (SMIFX)

Current Returns as of 10/31/2021	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	12.89%	5.24%	4.20%	37.01%	14.08%	13.06%	10.89%
Wilshire 5000	23.40%	6.73%	5.00%	44.44%	21.78%	19.03%	16.16%
S&P 500	24.04%	7.01%	5.13%	42.91%	21.48%	18.93%	16.21%

Quarterly Returns as of 9/30/2021	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	7.27%	-3.42%	-2.48%	27.63%	7.91%	11.27%	11.33%
Wilshire 5000	15.62%	-4.44%	0.14%	32.36%	16.19%	17.01%	16.66%
S&P 500	15.92%	-4.65%	0.58%	30.00%	15.99%	16.90%	16.63%

Total/Gross expense ratio: 1.98% as of 1/29/21 (includes expenses of underlying funds)
Adjusted expense ratio: 1.20% as of 1/29/21 (excludes expenses of underlying funds)

Notes: The performance data quoted represent past performance, and past performance is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. • ***You should carefully consider the investment objectives, risks, fees, charges and expenses of the Funds before investing. The prospectus contains this and other information about the Funds. To obtain a prospectus or performance information current to the nearest month end, call 1-877-764-3863 or visit www.smifund.com. Read the prospectus carefully before investing.*** • Because the SMI Funds invest in other mutual funds, they will bear their share of the fees and expenses of the underlying funds in addition to the fees and expenses payable directly to the SMI Funds. As a result, you'll pay higher total expenses than you would investing in the underlying funds directly. • Returns shown include reinvestment of dividends and capital gains. The Wilshire 5000 index represents the broadest index for the U.S. equity market. The S&P 500 Index is an unmanaged index commonly used to measure the performance of U.S. stocks. You cannot invest directly in an index. • The Sound Mind Investing Funds are distributed by Ultimus Fund Distributors, LLC (member FINRA).

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