



**DAP**

A lifelong retirement plan

# Heads Up

Directed Account Quarterly Review

April 2015

## Riding Along With the Ups and Downs

The U.S. stock market had a phenomenal six-year bull run since March of 2009. The three major indices all posted double digit returns as shown in the chart below:

	Dow Jones Industrial Average	S&P 500	Nasdaq
3/9/09	6,547	676	1,268
3/9/15	17,996	2,079	4,942
increase	175%	208%	290%

With the market showing a long-term recovery, many investors are asking themselves if we have reached the top in the market. Robert Shiller's current CAPE ratio (cyclically adjusted price-to-earnings ratio) indicates that the S&P 500 valuation is at a ten year high. This is further reinforcement to investors that we may have reached the top and are heading into another bear market.<sup>1</sup>

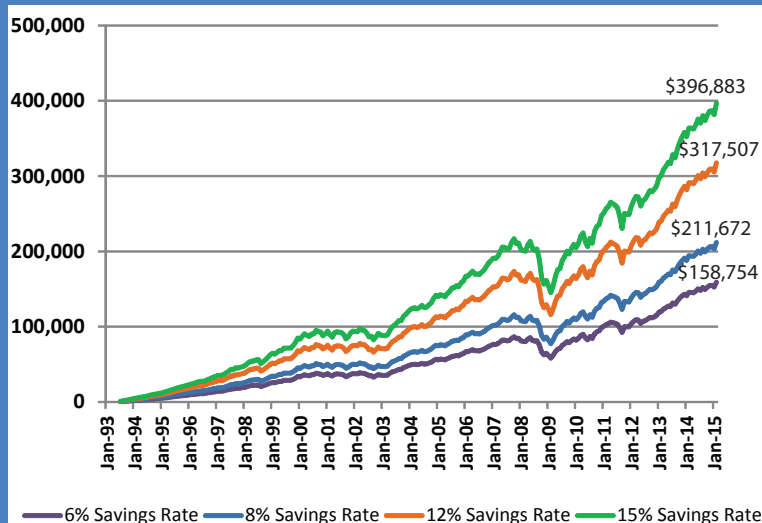
However, the US stock market continues to capitalize on healthy corporate earnings and relative strength in the economy. If you read some of the popular financial publications, you will see many differing opinions about the future of the market.

It is tempting to time the market rather than stay the course in hopes of preserving capital and staving off potential losses. Research has proven that market timing is extremely difficult to do. In order to do this successfully, one needs to determine when to get in and out both accurately and consistently. The rejection of market timing has been confirmed by various studies reported in the *Financial Analyst Journal*, *Journal of Financial Research* and other respectable sources. In fact, 1994 Nobel Memorial Prize winner, Paul Samuelson, argued that market timers do not do better over time than the "cautious chap" who keeps roughly 60% of their money in stocks and the remaining in bonds.<sup>2</sup>

The Directed Account Plan has two distinct employee groups - CommunityAmerica Credit Union (CACU) and the Former Trans World Airlines (TWA) Pilots and their beneficiaries. The CACU group is primarily in the accumulation phase of retirement, while the majority of the TWA Pilot group are in the distribution phase.

One of the benefits of my job is talking to the pilots. These participants have been with the DAP for over twenty years through two large market downturns. I've listened to some pilots share regrets of pulling out at the market bottom and not knowing when to get back in only to find they were too late. I've heard many stories of success with the Moderate Model. It is evident from reviewing the accounts with these participants, that those that bought, held and sat tight in the Moderate Model were rewarded with a respectable compounding of wealth over time.

## Simulated Savings with the Moderate Model



**simulation assumptions:** The time period represented in the graph above is the approximate 21.5 year period from July 1, 1993 to February 28, 2015. Savings rates are based on a fixed salary of \$50,000 with no salary adjustments over time and 12 pay periods per year. Assumes monthly savings are contributed to the DAP Moderate Model at the end of each month. Assumes a buy and hold strategy in the DAP Moderate Model. The graph uses the actual monthly returns of the Moderate Model Portfolio since the DAP's inception.

I thought this would be an excellent time to illustrate the potential long term reward of investing in the Moderate Model with the graph above. Taking the actual monthly returns of the Moderate Model since the inception of the DAP, I was able to construct four savings scenarios for a person making a \$50,000 salary. To keep it simple, I assumed this employee did not get any raises and saved the same amount each paycheck throughout his career. This graph shows how buying and holding in a balanced portfolio, even through market downturns can pay off over the long run. This is due to both dollar cost averaging and being invested on the best days. The graph also shows the advantage of saving a little more each paycheck. **continued on page 2**

## New look, new name!

Great-West Financial has a new name: **Empower Retirement**.™



There is a new logo and name on your website [www.dap401k.com](http://www.dap401k.com) and the communications that come from the DAP recordkeeper. This is only a branding change and in no way affects how your DAP plan is serviced. You have the same phone number 1-844-861-4DAP (4327) and same web site. There will be no impact on your fund line-up and your account will remain invested as you directed. The name change does not impact your account and there is nothing you need to do as a result of it.

The name **Empower Retirement**™ was selected because it demonstrates a commitment to empowering individuals to take charge of their own retirement future, and a spirit of confidence, partnership and progress.



## DAP Performance as of March 31, 2015 (in percentages)

Options & Models	Annual Return					Ytd 2015	Annualized Return			
	2010	2011	2012	2013	2014		3 yr.	5 yr.	10 yr.	20 yr.
<b>Stable Value Fund</b>	<b>3.88</b>	<b>3.63</b>	<b>3.07</b>	<b>2.49</b>	<b>2.15</b>	<b>0.55</b>	<b>2.49</b>	<b>2.96</b>	<b>3.78</b>	<b>4.92</b>
BC 1-3 Yr Gvt/Treas	2.40	1.56	0.51	0.37	0.64	0.54	0.70	1.06	2.71	4.05
<b>Value Stock Fund</b>	<b>16.85</b>	<b>-8.33</b>	<b>17.54</b>	<b>33.87</b>	<b>12.23</b>	<b>1.42</b>	<b>17.06</b>	<b>12.43</b>	<b>7.52</b>	<b>9.83</b>
Russell 1000 Value Index	15.51	0.39	17.51	32.53	13.45	-0.72	16.44	13.75	7.21	9.97
<b>Equity Index Fund</b>	<b>16.92</b>	<b>0.86</b>	<b>16.27</b>	<b>33.33</b>	<b>12.40</b>	<b>1.76</b>	<b>16.27</b>	<b>14.56</b>	<b>8.27</b>	<b>9.30</b>
Russell 3000 Index	16.93	1.03	16.42	33.55	12.56	1.80	16.43	14.71	8.38	9.58
<b>Growth Stock Fund</b>	<b>19.77</b>	<b>-3.31</b>	<b>14.99</b>	<b>37.47</b>	<b>11.55</b>	<b>4.30</b>	<b>16.75</b>	<b>14.87</b>	<b>9.42</b>	<b>9.02</b>
Russell 1000 Growth Index	16.71	2.64	15.26	33.48	13.05	3.84	16.34	15.63	9.36	8.75
<b>International Stock Fund</b>	<b>17.18</b>	<b>-16.36</b>	<b>16.54</b>	<b>17.64</b>	<b>-5.10</b>	<b>4.62</b>	<b>6.52</b>	<b>5.55</b>	<b>6.27</b>	<b>7.29</b>
MSCI EAFE Net Dividend	7.75	-12.14	17.32	22.78	-4.90	4.88	9.02	6.16	4.95	5.18
MSCI ACWI Ex-US IMI Net	12.73	-14.31	17.04	15.82	-3.89	3.55	6.52	5.02	5.67	5.39
<b>Div. Small Co. Stock Fund</b>	<b>26.60</b>	<b>-5.13</b>	<b>19.27</b>	<b>43.42</b>	<b>1.25</b>	<b>3.04</b>	<b>16.36</b>	<b>14.59</b>	<b>8.66</b>	<b>10.35</b>
Russell 2000 Index	26.85	-4.18	16.35	38.82	4.89	4.32	16.27	14.57	8.82	9.62
<b>Retirement Model</b>	<b>3.93</b>	<b>1.87</b>	<b>5.85</b>	<b>7.50</b>	<b>3.32</b>	<b>0.91</b>	<b>4.80</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Retirement Composite Index	4.77	0.77	3.79	6.07	2.25	0.75	3.35	3.26	3.65	4.97
<b>Conservative Model</b>	<b>9.46</b>	<b>0.99</b>	<b>8.59</b>	<b>14.09</b>	<b>6.28</b>	<b>0.97</b>	<b>8.10</b>	<b>7.32</b>	<b>5.85</b>	<b>7.12</b>
Conservative Composite Index	7.93	1.22	7.09	13.44	5.59	0.54	6.99	6.33	4.74	6.34
<b>Moderate Model</b>	<b>14.15</b>	<b>-2.33</b>	<b>12.12</b>	<b>21.83</b>	<b>5.93</b>	<b>2.08</b>	<b>10.73</b>	<b>9.56</b>	<b>7.14</b>	<b>8.29</b>
Moderate Composite Index	11.67	-0.48	10.92	20.53	6.18	1.71	9.91	8.94	6.14	7.16
<b>Aggressive Model</b>	<b>16.93</b>	<b>-4.33</b>	<b>14.48</b>	<b>26.88</b>	<b>5.42</b>	<b>2.52</b>	<b>12.35</b>	<b>10.82</b>	<b>7.73</b>	<b>8.93</b>
Aggressive Composite Index	14.38	-1.73	13.35	25.15	6.38	2.24	11.75	10.49	6.90	7.79

Stay up to date with all of the Plan News at the DAP by visiting - [www.dapretirement.com](http://www.dapretirement.com)

## Riding Along With the Ups and Downs

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As of 3/31/15, The Moderate Model has delivered an 8.21% annualized return since the DAP's plan inception. The S&P 500 Index has returned 9.38% and the Dow Jones Industrial Average Index has returned 9.52% for the same time period.

I think it is important to point out that one of the biggest problems with market timing is the potential of missing out on the best days. In fact, based on returns of the S&P 500 Index, someone who had invested \$10,000 from December 31, 1993 to December 31, 2013, would have earned an average of 9.22% per year in investment returns. But if the investor missed the 10 best days during the time period - only 10 days! - his or her investment returns would have averaged 5.49% instead. Rather than a \$58,322 nest egg on December 31, 2013, the investor would have had only \$29,111<sup>3</sup>

Remember that you have to get both sides, entry and exit, correct to beat the buy and hold strategy over time. Few of the top analysts have been able to do this successfully.

- Michelle Silberberg, Executive Director - The Directed Account Plan

Sources for article:

<sup>1</sup>Source: <http://www.marketwatch.com/story/no-stocks-arent-cheap-but-returns-are-still-attractive-2015-03-03?siteid=rss&rss=1>

<sup>2</sup>Source: *The Journal of Portfolio Management* 1194.21.1:15-24 "The Long-Term Case for Equities" by Paul A. Samuelson

<sup>3</sup>Source: J.P. Morgan Asset Management, using data from Lipper. Twenty-year annualized returns are based on the S&P 500 Total Return Index. [www.businessinsider.com/cost-of-missing-10-best-days-inSP-500-2014-3](http://www.businessinsider.com/cost-of-missing-10-best-days-inSP-500-2014-3)

## More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the KEYTALK telephone voice response system, available 24 hours a day. DAP Retirement Specialists are available 9:00 a.m. to 8:00 p.m. Eastern Time Monday through Friday (excluding New York Stock Exchange holidays). Call 1-844-861-4DAP (1-844-861-4327). Use your Social Security number and PIN to access your account.

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Informational Web Site:  
[www.dapretirement.com](http://www.dapretirement.com)

Interactive Web Site:  
[www.dap401k.com](http://www.dap401k.com)

The intent of this communication is to provide useful information, not investment advice. Each participant in the Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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## DAP Option and Model Target Allocations as of March 31, 2015

### Retirement Model

80% Stable Value  
5% Value Stock  
10% Equity Index  
5% International Stock

### Conservative Model

60% Stable Value  
20% Value Stock  
20% Equity Index

### Moderate Model

35% Stable Value  
15% Value Stock  
15% Equity Index  
15% Growth Stock  
10% International Stock  
10% Diversified Small Co. Stock

### Aggressive Model

20% Stable Value  
15% Value Stock  
15% Equity Index  
15% Growth Stock  
15% International Stock  
20% Diversified Small Co. Stock

### Stable Value Option

40% Invesco Interest Income  
40% Wellington Core Bond  
10% BlackRock Instl. Money Market  
10% CDs

### Value Stock Option

20% Neuberger Berman Large Cap Value  
20% T. Rowe Price Value  
15% JP Morgan Equity Income  
15% Goldman Sachs Mid Cap Value Instl.  
10% Sequoia  
20% BlackRock Value Index

### Equity Index Option

100% BlackRock US Equity Index

### Growth Stock Option

20% Marsico Focus  
20% T. Rowe Price Growth Stock  
20% Primecap Odyssey Growth  
10% Wellington Mid Cap Opportunities  
10% Broad Run Mid Cap Growth  
20% BlackRock Growth Index

### International Stock Option

12% Templeton Instl. Foreign Equity  
8% Thornburg International Value  
10% American Century Intl. Growth  
12% MFS International Value  
10% DFA Emerging Markets Value  
8% TCW International Small Cap  
6% Brandes Intl. Small Cap Equity  
34% BlackRock ACWI Ex-US IMI Index

### Diversified Small Co. Stock

15% Dimensional US Micro Cap Portfolio  
15% Royce Opportunity  
15% Brown Capital Mgmt. Small Co. Instl.  
10% Buffalo Small Cap  
10% Deutsche Small Cap Value  
10% Mutual of America Disciplined Small Cap Value  
5% Walthausen Small Cap Value  
20% BlackRock Small Co. Index