

# Smart 401k Investing

**Investing made simple.**

Brentwood 401(k) Retirement Plan Program



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Call: (847) 477-2784 or Email: [mzorko@brentwood401k.com](mailto:mzorko@brentwood401k.com)

# Simplify Investing Science

Decades of academic research demonstrates that forecasting global markets is a costly, low-probability strategy. Brentwood 401(k) avoids the common temptation to pick “winning” stocks or rely on fund managers’ past performance to provide future returns. Instead, we engineer low-cost, passively-indexed portfolios based on Capital Market Investing Strategy.

This approach offers plan participants an array of globally-diversified portfolios, designed to maximize risk-adjusted return while optimizing the statistical probability for achieving their long-term objectives. Each professionally-managed asset mix has understandable risk/return characteristics and targets a specific investing time horizon.

## Applying Brentwood 401(k) Capital Markets Investment Strategy

Capital Markets Investment Strategy is based on several Nobel-Prize winning investment concepts\*:

- 1 **Efficient Market Hypothesis**
- 2 **Modern Portfolio Theory**
- 3 **Multi-Factor Model**

### Efficient Market Hypothesis

Efficient Market Hypothesis holds that all known news and even assumed and predicted information is absorbed and processed nearly instantly through billions of market participants’ buying and selling. As such, current security prices reflect their correct value at any given moment. Therefore, attempting to identify in advance so-called “mispriced” stocks, sectors or regions for one’s investing lifetime is a costly, low-probability strategy. Years of academic and mathematic research support this approach.

### Modern Portfolio Theory

This concept relies on math and statistics, rather than forecasts and predictions. The goal is to deploy an asset mix with dissimilar internal price movement components designed to achieve optimal returns for a given amount of risk (price volatility measured by standard deviation).

\*Academic research from Nobel Laureates Dr. Harry Markowitz and Eugene F. Fama  
All investing involves risk, including the possible loss of principal. There is no guarantee that any strategy will be successful or protect from loss.

## Multi-Factor Model

The vast majority of portfolio returns are explained by important factors where known return premiums exist. Constructing portfolios that specifically target these factors helps provide the greatest potential for capturing optimal long-term results.

Brentwood's partner, Efficient Advisors, constructs and manages its portfolios using the math and science behind the Multi-Factor Model to set targets for:

- 1 **The Market Factor** - the specific mix of stocks to bonds in the portfolio
- 2 **The Size Factor** - the ratio of small capitalization to large capitalization stocks
- 3 **The Value Factor** - the amount of value stocks to growth stocks

## The Brentwood 401(k) Rebalancing Approach

Because we embrace the random, unpredictable nature of global markets, we expect various portfolio elements to move in different directions at different times and even at different rates of change. We monitor portfolios to help ensure that when asset categories deviate from their originally-intended weightings, we can return them to their mathematical targets.

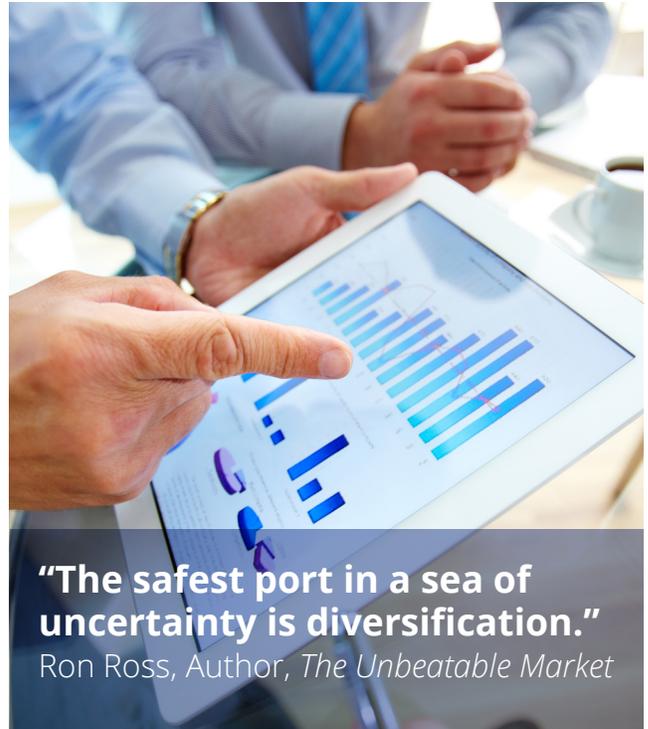
By harvesting from asset categories that have exceeded their target weights to redeploy that capital into categories below their ideal ratio, Efficient Advisors seeks to sell higher priced securities and buy lower priced securities with the proceeds. This monitoring process is an ongoing discipline that holds true irrespective of future economic forecast or short term market outlooks.

## Using Low Cost Global Diversification

Presenting plan participants with the opportunity to be diversified in their investments is a fundamental requirement for your retirement plan. As a plan sponsor, one of the biggest challenges you face is determining which investment choices fulfill the fiduciary requirement of a prudent lineup.

Since you are required under ERISA (Employee Retirement Security Act of 1974) to offer participants a diverse investment selection, the daunting task of identifying an ideal mix from thousands of mutual funds, exchange traded funds, stocks, and bonds is serious and complex. How can you, as a plan sponsor, ensure that you are meeting the diversification requirements under ERISA and giving your participants the best opportunity for prudent, long-term asset allocation?

The law provides a solution that many of our clients find very attractive. You can delegate the authority and discretion for meeting ERISA's stringent requirements to a qualified third party. Brentwood's partner, Efficient Advisors, accepts that authority in writing and provides prudent, globally-diversified asset allocation models to suit your plan. Doing so is a great relief to you as the plan's sponsor and in the best interest of your plan participants.



## Ongoing Participation & Education

Participants often struggle with decisions about how to invest their retirement assets. Knowing exactly what they're doing and why are key ingredients to long-term success. But how do we help ensure they have this level of clarity?

The journey toward retirement success requires discipline, prudence and ongoing learning about investing. Brentwood 401(k) offers ongoing investor education designed to help your employees navigate crucial investment decisions and provide them valuable guidance to help make smart choices.

**"Time is your friend. Start early, stick to a plan and ignore the chatter of the day. Let the miracle of compound interest work for you."**

John Bogle, Founder, The Vanguard Group

## Fiduciary Guidance & ERISA Expertise

### ERISA 3(38)

Efficient acts as an Independent Investment Manager as defined by ERISA section 3(38) and specifically accepts its official fiduciary status and discretion -- in writing.

Under this delegation, you, the plan sponsor, are relieved of the obligation you have by default: to invest or manage plan assets as a prudent investment expert. Instead, Efficient Advisors takes on that duty.

This unique and specific delegation effectuates ERISA 'safe harbor', which limits fiduciary liability where a qualified 'investment manager' is appointed.

### Fiduciary Partners

Brentwood 401(k) along with Efficient Advisors confidently partners with Professional Capital Services (PCS). Their sophisticated recordkeeping and administration platform provides a complete, custom-tailored solution to help plan sponsors meet their fiduciary requirements.

### PCS Fiduciary Support Includes:

- 1 Updated Plan Documents in accordance with ERISA and Internal Revenue Service Guidelines
- 2 Plan Design Optimization
- 3 Enrollment and Retirement Readiness Tools

### Brentwood 401(k) Retirement Program Key Features

- 1 Qualified Default Investment Alternatives [QDIA], including age-weighted or target retirement date
- 2 Professionally-Managed, Risk-based Model Portfolios
- 3 Investment Policy Statement



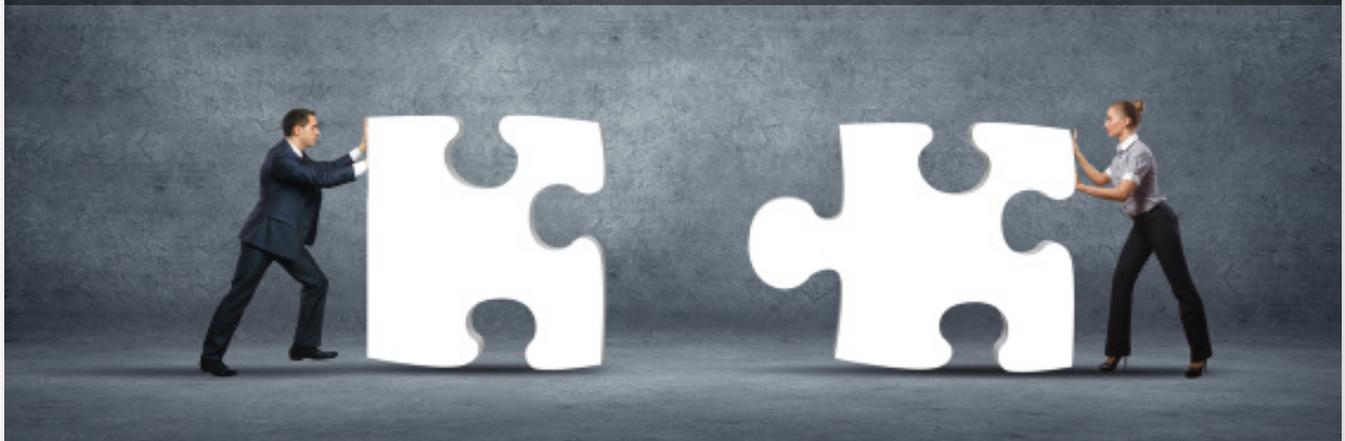
## Full Fee Disclosure & Transparency

Another huge challenge for you as a plan sponsor is deciphering the wide array of costs associated with operating your retirement plan. And, assuming you can actually figure out these costs, how do you determine whether or not they are reasonable?

Brentwood 401(k)'s Retirement Plan Program gives the plan sponsor the ability to know exactly what they are paying and to whom. This explicit fee structure fulfills the 408(b)(2) DOL Requirement for plan sponsors and trustees.

**“Many large providers of 401(k)s for small businesses don’t give their customers a detailed breakdown of the estimated annual costs and where the fees go, making it difficult for employers to comparison shop.”**

Kelly Spors, Wall Street Journal



# Annual Plan Review & Benchmarking

## See What Your Plan Can Do For You

This objective Annual Plan Review & Benchmarking Report ideally suited for annual investment or administrative committee meetings to help ensure ongoing procedural prudence and fiduciary responsibilities relating to the plan are being met.

Designed to give you a snapshot of your plan's health, this in-depth report provides a fully-integrated analysis on meaningful plan metrics. This comprehensive document includes an Executive Summary overview then details the Plan features, Participant Engagement, Utilization and Retirement Readiness metrics, investment benchmarking and service provider performance, Fiduciary/Compliance review and comparative analytics on overall plan costs.



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