

LESSONS OF THE CENTURY

Have you ever considered the “real” rates of return on your investments?

Many people overlook the impact of taxes and inflation on their returns. The table below illustrates the historical average annual rates of return after taking taxes and inflation into consideration. Surprising, isn't it? As you can see, the effect of taxes and inflation can be quite significant and should be considered when planning for retirement.

Asset Allocation ¹	1926 – 2011		
	Average Annual Return ²	After-tax Annual Return (assumes 28% tax rate)	After-tax Annual Return Adjusted for Inflation (2.99%) ³
Large Company Stocks	9.77%	7.03%	4.04%
Small Company Stocks	11.88%	8.55%	5.56%
Long-term Corporate Bonds	6.00%	4.32%	1.33%
Long-term Government Bonds	5.72%	4.12%	1.13%
U.S. Treasury Bills	3.58%	2.58%	-0.41%

¹ Large company stock performance is derived from the Ibbotson Associates® (IA) SBBi® S&P 500® and includes the re-investment of dividends. Small company stock is derived from the IA SBBi U.S. Small Stock Benchmark and includes the re-investment of dividends. Long-term corporate bond performance calculated using the IA SBBi Long Term Corporate Benchmark. Long-term government bond performance as measured by the IA SBBi Long Term Government Benchmark.

² Source: Analyst Software, Ibbotson Associates SBBi Data. © 2012 Morningstar, Inc. All rights reserved. Used with permission. Ibbotson Associates, as of January 2012.

³ The average rate of inflation during the period illustrated was 2.99%.

Market indices are not available for direct investment. Past performance is no guarantee of future results. There is no assurance that the investment process will consistently lead to successful investing. Please remember that each asset class has its own unique risks and potential for rewards.

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MAIN POINTS

- Taxes may significantly reduce your return.
- Inflation further erodes your purchasing power.

For more information, please contact your representative.

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