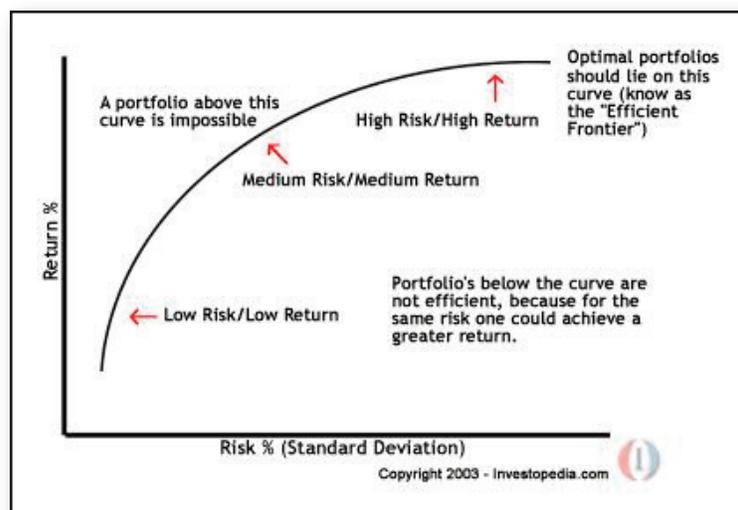


What is the Efficient Frontier and Why Does it Matter for 401k Investors?



No pain, no gain. This simple phrase can be uttered again and again to remind us of the fact that we must always be willing to give something up to receive something in return. The tradeoff between risk and reward is fundamental to understanding 401k investing and building a retirement investing plan. While not always put into the simplest of terms, this relationship is really as simple to understand as it sounds. The more you are willing to give up, the greater the potential for reward.

The Efficient Frontier is a commonly recognized as the basis of Modern Portfolio Theory, and it is key to the methods some professionals use today to develop appropriately diversified investment plans for their clients. It certainly may sound fancy and look intimidating when illustrated, but really all you need to know as an investor is that it attempts to show us the different combinations of investments that can give you the best overall return for a given amount of risk. And that's the basis for the Efficient Frontier.

The chart from Investopedia illustrates the Efficient Frontier using expected return and standard deviation as a measure of risk. The overall risk of a given portfolio will depend on the specific combination of risky and less risky types of investments. The best or optimal portfolio with more money in risky investments will tend to end up toward the top of the curve, or "frontier". The optimal portfolio for a less risky investor would be toward the bottom of the curve. Any portfolio that lies on the frontier will be expected to maximize return for that level of risk.

The Efficient Frontier and Modern Portfolio Theory give us a great illustration of the power and importance of diversification. Making sure to include an appropriate mix of asset classes to limit the volatility and overall risk of a portfolio will lead to the best long-term returns. As an investor, whether you realize it or not, you are trying to create an investment plan with a retirement investing portfolio that will give you the highest possible return with the least amount of risk. In other words, we are always attempting to find the Efficient Frontier.

For individual investors planning for retirement, the importance of this theory is not in the fancy words and charts, but rather the simple ideas behind them. Understanding your tolerance for risk and outlining your investment goals will help you to create the best possible diversified portfolio, which, in the long-run may lead you toward the most optimal gains, with hopefully, the least amount of pain.

Let us know what questions you have about Modern Portfolio Theory, diversification, and the Efficient Frontier. As always, our advisers can be reached at info@smart401k.com or toll-free at 877-627-8401.

*References to Modern Portfolio Theory and Efficient Frontier concepts should not be construed as any guarantee of efficiency in expected returns as compared to portfolio risks. Smart401k applies a variety of criteria in choosing funds for each asset class, including historical returns, fee ratios, management tenure and several other criteria, the application of which may cause a recommended portfolio to be theoretically less efficient than it may have been had other fund recommendations been made. Additionally, Smart401k's ability to match funds to asset classes for any given plan is limited, potentially significantly, due to limitations in the number and/or types of funds offered in that plan.



Constant change

It's a fact of life

The start of a New Year is the perfect time to discuss the reality of change in your life. After all, New Year's resolutions are all about changing behavior, right?

But do you know what to expect when there is change in the workplace? Do you know how to face the tough challenges that result? Consider these important concepts:

First and foremost, change in the workplace is inevitable. The only thing that you can ever be absolutely sure of in business is that things will change. That leaves us with only one choice: to accept change and use it to our advantage.

Change is also continual. It goes on all the time, and it will never stop. So when you are in the midst of change, don't be tempted to think, "If we can just get through this, everything will go back to normal and we won't have to deal with any more change." That's not going to happen.

Change is often difficult. The process can be easier by following tips and tactics for dealing with change more effectively.

Although change is often difficult, it usually presents opportunities. But only for those who are willing to face and overcome the challenges that are presented as well.

Finally, those who manage change well ultimately prosper. In today's business climate, being able to manage change is a basic requirement for career success.

Dealing with change means taking on tough challenges:

- We must *be prepared to change quickly* to meet market demands and keep ahead of the competition.
- We must always *be looking for ways to reduce costs and increase profits* while improving the quality of our goods and services.
- We have to *identify ways to expand our customer base* while keeping the customers we already have satisfied and loyal.
- We have to *maintain flexibility* so that we can act quickly to capitalize on new opportunities.
- We must *continuously assess our strategies*, reviewing where we have been, where we are now, and where we need to go to remain strong, competitive, and profitable.

Common cold hazards

Know the risk factors for cold-related illnesses

In addition to cold temperatures and windy conditions, other risk factors can contribute to cold-related illnesses and injuries.

1. Inadequate or wet clothing increases the risk because wet or damp clothing does not provide sufficient insulation from cold temperatures.
2. Drug use or certain medications can inhibit the body's response to the cold or even impair judgment so that the victim does not realize he or she is suffering symptoms of a cold-related disorder.
3. Some diseases or medical conditions, such as a cold, heart disease, asthma, bronchitis, diabetes, atherosclerosis, hypothyroidism, and even poor blood circulation, may increase risk of suffering a cold-related illness or injury. Be sure to have a physical evaluation by a medical doctor before doing work in cold conditions.



On-the-job eye injuries can have devastating consequences, such as chemical burns or blindness. Despite these potential hazards, 85% of industrial workers in a Kimberly-Clark Professional survey said they had observed others failing to wear eye protection when they should have been.

"This high rate of noncompliance seriously jeopardizes worker health and safety. In many instances, uncomfortable eyewear or fogged lenses could be responsible," said Valona Renner-Thomas, product manager, Eye and Face Protection, Kimberly-Clark Professional. "The results are very disconcerting when you consider that 90% of eye injuries can be prevented through the use of proper protective eyewear."

The importance of eye protection was evident to survey participants, with 80% saying they would encourage a coworker or employee to wear eye protection if he or she were not in compliance, and 22% saying they would report the employee to a supervisor or find a way to halt dangerous work operations until the worker complied with personal protective equipment (PPE) protocols.

In addition, eyewear came in first when respondents were asked to rank the most important PPE category for on-the-job safety. It was also deemed the "most challenging" PPE category in terms of compliance, which leads to the question: How can compliance be improved?

Greater comfort and fog-free lenses could help, according to the survey results. When asked what would most improve compliance with eye protection protocols, the top choice was more comfortable eyewear—with features like flexible, comfortable nose pieces (56%), followed by fog-free lenses (22%).

Also, 51% of respondents reported having been forced to wear uncomfortable eyewear or eyewear they did not like while at work. Of these, 46% wound up purchasing their own eye protection, while 45% said they "used it anyway."

Fogging was also a problem on the job, with 88% of respondents saying they or someone they worked with had been unable to see or complete a task properly because of fogged lenses. Also, 40% of respondents reported this had happened on "numerous occasions."

Regarding off-the-job safety, only a quarter of respondents said their organizations encouraged employees to take protective eyewear home, even though 84% of respondents said they would consider using eye protection from work as their everyday glasses.

4. Male death rates in cold conditions are greater than female death rates. Some suspected reasons include body fat composition or other physiological differences. It has also been suggested that males may more often engage in risk-taking behaviors.
5. Older workers become more susceptible to cold-related illnesses and injuries as they age.
6. Exertion in cold can constrict blood vessels in the heart. Workers at risk for heart attacks or those with coronary diseases have an increased risk of heart attack when working in cold conditions.
7. People who are overweight, have had inadequate rest, or are physically unfit are more susceptible to cold-related illness.