

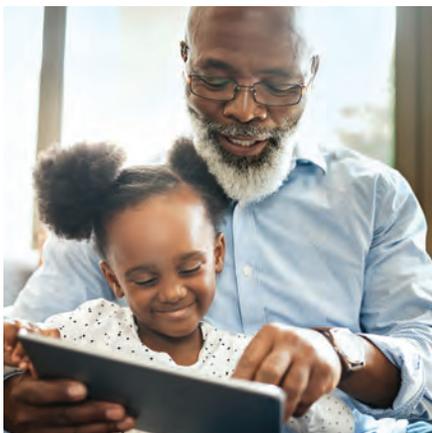
# Building your portfolio



Portfolio  
goals



Investment  
strategy



Long-term  
expectations



# A personalized approach to your investment portfolio

Investing is about more than money. You're investing for a reason — maybe it's retirement, sending kids to college, the desire to leave a legacy — or all of these things. We work to understand what's important to you, and together we can develop a personalized investment strategy to help get you where you want to be.



# Choosing a portfolio objective

Our primary focus is helping you achieve your financial goals. An important step in working toward your long-term goals is choosing an appropriate investment strategy and incorporating the value of diversification — a process supported by our portfolio objectives. Our portfolio objectives provide strategic allocation guidance, which can help you design a well-diversified portfolio to help achieve your risk and return objectives.

## Before you select a portfolio objective, we want to discuss:

- **Your goals**
- **How comfortable you are with risk**
- **When you'll need the money you've invested**

We believe that by understanding what's important to you, we can work together to review your options and help select an appropriate portfolio objective.

## Your goals

Before we recommend an investment strategy, we think it's important to get to know you and what you're working toward. Identifying and writing down your specific goals is the starting point. This goes beyond, "I want to retire someday."

Your financial advisor will ask questions such as, when do you want to retire? How much money will you need to maintain your current lifestyle? How much do you want to contribute to a child's or grandchild's education savings? Do you want to leave a financial legacy for your heirs? Buy a vacation home? What else is important to you?

We have a systematic approach that helps you identify and prioritize your goals. Then you and your financial advisor can build a strategy together to help achieve them.

## Your comfort with risk

Risk and return go hand in hand. When it comes to reaching your long-term goals, appropriate risk is beneficial and serves a valuable purpose. The more risk you're willing to take, the greater potential returns you may receive. The key is striking the right balance for you.

That's where your comfort level with risk, or your risk tolerance, comes in. This simply means how you feel, personally, about taking investment risk. Generally speaking, the more stock investments you own, the more ups and downs you'll experience — but you'll also have the potential for higher long-term returns.

We also want to understand how much risk you can take (which includes your time horizon) and how much risk you actually need to take, which are both important factors when selecting a portfolio objective to help you reach your goals.

By knowing your comfort level with risk, you can set realistic expectations and stick with your long-term strategy during the inevitable market declines that happen along the way.

### Your time horizon

Another major factor to consider when selecting a portfolio objective is when you'll need the money. Typically, the longer you have to invest, the more you can handle short-term market swings, so you may have a larger allocation to stocks, stock

mutual funds or exchange-traded funds. However, the closer you get to needing the money for your goals, the more we recommend shifting to more conservative investments, such as bonds, certificates of deposit or bond funds, which may have smaller fluctuations in price.

Each of your goals will likely have a different time horizon. If your goal is retirement, when you want to retire (and how long you plan on spending in retirement) determines your time horizon. We refer to your retirement time horizon as your life stage. If one of your goals is paying for college, however, your time horizon is based on when your children may be going to college and how many years of school you plan to pay for. Since each goal may have a different time horizon, each may have a different portfolio objective.

## The trade-off between risk and return

■ Fixed income ■ Equity



# The right mix for you

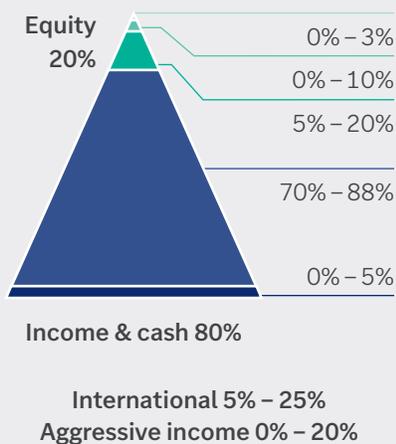
So, which portfolio objective may be right for you? The short answer — it depends. Portfolio objectives are designed to address the complete spectrum of an investor’s needs. It’s important for you to understand the characteristics and trade-offs associated with each one, including risks and returns.

## Income-oriented portfolio objectives

If you choose a more income-oriented portfolio objective, it will usually generate more income and experience less price volatility than a more growth-oriented portfolio objective. However, you give up some return potential and inflation protection.

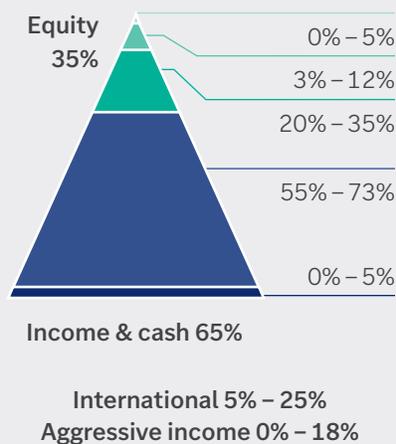
### Income focus

This portfolio objective emphasizes current interest income with little long-term growth and rising dividend potential. Over the long term, it should have lower risk than portfolios with a more growth-oriented objective.



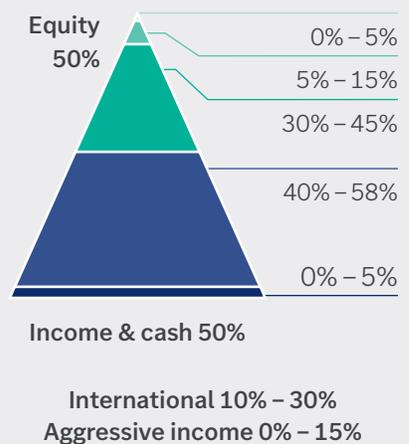
### Balanced toward income

This portfolio objective emphasizes current interest income while providing modest long-term growth and rising dividend potential. Over the long term, it should have lower to moderate risk.



### Balanced growth & income

This portfolio objective has a balanced emphasis between current interest income and long-term growth with rising dividend potential. Over the long term, it should have moderate risk.



### Preservation of principal



### Special circumstances portfolio objective

This Preservation of principal portfolio objective is designed to preserve the original amount invested with little or no opportunity for growth. This portfolio objective is reserved for special circumstances because it contains cash and short-term income securities only and may provide some current income, which can fluctuate.

Less potential risk

Your time horizon and comfort with risk will help provide a starting point for selecting your portfolio objective. But there are other factors you should discuss with your financial advisor, such as your income needs, existing savings and your desire to leave a legacy. Any of these factors may cause you to adjust

your portfolio objective. And remember, each of your goals may have a different portfolio objective. Additionally, accounts that are tied to a goal may or may not all be invested the same way – the key is that, when combined, their overall allocation aligns with the portfolio objective for that goal.

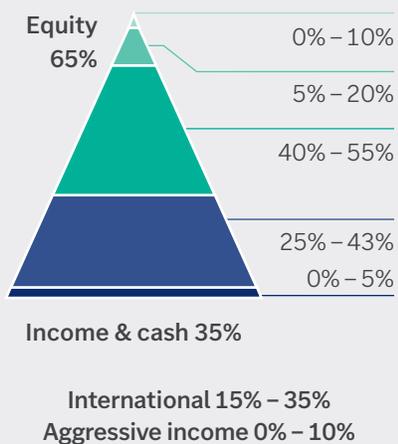
## Growth-oriented portfolio objectives

The more growth-oriented portfolio objectives typically offer less current income but more potential for long-term growth and inflation protection. They will be more volatile in price, which means the price and value of your investments will change more often and your risk of potential decline will be higher.

### Balanced toward growth

This portfolio objective emphasizes higher long-term growth and rising dividend potential, with a secondary goal of current interest income.

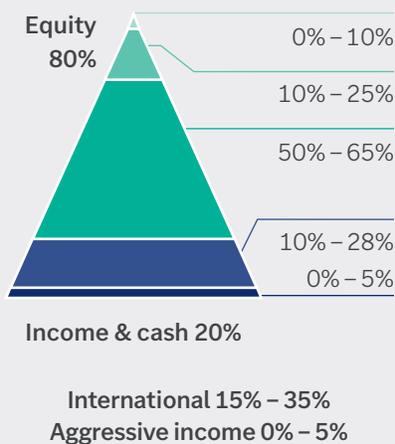
Over the long term, it should have moderate to higher risk.



### Growth focus

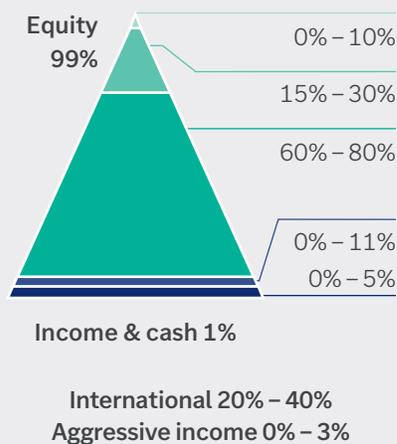
This portfolio objective emphasizes higher long-term growth and rising dividend potential, while providing modest current interest income.

Over the long term, it should have higher risk than portfolios with a more income-oriented objective.



### All-equity focus

This portfolio objective offers the highest long-term growth and rising dividend potential. It focuses on long-term capital appreciation and provides very little to no current interest income. It also has the highest level of risk because it contains only equity investments.

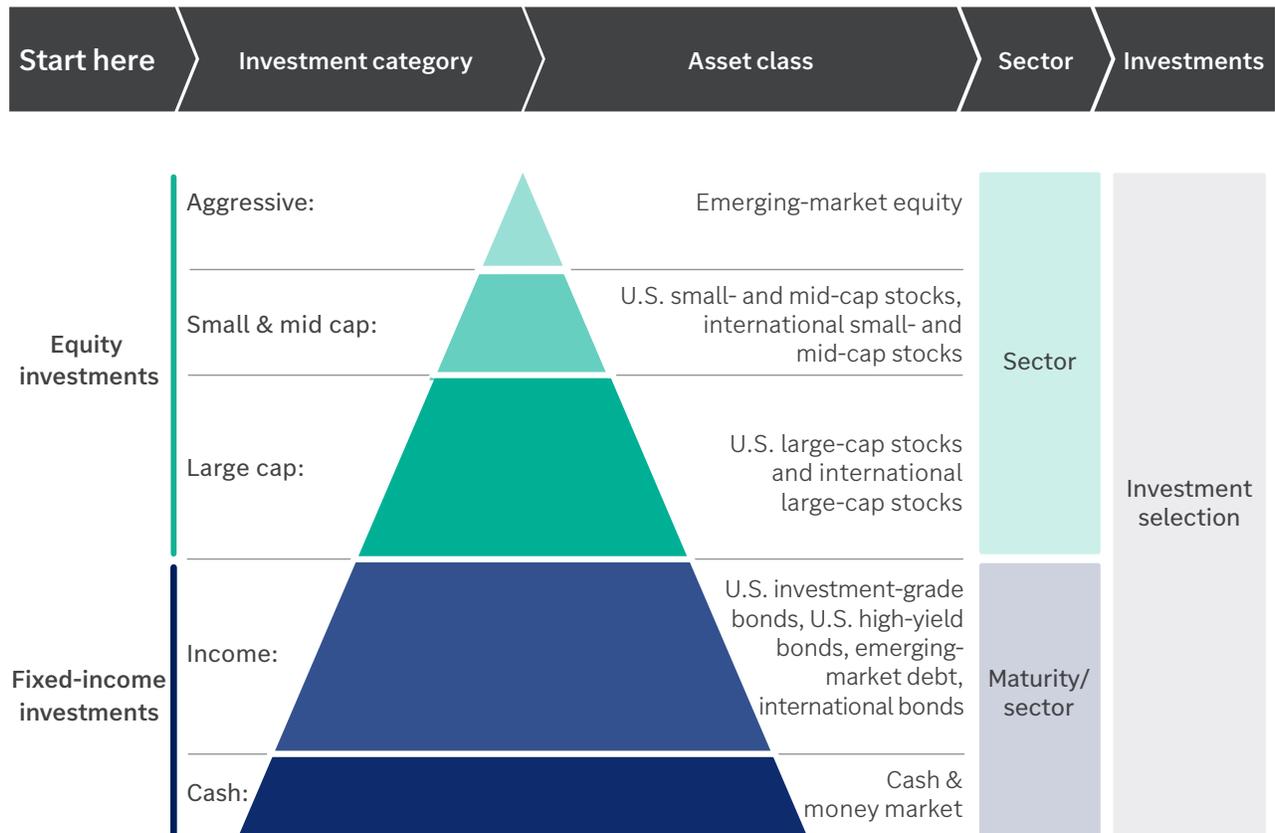


Investment categories: ■ Aggressive ■ Small & mid cap ■ Large cap ■ Income ■ Cash

More potential risk

# Portfolio construction

After selecting a portfolio objective, you and your financial advisor will work together to build a diversified portfolio with quality investments. This should align with your goals, comfort level with risk, time horizon and other important factors. You can expect the process to follow the progression of the image below, beginning with the mix between equity and fixed income and moving to the right, where you select the individual investments to build your strategy.



Commodities, alternative investments, stocks trading less than \$4 and international high-yield bonds, which align with aggressive investment categories, are not displayed because they are not recommended.

Our long-term strategic asset allocation guidance can be used as a guide to help keep your investment portfolio well diversified and aligned with your risk and return objectives. This guidance represents our view of balanced diversification for the equity and fixed-income portions of a portfolio, based on our global outlook over the next 30 years. Our recommended allocation to each asset class depends on the mix of equity and fixed-income investments you have chosen for your situation, as defined by our portfolio objectives.

## Strategic asset allocation guidance

### Equity diversification



### Fixed-income diversification



### Asset class definitions

<b>Emerging-market equity</b>	Stocks of companies headquartered in countries whose economies are less developed. They tend to have the highest growth potential and, therefore, carry the highest risk potential.
<b>U.S. mid-cap stocks</b>	U.S. stocks of medium-size companies. They tend to offer more growth potential with higher risk than large-cap stocks.
<b>U.S. small-cap stocks</b>	U.S. stocks of small-size companies. As stocks of less established companies, they tend to offer higher growth potential than stocks of larger companies but carry higher risk.
<b>Developed international small-and mid-cap stocks</b>	Stocks of smaller-size companies headquartered in non-U.S. developed countries. As stocks of less-established companies, they tend to have more growth potential but carry more risk than stocks of larger companies.
<b>U.S. large-cap stocks</b>	U.S. stocks of large-size companies. As stocks of large and well-established companies, they tend to be lower risk than other stocks but also tend to offer less growth potential.
<b>Developed international large-cap stocks</b>	Stocks of large-size companies headquartered in non-U.S. developed countries. They tend to fluctuate more than U.S. large-cap stocks but less than stocks of smaller international companies.
<b>U.S. investment-grade bonds</b>	Higher-quality U.S. bonds (generally AAA, AA, A and BBB rated). They tend to be lower risk, so they tend to have lower income potential than lower-quality bonds.
<b>U.S. high-yield bonds</b>	Lower-quality U.S. bonds (generally rated BB and below). They tend to provide higher income potential but carry greater risk than higher-quality bonds.
<b>International bonds</b>	Higher-quality bonds domiciled in non-U.S. developed countries that may or may not include exposure to foreign currencies. They have similar risk and return expectations as U.S. investment-grade bonds, but those with foreign currency exposure tend to fluctuate in value more.
<b>Emerging-market debt</b>	Bonds domiciled in emerging-market countries, and may be above or below investment grade. They tend to provide higher income potential than higher-quality bonds but carry greater risk, particularly those with foreign currency exposure.
<b>Cash</b>	Generally the highest-quality and most liquid investment but tends to offer lower yields. Holding cash can result in a loss of purchasing power over time due to inflation.

# Portfolio objectives for retirement

For retirement, we've identified five investing life stages to serve as the time horizon: three accumulation phases if you're saving for retirement and two distribution phases if you're already retired and using your investments to support your income needs.

While the guidance table on Page 8 is specific to retirement, we have different guidance tables for other goals, such as paying for education, because the time horizon for these goals is likely different.

Numerous factors can cause you to adjust your portfolio objective from those suggested in the table, including your:

- **Current and future income needs**
- **Amount of existing savings**
- **Investing time horizon**
- **Estate considerations**

Please note that if you adjust your portfolio objective, it doesn't mean your risk tolerance has changed.



## Portfolio objective guidance table: Retirement goal

Retirement time horizon					
Risk tolerance	Accumulation years (preparing for retirement)			Living in distribution	
	26+ years until retirement	16–25 years until retirement	15 years or fewer until retirement	Expect to spend more than 10 years in retirement	Age 80 or older (and/or expect to spend 10 years or fewer in retirement)
	Early investing years	Good earnings years	High income and savings years	Early retirement years	Late retirement years
High	Growth focus	Growth focus	Growth focus	Balanced toward growth	Balanced toward growth
Medium-high	Growth focus	Growth focus	Growth focus	Balanced toward growth	Balanced growth & income
Medium	Growth focus	Growth focus	Balanced toward growth	Balanced growth & income	Balanced toward income
Low-medium	Growth focus	Balanced toward growth	Balanced toward growth	Balanced growth & income	Balanced toward income
Low	Balanced toward growth	Balanced growth & income	Balanced growth & income	Balanced toward income	Income focus

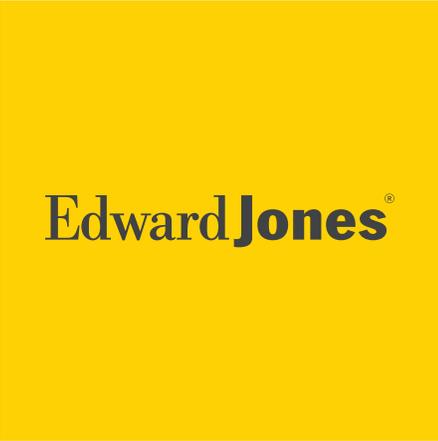
Note: Age 73 is the oldest possible retirement age for portfolio objective guidance purposes. Portfolio objective recommendations within the accumulation years also assume that you'll spend more than 20 years in retirement.

### Accumulation stages

These are crucial wealth-building years, considering many investors will spend more than 20 years in retirement. Early investing years generally begin when you start your career. Good earnings years typically occur when you have 16 to 25 years until retirement. High income and savings years are usually after children are grown, but you may have up to 15 years until retirement.

### Distribution stages

You may spend as much time in retirement as you did working. We separate the distribution years into early retirement and late retirement. Think about these phases in terms of how many years you may spend in retirement. In general, early retirement years are for investors who have more than 10 years to rely on their investments for income. There are many important considerations when estimating how long you'll need money from your portfolio, including age, health and your family's longevity.

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This report is for education only and should not be interpreted as specific investment advice. Investors should make investment decisions based on their unique investment objectives and financial situation.

Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates, and investors can lose some or all of their principal.

Diversification does not guarantee a profit or protect against loss in declining markets.