

**AUDIOBOOK
SUPPLEMENTAL PDF**

Figure 1

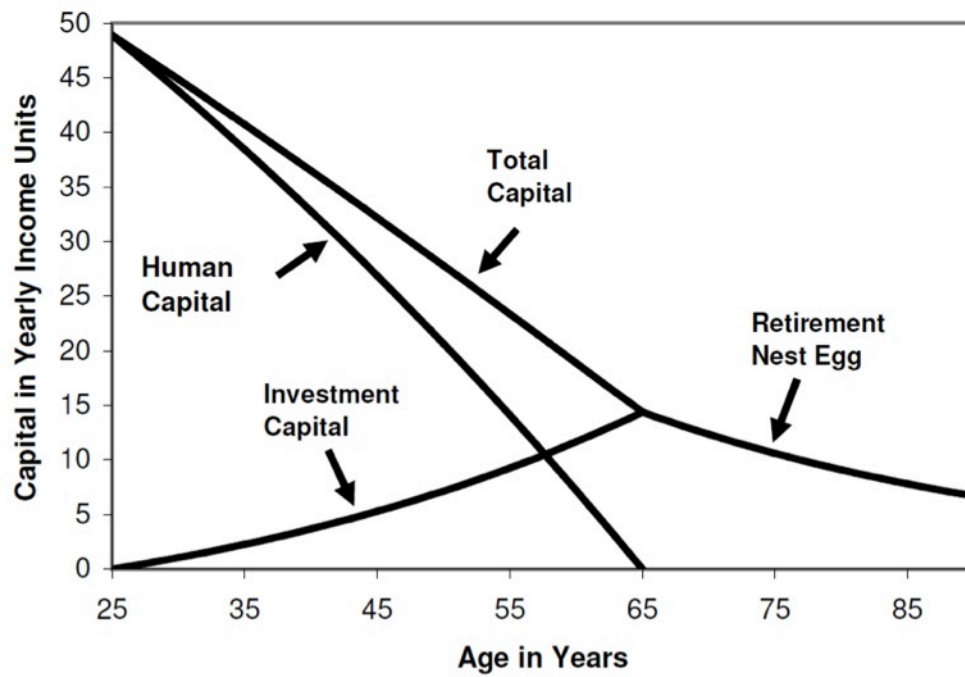


Figure 2
Effect of 50% Investment Portfolio Loss On Total Capital

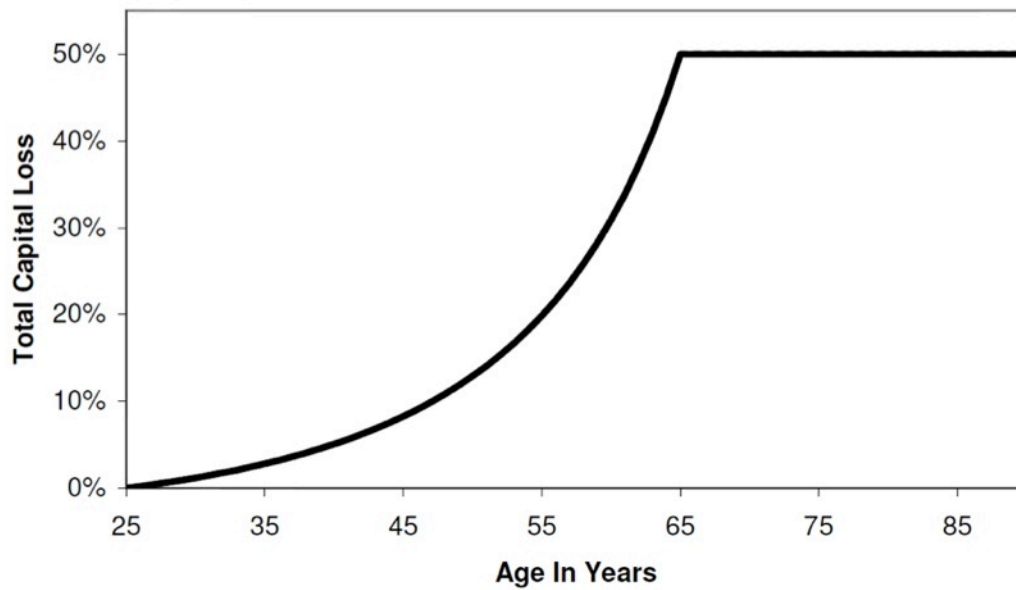


Figure 3

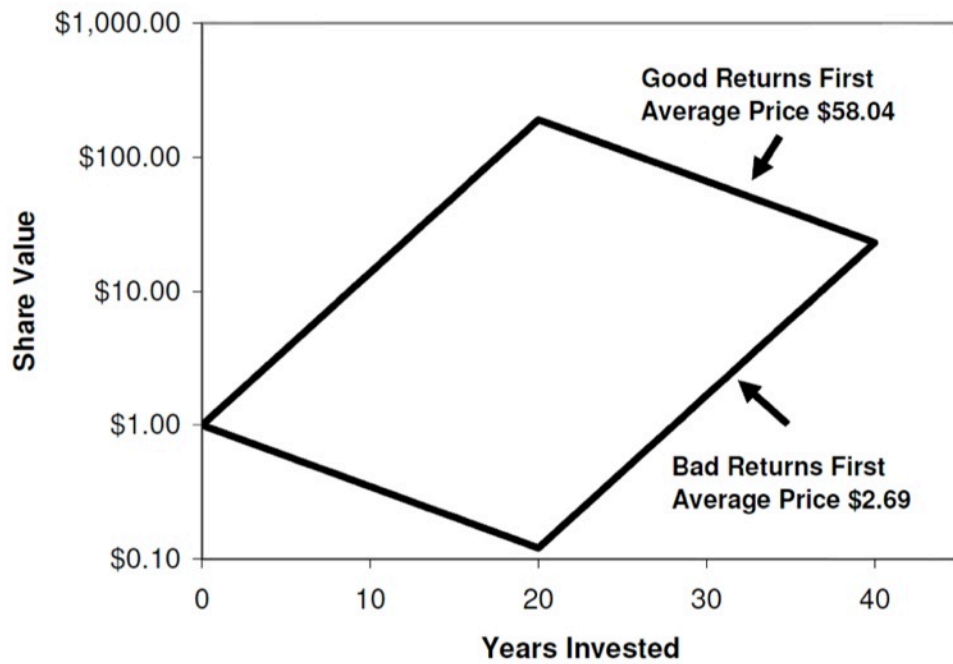


Figure 4
Ideal Stock Exposure in Savings Phase

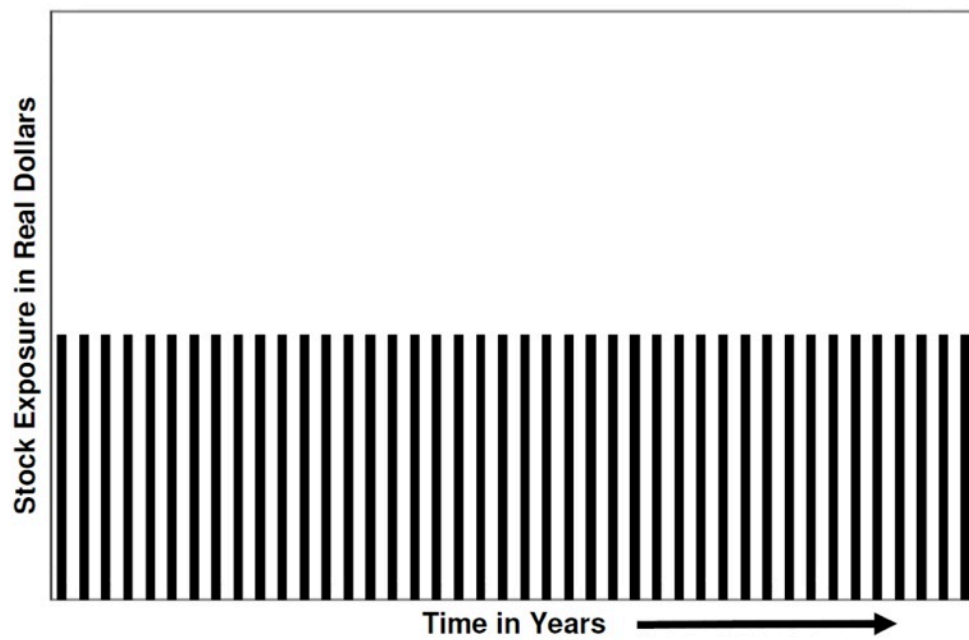


Figure 5
Typical Stock Exposure in Savings Phase

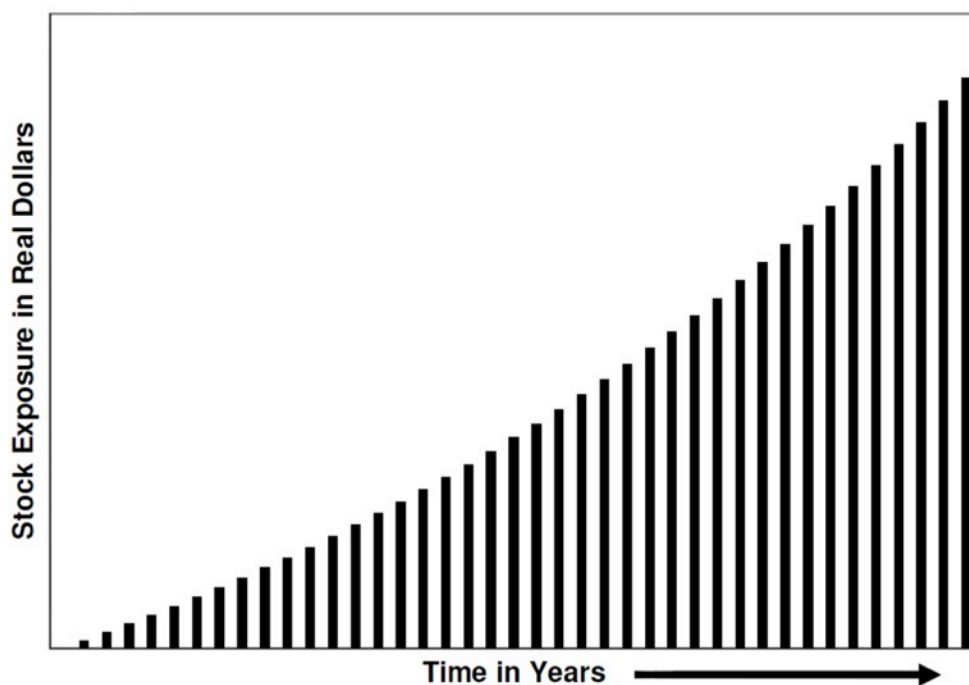


Figure 6
Stock Exposure with Leverage-Early Strategy

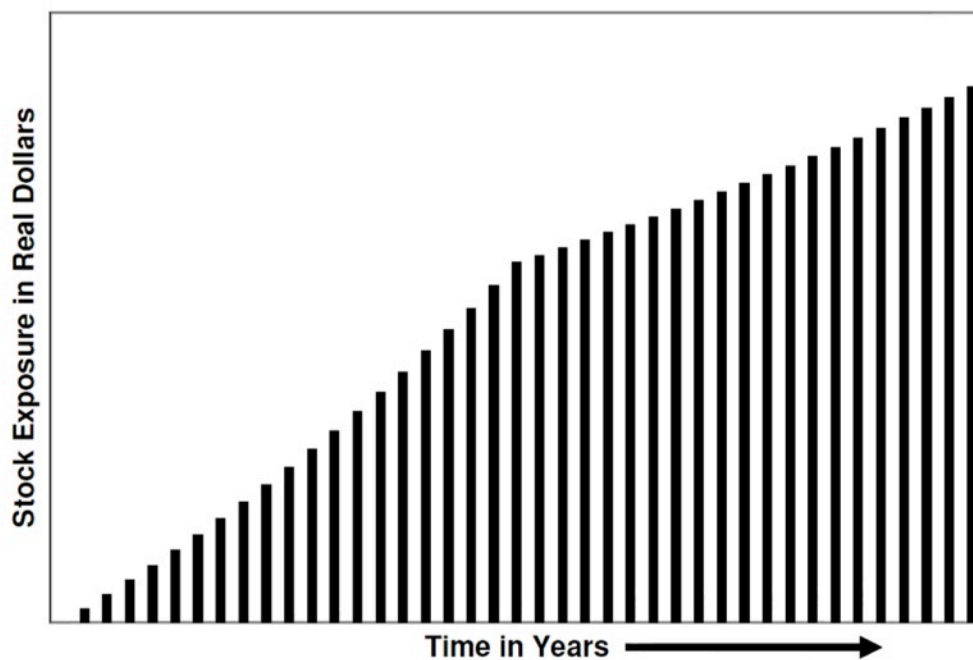


Table 1.
The Long-run Value of Diversification

Asset Class	Jan 1999–Dec 2008
S&P 500	-12.99%
U.S. Large Value Stocks	+23.71%
U.S. Microcap Stocks	+86.63%
U.S. Small Value Stocks	+102.63%
Real Estate Investment Trusts	+107.14%
Int'l. Large Cap Stocks	+13.23%
Int'l. Large Value Stocks	+59.02%
Int'l. Small Cap Stocks	+97.34%
Emerging Markets Large Cap Stocks	+147.67%
Emerging Markets Value Stocks	+251.38%
Emerging Markets Small Cap Stocks	+196.43%
Lehman 1-10 Year Treasury Bonds	+73.64%
Lehman 1-10 Year Corporate Bonds	+60.41%
Treasury Bills	+37.39%

Source: Dimensional Fund Advisors, Barclays/Lehman Brothers

Table 2.
The Returns to Small and Value Exposure in the U.S. and in Foreign Markets

Factor	Ann'd Return	SD
US Small	3.13%	10.83%
US Value	3.86%	10.56%
Foreign Small	1.66%	9.89%
Foreign Value	2.56%	5.87%

(Source: Dimensional Fund Advisors)

Table 3.

The Correlations of the U.S. and Foreign Small and Value Factors with U.S. Returns

	US Market	US Small	US Value	Foreign Small	Foreign Value
US Market	1.00				
US Small	0.28	1.00			
US Value	-0.29	-0.25	1.00		
Foreign Small	-0.22	0.07	0.15	1.00	
Foreign Value	0.01	0.08	0.36	0.30	1.00

(Source: Dimensional Fund Advisors)

Figure 7

**Historical Returns: SV = 10.50% real,
S&P 500 = 6.62% real**

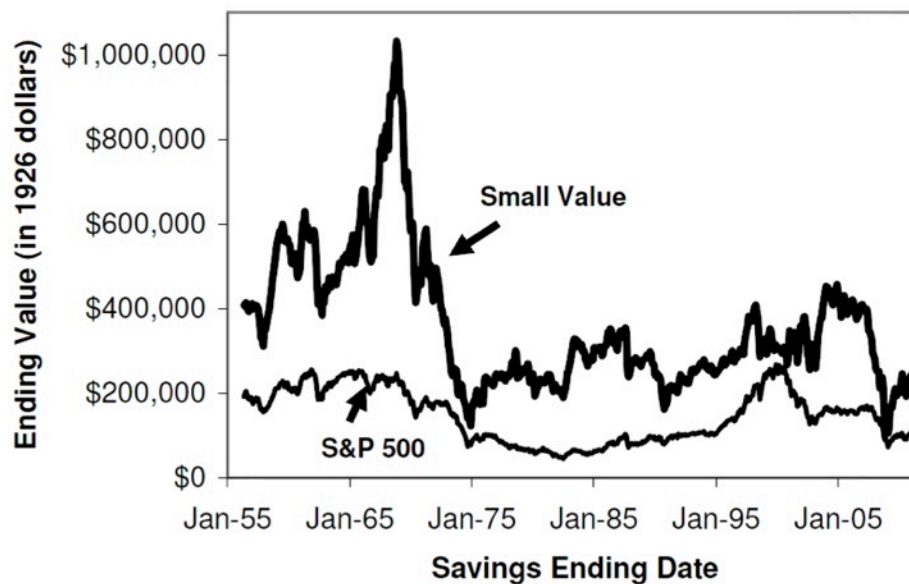


Figure 8
Historical Returns: SV = 8.50% real,
S&P 500 = 6.62% real

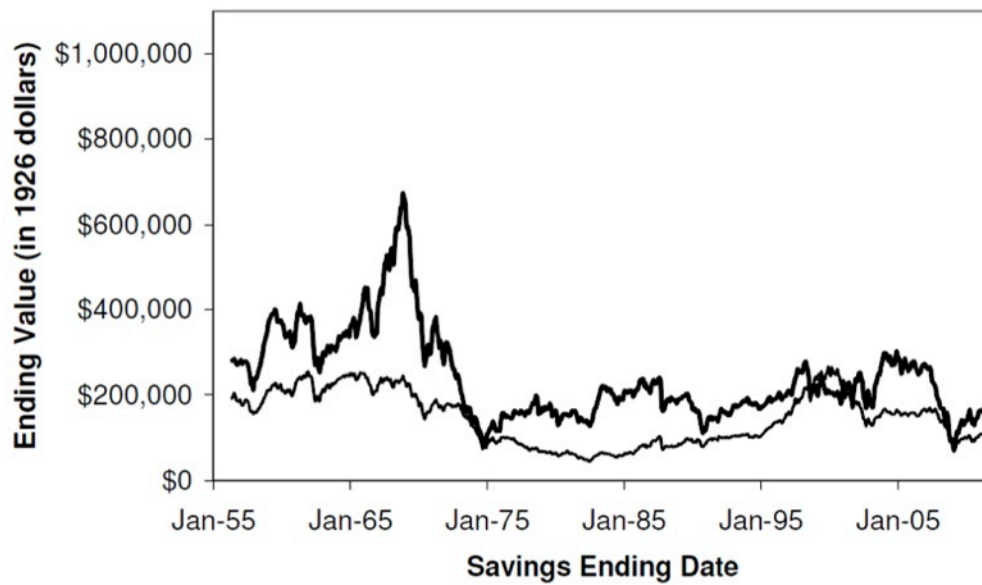


Figure 9
Historical Returns: SV = 6.62% real,
S&P 500 = 6.62% real

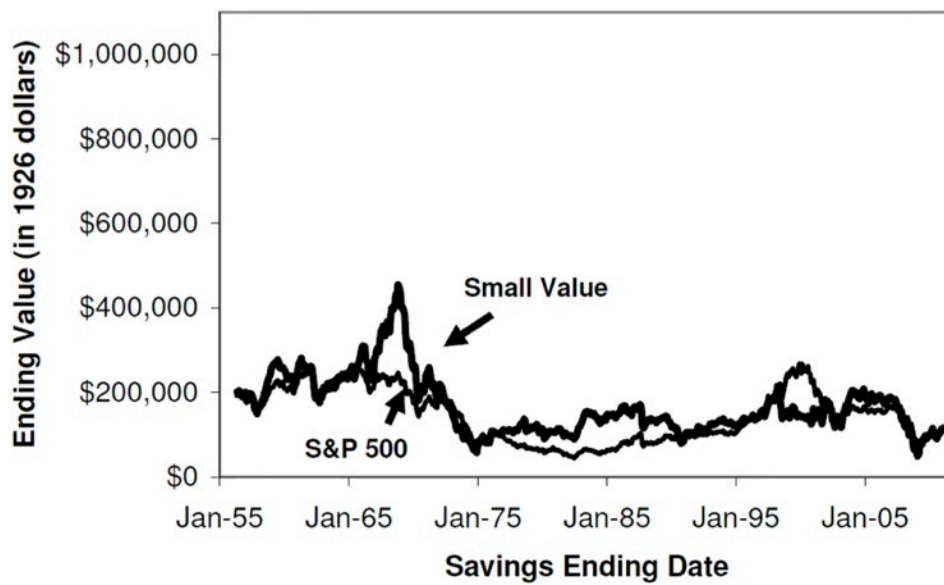


Figure 10
Success Rates of Small-Value Strategy
versus S&P 500 Strategy

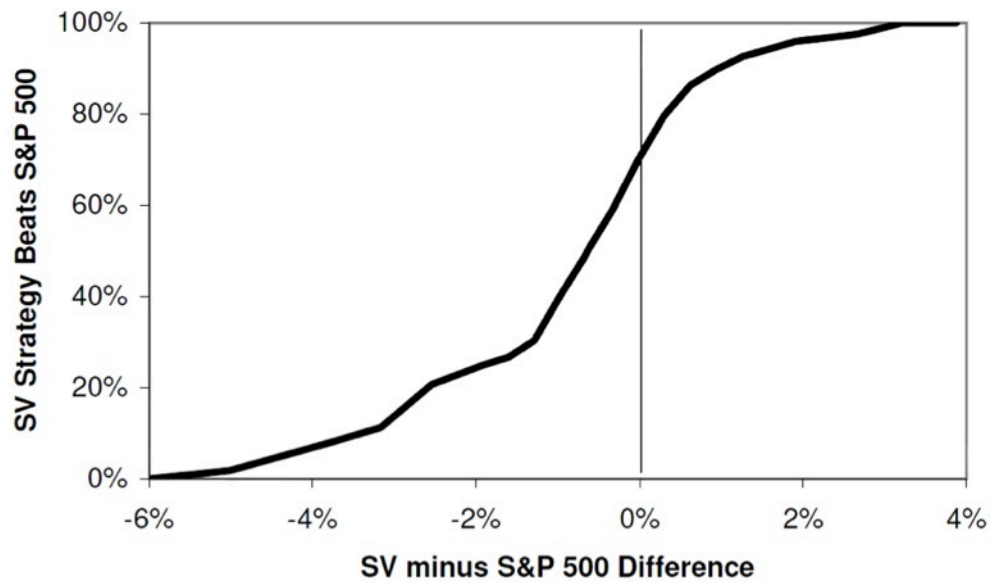


Table 4.
Fama-French Factor Loadings for Small-Value Funds

Fund	Alpha (yearly)	Market Beta	Small Beta	Value Beta
DFSVX	0.0%	0.99	0.97	0.55
IJS	-0.9%	0.92	0.82	0.49
VISVX/VBR	-0.4%	0.96	0.72	0.51

Table 5.
Pros and Cons of Major Liability Matching Portfolio Strategies

Buy inflation-adjusted fixed annuity

Pros: Inflation-protected income stream for duration of one or joint lives

Cons: Default/failure, particularly in the event of systemic financial crisis. Adverse “adjustment” of inflation formula. Company profit motive detracts from actuarial fairness

Defer Social Security to age 70

Pros: Secure, inflation-protected income stream for duration of joint lives

Cons: Adverse “adjustment” of inflation formula. Benefit available to each retiree limited by work history

Buy TIPS ladder

Pros: Secure, inflation-protected income stream

Cons: Absence of risk pooling requires either a very long ladder or purchase of “longevity insurance.” Adverse “adjustment” of inflation formula

Table 6.
Commercial Annuity versus TIPS Ladder

Age	Joint Annuity with 100% Survivorship versus TIPS drop-dead at a 1% Yield	Single Life-Male Annuity versus TIPS drop-dead at 1% Yield	Single Life-Female Annuity versus TIPS drop-dead at 1% Yield
60	3.35% Age 95.6	4.18% Age 87.5	3.82% Age 90.5
65	3.88% Age 95.0	4.94% Age 87.7	4.46% Age 90.5
70	4.44% Age 95.7	6.08% Age 88.1	5.43% Age 90.5
75	5.62% Age 94.7	7.57% Age 89.2	6.76% Age 91.1
80	7.20% Age 95.0	9.82% Age 90.8	8.89% Age 92.0

Figure 11
Year Began Work to Fully-Funded LMP

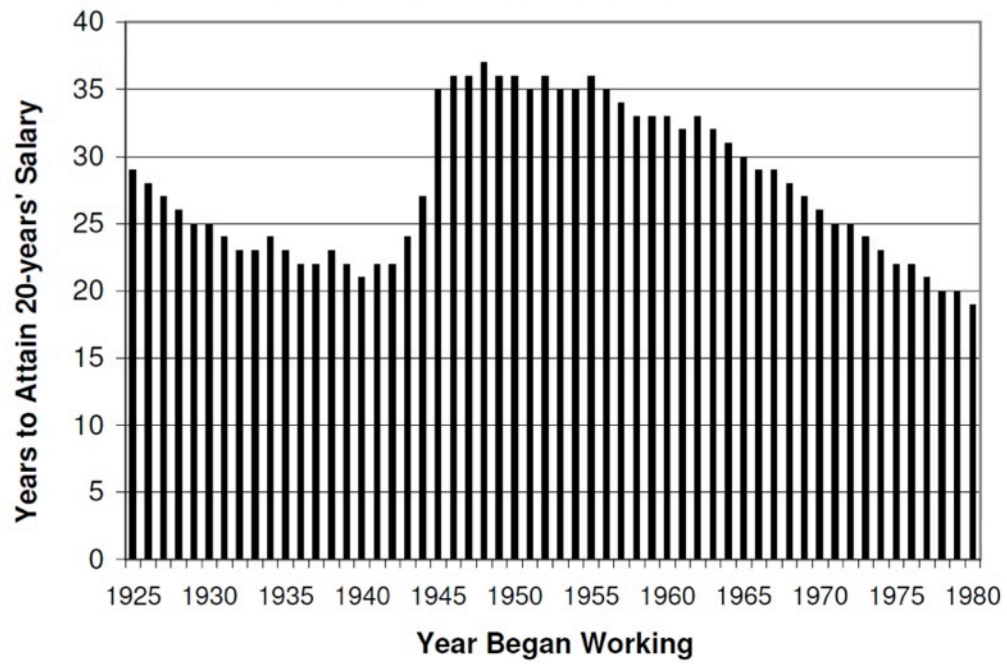


Figure 12
Number of Cohorts Reaching LMP by Year

