



Comfort Zone®

**GDX360®** is Wealthcare's experience-based, goals-driven model that aligns your money with what matters to you most – your life goals.

Centered on you, the investor, this process delivers the three elements of a positive financial experience that empower you to make better financial decisions:

## Clarity, Confidence and Control

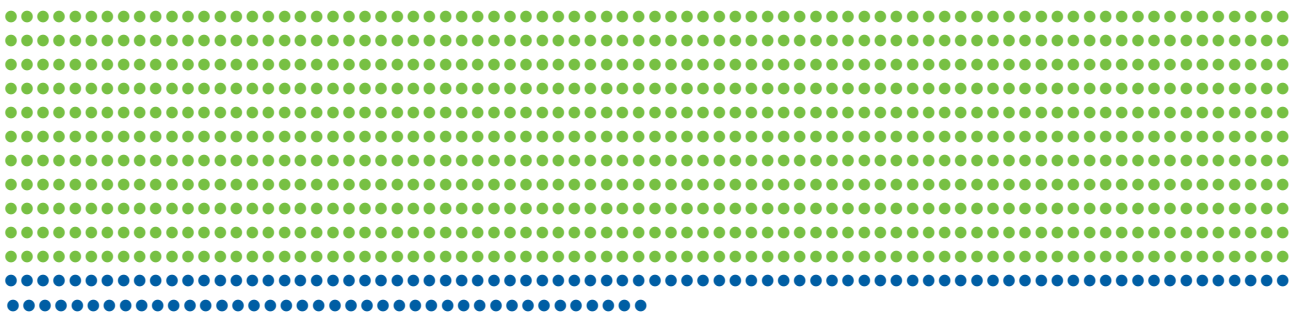


Central to the Wealthcare GDX360 process is the **Comfort Zone®**, produced by our patented financial planning technology.

- Why do we use the **Comfort Zone** with our clients?
- And why do we recommend a plan whose score will range between 75-90% confident?

The software simultaneously evaluates your goals, investment strategy, assets, and all other financial resources (today and in the future), to assess how confident you can be that you'll meet or exceed your goals. This sophisticated "stress testing" process simulates 1,000 life-times under a variety of market conditions. The plan's "confidence" or "comfort" is the percentage of the 1,000 simulations that met or exceeded your goals.

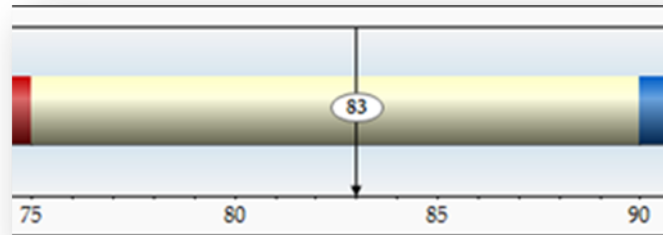
## 1,000 Simulations 1,000 Market Scenarios



For example, if you **exceeded your goals** in 830 of 1,000 tests, your confidence level is **83%**. Said another way, there would be an **83% probability that the goals of your financial plan would not only be met, but would be exceeded.**

## Confidence and Comfort in Balance – Funded

First, let's look at the returns you might expect to see across the 1,000 simulations. We use randomly generated returns based on our market assumptions for each year of a planning period and each simulation run. Certain trials will include returns that are better (or worse)



than actual historical returns. A confidence score of 75% is consistent with a thirty-year annualized return near 7.5% for stocks. Only in about 25% of the thirty-year periods since 1871<sup>1</sup> did stocks produce a lower return. Since 1926, a 75% confidence score is consistent with experiencing returns comparable to the worst thirty-year period in history since 1926<sup>2</sup> (sequentially from 1928-1957).

Over the past fifty years, there has not been a thirty year period with a return lower than our 75<sup>th</sup> percentile confidence level and this period included both the dot com crash and the financial crisis of 2008/2009. Therefore, a recommendation that falls within the **Comfort Zone** provides you with confidence that you can likely realize your goals even if market performance is extremely poor. If future market performance is similar to what we've experienced historically; your confidence level should increase, possibly resulting in overconfidence or sacrifice. This allows us to incorporate more of your higher priority goals into your recommendation in an effort to maintain a result in the **Comfort Zone**.



### Balanced = Comfort

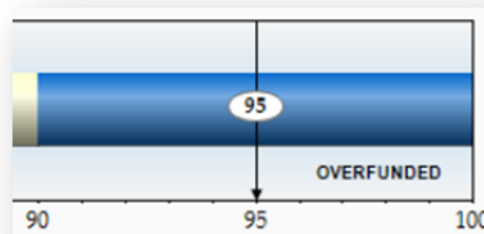
A confidence level between **75% and 90%** should give you **confidence that you can exceed your goals**. This indicates your goals are manageable and you avoid unnecessary investment risk.

<sup>1</sup> Robert Shiller: <http://www.econ.yale.edu/~shiller/data.htm>

<sup>2</sup> CRSP (Center for Research in Security Prices): <http://www.crsp.com>

## Sacrifice 91% or greater Overfunded

Next, let's look at a plan that falls outside the **Comfort Zone**. For a plan with a Comfort Score of 95%, you might think, "That's great." However, this is a plan that exceeds its goals in all but the worst 5% of simulated return scenarios. That means the plan exceeded its goals for many trials that were far worse than those we have ever experienced. In planning your life around results so dire you're likely sacrificing your lifestyle by reducing spending, working longer, or taking unnecessary investment risk.



This added peace of mind may be unnecessarily costly to your lifestyle: that is, sacrificing too much to protect against a hypothetical catastrophic market downturn. If planning was a static, "set it and forget it" process, then being so conservative may be warranted. However, planning should be a dynamic process with advice targeting a more reasonable plan confidence. Dynamic planning allows for course corrections, both due to unexpected market returns or changes in your life or goals.

Using this dynamic process, we craft a plan within the **Comfort Zone** and then provide ongoing monitoring. If market performance causes plan comfort score to fall into uncertainty or sacrifice, then adjustments can be made to get the plan back into the **Comfort Zone**. This is why we ask you to define both "Ideal" and "Acceptable" levels for each life goal: these goal ranges give us flexibility when a plan's comfort score falls outside of the **Comfort Zone** and adjustments are needed. With regular monitoring, adjustments to advice are often minor and manageable.

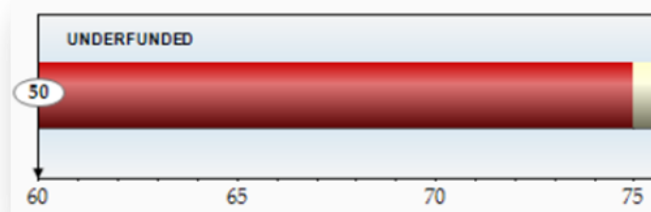


### Overfunded > 90%...Sacrifice

You are **needlessly sacrificing your lifestyle**. You could take **less investment risk, achieve larger or more goals sooner** and still maintain confidence in your financial future.

## Uncertain 74% or less Underfunded

Last, let's look at a plan with a confidence score of 50. This means that the plan has the same odds as a coin flip. Say your advisor presents a recommendation to you and says "Well, there's a 50/50 chance of achieving your goals"; would you feel at all confident?



This is why an advisor using the **GDX360** process would develop a recommendation within the **Comfort Zone** so he could confidently say "It's likely you will be able to achieve the plan I'm recommending. I am regularly monitoring your plan and will make adjustments necessary to accommodate for extreme market conditions. Likewise, I encourage you to discuss life or goal changes with me so we can incorporate them into the recommendation." Wouldn't this conversation give you more confidence that the plan being presented is sound?



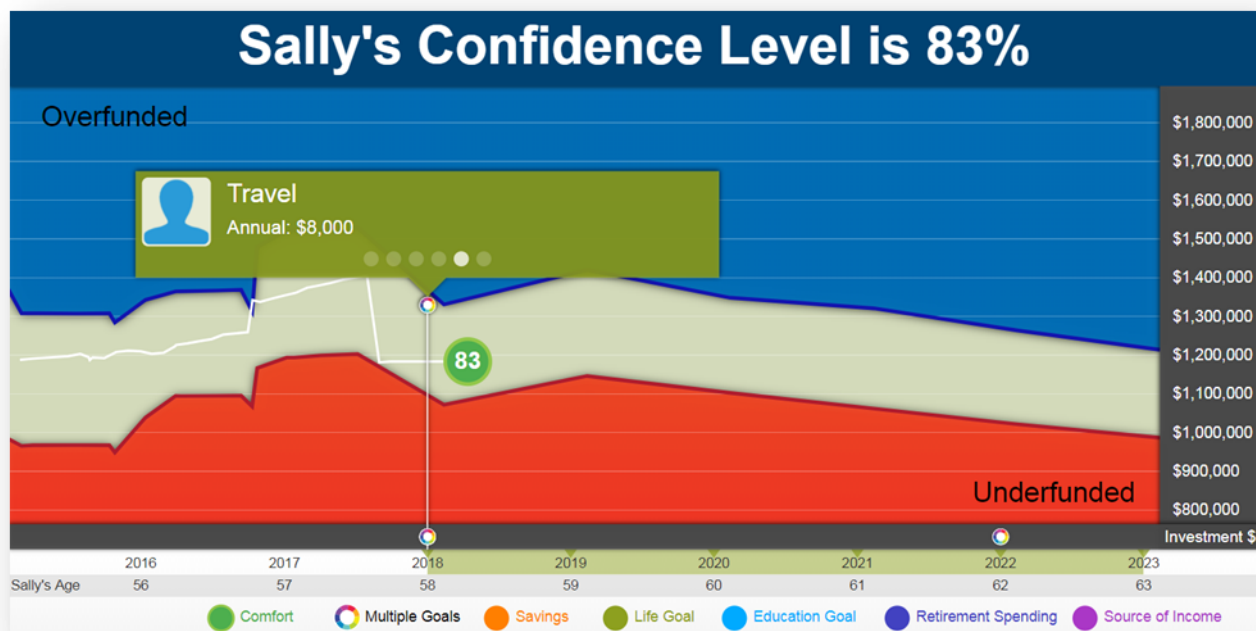
## Underfunded < 75%...Uncertain

There is too high of a chance you may not meet or exceed your goals. **Adjustments need to be made.**



## Where's your Dot?

Use our interactive **Comfort Zone**® to track your comfort score, review your upcoming goals and cash flows and asset ranges. Ongoing, proactive goal adjustments keep you on track regardless of market movement. “Where’s my Dot?” monitoring manages future confidence in achieving life goals while helping you avoid excessive risk or lifestyle sacrifice. This approach transforms the conversations you will have with your advisor to focus more on your life and the things you can control rather than market performance and things that are out of your control.



The **GDX360**® process powered by the **Comfort Zone**® puts you at the center of a goals-driven experience that provides:

## Clarity, Confidence and Control



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