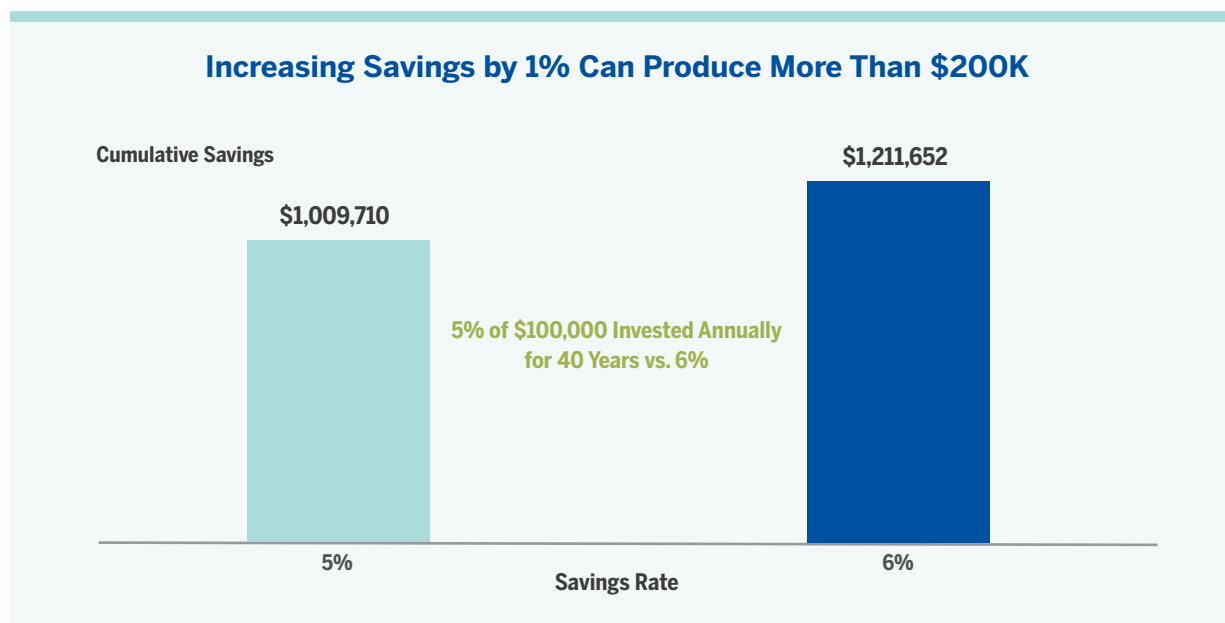


## The Benefit of 1% More

Many people perceive the act of saving as requiring the sacrifice of current pleasures amid the uncertainty of predicting an unknowable future. Fortunately, even a minor adjustment to an existing savings plan combined with smart investing can yield material results.



- A savings rate increase of 1% or 100 bps could be worth more than \$200,000, assuming a \$100,000 yearly household income, annual contributions for 40 years and a 6% rate of return compounded annually.<sup>1</sup>
- Our analysis indicates that over the coming decade, equities may be the best way to earn a mid-single digit annual return. Using the strong relationship between starting valuation and ensuing 10-year returns for both stocks and bonds, we see that based on recent valuations, stocks might outperform bonds by several hundred basis points.
- Because in the U.S. small companies are forecasted to produce much faster EPS growth than large companies next year, we believe small cap stocks may continue to achieve greater returns than large cap stocks going forward. Over the long term they have averaged two percentage points in annual return more than large caps. We believe they are a logical target for investors seeking to maximize their returns (see Alger On the Money “Looking for Higher Returns?”).

<sup>1</sup>Assumes annual household income increases of 2%.

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