

# Guide to Asset Allocation

## What is asset allocation and diversification?

**Asset allocation** = investing capital among asset classes such as equities, fixed income and cash equivalents, consistent with a customer's investment objectives, time horizon and risk tolerance.

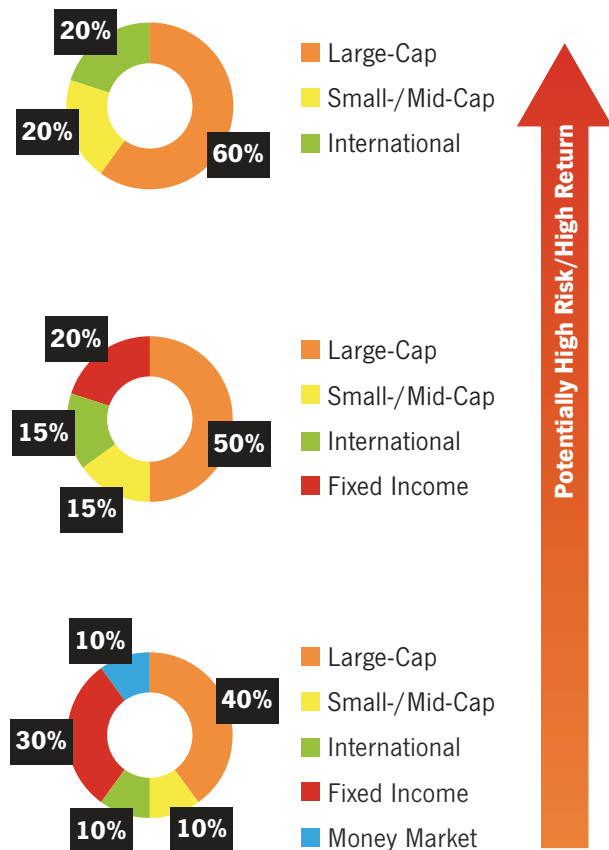
**Diversification** = investing capital within asset classes. For example, within equities, a customer may choose to diversify across large-, mid- and small-cap equities.

With a State Farm® brokerage account, customers may (1) build a diversified multi-fund portfolio consisting of several mutual funds or (2) leverage a single mutual fund that provides a diversified option that aligns with their investment objectives, time horizon and risk tolerance. We currently offer 140 mutual funds, from BlackRock® and American Funds®, 41 of which are target date, target allocation or multi-asset strategy funds.

## Building Diversified Multi-Fund Portfolios

The following examples show different ways customers might construct a well-diversified portfolio based on risk tolerance with a combination of mutual funds.

Remember, customers will fall into one of five risk categories in accordance with their responses to the risk tolerance questionnaire. To meet their asset allocation preferences, customers may select mutual funds offered by BlackRock and American Funds.



### Aggressive (100.0 – 0.0)\*

Provides long-term capital growth by investing in U.S. small-, mid- and large-cap equities, along with exposure to international equity markets. This asset mix may be appropriate for investors who have a preference for growth and who can withstand significant market fluctuations.

### Moderate Aggressive (80.0 – 0.0)

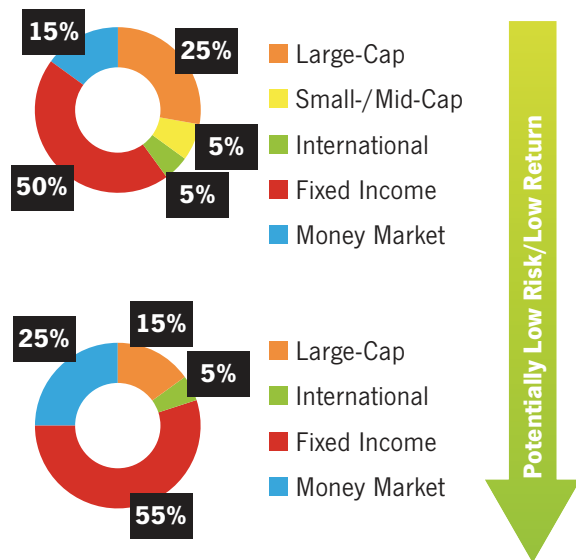
Provides long-term capital growth by investing in U.S. and international equities, with some exposure to fixed income for diversification. This example asset mix may be appropriate for investors who seek growth and some income and who can withstand moderate market fluctuations.

### Moderate (60.0 – 0.0)

Provides long-term growth of capital by investing in U.S. and international equities with exposure to fixed income for diversification and income. This asset class may be appropriate for investors seeking income with the potential for capital appreciation and who can withstand moderate market fluctuations.

\*The numbers in parenthesis represent the category range score.

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## Moderate Conservative (40.0 – 0.0)\*

Provides long-term capital growth by investing in U.S. and international equities, with some exposure to fixed income for diversification. This asset mix may be appropriate for investors who seek growth and some income and who can withstand moderate market fluctuations.

## Conservative (20.0 – 0.0)\*\*

Provides income and long-term growth of capital through a mix of equities and fixed income securities. This asset mix may be appropriate for investors who seek to minimize the effect of market fluctuations by taking an income-oriented approach with some potential for capital appreciation.

\*The numbers in parenthesis represent the category range score.

\*\*Conservative customers are allowed to invest in the Moderate Conservative category.

## Leveraging a Single Diversified Mutual Fund

A variety of diversified single-fund options are available on the Investment Planning Services brokerage platform. Both BlackRock and American Funds offer a series of target-date mutual funds that follow a risk reduction path by adjusting the fund's asset allocation to become more conservative over time. In addition, both fund providers offer several target-allocation options that provide investors balanced and diversified exposure across a wide range of asset classes, geographies and securities. The following funds are available to customers that desire a single-fund option to achieve diversified asset allocation.

### Target-Date Funds

#### BlackRock Target-Date Funds

- LifePath® Index Retirement Fund
- LifePath® Index 2025 Fund
- LifePath® Index 2030 Fund
- LifePath® Index 2035 Fund
- LifePath® Index 2040 Fund
- LifePath® Index 2045 Fund
- LifePath® Index 2050 Fund
- LifePath® Index 2055 Fund
- LifePath® Index 2060 Fund
- LifePath® Index 2065 Fund

#### American Funds Target-Date Funds

- American Funds 2010 Target Date Retirement Fund®
- American Funds 2015 Target Date Retirement Fund®
- American Funds 2020 Target Date Retirement Fund®
- American Funds 2025 Target Date Retirement Fund®
- American Funds 2030 Target Date Retirement Fund®
- American Funds 2035 Target Date Retirement Fund®
- American Funds 2040 Target Date Retirement Fund®
- American Funds 2045 Target Date Retirement Fund®
- American Funds 2050 Target Date Retirement Fund®
- American Funds 2055 Target Date Retirement Fund®
- American Funds 2060 Target Date Retirement Fund®
- American Funds 2065 Target Date Retirement Fund®

### Target-Allocation Funds

#### BlackRock Target-Allocation Funds

- 80/20 Target Allocation Fund
- 60/40 Target Allocation Fund
- 40/60 Target Allocation Fund
- 20/80 Target Allocation Fund
- Tactical Opportunities Fund
- Multi-Asset Income Fund
- Managed Income Fund
- Balanced Capital Fund
- Global Allocation Fund

#### American Funds Target-Allocation Funds\*

- American Funds Growth Portfolio
- American Funds Global Portfolio
- American Funds Growth and Income Portfolio
- American Funds Moderate Growth and Income Portfolio
- American Funds Conservative Growth and Income Portfolio
- American Funds Tax-Advantaged Growth and Income Portfolio
- American Funds Retirement Income Portfolio- Conservative
- American Funds Retirement Income Portfolio- Moderate
- American Funds Retirement Income Portfolio- Enhanced

\* Additional stock/bond allocation funds available.

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\*State Farm Investment Planning Services recommends customers hold at least \$35 in the cash portion of a brokerage account (distinct from a money market mutual fund position) to pay for fees incurred in a given year.

**Before investing, consider the funds' investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses which can be obtained by visiting the prospectus page on statefarm.com ([www.statefarm.com/IPS/prospectus](http://www.statefarm.com/IPS/prospectus)). Read it carefully. AP2021/08/1332**

Securities distributed by State Farm VP Management Corp.

Target Date Funds are portfolios whose investment objectives are adjusted over time to be more conservative as the target date (date the investor plans to start withdrawing their funds) approaches. The principal value of the fund(s) is not guaranteed at any time, including at the target date.

Diversification and asset allocation does not assure a profit or protect against loss.

**Securities are not FDIC insured, are not bank guaranteed and are subject to investment risk, including possible loss of principal.**

The stocks of small companies are more volatile than the stocks of larger, more established companies.

Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

Bonds are subject to interest rate risk and may decline in value due to an increase in interest rates.

**You could lose money by investing in the Money Market Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.**

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