

Applying asset allocation

What is asset allocation?

With asset allocation your assets are divided among a broad selection of investments, helping your portfolio level out the effects of market highs and lows. You decide how much to allocate into each investment type, also called asset class, based on your risk tolerance and your financial goals. Instead of chasing the performance of a particular investment, you make systematic, deliberate investments in a variety of asset classes.

“Over 90 percent of the variation in an investor’s return is attributed to the asset allocation decision.”

*—Brinson, Singer & Beebower,
Financial Analysts Journal*

How is risk tolerance involved?

There is a direct relationship between potential returns and risk. The higher the potential return, the higher the degree of risk, including the possibility of loss of principal. Before deciding on a personal investment strategy, you must consider how much or how little risk you are prepared to take with your money.

What kind of investor are you?

1. Over a 20-year time period, what do you think is a reasonable annual rate of return for a portfolio?

- a. 5%..... (1 pt)
- b. 7%..... (2 pts)
- c. 9%..... (3 pts)
- d. 11% (4 pts)
- e. More than 13% (5 pts)

2. How would you describe your investment experience and knowledge of financial markets?

- a. I am a new investor starting out. (1 pt)
- b. I have limited experience investing in mutual funds, variable annuities, stocks or bonds.(2 pts)
- c. I have experience investing in mutual funds, variable annuities, stocks or bonds(3 pts)
- d. I currently invest in a variety of securities (e.g., mutual funds, variable annuities, stocks or bonds) and occasionally follow the financial markets.(4 pts)
- e. I have extensive investing experience in securities (e.g., mutual funds, variable annuities, stocks or bonds), and closely follow and am very knowledgeable about the financial markets.(5 pts)

3. Given that portfolio values can fluctuate dramatically from year to year, what do you believe to be a reasonable range of annual returns, in any given year, for your portfolio over 20 years (including gains and losses)?

- a. 0% to +10%..... (1 pt)
- b. -5% to +15%..... (2 pts)
- c. -10% to +20%..... (3 pts)
- d. -15% to +25%..... (4 pts)
- e. -20% to +30%..... (5 pts)

4. What is your primary investment goal?

- a. I want to maximize the growth of my portfolio (5 pts)
- b. The primarily goal of my portfolio is growth, but I would also like some income (4 pts)
- c. I want my portfolio to be balanced between growth and income (3 pts)
- d. I am very concerned with preserving the value of my portfolio. However, I would like some growth as well (2 pts)
- e. Not losing money is my only concern (1 pt)

5. Which statement describes most accurately your tolerance for risk? I am willing to accept:

- a. Substantial — and sometimes, dramatic — declines in my investment choices to achieve my investment goals (5 pts)
- b. Frequent declines in my investment choices to achieve my investment goals (4 pts)
- c. Occasional declines in value to achieve my investment goals (3 pts)
- d. Infrequent declines in value to achieve my investment goals (2 pts)
- e. Minimal declines in my portfolio to achieve my investment goals (1 pt)

6. I prefer low-risk investments even if their returns are lower than the inflation rate.

- a. Strongly agree..... (1 pt)
- b. Agree (2 pts)
- c. Neutral (3 pts)
- d. Disagree (4 pts)
- e. Strongly disagree (5 pts)

7. What is your current age?

- a. 60 or above (1 pt)
- b. 50 - 59 (2 pts)
- c. 40 - 49 (3 pts)
- d. 30 - 39 (4 pts)
- e. Below 30 (5 pts)

8. How many years from now do you expect to start spending the money you're investing?

- a. More than 30 (5 pts)
- b. 20 to 30 (4 pts)
- c. 10 to 20 (3 pts)
- d. Five to 10 (2 pts)
- e. Less than five (1 pt)

Now, total your points for questions one through eight. _____

Find your total on the following schedule to get a general impression of your investment style and write it below the scale.

Conservative	8 – 15
Moderately conservative (Income & Growth) ...	16 – 21
Moderate (Balanced)	22 – 29
Moderately aggressive (Growth)	30 – 36
Aggressive	37 – 40

My investment style is _____

Selecting your investments

Find your investment style from among the charts below to see a typical distribution of investment classes for that style. ("Fixed income" represents investments in bond and money market options and any fixed account.)

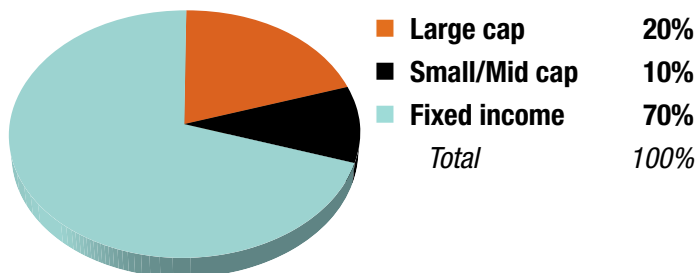
Do you only want to invest in large, well-known companies based in the U.S.?

Yes No

If you answered "yes," look in the domestic column. If you answered "no," look in the global column.

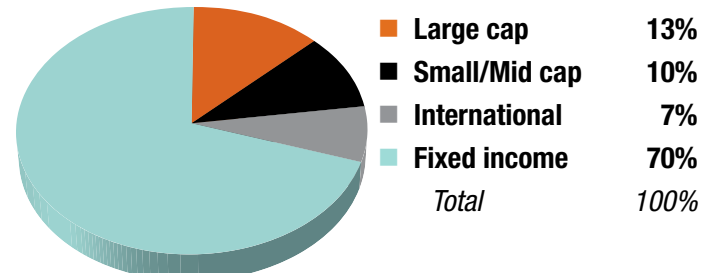
Domestic

Conservative

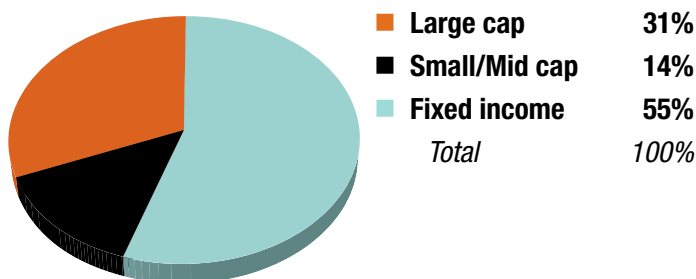


Global

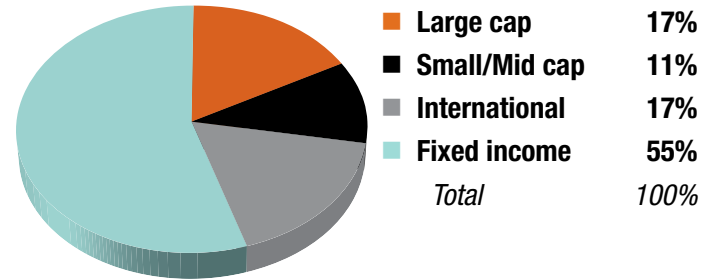
Conservative



Moderately conservative

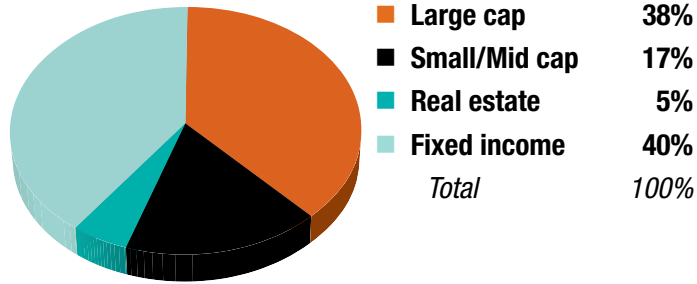


Moderately conservative



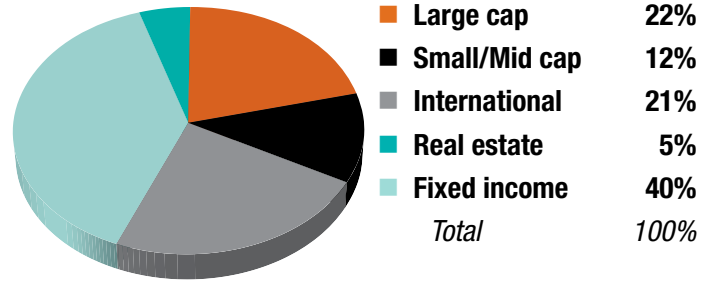
Domestic

Moderate

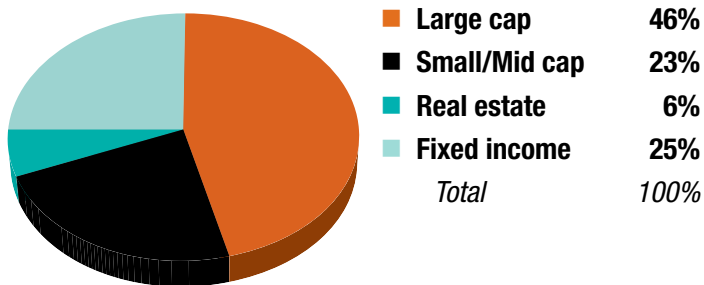


Global

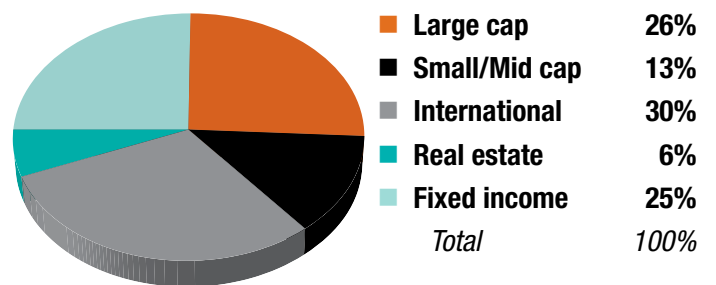
Moderate



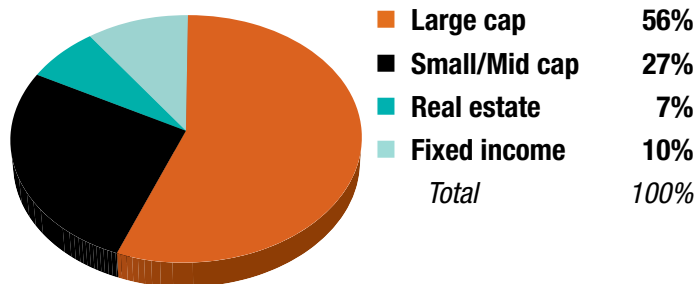
Moderately aggressive



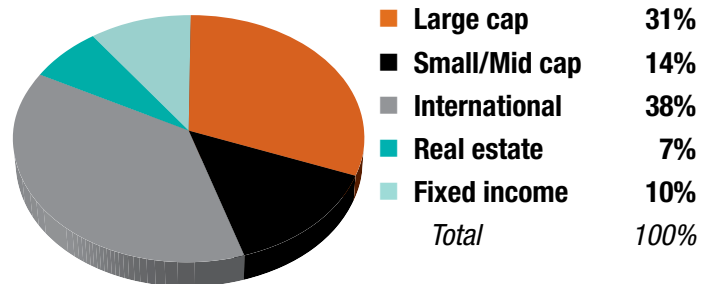
Moderately aggressive




Aggressive



Aggressive





Annuities should be considered long-term investments. If you take your money out early, you could be subject to contract charges, income taxes and an additional 10-percent tax. In addition, withdrawals on tax-qualified contracts may be restricted by the IRS or your employer's plan.

*Horace Mann's variable annuity contracts are underwritten by Horace Mann Life Insurance Company and offered by Horace Mann Investors, Inc., member FINRA. Horace Mann Investors, Inc. is located at 1 Horace Mann Plaza, Springfield, IL 62715. You can receive variable annuity prospectuses from your Horace Mann representative, by calling toll free 800-999-1030 or by visiting our website at **horacemann.com**. You should read the contract prospectus and the underlying investment option prospectuses carefully and consider the investment objectives, risks and charges and expenses carefully before you invest or send money.*

The prospectuses will provide complete information about Horace Mann's variable annuity contracts, Horace Mann Life Insurance Company and the underlying investment options. You should read the prospectuses carefully and consider the investment objectives, risks and charges and expenses carefully before you invest or send money.

The earnings potential of each option reflects the degree of risk associated with it. The higher the potential return, the higher the degree of risk, including the possibility of loss of principal. While bond funds are frequently used to help stabilize an investment program, bond funds do not guarantee the return of the principal investment. Interest rates, inflation and credit risks can affect the net asset value of the bond fund, and ongoing fees and expenses are charged on shares of bond funds. Not all investment options and asset classes are available in all products.

Money market funds are sold by prospectus. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund. Yields fluctuate and past performance is no guarantee of future results.



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