# THE POWER OF AHUPUA`A

ISLAND $AVINGS PLAN

`aina • ohana • ho`omaha loa

*Your path to a successful, sustainable future*

State of Hawai`i Deferred Compensation Plan

Prudential

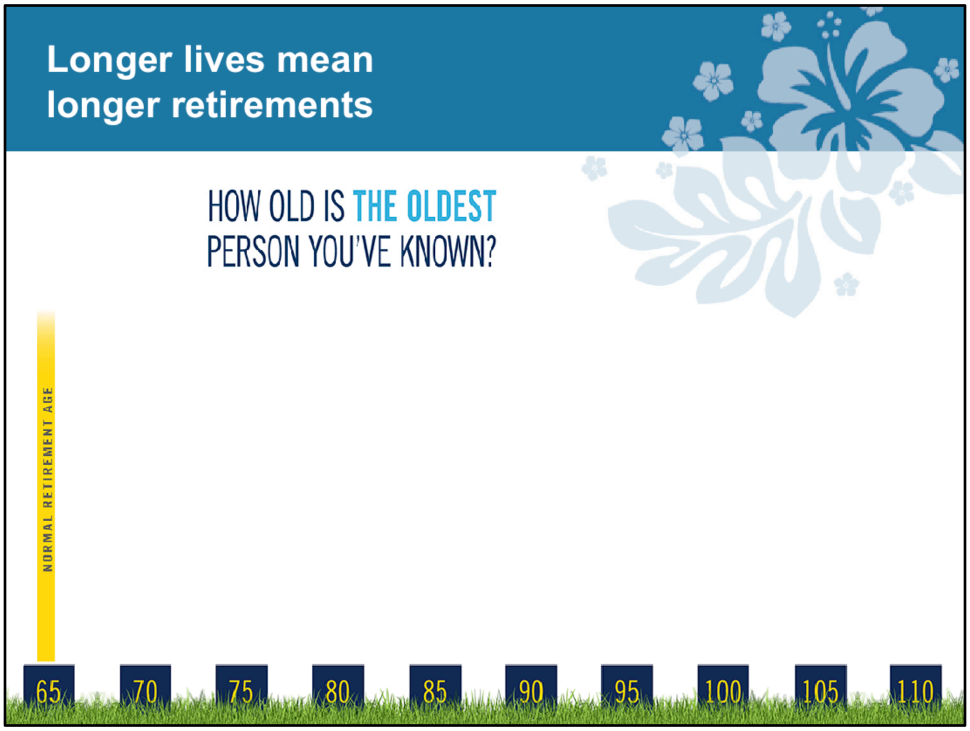

Aloha! I'm *[ID yourself and title/role]*. As you may have guessed, today's presentation is a little different from those you may have experienced before. That's because I'm here to help you focus on your future by taking you back to Hawaii's past … back to a time when our kupuna, our ancestors, provided for themselves, and to the lessons they can teach us about providing for a long, comfortable life after our working days are done. So let's get started.

## The Ahupua`a

Centuries ago -- before a drop of concrete was poured on the mokupuni … or [a drop of blood was spilled by Kamehameha and Captain Cook][Kamehameha united the islands] -- ahupua'a formed the foundation of the Hawai'ian culture.

A wedge-shaped division of land leading from mauka to makai, ahupua'a would prove to be the very heart of Hawai'i ... the arteries that brought our life blood – wai, or fresh water – from the wao akua – the realm of the gods -- to the wao kanaka, the realm of humans. Under our mortal control, through innovation and conservation, this godly gift would sustain both our agriculture … enabling us to farm the land for crops like kalo, or taro, and koa, or sweet potato … and our aquaculture, enabling us to fish, and to trade what we caught for other foods or for wood to build canoes and houses.

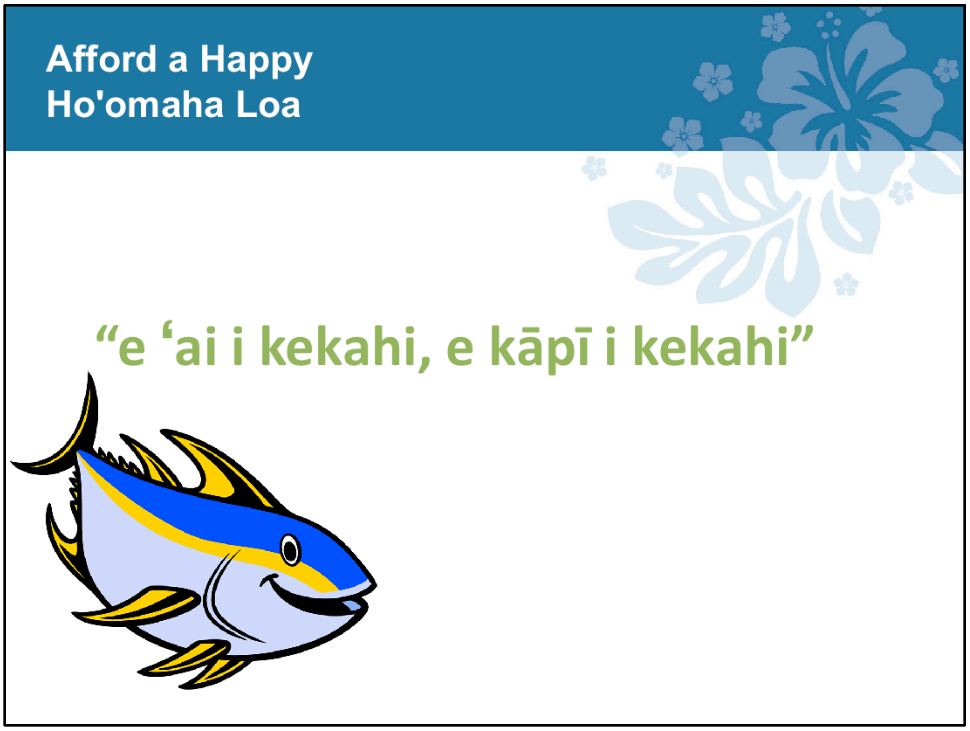
In short, the ancient Hawai'ians used ahupua'a to cultivate a great civilization … one that merged the spiritual with the natural, forged respect for the land and responsibility as its steward, and turned a struggle for limited resources into a life of abundance, diversity and, eventually, leisure.




Of course, Hawai`i today is a far cry from what it was then. But when it comes to ensuring a comfortable life after work, maka'ainana like us can learn a lot from our ancestors. And the truth is, we *need* to. Here's why:

If you're Hawai'ian – or even if not – congratulations! People here tend to live longer than most others throughout the nation.

But before you give yourself a lei for longevity, understand that there's a flip side to our good fortune: Longer lives mean longer retirements, and more years of costs to cover long after your paychecks stop. And if you haven't noticed, living here in paradise isn't exactly cheap.




The good news is, the Island Savings Plan can go a long way toward helping you afford a happy ho'omaha loa — if you take advantage of it.

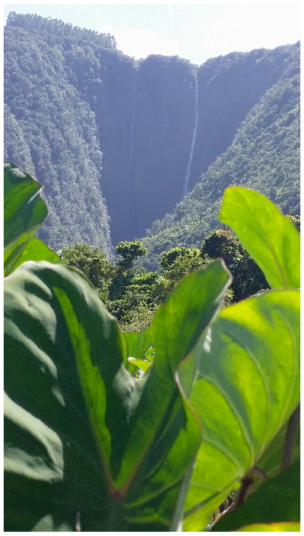
And that’s where the lessons of our ancestors come in. It didn’t take magic for the ancient Hawai’ians to wānana … to predict their futures. From their own experience, and the lessons passed down from their elders, they knew what was coming … for example, that the weather moved in cycles … that there would be years when crops were abundant … and years when they weren’t ... and that their very survival depended on planning for an inconsistent future.

It’s where we get our saying, e ʻai i kekahi, e kāpī i kekahi – eat some and salt some. Catch some fish and eat some today … but make sure you also save some to feed the ohana later.

And remember, we Hawaiʻians live a long time, so the ohana will need a lot of fish. Of course, these days -- with our smartphones, satellite TVs and, well, shorter attention spans -- it can be hard to look into the future and see yourself as anything but a stranger. You think, “Who’s that old [guy][lady]?” and, more to the point, “Why should I give [him][her] my money?”

Well, just keep reminding yourself: e ʻai i kekahi, e kāpī i kekahi. Then start saving as much as you can, as soon as you can, through your personal ahupua’a – the Island Savings Plan. And if you’ve already joined the plan, raise your contribution just a little bit … then raise it again next year, and again the year after that.

## The Island $avings Plan



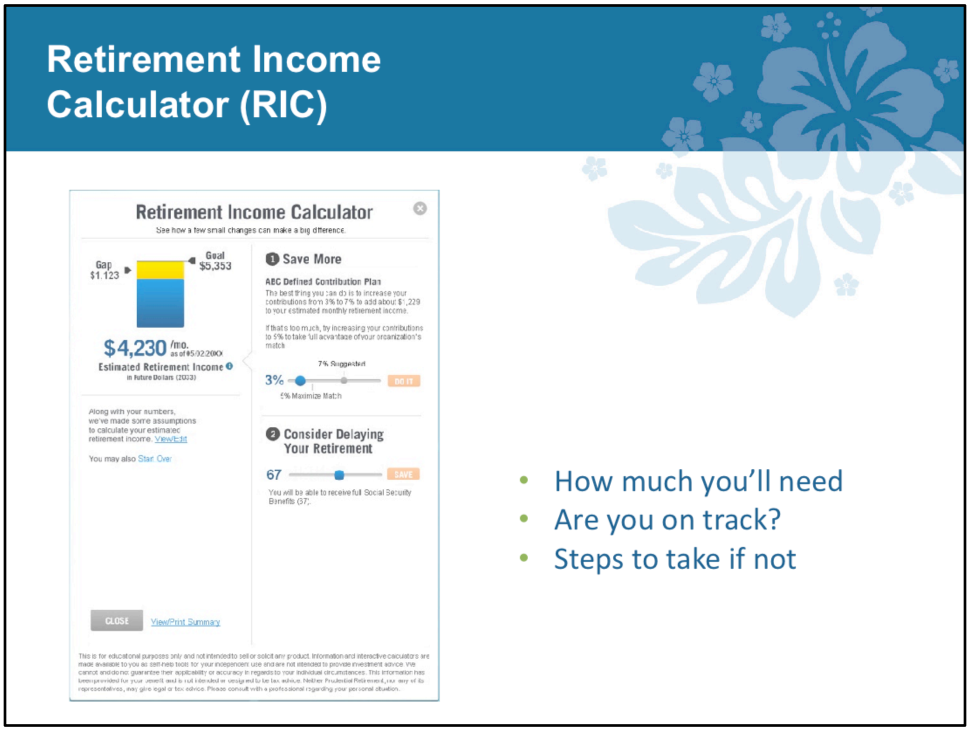
- Automatic payroll deductions
- Pre-tax contributions

Here's the happy part. Your ahupua`a – the Island Savings Plan – makes it simple to save … and then save some more. For one thing, the money you contribute to your account gets deducted from paycheck automatically. Think of it as a punawai – a freshwater spring that feeds your future every two(?) weeks. That makes it easy to develop a disciplined savings habit. After all, if you don't see money, you're less likely to miss it.

Not only that, but your contributions come from payroll before taxes come out. That lowers your current taxable income – and your tax bill. In fact, it means every pre-tax dollar you save costs you *less than* a dollar in take-home pay.


I mentioned it's best to start saving sooner than later. You may be wondering why – after all, if you're just starting out in your career, you may have less money to spend, let alone to save. Well, here's why you should start saving for your future as soon as you can: It's a concept called compounding, or the earnings on your earnings.

On the mainland they call it the snowball effect – when you roll a snowball, it gathers more snow, then that snow gathers more snow, and so on, until eventually, that small ball of frozen water becomes a mighty mountain of ice. You'll just have to trust me on that. But here's what it means in terms of your money: The more time you *have* to save, the less you may *need* to save.




Even so, everyone's situation is different. And just in case your wānana gene isn't working – that is, you're not sure how much money you'll need in the future – the Island Savings Plan helps you out with a free online tool called the Retirement Income Calculator, RIC for short.

The RIC helps you define the retirement you want, and tells you how much you need to, well, e kāpī away through the plan to get there. Then it tells you if your current strategy has you on track to reach your income goal … and what to do if you're not.

The RIC accounts for Social Security, and you can add retirement assets you and your spouse or partner hold outside the plan, including the benefit you can expect from the ERS. Best of all, the RIC saves your information and updates every time you log into your account. This way you'll always know where you stand—and where you may need to go—on the road to a comfortable ho'omaha loa.


Now, the RIC is a really helpful tool, but remember what I said about life spans and living costs – you could find out that you need to save more of your pay – maybe a lot more --  than you thought … or that you think you can afford right now.

Well, to that I say … a`ole pilikia!

Studies show that most people will need to save at least 10 percent of their pay to afford that happy ho'omaha loa. But the good news is, you don't have to get there overnight. Instead, simply raise your contributions gradually ... say, by one percent a year on your birthday or when you get a raise. Consider it a small gift to your future self -- the kapuna you. That can can really take the sting out of saving more.

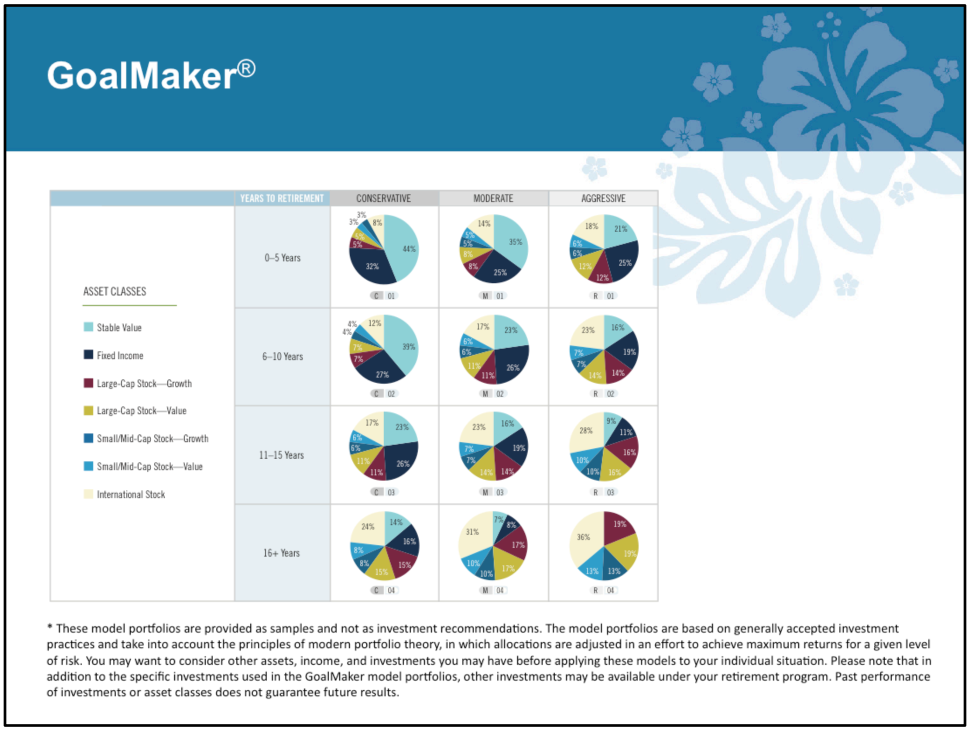

Another key to ahupua'a was how it was run. After all, wai from the gods was great in theory – but it only worked if a human was on hand to direct the flow … which crops to irrigate, when to irrigate them, what to store for later, and so on.

On the ahupua'a, the one who made those decisions was the konohiki.

Well, with the Island Savings Plan, you're the konohiki. That's because you don't just choose how much money to put into your account. You also decide how to invest it. Like the old people, you know that some crops grow fast and yield quickly … while others take time to bear fruit.

So as konohiki, you diversify – spread the wai among the kalo here, the niu there, leave some feed for the pua'a there.

Well, it's the same with the Island Savings Plan. Whether it's new contributions that flow from payroll deductions or the balances you hold like tidal pools, you can choose among a wide range of investment options that let you seed your account with funds that hold everything from guaranteed investments to bonds to stocks from every corner of the world. For an extra fee, you can even expand your choices with a self-directed brokerage account. Indeed, the plan offers the kind of diversity that can help sustain your retirement nest egg in good times and bad.




Of course, in ancient times the konohiki could rely on their experience and expertise to direct the wai where it needed to go. But irrigating crops in the lo'i isn't quite the same as allocating between, say, mid-cap value stocks and emerging-market bonds.

Happily, the Island Savings Plan offers not one but *three* simple ways to create a well-diversified investment portfolio.

First, there's an optional service called GoalMaker. With his program, you can create a personalized portfolio of funds in the plan in minutes. Simply answer a couple questions about when you expect to retire and how comfortable you are with investment risk -- there's even a quiz to help you if you're not sure -- and GoalMaker matches you with one of 12 Island Savings Plan portfolios developed by Morningstar Associates, an independent expert on so-called asset allocation.

Once you agree, GoalMaker is like a Konohiki 2.0. It automatically reinvests any current balances to match your target mix … and redirects new contributions to that same mix. Then, every few months GoalMaker rebalances your account to return to your model mix … and it gradually shifts your mix to become more conservative as you get closer to retirement and have less time to make up for short-term trouble. What's more, GoalMaker does all of this at no extra cost to you.

## LifeCycle Portfolios

- Lifecycle Income Fund
- Lifecycle 2015 Fund
- Lifecycle 2025 Fund
- Lifecycle 2035 Fund
- Lifecycle 2045 Fund
- Lifecycle 2055 Fund

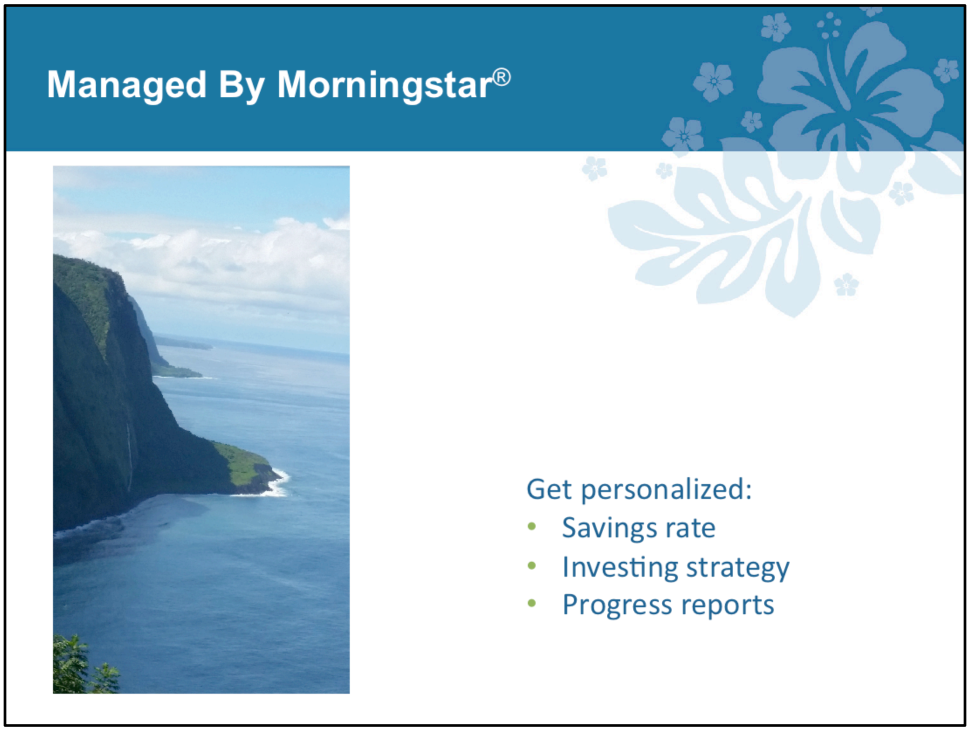
Lifecycle Funds are target date funds. The target date is the date withdrawals may begin (typically the anticipated retirement date). As that date approaches, the funds become more conservative by lessening equity (stock) exposure and increasing exposure to fixed income type investments. Principal value is never guaranteed, including at the target date.

Another way to diversify your account ʻāwīwī is by choosing one of the six Lifecycle Portfolios available in the plan. These options are what's known as target-date funds. Each Lifecycle Portfolio invests in other funds in the plan, and the portion it allocates to each fund depends on the portfolio's target – usually the year in its name … 2015, 2025 and so on .. and the target is based on a typical retirement age of 65. The farther away the target, the more the portfolio will focus on stocks, which historically have outperformed other types of investments over long periods.

Each fund's manager readjusts its holdings to become more conservative as the target year approaches – they'll usually pare back on stocks and build up on bonds and stable-value investments.

The Lifecycle Portfolios are similar to GoalMaker, but instead of providing information about your investor profile, you can merely choose the portfolio who's target year is closest to when you expect to start taking your money out., usually when you retire.

The one portfolio that doesn't name a year is the Lifecycle Income Fund. That's because it's meant for people who have already opened their ki wai.

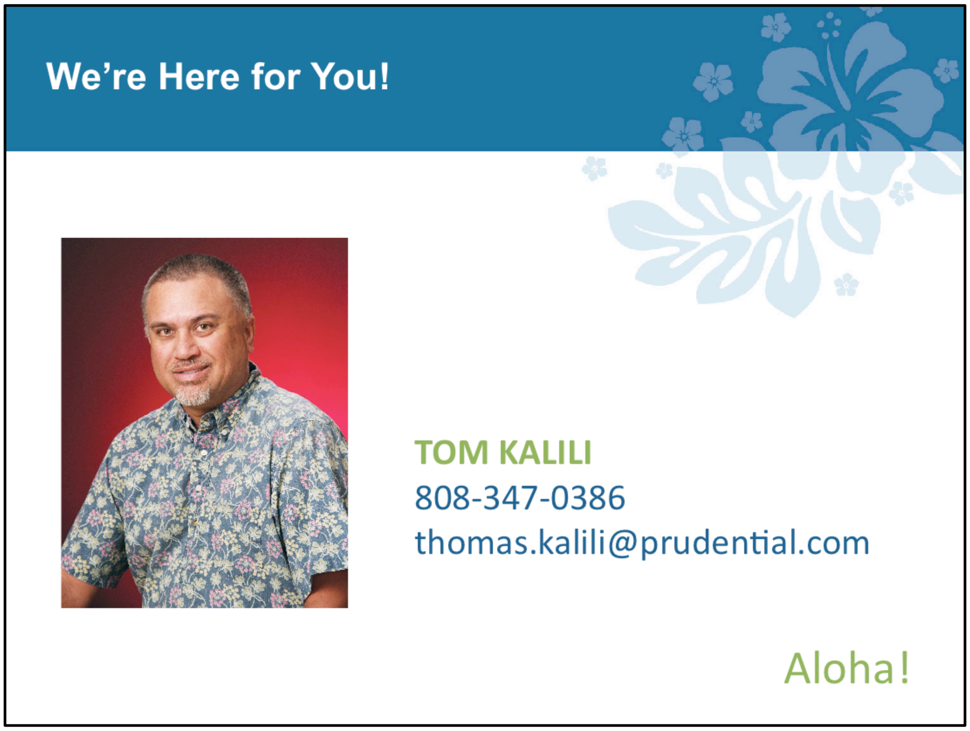



Now, a third way to quickly build a diversified portfolio is with what's known as a managed account – specifically, Managed by Morningstar. This service comes with an additional fee, but in return the pros at Morningstar do pretty much everything for you. You get a personalized savings rate and comprehensive investing strategy that can include retirement assets you have outside the Island Savings Plan, plus regular progress reports. But maybe most important: Morningstar puts your strategy into action by managing your account, every day.


Of course, if you're comfortable building and maintaining your portfolio on your own, the Island Savings Plan offers a wide range of investment options that are chosen and regularly monitored by the State. You can even get advice from Morningstar at no extra cost. This service recommends a savings rate and asset allocation, lets you include outside assets in your strategy, and gives you access to planning tools and research.

Or for an extra fee, you can even open a separate self-directed brokerage account that gives you access to thousands of investments, including individual stocks and bonds, from outside the Island Savings Plan.

I know, it's a lot to choose from. But you can handle it. After all, you're the konohiki.




Oh, and one more thing: With the Island Savings Plan, you also get a [Kalili]. That's me, of course. My team and I are fully licensed retirement counselors – we’re and ready to help you with almost any aspect of planning for your ho'omaha loa. So give us a call, or send us an email, or go online to set up an appointment.

Aloha!

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All investing involves various risks, such as fixed income (interest rate), default, small-cap, international and sector—**including the possible loss of principal.**
**You should consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus and, if available, the summary prospectus, contain complete information about the investment options available through your plan. Please call (855) 646-4015 for a free prospectus and, if available, summary prospectus that contain this and other information about the plan's mutual funds. You should read the prospectus and the summary prospectus, if available, carefully before investing. You can lose money when investing in securities.**
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