Taking control of your financial future
It’s time to get control of your financial future

Let’s begin by stating the obvious: You can’t control the wind. Or the rain. Or what happens in Washington. Or the driver in the car in front of you. And that can be scary, because all of these things that you can’t control – and countless others – could profoundly affect you and your family.

Of course, the good news is that there are plenty of aspects of your life you can control. This brochure addresses one of the most important – your investments.

When it comes to planning for your financial future, you don’t have to feel like a kite helplessly buffeted by the wind. You can take control and help ensure your investments have you on track toward your goals. Your key to getting started is having a grasp of the basics. And that’s just what this brochure is all about.

In the following pages we’ll discuss the choices every investor makes and the role risk plays in the investment process. After that, we’ll touch on diversification strategies for your investment portfolio, and we’ll look at the most common investment vehicles: stocks, bonds, mutual funds, exchange-traded products (ETPs), employer-sponsored retirement plans, IRAs and education savings plans. We’ll also consider how the wise use of liability management strategies can complement your investment strategy and help you reach your financial goals.
Making choices

Clarifying your objectives

A common misconception is that you start investing by buying something. In fact, purchasing investments is just one part of a much bigger picture. Think of it this way: You wouldn’t set out on a trip without first having a destination in mind. In the same way, the steps you take as an investor should be based on what you’re trying to accomplish. In general, it’s only after you know your goals and your strategy for working toward them that you should begin purchasing any investments. But don’t worry about any of that quite yet. After you’ve reviewed this brochure, a Financial Advisor from Wells Fargo Advisors can help you get started on your own investment journey.
Clarify your objectives

There are many reasons to invest: to purchase a dream house or automobile, to vacation in exotic places, to start a new business.

These are all valid reasons, but the three most commonly cited reasons for investing are to:

► Help ensure a financially secure retirement
► Pay a child’s or grandchild’s higher-education expenses
► Leave a financial legacy for heirs or, perhaps, a favorite charity

The clearer your objectives, the easier it will be for you to develop your strategy for working toward them. Therefore, it’s essential that you take time to prioritize your objectives. For example, you may want to save for retirement. But how do you plan to spend your retirement? Playing golf or tennis? Traveling? Shopping? Enjoying time with children or grandchildren? Pursuing a second career? Volunteering for your favorite charities? These are all issues to consider when defining your objectives.

Determine your time horizon

Having a clear idea of your goals is important because they will help determine your time horizon. For example, if you want to save for a child’s education, your time horizon will probably be shorter than if you are saving for your retirement.

Knowing your time horizon is important because it will help dictate the types of investments you should make. Having a longer time horizon usually means you can invest more aggressively because you should be able to ride out any short-term price volatility and have the potential to enjoy the increased returns that a riskier investment usually offers. (We’ll discuss the relationship between risk and return in the next section.)

A shorter time horizon may require you to use more conservative investments. If, for example, you purchase an investment with plans to sell it in a year, it’s usually best to choose a low-risk investment. If you hope to get a big return on a short-term investment, you should understand that you will need to make risky investments and face the very real likelihood that you may lose money.

Establish your starting point

Once you’ve clarified your objectives and time horizon, you need to determine where you are today. In other words, is your financial house currently in order? For example, if you’re carrying a heavy debt burden, especially high-interest credit-card debt, you’ll probably need to reduce it before you start investing.

A good way to determine where you stand financially is to start with your personal net-worth statement, which one of our Financial Advisors can prepare. This statement will give a snapshot of your assets (what you own) and liabilities (what you owe). It will also show how your assets are currently allocated between investments (stocks and bonds), bank accounts (checking, savings, and certificates of deposit) and real estate you own for investment purposes. Because it’s essential to know where you’re starting from, having a net-worth statement can be a valuable first step in developing your strategy.
The ups and downs of investing

The risks in your portfolio

Risk is an inherent part of investing. And though it may seem simple enough on the surface, risk can be one of the most difficult concepts for investors to understand. The most obvious risk of any investment is that you’ll lose money. You purchase a stock at $50 a share, for example, and a year later it’s worth only $25. This is called a “paper loss.” You haven’t lost anything until you sell the stock for less than $50. It could be that if you waited another year the stock might be at $75, and you could sell it at a gain.
Measuring an investment’s ups and downs

A stock that has wide price swings, such as the one just discussed, would probably be described as a volatile investment. Volatility is the most common measurement of risk. It’s the range of movement – both up and down – in an investment’s price over a period of time that determines how risky it is.

Risk’s role in your portfolio

Here’s perhaps the most important thing to understand about risk: It usually goes hand in hand with return potential. A low-risk investment, for example, will often have a low return. As a result, investors include riskier investments in their portfolios because they’re looking for the greater return potential these investments may offer.

Feeling at ease with your investment choices

Your risk tolerance is simply the level of risk you can comfortably live with in your portfolio. The higher your risk tolerance, the better the returns you may be able to achieve.

Although higher returns may be attractive, you may be comfortable with a relatively low level of risk — and that’s OK. You need to determine your risk tolerance and design your portfolio to fit within it, which may require you to adjust your objectives or time horizon.

For example, if you have a relatively low risk tolerance, want to start saving toward having $1 million for retirement and have only a few years to do so, you’re probably going to have to adjust your objective — either to an amount you may realistically be able to achieve or to work and save longer.

The most important thing to understand about risk: It usually goes hand in hand with return potential.
Additional risks you need to understand

Price volatility is probably one of the biggest risks you face as an investor. However, there are numerous other risks investors face each day.

The risk of the rising cost of living

Another risk you need to understand is inflation risk, which can reduce your investment gains by diminishing your purchasing power. Every economy experiences periods of inflation, and it’s been a reality for the U.S. economy since the end of World War II.

Although the inflation rate fluctuates from year to year, investors should factor inflation into their investment plans. To overcome inflation, you need investments with returns greater than the inflation rate. Of course, to get better returns, you will have to choose investments with increased risk.

The risk of the road not taken

If you have all of your money in low-risk investments, such as Treasury bills and bank certificates of deposit, you may be missing out on the opportunity to enjoy greater returns by diversifying into other investments. The possibility that you’re missing out on the chance to earn better returns with a different investment is called opportunity risk.

Although past performance does not dictate the future, common stocks, for example, have historically offered higher returns than most other investments. Along with higher returns come increased risks, however, and there are periods when stock investors lose money. In spite of this risk, stocks have proven through the years to be one of the best investments for helping individuals work toward their long-term financial goals.

The spectrum of risk

The shoreline represents fixed, lower-risk investments. As you venture into deeper water, the investments become riskier — from conservative to speculative. As investments become riskier, they usually offer the potential for higher returns. Once you determine where you fit best as an investor, a Financial Advisor with Wells Fargo Advisors can help you select and manage investments considered appropriate for your objectives and risk tolerance.
The risk of an economic downturn

As many investors learned during the mortgage meltdown and global economic recession that began in 2008, souring economies can rapidly affect stock markets as investors begin “panic selling.” Prices tumble and remain depressed – at least until signs of an economic recovery appear and investors take heart again.

Although it’s no secret that economies and markets move in cycles, a deep economic crisis is an unsettling event. It naturally leads to heightened concern and uncertainty. In addition, a proliferation of investment choices and the interconnectedness of global markets have added new terrain and complexity to the investment landscape. The average investor can easily feel overwhelmed and intimidated by it all.

But don’t hesitate to turn to a Financial Advisor with your questions and concerns. An advisor can help you identify savings, investment and lending vehicles that are designed to help protect your assets in tough markets and help position you for growth opportunities when conditions are right. To help you understand your choices, Wells Fargo Advisors offers many educational resources and materials that one of our Financial Advisors can share with you.

Additional protection through Wells Fargo Advisors

Through Wells Fargo Advisor’s membership in the Securities Investor Protection Corporation (SIPC), a nonprofit Congressionally chartered membership corporation, your assets with us are protected up to $500,000, including a $250,000 ceiling for cash claims. Above and beyond SIPC coverage, Wells Fargo Advisors maintains additional insurance coverage through Lexington Insurance Company (an AIG company) for clients who have received the full SIPC payout. The policy with Lexington provides coverage above the SIPC limits for any missing securities and cash in client investment accounts up to $1.9 million per client and up to a firm aggregate limit of $1 billion. Please remember that losses in the market value of investments are not covered under such insurance.

In addition to investment coverage, FDIC bank insurance protects cash deposits at Wells Fargo Advisors for a total of $750,000 if you are enrolled in our Bank Deposit Sweep Program. Through this program, uninvested cash balances (principal and interest) are automatically deposited, or “swept,” into three affiliate banks. Depositors are covered up to $250,000 per owner at the first affiliate bank, plus $250,000 per account in each of the two additional affiliate banks.* That’s triple the $250,000 FDIC coverage available through one bank.

Protection measures safeguard your money

When you work with a Financial Advisor, your assets are always held separately from your brokerage's own assets. In accordance with the Securities and Exchange Commission’s (SEC) Customer Protection Rule, any securities or funds held in your name may not be made available for any other use. The only exception to this rule is if a client has a loan from a margin account, an arrangement that permits the use of some of the assets in question and that can only be established through a written agreement.

* Cash deposits may be insured at higher amounts for joint and trust/transfer-on-death (TOD) accounts depending on the number of owners/beneficiaries.
Make it work for you

Developing your portfolio strategy

One of the keys to successful investing is constructing a portfolio with the right investment mix, or asset allocation, to help you work toward your objectives and best suit your risk tolerance. And it all starts with having a solid investment plan that takes into consideration what is happening now, what could happen next and what may happen even later. Then, it is key that you align your portfolio (asset allocation) with that plan to ensure you remain on track to meeting your long-term financial goals.
Determining your investment mix

When you’re in a traffic jam, do you ever notice how the lane next to you always seems to be the one that’s moving while you’re sitting still? Of course, if you change lanes, it will immediately stop and the one you just left will start moving. Wouldn’t it be great if you could be in every lane? Then it wouldn’t make any difference which one was moving.

Having a proper asset allocation is a time-tested strategy that lets you “be in every lane” when it comes to managing your portfolio. Because no one knows for sure which investment is going to do well tomorrow, you should spread your money over a number of different types of investments. That way you can be prepared for just about anything.

Before you begin working on your strategy for your portfolio, you need to understand the primary asset classes and the roles they can play in your portfolio. Keep in mind there is no assurance that an asset-allocation strategy will protect you against market risk or guarantee against loss of principal.

Cash provides flexibility

Cash is the simplest asset class to understand, but don’t let the name confuse you – it’s more than simply the money you have in your wallet. When we talk about the cash percentage of your portfolio, we are including anything you have invested in what are known as “cash alternatives.” These include certificates of deposit and bank money market funds.*

You need cash to pay day-to-day expenses, but cash alternatives as an investment offer a low return. Given inflation, even low inflation, chances are you’re losing money on any cash you hold. That’s why it’s important to keep only a small portion of your assets in cash.

A good rule of thumb is to have an amount equal to six to 12 months of your household expenses in cash in case of an emergency, such as when a family member unexpectedly loses his or her job. If you don’t have cash on hand during such an occurrence, you may find yourself being forced to sell investments at unattractive prices to pay your expenses. You may also choose to keep a cash reserve to take advantage of investment opportunities that may arise. But, holding too much in cash or cash alternatives can be costly. By holding cash, not only are you giving up potentially stronger returns in other asset classes, but you must also consider the potential erosion of purchasing power due to the impact of inflation.

* Under FDIC coverage, if a bank or savings association fails, each depositor generally is insured for up to $250,000 for non-retirement accounts, and up to $250,000 for IRAs and certain other retirement accounts. The FDIC coverage does not insure securities or mutual funds. More information can be found at fdic.gov or by contacting the FDIC at 1-877-ASK-FDIC.

Sample asset allocation

**Moderate growth and income**

The sample asset allocation has been provided for informational purposes only and is not intended to represent an investment recommendation. The prices of small-company stocks are generally more volatile than large-company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share-price volatility. Investing in emerging markets often accentuates those risks. There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Investing in lower-rated debt securities (commonly referred to as junk bonds) involves additional risk because of the lower credit quality of the security.
Stocks add growth potential

Of the three major asset classes, stocks offer the best potential for growth and can play an important role in almost any portfolio.

Being a stockholder means, quite simply, you are part owner of a company. Think of it this way: If you and a friend went into business together and you both put up equal sums to get started, each of you would hold a 50% share in the company. In return, you each would have an equal say in how the company was run, and you would both expect to receive equal portions of any company profits. You would also see your investment’s value increase if the company was successful and grew.

Common stock works the same way, only the numbers are much larger. If you owned, for example, 1,000 shares in a company with 2 million shares outstanding, you would own only 1/2,000 of that company. You would have a say in how the company was run, but your voice would be proportionate to your amount of ownership. Another stockholder with 5,000 shares would have a bigger say because he or she would own more of the company.

When a board of directors, which represents the stockholders, decides to distribute a portion of the company’s profits, it does so in the form of a dividend.

A stock that pays a cash dividend is called an income stock. On the other hand, a board of directors could also decide to retain profits and reinvest them in the company to help finance future growth. This type of stock is known as a growth stock. An investor in a growth stock would expect to see his or her profits from owning the stock to come primarily from appreciation in the stock’s price as the company grows. (A growth stock can pay dividends, but they are minimal; otherwise, it could be considered an income stock.)

Stock investing

<table>
<thead>
<tr>
<th>Advantages:</th>
<th>Disadvantages:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over an extended period, investing in stocks has proved to provide a better return than most other investments.</td>
<td>Stock investing involves greater risk than many other investments.</td>
</tr>
<tr>
<td>Some stocks pay dividends, which can be reinvested or used as income.</td>
<td>If you make a profit on the sale of stocks, you could face capital-gains taxes.</td>
</tr>
<tr>
<td></td>
<td>The stock market is often driven by emotion, not logic, making it hard to predict which stocks will do well and which won’t.</td>
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</tbody>
</table>
A company’s stock prices are influenced by many factors, including its short- and long-term outlook, and recent headlines. If investors believe a company is going to perform well, they will want to buy the stock, which will drive up its price. Fluctuations in a company’s stock price often indicate how investors believe the company will perform in the future. If the price rises, investors probably think the company’s prospects look good; a falling price, of course, indicates the opposite.

**Stocks, Bonds, Bills, and Inflation 1926–2012**

Ibbotson® SBBI®

![Graph showing compound annual returns of different asset classes from 1926 to 2012.]

- **Small stocks**: 11.9%
- **Large stocks**: 9.8%
- **Government bonds**: 5.7%
- **Treasury bills**: 3.5%
- **Inflation**: 3.0%

Past performance is no guarantee of future results. Hypothetical value of $1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

**Ibbotson® SBBI® 1926–2012**

An 87-year examination of past capital market returns provides historical insight into the performance characteristics of various asset classes. This graph illustrates the hypothetical growth of inflation and a $1 investment in four traditional asset classes over the time period January 1, 1926, through December 31, 2012. Large and small stocks have provided the highest returns and largest increase in wealth over the past 87 years. As illustrated in the image, fixed-income investments provided only a fraction of the growth provided by stocks. However, the higher returns achieved by stocks are associated with much greater risk, which can be identified by the volatility or fluctuation of the graph lines. Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than the other asset classes. Furthermore, small stocks are more volatile than large stocks, are subject to significant price fluctuations and business risks, and are thinly traded.

**About the data**

Small stocks in this example are represented by the Ibbotson® Small Company Stock Index. Large stocks are represented by the Standard & Poor’s 90 Index from 1926 through February 1957 and the S&P 500® Index thereafter, which is an unmanaged group of securities and considered to be representative of the U.S. stock market in general. Government bonds are represented by the 20-year U.S. government bond, Treasury bills by the 30-day U.S. Treasury bill, and inflation by the Consumer Price Index. Underlying data is from the Stocks, Bonds, Bills, and Inflation® (SBBI®) Yearbook, by Roger G. Ibbotson and Rex Sinquefield, updated annually.

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Bonds provide income and more

Bonds are the last of the three major asset classes. Unlike stocks, bonds do not represent an ownership position in the bond issuer. Instead, when you purchase a bond, you’re making a loan to the issuer. It’s similar to your home mortgage, only when you purchase a bond, you’re the lender rather than the borrower.

When you take out a mortgage, you agree to pay the lender interest, which is simply your cost for taking out the loan. Likewise, when you purchase a bond, the issuer (the borrower) agrees to pay you (the lender) interest. Interest payments on a bond are usually made twice a year.

A significant difference between a home mortgage and a bond is in how the principal is repaid. A typical monthly mortgage payment includes both interest and principal. Unlike mortgage payments, the payments you receive from a bond issuer consist of interest only. Your principal is repaid only when the bond matures (unless the issuer calls the bond and repays the par value prior to maturity).

Bonds in your portfolio

Bonds usually serve two important functions within a portfolio. First, because bond prices are generally less volatile than stocks, bonds help give a portfolio stability. Second, because they pay interest on a regular basis, bonds provide income. For these reasons, conservative investors who seek stability and retirees who need income often have significant portions of their portfolios invested in bonds.

The majority of bonds are issued at par value, and their market price fluctuates at a premium or discount to par. The market price is an indication of what clients would receive if they chose to purchase or liquidate bonds in the secondary market. Regardless of the price paid for a bond, the amount of interest the owner earns is always based on the bond’s par value. For example, a bond with a $1,000 par value and 5% coupon will always pay $50 per year in interest, even when the bond’s market price rises above or dips below par.

Several factors can influence a bond’s market price, including a move in interest rates or a change in credit quality. Generally when interest rates rise, the price of existing bonds falls because the income they pay is less than what investors could receive on a new bond. When interest rates fall, existing bond prices rise because the income they pay is more than what investors can receive on new bonds.

Bond investing

<table>
<thead>
<tr>
<th>Advantages:</th>
<th>Disadvantages:</th>
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<tbody>
<tr>
<td>Bonds provide income.</td>
<td>Although bonds are generally not as risky as stocks, it’s still possible to lose part or all of your investment.</td>
</tr>
<tr>
<td>U.S. government and municipal bonds offer income-tax advantages.</td>
<td>With all bonds, you face the risk that the issuer of the bond may default on its loan.</td>
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<tr>
<td>Bonds are considered less risky than stocks.</td>
<td>Over time, bonds generally underperform stocks in terms of total investment return.</td>
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Investors seek diversification with mutual funds

Selecting the right stocks and bonds in which to invest and monitoring their performance can be intimidating, especially for novice investors. That’s why mutual funds are so popular. These funds let you invest without having to decide exactly which stocks and bonds to purchase.

Purchasing shares in a mutual fund can help an investor diversify. The mutual-fund manager uses money from many investors to purchase a variety of investments.

Mutual funds and dollar cost averaging

One of mutual funds’ advantages is that they let you purchase fractional shares, making it easy to dollar cost average, which is the practice of investing a set amount into a particular investment on a regular basis. For example, you could invest $100 each month in a mutual fund. In a fluctuating market, this practice lets you purchase additional shares when prices are low and fewer when prices increase, thus avoiding the potential pitfalls of trying to time the market – buying when prices are low and selling when they’re high.

Although market timing may sound appealing, it’s extremely difficult to do successfully, even for seasoned investors.

Like any investment strategy, dollar cost averaging doesn’t guarantee a profit or protect against loss in a declining market. Because dollar cost averaging requires continuous investment regardless of fluctuating prices, you should consider your financial and emotional ability to continue the program through both rising and declining markets.

Effective dollar cost averaging requires discipline. You must invest the same amount every two weeks, month, quarter or other time period you choose.

To help stay on track with your dollar-cost-averaging strategy, you should consider taking advantage of a systematic investing program, such as Wells Fargo Advisors’ Periodic Investment Purchases and Sells (PIPS). This program lets you choose an amount to be invested into your choice of mutual funds from a broad array of alternatives. Once you sign up for the program, the money is automatically invested each month without any further action on your part.

To take advantage of PIPS, you must have a sufficient balance in your Wells Fargo Advisors account’s cash investment alternative.

How dollar cost averaging works

Using mutual-fund investing to work toward your goals.

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<tr>
<th>Shares purchased</th>
<th>Price per share</th>
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When price per share is $10, its highest, you buy only 50 shares.

When price per share is $6, its lowest, you buy 83 shares.

Chart assumes $500 periodic purchases. Example is for illustrative purposes only and does not reflect the performance of a specific investment.

Mutual-fund investing

Advantages:

► Investing in mutual funds is a cost-effective way to invest in a variety of investments.

► Because a mutual fund owns a variety of investments, it’s less likely to be affected by the poor performance of one or two investments.

► Mutual fund managers are generally seasoned professionals who study the markets and adapt their funds’ portfolios to try to achieve maximum performance.

Disadvantages:

► When you purchase mutual-fund shares, you invest in the fund itself and have no control over investments within the fund.

The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost.

No capital gains taxes are due when fund shares are held within a tax-advantaged account, such as a 401(k) or IRA. However, account withdrawals will be taxable. Roth IRA and Roth 401(k) withdrawals may be tax-free.
Building a portfolio with exchange-traded products

Exchange-Traded Products (ETPs) are securities that derive their value from a basket of securities – such as stocks, bonds, commodities, or indices – and are traded like individual stocks on an exchange. When you purchase an ETP, you are purchasing shares of an overall portfolio, not actual shares of underlying investments or index components. ETPs can track a wide variety of sector-specific, country-specific and broad-market indexes.

Although similar to mutual funds in offering a level of diversification difficult to obtain through single-stock purchases, ETPs typically carry low management fees and are generally passively managed. As a result, they normally generate fewer capital gains due to the low turnover of the securities within the portfolio.

Investors may choose to invest in actively managed ETPs. While not as common as the passive variety, actively-managed ETPs are exchange-traded funds (ETFs) managed by a single fund manager or team of managers. Actively managed ETFs do not seek to replicate the performance of a particular index. Instead, they use an active investment strategy to meet their investment objectives.

Also, since they are traded like stocks and bonds, ETPs offer liquidity throughout the day as opposed to the end-of-day pricing system for mutual funds. An ETP is wholly transparent, meaning its investment holdings are viewable online daily, while mutual funds normally adhere to a requirement that holdings are disclosed every 90 days.

In addition, ETPs offer certain tax advantages that your Financial Advisor can discuss with you in greater detail.

More ETPs are hitting the market as investors continue to discover their low fees, tax efficiency and transparency, but you can find ETPs that cater to just about any investment appetite. A single ETP often mirrors an entire index, such as the S&P 500, Dow Jones Industrial AverageSM or Nasdaq Composite Index®; an entire sector of the equities market, such as large caps, small caps, growth stocks or value stocks; or whole industries, such as technology, energy, high tech or biotech. In addition, specialized ETPs can cover market niches, such as gold, oil or real estate investment trusts (REITs), and they can even cover other asset classes, like fixed income.

<table>
<thead>
<tr>
<th><strong>ETP investing</strong></th>
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<tbody>
<tr>
<td><strong>Advantages:</strong></td>
</tr>
<tr>
<td>- ETPs offer a cost-effective way to invest in a large number of diverse or specialized investments.</td>
</tr>
<tr>
<td>- ETPs offer trading flexibility and typically generate few capital gains.</td>
</tr>
<tr>
<td><strong>Disadvantages:</strong></td>
</tr>
<tr>
<td>- Some ETPs may be thinly traded, which could impact your ability to sell your shares quickly with efficient pricing.</td>
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</tbody>
</table>

ETPs are subject to risks similar to those of stocks. Investment returns may fluctuate and are subject to market volatility so that an investor’s shares may be worth more or less than their original cost when redeemed or sold. ETPs seek investment results that, before expenses, generally correspond to the price and yield of a particular index. There is no assurance that the price and yield performance of the index can be fully matched.
How do ETPs differ from mutual funds?

The table below summarizes the main differences between ETPs and mutual funds.

<table>
<thead>
<tr>
<th></th>
<th>ETP</th>
<th>Mutual fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management style</td>
<td>Generally passive</td>
<td>Active or passive (index funds)</td>
</tr>
<tr>
<td>Exchange traded</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Purchase/sell at</td>
<td>Price on exchange</td>
<td>NAV*</td>
</tr>
<tr>
<td>Premium/discount to NAV*</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Share classes</td>
<td>Common shares</td>
<td>Several (by cost structure)</td>
</tr>
<tr>
<td>NAV pricing*</td>
<td>Intraday</td>
<td>Daily</td>
</tr>
</tbody>
</table>

* Net asset value (NAV) – The value of a collective investment fund based on the market price of the securities held in its portfolio. Units in open-end funds are valued using this measure. NAV per share is calculated by dividing this figure by the number of ordinary shares. ETPs can trade at NAV, or their price can be at a premium or discount to NAV.
Selecting suitable accounts

We’ve discussed many of the elements required to help you take control of your financial future, such as understanding asset allocation and the roles different types of investments can play in your portfolio. But when the rubber meets the road and you begin to put what we’ve covered into practice, you’ll need to start with a brokerage account. In fact, by the time you’re through, you’ll probably have a number of different accounts to help you address different objectives.
For example, you may have both a traditional and a Roth IRA for your retirement savings. You could also have Coverdell Education Savings Accounts (ESAs) and 529 plan accounts to save for your children’s education.

Before we look at the features of these different account types, you need to understand the effects of taxes on your investments. Simply stated, taxes can reduce your net return.

The chart below shows the potential long-term effects of taxes. This hypothetical example illustrates an 8% rate of return on a $5,000 annual investment for 40 years. If you were in the 28% tax bracket, you would see that tax deferral would give you almost twice the $770,630 you would have if you had invested that same amount in a taxable account.

In the unlikely event that you withdrew the money all at once and paid the taxes at 2013’s top rate of 39.6%, you would still end up with $74,308 more than you would have with a taxable account.*

If you’re in a different tax bracket, your numbers will vary, of course, but the principle is still the same – you’ll end up with more if you don’t have to pay taxes annually on your earnings.

The previous statement may seem rather obvious, but you need to understand that taxes work against your achieving your financial objectives, which leads to an important conclusion: You should consider taking advantage of accounts that let you defer or completely avoid paying taxes on your earnings.

Enhance your returns with tax-advantaged accounts

*Fees and charges are not reflected in the illustration and would reduce the performance shown if they were. Withdrawals are subject to income tax and, if taken before age 59½, could be subject to a 10% IRS penalty. State taxes may also be owed but have not been considered in this illustration.

Lower maximum tax rates on capital gains and dividends may make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the accounts. Individuals should consider their personal investment horizons and income-tax brackets, both current and anticipated, when making an investment decision, as these may further affect the results of the comparison.

This illustration is hypothetical in nature and is not intended to represent an actual investment.
Employer retirement plans offer tax advantages with ease

An excellent place to start your retirement saving is with an employer-sponsored retirement plan. These plans go under a number of different names; in addition to 401(k) and 403(b) plans, there are SEP IRA, SIMPLE IRA and governmental 457 plans. Although they differ in the details, these plans share something important in common: They are tax-advantaged accounts, which may allow you to defer a portion of your salary into an account. The money deferred into the account is deducted from your taxable income (unless you utilize the Roth provision). Once in the account, the money has the potential to grow tax-deferred until withdrawn.

Your 401(k), 403(b), or governmental 457(b) plan may give you the choice to contribute to a traditional or Roth plan account. If that is the case, earnings withdrawn from a Roth account within your plan may even be tax-free, not just tax-deferred. Contact your employer’s benefits department to find out if the Roth feature is available to you. Earnings withdrawn from the Roth account are tax-free if you meet both of the following requirements:

- You’re age 59½ or older (or meet certain other requirements)
- It’s been five tax years or more since you made your first contribution

Employer-sponsored retirement plan investing

<table>
<thead>
<tr>
<th>Advantages:</th>
<th>Disadvantages:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Because money goes directly into the plan, there’s less temptation to spend rather than invest it.</td>
<td>• Funds withdrawn before you are age 59½ may be subject to regular income tax and an additional 10% IRS penalty.</td>
</tr>
<tr>
<td>• Your employer may match your contributions.</td>
<td>• 401(k), 403(b) and 457 plans limit your investments to those chosen by the employer.</td>
</tr>
<tr>
<td>• With most plans, salary deferred into the account is deducted from your taxable income (unless utilizing the Roth provision).</td>
<td>• Withdrawals must begin at age 70½ for most individuals, even if income is not needed. Generally, the distributions are taxable.</td>
</tr>
<tr>
<td>• Money invested in your account has the potential to grow tax-deferred (or tax-free if in a Roth account).</td>
<td></td>
</tr>
</tbody>
</table>
Save tax-advantaged with IRAs

As with an employer-sponsored retirement plan, money deposited into a traditional IRA has the potential to grow tax-deferred until distributed. However, although just about anyone with earned income can contribute to a traditional IRA, the tax deductions depend on whether you (and/or your spouse) are covered by an employer-sponsored retirement plan. If so, your deductions will also depend on your federal tax filing status and your modified adjusted gross income (MAGI). If you (and your spouse, if married) are not covered by an employer-sponsored plan, 100% of your contributions, up to the annual contribution limits, is tax-deductible, regardless of your MAGI.

It’s important to keep in mind, however, that the real advantage of a traditional IRA is not the deductions but the opportunity to benefit from tax-deferred growth potential. Investing in a Roth IRA, on the other hand, gives you the chance to benefit from tax-free growth potential and the ability to pass assets income-tax-free to your beneficiaries.

Your eligibility to contribute to a Roth IRA depends on your MAGI. If your MAGI is above certain levels, you may not be able to contribute or the amount you can contribute may be less than the maximum.

Roth IRA contributions are not tax-deductible, although your annual Roth contribution principal may be distributed at any time tax- and penalty-free. Earnings can be distributed tax- and penalty-free if you are age 59½ or older and have had a Roth IRA for five years or longer.

Tax-deferred vs. tax-free

Which is right for your nest egg?

<table>
<thead>
<tr>
<th></th>
<th>Traditional IRA*</th>
<th>Roth IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is current tax liability reduced?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Are income limits apply?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Are contributions limited by employer-plan participation?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Is there a maximum age limit for contributing?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Are earnings tax-deferred?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Are distributions of earnings tax-free?</td>
<td>No</td>
<td>Yes*</td>
</tr>
<tr>
<td>Are minimum distributions required beginning at age 70½?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

* Your ability to deduct traditional-IRA contributions is determined by your, and if married, your spouse’s, participation in an employer-sponsored retirement plan, tax-filing status and MAGI.

† Federal tax-free status applies when the account is held for at least five years and the account owner is age 59½ or older upon distribution or as a result of death, disability or being a first-time homebuyer. State taxes may apply. Contact your state department of revenue for information regarding regulations for Roth IRA distributions.

IRA investing

Advantages:

- Money invested in a traditional IRA has the potential to grow tax-deferred until distributed.
- Money invested in a Roth IRA has the potential to grow tax-free and be passed income-tax-free to your heirs.
- You’re not limited to investment choices decided by your employer.
- No required minimum distributions (RMDs) from a Roth IRA during the owner’s lifetime.
- Unlike a qualified plan, you have access to your IRA at any time. Taxes and penalties may apply.

Disadvantages:

- Taxable RMDs from traditional IRAs must begin at the age of 70½, even if you don’t need the income.
- Funds distributed before age 59½ may be subject to regular income tax and an additional 10% IRS penalty.
- Traditional IRA contributions are not always tax-deductible.
Figuring out how to afford higher education

Higher-education costs have increased dramatically in recent years – to the point where few families can afford to pay them out of their current income while they have children in college. As a result, many families need a savings program to give their children the opportunity to enjoy a quality education.

Today, investors have two useful vehicles with which to save for education and avoid income taxes: Coverdell Education Savings Accounts (ESAs) and Section 529 plans.

Enjoy flexibility with a Coverdell ESA

A Coverdell ESA helps families save for education in much the same way a Roth IRA helps individuals save for retirement. Whether you can contribute to an ESA depends on your MAGI. The after-tax dollars deposited into an ESA have the opportunity to grow tax-free as long as distributions are used to pay the beneficiary’s qualified education costs. If withdrawals aren’t used for qualified expenses, income taxes will be owed on the amount of earnings distributed, possibly along with a 10% IRS penalty.

In addition to tax advantages, ESAs provide flexibility. While a 529 plan (discussed next) limits your investments to those chosen by the sponsoring state, with an ESA you can select from a broad array of investment choices.

Coverdell ESA investing

<table>
<thead>
<tr>
<th>Advantages:</th>
<th>Disadvantages:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions have the opportunity to grow tax-free to pay qualified education expenses.</td>
<td>Distributions not used for qualified expenses may be subject to regular income tax as well as an additional 10% IRS penalty.</td>
</tr>
<tr>
<td>There are few restrictions on how contributions can be invested.</td>
<td>Your ability to contribute is based on MAGI.</td>
</tr>
<tr>
<td>Account funds can be used for qualified expenses for grades K-12 as well as for qualified higher-education expenses.</td>
<td>Annual contributions per child are limited regardless of the number of donors on accounts.</td>
</tr>
<tr>
<td>You can transfer the account to another family-member beneficiary if the original beneficiary doesn’t use it.</td>
<td></td>
</tr>
</tbody>
</table>
Build education savings quickly with a 529 plan

Although income limits prohibit some individuals from contributing to an ESA, anyone at any income level can contribute to a 529 plan. These plans are sponsored by states, and all states and Washington, D.C., currently have plans.

Each state determines the investments available in its plan. These plans are not all created equal, and it’s possible you won’t be happy with the investments available in your state’s plan. If so, keep in mind that most states permit nonresidents to participate in their plans; however, they may not offer all the benefits to nonresidents that are available to residents.

With a 529 plan, you may make federal-tax-free withdrawals for qualified post-secondary education expenses. Withdrawals not used for qualified education expenses may be subject to income tax and a 10% IRS penalty.

The amount you may contribute annually varies from state to state, but the contribution limits are all significantly higher than an ESA’s limit.

For 2013, the federal government lets an individual contribute up to $70,000 ($140,000 for a married couple) for a beneficiary in a single year without incurring gift taxes. However, if you contribute this much, any additional gifts given to the beneficiary within the following five years may trigger gift-tax consequences in the years the gifts are made.

A portion of the contribution to the plan may be returned to the donor’s estate if he or she dies before the five-year period has passed, which could have estate-tax implications.

An investment in a 529 plan will fluctuate such that an investor’s shares, when redeemed, may be worth more or less than the original investment. Investors should carefully consider the investment objectives, risks, charges and expenses of 529 plans before investing. This and other important information can be found in the 529 plan issuer’s official statement, which should be read carefully before investing.

Estimated annual college costs*

<table>
<thead>
<tr>
<th>Year</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$17,860</td>
<td>$39,518</td>
</tr>
<tr>
<td>2018</td>
<td>21,939</td>
<td>48,311</td>
</tr>
<tr>
<td>2023</td>
<td>26,950</td>
<td>59,061</td>
</tr>
<tr>
<td>2028</td>
<td>33,105</td>
<td>72,203</td>
</tr>
</tbody>
</table>

*Total yearly costs for in-state tuition, fees, books, and room and board (transportation and miscellaneous expenses not included). Base is 2012-2013 school year. Costs for all future years projected by Wells Fargo Advisors in November 2012 assuming 4.1% national average increase per year for public and 4.5% national average increase per year for private. (Note: Prices reported for 2011-12 have been revised and may differ from those reported in “Trends in College Pricing 2011”). Source: Trends in College Pricing. ©2012 collegeboard.com. Reprinted with permission. All rights reserved. collegeboard.com
Managing the liability side of your balance sheet

Getting professional assistance

Some people think of liabilities only in terms of extending credit to pay for expensive purchases such as homes, cars, and luxury items. But there’s much more to liability management than that.

Your personal balance sheet comprises assets – what you own – and liabilities – what you owe. When or whether you eventually reach your long-term financial goals can depend on how both sides work together. When managed wisely, strategic borrowing can complement your financial and investment plans. In other words, it sometimes makes more sense to borrow money rather than sell assets or investments when deciding how to cover life’s expenses.

The following are some reasons why you might consider incorporating liability management into your financial strategy:

- Provides potential tax efficiencies*
- Allows you to maintain investment positions and potentially grow assets rather than liquidate them at inopportune times
- Increases your cash flow and liquidity
- Helps you establish an emergency fund
- Provides financing at a competitive interest rate

A Financial Advisor can help you examine how changes in your assets and liabilities can affect your overall financial picture.

Know your financing options

You have access to leading Wells Fargo lending affiliates who can help you explore your options, including:

- Securities-based loans and lines of credit
- Residential mortgages
- Home-equity financing
- Small-business financing

If you are a Wells Fargo Advisors client, you may also qualify for pricing discounts on select products based on the amount of assets we currently manage on your behalf.

Liability management

Advantages:

- Financing vehicles, when used wisely as part of a comprehensive financial strategy, can provide tax-efficient means to grow an investment portfolio, increase cash flow and cover life expenses.

Disadvantages:

- Liabilities that exceed a level at which an individual can comfortably pay them off on schedule put his or her financial health at risk.
- With securities-based lending, market fluctuations may cause the value of pledged assets to decline, resulting in the selling of securities to maintain equity. Selling securities under such a scenario may cause adverse tax consequences.

* Consult your tax advisor.
A heritage of client service

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At Wells Fargo Advisors, we work every day to exceed your expectations and provide you with a sound financial strategy for the future.
Expect more

At Wells Fargo Advisors, your personal Financial Advisor is committed to exceptional communication, now and over time.

Your advisor will take the time to listen, to understand where you’re headed and what you want to do, then help you create a personalized investment strategy designed to address your unique financial needs.

Your advisor will communicate with you on your terms, working with you to fine-tune your plan by providing ongoing guidance and support, proactively monitoring your progress, and reaching out to you when your plan needs attention.

Your advisor will take seriously the responsibility to be available, responsive, and respectful of your time – always.

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