State Farm®

SPRING 2016

mutual funds INVESTOR

How to Talk with Your Partner About Money

FOLLOW OUR TIPS TO MAKE A TOUGH CONVERSATION A BIT EASIER.

PLANNING YOUR FINANCIAL FUTURE CAN be a tough task to face alone. But for some couples, the only thing harder is making those plans together. Even the most compatible couples often have very different ideas about where they want to go, financially. Without a strategy for bridging those differences, you may even decide it's better to delay planning rather than fight about it. Here are some expert tips for moving the ball forward so you'll both cross the goal line happy and financially healthy.

1. How do you picture retirement?

How do you each picture your golden years? Living in a house overlooking the beach? Traveling the world? Or just spending time with your grandchildren? Each vision brings unique financial challenges, and trying to combine them can be difficult. Fortunately, with some creative thinking—and a bit of compromise—most couples can make it work.

For example, how about renting that beach house each winter rather than buying it outright? And instead of globe-trotting every year, make it every two or three years, and plan family gatherings between trips.

Whatever scenarios you agree on, be realistic about the costs—including inflation—and figure out which investment strategies can help get you to your goals. Use our calculator to see if you're on track: **calculatemyretirement.com.**

2. Feeling comfortable?

Markets rise, markets fall—and your nest egg goes along for the ride. Having a mix of "safer" and "riskier" investments helps smooth out the ups and downs of the market and, over time, makes it more likely you'll reach your financial goals. In addition to retirement, those goals could include college for your kids or

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a new home. Whatever you're aiming for, holding a mix of diversified investments helps make it more likely you'll succeed.

3. Time to budge on budgeting?

Too often, investing for faraway goals, such as retirement, takes a back seat to spending on current needs. The best tool for fixing this mistake is a budget you and your partner can both get behind. Once again, compromise is key. This discussion calls for some sensitivity, as what one of you might think is a luxury, another might dub a necessity. In other words, don't expect your partner to give up all their massages, just as you may not want to give up all your workday lunches out.

4. Let's talk career

Many couples talk about the state of their finances but not the state of their careers. This could be a major error. When considering your future together, it's vital to take an honest look at your job prospects in the coming years. Has your employer been downsizing lately? Does one of you want to start a business? Though it's easier to plan for a future based on sunny income forecasts, it's important to plan for rainy times, too. Talk sooner rather than later about what you'll do if your income falls or if one of you is unable to work.

5. Extending the dialogue

As you progress in your plans, consider discussing them with your kids. This is the best way to educate them about financial planning, your thought processes and the values your plans are based upon. Talk about things like compound interest and the importance of setting spending priorities—great lessons to pass to your children.

6. Final thought: Have a discussion, not a fight

Experts note that money matters often lead to relationship problems. So before you take those first, tentative steps on the road to financial security, step back and think about the shared values and hopes that brought you together in the first place. It's also important to realize that not everything will be decided in one talk. Lives change, and plans must change in response. Revisit your plans regularly to make sure you're still headed toward your goals. But no matter what challenges come about when discussing money, remember: You're in this together. Your registered State Farm® representative has experience dealing with all of these money challenges, so our final tip is to consider making him or her a part of your team to help you plan your financial future.

Diversification does not assure a profit or protect against loss.

STATE FARM CAN HELP WITH YOUR FINANCIAL GOALS

MUTUAL FUND IRA BONUS:

Who wouldn't love a retirement bonus? From now through June 30, 2016*, if you roll over, transfer or add to a new or existing Traditional or Roth IRA, you may receive $200–$500 of additional shares in your account. The size of your bonus varies depending on the amount added. Visit st8.fm/bonusira to learn more.

IRA/401(K) CONTRIBUTION LIMITS:

Traditional IRA and Roth IRA contribution limits are the same for 2016 as they were in 2015: $5,500 for investors under age 50 and $6,500 for those 50 or older. You have until April 18, 2016, to make your contribution for 2015.

Contribution limits for 401(k) plans are $18,000 for those under age 50 and $24,000 for those 50 and above.

*With a 90-day extension for follow-on contributions to reach bonus levels (with follow-on date ending Sept 29, 2016). An initial transfer/rollover application needs to have been received by 6/30/16 for the extension date to apply.

The bonus offer is valid for any eligible new or existing State Farm Mutual Funds Roth IRA or Traditional IRA account for purchases made from January 1, 2016 through June 30, 2016 and funded with at least the required minimum net deposits within ninety (90) days from the date of the first qualifying rollover or transfer purchase is received by State Farm Mutual Funds. The eligible Funds must come from sources external to State Farm and all cash from external sources will be valued as of the date received by State Farm. If net deposits from external sources less assets withdrawn or transferred out of the Account equal to at least the minimum required accounts (minus trading losses) do not remain in the Account for at least one year after the date of the first, then State Farm may, in its sole discretion, charge the amount of the bonus shares back to the Registered Account. Customers who qualify for a NAV purchase through their relationship to State Farm do not qualify for this bonus.

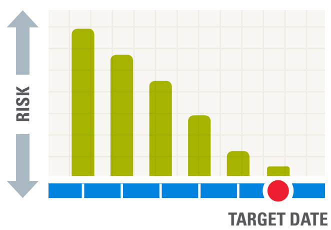
Prior to rolling over assets from an employer-sponsored retirement plan into an IRA, it's important that customers understand their options and do a full comparison on the differences in the guarantees and protections offered by each respective type of account as well as the differences in liquidity/loans, types of investments, fees, and any potential penalties.

Net Asset Value (NAV) is calculated by adding all of the assets of a Fund, subtracting the Fund's liabilities, then dividing by the number of outstanding shares.

ANATOMY OF A TARGET DATE FUND

HOW IT WORKS

A target date fund's allocation generally becomes increasingly conservative over time, as its professional managers shift the fund away from higher-risk assets and toward lower-risk assets such as bonds.



TARGET DATE FUNDS (TDFs):

- Let you **SAVE TOWARD A LONG-TERM GOAL** by investing in a single mutual fund
- Become more conservative over time, **LOWERING YOUR RISK**
- **REDUCE THE NEED TO MANUALLY REBALANCE** your portfolio each year

TDFs GIVE YOU ACCESS TO A VARIETY OF ASSET TYPES:

- **STOCKS**
- **BONDS**
- **REAL ESTATE**
- **CASH EQUIVALENTS** such as money market instruments

WHO SHOULD USE TDFs?

2030

Investors who are saving for **LONG-TERM GOALS WITH A SET DATE** and who want a **DIVERSIFIED PORTFOLIO MANAGED BY A PROFESSIONAL.**

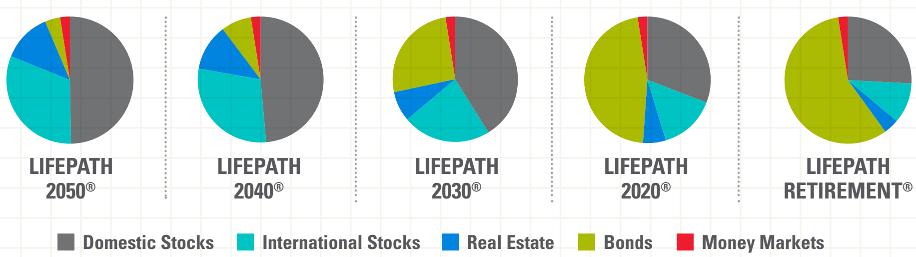
WHICH FUND TO CHOOSE?

BEN | **Age: 31** | **Retirement age: 65** | **LifePath 2050® Fund**

Take for example Ben, a 31-year-old investor who wants to retire at age 65.

If Ben wants to begin withdrawing funds when he retires, he would likely choose to invest in the LifePath 2050® Fund (assuming the fund also meets his risk tolerance).

CONSIDER HOW EACH FUND'S ALLOCATIONS CHANGE OVER TIME:



Choose the TDF that matches your personal time frame and risk tolerance.

Talk to your registered State Farm® representative to help you pick the State Farm LifePath® Fund that may be the right fit for you.

LifePath Funds are target-date 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.

State Farm VP Management Corp. is a separate entity from BlackRock Fund Advisors (BFA), the sub-adviser to the State Farm S&P 500 Index Fund and the LifePath Funds.

A PARENT'S GUIDE TO SAVING FOR COLLEGE

ON AVERAGE, PARENTS PAY ABOUT 30 PERCENT of their children's college costs out of pocket, according to Sallie Mae.[1] Fortunately, there are several strategies you can use to plan and save for your child's college education.

529 college savings plans

State-sponsored 529 college savings plans offer budget-wise ways to save for college. These plans are tax-advantaged, meaning your contributions and earnings grow tax-free, and qualified withdrawals are free from federal (and in some cases state) taxes.

As a parent, you can open a 529 account on behalf of each of your children. (Grandparents and other family members can open their own 529 accounts on behalf of your children or contribute to your account.) Each account must have a single beneficiary. However, you're not locked into that beneficiary forever: If your child lands a scholarship or doesn't need the full balance, you can switch the beneficiary to someone else in your family.

There is no limit on annual contributions to 529 plans, though a plan may limit the total amount that can be contributed to a particular beneficiary's account—generally in excess of $200,000. Note, however, that annual contributions above $14,000 ($28,000 for a couple) may be subject to a gift tax. The money in the account can be used for a variety of higher educational costs, from tuition to textbooks, at any accredited college or vocational school.

Although 529 plans are state-sponsored, you aren't required to use your home state's plan. Bear in mind, however, that in many states, residents can deduct the contributions made to their state's 529 plan. Consider the availability of deductions along with plan administrative fees when selecting a plan for your family.

Also consider how to position the investments in your 529 account. If your child is young, you may want to invest more heavily in stocks, which offer more long-term growth potential than conservative assets such as CDs or bonds. However, those more stable, conservative investments may be just what you want to emphasize as your child approaches college age.

Coverdell accounts

As with a 529 plan, earnings in a Coverdell Education Savings Account (ESA) grow tax-free, and you can direct funds to another family member if your child doesn't use them. Unlike with a 529, you can use Coverdell funds to pay for private elementary or high school. But note that this type of account comes with more restrictions, including a $2,000 yearly contribution limit and the general requirement that the student uses their balance by age 30.

Insurance support

A plan for college savings is only one part of assuring your children's future. You also need insurance to help protect those plans if life takes an unexpected turn. Disability insurance benefits can help you avoid needing to draw on your child's college savings if an illness or injury keeps you from working for an extended period. Meanwhile, life insurance benefits can be applied toward college bills in the event of an unexpected loss.

Regardless of which options you choose, the key is to start setting money aside right away. A registered State Farm representative can help you compare strategies and set a clear plan. Higher education can be expensive, but if you work actively toward your savings goals, you can help your child reap its many benefits.

1 How America Pays for College 2015, Sallie Mae

Before investing in a 529 plan, consider the plan's investment objectives, risks, charges, and expenses. Contact the plan issuer for an official statement containing this and other information. Read it carefully.

An investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program.

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

Earnings must be used to pay for qualified higher education expenses to be federally tax-free. The earnings portion of a non-qualified withdrawal will be subject to ordinary income tax at the recipient's marginal rate and subject to a 10% penalty. State Farm does not provide tax advice. Please consult your tax advisor for specific information about your tax situation, including any state tax consequences of an investment. The availability of such tax or other benefits may be conditioned on meeting certain requirements.

A $70,000 gift is viewed as an accelerated gift over five years. Any other gifts to the same beneficiary by the contributor in that tax year or in any of the succeeding four years may result in a federal gift-tax liability. If the contributor dies within the five-year period, a prorated portion of the contribution may be included in his or her taxable estate.

HOW TO CONTACT US:

VISIT YOUR REGISTERED STATE FARM AGENT

SPEAK TO A REPRESENTATIVE FROM OUR MUTUAL FUNDS RESPONSE CENTER:

Call In — 1.800.447.4930 (for State Farm Associates call 1.800.447.0740) Mon-Fri 8AM-6PM CT. Or use our interactive voice response system 24 hours a day, 7 days a week.

Click In — Log in to your online account to either chat with a representative or send us an email.

LET TECHNOLOGY WORK FOR YOU:

Download the Pocket Agent® app for your smartphone or tablet.

- Manage mutual fund accounts.
- View transaction history.
- View pending transactions.

VISIT STATEFARM.COM® TO:

- Sign up for electronic delivery.
- View your personal portfolio.
- Obtain current values.
- View transaction history.
- View and print statements.
- Purchase, exchange or redeem shares.

Investing involves risk, including potential for loss.

Before investing, consider the funds' investment objectives, risks, charges and expenses. Contact State Farm VP Management Corp (1-800-447-4930) for a prospectus or summary prospectus containing this and other information. Read it carefully. AP2016/01/0084.

Not FDIC Insured	No Bank Guarantee
	May Lose Value

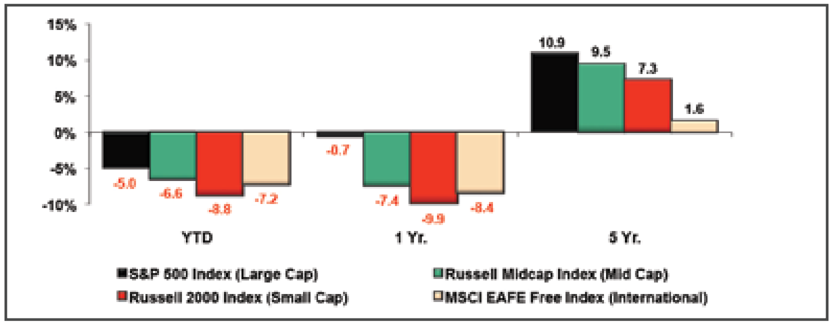
An electronic version of the *Mutual Funds Investor* newsletter can be accessed on statefarm.com by searching for *Investor Newsletter*.

STATE FARM MARKET RECAP As of January 31, 2016

EQUITIES RECAP

- Global equity markets experienced sharp selloffs in January, sparked by a steep drop in oil prices and economic uncertainty in China. To start the year, U.S. stocks posted their worst opening week on record with the S&P 500® Index falling -6%, and the Dow Jones Industrial Average (not shown) losing 1,079 points in the first five trading days of the month.
- In the U.S., small-cap stocks, as measured by the Russell 2000® Index, led all domestic equity markets lower for the month, declining -8.8%. Mid- and large-cap stocks, as measured by the Russell Midcap® Index and S&P 500 Index, also finished the month in negative territory, losing -6.6% and -5.0%, respectively. During the month, value stocks sold off to a lesser extent than growth stocks across all market capitalizations.
- Outside the U.S., international markets, as measured by the MSCI EAFE Free Index, also lost significant ground in January, declining -7.2%. Meanwhile, the MSCI EM Index, representing emerging markets (not shown), carried over struggles from 2015 to 2016, losing -6.5% in U.S. dollar terms for the month.

EQUITIES MARKET PERFORMANCE Total Returns for Periods Ended January 31, 2016

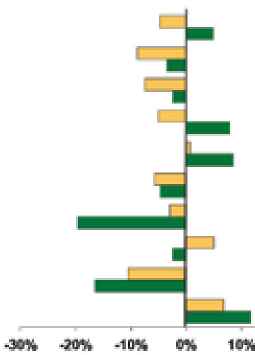


U.S. EQUITIES

- After closing out 2015 with a solid fourth quarter performance, the U.S. stock market started the New Year experiencing a volatile month by historic standards. In fact, January 2016 saw the worst 10-day start for the S&P 500 Index in U.S. history. At month end, 13 of the 19 trading days recorded a 1% move (higher or lower), the most since October 2011. On a percentage basis, 68% of the days moved at least 1% and over the past five years, only May 2010 and October 2011 experienced more daily volatility.
- In terms of sector performance, three of the ten sectors within the S&P 500 Index posted positive total returns for the month led by the more defensive sectors, Telecommunication Services, Utilities, and Consumer Staples gaining 6.8%, 4.9% and 0.7%, respectively.
- The Materials sector led the declining sectors lower as commodity prices continued to erode in response to concerns about the slowing economic growth in China. The Financial sector also closed the month lower, as expectations moderated about the number of times the Federal Reserve would increase the Fed Funds rate in 2016 after December's 25 basis point rise. Looking at the longer 1-year time period, stocks in Telecommunication Services followed by Consumer Staples led the advancing S&P 500 Index sectors, posting total returns of 11.6% and 8.5%, respectively.

PERFORMANCE OF S&P 500 INDEX Total Returns for Periods Ended January 31, 2016

SECTOR	WEIGHTINGS	YTD	1 YR
Information Technology	20.7%	-4.8%	4.8%
Financials	15.9%	-8.9%	-3.6%
Health Care	14.7%	-7.6%	-2.4%
Consumer Discretionary	12.9%	-5.1%	7.8%
Consumer Staples	10.6%	0.7%	8.5%
Industrials	10.0%	-5.7%	-4.7%
Energy	6.6%	-3.0%	-19.6%
Utilities	3.3%	4.9%	-2.5%
Materials	2.7%	-10.6%	-16.5%
Telecommunication Services	2.6%	6.8%	11.6%



Ranked by highest to lowest index weighting.

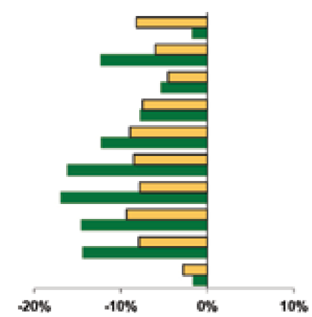
GLOBAL EQUITIES

- Global markets lost ground in January weighed down by renewed instability in the Chinese equity market and further deterioration in the price of oil. Even though China's economy is growing at a steady rate, it's only about two-thirds of the pace it was approximately five years ago. A slowdown in China's economy has been viewed as a negative by many investors because the country has been one of the main drivers of global economic growth, especially since the Great Recession. Meanwhile, several emerging markets were negatively impacted in January, after the price of crude oil fell below $27 a barrel for the first time since December 2003, only to rebound and close the month above $33 a barrel.
- In common with many other global markets, Japanese equities struggled in the first weeks of 2016 before recovering some of the loss to close the month down -8.2%, in U.S. dollar terms. On the last trading day of the month, the Bank of Japan surprised the markets by announcing a negative interest rate policy on excess reserves held at the central bank. The move was intended to encourage banks to put excess cash to use in the economy rather than building up reserves at the central bank.

PERFORMANCE OF MSCI EAFE INDEX Total Returns for Periods Ended January 31, 2016

Returns are in U.S. $ terms with net dividends reinvested

COUNTRY	WEIGHTINGS	YTD	1 YR
Japan	23.4%	-8.2%	-1.7%
United Kingdom	19.4%	-6.0%	-12.3%
France	9.7%	-4.6%	-5.3%
Switzerland	9.4%	-7.5%	-7.7%
Germany	9.1%	-8.9%	-12.2%
Australia	6.7%	-8.5%	-16.1%
Spain	3.2%	-7.8%	-16.9%
Hong Kong	3.1%	-9.3%	-14.5%
Sweden	2.9%	-7.9%	-14.4%
Netherlands	2.9%	-2.8%	-1.6%

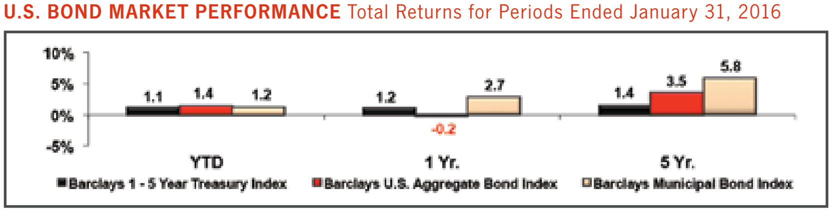


Ranked by highest to lowest index weighting. Country weightings as of December 31, 2015.

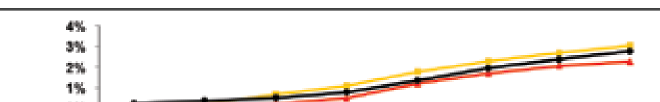
FIXED INCOME RECAP

- In the U.S. fixed income markets, U.S. Treasuries advanced as investors retreated from falling oil prices and stock market turbulence for the relative safety of government securities. For the month, the Barclays U.S. Aggregate Bond Index, a broad measure for the U.S. fixed income market, posted a 1.4% total return. Meanwhile, riskier high yield bonds, as measured by the Barclays High Yield Bond Index (not shown), lost -1.6% for the month. Over the longer 1- and 5-year time periods, investment grade bonds, as measured by the Barclays U.S. Aggregate Bond Index, recorded annualized total returns of -0.2% and 3.5%, respectively.
- U.S. municipal bonds continued their upward momentum to start 2016, with the Barclays Municipal Bond Index posting a total return of 1.2%. Over the longer 1- and 5-year time periods, U.S. municipal bonds recorded annualized total returns of 2.7% and 5.8%, respectively.
- U.S. Treasury prices rallied in January, pushing yields to nine-month lows, after the Bank of Japan made a surprise move by adopting a negative interest rate policy. At month end, the yield on the benchmark 10-Year Treasury Note closed below 2% for the first time since April 2015. Meanwhile, the 5-year yield has declined by over 40 basis points (a basis point is 1/100th of 1%) year-to-date, thus, the yield curve between 5- and 30-year Treasuries is the steepest since late October 2015.

U.S. BOND MARKET PERFORMANCE Total Returns for Periods Ended January 31, 2016



U.S. TREASURY YIELD CURVES



	1 Mo.	3 Mo.	1 Yr.	2 Yrs.	5 Yrs.	10 Yrs.	20 Yrs.	30 Yrs.
1/31/15	0.01%	0.02%	0.18%	0.47%	1.18%	1.68%	2.04%	2.25%
12/31/15	0.14%	0.16%	0.65%	1.06%	1.76%	2.27%	2.67%	3.01%
1/31/16	0.22%	0.33%	0.47%	0.76%	1.33%	1.94%	2.36%	2.75%

MARKET COMMENTARY

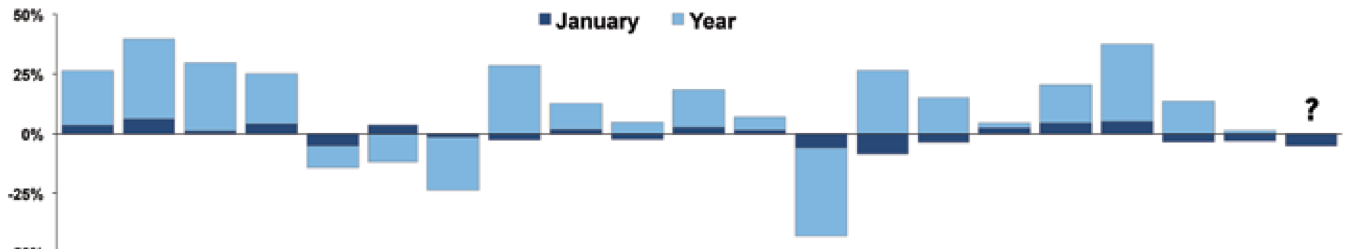
As January Goes, So Goes the Year—Or Maybe Not!

As January goes, so goes the year. That's probably the best-known cliché from the Stock Trader's Almanac, an annual compilation of dates, statistics and investor guidance, first published in 1968. The so-called "January barometer" suggests that a decline in the Standard & Poor's 500® Index in January means that major stock indices will also end the calendar year with declines, and gains if stocks rise during the month. While history is no indicator of future stock market performance, it can be telling with regard to how stocks have overcome the "January barometer"—simply showing that a decline in January does not necessarily lead to a decline for the year.

As the chart shows, during the last 20 years the S&P 500 Index finished the year with a positive total return 67% of the time (six out of nine years) after starting January with a loss. In fact, only three times in the last twenty years has a decline in January foretold a yearly loss for the index (2000, 2002 and 2008). In 2009, the S&P 500 Index declined -8.4% in January and went on to finish the year with a 26.5% total return. More recently, 2014 and 2015 also started with the S&P 500 Index posting January losses of -3.5% and -3.0%, respectively, only to climb back and finish each year with positive gains.

Yes, once again in 2016, Wall Street started the New Year with pronounced volatility, and investors were quickly reminded how unpredictable market movements really are. But instead of attempting to guess whether the stock market will have a positive or negative year, we suggest investors stay focused on the long- term and take a disciplined, patient, unemotional approach when making decisions that may impact their long-term goals. Fortunately, your registered State Farm agent is there to help you with these and other financial or insurance needs you may have.

S&P 500® Index Total Returns



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Year	23.0%	33.4%	28.6%	21.0%	-9.1%	-11.9%	-22.1%	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	?
January	3.4%	6.3%	1.1%	4.2%	-5.0%	3.6%	-1.5%	-2.6%	1.8%	-2.4%	2.7%	1.5%	-6.0%	-8.4%	-3.6%	2.4%	4.5%	5.2%	-3.5%	-3.0%	-5.0%

- **Securities, insurance and annuity products are not FDIC insured, are not bank guaranteed and are subject to investment risk, including possible loss of principal.**
- Past performance is no guarantee of future results.
- It is not possible to invest directly in an index.
- Investing involves risk, including potential for loss.
- Bonds are subject to interest rate risk and may decline in value due to an increase in interest rates.
- 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.
- Emerging markets involve greater risks than U.S. investments due to lower trading volume, political and economic instability, and other governmental limitations on foreign investment policy.
- The S&P 500® Index tracks the common stock performance of 500 large U.S. companies.
- Standard & Poor's, S&P, and S&P 500 are registered trademarks of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies.
- The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index.
- The Russell 2000 Index tracks the common stock performance of the 2,000 smallest U.S. companies in the Russell 3000 Index.
- Russell Investments is the owner of trademarks, service marks, and copyrights related to its respective indexes.
- The Morgan Stanley Capital International Europe, Australasia and Far East Free (MSCI EAFE® Free) Index currently measures the performance of stock markets of Europe, Australia, New Zealand, and the Far East.
- The Barclays U.S. Corporate High Yield Bond Index is a market value-weighted index that covers the U.S. non-investment-grade fixed-rate debt market.
- The Barclays 1-5 Year U.S. Treasury Index measures the performance of short-term U.S. Treasury Securities maturing within one to five years.
- The Barclays U.S. Aggregate Bond Index represents debt securities in the U.S. investment-grade fixed-rate bond market.
- The Barclays Municipal Bond Index is an unmanaged index representative of the tax-exempt bond market.
- Neither State Farm nor its agents provides investment, tax, or legal advice.
- **An investment in the Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.**
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