Your Investment Portfolio

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On-line Banking Options

- The FDIC standard insurance amount is $250,000 per depositor, per insured bank, for each ownership category.
- FDIC insurance calculator
  - https://edie.fdic.gov/calculator.html
- On-line bank directories with rates
  - https://www.depositaccounts.com/
  - https://www.bankrate.com/
- TreasuryDirect.gov I-bonds

  $10k/year/person limit, 1-30 years

Follow-up Questions from Last Session

- Life Insurance Retirement Plan = Permanent Life Insurance

- 403(b)   [vs 457(b)]
  - Employer contributions can be much higher
  - Fees tend to be higher
  - Catchup contributions and withdrawals differ
  - Contribution limits are separate;
    you can do both, if offered

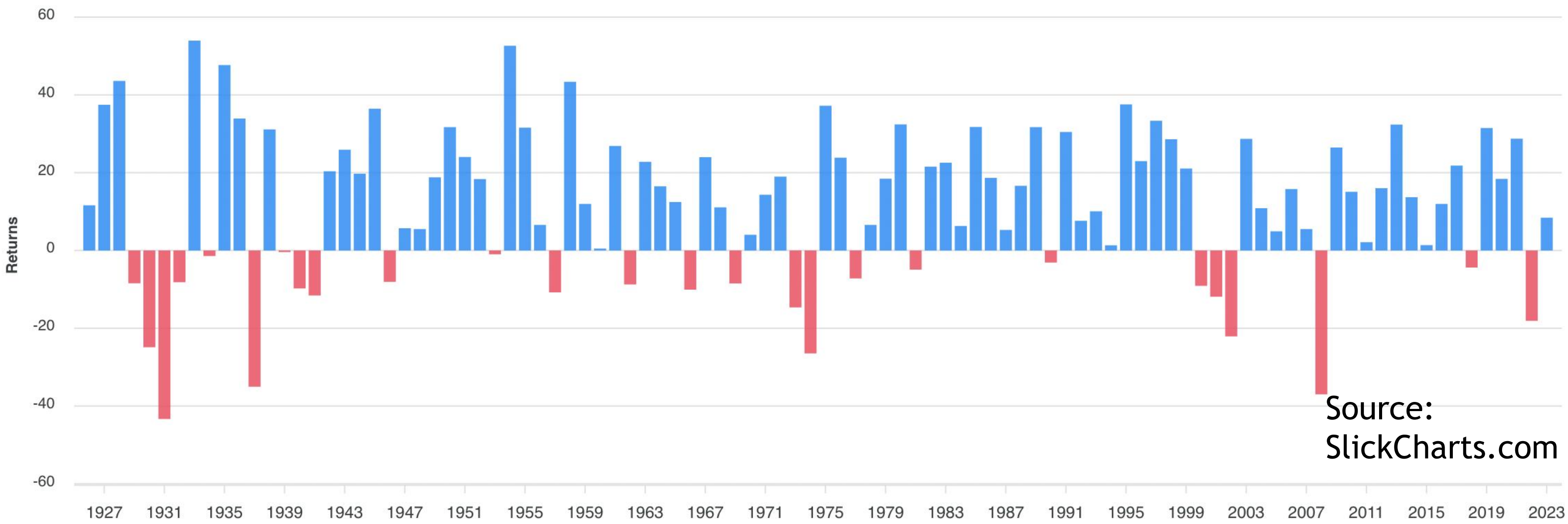
Why Invest?

- Funding your future
- Exponential growth

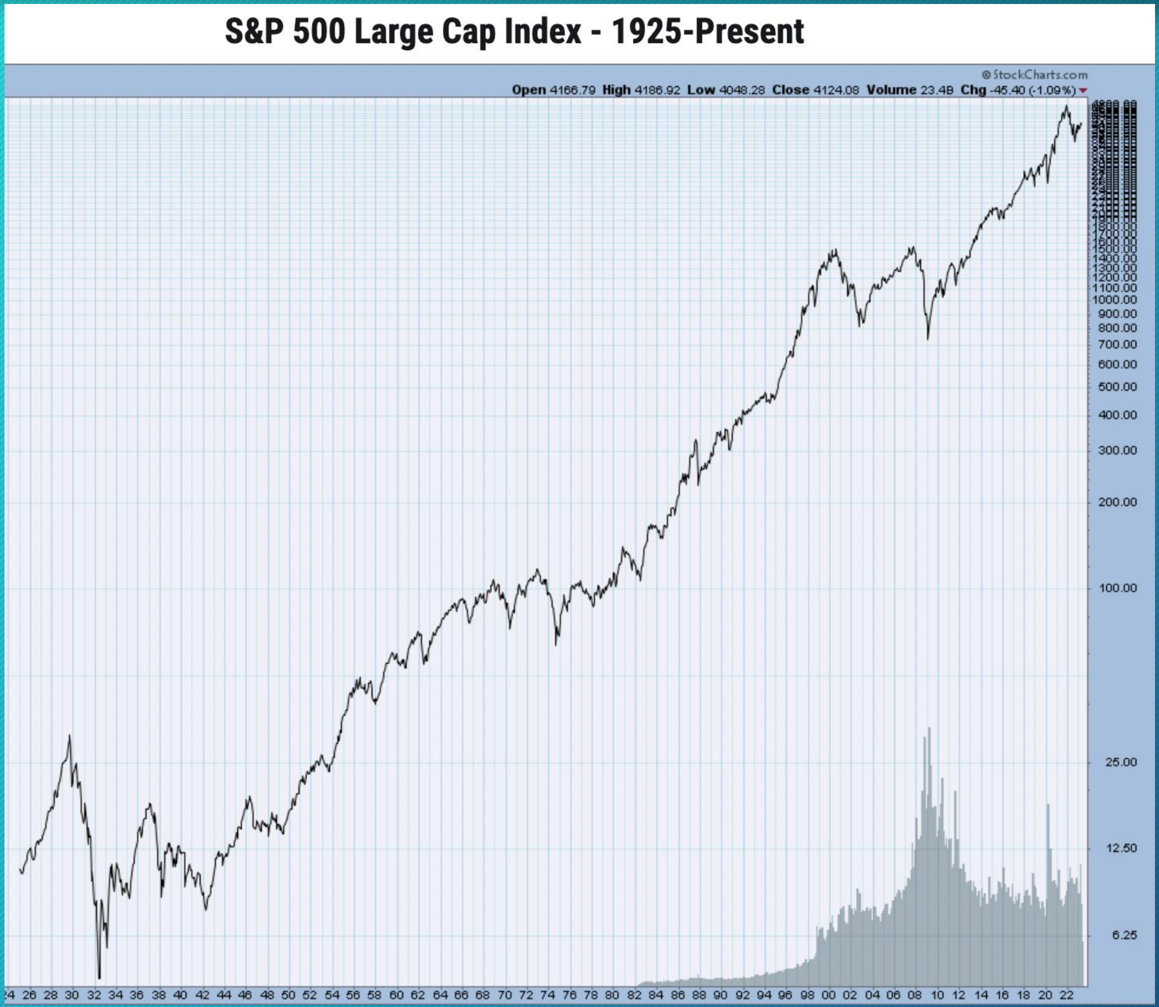
S&P 500 Total Returns

S&P 500 Total Returns

The total returns of the S&P 500 index are listed by year. Total returns include two components: the return generated by dividends and the return generated by price changes in the index. While most individuals focus only on the price returns of the index, dividends play an important role in overall investment returns.



S&P 500 Total Returns



Source: StockCharts.com

S&P 500 Growth

Indexed Level	Growth	Inflation
• 1927 = 100	9.6%	3.0%
• 1972 = 4,762	10.2%	4.0%
• 1992 = 40,451	9.6%	2.5%
• 1999 = 156,658	6.2%	2.5%
• 2022 = 624,535		

Source: NYU

Investing Basics

Take a systematic and strategic approach

Constructing Your Portfolio

- Portfolio(s) timetable
- Your investing nature
- Portfolio mix
- Portfolio complexity
- Specific investment choices
- What in which account?
- Getting help

Gathering Dollars

- Saving amount and timetable
  - How much you save
  - How early you start
  - How long it grows

- Put savings and investing on auto-pilot

- Also save for short-term needs

Your Investing Profile

- Portfolio timetable
- Your investing nature
- Risk vs reward
  - Volatility
  - Permanent loss

Risk and Reward in Stocks & Bonds

- Stocks
- Bonds
- Long-term reward

Volatility

- Recent history and your reaction
- 15%, 20% even 30% short-term declines
- Framing the likely declines
  - In percentages
  - In dollar terms
- Be emotionally prepared
- Don't trade!
  "don't do something, just stand there"

Your Asset Allocation

- What types of assets you own and in what proportions
- Determining your mix
  - Your investing temperament and goals -- risk (volatility) vs reward (growth)
  - Your time horizon
  - Your financial situation
- Stocks vs bonds; and sub-categories

Your Portfolio's Complexity

- Individual investments
- Pooled funds
  - Mutual Funds
  - Exchange-Traded Funds

Types of Funds

- Mutual Funds
- Exchange-Traded Funds (ETFs)

- Actively managed
- Passively managed (index funds)

Stock Categories

- Company Size = “Market Cap”
- Geographic Location
- Industry
- Characteristics
- Strategy

Bond Categories

- Government
- Corporate
- Quality
- Maturity date
- CDs, money market funds and bank savings accounts

Balanced Funds

- Mix of stocks and bonds
- Can be all-in-one funds
  - Static
  - Target date

Select Your Investments

- Invest in an all-in-one fund
- Customize based on all-in-one funds or model portfolios
- Morningstar.com
- Get professional assistance
  - From your employer plan?

All-in-One Fund Examples

- Vanguard Target Date Index Fund
  - US Total Stock Market
  - International Total Stock Market
  - US Total Bond
  - International Total Bond
- T. Rowe Price Target Date Fund
  - Includes 21 funds
  - Mix of index and active

Diversify and Reduce Volatility

- Diversify to reduce your portfolio's volatility
- Less volatile assets and assets with low correlation
- Diversify and allocate by portfolio not account
- Diversify time: dollar cost averaging
- More is not always more diversified

Fund Screener

https://fundresearch.fidelity.com/fund-screener/

In Which Account?

- Tax-deferred
  - Tax-efficient or inefficient funds
  - Bond funds
  - Ordinary income tax rates apply
- Roth
  - All stock
- Regular
  - More stock funds than bond funds
  - Capital gains tax rates apply
  - Tax-efficient funds

Keeping Tabs

- Review portfolio
  - Once or twice a year
  - Or when big fluctuations
  - Not frequently; Loss Aversion

- Review asset allocation (mix)
  - Every few years
  - When your situation changes
    - E.G. nearing retirement

Hang in for the Long Haul

- Don’t be greedy and take big chances
- Don’t be fearful and bail out
- Save enough, invest intelligently and it will all work out
- Boring is good!

Avoid!!

- Market euphoria or hysteria
- Media noise
- Tips and articles
- Risky bets
- Trading in and out

Investing Conclusion

- Know what you own and why
- Winning = creating financial security
- Be disciplined

Financial Help

- Certified Financial Planner
- Chartered Financial Analyst

- Hourly or fixed fees
- % of asset fees

Questions to Ask

- Their experience, education and qualifications
- The services they provide
- How and how much they get paid
- Conflicts of interest

Avoid Those Who

- Don’t offer the full range of services you need
- Charge more than their services are worth
- Have conflicts of interest that make you uncomfortable
- Have personalities that don’t mesh with yours

Typical Business Models

- Assets Under Management
- Salespeople
- Time-based fee
- Fixed fee

Conflicts of Interest

- Everyone has some
- Be aware of what they are

Investors Should

- Cultivate seven investing virtues of curiosity, skepticism, discipline, independence, humility, patience and courage
- Regard a stock as a stake in an underlying business, not as a ticker symbol or a lottery ticket
- Recognize that the stock market is often insane
- Think not only about how much you will make if you are right, but how much you will lose if you are wrong
- Trade as seldom as possible

-- Ben Graham, as summarized by Jason Zweig

Questions for Me

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