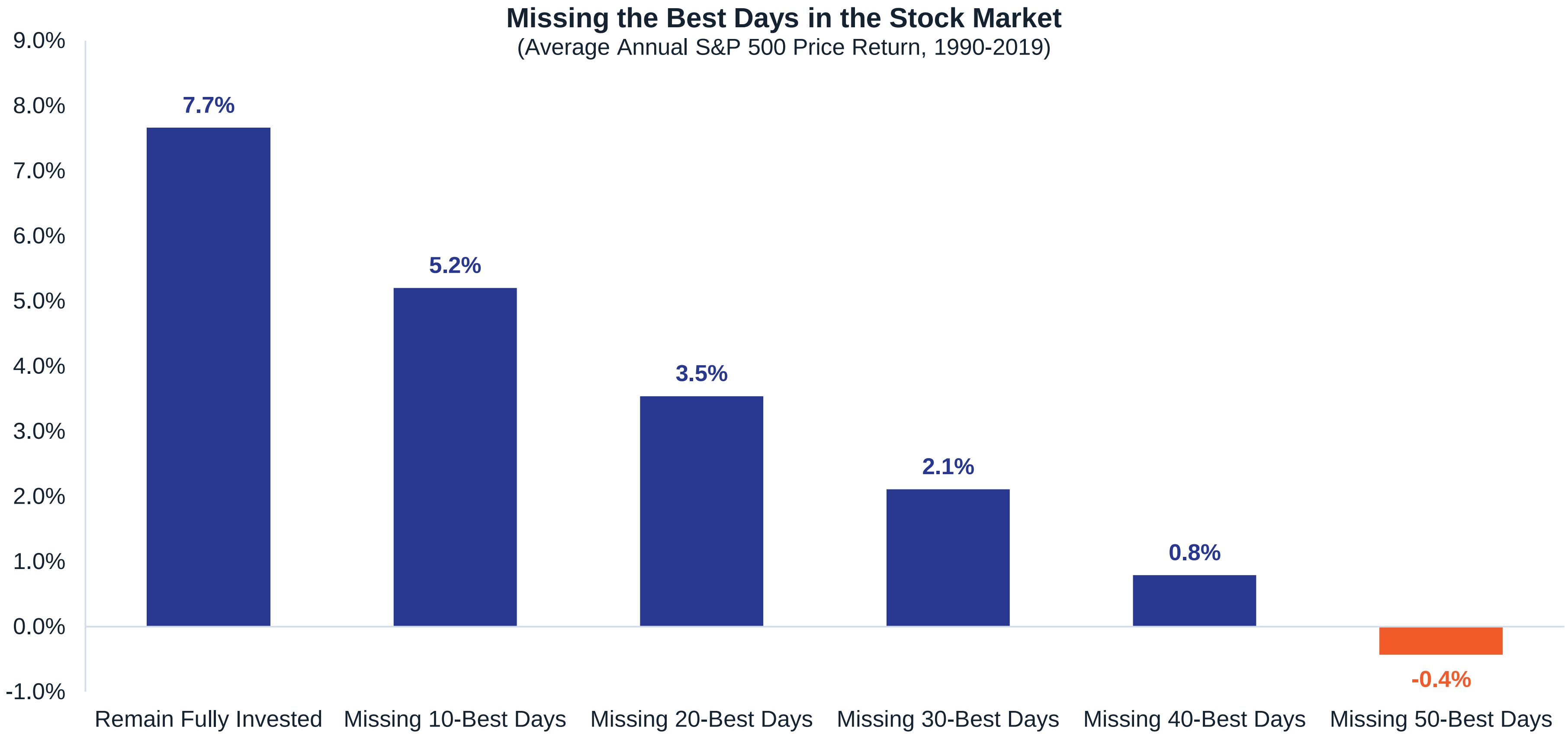
Investing 101

Timing the Market is Risky

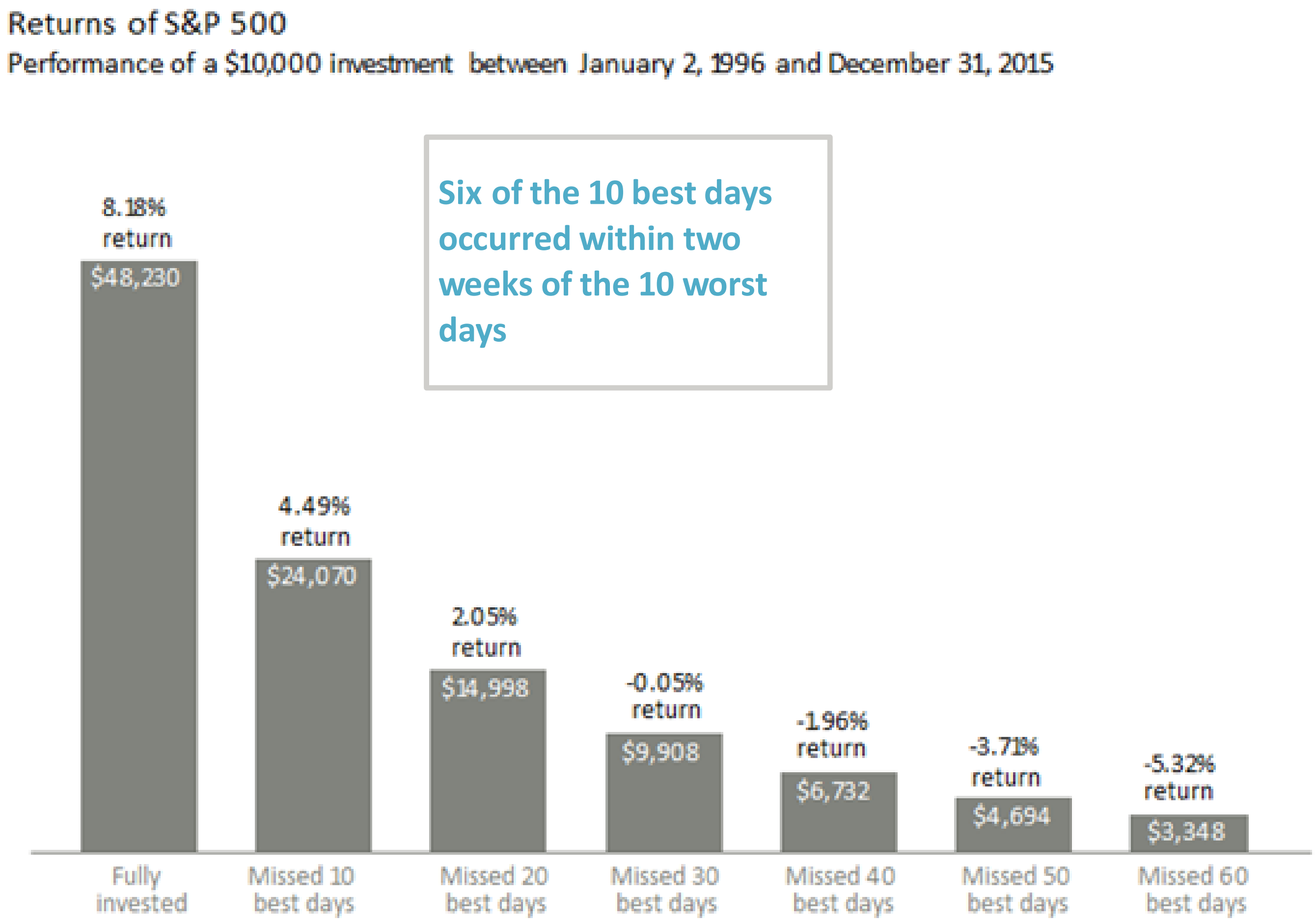
Investment returns can be dramatically reduced if one misses just a few days when the market achieves its best gains. Moreover, since 1929 in the 24 months following a bear market, the S&P 500 total returns have averaged 20% (27% excluding the Depression).



Source: WFC Capital Markets; BofA; There were over 7,475 trading days between 1990 and 2019.

Impact of Being Out of the Market

Investing



This chart is for illustrative purposes only and does not represent the performance of any investment or group of investments. Source: J.P. Morgan Asset Management analysis using data from Morningstar Direct. 20-year annualized returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2015.

Choice

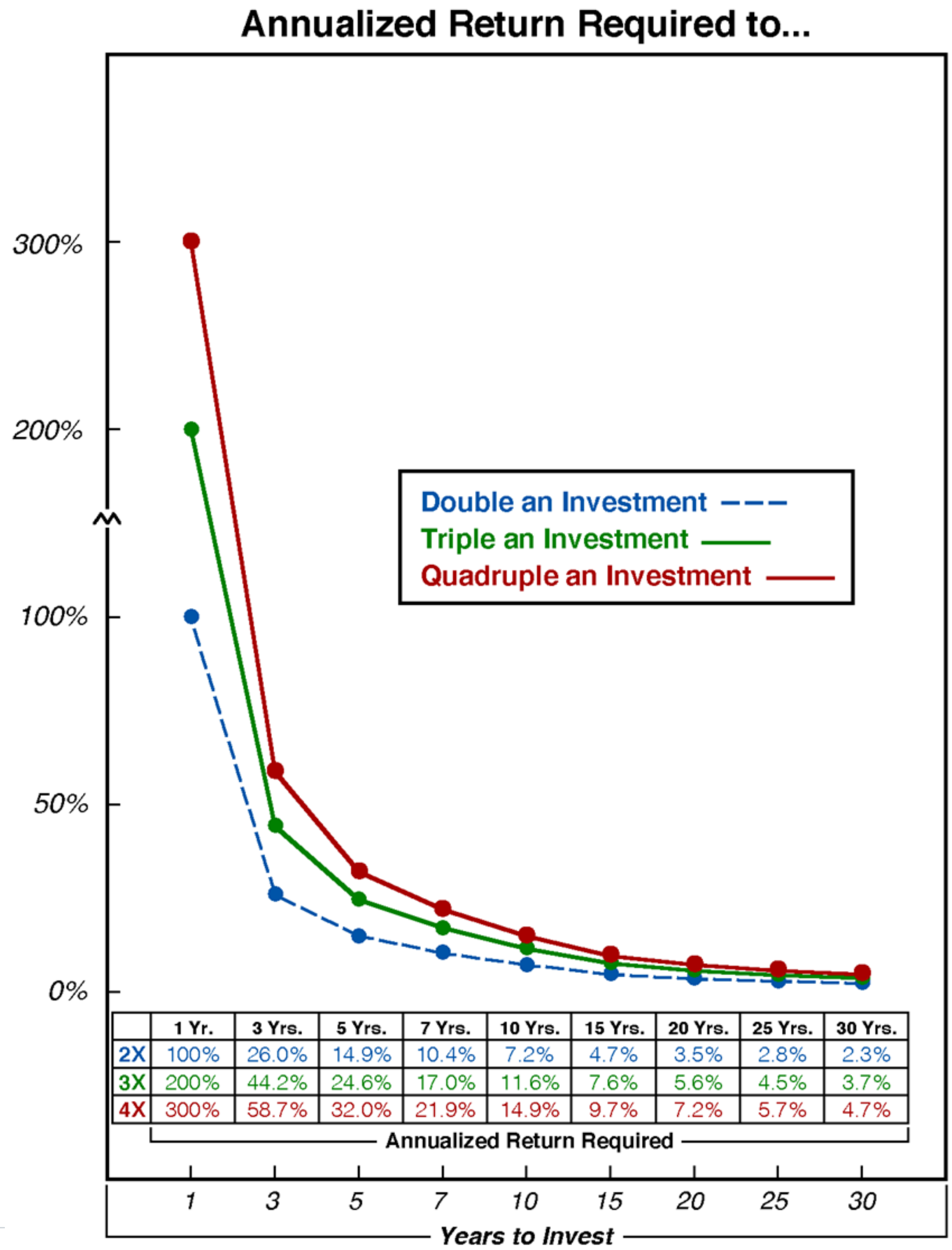
1. Penny that doubles every day for one month
2. $1,000,000

Penny vs. $1,000,000

VS.

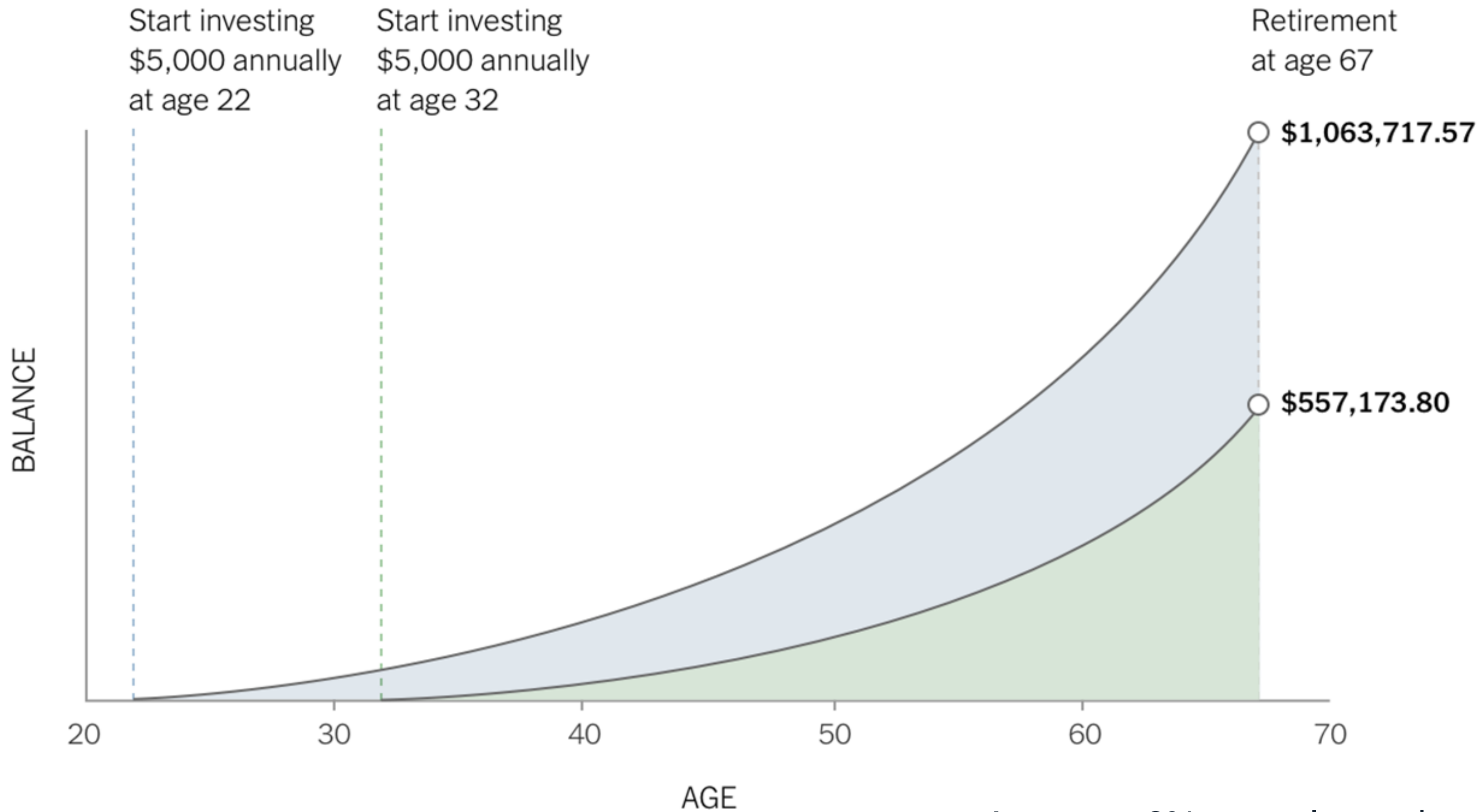
Day 1: $.01
Day 2: $.02
Day 3: $.04
Day 4: $.08
Day 5: $.16
Day 6: $.32
Day 7: $.64
Day 8: $1.28
Day 9: $2.56
Day 10: $5.12
Day 11: $10.24
Day 12: $20.48
Day 13: $40.96
Day 14: $81.92
Day 15: $163.84
Day 16: $327.68
Day 17: $655.36
Day 18: $1,310.72
Day 19: $2,621.44
Day 20: $5,242.88
Day 21: $10,485.76
Day 22: $20,971.52
Day 23: $41,943.04
Day 24: $83,886.08
Day 25: $167,772.16
Day 26: $335,544.32
Day 27: $671,088.64
Day 28: $1,342,177.28
Day 29: $2,684,354.56
Day 30: $5,368,709.12

Compounding



	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	15 Yrs.	20 Yrs.	25 Yrs.	30 Yrs.
2X	100%	26.0%	14.9%	10.4%	7.2%	4.7%	3.5%	2.8%	2.3%
3X	200%	44.2%	24.6%	17.0%	11.6%	7.6%	5.6%	4.5%	3.7%
4X	300%	58.7%	32.0%	21.9%	14.9%	9.7%	7.2%	5.7%	4.7%

Benefit of Starting Early, Saving Often and Letting It Grow.

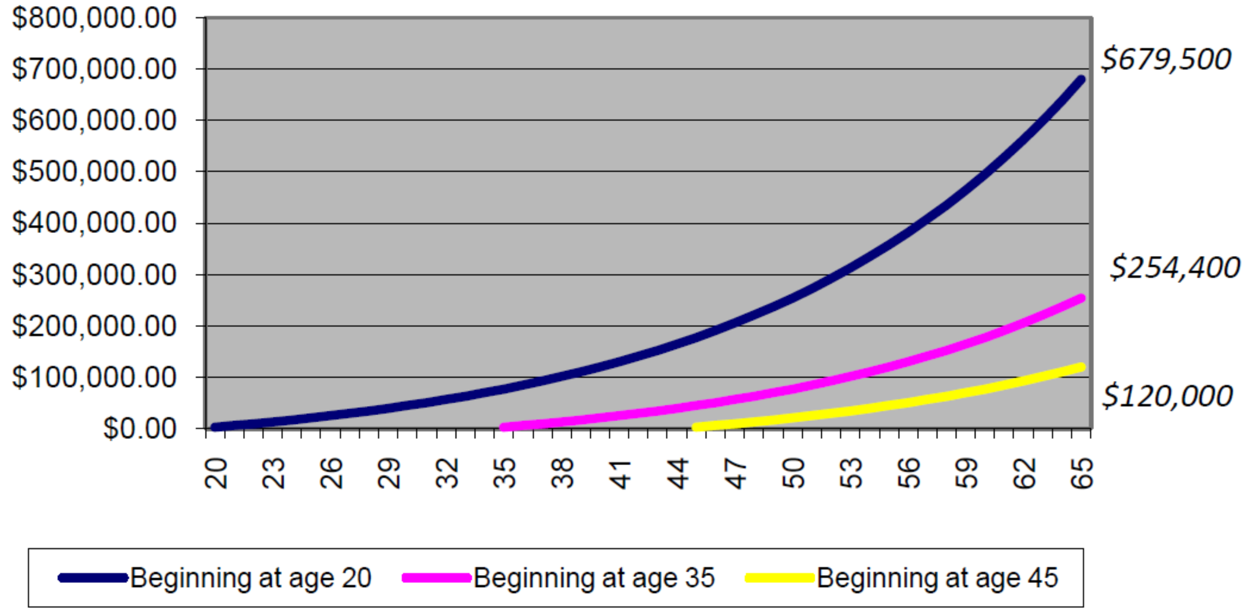


Assumes 6% annual growth and compounding interest.

New York Times, 2017

This slide is for illustration only; actual results may differ.

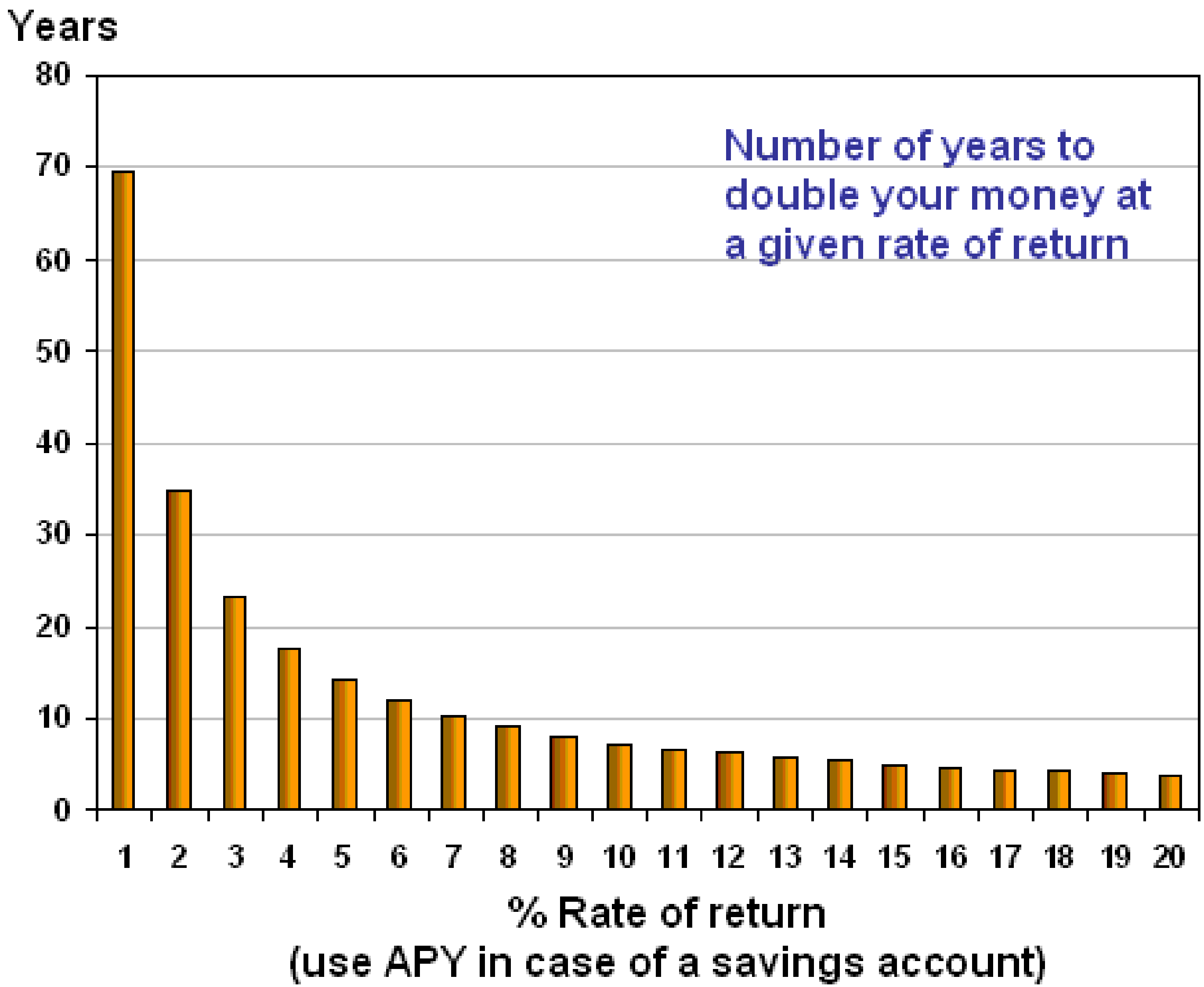
Example – starting early and not



$3,000 annual investment at 6% annual growth, assuming reinvestment of all earnings and no tax.

This is a hypothetical example and is not intended to reflect the actual performance of any investment.

Time

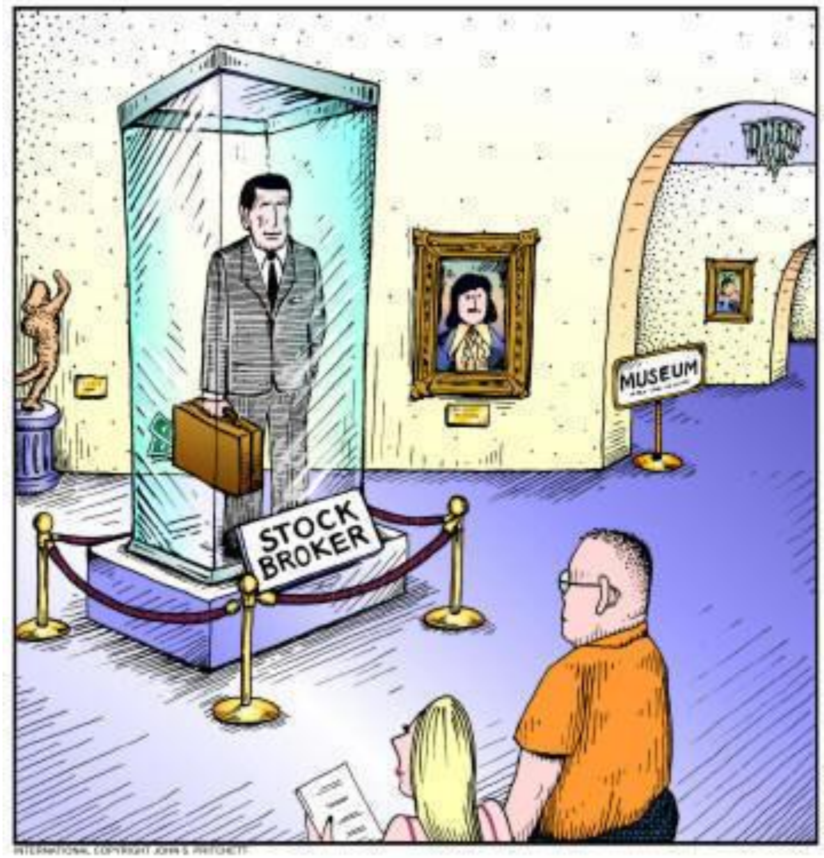


Years
80
70
60
50
40
30
20
10
0
Number of years to double your money at a given rate of return
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20
% Rate of return
(use APY in case of a savings account)

Types of Financial Intermediaries

1. Stock Broker (Financial Advisor, investment broker, investment adviser, financial adviser, wealth manager, Consultant, Account Executive, etc.)
    - Traditional model transaction oriented
    - No fiduciary duty
2. Investment Advisor (Registered)
    - Fee based, fiduciary duty
3. Insurance Agent
    - Products - Life insurance, disability, annuities, mutual funds
4. Financial Planner
    - Fee only vs. product driven

THE STOCK-BROKER.



Investment Vehicles

Individual Securities

- Stock & Bonds

Mutual Funds

- Fixed Income, Equities & Alternatives

ETFs – Exchange Traded Funds

- Fixed Income, Equities & Alternatives

Active vs. Passive

Active vs. Passive Management

- Passive Management

  OWN A PREDETERMINED BASKET OF SECURITIES WHOSE CONSTITUENTS DO NOT CHANGE.

- Active Management

  PERIODIC CHANGES TO THE PORTFOLIO BASED UPON THE MANAGER'S OUTLOOK.

Exchange Traded Funds (ETFs)

Basket of securities designed to follow certain index or theme

Trade like a common stock

Most trade on an exchange (NYSE, AMEX, etc.)

Examples –

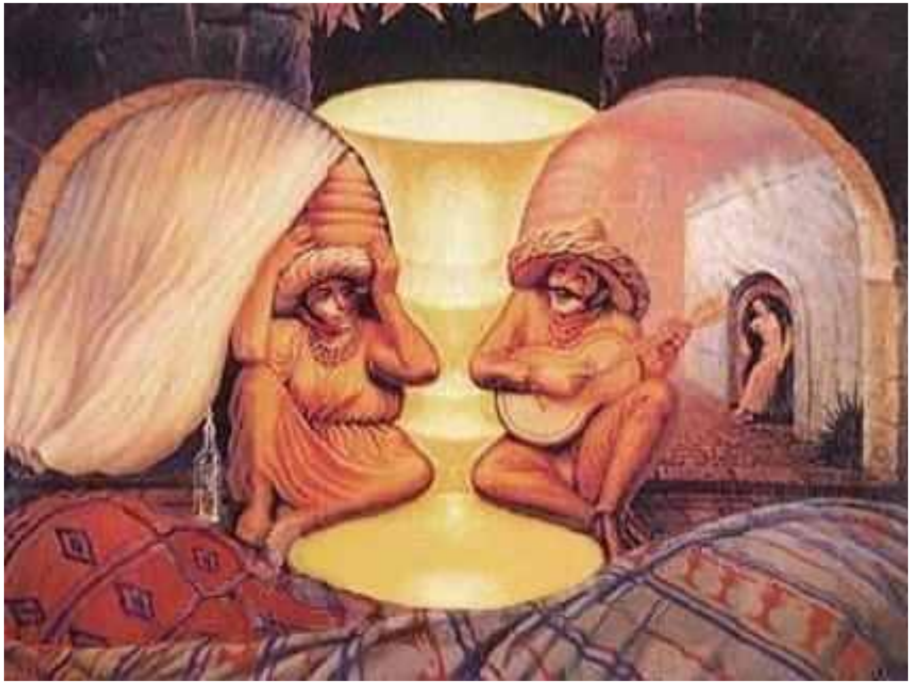
SPDR State Street Global Advisors

The Dow® Industrials Diamonds®

PowerShares QQQ

Exchange Traded Funds (2)

- Potential advantages
  - Trade continuously
  - Lower taxes, costs
- Potential disadvantages
  - Intermediary risk
  - Target Index
  - Tracking Error
  - “Product” gimmickry



What to Invest In?

RISK

RETURN

Alternatives

- Hedge funds
- Private Equity
- Venture Capital
- Start Ups
- Real Estate
- Gold

Equities

- **Stocks**

Fixed Income

- **Bonds**

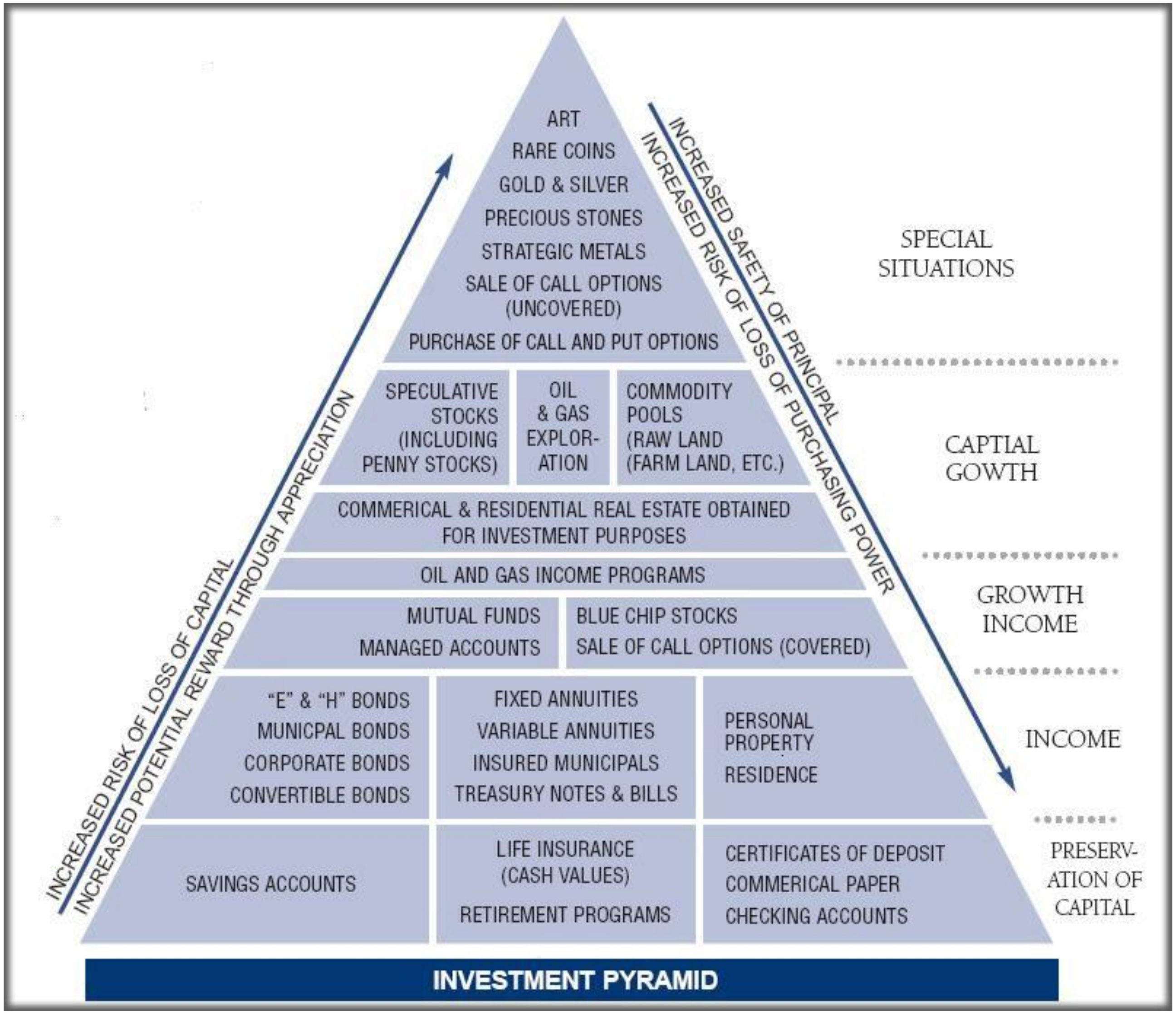
Cash

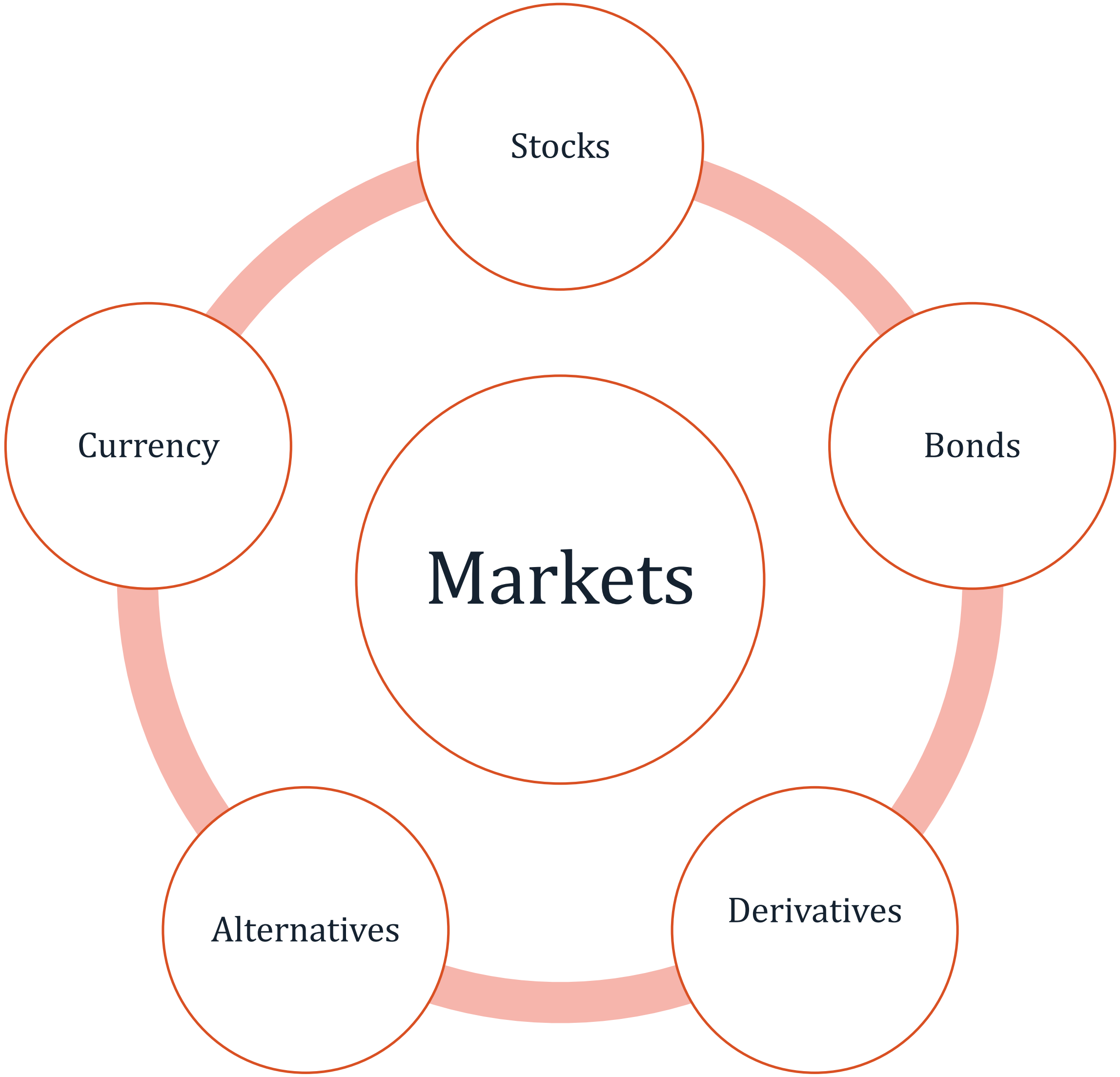
Building a Portfolio That Meets Your Needs
What to Consider

Investment Basics

- Higher Risk Means Higher Return
- Stocks (Growth) Are Riskier Than Bonds (Income)
- How much “Return” Do You Need?
- How much “Risk” Can You Tolerate to Achieve That “Return”?

Risk and Reward




Stocks
Bonds
Derivatives
Alternatives
Currency
Markets

What should I consider before investing?

?

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- What is the purpose of this money?
- What role does this money play for me?
- What is the timeline for this money?
- How much can I afford/handle losing?
- How easy is it for me to turn my investments back into cash?

Be aware of fees.

Be aware of taxes.