



# Fix Your Finances 2020

## Quick Review

Class 8 Understanding Investments

# Spectrum of Mutual Funds Risk

- Aggressive Growth
- International Growth
- Growth
- Growth and Income
- Balanced
- High Yield Bond
- Corporate Bond
- Municipal Bond
- Government Bond
- Money Market

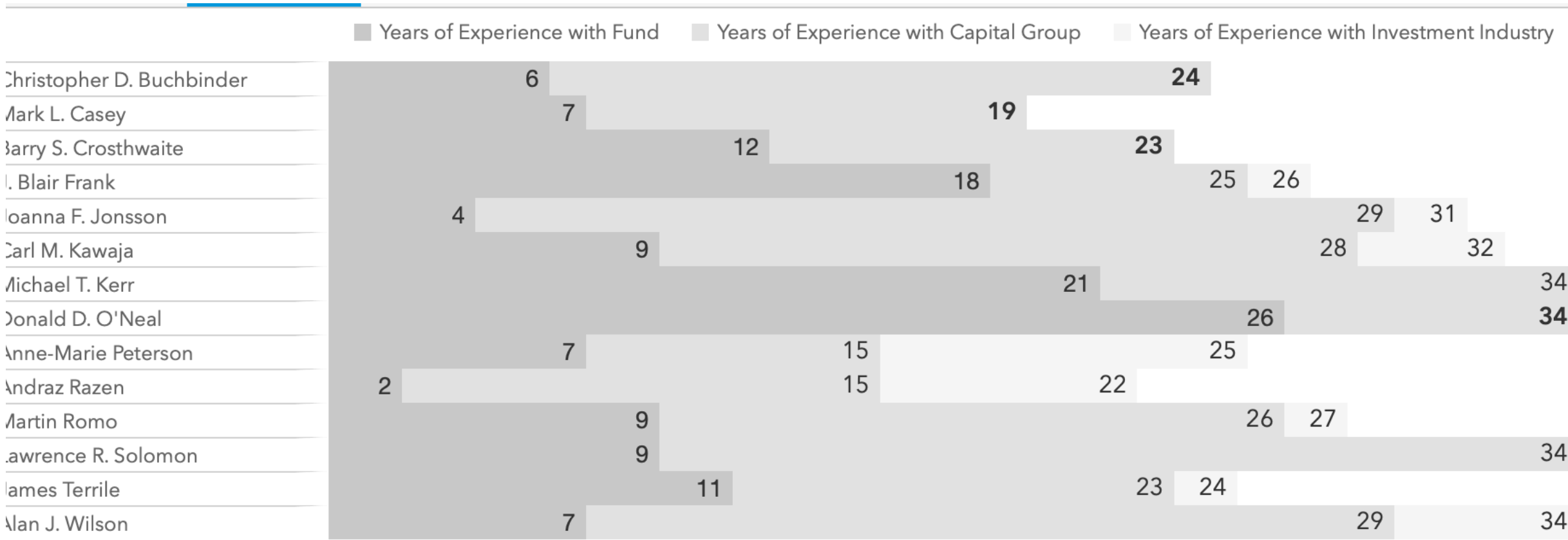
# The Three “Ds” of Investing

- A good way to keep your focus on your goals is to remember the **three “Ds”** of investing
  - **Dollar-Cost Averaging**
  - **Discipline**
  - **Diversification**

# How We Make Recommendations for Clients

- Overall Balance Sheet
- Time
- Cost
- Risk Tolerance
- Investment Experience
- Our Research and Ratings
- We Create a Portfolio





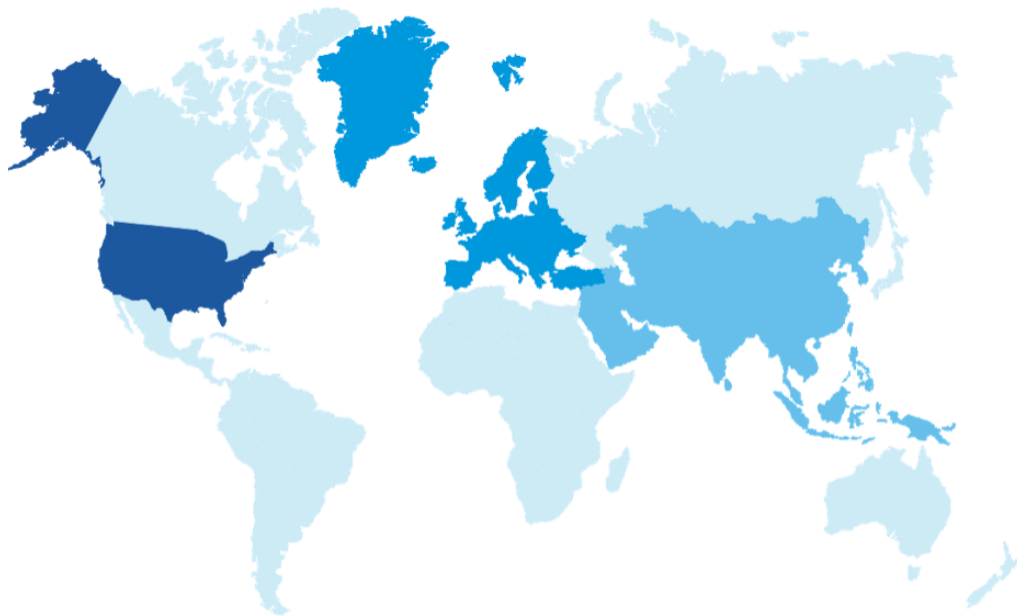
A boldface number indicates that years of experience with Capital Group is equal to years of experience with investment industry.

# Portfolio Managers |

# Geography of Holdings

## Geographic Breakdown

Regions | [Top Countries](#)



United States	81.7%
Europe	4.6%
Asia & Pacific Basin	4.6%
Other (Including Canada & Latin America)	1.2%
Cash & equivalents <sup>6</sup>	7.9%

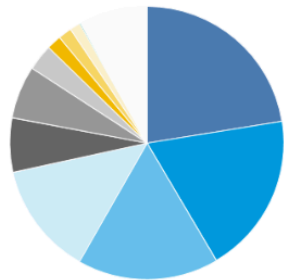
% of net assets as of 3/31/2020 (updated quarterly)

# Holdings

## Holdings

### Equities Breakdown

Sectors | [Top Industries](#)



Equity Fund Holdings

Information technology	22.5%
Communication services	19.0%
Health care	16.7%
Consumer discretionary	13.3%
Industrials	6.4%
Financials	6.3%
Consumer staples	3.1%
Energy	1.7%
Real estate	1.6%
Materials	1.3%
Utilities	0.1%

% of net assets as of 3/31/2020 (updated quarterly)

### Top Equities <sup>14</sup>

Netflix	6.0%
Facebook	5.7%
Amazon	5.6%
Microsoft	5.2%
Alphabet	3.6%
UnitedHealth Group	3.0%
Tesla Inc	2.1%
Broadcom	1.6%
ASML	1.5%
TSMC	1.4%

% of net assets as of 4/30/2020 (updated monthly)

→ [QUARTERLY HOLDINGS](#)

# Fund Ratings

## Morningstar Rating<sup>TM 11</sup>

Overall Morningstar Rating<sup>TM</sup>   
Funds rated(637)

3-yr. Morningstar Rating<sup>TM</sup>   
(637 funds rated)

5-yr. Morningstar Rating<sup>TM</sup>   
(557 funds rated)

10-yr. Morningstar Rating<sup>TM</sup>   
(408 funds rated)

Overall Morningstar Risk      Below Average  LOW HIGH

# Risk Measures

Fund

Standard Deviation <sup>7</sup> ⓘ	14.10
Sharpe Ratio <sup>7</sup> ⓘ	0.94

For the 10 Years ending 5/31/20 (updated monthly).

American Funds/  
Morningstar Benchmark <sup>7</sup>  
S&P 500 TR USD ⓘ

R-squared ⓘ	93
Beta ⓘ	1.00

Correlation ⓘ ⓘ

0.9404

# Example Of Portfolios

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# Global Growth Portfolio

stocks of companies with strong growth potential.

Price at NAV **\$19.33** as of  
6/08/2020 (updated daily)

Fund Assets (millions)  
**\$7,711.0**

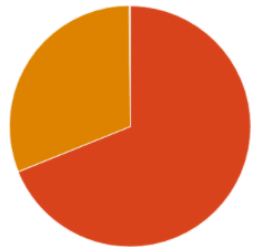
Portfolio Solutions  
Committee Members **7**<sup>1</sup>

Expense Ratio<sup>2</sup> **0.76%**

[Quarterly Fund Fact  
Sheet \(PDF\)](#)

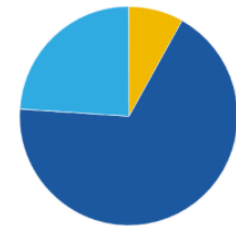
[Prospectus \(PDF\)](#)

## Underlying Funds<sup>3,4</sup>



<b>Growth</b>	<b>68.8%</b>
AMCAP Fund <sup>®</sup>	21.1%
EuroPacific Growth Fund <sup>®</sup>	11.2%
The Growth Fund of America <sup>®</sup>	21.4%
The New Economy Fund <sup>®</sup>	2.5%
New Perspective Fund <sup>®</sup>	2.5%
SMALLCAP World Fund <sup>®</sup>	10.1%
<b>Growth-and-Income</b>	<b>31.1%</b>
Fundamental Investors <sup>®</sup>	19.6%
The Investment Company of America <sup>®</sup>	11.5%

## Asset Mix<sup>5</sup>



U.S. Equities	<b>67.8%</b>	Non-U.S. Equities	<b>24.0%</b>
U.S. Bonds	<b>0.0%</b>	Non-U.S. Bonds	<b>0.0%</b>
Cash & Equivalents <sup>5,6</sup>	<b>8.2%</b>		

As of 4/30/2020 (updated monthly)

## Market Capitalization

<b>76.6%</b>	<b>17.8%</b>	<b>5.6%</b>
Large	Medium	Small

**\$58,809.47 Million**  
Weighted Average<sup>5,7</sup>

# Target Date 2020

Price at NAV **\$13.21** as of  
6/08/2020 (updated daily)

Fund Assets (millions)  
**\$15,246.9**

Target Date Solutions  
Committee Members **7**<sup>1</sup>

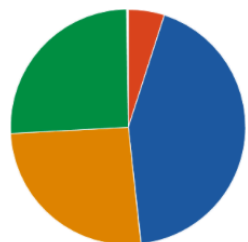
Expense Ratio<sup>2</sup> **0.66%**

[Quarterly Fund Fact Sheet \(PDF\)](#)

[Prospectus \(PDF\)](#)

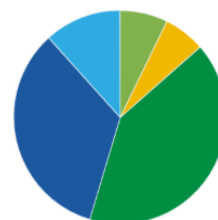
## Underlying Funds<sup>3</sup>

## Current Allocation<sup>4</sup>



<b>Growth</b>	<b>5%</b>
AMCAP Fund <sup>®</sup>	2%
The Growth Fund of America <sup>®</sup>	1%
New Perspective Fund <sup>®</sup>	2%
<b>Growth-and-Income</b>	<b>25.9%</b>
American Mutual Fund <sup>®</sup>	6.1%
Capital World Growth and Income Fund <sup>®</sup>	4.2%
Fundamental Investors <sup>®</sup>	4.2%
International Growth and Income Fund <sup>SM</sup>	1%
The Investment Company of America <sup>®</sup>	5.2%

## Asset Mix<sup>5</sup>



U.S. Equities	<b>33.7%</b>	Non-U.S. Equities	<b>11.7%</b>
U.S. Bonds	<b>41.0%</b>	Non-U.S. Bonds	<b>7.3%</b>
Cash & Equivalents <sup>5,6</sup>	<b>6.3%</b>		

As of 4/30/2020 (updated monthly)

## Fund Statistics<sup>5</sup>

5.3 years

Effective Duration ⓘ

2.4%

Average Yield  
to Worst ⓘ

2.9%

Average Coupon ⓘ



# Target Date 2050

Price at NAV **\$16.29** as of  
6/08/2020 (updated daily)

Fund Assets (millions)  
**\$10,266.9**

Target Date Solutions  
Committee Members **7**<sup>1</sup>

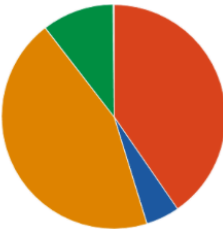
Expense Ratio<sup>2</sup> **0.73%**

[Quarterly Fund Fact Sheet](#) (PDF)

[Prospectus](#) (PDF)

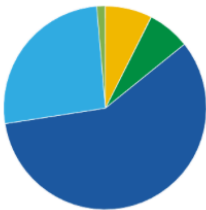
## Underlying Funds<sup>3</sup>

## Current Allocation<sup>4</sup>



<b>Growth</b>	<b>40.4%</b>
AMCAP Fund <sup>®</sup>	7.1%
EuroPacific Growth Fund <sup>®</sup>	3.9%
The Growth Fund of America <sup>®</sup>	7.2%
The New Economy Fund <sup>®</sup>	4%
New Perspective Fund <sup>®</sup>	7%
New World Fund <sup>®</sup>	3.9%
SMALLCAP World Fund <sup>®</sup>	7.3%
<b>Growth-and-Income</b>	<b>44.3%</b>
American Mutual Fund <sup>®</sup>	7.8%
Capital World Growth and Income Fund <sup>®</sup>	6.8%

## Asset Mix<sup>5</sup>



U.S. Equities	<b>58.2%</b>	Non-U.S. Equities	<b>26.2%</b>
U.S. Bonds	<b>6.8%</b>	Non-U.S. Bonds	<b>1.3%</b>
Cash & Equivalents <sup>5,6</sup>	<b>7.5%</b>		

As of 4/30/2020 (updated monthly)

## Fund Statistics<sup>5</sup>

5.9 years

Effective Duration ⓘ

1.2%

Average Yield  
to Worst ⓘ

2.6%

Average Coupon ⓘ

# Fees

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# 3 Ways to Buy Funds

- No Load- Do It Yourself No Frontend Fee- Lowest Cost if You have the Knowledge and Temperament
- Brokerage Commission- Pay Front End Fee- Next Lowest Cost if you Buy and Hold
- Managed – No Front end with a Quarterly Management Fee- Highest Cost with Flexibility to Change Funds



# All Funds have an Annual Expense Charge

## Fees & Expenses

Fees	
Annual Management Fees	0.27%
Other Expenses	0.13%
Service 12b-1	0.25%

As of each fund's most recent prospectus.

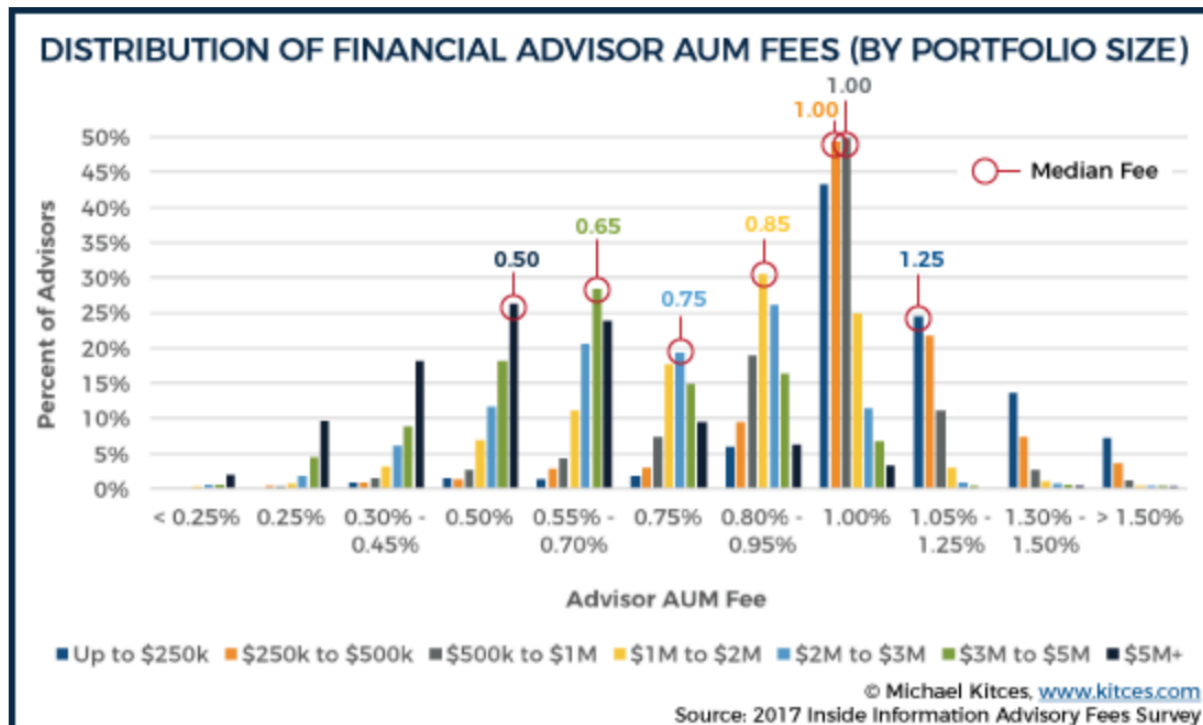
Expense Ratio	
AGTHX <sup>3</sup>	0.65%
Lipper Large-Cap Growth Funds Average <sup>16</sup>	1.09%

Fund as of most recent prospectus. Lipper Category as of 10/31/19 (updated monthly).

# Brokerage Fee Schedule

Equity Fund and Bond Fund Sales Charges			
Purchase amount and account value	Growth funds	American Funds Inflation Linked Bond Fund <sup>SM</sup>	All other bond funds
	Growth-and-income funds	American Funds Short-Term Tax-Exempt Bond Fund <sup>®</sup>	
	Equity-income funds	Intermediate Bond Fund of America <sup>®</sup>	
	Balanced funds	Limited Term Tax-Exempt Bond Fund of America <sup>®</sup>	
		Short-Term Bond Fund of America <sup>®</sup>	
Less than \$25,000	5.75%	2.50%	3.75%
\$25,000 to \$50,000	5.00%	2.50%	3.75%
\$50,000 to \$100,000	4.50%	2.50%	3.75%
\$100,000 to \$250,000	3.50%	2.50%	3.50%
\$250,000 to \$500,000	2.50%	2.50%	2.50%
\$500,000 to \$750,000	2.00%	2.00%	2.00%
\$750,000 to \$1 million	1.50%	1.50%	1.50%
\$1 million and above	0.00% <sup>2</sup>	0.00% <sup>2</sup>	0.00% <sup>2</sup>

# Managed Account Fees



- Generally averages around 1% plus the underlying fund cost for a total of 1.7% annually



Recap



# Fix Your Finances 2020

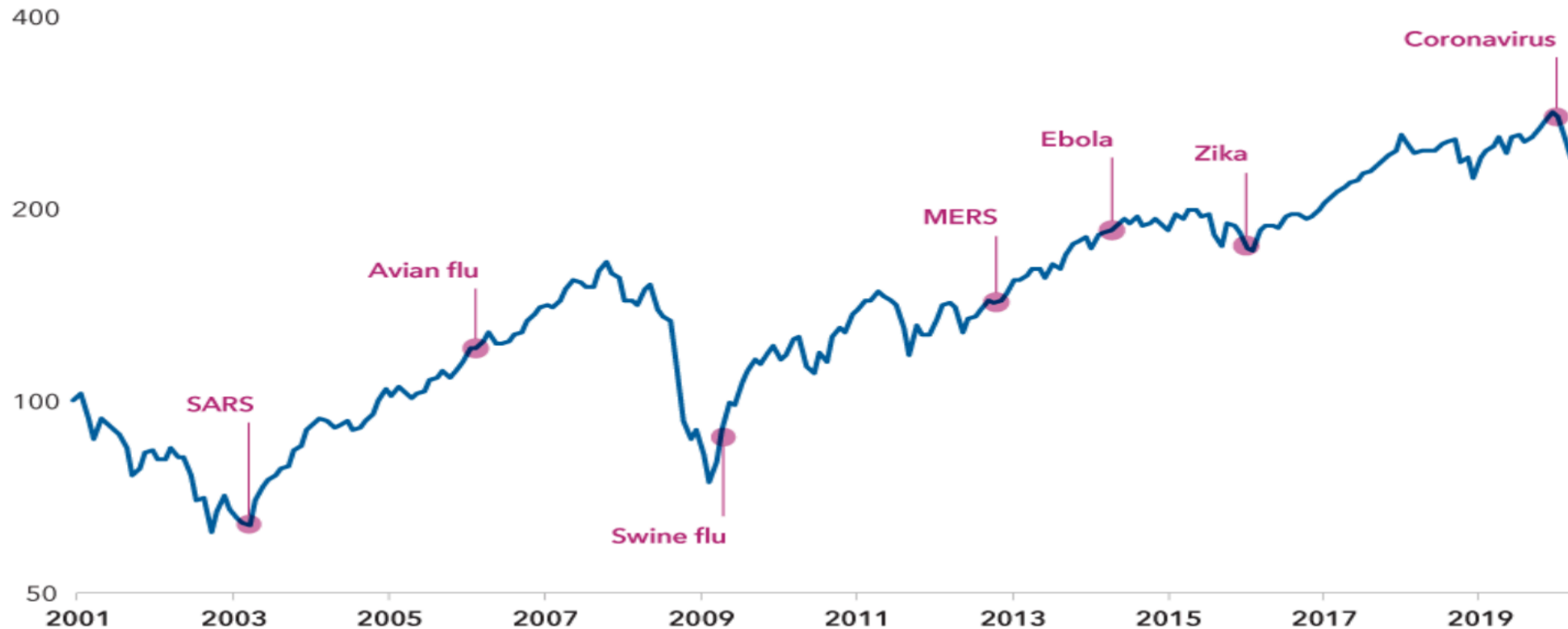
Class 9 Asset Allocation



# Markets and The Coronavirus Pandemic

## Global equity markets have powered through past viral outbreaks

MSCI ACWI index levels



Sources: Centers for Disease Control and Prevention, RIMES, MSCI. As of 3/9/20. Chart shown on a logarithmic scale. Total return index levels in USD, indexed to 100 on 12/31/2000. Disease labels are estimates of when the outbreak was first reported.



# The Proper Mindset for Investing

- Market Declines are Normal
- Buy and Hold Strategy
- Time not Timing
- Keep the Proper Perspective
- Diversify Your Portfolio
- Automate Your FIN

# Market Declines are Normal

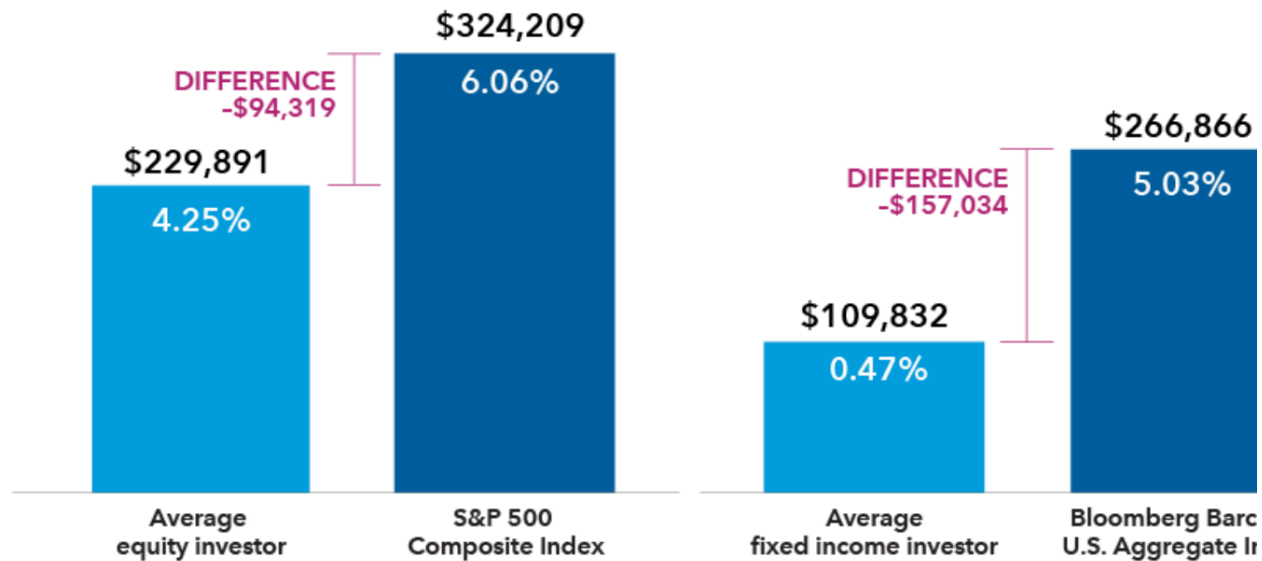
## Declines are a normal part of the investment cycle

Standard & Poor's 500 Composite Index (1949-2020)

Size of decline	Average frequency	Average length	Last occurrence
-5% or more	About three times per year	43 days	February 2020
-10% or more	About once per year	112 days	February 2020
-15% or more	About once every three and a half years	262 days	February 2020
-20% or more	About once every six years	401 days	February 2020

# The demonstrated advantages of a “Buy-and-Hold Strategy”

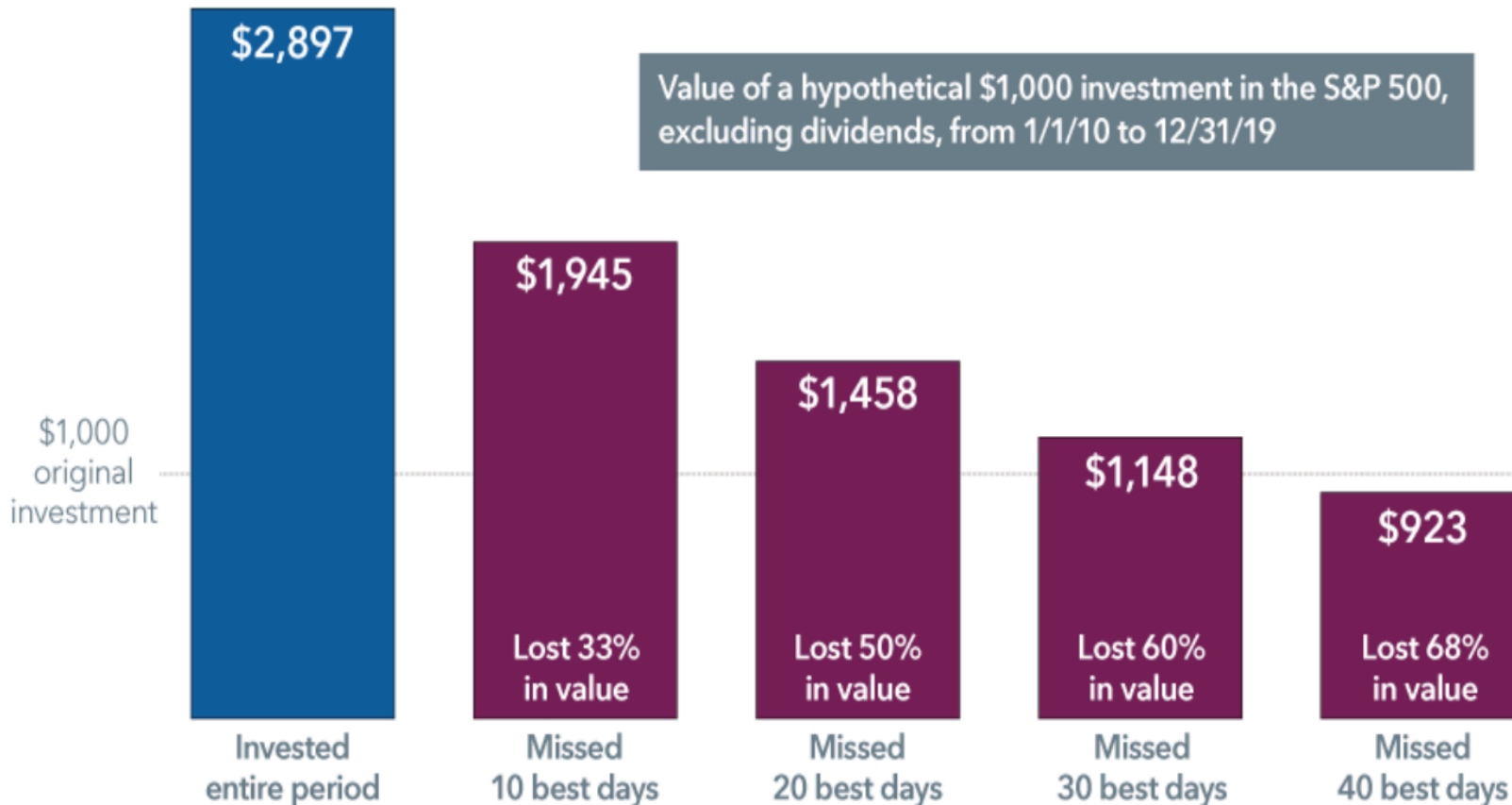
Growth of a hypothetical \$100,000 investment  
(12/31/99-12/31/19)



Sources: DALBAR, RIMES. Average equity and fixed income investor refers to the average fund investor in either category as calculated by Dalbar.

- The average stock investor lagged the market over the long haul by nearly 1.8% per year, while the average bond investor lost virtually all of their positive returns, trailing the bond market by an average of more than 4.6% per year. Compounded over time, the impact on portfolios can be almost catastrophic.

# Time Not Timing”



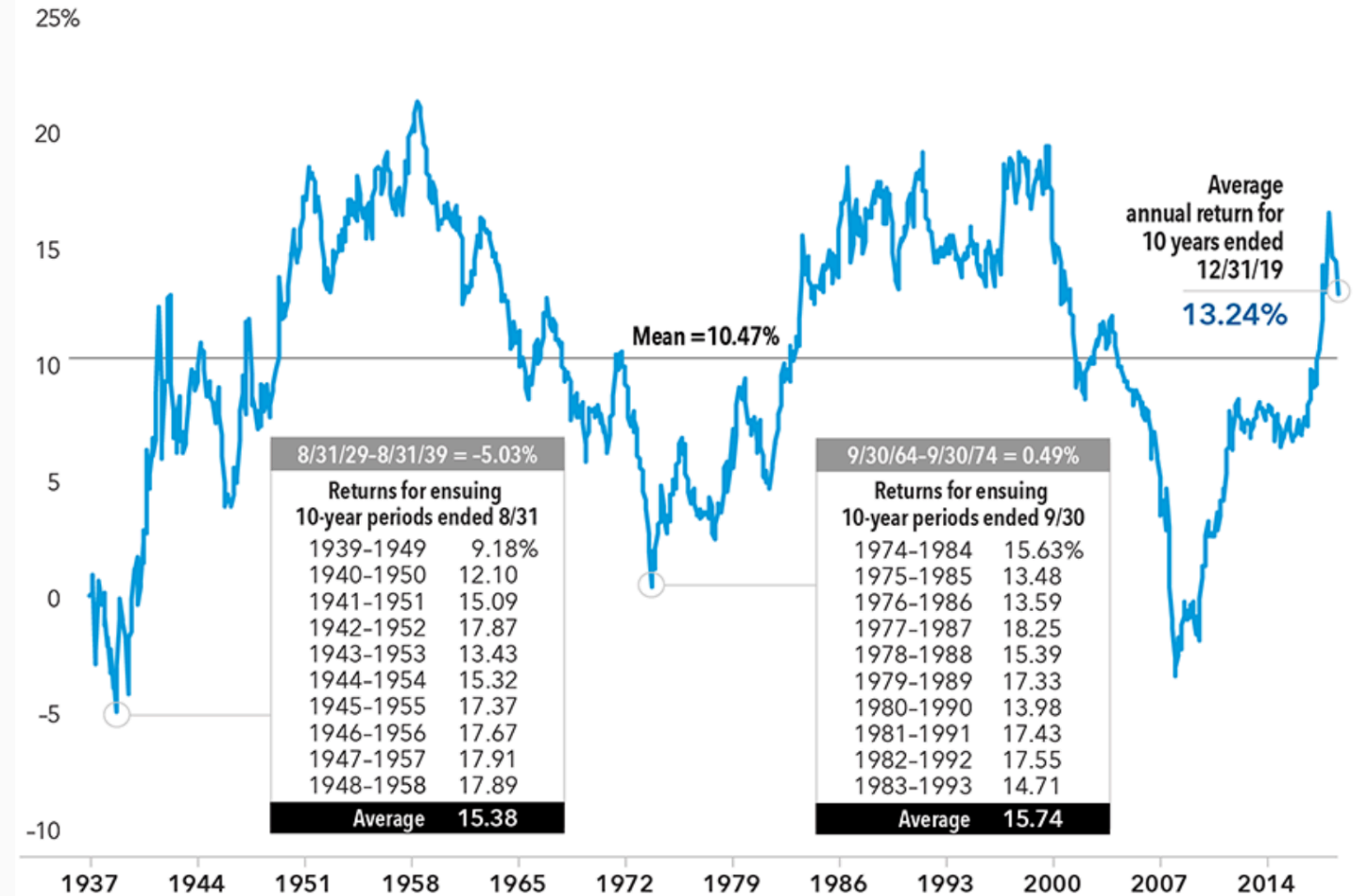
- When observing the five worst market declines since 1929, returns in the first year after each market decline ranged from 36.16% to 137.6% and averaged 70.95%. Over a longer term, the average value of an investment more than doubled over the five years after each market low.

Proper perspective can help you remain calm

- **Long-term investors have been rewarded.** Even including downturns, the S&P 500's mean return over all rolling 10-year periods from 1937–2019 was 10.47%.

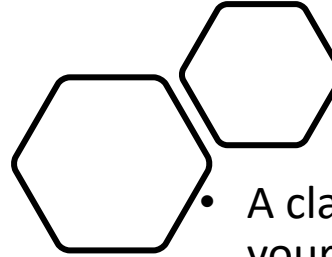
### S&P rolling 10-year average annual total returns

December 31, 1937–December 31, 2019



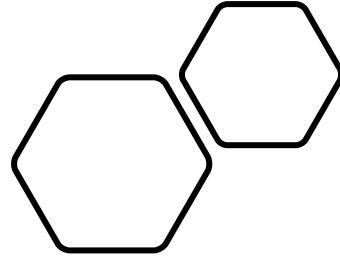
Source: Standard & Poor's.

# Automate your “FIN”



- A classic saying in personal finance is “pay yourself first.” Before your paycheck hits your bank account, you should set up a plan to put some of that money into a retirement savings. You can’t spend it if you’ve already saved it.
- One of the best ways to save automatically is to enroll in your employer’s tax-advantaged retirement plan, such as a 401(k) or 403(b) plan. Depending on the rules and limits of your retirement plan, you may be able to save a percentage of your salary and your employer will match your contributions, up to a certain percentage.
- If your company does not offer a tax-advantaged retirement plan, you can still save money for retirement on your own in an IRA. Make your savings automatic by setting up recurring deposits from your checking account.

# What Is Asset Allocation



Asset allocation involves dividing your investments among different assets, such as stocks, bonds, and cash. The asset allocation decision is a personal one. The allocation that works best for you changes at different times in your life, depending on how long you have to invest and your ability to tolerate risk.



# Creating Your Asset Allocation Model

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Time Horizon

Risk

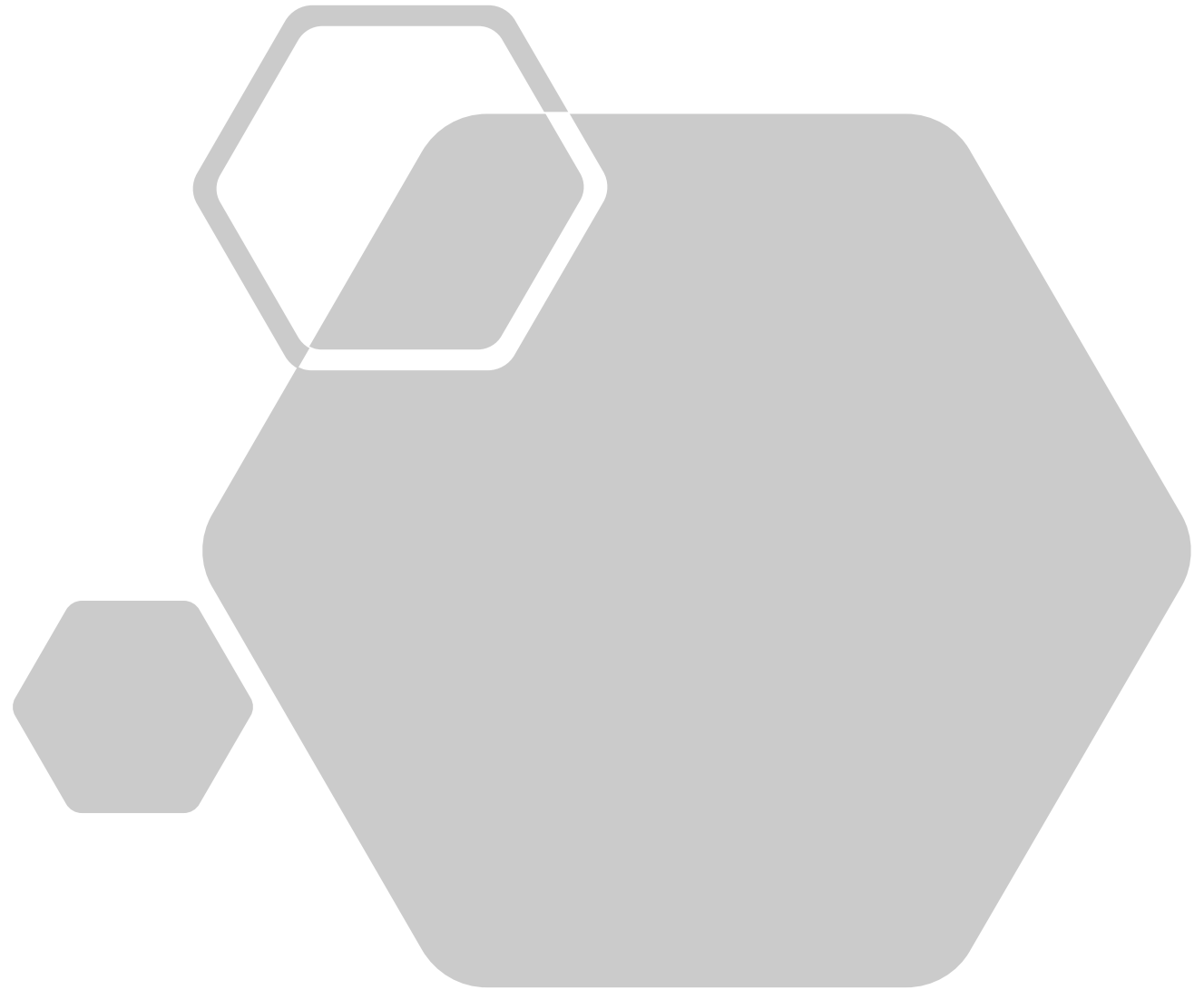
Diversification

Investment  
Choices

Rebalancing

# Creating Your Asset Allocation Model

- Time Horizon is the number of months, years, or decades you need to invest to achieve your financial goal. Investors with a longer time horizon may feel comfortable taking on riskier or more volatile investments. Those with a shorter time horizon may prefer to take on less risk.



# Risk Tolerance- Risk Capacity

- Risk tolerance is your ability and willingness to lose some or all of your original investment in exchange for potentially greater returns.
- Risk capacity, unlike tolerance, is the amount of risk that the investor "must" take in order to reach their financial goals. The rate of return necessary to reach these goals can be estimated by examining time frames and income requirements.

# Diversification-Umbrellas and Sunglasses

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Have you ever noticed that street vendors often sell seemingly unrelated products - such as umbrellas and sunglasses? Initially, that may seem odd. By selling both items - in other words, by diversifying the product line - the vendor can reduce the risk of losing money on any given day.



Investors are warned to never put all their eggs (investments) in one basket (security or market) which is the central thesis on which the concept of diversification lies. It is a management strategy that blends different investments in a single portfolio. The idea behind diversification is that a variety of investments will yield a higher return. It also suggests that investors will face lower risk by investing in different vehicles.

# Investment Choices



**Aggressive** — This type of portfolio is appropriate for investors with high risk tolerance and/or long investment horizon. This portfolio has a higher percentage of stocks relative to bonds.

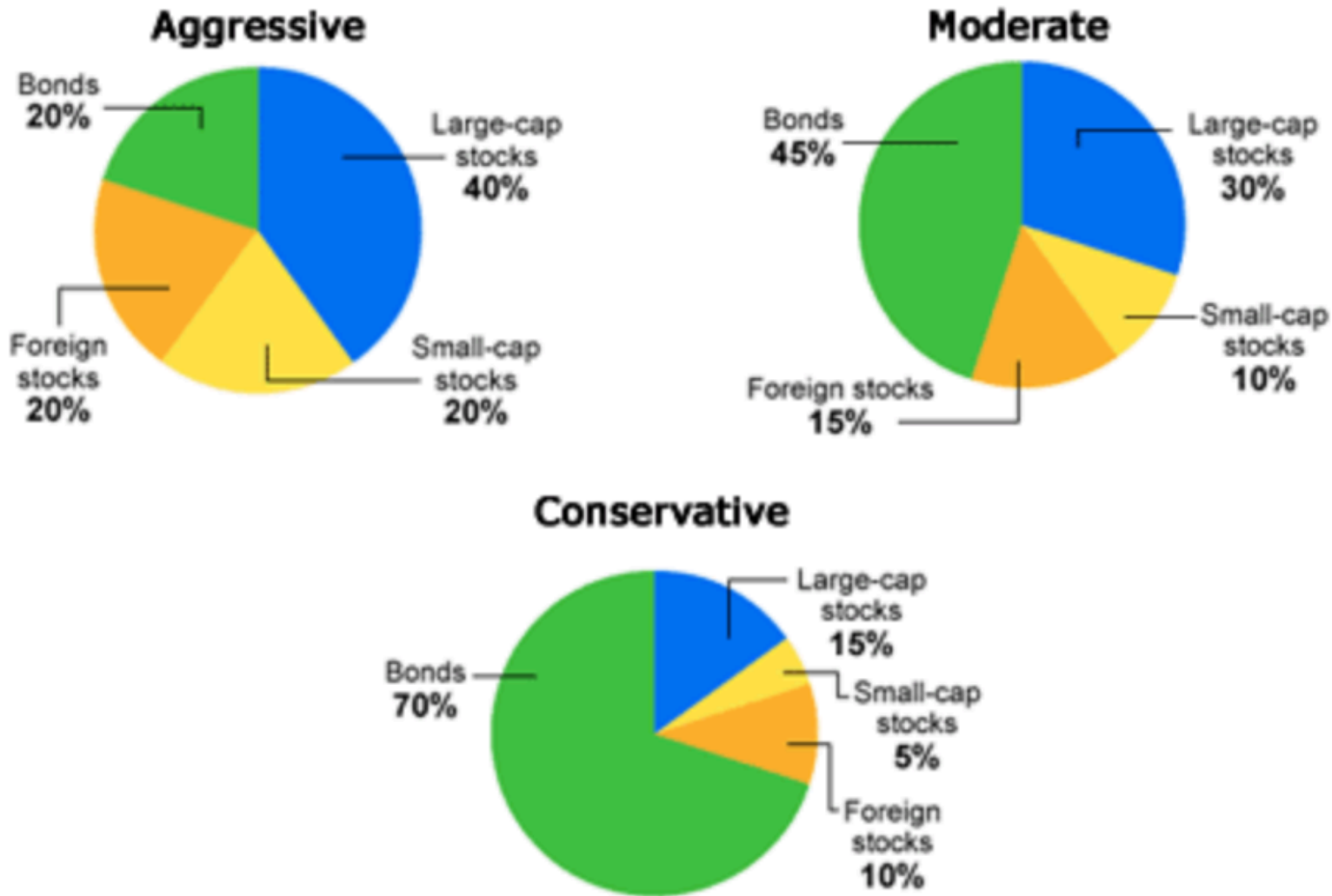


**Moderate** — This type of portfolio is appropriate for investors with medium risk-tolerance and/or medium investment time horizon. This portfolio has a lower percentage of stocks relative to bonds.



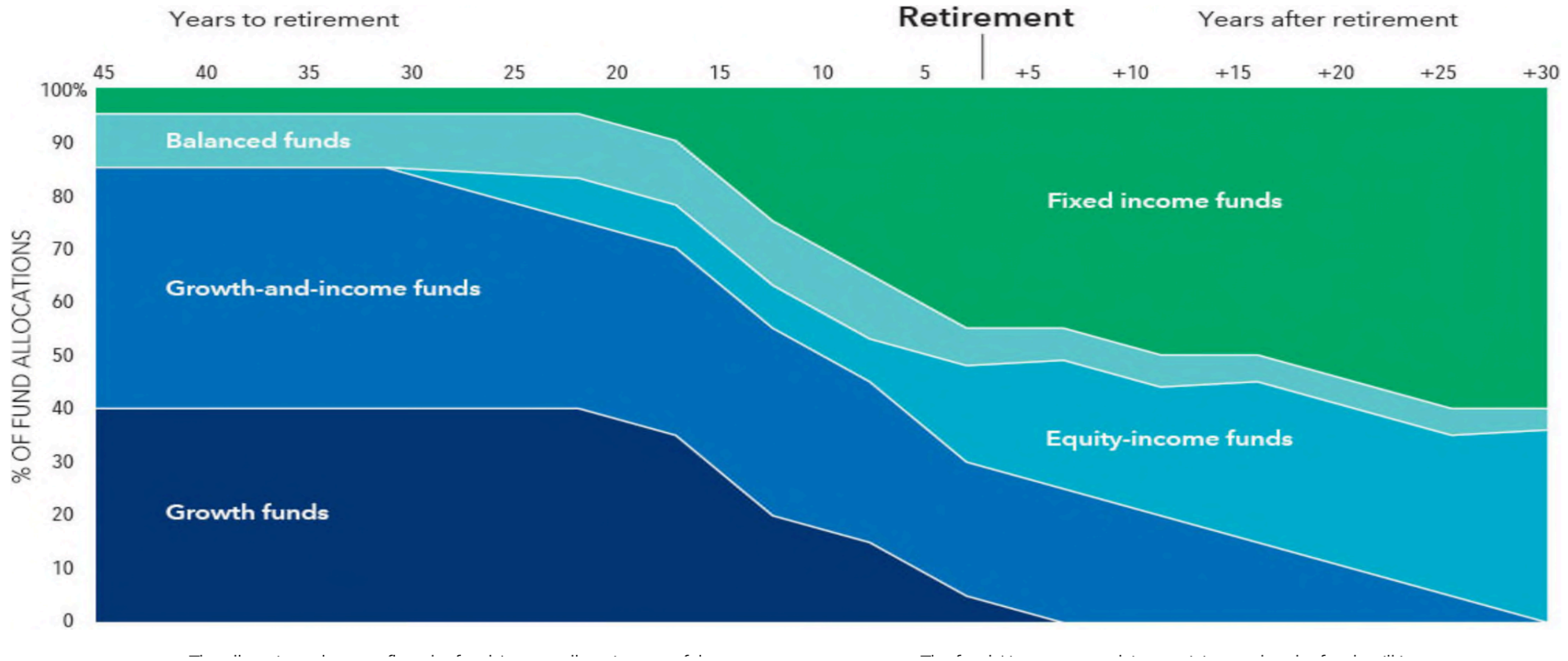
**Conservative** — This type of portfolio is appropriate for investors with low risk tolerance and/or short investment time horizon. This portfolio has the lowest percentage of stocks relative to bonds.

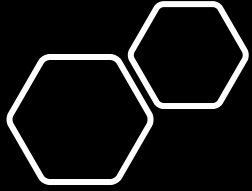
# Investment Choices



Graphics from [CNN Asset Allocator](#)

# Auto- Pilot Asset Allocation ...Target Date Funds





# Rebalancing

- Rebalancing is what investors do to bring their portfolio back to its original asset allocation mix. Rebalancing is needed because over time, some investments will grow faster than others. This may push your holdings out of alignment with your investment goals. By rebalancing, you will ensure that your portfolio does not overweight a particular asset category, and you'll return your portfolio to a comfortable level of risk.
- For example, you might start with 60% of your portfolio invested in stocks, but see that rise to 80% due to market gains. To reestablish your original asset allocation mix, you'll either need to sell some of your stocks or invest in other asset categories.





Recap

Next Week  
Retirement and College  
Savings Plans



# Thank You for Attending- We can Help You.

- If you need help with anything that we covered tonight or if you have questions be sure and reach out to the person that invited, you through the private link. Text or email and they will follow up with you.
- Do you have a friend or family member that would benefit from this information? Forward your private link that you received and encourage them to register for next week.
- Lastly Do you need a work from home solution to earn extra Income? Ask the person who invited you to send you a link to “Join Our Team Webinar”