5 Stages of Your Financial Life

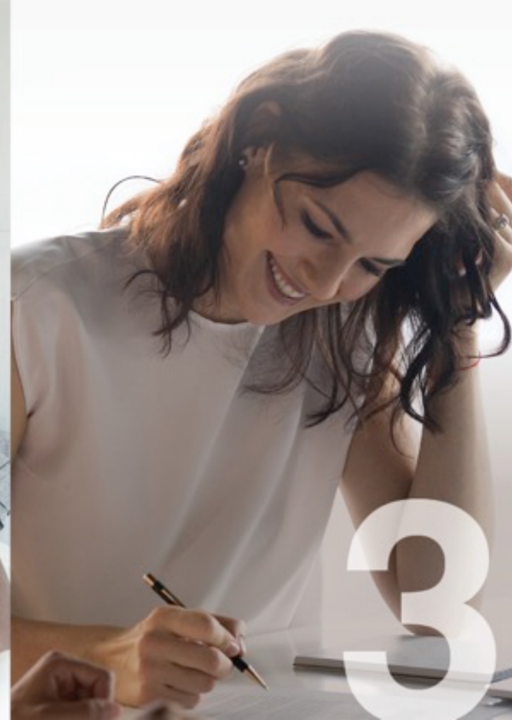
Accumulation:
Saving for Future Family Goals

Family Income Protection:
Retirement

Retirement Asset Protection:
Defend Against Market Volatility

Longevity of Income:
Make Retirement Income Last

Legacy:
Pass Wealth on to the Next Generation



Bypass the Middleman – Become an Owner, Not a Loaner

Traditional Financial Institutions

Banks, Credit Unions, Insurance Companies =
Historically Low Rates of Return

CDs and savings accounts are generally FDIC insured up to $250,000. Cash value life insurance offers life insurance components in addition to the investment component.

The Rule of 72

Divide your interest rate into 72 to find the approximate number of years it takes for money to double.

Years	3%	6%	12%
0	$10,000	$10,000	$10,000
6			$20,000
12		$20,000	$40,000
18			$80,000
24	$20,000	$40,000	$160,000
30			$320,000
36		$80,000	$640,000
42			$1,280,000
48	$40,000	$160,000	$2,560,000

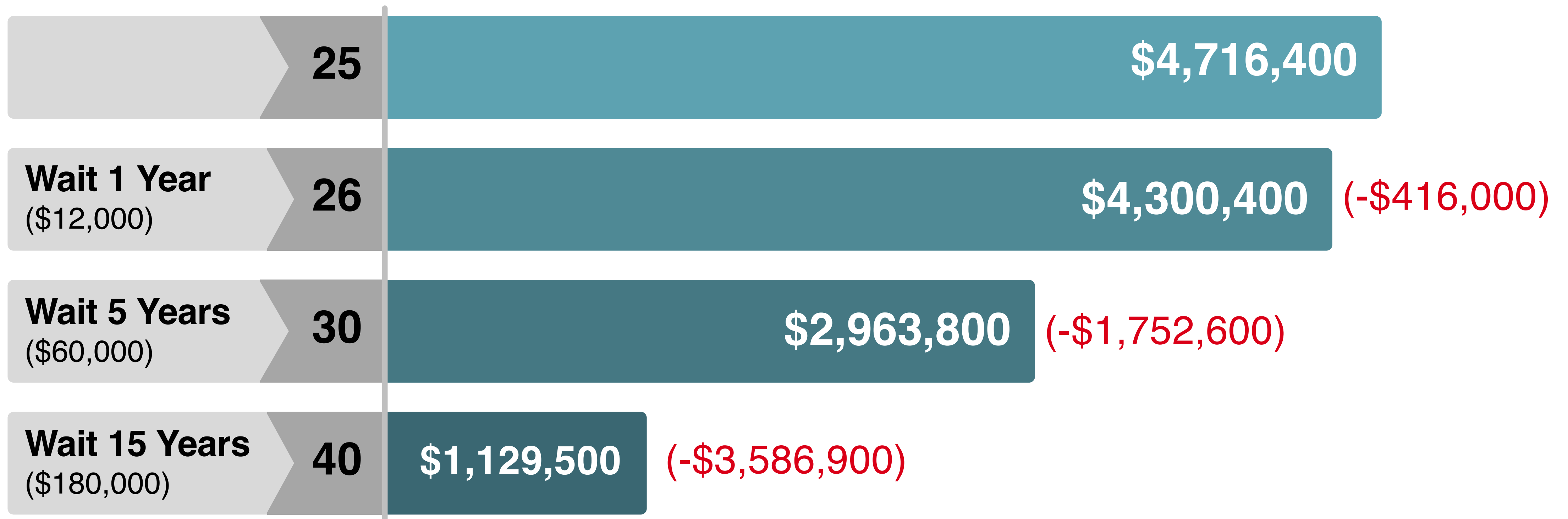
- How do you win a game if you don't know the rules?
- Shouldn't we have learned this rule in high school?
- **Without introducing us to family and friends, how would they learn the "Rule of 72?"**

This table serves as a demonstration of how the Rule of 72 concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike actual investments which will fluctuate in value. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 10% or greater on a consistent basis, given current market conditions.

Education- Pay Yourself First and Get Started Soon

When you don’t, there’s a high cost of waiting.

$1,000 Monthly Savings at 9% for 40 Years (Age 25-65)



Rates of return are constant and nominal rates, compounded monthly. Contributions are assumed to be made at the beginning of the month. The chart above is not indicative of any particular investment or savings vehicle where rates of return fluctuate. It does not take into consideration taxes or other applicable deductions, which would lower results.

INVEST WITH PROFESSIONAL MANAGEMENT

What Is a Mutual Fund?

A mutual fund is an opportunity for you, together with many other investors, to pool your money.

How a Mutual Fund Works

Individual Investors

Pooled Assets

Global Economy

Investing entails risk including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Mutual Funds Earn Money Three Ways:

1. **Dividends**
2. **Capital Gains**
3. **Capital Appreciation**

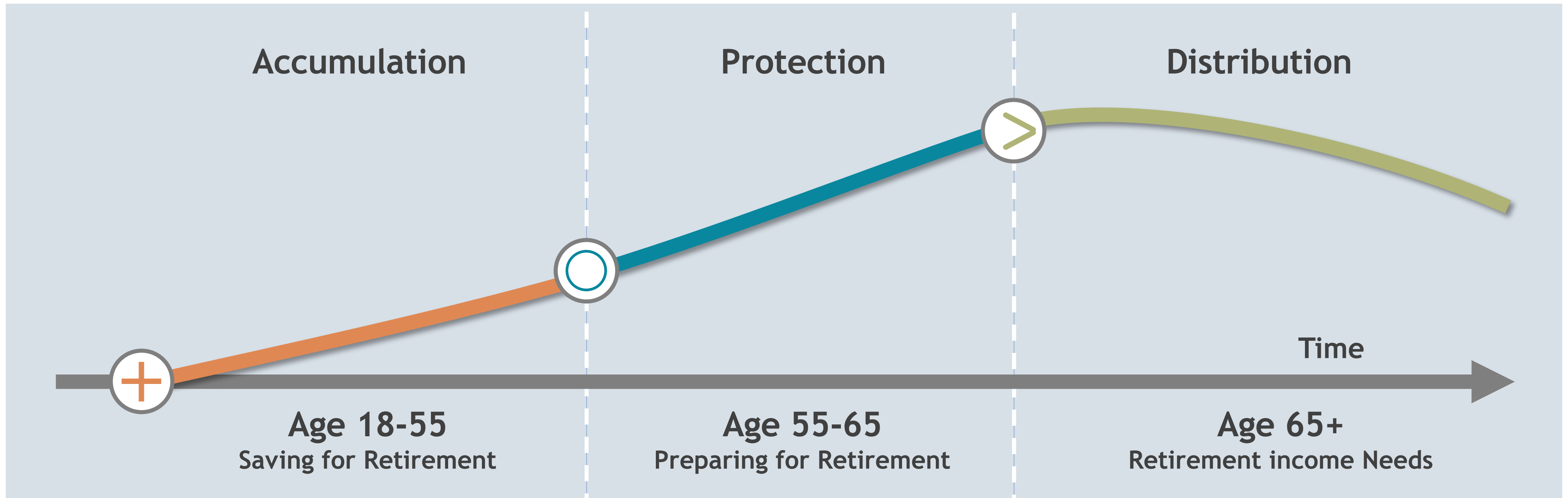
Should any of these be earned, they may be subject to taxation.
Also note that the value of a fund may fluctuate.

5 Great Reasons to Own a Mutual Fund

- **Professional money management**
- **Diversification of assets**
- **Growth potential**
- **Affordability**
- **Liquidity**

Mutual funds are not guaranteed against a loss. Mutual funds also have costs and fees that are attributable to management and distribution.

Investment Phases

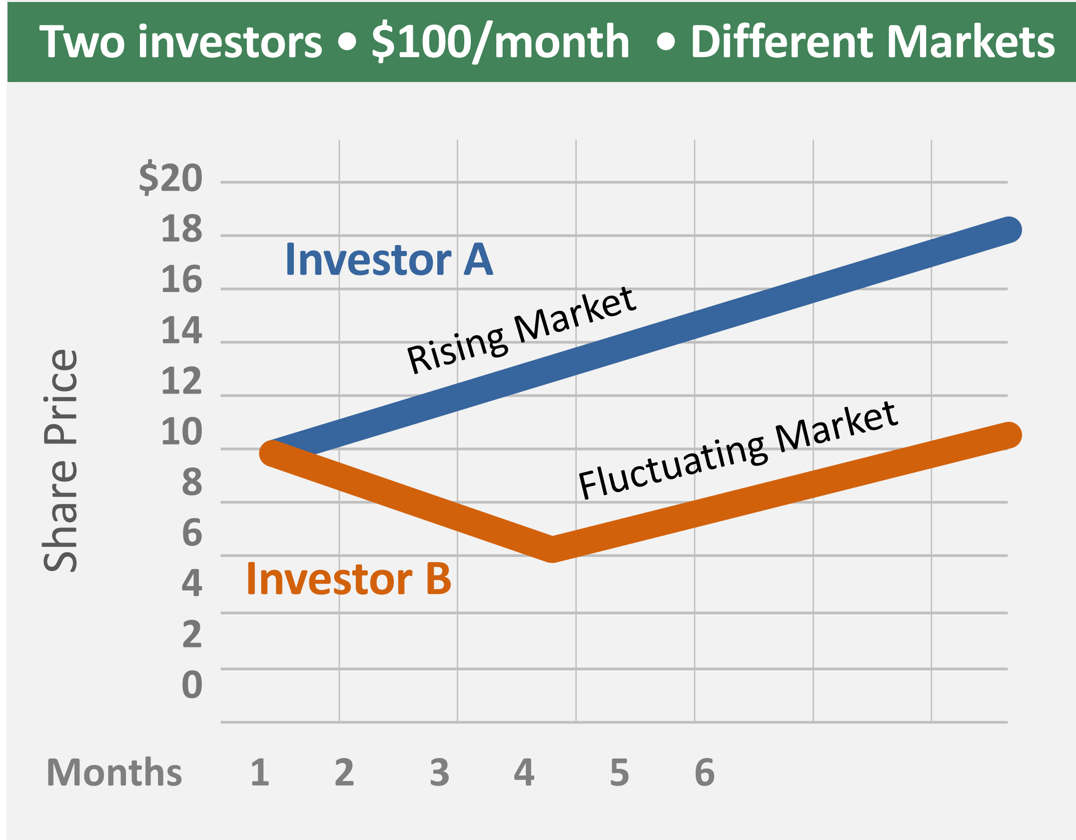


Do you have a program in place for a comfortable retirement?

A good way to keep your focus on your goals is to remember the **Three “Ds” of investing**

- **Dollar-Cost Averaging**
- **Discipline**
- **Diversification**

Dollar Cost Averaging or Systematic Investing



Systematic Investing allows you to use dollar-cost averaging to build wealth over the long term.

Investor A

Invests $100 a month in a rising market

Investor B

Invests $100 a month in a fluctuating market

Dollar-cost averaging is a technique for lowering the average cost per share over time. While a continuous program of dollar-cost averaging can reduce cost per share over time, it cannot assure a profit or protect against loss in declining markets. Since dollar-cost averaging involves continuous investments over time, the investor should consider his or financial ability to continue purchases through low price levels. The values shown are hypothetical, not intended to reflect any specific market period but to demonstrate the effect of a fluctuating market.

Which example would you prefer?

Invest Near Market Highs		
Date	Cumulative Investment	Year End Account Value
Dec. ‘98	$10,000	$10,000.00
Dec. ‘99	$20,000	$22,104.15
Aug. ‘00	$30,000	$28,822.63
Jan. ‘01	$40,000	$33,906.33
Mar. ‘02	$50,000	$34,181.45
Dec. ‘03	$60,000	$53,986.23
Dec. ‘04	$70,000	$69,861.04
Dec. ‘05	$80,000	$83,292.57
Dec. ‘06	$90,000	$106,448.03
Oct. ‘07	$100,000	$121,811.70
May. ‘08	$110,000	$83,293.38
Dec. ‘09	$120,000	$115,336.53
Dec. ‘10	$130,000	$142,710.10
Apr. ‘11	$140,000	$155,087.04
Sep. ‘12	$150,000	$189,868.66
Dec. ‘13	$160,000	$261,363.61
Nov. ‘14	$170,000	$307,115.21
Jul. ‘15	$180,000	$321,174.72
Dec. ‘16	$190,000	$369,586.97
Dec. ‘17	$200,000	$460,273.60

Annualized Compound Return (Dec. ‘98-Dec. ‘17): **9.00%**

Invest Near Market Lows		
Date	Cumulative Investment	Year End Account Value
Aug. ‘98	$10,000	$10,000.00
Feb. ‘99	$20,000	$24,095.14
Nov. ‘00	$30,000	$31,950.36
Sep. ‘01	$40,000	$39,221.30
Sep. ‘02	$50,000	$41,396.94
Feb. ‘03	$60,000	$66,687.37
Jul. ‘04	$70,000	$85,030.31
Apr. ‘05	$80,000	$100,135.76
May. ‘06	$90,000	$127,241.07
Feb. ‘07	$100,000	$144,831.20
Nov. ‘08	$110,000	$101,353.19
Feb. ‘09	$120,000	$143,632.01
Jun. ‘10	$130,000	$177,594.39
Sep. ‘11	$140,000	$192,526.42
Jan. ‘12*	$150,000	$234,937.72
Jan. ‘13*	$160,000	$324,268.51
Jan. ‘14*	$170,000	$380,024.90
Sep. ‘15	$180,000	$395,988.08
Feb. ‘16	$190,000	$455,144.45
Jan. ‘17*	$200,000	$566,692.78

Annualized Compound Return (Aug. ‘98-Jan. ‘17): **10.45%**

It’s time, not timing, that matters

One $10,000 investment is made in the S&P 500 in each year immediately following market high (or market low) month end date.

Example:

In the market high scenario, the first $10,000 contribution is made immediately following the last trading day of the month of Dec. 1998.

The average investor earned just **2.6%** over this same time frame!

*January dates denoted with an asterisk indicate $10,000 was invested immediately prior to the first trading day of the year.

Diversification Is a Time-Tested Principle

Spread out your investment dollars to protect against market risk.

Although diversification does not assure a profit or protect against loss, diversification may help spread out the risk in your portfolio. This chart shows how the returns in different asset classes have varied from one year to the next.

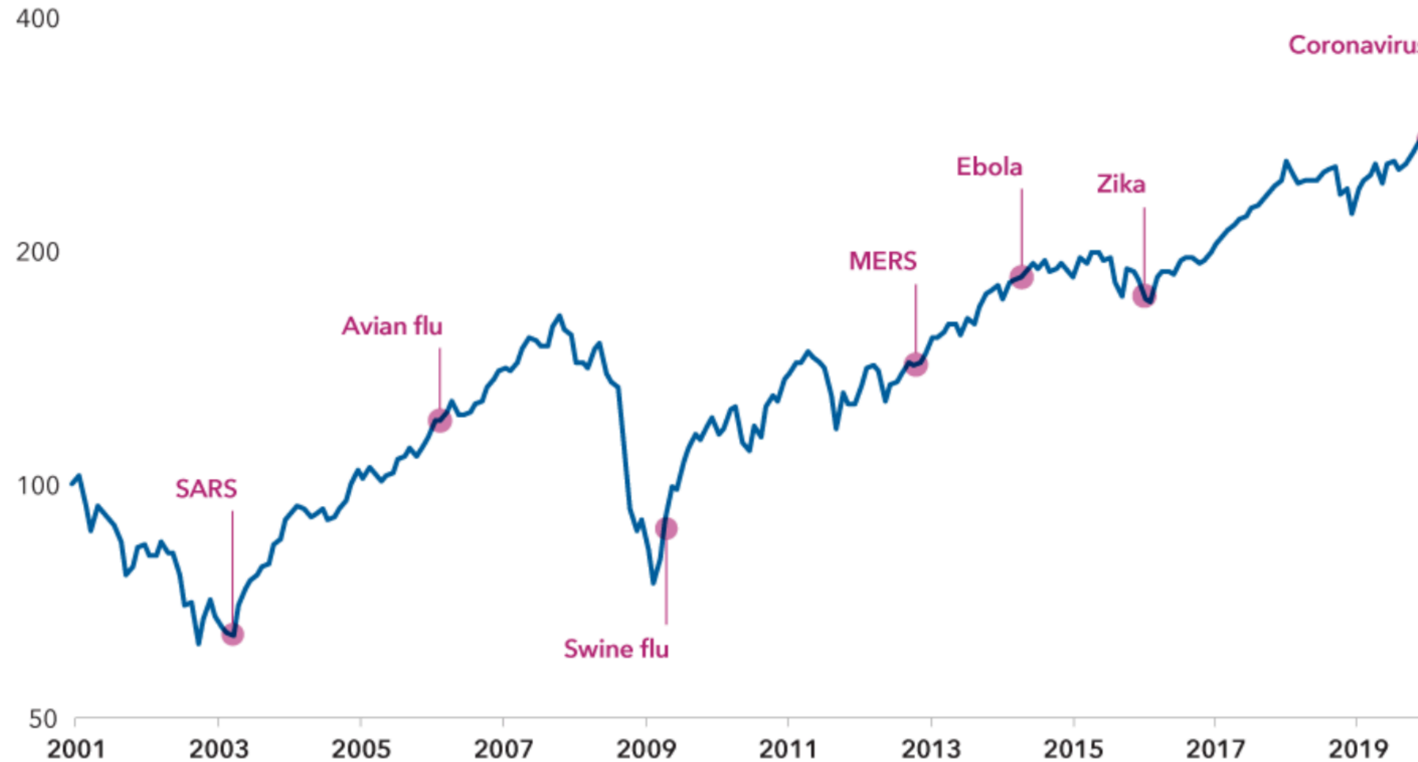
HIGHER RETURN

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Small Stocks 60.7%	Int'l Stocks 20.7%	Int'l Stocks 14.0%	Int'l Stocks 26.9%	Int'l Stocks 11.6%	LT Gov't Bonds 25.9%	Int'l Stocks 32.5%	Small Stocks 31.3%	LT Gov't Bonds 28.2%	Small Stocks 18.2%	Small Stocks 45.1%	Lt Gov't Bonds 23.9%	Large Stocks 1.4%	Small Stocks 25.6%	Int'l Stocks 25.62%
Int'l Stocks 39.2%	Small Stocks 18.4%	LT Gov't Bonds 7.8%	Small Stocks 16.2%	LT Gov't Bonds 9.9%	30-Day T-Bills 1.7%	Small Stocks 28.1%	Large Stocks 15.1%	Large Stocks 2.1%	Int'l Stocks 17.9%	Large Stocks 32.4%	Large Stocks 13.7%	30-Day T-Bills 0.0%	Large Stocks 12.0%	Large Stocks 21.8%
Large Stocks 28.7%	Large Stocks 10.9%	Small Stocks 5.7%	Large Stocks 15.8%	Large Stocks 5.5%	Small Stocks -36.7%	Large Stocks 26.5%	LT Gov't Bonds 10.1%	30-Day T-Bills 0.0%	Large Stocks 16.0%	Int'l Stocks 23.3%	Small Stocks 2.9%	Int'l Stocks 0.4%	Lt Gov't Bonds 1.8%	Small Stocks 11.2%
LT Gov't Bonds 1.5%	LT Gov't Bonds 8.5%	Large Stocks 4.9%	30-Day T-Bills 4.8%	30-Day T-Bills 4.7%	Large Stocks -37.0%	30-Day T-Bills 0.1%	Int'l Stocks 8.2%	Small Stocks -3.3%	LT Gov't Bonds 3.3%	30-Day T-Bills 0.0%	30-Day T-Bills 0.0%	Lt Gov't Bonds -0.7%	Int'l Stocks 1.5%	Lt Gov't Bonds 6.2%
30-Day T-Bills 1.0%	30-Day T-Bills 1.2%	30-Day T-Bills 3.0%	LT Gov't Bonds 1.2%	Small Stocks -5.2%	Int'l Stocks -43.1%	LT Gov't Bonds -14.9%	30-Day T-Bills 0.1%	Int'l Stocks -11.7%	30-Day T-Bills 0.1%	Lt Gov't Bonds -11.4%	Int'l Stocks -4.5%	Small Stocks -3.6%	30-Day T-Bills 0.2%	30-Day T-Bills 0.8%

LOWER RETURN

Source: Morningstar. **Past performance is no guarantee of future results. This chart is for illustrative purposes only and does not represent an actual investment or the [illegible] of any specific investment. All investments involve risk including loss of principal.** Small Company Stocks—Russell 2000 Index; Large Company Stocks—Standard & Poor's [illegible] is an unmanaged group of securities, is considered to be representative of the stock market in general; Long-Term Government Bonds—20-year U.S. Government Bond; [illegible] 30-day U.S. Treasury Bill; International Stocks—Morgan [illegible] Capital International Europe, Australasia, and Far East (EAFE) Index. Government bonds and Treasury bills [illegible] by the full faith and credit of the United States govern[illegible] ot guaranteed and have been more volatile [illegible] other asset classes. As interest rates rise, bond prices fall. Bond funds do not carry the same guarantees as bonds themselves. Furthermore, small company stocks are more [illegible] than large company stocks and are subject to significant price fluctuations, business risks and are thinly traded. International investments involve special risks such as fluct[illegible] currency, foreign taxation, economic and political risks, liquidity risks and differences in accounting and financial standards. The data assumes reinvestment of all income and [illegible] account for taxes or transaction costs which may lower results. Because these indices are not managed portfolios, there are no advisory fees or internal management expe[illegible] reflected in their performance and investors cannot invest directly in any index.

What is the ideal asset mix?



Markets and The Coronavirus Pandemic

History Is a Great Teacher

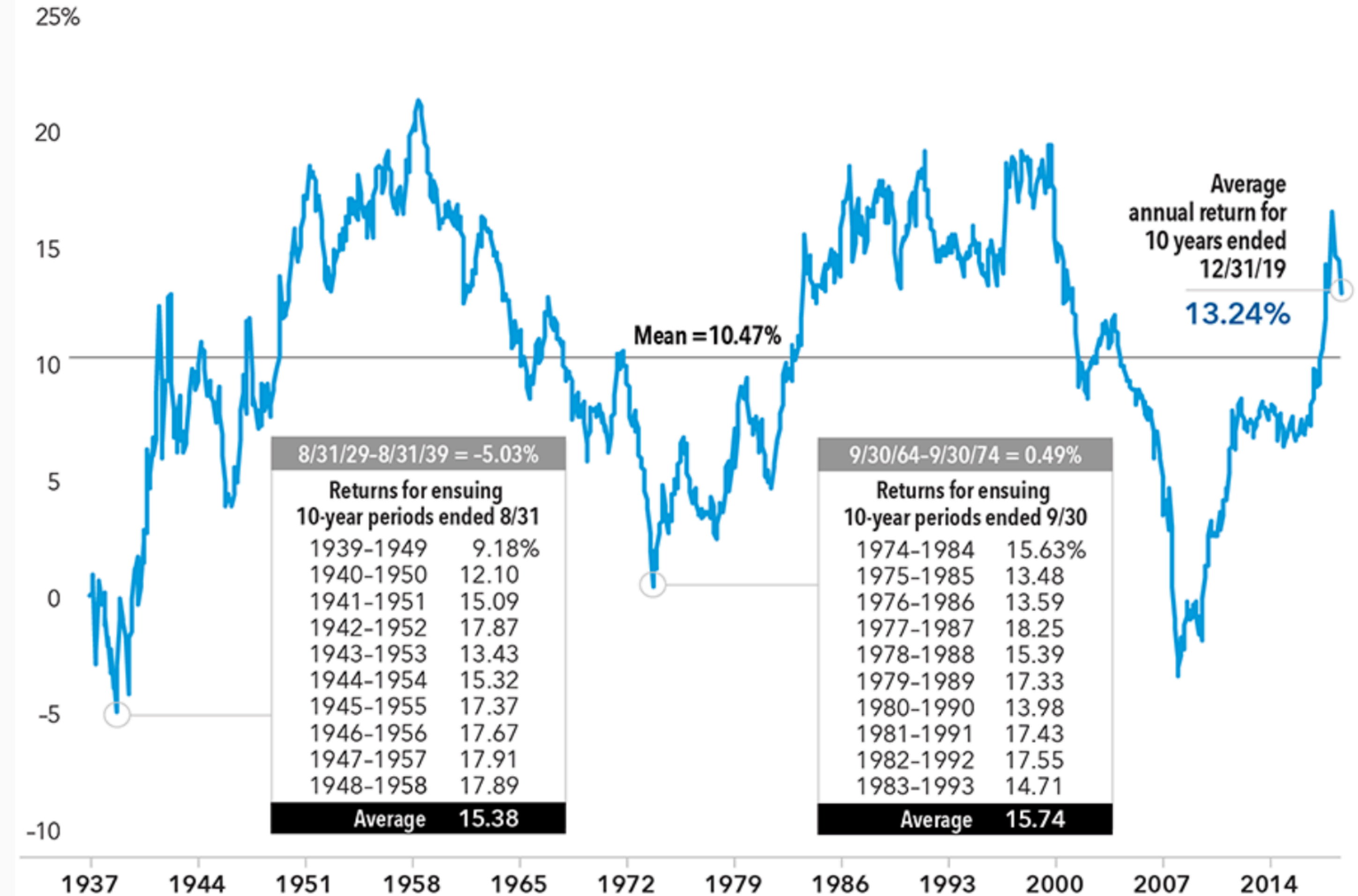
The next five years following the last 6 bear markets:

Market Lows	1-Year Return	5-Year Return	5-Year Annualized
Sep 1974	+ 38%	+ 118%	+ 17%
Jan 1980	+ 59%	+ 266%	+ 30%
Nov 1987	+ 23%	+ 122%	+ 17%
Oct 1990	+ 34%	+ 122%	+ 17%
Sep 2002	+ 24%	+ 105%	+ 15%
Mar 2009	+ 49%	+ 161%	+ 21%

The S&P 500, which is an unmanaged group of securities, is considered to be representative of the stock market in general. Because these indices are not managed portfolios, there are no advisory fees, taxes or internal management expenses reflected in their performance.
If these were included, the performance would be lower. An investor cannot invest directly in an index.

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%.



Automate your "FIN"

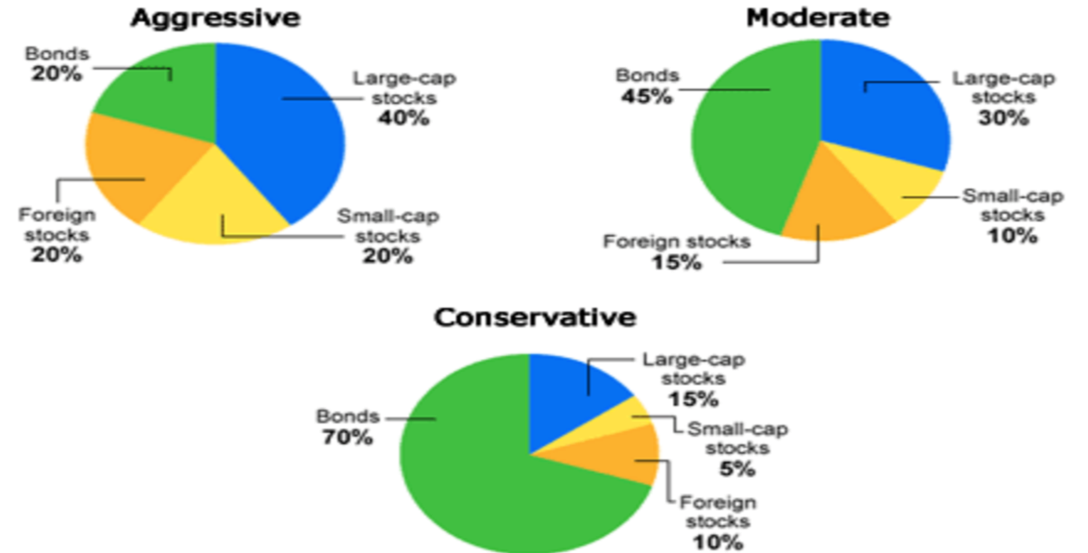
- A classic saying in personal finance is "pay yourself first." Before your paycheck hits your bank account, you should set up a plan to put some of that money into a retirement savings. You can't spend it if you've already saved it.
- One of the best ways to save automatically is to enroll in your employer's tax-advantaged retirement plan, such as a 401(k) or 403(b) plan (Group RRSP or pension). 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 (RRSP). Make your savings automatic by setting up recurring deposits from your checking account.

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.

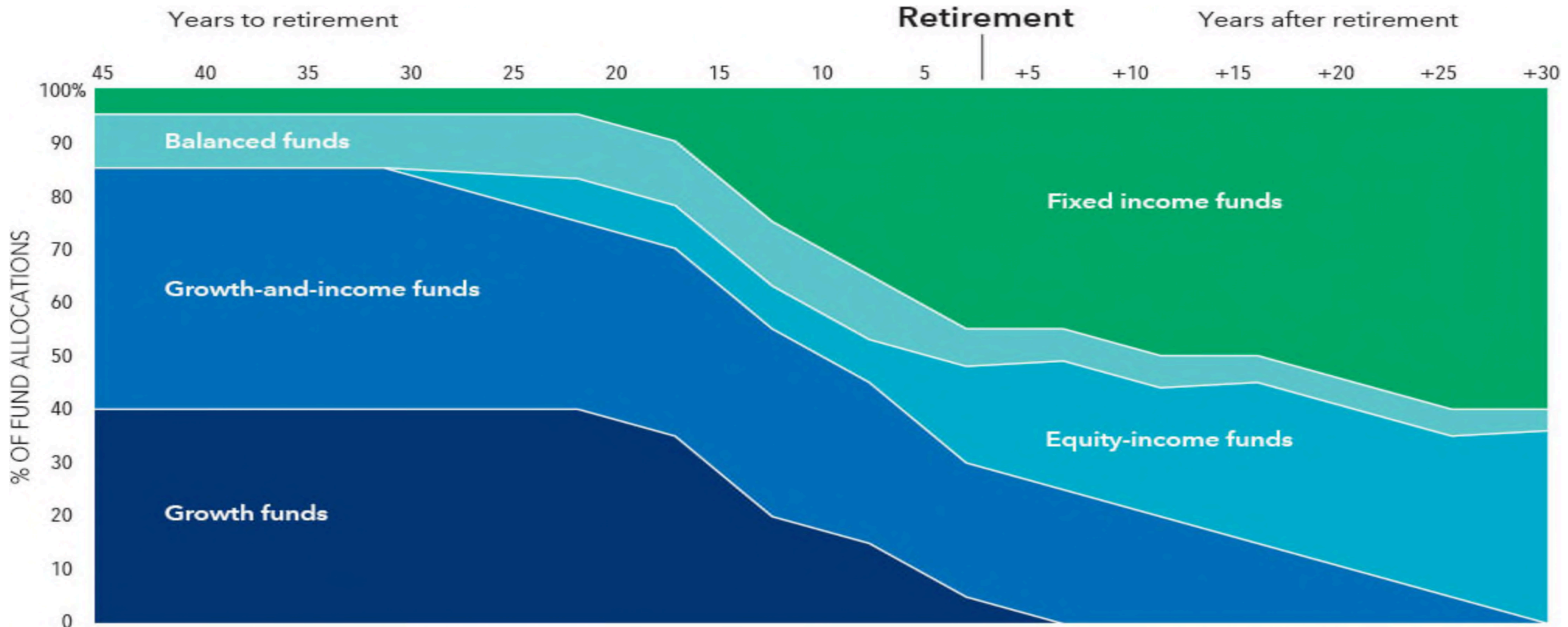
Moderate — This type of portfolio is appropriate for investors with medium risk-tolerance and/or medium investment time horizon. This portfolio has a lower percentage of stocks relative to bonds.

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



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.