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Investing Concepts

Presented By:
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About Rebecca Tapia

- Working with Heffernan for 20 years
- Provides individual financial education and advisement services
- Wealth Advisor to pre-retirees and retirees
- Series 7 & 66 registered*
- Life, Health & LTC Insurance Licensed
- Currently pursing CFP designation

Disclosure

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The financial professionals at Heffernan Retirement Services are also registered representatives with, and securities offered through LPL Financial, Member FINRA/SIPC. Investment advisory services offered through Global Retirement Partners, LLC, a registered investment advisor. Global Retirement Partners, LLC and Heffernan Retirement Services are separate non-affiliated entities from LPL Financial.

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What We'll Discuss Today

- Determine the right asset allocation based on your goals and risk tolerance
- Invest to minimize taxes
- Know how to select and manage a portfolio of stocks, bonds, ETFs, and/or mutual funds
- Understand investment options and resources that are available within your 401(k) / 403(b) plan



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Start With Your Goals

- What are you investing for?
- How many years until your goal begins?
- How many years will you need the money once your goal starts?
- How many years will the money be invested?

Is Your Goal SMART?

- Specific
- Measurable
- Actionable
- Realistic
- Time-Bound



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What's Your Time Horizon

Determine your time horizon for your investment goals:

- Create a goal checklist

Ask yourself the following:

- How long until I reach my goal?
- How many years will the money be needed?
- What is the total time horizon?



Investment Time Horizon

1. **Short-term (1-5 years)**

   Conservative: Loss of principal not an option

2. **Intermediate-term (5-10 years)**

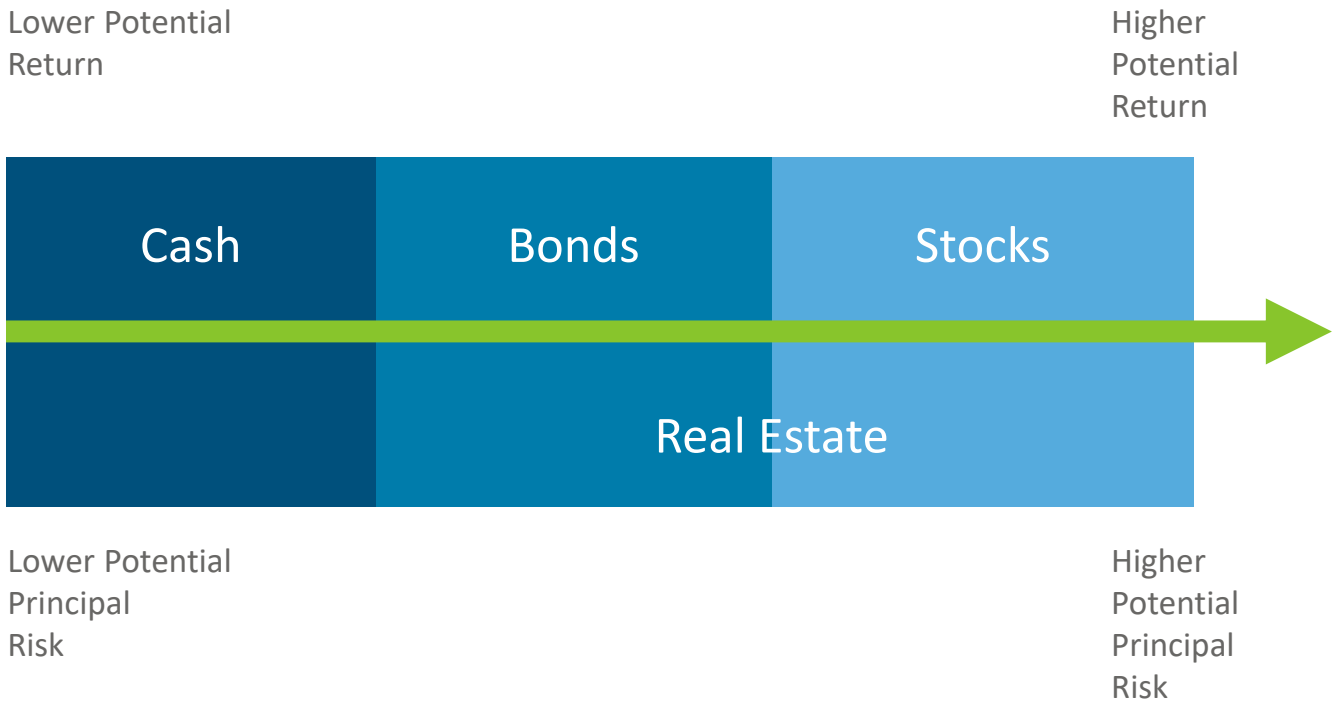
   Moderate: Accept some risk for higher return

3. **Long-term (10+ years)**

   Aggressive: Risk is probably worth taking

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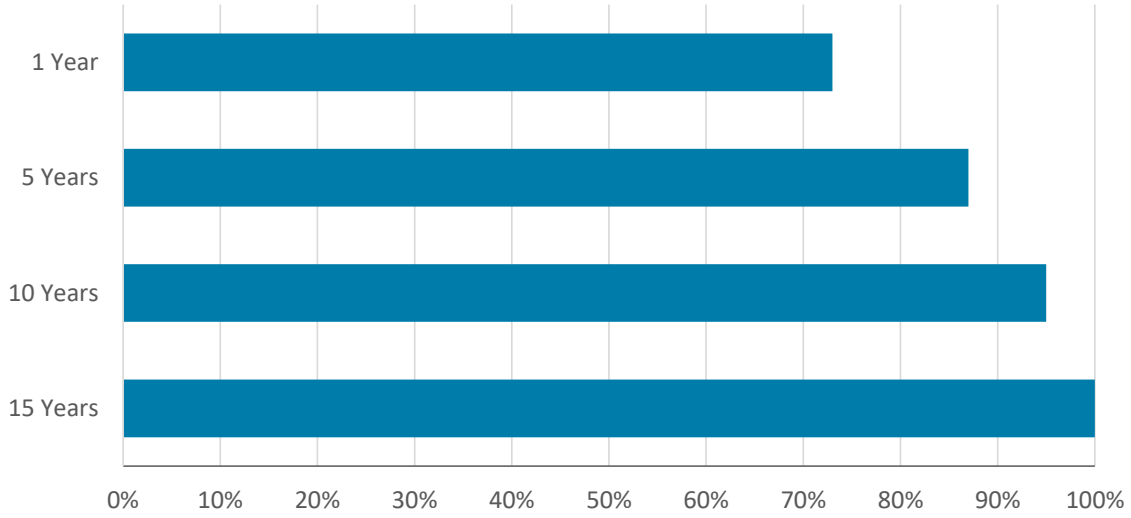
Match Your Risk with Time Horizon



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Stocks Get Less Risky Over Time

The frequency of a positive return in the stock market (represented by the S&P 500) for 1-, 5-, 10-, and 20-year holding periods between 1926 and 2019.



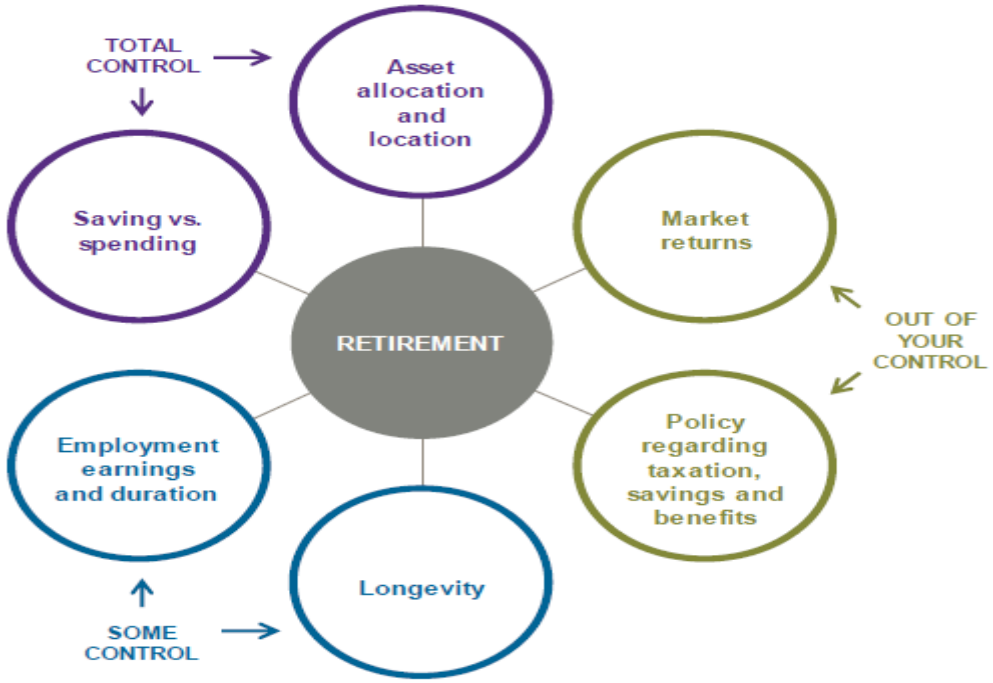
Source: Ibbotson Associates

Past performance is no guarantee of future results. The S&P 500 is an unmanaged index that cannot be invested in directly.

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Types of Risk

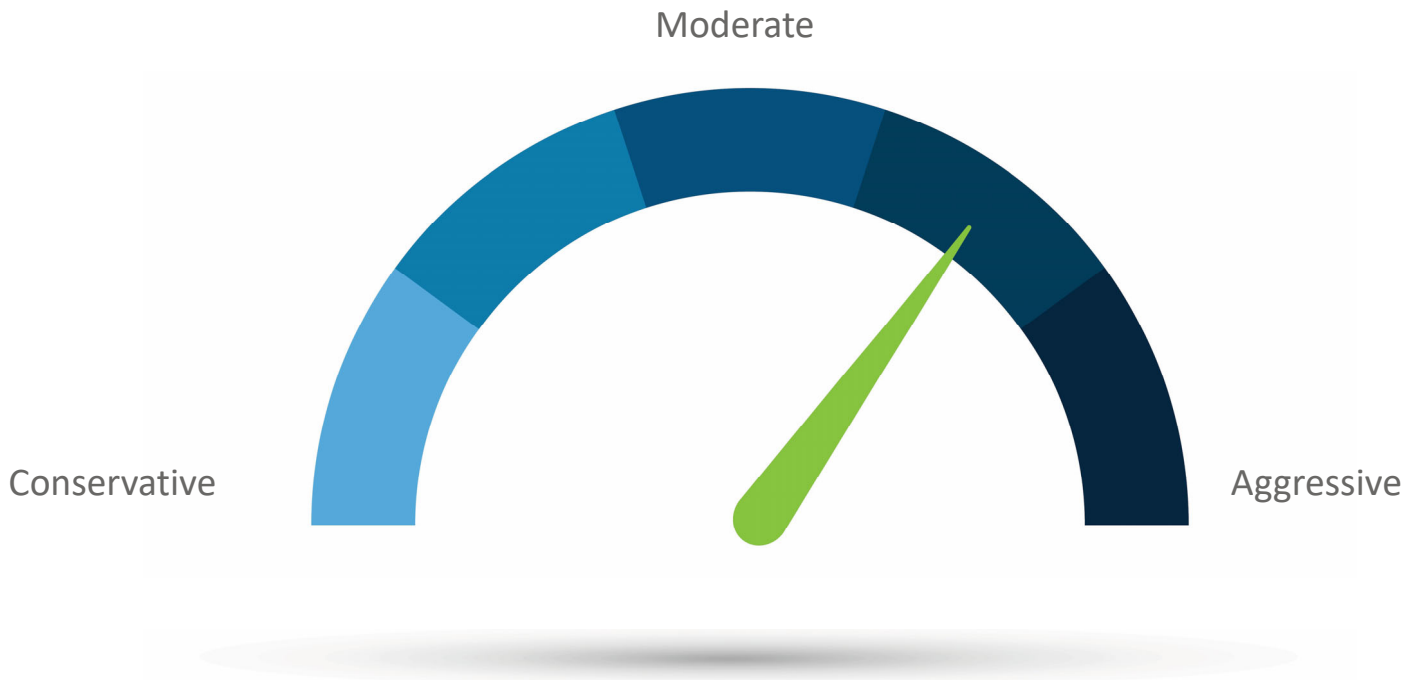
- Market
- Inflation
- Business
- Liquidity
- Tax
- Interest Rate
- Regulatory





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What Type of Investor Are You?



Check out the Investor Risk Profile & Asset Allocation Worksheet

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How do you prefer to invest?

Hands-on Investor

- ❑ Regularly reviews account
- ❑ Confident in making your own investment decisions
- ❑ Prefers to customize allocations
- ❑ Regularly researches fund details
- ❑ Routinely rebalances account

Hands-off Investor

- ❑ Infrequent review of account
- ❑ Not comfortable making your own investment decisions
- ❑ Prefers a pre-mixed portfolio
- ❑ Unfamiliar with fund strategy
- ❑ Rarely makes allocation changes or rebalances account

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Hands-On Options

Cash/Stable value funds U.S. Debt Index	%
Bond funds U.S. Debt Index	%
Large Cap stock funds FTSE Social Index Growth S&P 500 Index Value Equity	%
Mid/Small Cap stock funds U.S. Mid Cap Equity Index U.S. Small Cap	%
International stock funds International Equity Emerging Markets Equity	%
Employer stock Company Stock	%
Total	100%

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Hands-Off Options

Option	Features	Best if…
Target Date Fund	• "One-stop shop" diversification • "Set it and forget it." Fund rebalances automatically and becomes more conservative as you get closer to the target date	• You're looking for a simple solution • You're comfortable with the fund's asset allocation and how it changes over time • You have no taxable investments
Personal Online Advisor	• Personalized investment recommendations based on your goals, risk tolerance, and outside assets • Sends notifications when changes are needed	• You want a more customized portfolio based on your personal risk tolerance • You have retirement investments outside your 401(k)
Personal Asset Manager	• Personalized investment management by ABC Co. • Additional asset-based fee	• You want ongoing investment management

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Decide How You Will Invest

- Individual Stocks, Bonds, and ETFs
- Single Asset Class Mutual Funds
- Asset Allocation Mutual Funds
- Investment Advisor



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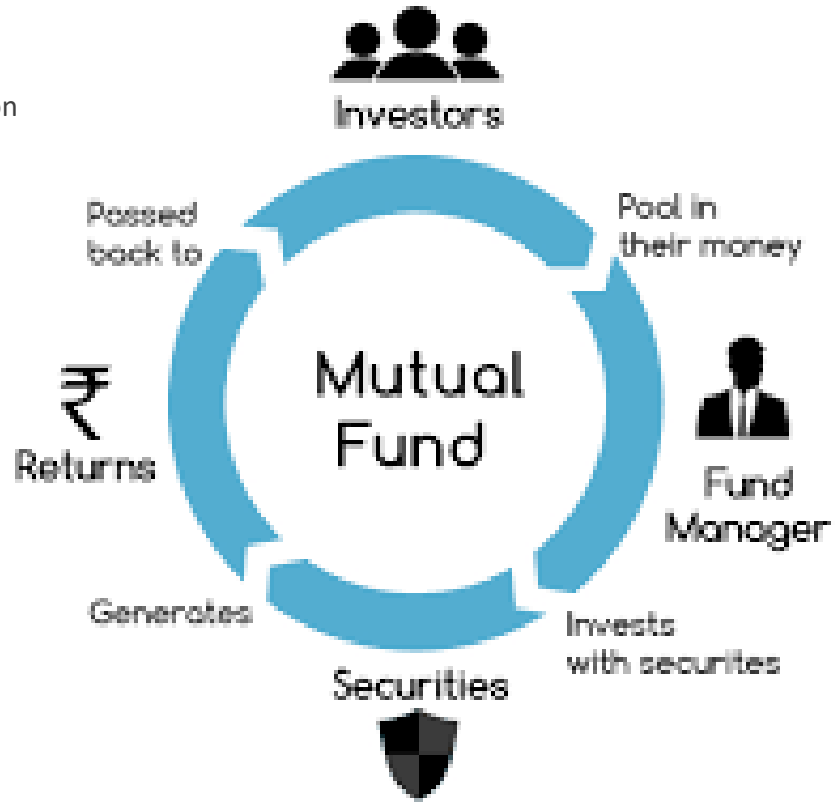
Ways to Invest

Method	Features
Individual Stocks and Bonds	Control Requires Time, Training, and Treasure ($200k+)
	Stocks: Diversify, watch position sizes, consider stop loss protection
	Bonds: Know quality measures, bond laddering, tax free equivalent yield
Exchange Traded Funds (ETFs)	Lowest Cost for Instant Diversification (Within Asset Class) Trade Like Stocks
Asset Class Mutual Funds	Instant Diversification Within Asset Class Professional Management
Pre-Mixed Funds	One Stop Shop Lack of Control Over Asset Allocation
Investment Advisor	Personalized Management Additional Management Fees

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Mutual Funds

- Pool money of many investors/savers
- Invest in stocks, bonds, money markets (cash type account), or a combination
- Diversified over many different investment options
- Provide professional management of the fund portfolio
- Offer numerous types of funds for different objectives and levels of risk
- Only type of investment option available in your plan



How to Pick a Mutual Fund

- Look at risk and return history
- Consider manager tenure
- Know what you're investing in
- Consider fees and expenses

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Understanding Asset Classes

Stock Classifications	Lower Risk	Medium Risk	Higher Risk
Geography	Domestic (U.S.)	Global	International (Foreign)
Market Capitalization (Total Market Value of All Shares)	Large Cap ($10 billion or more)	Mid Cap ($2-$10 billion)	Small Cap ($2 billion or less)
Investment Style (Price relative to book value, sales, cash flow, earnings, or dividends)	Value	Blend	Growth

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Understanding Asset Classes

Bond Classifications	Lower Risk	Higher Risk
Issuer	U.S. Treasury	Corporate
Credit Rating	Investment Grade (Rated BBB or above)	High Yield/Junk (Rated below BBB)
Duration	Short Term (ex. 3-Month Treasury Bill)	Long Term (ex. 30-Yr. Treasury Bond)

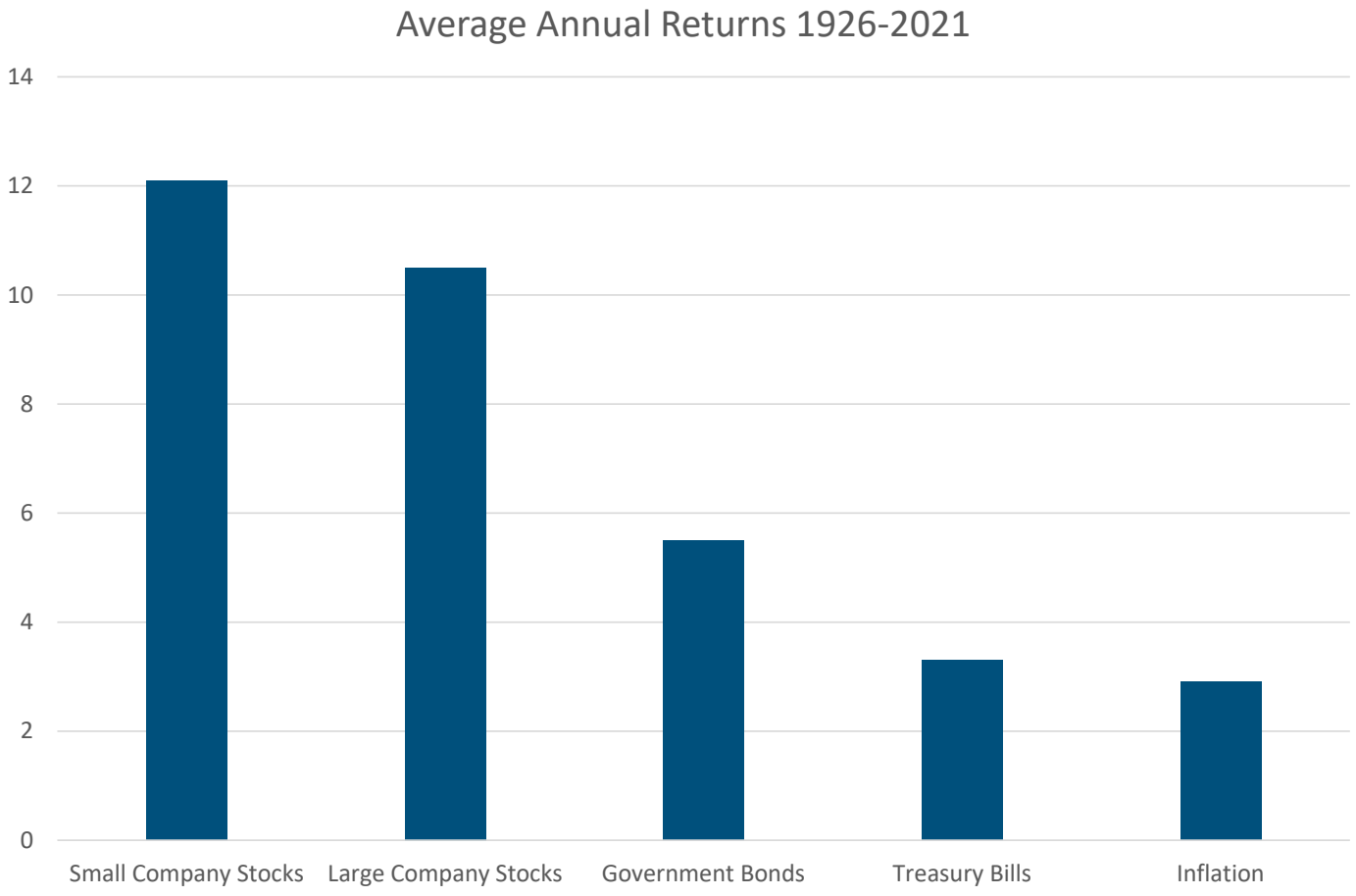
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Bottom-up Investing

Rank	Type of Fund	% Allocated
1	Money Market (Cash Equivalent)	%
2	Bond	%
3	U.S. Large Cap Value	%
4	U.S. Large Cap Growth	%
5	U.S. Small Cap Value	%
6	U.S. Small Cap Growth	%
7	International	%
8	Alternatives (hedge funds, commodities, derivatives, REITs)	%

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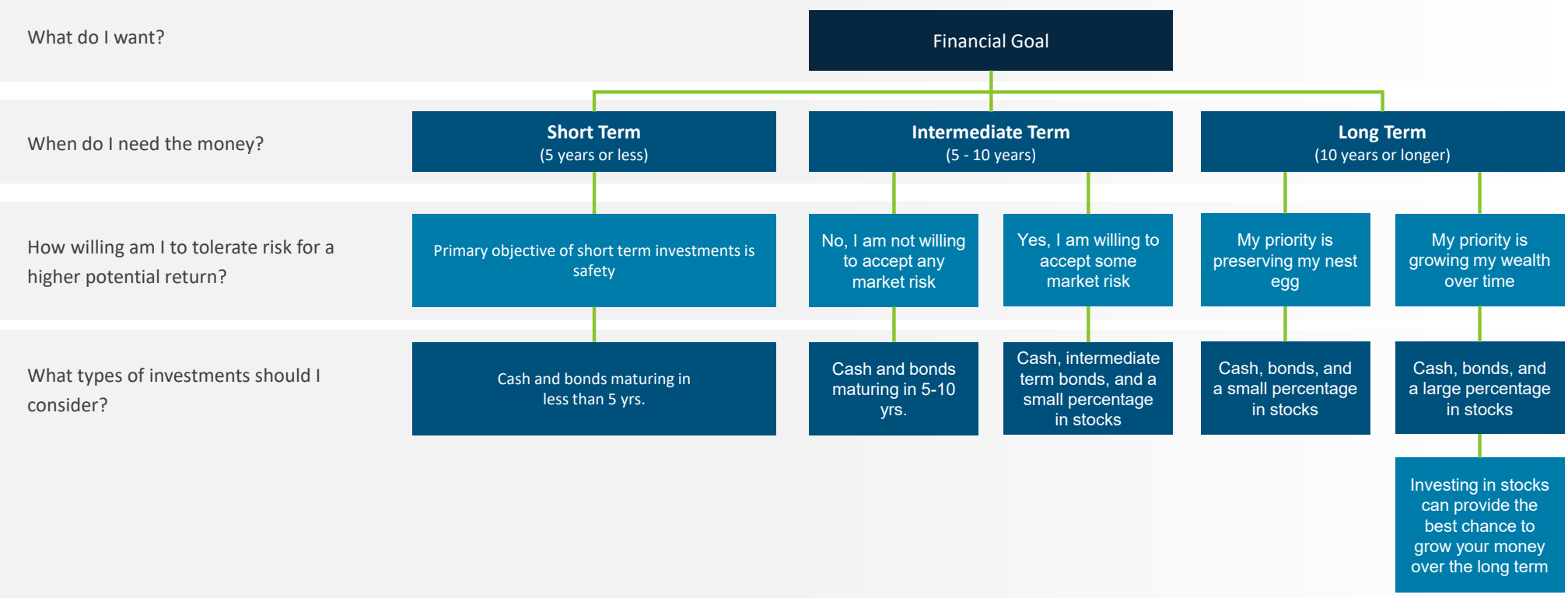
Investment Performance Over Time



Source: New York Life Investments Investing Essentials
Past performance is no guarantee of future results.

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How Do You Achieve an "Optimal" Asset Allocation?



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Minimize Taxes

What Tax Advantaged Savings Options Are There?

Goal	Tax Deferred	Tax Free
Emergency Fund	NA	Roth IRA (contributions only)
Retirement	Pre-tax 401(k) and Traditional IRA	Roth 401(k) and Roth IRA (after age 59 ½ and 5 years)
Buying a Home (up to $10k for first time home purchase)	Traditional IRA	Roth IRA (contributions and up to $10K of earnings)
Education Expenses	Traditional IRA	529 Savings Plan, Coverdell Education Savings Account, EE Savings Bonds, and Roth IRA (contributions only)

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Dollar-Cost Averaging

	Investment Amount	Share Price	Shares Purchased
Month 1	$100	$10	10
Month 2	$100	$5	20
Month 3	$100	$10	10
Total	$300	$7.50	40

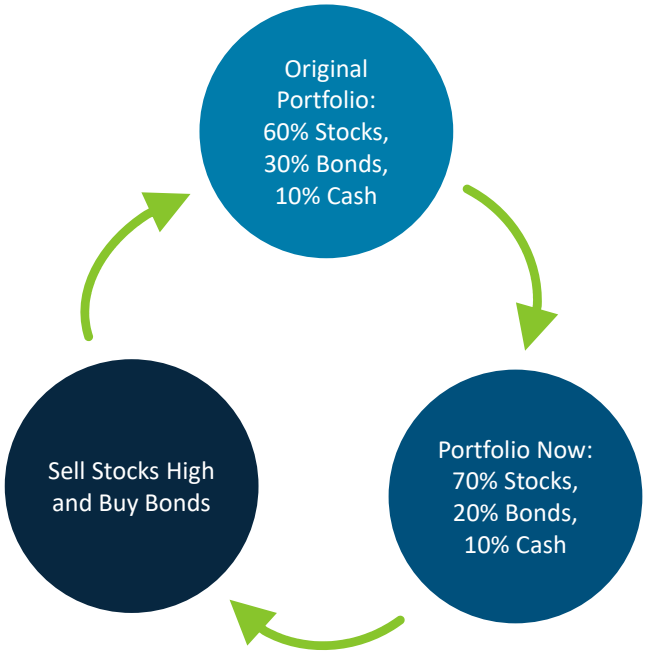
Average Share Cost: $300/40 = $7.50

Current Market Price: $10

Total rate of return: 33%

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Importance of Rebalancing





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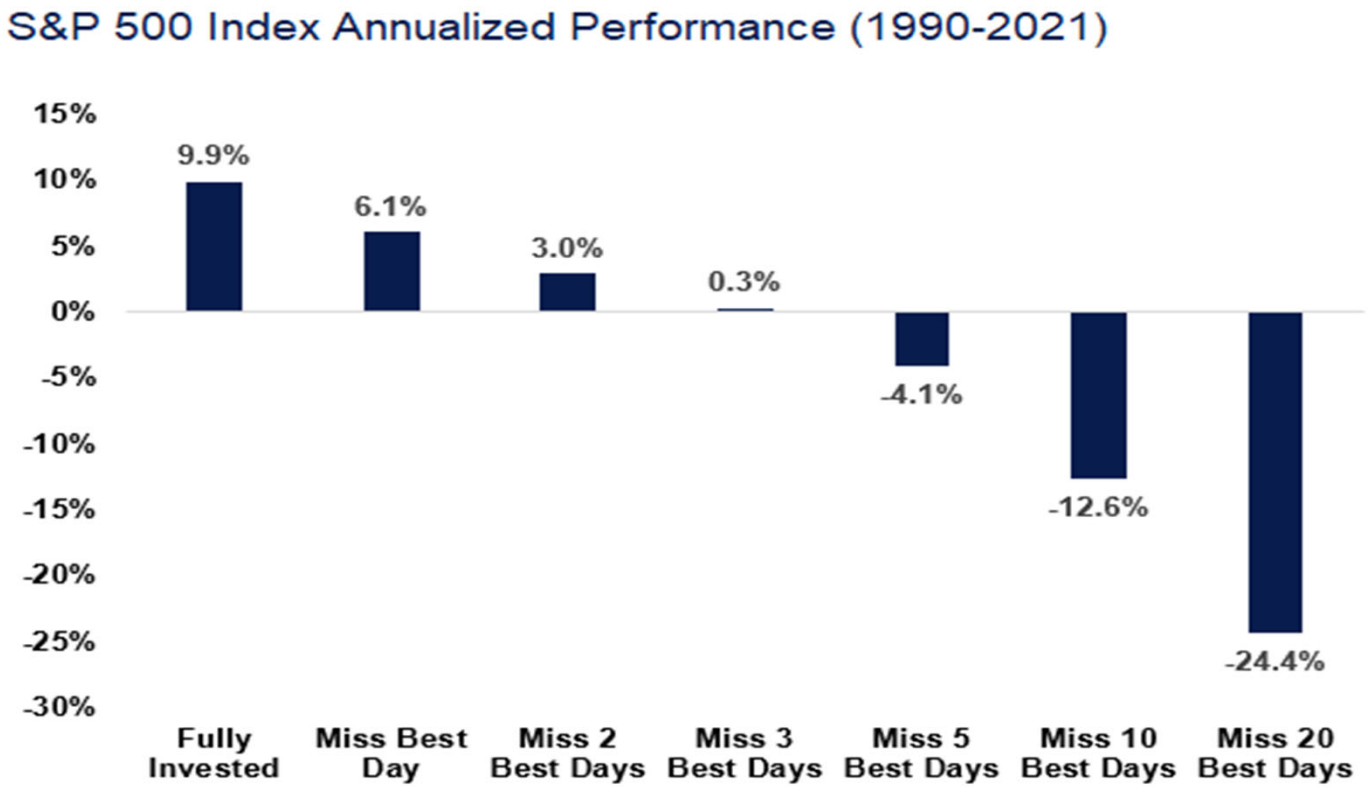
Making Emotional Decisions



"Be fearful when others are greedy. Be greedy when others are fearful."
- Warren Buffett

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Difficulty of Market Timing – Cost of Missing the Best Days



Source: LPL Research, FactSet 4/29/22
All indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.
S&P 500 Index performance before 1957 is based on its predecessor index, the S&P 90.

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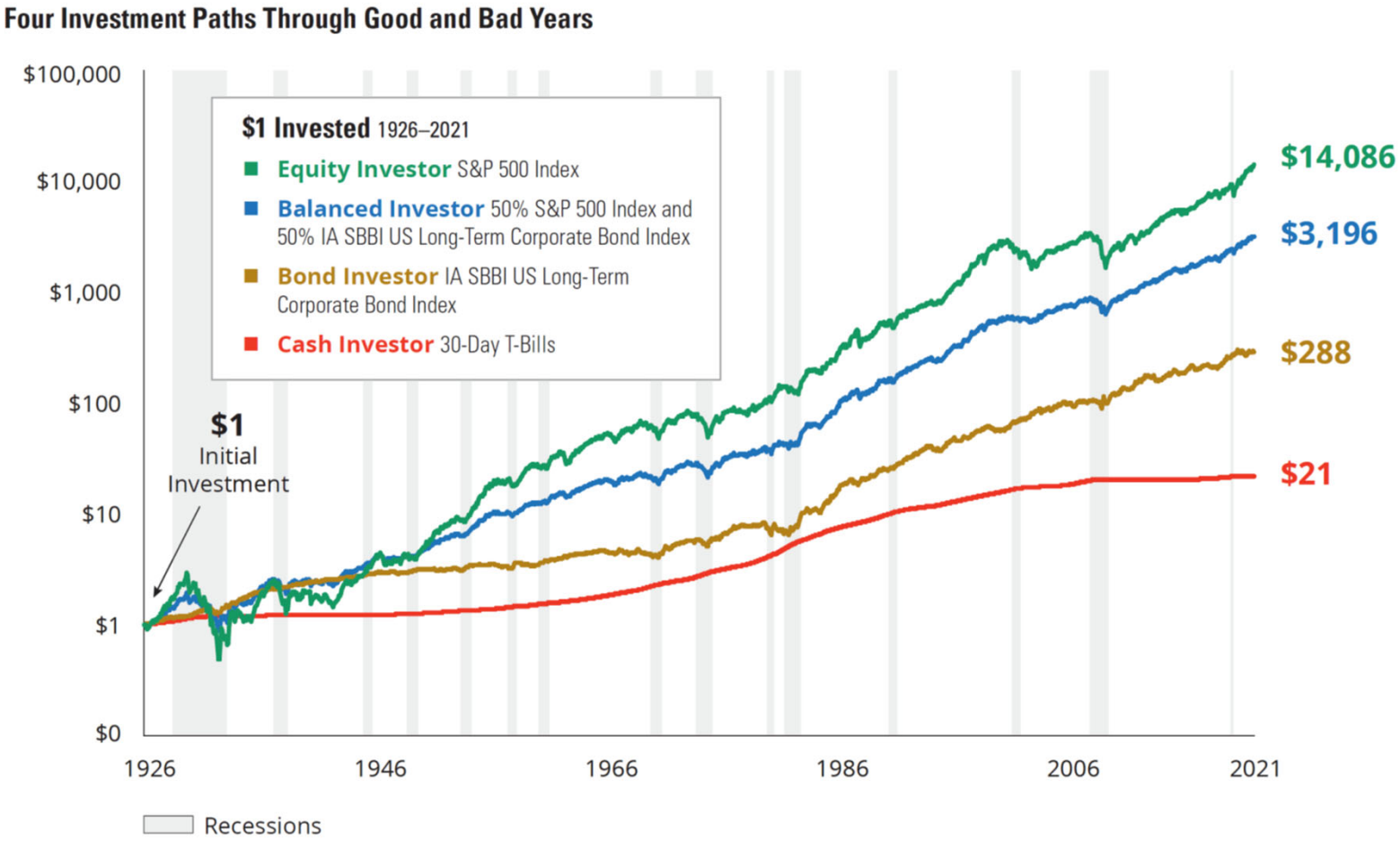
Today's Losers Are Tomorrow's Winners

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	2008 - 2022 Ann.	2008 - 2022 Vol.
Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	DM Equity 8.6%	Large Cap 8.8%	REITs 23.4%
Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	Large Cap 7.5%	Small Cap 7.2%	Small Cap 23.2%
Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Asset Alloc. 4.3%	REITs 6.6%	EM Equity 23.0%
High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	EM Equity 4.0%	Asset Alloc. 6.1%	Comdty. 20.2%
Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 3.1%	High Yield 5.4%	DM Equity 20.0%
Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	Fixed Income 3.0%	Fixed Income 2.7%	Large Cap 17.7%
Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Small Cap 2.7%	DM Equity 2.3%	High Yield 13.0%
REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	REITs 1.7%	EM Equity 1.0%	Asset Alloc. 12.4%
DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 1.1%	Cash 0.6%	Fixed Income 4.2%
EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -8.0%	Comdty. -2.6%	Cash 0.4%

- Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
- Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2007 to 12/31/2022. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
- *Guide to the Markets – U.S.* Data are as of March 31, 2023.

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It's Easy to Forget the Market's Good Years



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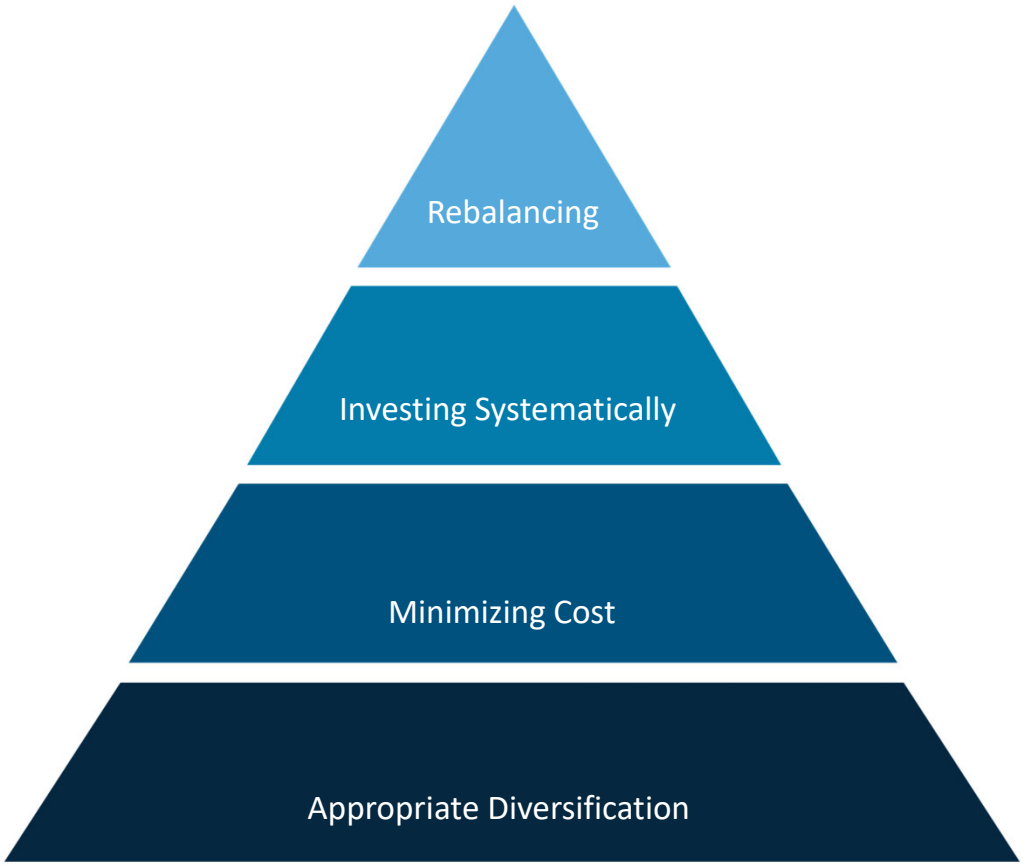
Have an Exit Strategy

Hold	Sell
The value is down	Your portfolio is too conservative or aggressive for your goals. (May want to become more conservative as you get closer to retirement)
The "investment expert" on the tv or radio says it's time to get out of the market	There is a similar mutual fund option with lower cost
It's no longer the top-performing fund	You want to take a tax loss to offset other taxes (not in retirement accounts)
Your brother-in-law told you to sell it	The value is up, and you need to rebalance your portfolio

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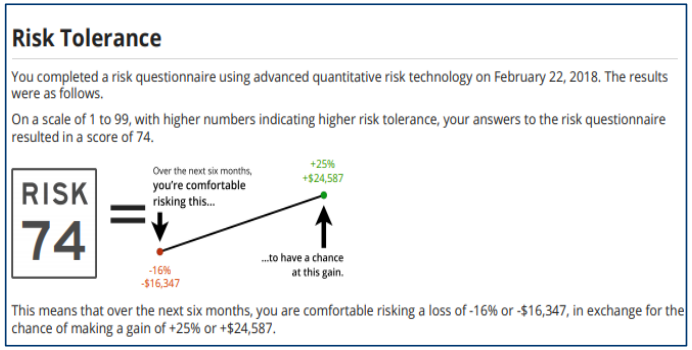
What Will You Do Now?

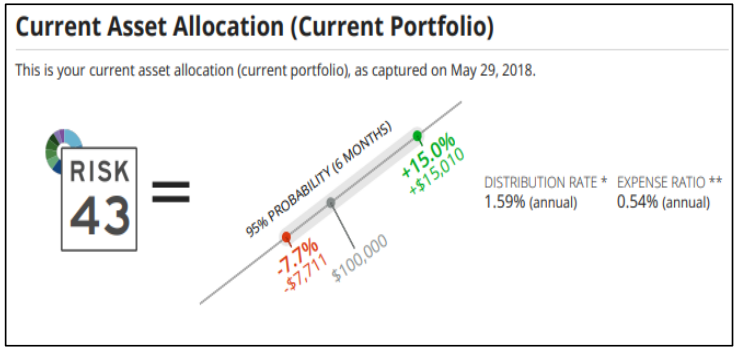
1. Set Your Financial Goals
2. Determine Your Investment Approach
3. Decide How Much Risk is Right for You
4. Develop Your Investment Plan



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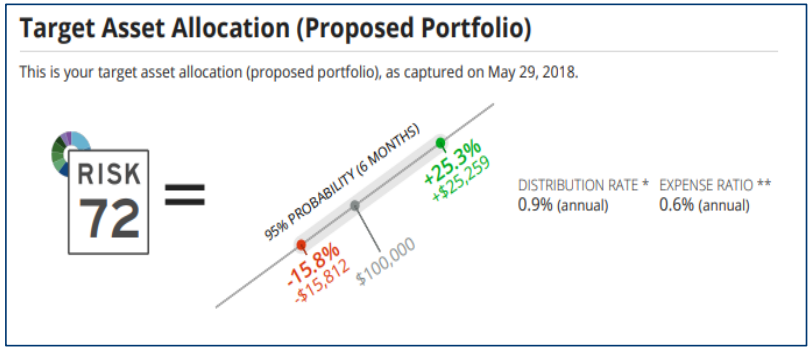
Investment Risk Tolerance





riskalyze

https://pro.riskalyze.com/embed/7629c142e486953d0584



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Thanks for Attending



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