This form is to be filled out by any person who is offering legal, financial, retirement, insurance, accounting, estate, long-term care or similar planning services.
Respond to ALL categories completely; sign and date at the bottom of the page.
(1) MY EDUCATION- I have achieved the following level of education (check HIGHEST level achieved):

| $\square$ Some High School | $\square$ High School Diploma | $\boxtimes$ Bachelors Degree UCLA |
| :--- | :--- | :--- |
| $\square$ GED | $\square$ Some College | $\square$ Masters or other Advanced Degree |

(2) MY CREDENTIAL(S)- I have the following specialized credential(s) and training (examples: CFP, ChFC, CLU, CPA, JD, MBA, years of relevant experience):

CFP
(3) MY RELEVANT LICENSE(S)- I have the following license(s) giving me the legal authority to provide the services I am offering to you (examples: bar license (attorney); securities license; insurance license):

| License Type | Covers What Activities | Issued By | License No. |
| :---: | :---: | :---: | :---: |
| None | None | None | None |
|  |  |  |  |
|  |  |  |  |

(4) LEGAL SERVICES- (Check ONE):
$\otimes$ I DO NOT practice law, and the services I am offering to you do not involve practicing law.
$\square$ I DO practice law, and have an active license to practice law in California.
$\square$ I DO practice law, but DO NOT have an active license to practice law in California. I am, however, under the supervision of the following attorney who has an active license to practice law in California:

| Name of attorney: | Telephone: |
| :--- | :--- |
| Address: |  |

## (5) OUR BUSINESS RELATIONSHIP- Check TRUE or FALSE:

$\boxtimes$ True / $\square$ False: In our business relationship, I will at all times serve as a fiduciary and put your interests before my interests and those of my employer.
© MY COMPENSATION- I will be paid in the following way (commission, fee, salary, etc.), by the named person or company, in connection with the services I am offering to you:

| Way(s) l'll Be Paid | Payment Will Be Made By (name each person or company) |
| :---: | :--- |
| Fees | Client Only |
|  |  |
|  |  |

(7) FINANCIAL PRODUCTS / AFFILIATED ORGANIZATIONS- Check TRUE or FALSE:
$\square$ True / $\mathbb{V}$ False: I offer or sell annuities, insurance, mutual funds or other financial products; or I am, or my employer is, affiliated with a person or organization that offers or sells annuities, insurance, mutual funds or other financial products.
(8) I certify under penalty of perjury that the responses herein are true to the best of my knowledge.

| Date: May, 2020 | Business Name: Tarbox Family Office, Inc. |
| :--- | :--- |
| Signature: | Address: 500 Newport Center Drive, \#500, Newport Beach |
| Print Name: Laura Tarbox | Telephone: (949) 721-2330 |

# Protect Yourself 

## See the back for the "Ask First!" form - Keep the form handy.

## The reason for "Ask First!"

Many planning advisors are well-qualified and capable, and make fair disclosure to their clients. Unfortunately, unqualified or dishonest individuals also pretend to be expert planning advisors; and many of them provide sub-standard services or have hidden financial motives in providing their "planning services."

## Why use "Ask First!"?

- You are entitled to the information which the form requests.
- You can find out in advance if the person offering planning services to you has legitimate professional credentials.
- You can find out in advance if the person will serve as a fiduciary and put your interests first.
- You can find out in advance if the person has hidden financial motives.

You can use the completed form as evidence, if the person's answers are false.

## When to use "Ask First!"

- Have the person offering planning services complete and return the form to you, before you do any other business.
- At the same time, ask for and check the person's references.


## How to use "Ask First!"

- If the person is reluctant to complete the form, take this as a warning.
- If the person will not put your interests first, take this as a warning.
- Review the person's answers, and look for missing or inconsistent information.
- Check out the person's licenses and other credentials, and past complaints and sanctions.

If the person doesn't answer all the questions, or if the answers make you uncomfortable, or if the answers do not "check out," do not do business with the person. Look for another planner!

Feel free to make copies of the form for your personal use.

## "It's Your Money"

 Equity InvestingJune 2020

Laura Tarbox, CFP ${ }^{\circledR}$
(949) 721-2330
laura@tarbox.com
www.tarbox.com

## Equity Investing Agenda

- Stock Market Basics
- Types of Investments
- Selection Process
- Active vs. Passive (Indexing)
- Costs
- Information Sources
- Asset Allocation
- Performance
- Professional Management


## What is an "Equity"?

- An equity is simply a stock / equities are stocks
- A stock represents a share of ownership in a company (public or private)
- Public company shares are traded on stock exchanges, which match sellers with buyers


## Stocks (Equities)

- Represents ownership - stock certificates (used to be a thing.)
- Market cap (\# of shares x price) = company's value
- Small Cap: generally less than $\$ 5$ billion
- Mid Cap: generally between $\$ 5$ - $\$ 10$ billion
- Large Cap: generally more than $\$ 10$ billion
- Ticker symbol
- 4 letters = Nasdaq
- 3 letters = NYSE



## Is Investing in Stocks Just Gambling?

Odds of Winning at the Casino
U.S. Stock Market Positive Returns (Rolling Periods 1926-2019)

| Game | \% to Win |
| :--- | :---: |
| Baccarat | $48.8 \%$ |
| Craps | $48.6 \%$ |
| Blackjack | $48.0 \%$ |
| Poker | $46.6 \%$ |
| Let it Ride | $46.5 \%$ |
| Roulette | $44.7 \%$ |
| Slots | $40.0 \%$ |
| Keno | $27.0 \%$ |

"Over the past 90+ years, the U.S. stock markets have returned $10 \%$ to $12 \%$. The key is to capture the returns of these markets cheaply, tax-efficiently, and with the least amount of risk."

Laura Tarbox, CFP ${ }^{\circledR}$

## Ibbotson ${ }^{\circledR}$ SBBI $^{\circledR}$

Stocks, Bonds, Bills, and Inflation 1926-2019


## Types of Stock Investments

- Individual Stocks - represent ownership in a company
- Mutual Funds - basket of stocks, professionally managed
- Exchange-Traded Funds (ETFs) - basket of stocks that trade like a stock rather than a fund


## Individual Stock Selection Approaches

- Fundamental Analysis
- Financial condition
- Management
- Industry position
- Growth prospects
- Technical Analysis
- Charting trends
- Historical performance
- Cyclical movements



## Mutual Funds

## - Types

- Growth/Value/Blend
- Market cap (size)
- US/International
- Sectors

- Load/No-Load
- A,B, and C shares (etc.)
- NAV (Net asset value)
- Value of assets owned/shares
- End of the day pricing



## Mutual Fund Selection Process

- Morningstar rating
- Assets under management (AUM)
- Manager's tenure
- Expense ratio
- Historical performance
- Tax efficiency (beware of capital gains distributions!)
- Load/no load and share class


## ETFs (Exchange - Traded Funds)

- Bought/sold on stock exchange
- Trade like a stock
- Replicate indexes or sectors
- Low cost (usually)
- Flexible
- (Usually) tax efficient
- Enhanced ETFs (be careful!)



## Indexes (Indices)

- Index funds replicate an index
- No stock picking
- Low costs
- Tax efficient
- Types
- Dow Jones Industrial - 30 stocks
- S\&P 500-500 stocks
- NASDAQ Composite - 3000+ stocks
- Many, many others
- Can invest in an index through a mutual fund or an ETF



## Indexes - Why "Passive" Investing?

The proven inability of stock pickers to outperform the market is an extraordinary indictment of "active" managers.
\% of Active Funds that Underperform the Index
Over Rolling Five-Year Periods


## Expenses and Taxes

Expenses and taxes can kill you. Over time, a one percent difference in underlying expenses can have a meaningful impact.

Lower Expenses*

*0.05\% is the weighted average annual expense of ETFs which includes U.S. Large-, Mid- and Small-Cap Stocks.
*Core ETFs, which include U.S. Large-, Mid- and Small-Cap Stocks, have not distributed a capital gain since 2000.

## Costs Involved In Buying \& Selling Securities

- Stocks - $\$ 0$ to $\$ 30$, mostly
- Mutual Funds -
- Load/no load
- Expense ratio
- Transaction fee - or not!
- Redemption fee
- 12b-1 fee
- ETFs - same as stocks


## Sources Of Information For Research

## Research Analysis

AZACKS
Our Research. Your Success.


The Motley Fool

## Research News

## BARRON'S

the dow jones business and financial weeki

## THE WALL STREET JoURNAL

## MarketWatch

## Research Tools

M $\cap$ RNNGGTAR

## Portfolio Construction \& Management

- Have a strategy
- Stick with it
- Diversify across asset classes
- Watch expenses and taxes
- Don't time the market
- Think long-term


## Smarter Investment Management

Nobody knows which investment is going to have the best return in any given year. Design your portfolio with this in mind.

Highest Return

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $\begin{gathered} \text { Em. } \\ \text { Mkts } \\ 56.0 \% \end{gathered}$ | $\begin{array}{\|c\|} \text { Small } \\ \text { Cap } \\ 16.5 \% \end{array}$ | Em. Mkts 71.3\% | Int'\| Stocks 6.2\% | Large Cap 37.5\% | $\begin{array}{\|c\|} \hline \text { Large } \\ \text { Cap } \\ 22.9 \% \end{array}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 33.3 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ \text { 28.5\% } \end{gathered}$ | Em. Mkts 66.5\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 17.5 \% \end{gathered}$ | $\begin{gathered} \text { Bonds } \\ 8.4 \% \end{gathered}$ | $\begin{aligned} & \text { Bonds } \\ & 10.3 \% \end{aligned}$ | Em. Mkts 55.8\% | Em. Mkts 26.0\% | Em. Mkts 34.3\% | Em. <br> Mkts <br> 32.5\% | Em. Mkts 39.7\% | $\begin{gathered} \text { Bonds } \\ 5.2 \% \end{gathered}$ | Em. Mkts 78.9\% | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 26.8 \% \end{gathered}$ | $\begin{gathered} \text { Bonds } \\ 7.8 \% \end{gathered}$ | $\begin{array}{\|c\|} \hline \text { Em. } \\ \text { Mkts } \\ \text { 18.6\% } \end{array}$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 38.8 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 13.7 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 1.4 \% \end{gathered}$ | $\begin{aligned} & \text { Small } \\ & \text { Cap } \\ & 21.3 \% \end{aligned}$ | Em. Mkts 37.8\% | $\begin{array}{\|c} \text { Bonds } \\ \text {.01\% } \end{array}$ | Large Cap 31.5\% |
| $\begin{aligned} & \text { Mid } \\ & \text { Cap } \\ & 46.6 \% \end{aligned}$ | Alernatives 12.3\% | Int'I Stocks 30.5\% | $\begin{gathered} \text { Large } \\ \text { Cap } \\ \text { 1.3\% } \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 31.0 \% \end{gathered}$ | $\begin{array}{\|c} \text { Mid } \\ \text { Cap } \\ \text { 19.2\% } \end{array}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 32.2 \% \end{gathered}$ | Int'l Stocks 20.4\% | Int" Stocks 27.8\% | $\begin{aligned} & \text { Bonds } \\ & 11.6 \% \end{aligned}$ | Alternatives 2.8\% | Alternatives 1.0\% | $\begin{gathered} \text { Small } \\ \text { cap } \\ \text { 47.3\% } \end{gathered}$ | Int'I Stocks 20.8\% | Int'l <br> Stocks <br> 14.1\% | Int'I <br> Stocks <br> 27.0\% | Int'l Stocks 11.7\% | $\left.\begin{array}{c\|} \hline \text { Alter- } \\ \text { natives } \\ -21.4 \% \end{array} \right\rvert\,$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 37.3 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 26.6 \% \end{gathered}$ | $\begin{aligned} & \text { Large } \\ & \text { Cap } \\ & 2.1 \% \end{aligned}$ | Int'l Stocks 18.0\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 33.5 \% \end{gathered}$ | $\begin{aligned} & \text { Mid } \\ & \text { Cap } \\ & 9.7 \% \end{aligned}$ | $\begin{gathered} \text { Bonds } \\ 0.5 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ \text { 20.7\% } \end{gathered}$ | Int'I Stocks 25.7\% | Alternatives -3.4\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 26.2 \% \end{gathered}$ |
| $\begin{gathered} \text { Small } \\ \text { Cap } \\ \mathbf{4 3 . 4 \%} \end{gathered}$ | Mid <br> Cap <br> 9.5\% | Alter native 26.39 | $\begin{array}{\|l} \text { Bonds } \\ -2.9 \% \end{array}$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 28.3 \% \end{gathered}$ | $\begin{array}{\|c\|} \hline \text { Small } \\ \text { Cap } \\ 16.5 \% \end{array}$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 22.4 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ \text { 19.1\% } \end{gathered}$ | Alter- <br> natives <br> 26.5\% | Alternatives 4.1\% | $\begin{gathered} \text { Small } \\ \text { dap } \\ \text { 2.5\% } \end{gathered}$ | Em. Mkts -5.9\% | \|Int'| <br> Stocks <br> 39.3\% | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 18.3 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 12.6 \% \end{gathered}$ | $\begin{array}{\|c\|} \text { Small } \\ \text { Cap } \\ 18.3 \% \end{array}$ | Alternatives 10.3\% | $\begin{gathered} \text { Small } \\ \text { Cap } \\ -33.8 \% \end{gathered}$ | Int'I <br> Stocks <br> 32.6\% | $\begin{aligned} & \text { Em. } \\ & \text { Mkts } \\ & \text { 19.2\% } \end{aligned}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ -1.7 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 17.8 \% \end{gathered}$ | Large Cap 32.4\% | $\begin{gathered} \text { Bonds } \\ 6.0 \% \end{gathered}$ | $\begin{array}{c\|} \left\lvert\, \begin{array}{c} \text { Alter- } \\ \text { natives } \\ -0.3 \% \end{array}\right. \end{array}$ | $\begin{aligned} & \text { Large } \\ & \text { Cap } \\ & \text { 12.0\% } \end{aligned}$ | Large Cap 21.8\% | Large Cap <br> -4.4\% | Int'I <br> Stocks <br> 22.8\% |
| $\begin{gathered} \text { Large } \\ \text { Cap } \\ 30.4 \% \end{gathered}$ | Em. <br> Mkts <br> 9.0\% | Small Cap 17.3\% | $\begin{array}{\|c\|} \hline \text { Small } \\ \text { Cap } \\ -3.3 \% \end{array}$ | $\begin{aligned} & \text { Bonds } \\ & 18.5 \% \end{aligned}$ | Alter native 14.49 | Alte <br> nativ <br> 16.2 | $\begin{array}{\|c} \text { Bonds } \\ 8.7 \% \end{array}$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ \text { 21.3\% } \end{gathered}$ | $\begin{aligned} & \text { Small } \\ & \text { Cap } \\ & -3.1 \% \end{aligned}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ -0.6 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ -14.5 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 35.6 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 16.5 \% \end{gathered}$ | native 7.5\% | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 15.8 \% \end{gathered}$ | Mid Cap 8.0\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ -36.2 \% \end{gathered}$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 27.1 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ \text { 15.1\% } \end{gathered}$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ -4.2 \% \end{gathered}$ | $\begin{aligned} & \text { Small } \\ & \text { Cap } \\ & 16.4 \% \end{aligned}$ | Int'I Stocks 23.4\% | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 4,9 \% \end{gathered}$ | Int'I <br> Stocks <br> -0.3\% | Em. <br> Mkts <br> 11.8\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 16.2 \% \end{gathered}$ | $\left.\begin{array}{\|c} \text { Small } \\ \text { Cap } \\ -8.5 \% \end{array} \right\rvert\,$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ 22.7 \% \end{gathered}$ |
| $\begin{aligned} & \text { Bonds } \\ & 16.0 \% \end{aligned}$ | Large Cap 7.6\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 13.9 \% \end{gathered}$ | Alternatives $-3.5 \%$ | Int'I Stocks 11.6\% | Em. Mkts 6.6\% | $\begin{array}{\|c} \hline \text { Bonds } \\ 9.7 \% \end{array}$ | $\begin{array}{\|c\|} \hline \text { Small } \\ \text { Cap } \\ -2.5 \% \end{array}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 21.0 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ -9.1 \% \end{gathered}$ | Em. <br> Mkts <br> $-2.4 \%$ | Int 1 Stocks -15.6\% | Large Cap 28.7\% | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 10.9 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 4.9 \% \end{gathered}$ | All | $\begin{array}{\|c\|} \hline \text { Bonds } \\ 7.0 \% \end{array}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ -37.0 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 26.4 \% \end{gathered}$ | Int ${ }^{\prime}$ <br> Stocks <br> 8.3\% | Alter- <br> natives -5.7\% | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 16.0 \% \end{gathered}$ | Alternatives 9.0\% | Alternatives 3.4\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ -2.2 \% \end{gathered}$ | $\begin{array}{\|c\|} \hline \text { Bonds } \\ 2.6 \% \end{array}$ | $\begin{array}{\|c\|} \text { Small } \\ \text { Cap } \\ 14.6 \% \end{array}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ -11.1 \% \end{gathered}$ | Em. Mkts 18.6\% |
| Alernatives 14.5\% | $\begin{gathered} \text { Bonds } \\ 7.4 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 10.1 \% \end{gathered}$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ -3.6 \% \end{gathered}$ | natives 11.1\% | Int'I <br> Stocks <br> 6.5\% | Int'\| <br> Stocks <br> 2.2\% | Alternatives -5.1\% | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 14.7 \% \end{gathered}$ | Int'l Stocks -13.8\% | $\begin{gathered} \text { Large } \\ \text { Cap } \\ -11.9 \% \end{gathered}$ | $\begin{gathered} \text { Small } \\ \text { Cap } \\ -20.5 \% \end{gathered}$ | Aternatives 11.6\% | Alter- <br> natives 6.9\% | Small Cap $4.5 \%$ | $\begin{gathered} \text { Mid } \\ \text { Cap } \\ 10.3 \% \end{gathered}$ | $\begin{gathered} \text { Large } \\ \text { Cap } \\ 5.6 \% \end{gathered}$ | $\begin{array}{\|c\|} \hline \text { IntI } \\ \text { Stocks } \\ -43.0 \% \end{array}$ | Aternatives 11.5\% | $\begin{gathered} \text { Bonds } \\ 6.5 \% \end{gathered}$ | Int'\| Stocks -11.7\% | Alternatives 4.8\% | $\begin{aligned} & \text { Bonds } \\ & -2.0 \% \end{aligned}$ | Em. Mkts -2.0\% | $\begin{gathered} \text { Small } \\ \text { Cap } \\ -4.4 \% \end{gathered}$ | Int'I Stocks 1.6\% | Alternatives 7.8\% | Int'I. Stocks -13.3\% | $\begin{gathered} \text { Alts } \\ 11.69 \end{gathered}$ |
| Int'I Stocks 10.2\% | Int'I Stocks -13.9\% | $\begin{gathered} \text { Bonds } \\ 9.7 \% \end{gathered}$ | Em. Mkts -8.7\% | Em. <br> Mkts -4.5\% | $\begin{array}{\|c} \text { Bonds } \\ 3.6 \% \end{array}$ | $\begin{array}{\|c\|} \hline \text { Em. } \\ \text { Mkts } \\ -11.6 \% \end{array}$ | $\begin{array}{\|c\|} \hline \text { Em. } \\ \text { Mkts } \\ -24.2 \% \end{array}$ | $\begin{array}{\|l\|} \hline \text { Bonds } \\ -0.8 \% \end{array}$ | Em. Mkts -30.7\% | Int'I Stocks -21.0\% | Large Cap $-22.1 \%$ | $\begin{gathered} \text { Bonds } \\ 4.1 \% \end{gathered}$ | $\begin{gathered} \text { Bonds } \\ 4.3 \% \end{gathered}$ | $\begin{array}{\|c} \text { Bonds } \\ 2.4 \% \end{array}$ | $\begin{array}{\|c\|} \text { Bonds } \\ 4.3 \% \end{array}$ | $\begin{array}{\|c} \text { Small } \\ \text { Cap } \\ -1.6 \% \end{array}$ | $\begin{array}{\|c\|} \hline \text { Em. } \\ \text { Mkts } \\ -53.2 \% \end{array}$ | $\begin{gathered} \text { Bonds } \\ 5.9 \% \end{gathered}$ | Alternatives 5.7\% | Em. Mkts -18.2\% | $\begin{array}{\|c} \text { Bonds } \\ 4.2 \% \end{array}$ | Em. Mkts -2.3\% | Int'I Stocks -4.3\% | Em. <br> Mkts <br> -14.6\% | Alternatives 0.5\% | $\begin{array}{\|c} \text { Bonds } \\ 3.5 \% \end{array}$ | Em. <br> Mkts <br> -14.4\% | $\begin{array}{\|c} \text { Bonds } \\ 8.7 \% \end{array}$ |

Lowest Return

## Market Cycles

Market's Emotional Roller Coaster:<br>Maintaining Discipline $=$ Key to Long-Term Success



## Risk of Stock Market Loss Over Time (1926-2019)



5-year annualized returns


15-year annualized returns


Source: Morningstar Direct. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment

## Reacting Can Hurt Performance

Performance of the S\&P 500 Index, 1990-2018


## Why Asset Allocation?

- Asset Allocation (how much one invests in stocks vs. bonds, large stocks vs. small stocks, international vs. domestic stocks, etc.) determines over $90 \%$ of an investment portfolio's long-term returns and short-term volatility. This is one of the tenets of Modern Portfolio Theory.

- Asset Allocation
- Security Selection


## Diversification

- Method of reducing risk by spreading investment across multiple asset classes
(Holding five large cap funds is not diversification)
- Does not insure profit or prevent loss
- Does not always work in the short-term
- Individual stocks: 20 minimum - 50 maximum?
- Spread holdings across all 10 S\&P sectors


## The magic is in the mix!

By far the most important determinant of portfolio returns is asset class
It's all about how you slice the pie. Diversification among asset classes reduces risk. The magic is in the mix!


Conservative Growth



Stable Growth


## Asset Allocation - Moderate Growth Portfolio



## What Are "Alternatives"?

- Non-Correlated Assets (reduce volatility of overall portfolio)
- Commodities
- Hard Assets
- Hedge Funds
- Real Estate
- Venture Capital
- Private Equity

The Asset Allocation Process

- $1^{\text {st }}$ Step: Determine asset classes to be used
- $2^{\text {nd }}$ Step: Make a pie!
- $3^{\text {rd }}$ Step: Implement, rebalance periodically, and evaluate performance


## Monitoring Funds and Portfolios

-Turn off CNBC
-Rebalance


## How Am I Doing?

- Performance measurement
- Different methods of reporting
- Time-weighted - used to compare managers
- Dollar-weighted - shows effect of cash flows on your portfolio
- None - most popular method!
- Benchmarks - show comparisons to an index
- Net of management fees (after fees deducted)
- Consider deposits/withdrawals


## Decisions

- Investment Philosophy and Style
- Asset allocation - what is the right mix for YOU?
- Passive (indexing) or active
- Market timing (just say no)
- Do it yourself or hire a professional


## Average Investor Returns

20-Year Annualized Returns by Asset Class (2000-2019)<br>Data Provided by J.P. Morgan



Source: J.P. Morgan Asset Management, 1/1/2000-12/31/19. Indexes used are as follows; EAFE: MSCI EAFE, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes median sale price of existing single-family homes, Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of the average investor which is through 12/31/18 and is based on Dalbar's most recent

## Professional Management

- Investment Advisors


## What do you get for the annual fee?

- Portfolio construction: selection of stocks/funds/ETFs
- Risk management through diversification, asset allocation, rebalancing
- Implementation of a strategy and discipline
- Performance reporting
- Simplification and organization
- Hand-holding - protect you from yourself!
- Possibly financial planning or wealth management


## Questions?

## Thank You For Coming

laura@tarbox.com
(949) 721-2330

