

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.

• MY EDUCATION- I have achieved the following level of education (check HIGHEST level achieved):

Some High School	High School Diploma	Bachelors Degree UCLA
🗆 GED	Some College	Masters or other Advanced Degree

WY 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

LEGAL SERVICES- (Check ONE):

I DO NOT practice law, and the services I am offering to you do not involve practicing law.

- □ I DO practice law, and have an active license to practice law in California.
- □ 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:	

OUR BUSINESS RELATIONSHIP- Check TRUE or FALSE:

I True / □ 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) I'll Be Paid	Payment Will Be Made By (name each person or company)
Fees	Client Only

Ø FINANCIAL PRODUCTS / AFFILIATED ORGANIZATIONS- Check TRUE or FALSE:

□ True / ⊠ 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.

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

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.

H.E.L.P. is dedicated to empowering older adults and their families by providing impartial information, education and counseling on elder care, law, finances, and consumer protection so they may lead lives with security and dignity.

"It's Your Money" Equity Investing

June 2020

Laura Tarbox, CFP® (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

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%

U.S. Stock Market Positive Returns (Rolling Periods 1926-2019)



Source: Morningstar Direct, 12/31/19. Source of casino odds: Focus On Gambling. U.S. stocks are represented by the S&P 500 Index. The charts and tables are shown for illustrative purposes only. **Past performance does not guarantee future results.**

"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®



Source: Morningstar Direct. Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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

■U.S. Large-Cap Stocks

U.S. Mid-Cap Stocks

U.S. Small-Cap Stocks

International Stocks

Source: Standard & Poor's SPIVA US Year End Scorecards, 2008-2019

Expenses and Taxes

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



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



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

7	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
	Em. Mkts 56.0%	Small Cap 16.5%	Em. Mkts 71.3%	Int'l Stocks 6.2%	Large Cap 37.5%	Large Cap 22.9%	Large Cap 33.3%	Large Cap 28.5%	Em. Mkts 66.5%	Mid Cap 17.5%	Bonds 8.4%	Bonds 10.3%	Em. Mkts 55.8%	Em. Mkts 26.0%	Em. Mkts 34.3%	Em. Mkts 32.5%	Em. Mkts 39.7%	Bonds 5.2%	Em. Mkts 78.9%	Small Cap 26.8%	Bonds 7.8%	Em. Mkts 18.6%	Small Cap 38.8%	Large Cap 13.7%	Large Cap 1.4%	Small Cap 21.3%	Em. Mkts 37.8%	Bonds .01%	Large Cap 31.5%
	Mid Cap 46.6%	Alter- natives 12.3%	Int'l Stocks 30.5%	Large Cap 1.3%	Mid Cap 31.0%	Mid Cap 19.2%	Mid Cap 32.2%	Int'l Stocks 20.4%	Int'l Stocks 27.8%	Bonds 11.6%	Alter- natives 2.8%	Alter- natives 1.0%	Small Cap 47.3%	Int'l Stocks 20.8%	Int'l Stocks 14.1%	Int'l Stocks 27.0%	Int'l Stocks 11.7%	Alter- natives -21.4%	Mid Cap 37.3%	Mid Cap 26.6%	Large Cap 2.1%	Int'l Stocks 18.0%	Mid Cap 33.5%	Mid Cap 9.7%	Bonds 0.5%	Mid Cap 20.7%	Int'l Stocks 25.7%	Alter- natives -3.4%	Mid Cap 26.2%
	Small Cap 43.4%	Mid Cap 9.5%	Alter- natives 26.3%	Bonds -2.9%	Small Cap 28.3%	Small Cap 16.5%	Small Cap 22.4%	Mid Cap 19.1%			Small Cap 2.5%	Em. Mkts -5.9%	Int'l Stocks 39.3%	Small Cap 18.3%	Mid Cap 12.6%	Small Cap 18.3%		Small Cap -33.8%	Int'l Stocks 32.6%	Em. Mkts 19.2%	Mid Cap -1.7%	Mid Cap 17.8%	Large Cap 32.4%	Bonds 6.0%		Large Cap 12.0%	Large Cap 21.8%	Large Cap -4.4%	Int'l Stocks 22.8%
	Large Cap 30.4%	Em. Mkts 9.0%	Small Cap 17.3%	Small Cap -3.3%	Bonds 18.5%	Alter- natives 14.4%		Bonds 8.7%	Small Cap 21.3%	Small Cap -3.1%	Mid Cap -0.6%	Mid Cap -14.5%	Mid Cap 35.6%	Mid Cap 16.5%	Alter- natives 7.5%	Large Cap 15.8%	Mid Cap 8.0%	Mid Cap -36.2%	Small Cap 27.1%	Large Cap 15.1%	Small Cap -4.2%	Small Cap 16.4%	Int'l Stocks 23.4%	Small Cap 4.9%	Int'l Stocks -0.3%	Em. Mkts 11.8%	Mid Cap 16.2%	Small Cap –8.5%	Small Cap 22.7%
	Bonds 16.0%	Large Cap 7.6%	Mid Cap 13.9%		Int'l Stocks 11.6%	Em. Mkts 6.6%	Bonds 9.7%	Small Cap -2.5%	Large Cap 21.0%	Large Cap -9.1%	Em. Mkts -2.4%	Int'l Stocks -15.6%	Large Cap 28.7%	Large Cap 10.9%	Large Cap 4.9%	Alter- natives 10.4%	Bonds 7.0%	Large Cap -37.0%	Large Cap 26.4%	Int'l Stocks 8.3%		Large Cap 16.0%	Alter- natives 9.0%		Mid Cap -2.2%	Bonds 2.6%	Small Cap 14.6%	Mid Cap -11.1%	Em. Mkts 18.6%
	Alter- natives 14.5%	Bonds 7.4%	Large Cap 10.1%	Mid Cap -3.6%	Alter- natives 11.1%	Int'l Stocks 6.5%	Int'l Stocks 2.2%	Alter- natives -5.1%	Mid Cap 14.7%	Int'l Stocks -13.8%	Large Cap -11.9%	Small Cap -20.5%	Alter- natives 11.6%		Small Cap 4.5%	Mid Cap 10.3%	Large Cap 5.6%	Int'l Stocks -43.0%	Alter- natives 11.5%	Bonds 6.5%	Int'l Stocks -11.7%		Bonds -2.0%	Em. Mkts -2.0%	Small Cap -4.4%	Int'l Stocks 1.6%		Int'l. Stocks -13.3%	
	Int'l Stocks 10.2%	Int'l Stocks -13.9%	Bonds 9.7%	Em. Mkts -8.7%	Em. Mkts -4.5%	Bonds 3.6%	Em. Mkts -11.6%	Em. Mkts -24.2%	Bonds -0.8%	Em. Mkts -30.7%	Int'l Stocks -21.0%	Large Cap -22.1%	Bonds 4.1%	Bonds 4.3%	Bonds 2.4%	Bonds 4.3%	Small Cap -1.6%	Em. Mkts -53.2%	Bonds 5.9%		Em. Mkts -18.2%	Bonds 4.2%	Em. Mkts -2.3%	Int'l Stocks -4.3%	Em. Mkts -14.6%		Bonds 3.5%	Em. Mkts -14.4%	Bonds 8.7%

Lowest Return

Market Cycles

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



Risk of Stock Market Loss Over Time (1926–2019)



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 cannot be made directly in an index.

Reacting Can Hurt Performance

Performance of the S&P 500 Index, 1990–2018



In US dollars. For illustrative purposes. The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day(s). Annualized returns for the missed best day(s) were calculated by substituting actual returns for the missed best day(s) with zero. S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. "One-Month US T- Bills" is the IA SBBI US 30 Day TBill TR USD, provided by lbbotson Associates via Morningstar Direct. Data is calculated off rounded daily index values. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

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.



SOURCE: Brinson, Gary, Randolph Hood and Gilbert Beebower. 1986. "Determinants of Portfolio Performance" Financial Analysts Journal.

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!



25

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

- 1st Step: Determine asset classes to be used
- 2nd Step: Make a pie!
- 3rd 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) 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 analysis. Moderate Portfolio is an indexed based asset allocation by Tarbox Family Office and is rebalanced annually. **Past performance does not guarantee future results**.

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



Thank You For Coming

laura@tarbox.com (949) 721-2330