



It's Your Money
The Investment World

October 2023

Presented by Laura Tarbox, CFP®

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“Ask First!”

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):

<input type="checkbox"/> Some High School	<input type="checkbox"/> High School Diploma	<input checked="" type="checkbox"/> Bachelors Degree UCLA
<input type="checkbox"/> GED	<input type="checkbox"/> Some College	<input type="checkbox"/> 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):

- ☒ 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:	

⑤ OUR BUSINESS RELATIONSHIP- Check TRUE or FALSE:

☒ 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.

⑥ 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

⑦ 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.

⑧ I certify under penalty of perjury that the responses herein are true to the best of my knowledge.

Date: April 23, 2021	Business Name: Tarbox Family Office, Inc.
Signature: <i>Laura Tarbox</i>	Address: 500 Newport Center Drive, #500, Newport Beach
Print Name: Laura Tarbox	Telephone: (949) 721-2330

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ABOUT LAURA TARBOX

laura@tarbox.com



2023 marks Laura's fourth decade in financial planning. A UCLA graduate, Laura received her CFP in 1984 and founded her firm in 1985. Tarbox Family Office, Inc. is located in Newport Beach, CA and employs a team approach in offering comprehensive wealth management services to a small group of families with \$5 million or more of investable assets.

Laura has served on both the Charles Schwab and TD Ameritrade Institutional Advisory Boards, the CFP Board of Examiners, the National Board of the Institute of Certified Financial Planners and is a past President of the Orange County Society of the ICFP. She has been part of the adjunct faculty of the College for Financial Planning, USC and California Lutheran University, and taught financial planning classes in the certificate program at UC Irvine for 20 years, where she was the Program Director. Laura was chosen from over 800 UCI Extension instructors to receive the Distinguished Instructor Award in 1997 and is the founding Dean of the UCI ICFP Residency Program, a week-long case study program for new CFPs.

Frequently featured in the local and national media as an expert on financial planning and investments, Laura has been retained as an expert witness in insurance and investment cases. She is a California Licensed Professional Fiduciary and a private trustee on several trusts.

Laura has volunteered her leadership and financial skills for organizations including Foundation for Financial Planning, Laguna Beach Community Foundation, Laguna Canyon Foundation, Laguna Beach Schoolpower Endowment, and Child Aid.

Laura Tarbox has been recognized as one of the "Best Financial Advisors" in the country by Worth magazine and was named one of the country's "100 Great Financial Planners" by Mutual Funds magazine.

ABOUT TARBOX FAMILY OFFICE

Tarbox Family Office is a fee-only wealth management firm and is registered as an Investment Advisor with the SEC. Fee-only means that we do not take any commissions, trails, referral fees, or "kickbacks" from any sources. We work for, and are paid by, only our clients. We have offices in Newport Beach and Scottsdale.

We work with a small number of families, and maintain a client-to-staff ratio of nine to one. Our multi-credentialed staff works together as a team to provide comprehensive wealth, investment management, tax and family office services.

Because each of our clients has a unique situation, fees are quoted on an individual basis, after an initial meeting. Generally, comprehensive fees will range from 0.30% to 0.75%, and will be based on investable assets or total net worth, depending upon services required. Tax compliance services are quoted separately.

Typically, we accept clients with a minimum account size of \$5 million. We normally do not offer services on an hourly or project basis to non-wealth management clients.

Finding the Right Advisor

From FINRA's BrokerCheck, local advisors in or near Orange County:

- "assault with deadly weapon"
- "client states she had no idea she was investing in a variable annuity"
- "impersonating a police officer"
- "unsuitable investment into a variable annuity"
- "tax lien"
- "possession of narcotics"
- "personal bankruptcy to escape arbitration award"



***YOU DO NOT FIND THE RIGHT ADVISOR AT A
FREE DINNER SEMINAR***

Financial Advisors/ Planners

These terms are interchangeable and mean nothing in themselves:

- Financial Advisors
- Financial Planner
- Financial Consultant
- Wealth Management / Advisors
- Investment Advisor
- Investment Consultant
- Financial Analyst

Registered Investment Advisor vs. Brokers

Fee-Only Registered Investment Advisor	Registered Representative (Broker)
Legally functions under the <u>fiduciary</u> standard	Legally functions under the <u>best interest</u> standard
A true <i>fee-only</i> Registered Investment Advisor does not sell products	Must act in the best interest of the retail customer at the time the recommendation is made
Acts with prudence, that is, with the skill, care, diligence and good judgment of a professional	Broker needs to take into consideration only the brokerage accounts available (not the overall relationship)
Requires full and fair disclosure of important facts and any underlying fees	Sells a product for a commission (transactional relationship vs. ongoing)
Eliminates and discloses any conflicts of interest and fairly manage unavoidable conflicts in the client's favor	May be able to recommend more expensive securities or investment strategies "if there are other factors that reasonably allow the broker to believe it is in the best interest of the retail customer based on that retail customer's investment profile" (what?!?)

Beware of Hybrid Advisors! Can be an RIA but also a broker.
A bank or insurance company is a broker.

How to Find a Financial Advisor



Not all advisers are the same! Here are some important considerations:

Fiduciary – Make sure they legally function under the “fiduciary standard” and must act in your best interest and not simply under the “best interest standard”. Under the “best interest standard” it is more of a transactional relationship.

Fee Only – This aligns their interests with yours and reduces conflicts of interest (no product sales, no commissions, no referral fees, no sponsorship of private real estate or investment deals). Beware of insurance “loophole”!

Proper Education – Most widely recognized designations are:

- Certified Financial Planner™ (CFP®) – Specializes in financial planning
- Certified Public Accountant (CPA) – Specializes in accounting / taxes
- Chartered Financial Analyst (CFA®) – Specializes in investments

How to Find a Financial Advisor



Not all advisers are the same! Here are some important considerations:

Assets should be held at a 3rd party custodian – Have your assets with a custodian like Schwab, Fidelity or others for your protection.

Confirm they can meet your individual needs:

- Do they work with similar clients?
- How often will they meet with you?
- How do they make investment decisions?
- What services do they offer?

Research potential Advisers and their firms:

- Review Form ADV at <https://www.adviserinfo.sec.gov>.
- Use Broker Check to see advisers background and potential disciplinary history at <https://brokercheck.finra.org/>.

Compensation Methods

- Commission
- Fee plus commission
- Fee-offset
- “Fee-based”
- **Fee – Only**
- Hourly (may or may not be fee-only)

Who Oversees the Financial Services Industry?

RIAs: The Security and Exchange Commission (SEC): U.S. governmental agency that regulates securities transactions, activities of financial professionals, and mutual fund trading to prevent fraud, manipulation and deception.

Brokers: The Financial Industry Regulatory Authority (FINRA): A self-regulatory organization (SRO) and the member regulation, enforcement and arbitration operations of the New York Stock Exchange. It is a non-governmental organization that regulates member brokerage firms and exchange markets



The SEC is the government agency and ultimate regulator of the securities industry, including FINRA






What Do These Licenses Mean?

Series 7	Can sell all securities products except commodities and futures
Series 24	Supervises and manages branch activities at a broker-dealer
Series 63	Holder can solicit orders for any type of security in a particular state
Series 65	Holder can give investment advice







Use [BrokerCheck.finra.org](https://brokercheck.finra.org) to do background check on any prospective advisor

Life Insurance: Term vs. Permanent / Cash Value

Term		Permanent / Cash Value
<ul style="list-style-type: none"> Covers for a specific term (usually between 5 to 30 years) 		<ul style="list-style-type: none"> (Universal Life, Indexed Life, Whole Life) Can stay in effect for the insured's entire life
<ul style="list-style-type: none"> Premiums are relatively lower but increase after term expires (Annual Renewable Term, Level Term, Decreasing Term) 		<ul style="list-style-type: none"> Premiums are higher and may remain level for lifetime or vary depending on policy type
<ul style="list-style-type: none"> Expires with no cash value – all of the premiums go to securing a death benefit to beneficiaries 		<ul style="list-style-type: none"> Can build cash value Cash value grows without being taxed Earns interest and/or gains/losses on the cash value, depending on policy type
<ul style="list-style-type: none"> No flexibility, no ability to borrow against policy or to withdraw money 		<ul style="list-style-type: none"> Flexibility, including ability to borrow against your policy
<ul style="list-style-type: none"> Very inexpensive, especially at young ages 		<ul style="list-style-type: none"> Expensive

Annuities

	<p>Fixed Annuity – Receive a guaranteed rate of return.</p>
	<p>Variable Annuity – Money is invested in stocks and/or bonds so the returns fluctuate with market returns. You carry the investment risk and have the potential to make or lose money.</p>
	<p>Indexed Annuity – Your return is linked to a stock market index (most commonly the S&P 500 Index but can be anything). You may make money if the index increases, but returns are capped under complex formulas. If the index is negative, your return is 0%, but you don't lose money.</p>
	<p>Immediate annuities are different. They pay lifetime income, but you can't get your money back.</p>

It does not make sense to purchase an annuity in an IRA account.

Money withdrawn from an annuity is taxed at ordinary income rates, not long-term capital gains rates.

Sample Annuity Surrender Fee Schedule

Period of Time Held Contract (Years)	Surrender Penalty (%)	* Annuity Balance	= Surrender Fee (\$)
1	8%	\$100,000	\$8,000
2	8%	\$100,000	\$8,000
3	7%	\$100,000	\$7,000
4	6%	\$100,000	\$6,000
5	5%	\$100,000	\$5,000
6	4%	\$100,000	\$4,000
7	3%	\$100,000	\$3,000

Surrender Period - The amount of time you must keep an annuity without paying a fee to end the annuity contract.



Most annuities allow you to withdraw 10% of the contract value per year without penalty

Understanding Variable Annuity Fees

- Variable Annuities – Higher fees than standard fixed annuities
 - Mortality and Expense - The general cost to have the annuity
 - Administration – This fee can be combined
 - Fund Expense – Annual costs for the underlying investments
 - Rider Costs (if any) – Costs for additional guarantees on the annuity

Example of VA Fees

Mortality and Expense	1.25%
Administration	0.25%
Fund Expense Ratio	1.00%
Living Benefit Rider	1.00%
<hr/>	
Total Fees paid each year	3.50%

Understanding Index Annuity Fees & Return Potential

Index Annuity Fees: There are caps on potential returns, and various fees are largely hidden internally.



The total return for the S&P 500 was 15.76%

Example of a client's index annuity return for 2020

S & P 500 Index

Monthly Cap 1.00%

Policy Month	Monthly Index Rate	Capped Monthly Rate
1	3.285%	1.000%
2	-1.340%	-1.340%
3	4.981%	1.000%
4	1.968%	1.000%
5	2.901%	1.000%
6	2.797%	1.000%
7	-10.678%	-10.678%
8	-10.529%	-10.529%
9	8.339%	1.000%
10	10.855%	1.000%
11	-1.522%	-1.522%
12	6.548%	1.000%

Sum of Capped Monthly Rates: -16.06%

Annual Index Rate: 0.00%

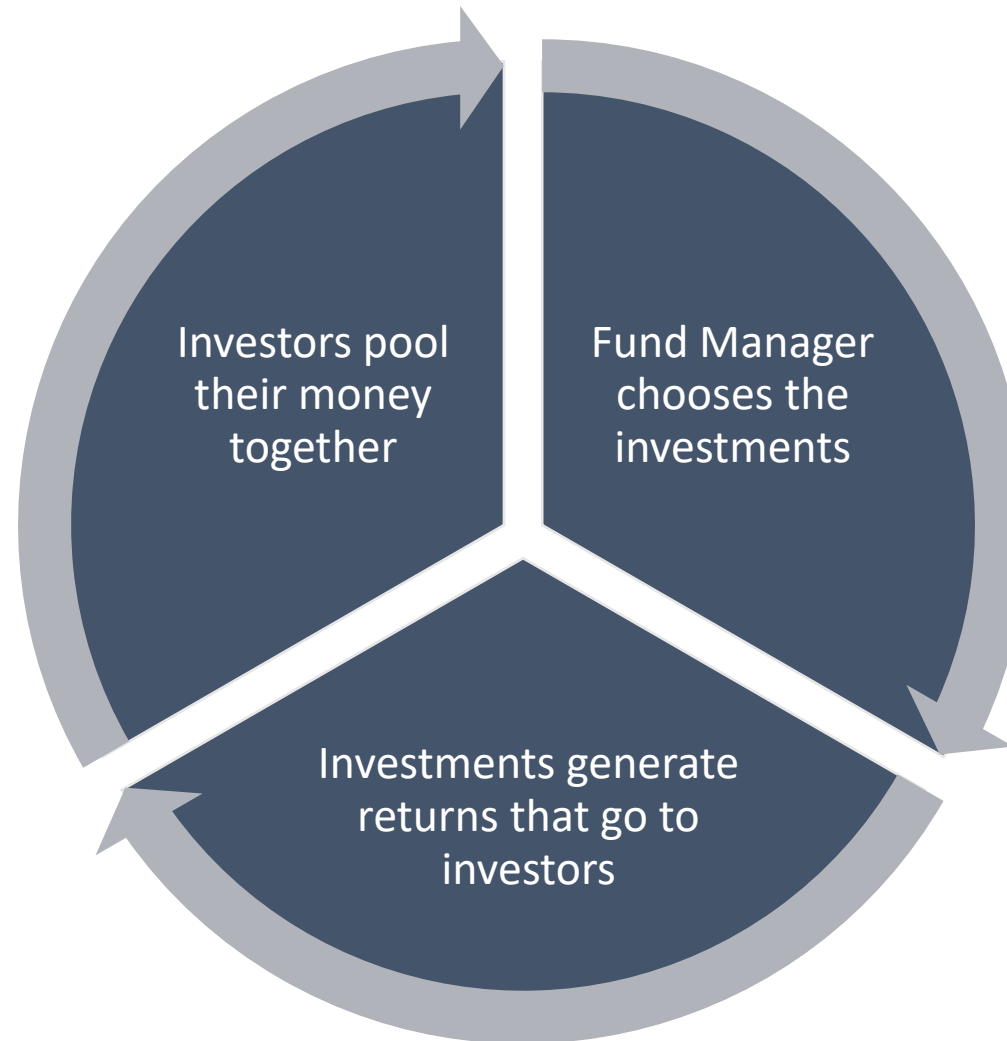
Annuities

JUST SAY “NO”!

- High expenses
- Tax- *inefficient*
- Illiquid
- No step-up in cost basis at death
- Guarantees are not what they look like

What are Mutual Funds?

Funds are priced once daily at the market close.



Mutual Fund Expenses



Mutual Funds With No Loads: Sold directly from the mutual fund company and there is NO commission, though there may be a small “ticket charge” for purchase through a custodian .



Mutual Funds With Loads: Sold by brokers or licensed insurance agents and carry a large commissions

Class A: Front load of typically 5.75% and lower ongoing expenses

Example: Invest \$100,000 will have a commission of \$5,750 so you only invest \$94,250

Class B: Back Load and higher ongoing expenses

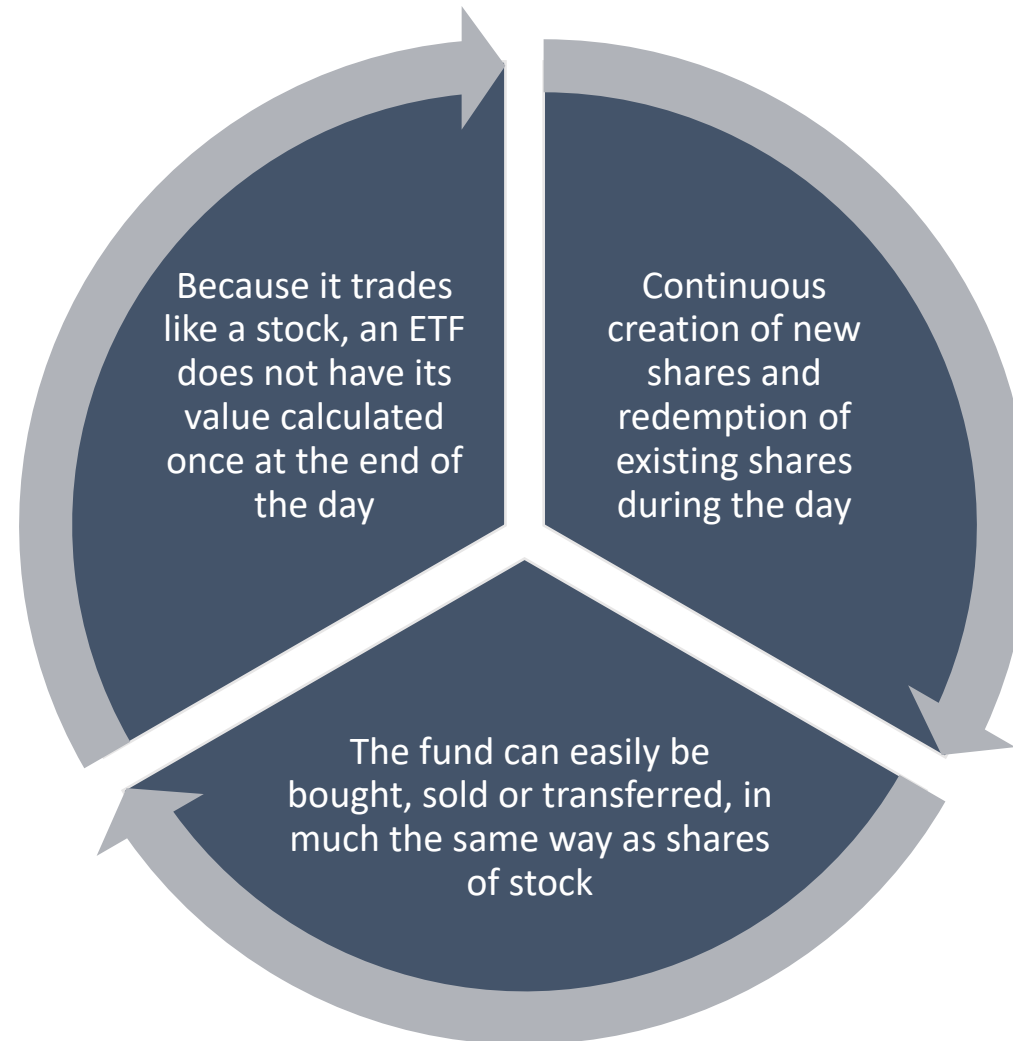
Tip: Possibly the worst share class with the highest fees

Class C: No initial fee but higher ongoing expenses typically around 2% per year

Example: Invest \$100,000 and then pay annual fee of \$2,000

What is an ETF?

Unlike a mutual fund, an ETF is bought and sold like common stock during the day when the stock exchanges are open.



ETF Expenses

ETFs have an underlying *management fee or expense ratio*, which is typically much lower than a mutual fund's.

For example, the largest ETF is the SPDR S&P 500 ETF Trust (SPY) and it has an expense ratio of 0.09%.

Benefits of Indexing

Diversification

Spreads your investments across a broad range of assets, reducing the risk associated with individual stocks.

Low Costs

Lower expense ratios compared to actively managed funds. By reducing fees and expenses, more of your investment dollars are working for you.

Market Performance

Aims to achieve returns that mirror the overall market by tracking the performance of a market index. Allows the benefit from the collective strength of the market, rather than relying on the success of individual stocks.

Long-term Investment Results

Broad market indices tend to reflect the overall upward trend of the economy, while individual stocks may rise and fall dramatically. This reliability makes index investing a proven strategy for wealth accumulation over time.

Tax Efficiency

Strives to be as tax-efficient as possible by minimizing turnover and using in-kind redemptions. Because index funds generally aim to replicate the performance of an index, they tend to buy and hold securities for the long term.

Bitcoin: Is it Currency? An Investment Asset Class?



Sources: Bloomberg, as of 31 March 2021, and *Bitcoin – Currency of the Future or Speculative Asset*, John Greenwood and Adam Burton. Note that “Core CPI” refers to the United States consumer price index, less the effects of food and energy. Past performance does not guarantee future results.

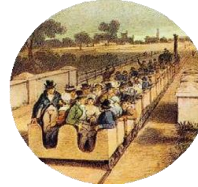
Beware of “Hot Tips”



1711

South Sea Bubble

A speculative mania that ruined many British investors, centered on the fortunes of the South Sea Company and trade with Spanish America.



1840s

Railway Mania

Britons were swept up again in a speculative frenzy, many lost their life savings.



1990s

Americans were swept up in the “Tech Bubble” of the late 1990s.



2022

Speculative behavior from r/wallstreetbets movement driven by “FOMO”

1600s

1700s

1800s

1900s

2000s

1636

Dutch Tulip Mania First bubble in modern history.



1792

Panic of 1792

a credit crisis that hit the newly formed Bank of the United States.



1929

Great Depression Roaring 20s culminated with a prolonged depression in the US



2008

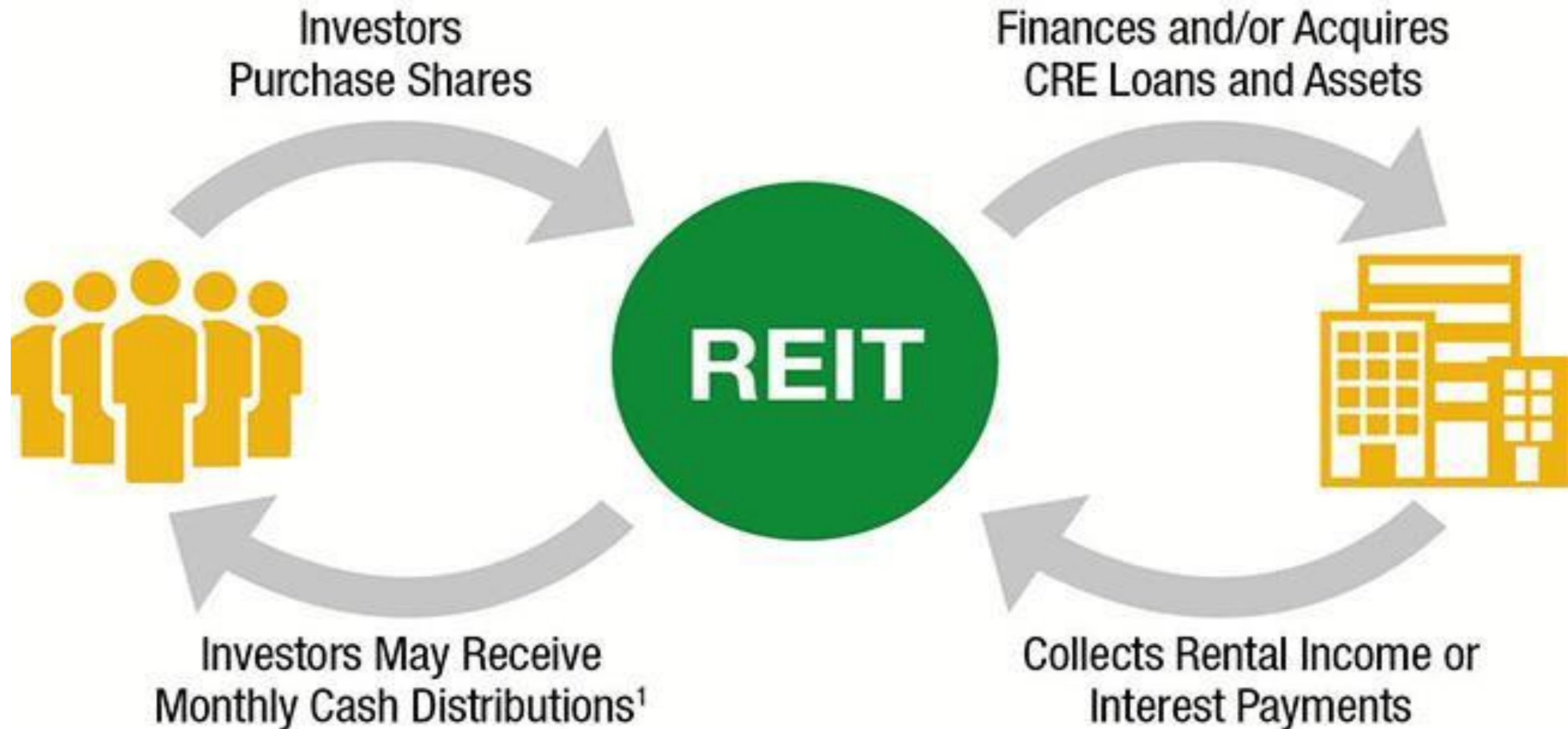
US Financial Crisis

Began with a crisis in the US mortgage market and developed into a full-blown international banking crisis.



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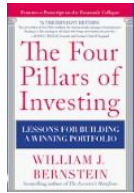
Real Estate Investments



Recommended Reading List

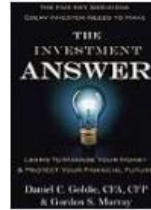
Investment Basics

The Four Pillars of Investing by Bernstein



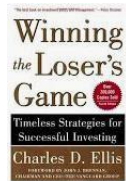
Takes the reader on a journey to the heart of portfolio management and is aimed at the liberal-arts major seeking investment competence. Plenty of history and psychology, light on the math. ("Standard deviation" is mentioned only once, in a footnote.)

The Investment Answer Book by Goldie and Murray



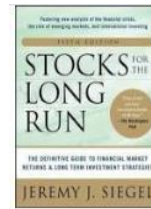
A guide to investing fundamentals and breaks down investor decision, such as hiring an advisor, active vs. passive, etc. It is great for people who are just getting started or want to learn more about investing.

Winning the Loser's Game by Charles Ellis



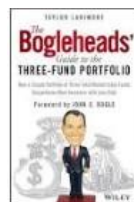
The premise of this best-seller, that individual investors can achieve far greater success working with financial markets than against them, has grown increasingly popular in today's hard-to-predict markets.

Stocks for the Long Run by Jeremy Siegel



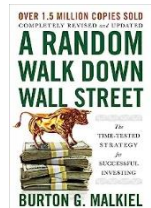
A long-standing investment classic that answers all the important questions of today: What are the sources of long-term economic growth? How does the Fed really impact investing decisions? What is the market impact of ESG and cryptocurrencies?

Bogleheads' Guide to Investing by Larimore, Lindauer and LeBoeuf



A slightly irreverent, straightforward guide to investing for everyone. The book offers, sound, practical advice, no matter your age or net worth. Bottomline, become a Boglehead and proper!

A Random Walk Down Wall Street by Burton Malkiel



A comprehensive guide to investing that includes a discussion of the merits of index funds and efficient market theory. It's a great read for beginners and seasoned investors alike.

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City of Orange Public Library Foundation
Hemlock Society of San Diego
In Defense of Animals
Laguna Beach Seniors
Laguna Canyon Foundation
Mary's Path
Newport Beach Public Library Foundation
Providence Mission Hospital Foundation
Susan G. Komen
The Blue Bell Foundation for Cats*



Thank you for coming!