

# Equities & Fixed Income

*Understanding Stocks & Bonds*

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Presented by: Easton Price, CFP<sup>®</sup>, CDFA<sup>®</sup> and  
Jordan Bromley, CFP<sup>®</sup>

Prosperity Wealth Planning | Irvine, California



PROSPERITY  
WEALTH PLANNING

# You don't invest for returns... you invest for outcomes.



## Retirement Income

Replace your paycheck when  
you stop working



## Stability

Protect what you've built  
through market ups & downs



## Peace of Mind

Sleep at night knowing  
you have a plan

# What We're Covering Today

**01**

**Cash**

Safe, liquid, low return

**02**

**Bonds**

Loans that pay you interest

**03**

**Stocks**

Ownership in real businesses

**04**

**Together**

How the right mix serves  
you

# What is Cash?



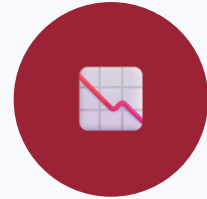
## Safe

FDIC-insured, principal protected  
(CDs, savings, money market)



## Liquid

Access your money  
whenever you need it



## Low Return

Barely keeps up with inflation  
over the long run

*Think: savings account, money market fund, CDs*

# What is a Bond?

## Bond = A Loan



**Key terms:** Coupon (interest rate) • Maturity date • Face value • Issuer (government or corporation)

*You become the bank — steady income in exchange for lending your money*

# What is a Stock?

## Stock = Ownership in a Business



When you buy stock,  
**you own a small piece  
of a real company.**



Participate in the company's growth

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Receive dividends when profitable

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Diversify across hundreds of companies

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# Risk vs. Reward

Higher potential return always comes with higher risk

## STOCKS

Higher risk / Higher potential return

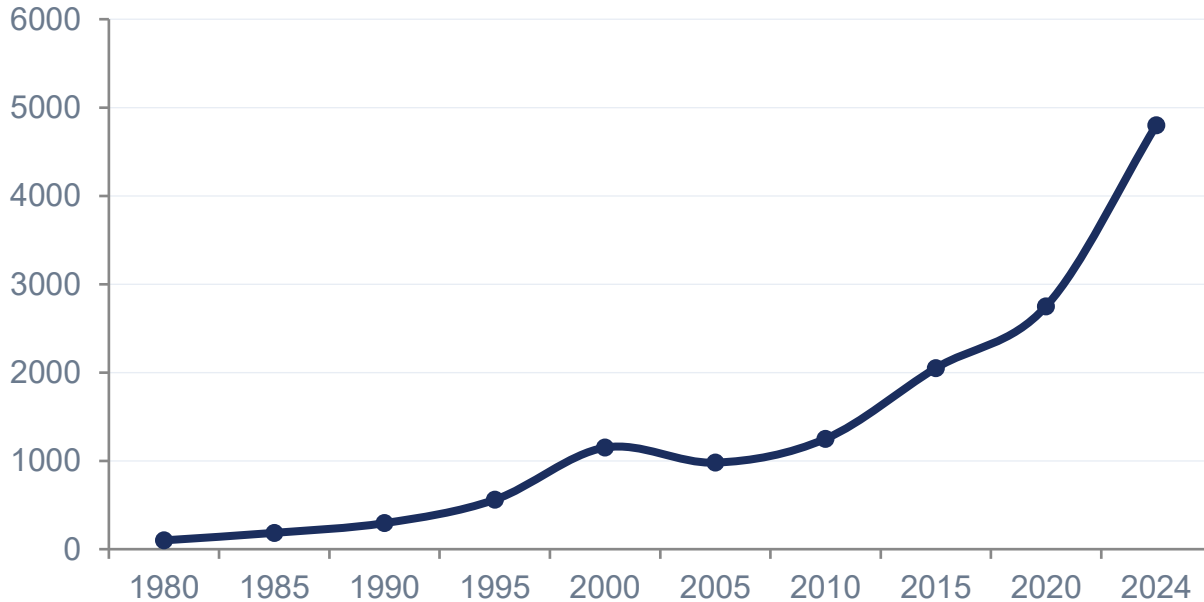
## BONDS

Moderate risk / Moderate return

## CASH

Low risk / Low return

# The Power of Long-Term Growth



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Growth of \$  
invested in 1980

~10%

Average annual  
stock return

≠ Smooth

The line is NOT  
smooth — it's volatile

# Volatility is Normal

~14%

Average intra-year market drop



Markets fall every year  
— on average ~14% at some point



Yet markets have finished  
positive ~75% of calendar years

# Bonds: What People Miss

**When Interest Rates Rise → Bond Prices Fall**



**Rates Up**



**Bond Price Down**

↔ INVERSE RELATIONSHIP ↔

## 2022 Lesson

In 2022, the Federal Reserve raised rates aggressively and bonds declined sharply. Many retirees were surprised. Bonds are not risk-free. They carry risk that is different from stock risk.

# Stocks: The Biggest Mistakes

## Don't jump in and out

The Cost of  
Missing 10 Days

**50%+**

of long-term returns  
lost by missing the  
best 10 trading days



Timing the market is nearly impossible, even for experts



Time IN the market VS Timing the market

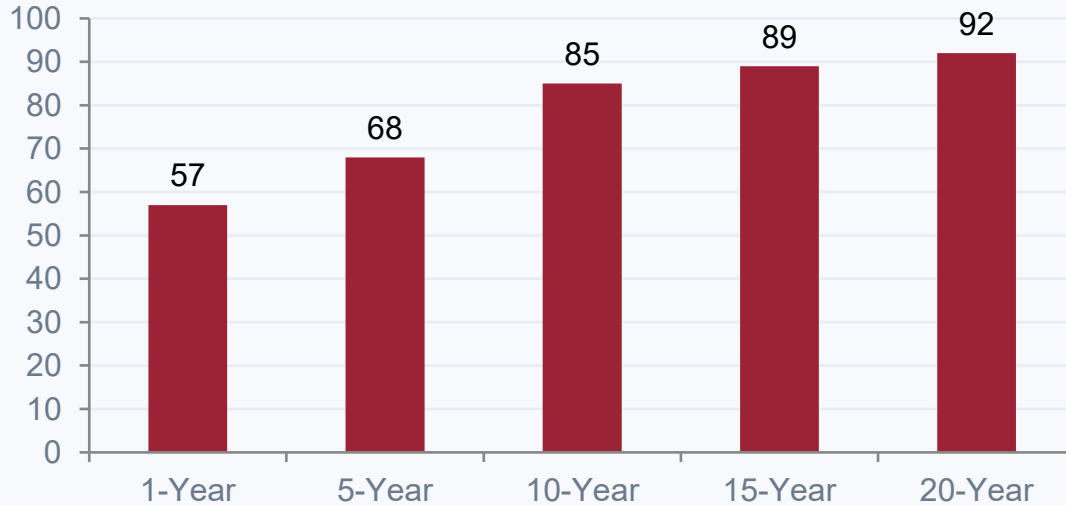


Selling in a downturn locks in losses permanently

*The market isn't the biggest risk, behavior is*

# The Stock-Picking Myth

## Most professionals don't beat the market



*% of Active Funds  
Underperforming the Index*

### Our Approach

- ✓ **Client-oriented**  
Focus on clients' needs
- ✓ **Low-cost**  
Minimize fees that drag returns
- ✓ **Diversified**  
Don't bet on any single stock

# Emotional Investing



**FEAR → Sell**

Markets drop. You panic.  
You sell at the bottom.  
You miss the recovery.



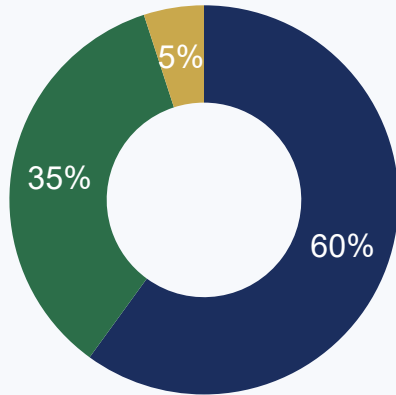
**GREED → Chase**

Markets soar. You pounce.  
You buy at the top.  
You absorb the correction.

**Good investing is simple... but not easy**

# The Magic is in the Mix

It's not stocks OR bonds — it's both



■ Stocks ■ Bonds ■ Cash



## Balance

Historically they have shared an inverse relationship



## Protection

When stocks fall, bonds often cushion the blow

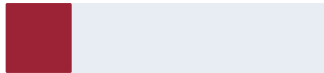


## Participation

You capture long-term growth without an all-or-nothing bet

# Sample Portfolio Allocations

## Conservative



Stocks: 20%



Bonds: 80%

Capital preservation  
Steady income  
Low volatility

## Moderate Conservative



Stocks: 40%



Bonds: 60%

Income + modest growth  
Lower swings  
Near retirement

## Balanced



Stocks: 60%



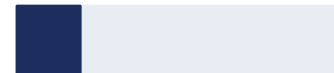
Bonds: 40%

Growth with stability  
Middle-of-road risk  
Most common

## Growth



Stocks: 80%



Bonds: 20%

Long time horizon  
Higher volatility OK  
Maximize growth

*There's no perfect portfolio, only what fits YOU*

# What Determines Your Mix?



## Time Horizon

*How long until you need the money?*

Longer timeline = more room for stocks  
Shorter timeline = more need for stability



## Income Needs

*Do you need income from your portfolio now?*

Retirees often lean towards bonds for predictable income  
Working savers can focus more on growth



## Comfort with Risk

*How would you feel if your portfolio dropped 30%?*

Your emotional response matters as much  
as the math - we plan for both

# What Prosperity Wealth Planning Does for Our Clients



## Build the Right Mix

We design a portfolio tailored to your specific goals, timeline, and comfort with risk, not a generic model.

## Keep You Disciplined

We're your coach when markets get turbulent. Our job is to prevent emotional decisions.

## Adjust as Life Changes

Retirement, health, family, divorce; we rebalance and adapt your plan as your circumstances evolve.

## Fiduciary Commitment

As a Fiduciary, we are legally obligated to act in your best interest at all times.

*We don't predict markets; we prepare for them*

# The Biggest Takeaways

1

Markets go up and down. That's normal, expected, and historically temporary.

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2

Behavior matters more than timing. Stay invested, stay disciplined.

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3

A plan keeps you grounded when emotions are high.

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# Questions?

*We're here to help you gain clarity and confidence in your financial future.*

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**Easton Price, CFP<sup>®</sup>, CDFA<sup>®</sup> & Jordan Bromley CFP<sup>®</sup>**

Prosperity Wealth Planning | Irvine, California

(949) 203-9849 | [Easton@prosperitywealthplanning.com](mailto:Easton@prosperitywealthplanning.com) | [prosperitywealthplanning.com](http://prosperitywealthplanning.com)

# Sources

## Slide 8 — Long-Term Stock Returns (~10% avg. annual)

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[fidelity.com/learning-center/trading-investing/sp-500-average-return](https://www.fidelity.com/learning-center/trading-investing/sp-500-average-return)

### S&P Dow Jones Indices / YCharts:

[ycharts.com/indicators/sp\\_500\\_total\\_return\\_annual](https://ycharts.com/indicators/sp_500_total_return_annual)

### Macrotrends (raw data):

[macrotrends.net/2526/sp-500-historical-annual-returns](https://macrotrends.net/2526/sp-500-historical-annual-returns)

## Slide 9 — Avg. ~14% Intra-Year Drop / ~75% Positive Years

### J.P. Morgan Asset Mgmt. (primary):

[am.jpmorgan.com](https://www.am.jpmorgan.com) — "Investing principles: Steering the boat through choppy seas"

### J.P. Morgan Private Bank (Jan. 2025):

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### J.P. Morgan Guide to the Markets (quarterly):

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## Slide 10 — 2022 Bond Market Decline

### CNBC (Jan. 7, 2023):

[cnbc.com/2023/01/07/2022-was-the-worst-ever-year-for-us-bonds](https://www.cnbcm.com/2023/01/07/2022-was-the-worst-ever-year-for-us-bonds)

### A Wealth of Common Sense (Jan. 2, 2023):

[awealthofcommonsense.com/2023/01/2022-was-one-of-the-worst-years-ever](https://awealthofcommonsense.com/2023/01/2022-was-one-of-the-worst-years-ever)

## Slide 11 — Missing Best 10 Days / Behavioral Gap

### J.P. Morgan Asset Mgmt. (cited via Advisor Perspectives):

[advisorperspectives.com/commentaries/2023/09/06/10-best-days-meme-bull-market](https://www.advisorperspectives.com/commentaries/2023/09/06/10-best-days-meme-bull-market)

### Putnam Investments study (2003–2018) via Motley Fool:

[fool.com/investing/2019/04/11/what-happens-when-you-miss-the-best-days](https://www.fool.com/investing/2019/04/11/what-happens-when-you-miss-the-best-days)

### DALBAR (2025) via Wells Fargo / CNBC:

[cnbc.com/2024/03/07/why-bailing-on-the-stock-market-is-likely-a-losers-game-cfp-says](https://www.cnbcm.com/2024/03/07/why-bailing-on-the-stock-market-is-likely-a-losers-game-cfp-says)

## Slide 12 — Active Managers vs. Index

### S&P Dow Jones Indices — SPIVA U.S. Scorecard Year-End 2024:

[spglobal.com/spdji/en/documents/spiva/spiva-us-year-end-2024.pdf](https://www.spglobal.com/spdji/en/documents/spiva/spiva-us-year-end-2024.pdf)

### Institutional Investor (reporting on SPIVA 2024):

[institutionalinvestor.com](https://www.institutionalinvestor.com) — "Active Continues to Struggle"