

# The Investment World



**PRUDENT**  
**INVESTORS**  
*Create your future, today.*

Jared Ong, CFP®



# What Is Risk?



THE  
BANK OF  
NEW  
YORK

William Duer

# The Panic of 1792

- ◆ This City which six weeks since was considered as the most flourishing and the richest in America is now oppressed with misfortunes which create a general despondency-The eagerness with which every individual who had property engaged in speculation The anxious desire of the widow and the Orphan to increase their pittance by letting out their m[oney] at two three and four per Cent per m[onth?] The credit which Duer had acquired and the vast sums of money which he had drawn from the inhabitants There is not now a rich man in this City. They were all engaged and they have all fallen The confidence between man and man is destroyed...
- ◆ Letter from Charles Adams to Abigail Adams



## This Solitary Tree Lies Outside the NYSE

In 1792,  
24 brokers met  
Underneath this tree  
To come up with rules  
To make trading  
More reliable

*“We the Subscribers, Brokers for the Purchase and Sale of Public Stock, do hereby solemnly promise and pledge ourselves to each other, that we will not buy or sell from this day for any person whatsoever, any kind of Public Stock, at a less rate than one quarter percent Commission on the Specie value and that we will give a preference to each other in our Negotiations. In Testimony whereof we have set our hands this 17th day of May at New York, 1792.”*

SEC

NASD



FINRA

National Association of  
Securities Dealers  
Formed in 1939

Financial Industry  
Regulatory Authority  
Established in 2007

# Financial Intermediaries

- ◆ Broker/Dealers (Company)
  - ◆ Registered Representative (employee)
  - ◆ Compensated by commissions
  - ◆ Series 7, Series 63, or Series 66
  - ◆ Supervised by FINRA





# Financial Intermediaries

- ◇ Registered Investment Advisors
  - ◇ Investment Advisor Representative (employee)
  - ◇ Compensated by Fees
  - ◇ Series 65, or Series 66
  - ◇ Supervised by State or SEC



# Financial Intermediaries

- ◆ Broker/Dealers vs Registered Investment Advisors
  - ◆ What are some of the differences?



## Suitability Standard

- ◆ Broker/Dealers and Registered Reps
- ◆ Can recommend a product that is suitable, but still financially rewarding for themselves or the firm (might not be in the client's best interest)



## Fiduciary Standard

- ◆ Registered Investment Advisors
- ◆ Must make financial decisions in the best interest of their clients





**INDIVIDUAL**

**FIRM**

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Firm Name or CRD/SEC# (optional)

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BrokerCheck is a free tool to research the background and experience of financial brokers, advisers and firms.

## Why Use BrokerCheck?



BrokerCheck helps you make informed choices about brokers and brokerage firms- and provides easy access to investment adviser information.



BrokerCheck tells you instantly whether a person or firm is registered, as required by law, to sell securities (stocks, bonds, mutual funds and more), offer investment advice or both.



BrokerCheck gives you a snapshot of a broker's employment history, regulatory actions, and investment-related licensing information, arbitrations and complaints.

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List View Sort By Relevance **v**

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**Jared Paul Long**

(JARED LONG...)  
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EDWARD JONES | CRD#: 250  
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**B** Broker Regulated by FINRA

**IA** Investment Adviser

**D** Disclosures **i** No

**Y** Years of Experience 10

**MORE DETAILS >**

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(Jared Evan Fong...)  
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**IA** Investment Adviser

**D** Disclosures **i** No

**Y** Years of Experience 2

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(JARED M DO JONG)  
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**IA** Investment Adviser

**D** Disclosures **i** No

**Y** Years of Experience 12

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**MORE DETAILS >**



Investment Adviser Search

Investment Adviser Data

Resources

Investment Advisor Representative

Report Summary



INDIVIDUAL



FIRM

Individual Name/CRD#

at

Firm Name or CRD/SEC# (optional)

in

City, State or ZIP (optional)

SEARCH



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[Detailed Report](#)

## JARED CHEUNG-YI ONG

JARED C ONG

CRD#: 5022033



Investment Adviser

**PRUDENT INVESTORS NETWORK, INC.**

CRD#: 127284

22932 EL TORO RD.  
LAKE FOREST, CA 92630

0

Disclosures

11 Years of Experience

1 Firm

1

Exam Passed

1

State License



Registration History

2024





# Investment Adviser Public Disclosure

## Investment Adviser Search

Investment Adviser Data

Resources

## Welcome to the Investment Adviser Public Disclosure website

 **INDIVIDUAL**

 **FIRM**

Individual Name/CRD#


at

Firm Name or CRD/SEC# (optional)

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You can **search for an Investment Adviser firm** on this website and view the registration or reporting form ("Form ADV") that the adviser filed. This website will also search **FINRA's BrokerCheck system** and indicate whether an entity is a Brokerage firm. Investment advisers file Form ADV to register with the SEC and/or the states. Some advisers that do not have to register with the SEC or the states ("Exempt Reporting Advisers") must nonetheless complete some of the questions in Form ADV for purposes of reporting to the SEC and/or the states. Form ADV contains information about an investment adviser and its business operations. Additionally, it contains disclosure about certain disciplinary events involving the adviser and its key personnel.

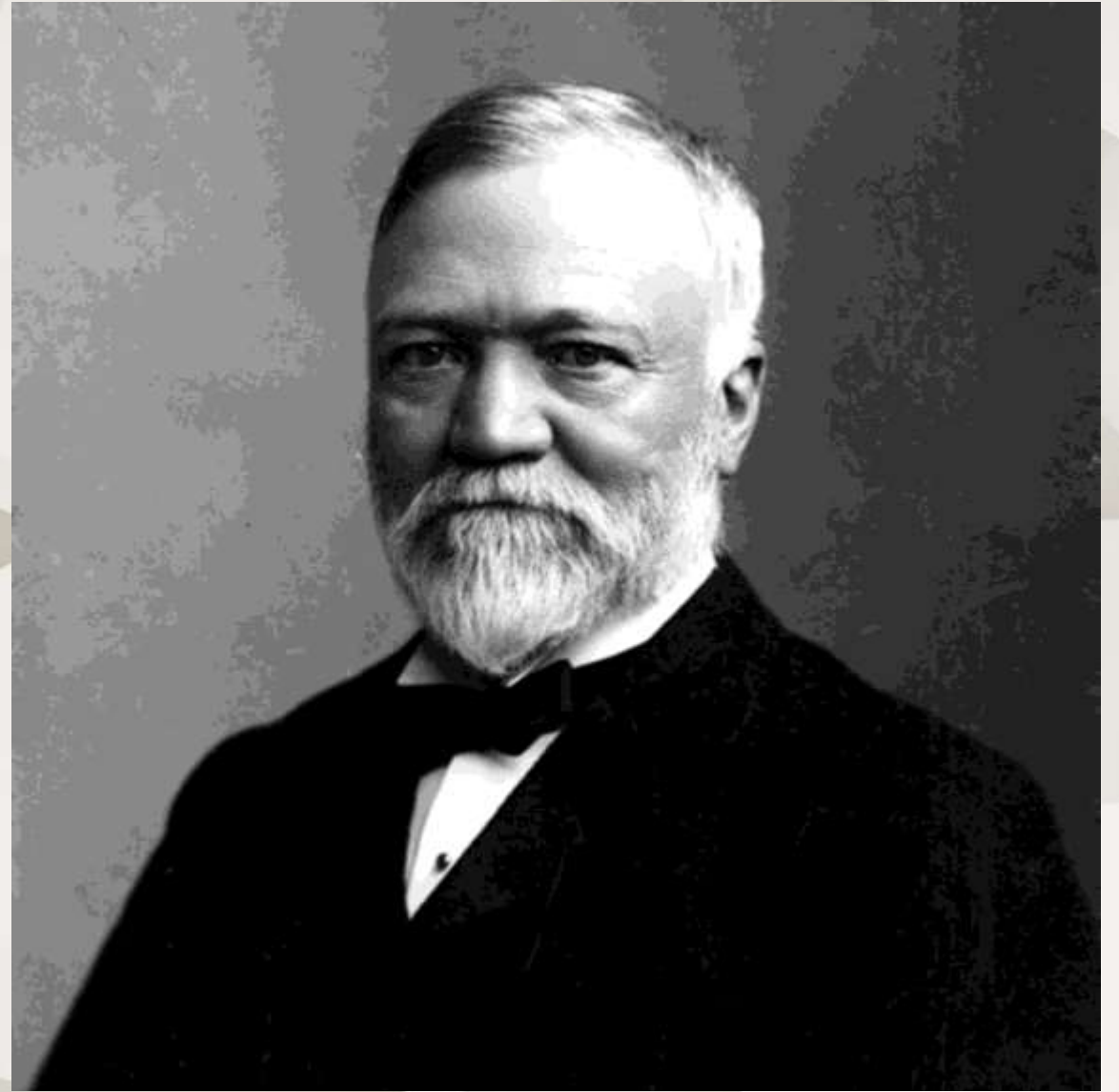
You can also **search for an individual investment adviser representative** and view that individual's professional background and conduct, including current registrations, employment history, and disclosures about certain disciplinary events involving the individual. The information about investment adviser representatives that appears on this website is collected from individual Investment Adviser Representatives, Investment Adviser firm(s), and/or securities regulator(s) as part of the securities industry's registration and licensing process. Individuals that are Registered Representatives of a Brokerage firm that are listed in **FINRA's BrokerCheck system** will also appear in search results.

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John D. Rockefeller



Andrew Carnegie

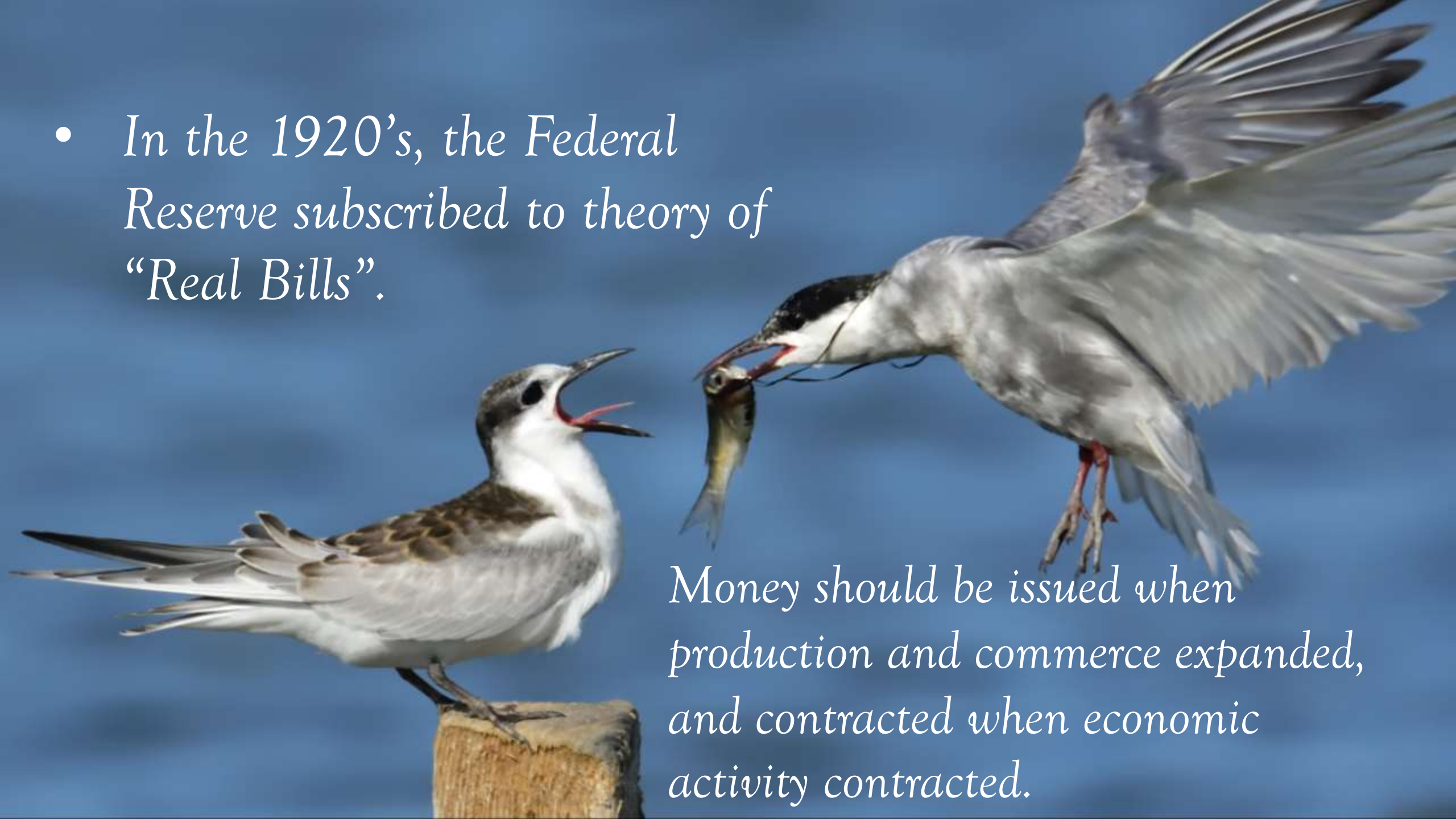


Charles Mitchell



citibank

- *In the 1920's, the Federal Reserve subscribed to theory of "Real Bills".*

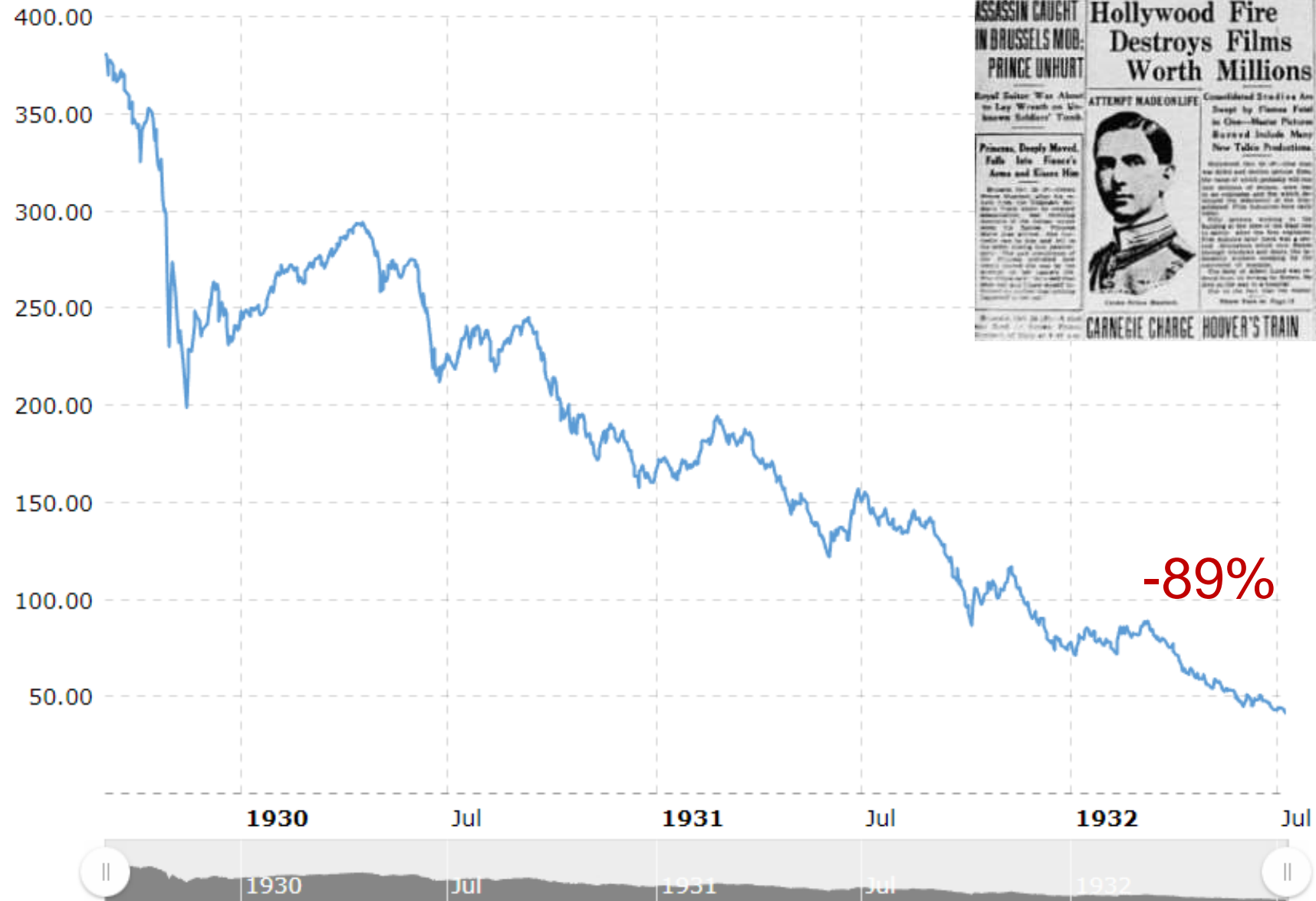
The image features two seabirds, likely terns, against a clear blue sky. On the left, a bird is perched on a weathered wooden post, facing right with its beak wide open in a call. On the right, another bird is in flight, wings fully extended, holding a small fish in its beak. The text is overlaid on the image in a white, serif font.

*Money should be issued when production and commerce expanded, and contracted when economic activity contracted.*

# WALL ST. IN PANIC AS STOCKS CRASH

## Attempt Made to Kill Italy's Crown Prince

<b>ASSASSIN CAUGHT IN BRUSSELS; MOB; PRINCE UNHURT</b> Royal Sutor, 'Was Almost on Lay' Wrecked on Unknown Soldier's Tomb <b>Princess, Deeply Mourned, Falls Into France's Arms and Kisses Him</b>	<b>Hollywood Fire Destroys Films Worth Millions</b> Considered Studios Are Swept by Flames Fatal to One-Hour Picture <b>ATTEMPT MADE ON LIFE</b> Carnegie Charge Houder's Train	<b>FEAR 52 PERISHED IN LAKE MICHIGAN; FERRY IS MISSING</b> Wreckage Ticked Up Indicator, Craft Went Down With All Aboard	<b>PIECE OF PLANE LIKE DITEMAN'S IS FOUND AT SEA</b> Black and Orange Wreckage Indicated During Plur West to Death	<b>High Duty Group Gave \$700,000 to Coolidge Drive</b> Grandy Agrees Rate West Up Due to His Activities as Propagandist Ferry Was Lobbying to 'Carry Out Voters' Wish'	<b>STOCKS CRASH IN RUSH TO SELL; BILLIONS LOST</b> Morgan, Mitchell Buying Stocks in Effort to Check Rush in Unusual
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## *How Does the Market Prevent Crashes Now?*

- *SEC was formed (1934)*
- *Capital Requirement Rules (e.g. leverage ratio of 5%)*
- *Glass Steagall introduced FDIC*
- *Provide Insurance*
- *Limit the relationship between Commercial Banks and Investment Banks*
- *Self-sufficiency*
- *Halt Trading*
- *Reduce Panic*

# Insurance Deposit Accounts

- ◆ Checking
- ◆ Savings
- ◆ Certificate of Deposits (CDs)
- ◆ Money Market Deposit Account (MMDAs)



# Insurance

- ◆ Was \$100,000 until 2008
- ◆ Changed to \$250,000 during Great Recession, made permanent in 2010.
- ◆ Per depositor (owner) per insured Bank.
- ◆ Per each Ownership Category





# Account Ownership Categories

- ◆ Individual Accounts
- ◆ Joint Accounts
- ◆ IRAs and Keoghs
- ◆ Irrevocable Trusts
- ◆ Revocable Trusts
- ◆ Business Accounts



## Not Insurable

- ◆ Stock Investments
- ◆ Bond Investments
- ◆ Mutual Funds
  - ◆ This Includes Money Market Funds
- ◆ US Treasury Bills, Bonds, Notes



## SIPC is not FDIC Insurance

- ◆ Securities Investor Protection Corporation came about after the Securities Investor Protection Act of 1970
- ◆ Covers brokerage accounts not banks
- ◆ Separate Capacities (similar to FDIC Account Categories)



## SIPC Separate Capacities

- ◆ Individual Account
- ◆ Joint Account
- ◆ Account for corporation
- ◆ Trust account
- ◆ Individual Retirement Account (IRAs)
- ◆ Roth Account
- ◆ Account held by executor of estate
- ◆ Account held by guardian



## What SIPC Covers

- ◆ Broker-dealer bankruptcy (liquidation)
- ◆ Normally assets are held at a custodian, so SIPC will transition the accounts to new broker (i.e. assets are safe)
- ◆ If brokerage failed because of theft or fraud (e.g. Madoff), SIPC steps in to cover assets



## SIPC Coverage

- ◆ \$500,000 for securities AND cash (\$250,000 limit for cash only)
- ◆ Money Markets are considered Securities (and do not fall under the \$250,000 limit)
- ◆ CDs are considered Securities



## SIPC Coverage

- ◆ Gold and silver coins are not securities
- ◆ Fixed Annuities are not securities
- ◆ Currencies, warrants, futures, ARE NOT considered securities



## SIPC Coverage

- ◆ Variable Annuities are securities if held at brokerage and registered with SEC
  - ◆ SIPC does not protect against of default of issuer





## SIPC Coverage

- ◆ Variable Annuities are securities if held at brokerage and registered with SEC
  - ◆ SIPC does not protect against of default of issuer



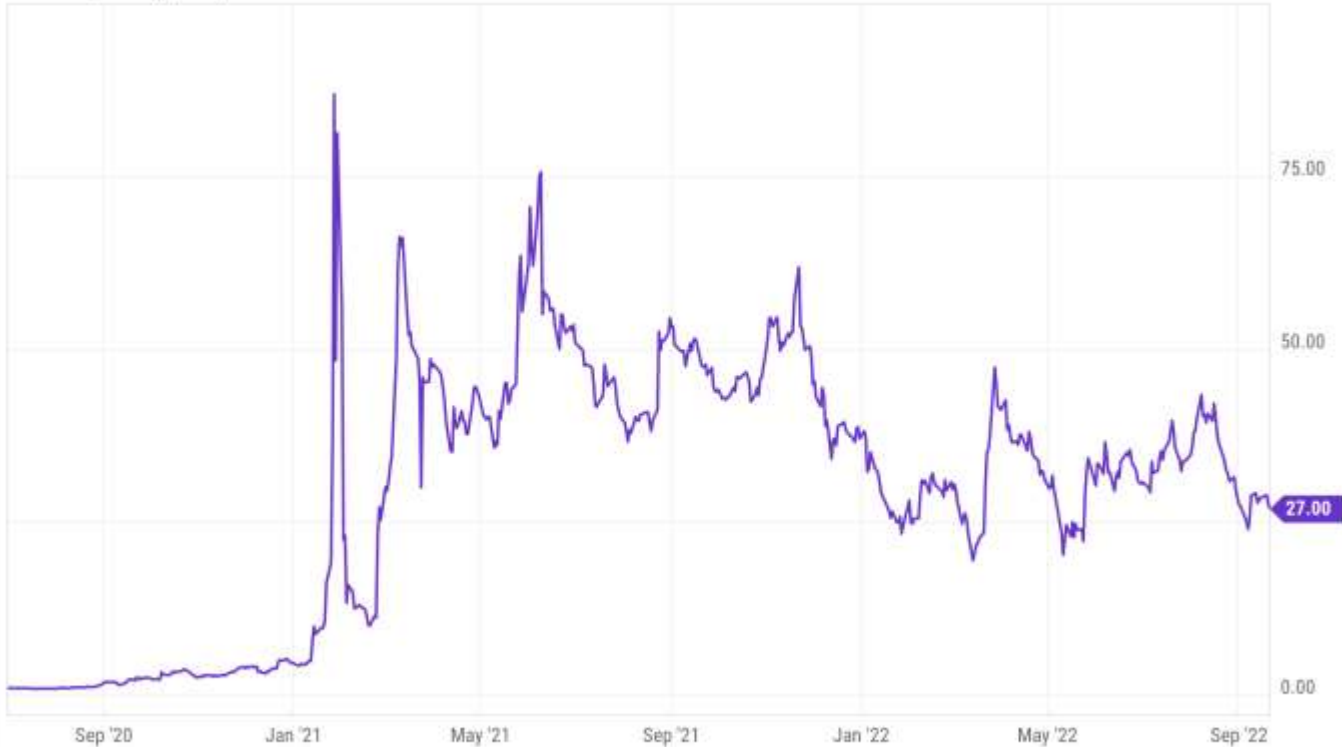
# The Rise of Meme Stocks

## Bed Bath & Beyond meme rollercoaster

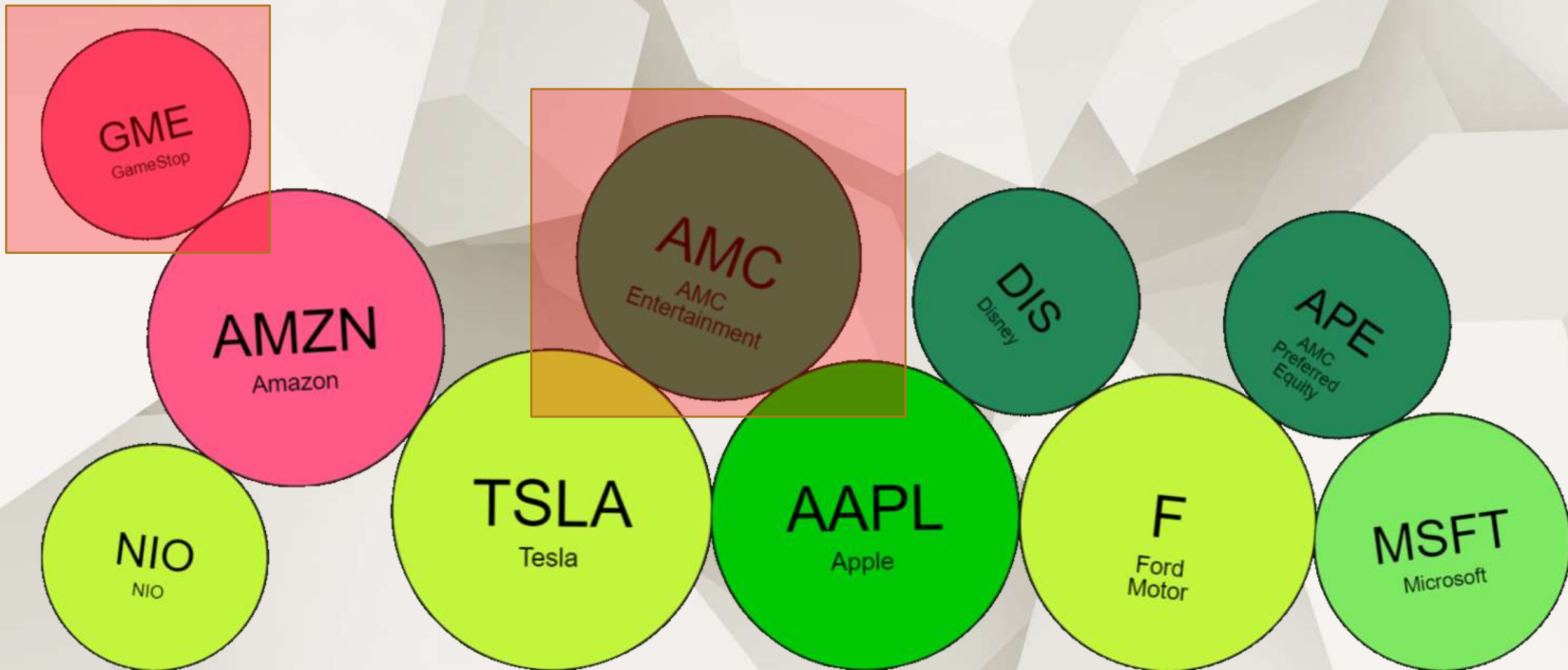
WATCHLIST +



GameStop Corp (GME) Price



# Robinhood Investor Index



# Why? What Caused Meme Stocks?

◆ Social Media



◆ No more commissions

◆ Gamification of investing

◆ Stick it to the man

◆ Get rich quick

MARKETS

## Fidelity Is Latest to Cut Online Trading Commissions to Zero

Wall Street's digitization has reset many of the fundamental costs of investing



There's an old saying on Wall Street that the two most important emotions are fear and greed and you go from fear to greed in about a fraction of a second. So you're very, very greedy and you say to yourself, "I want to make more." And then, the market goes down ten points and you get frightened. "I want to keep what I have," so you sell everything. And that's how you have a panic. So you can panic on the upside – people rushing in to get in before the train takes off – and a panic on the downside, trying to get off the train before disaster hits

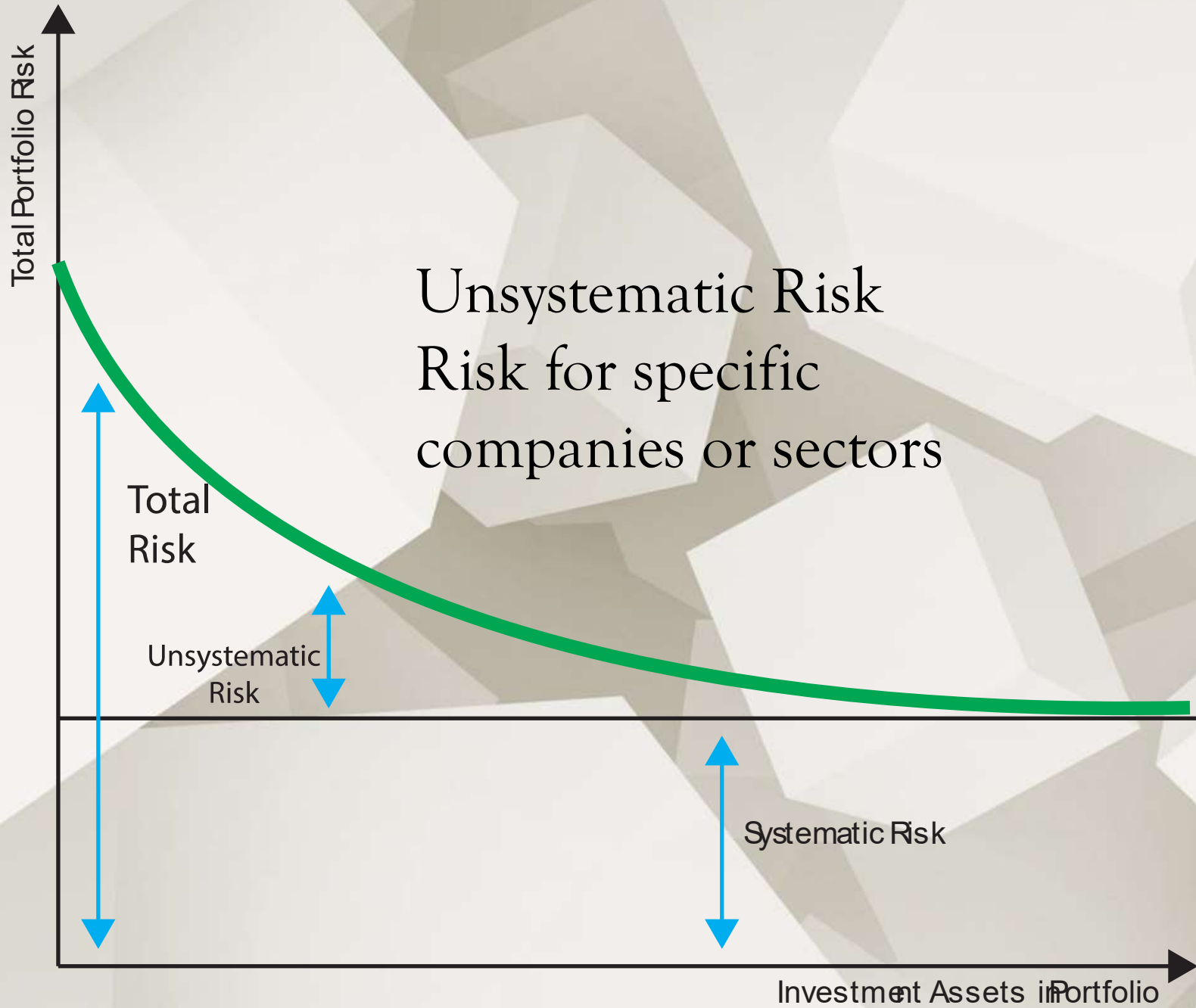
Robert Sobel, Historian



*"Between my horrible poker play and the '29 stock market crash, it took many years to gain the smarts to keep my investing simple." – Groucho Marx*



What do you think Groucho Marx meant by keep investing simple?



Unsystematic Risk  
Risk for specific  
companies or sectors

Systematic Risk  
Risk related to  
Overall Markets



# A Shift to Fund Management – Mutual Funds

- ◆ First modern-day mutual fund: Massachusetts Investors Trust created in 1924
  - ◆ Mutual funds allowed ordinary investors with minimal capital to pool their assets in a professionally managed, diversified basket of investments
  - ◆ Investment Company Act and Investment Advisers Act implemented in 1940
- ◆ Popularity exploded in the 1990s – assets under management in US grew from less than \$1 trillion to \$7 trillion by end of the decade
- ◆ ~\$19 trillion managed in US mutual funds today

# Types of Mutual Funds

- ◇ Money Market Funds
- ◇ Fixed Income Funds
- ◇ Equity Funds
- ◇ Allocation Funds
- ◇ Index Funds
- ◇ Specialty Funds



“Of funds awarded a coveted five-star overall rating, only 12% did well enough over the next five years to earn a top rating for that period; 10% performed so poorly they were branded with a rock-bottom one-star rating.”

<https://www.wsj.com/articles/the-morningstar-mirage-1508946687>

# Mutual Funds ABCs

- ◇ A Shares
  - ◇ Commissions (Loads)
  - ◇ As much as 5%
- ◇ B Shares
  - ◇ Back End Loads
  - ◇ No longer used
- ◇ C Shares
  - ◇ Ongoing Load (1%)
- ◇ I Shares
  - ◇ Institutional share class, cheapest
- ◇ Other Fees (12b1, management fees)



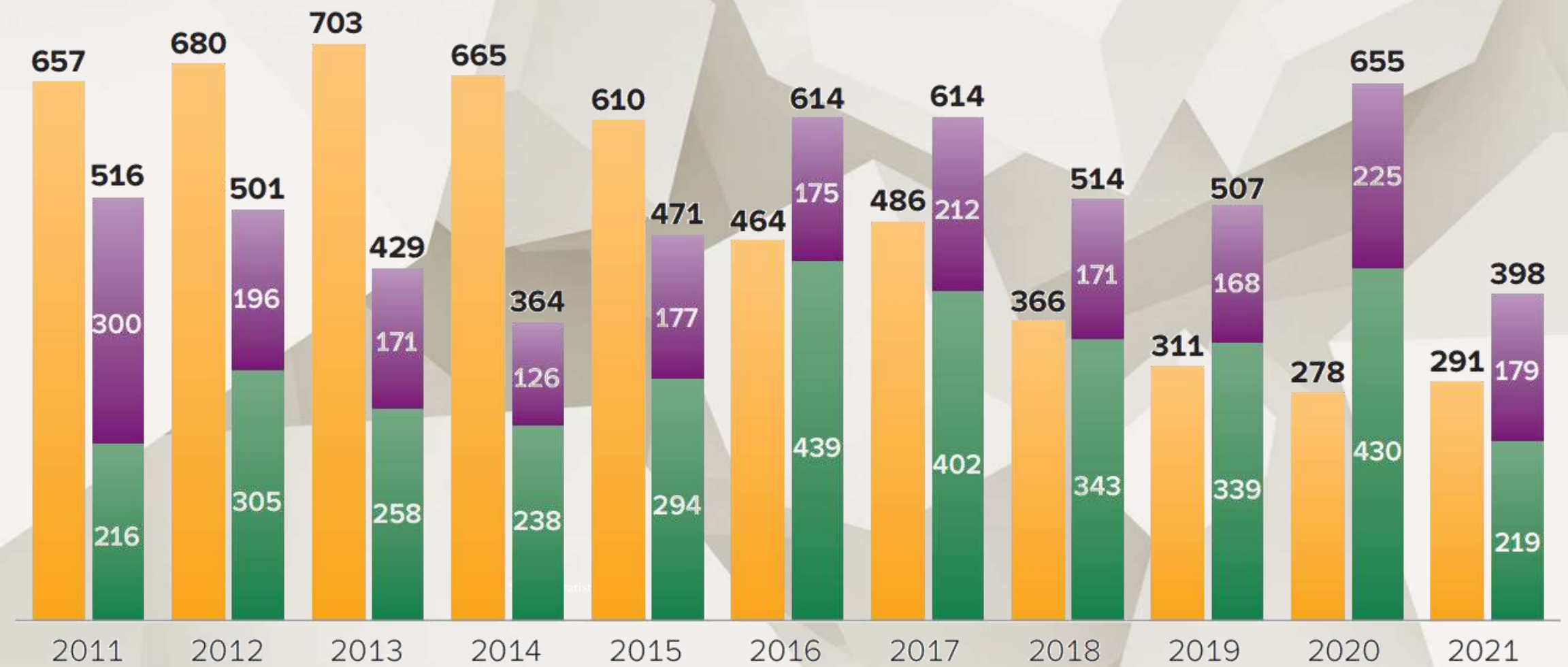
# The Next Evolution: Exchange Traded Funds (ETFs)

- ◇ A basket of securities that trades as a marketable security on the exchange
- ◇ Can contain all types of investments – stocks, commodities, bonds
- ◇ Offer lower expense ratios than mutual funds
- ◇ Lower trading commissions than trading stocks individually

# Number of Mutual Funds Entering and Exiting the Industry

# Mutual Funds vs ETFs

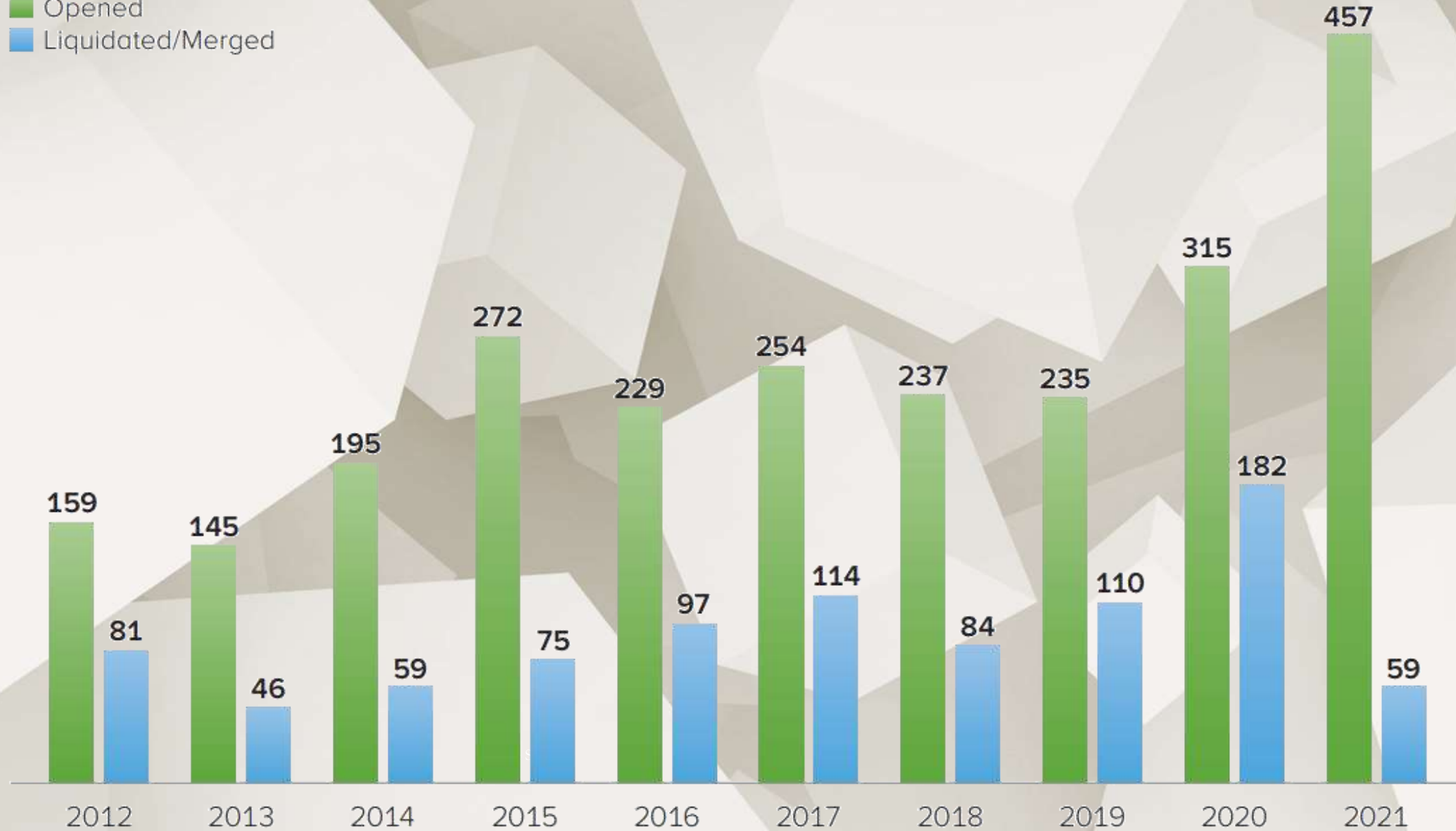
- Opened mutual funds
- Merged mutual funds
- Liquidated mutual funds



## Number of ETFs Entering and Exiting the Industry

■ Opened  
■ Liquidated/Merged

# Mutual Funds vs ETFs

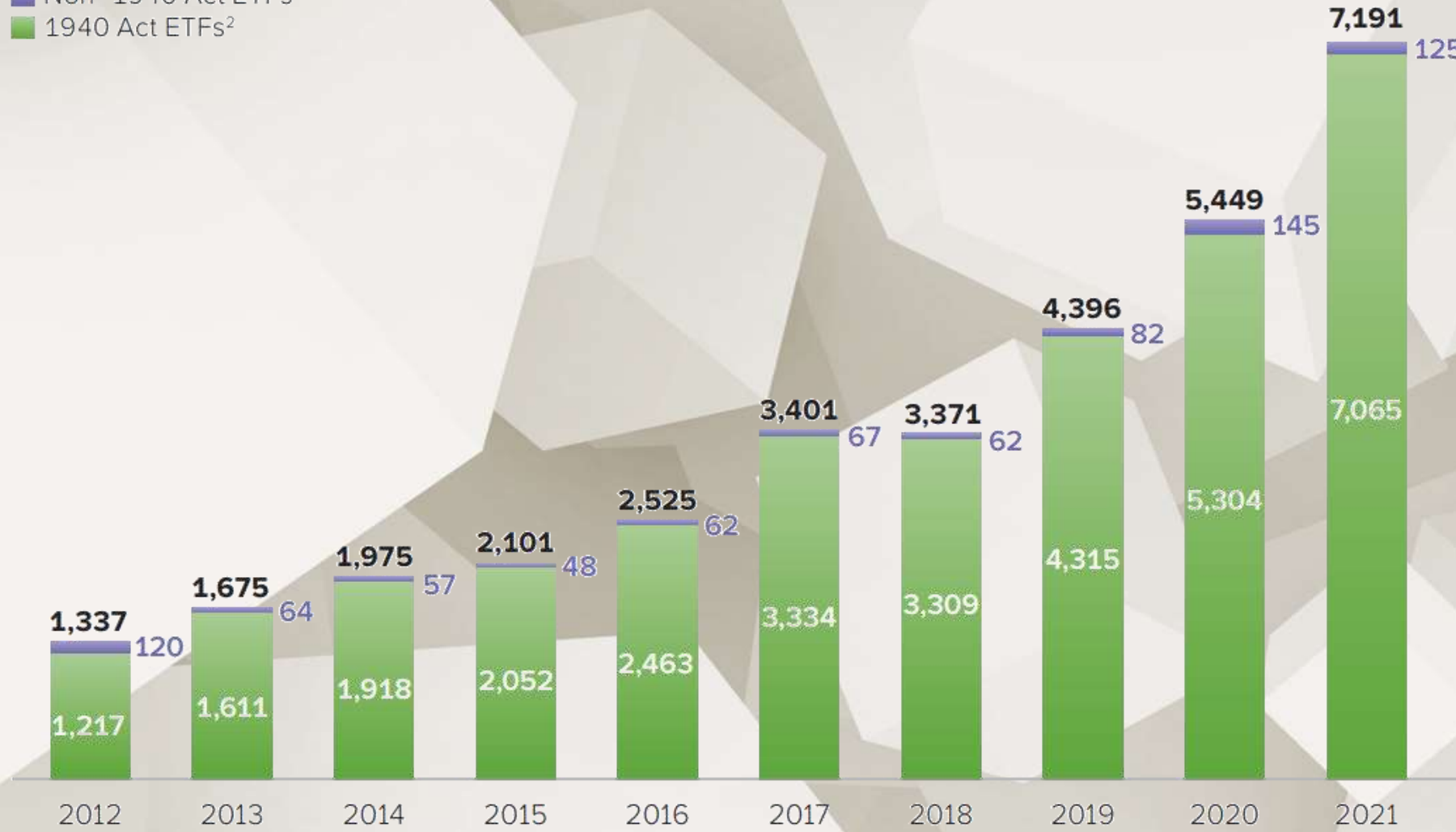


# Total Net Assets and Number of ETFs

Billions of dollars, year-end

# Growth of ETFs

- Non-1940 Act ETFs<sup>1</sup>
- 1940 Act ETFs<sup>2</sup>

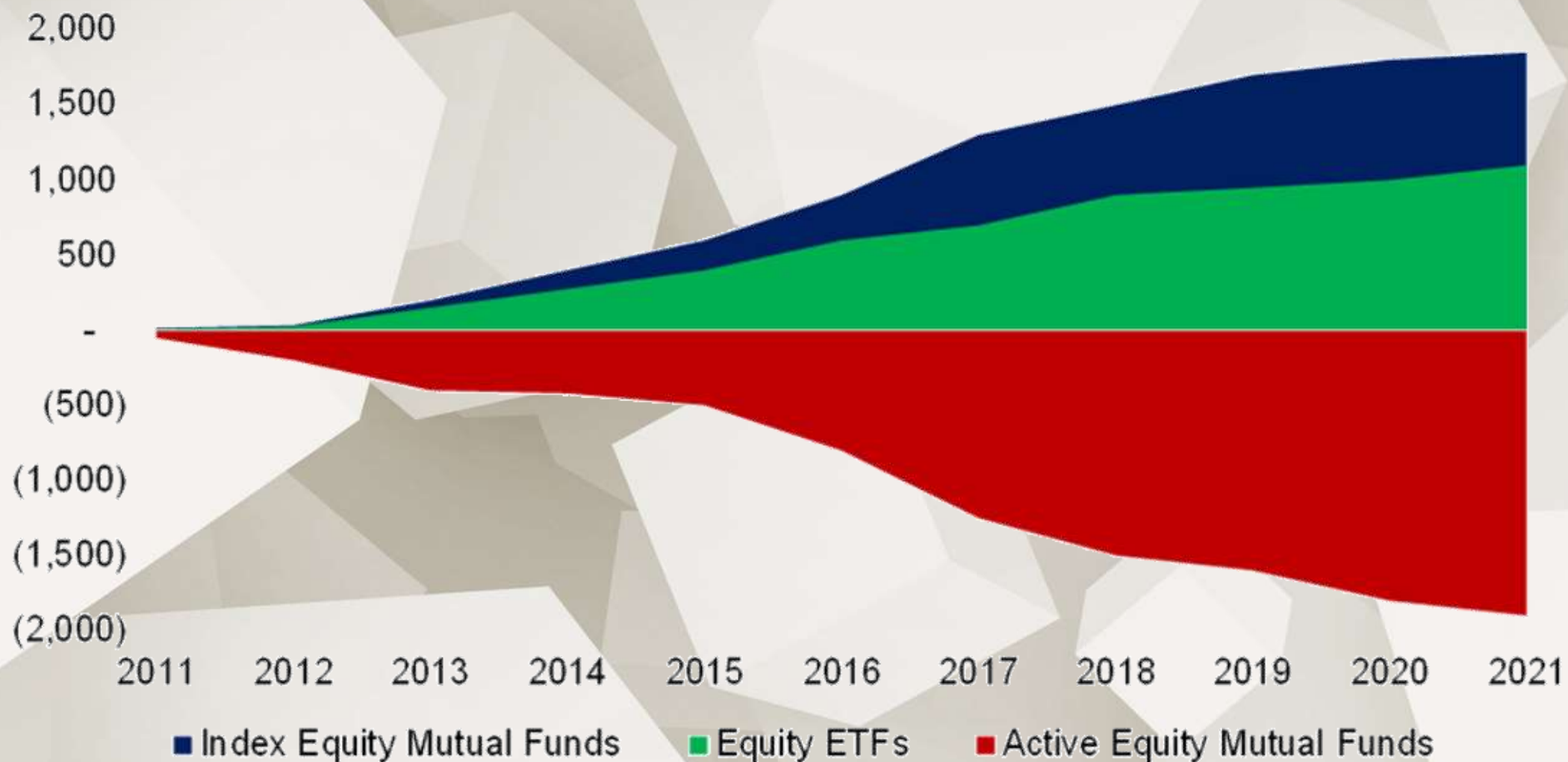


Source: Statista

## Number of ETFs

1,195    1,295    1,412    1,597    1,717    1,836    1,989    2,096    2,203    2,570

## The Rise of ETFs: US Equity Flows, in US Billions

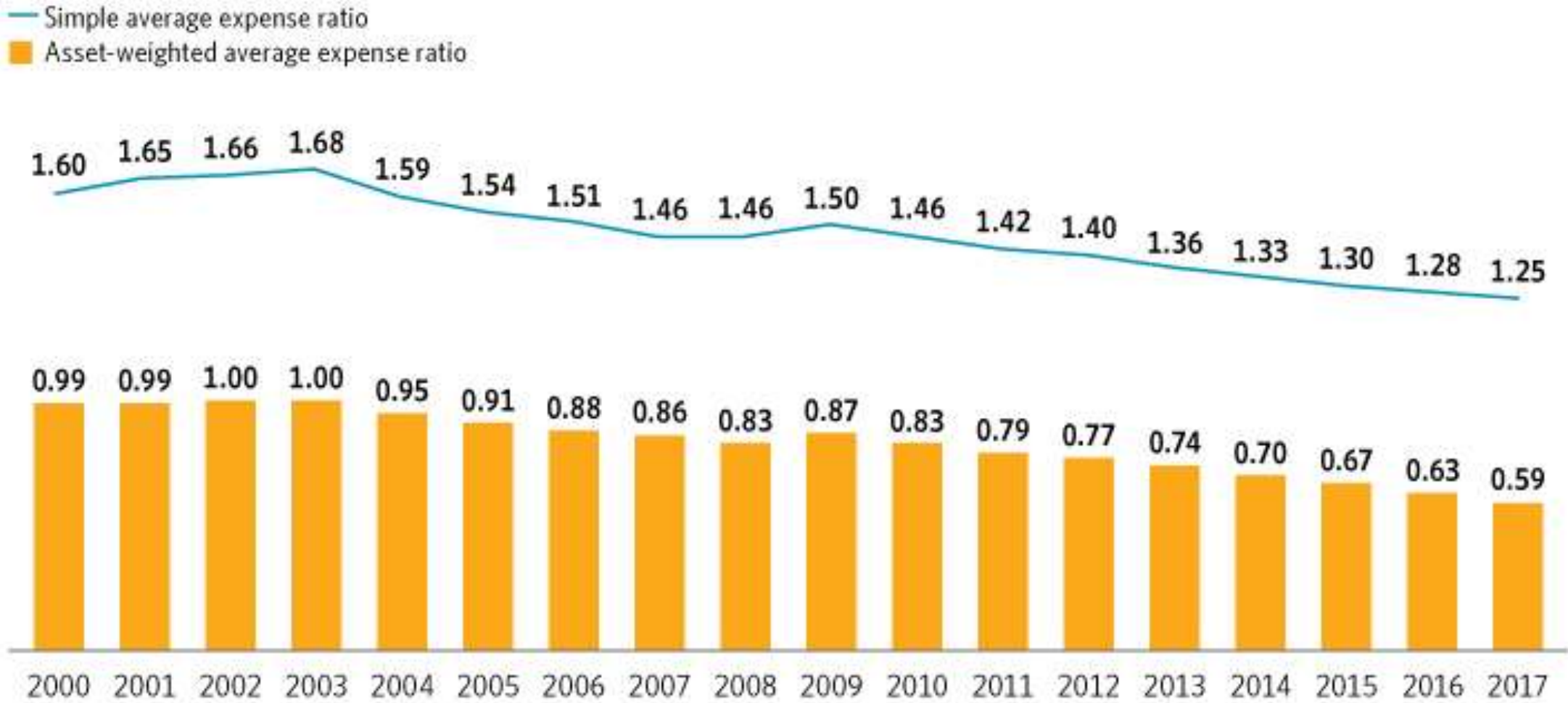


Source: Statista

Sources: ICI, FactorResearch



# Mutual Funds Expense Ratios



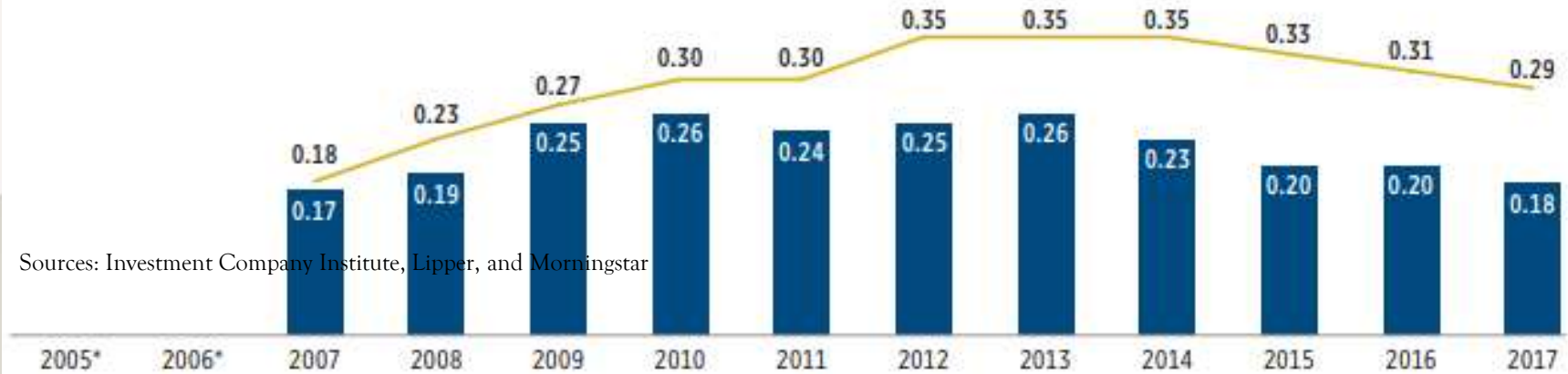
Sources: Investment Company Institute, Lipper, and Morningstar

# ETFs are Economical

Index equity ETFs



Index bond ETFs

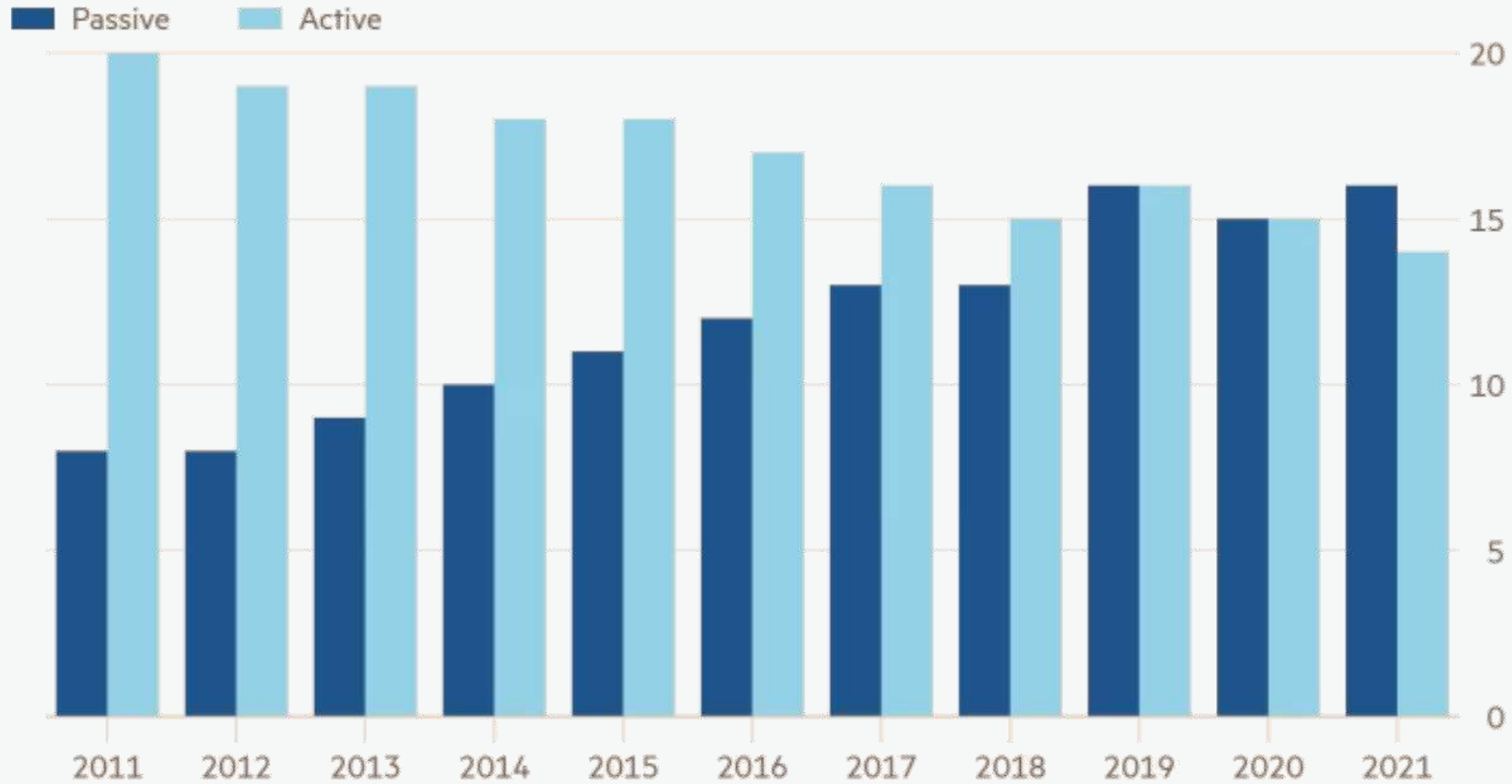


Sources: Investment Company Institute, Lipper, and Morningstar

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# Ownership of US stock market

Mutual funds and ETFs combined, year-end (%)



Sources: Investment Company Institute, World Federation of Exchanges

© FT

## Stocks have 0% expense ratios... why bother with ETFs?

- Cheaper way to achieve diversification
- Lower volatility
- No single-stock risk
- Economical and efficient way to trade basket of securities



# ETFs are Cheap to Trade

Custodian	Cost per ETF/Stock Trade	Cost per Mutual Fund Trade
Schwab	\$0	\$25.00 - \$49.99
Fidelity Institutional	\$0	\$49.95
TD Ameritrade	\$0	\$49.99

Fraction of the Cost

# ETFs are Transparent

Mutual Fund: Parnassus Endeavor Institutional (PFPWX)

Performance PFPWX		More...				
	YTD	1 Mo	1 Yr	3 Yr *	5 Yr *	10 Yr *
Growth of 10,000	11,398	9,476	9,736	13,596	16,404	39,652
Fund	13.98	-5.24	-2.64	10.78	10.41	14.77
+/- S&P 500 TR USD	-1.69	-5.13	-8.46	-2.29	0.09	0.59
+/- Category	-0.62	-5.01	-6.39	-0.50	2.02	2.05
% Rank in Cat	69	100	90	67	—	—
# of Funds in Cat	1,435	1,458	1,396	1,195	1,058	805

\* Annualized returns.

Data as of 06/07/2019. Currency is displayed in USD.

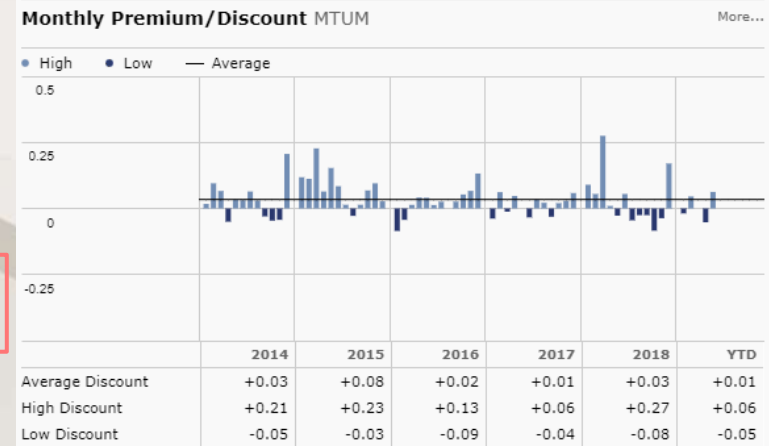
Performance: June 7  
Holdings: Apr 30

Top Holdings PFPWX		More...			
	Weight %	Last Price	Day Chg %	52-Week Range	
Applied Materials Inc	6.87	43.14 USD	3.93 ↑	28.79 - 51.59	
Micron Technology Inc	6.26	34.91 USD	2.79 ↑	28.39 - 62.55	
Lam Research Corp	5.31	191.17 USD	2.41 ↑	122.64 - 209.50	
⊕ Biogen Inc	4.93	228.40 USD	0.51 ↑	216.12 - 388.67	
⊕ Celgene Corp	4.83	95.29 USD	-0.78 ↓	58.59 - 97.07	
<b>% Assets in Top 5 Holdings</b>	<b>28.20</b>				

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Portfolio Date: 04/30/2019, Price data delayed 15 ~ 30 minutes

ETF: MSCI USA Momentum Factor (MTUM)



Performance: June 7  
Holdings: June 7

Top Holdings MTUM		More...			
	Weight %	Last Price	Day Chg %	52-Week Range	
⊕ Mastercard Inc A	5.13	266.10 USD	0.11 ↑	171.89 - 269.85	
⊕ Visa Inc Class A	5.05	170.82 USD	0.45 ↑	121.60 - 172.02	
⊕ Microsoft Corp	4.98	132.60 USD	0.91 ↑	93.96 - 134.08	
⊕ Procter & Gamble Co	4.92	108.72 USD	-0.05 ↓	75.39 - 109.38	
⊕ The Walt Disney Co	4.28	137.07 USD	-0.70 ↓	100.35 - 142.37	
<b>% Assets in Top 5 Holdings</b>	<b>24.37</b>				

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Portfolio Date: 06/07/2019, Price data delayed 15 ~ 30 minutes

# Why ETFs are more Tax-Efficient than Mutual Funds

Mutual funds are required to pass along any gains or losses to their shareholders (i.e., the investor) as capital gain distributions. These distributions occur at the end of the year for any capital gains generated during the year. These gains can be in the form of long- or short-term capital gain distributions depending on how long the mutual fund has held the underlying asset.

Exchange-traded funds are structured in a way to be tax efficient when these funds need to increase or decrease shares in response to investor demand. As a result, most exchange-traded funds do not have capital gain distributions that must be passed along to the investor at the end of the year.



# ETFs are Tax-Efficient

Mutual Fund XYZ: 10% return

*Portfolio Manager turned over 70% of portfolio  
(\$1bn AUM – traded \$700mm notional)*

5% Capital Gains  
Distribution

Owe Taxes on  
Capital Gains

ETF XYZ: 10% return

*Passive – nothing traded within basket*

No Distribution

Capital Gains  
Deferred



# What's the Catch?

MUTUAL FUNDS	EXCHANGE TRADED FUNDS (ETFs)
More expensive	Less expensive
Higher trading costs	Lower trading costs
Less price transparency	Highly transparent
Less tax-efficient	Tax-efficient
Actively managed	Passive



MUTUAL  
FUNDS

Risk  
Management

YOU / ADVISOR



*More expertise required*

# Variable Annuities

- Sub-accounts  
(Essentially Mutual Funds)
- Layers of Expenses
  - Commissions for advisor  
(4% to 7%)
  - Mortality (0.5% to 1.5%)
  - Administrative Fee (0.3%)
  - Investment Management  
Fees of Sub Accounts  
0.6% to 1.5%
- Surrender Fees (10% to  
20%), 7 years?



# Fixed Annuities

- Fixed Rate of Return
  - Does not Use Sub-Accounts
- Expenses
  - Commissions for Advisor (1% to 3%)
- Surrender Fees? (10 to 20%) 4 to 15 year lockup



# Index Annuities

- Uses an Index (like S&P 500) to calculate return  
Capped Rate of Return
  - e.g. 80% of market return)
- Commissions (6 to 8%)
- Protection against downside loss
- Does not include appreciation from dividends



# Pros of Annuities

- Many annuities help protect against loss
- Annuities allow you to have death benefits and specify beneficiaries
- Functions as forced savings



# Cons of Annuities

- Expensive, lots of costs
- Surrender penalties, money is locked up for long periods of time
- Can be complicated products
- Is there active management by the advisor?
- Annuitized income might not keep up with inflation





# This is Why Many People who Believe in CRYPTO Store their Assets Elsewhere. For Many, Crypto Is:

Control over Digital Assets

The Power of Decentralization

Independence from  
Institutions and Governments

PRIVACY



# Cryptocurrency And Privacy

## Symmetric encryption

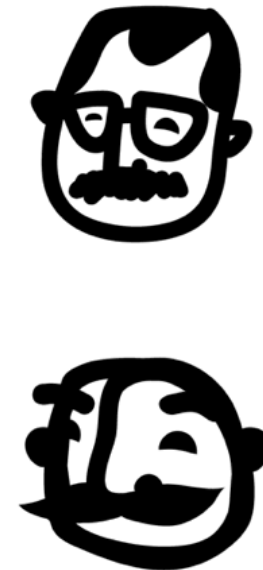
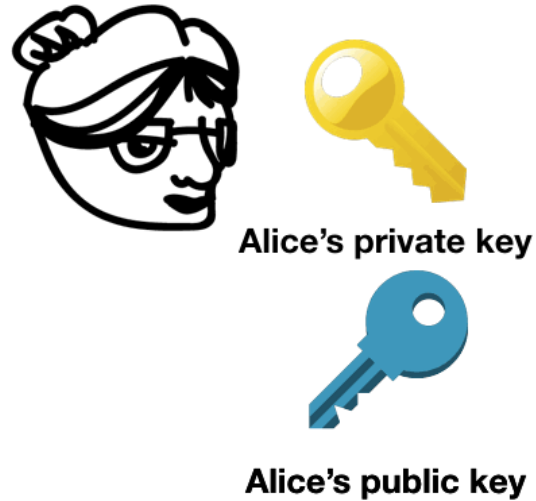


Secret key



# Cryptocurrency And Privacy

## Asymmetric encryption



# Cryptocurrency and Privacy

◆ Public Key  
is like a  
Venmo  
address



■ Private key is like the password for your Venmo account (what's used to sign the transaction)

Are there Cryptocurrency  
Custodians?





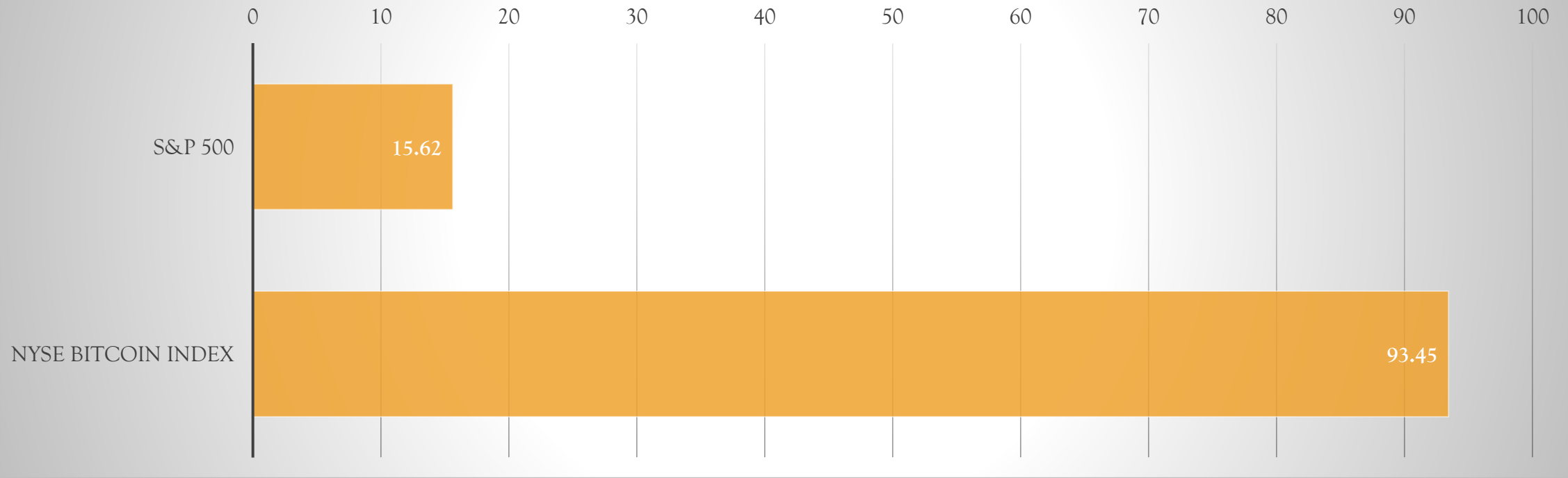


# How People Invest in Crypto

- Exchanges
  - Directly Hold cryptocurrency
    - Robinhood
    - Coinbase
    - Fidelity 401K
    - ~~Voyager~~
    - ~~Celsius~~
    - ~~FTX~~
- ETFs
  - In the US, SEC does not allow direct exposure to cryptocurrency. The ETFs is based on futures contracts of Bitcoin
- Hedge Funds



## Historical Annualized Standard Deviation (Monthly)



◆ Bitcoin is almost 6x more volatile than the S&P 500



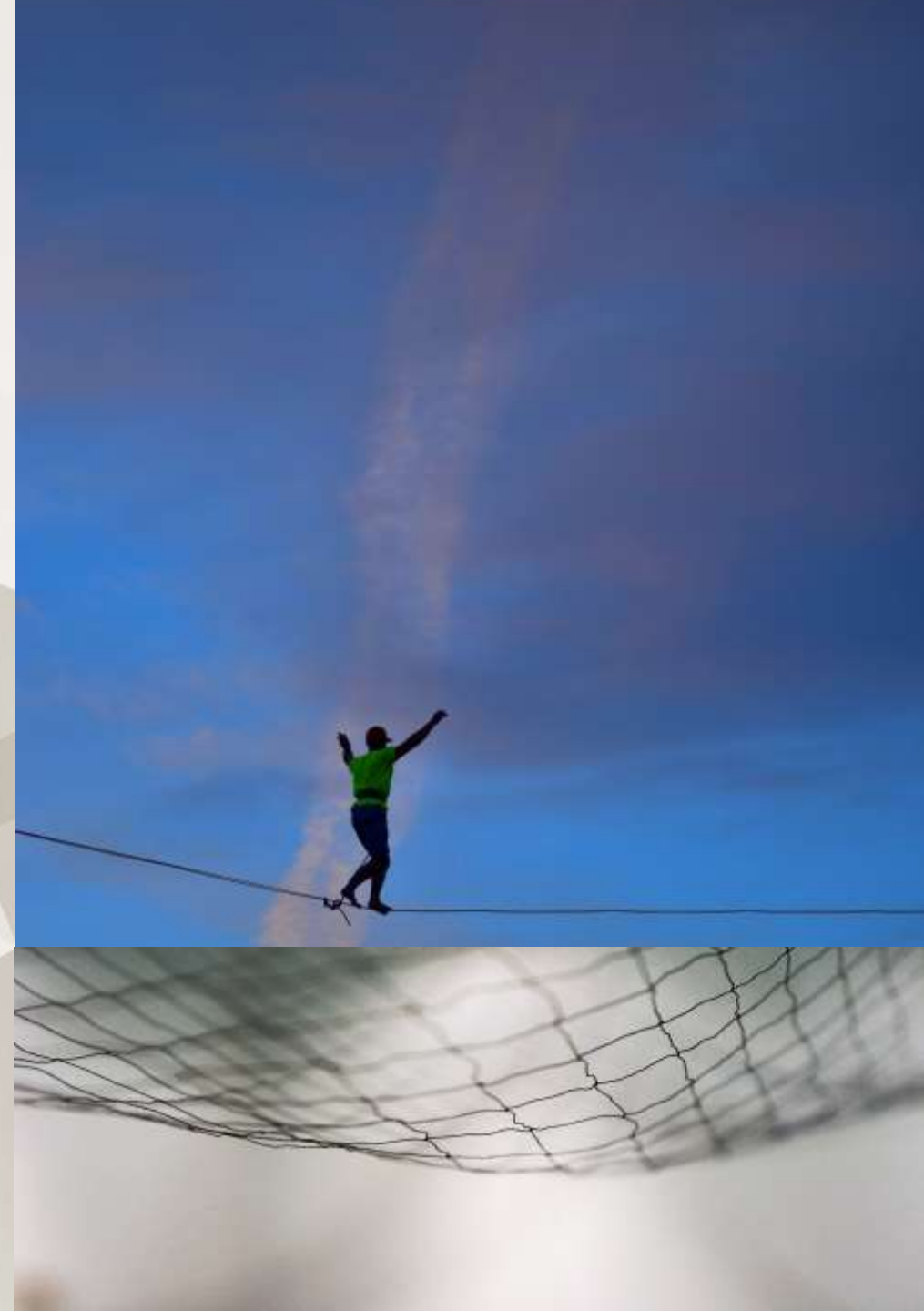
# Takeaways



Emotions of greed and fear can make things turn on a dime

# Takeaways

## Taking Risk vs Mitigating Risk



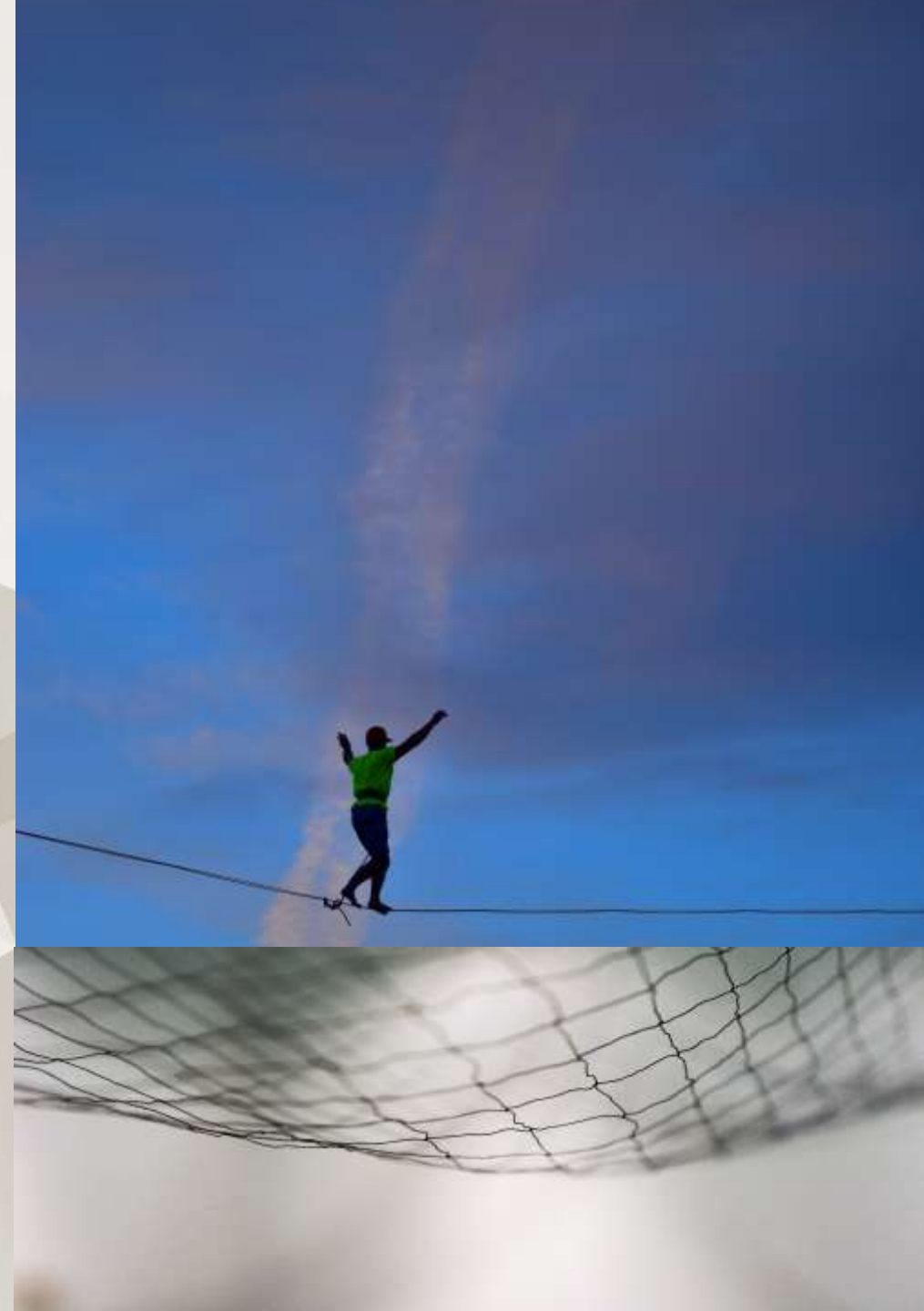
# Identify Some of Your Risks

- Longevity Risk
- Inflation Risk
- Market Risk



# Identify Ways to Mitigate Risk

- Longevity Risk
  - Budgeting
  - Utilization of Resources
- Inflation Risk
  - Make assets productive
- Market Risk
  - Diversification



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