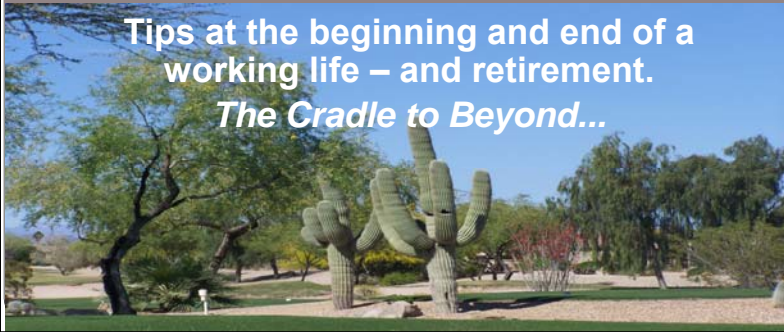


Basic Rules: Investing for a lifetime

Tips at the beginning and end of a
working life – and retirement.
The Cradle to Beyond...



Longer Lives Could Challenge Finances

- Millions of Americans are facing financial challenges as retirement approaches
 - Not enough saved
 - Not invested wisely—or at all
- We are living longer
 - Medical advances
 - Leading more active lives

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Longer Lives Could Challenge Finances

- Normal working lifetime = 40 years
- Retirement period approaching 40 years
- Living longer requires:
 - A more disciplined savings plan
 - Improved financial literacy
 - Adjustment in attitudes and behaviors
- Must visualize ourselves 20-30 years in future
 - We're bad at saving for the future because we're bad at imagining ourselves there

3

The “Participant” trophy

- We have raised a generation of no failures
 - Who has a “Participant” trophy???
 - Sorry... Failure happens—everyone doesn't “win”
 - We overvalue the present
 - We undervalue the future
- Saving incentives are ignored
 - Tax advantages – IRA and Roth IRA
 - Do not participate in 401(k)
 - Don't understand employer matching funds

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What About the Older Generation?

- If already retired—may have 25-35 years left
 - Portfolio needs to see growth
- If still working – your health is important
- Old allocation $(100 - \text{your age}) = \% \text{ stocks}$
- New allocation $(120 - \text{your age}) = \% \text{ stocks}$
 - Does that make any sense?
- Is an Annuity the answer?
 - Not inflation adjusted—a problem

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Purpose of this session:

THE YOUNG:

1. Save early and save often
2. Needs of a cash reserve
3. Life insurance—needed or not
4. The beginner—what to invest in
What to avoid/ignore

THE MATURE:

1. The experienced—what to invest in
What to avoid/ignore
2. Life insurance—needed or not
3. Think about your heirs
Talk with your family

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1. Save early and regularly

- Use automatic deductions from each paycheck
 - Save and invest at least 15% from each paycheck
- Take advantage of contributions from employer
 - Those contributions are FREE money
- Set up 401(k) or Roth IRA—or both

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2. Set aside a cash reserve

- 8 to 12 months a minimum – things happen
 - Consider a Money Market Account
 - FDIC insured
 - Best return may be available at online bank
 - See www.bankrate.com for best rates
- Credit Union – BECU
- Local small independent bank

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3. Life insurance: Young

- Are you the breadwinner
 - If not, no life insurance is needed
 - If so, use Term Insurance
 - Do not use “Whole life”
- Do not mix investments with life insurance
 - Keep them separate

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4. What to invest in: Beginner

- If you learn to invest
 - Equities—quality companies at a reasonable price
 - Beat the market averages
- No burning desire?
 - Invest in low cost equity Index funds or Index ETFs
 - Ask about cost—ask about cost
 - Why?

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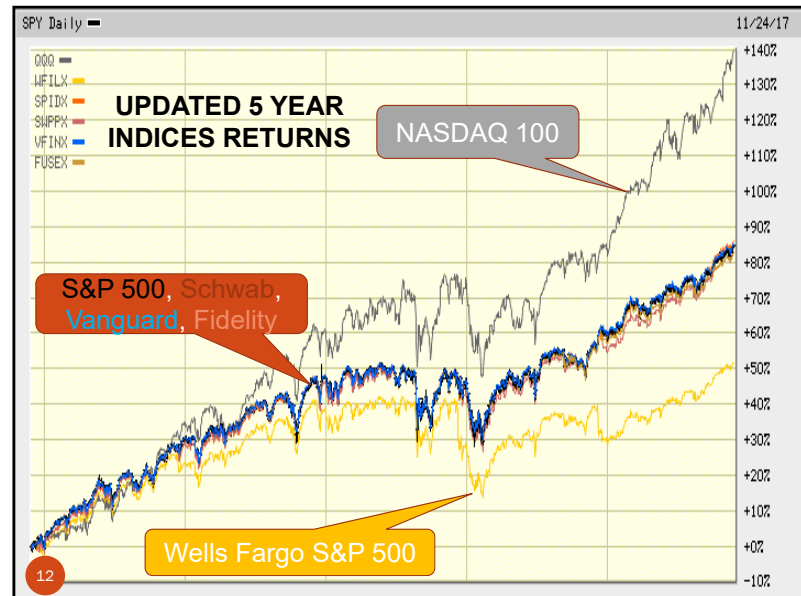
Not all index funds are created equal ^{offerings}

	Index 500 funds	Expense ratio	w/Load charges
Low cost	Fidelity Spartan*	0.07%	None
	Vanguard Admiral*	0.05%	None
	Vanguard Regular	0.18%	None
	T. Roe Price	0.35%	None

* Minimum Consider Charles Schwab at 0.03% holding period

High cost	Morgan Stanley	0.64%	1.40%
	Wells Fargo	0.64%	1.39%
	Evergreen	0.56%	1.31%
	J. P. Morgan	0.53%	1.30%

The Little Book of Common Sense Investing—Bogle p128



Not all index funds are created equal

“We have to wonder what allows the truly expensive funds to exist.”

Answer: Marketing and hype can be more influential than real data.”

Scott Burns – syndicated columnist

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Use low cost index funds/ETFs

- Low cost
 - Low fees
 - Low turnover – low taxes
 - Low trading fees
 - Reinvest dividends
 - Long-term investing
 - “Set and forget”

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ETF Index Fund Examples

Index	One Year %	Three Year %	Five Year %
NASDAQ (QQQ)	5.0	17.6	14.6
S&P 500	1.4	15.1	12.6
Russell 2000	-4.4	11.7	9.2
Total Stock Market ETF	0.4	14.7	12.6
Barclays U.S. Aggregate Bond	0.6	1.4	3.3

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As of 12-31-15

The Warren Buffett 10 year wager: (2008-2017)

- “No investment pro could select 5 hedge funds whose average would beat the S&P 500.”
- After 9 years: (\$1,000,000 invested)
 - Funds annualized gain: 2.2% (\$220,000)
 - S&P 500 annualized gain: 7.1% (\$854,000)

“The fund results for their investors were dismal—really dismal.” --Warren Buffett

Best 9 year fund total return: 62.8% -- worst: 2.9%

S&P 9 year total return: 85.4%

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The ETF – is a flash crash a danger?

- August 24, 2015
 - DJIA plunged 1,000 points (6.6%)
 - Some ETFs plunged 40% – **WHY?**
 - Trading was stopped on company(s) held in ETFs
 - ETFs could not be properly priced (momentarily)
 - In uncertainty - prices drop (Mr. Market panics—**high frequency trading**)
 - Result for the long term investor –
 - NOTHING!
 - Actually, a buying opportunity

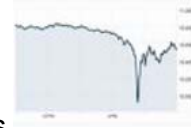


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The ETF – is a flash crash a danger?

- ETFs priced correctly shortly thereafter
 - Not priced correctly for minutes
 - Long term investor not even aware
- The Concern:
 - Psychological effect on investors
 - Is the market safe and fair
 - Perceived trading risks in ETFs
 - Does it affect long term investors?
 - **NO!**



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Something new: The Robo-Adviser

- Trust your retirement savings to a computer?
 - Wealthfront.com (0.25%)
 - Betterment.com (0.15%-0.35%)
 - Ellevest.com (caters to women)
 - Takes into consideration:
 - Goals
 - Timeline
 - Temperament
 - Asset allocation
 - Primarily invests in Index Funds and ETFs
- <http://www.consumerreports.org/cro/news/2015/08/do-you-need-a-robo-adviser-or-a-human-adviser/index.htm>
(See article in September 2016 Consumer Reports)

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1. What to invest in: Older/Experienced

- Are you spending capital?
 - Life expectancy: 95
 - 4% withdrawal rate
 - \$500,000 – (\$20,000 per year)
 - Will last 24 years without growth
 - Inflation (buying power) will eat away value
 - In 24 years—\$20,000 is equivalent to \$10,000
(Based on 3% inflation rate)

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How much do you need to retire?

- Realistic retirement tool at Fidelity

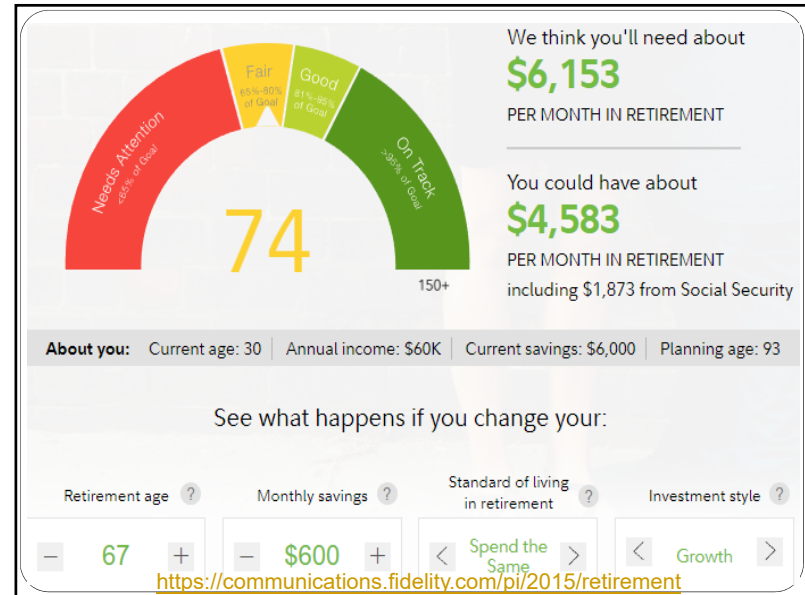
- Useful at any age

<https://communications.fidelity.com/pi/2015/retirement>

- Current age
- Annual income
- Current savings
- Retirement age
- Monthly savings

- Includes Social Security income

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Avoid all credit card debt—period!

All ages

- Credit card debt is VERY expensive
 - The interest rate can bury you financially
- Be careful with Debit cards—they're dangerous
- Don't jeopardize your future with present wants
- Pay off balance each month
 - If you cannot – do not use credit cards

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Ignore short-term fury of Mr. Mkt.

All ages

Mr. Market is not your friend

- Don't watch "CNBC"—financial magazines
 - Short term approach
 - The "lunch" special
 - After lunch is "long-term"
- Be cautions of "guru" advice/suggestions
 - Check them out on an empty stomach (Or keep a barf bag handy)
- Do the opposite of media advice

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Focus on major investment categories

All ages

- Equities
- Bonds
- Avoid:
 - Managed mutual funds
 - Bond funds
- Avoid:
 - “Exotics” – Stick with what you know
 - Venture capital
 - Private equity – non public companies
 - Hedge funds

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Ignore media stories—All ages

“Spectacular returns”

“Recommendations”

- The purpose of media:
 - Sell the story—not make you rich
 - What is spectacular this year—a dud next year
 - Note the lack of follow up stories
 - Everyone can get lucky on occasion
 - Goal: Make themselves sound good
 - Sell advertising to sponsors

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Children - Grandchildren

- Investments should be invested according to their age (Set up a Roth IRA as soon as they have income)
 - Instruct them in the importance of investing
 - Instruct them in how to invest (Index funds)
 - Match their contribution
- Hold a family meeting
 - Explain your desires – when to pull the plug, etc.
 - Talking about money is OK

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2. Live Insurance: Mature

- Are you the breadwinner
 - If not, no life insurance is needed
 - If so, use Term Insurance
 - Do not use “Whole life”
- Do not mix investments with life insurance
 - Keep them separate

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3. Write a letter to your family

- Who is your investment account contact
- How are your everyday bills paid
 - Checking/saving account information—acct. numbers / passwords
 - Credit cards and contact information
- Mortgage and loan due dates how paid etc.
- Real Estate taxes—how paid & contact info.
 - Parcel number(s)
- Past 3 years income tax forms
 - Where to find them

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3. Write a letter to your family

- Insurance policies and contact information
 - Life, Health, Long Term insurance
- Location of Will, Trust, Health POA, Financial POA, Safety deposit box, vehicle titles
 - Give Financial POA to your health insurance co. & Dr.
- Computer passwords, etc.
- What is to be done with your body
- You get the last word

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Write a letter to your family

HOME About Analyze Banks Analyze AnnRpt Annualize Portfolio Technical Tools Misc Tools

Class Handouts & Info Mutual/Index Fund Retirement Calculator

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PAGES

- Bob's Speaking Topics
- Book Recommendations
- Class Handouts & Info
- Help for Club Officers
- Misc Tools & URLs
- Mutual/Index Fund
- Retirement Calculator
- Technical Tools

Welcome to Bobsite...

Posted on October 12, 2017



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Letter to my heirs: (each box will expand to accommodate comments and information) Attach this form to your letter

Where a hard copy of records can be found, last three years 1040 income tax forms, Health POA, Financial POA, Trust

Social Security number and birth date (both if married)

If a veteran—service number and where discharge form is located

ASSETS:

Real Estate and where deeds are located

Automobiles and where titles are located

Jewelry, art, etc. and location

Other assets

LIABILITIES:

Mortgage, how paid, where paid, and contact information

Other debt—with contact information

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LIABILITIES:
 Mortgage, how paid, where paid, and contact information

 Other debt—with contact information

OTHER INFORMATION:
 Life insurance policies, location of policies, and contact information

 Bank account, brokerage account, etc., account number, and contact information

 Credit cards and contact information

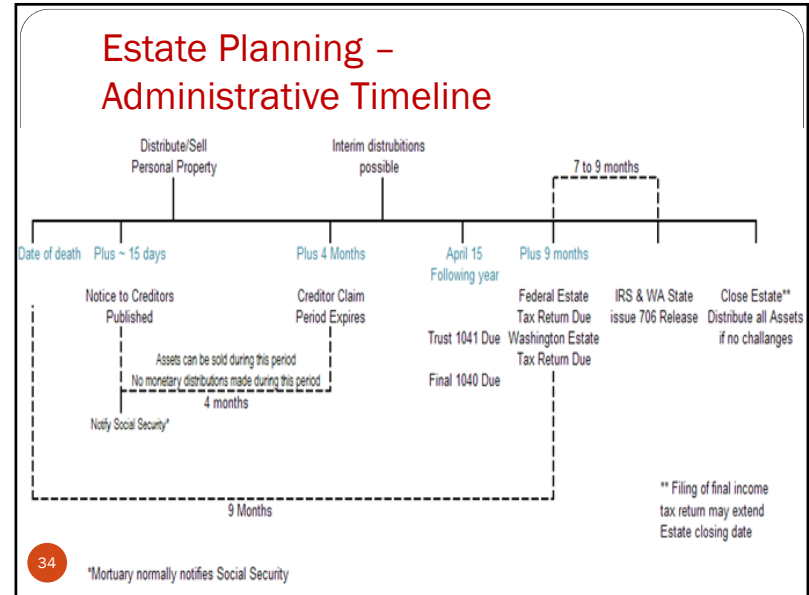
 List how bills are paid—List those paid via credit card, automatic checking account, etc.

 User ID and Password for computer access to accounts

Have you given money to heirs? (Compensate so all receive equal amounts)
 Compensate by giving each \$100,000 minus the amount previously received. Balance of inheritance is divided equally.

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- ### The closing argument
- Invest for today—
 - Be prepared for a rainy day
 - Invest for tomorrow—
 - Be prepared for a sunny day
 - Prepare your family for the future
 - Will
 - Trust (avoids Probate which can be costly—and can delay closing of estate)
 - Health POA
 - Healthcare Directive
 - Financial POA (caution advised)
- 35

- ### Very Important Documents – Suze Orman
- \$90 - or purchase via local PBS station
 - \$74 at Home Shopping Network (HSN.com)
 - Will
 - Revocable Trust
 - Health POA
 - Financial POA (caution advised)
- <http://www.suzeorman.com/index.php/books-kits/collections-and-kits/must-have-documents/>
- Easy to use
 - Update at any time at no additional cost
 - Designed for the State in which you live
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The End is Near

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