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Investing Concerns in a Fragile Market

WHERE COMMUNITY HAPPENS

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WE WOULD LIKE TO WELCOME YOU TO TODAY'S WORKSHOP

Thank You for joining us!

Our hope today is to provide you with some valuable information, have some fun, and enjoy this next hour.

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SOFA the organization, does not offer to sell financial products nor promote any one particular company. Though the presenter may mention specific financial instruments and their functionality, SOFA's role is only to educate and inspire. SOFA only represents the educational workshop – all other endorsements are non-SOFA related.
Nationwide Non-Profit Educational Speakers Bureau
501(c)(3), Public Benefit Corporation
Been around since 1993
Mission: To end financial illiteracy across America, one community at a time.

EVALUATION FORM
Please review this form, and be prepared to hand it in at the end of the workshop.

The backside is to be used for any specific questions and feedback.

Common Repetitive Investor Scenarios
- When the market is down, your share price has dropped but your number of shares has remained the same or increased (through capital gains and dividends reinvested).
- In order to declare a taxable loss or gain, the investor must "act" on his/her account - sell.
- However, if your account has dropped in share price and you have not sold the investment… the account value is just "down".
- Buying when the market is down is almost always a wise decision.
- When you switch, move or re-allocate your money within your portfolio, you are "acting" by selling the existing shares and probably purchasing new shares in a different account. If the account you sold shares from is down, you are declaring a loss and hoping what you switched to will bounce back!
Rules of The Game

- Income is what we earn
- Wealth is what we keep
- Taxes take away
- Debt keeps us from the opportunities of wealth accumulation
- Our "behavior" toward our finances create our money handling habits which puts us "in" or takes us "out" of the game

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The Game

- Increase wealth through accumulation
- Reduce taxes and stay ahead of inflation
- Use diversification to lower risk and enhance returns
- Build a plan with a solid financial strategy
- Having enough money to live your life with options

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The Game, cont.

- Time Frame - short, mid and long term
- Tax Consequences - going in, coming out
- Diversification/Asset Allocation - lower risk, enhance returns
- Liquidity - at least to some degree (life happens!)
- Ability to have long term perspective - don’t panic!
- Not becoming sentimental - holding on too long

The "Big 3" investing tenants:
- Buy Low
- Sell High
- Hold when in doubt

Having a specific investment plan and knowing what each choice is supposed to do.

Forget the mob! Stick to your plan.
Key Ingredients to Your Investment Cake

Fact: Market declines happen. There have been a number of bear markets over the past 50 years. However, the overall long-term trend has been up.

Opinion: Sometimes corrections are good for the market. Corrections, though painful for those who own the market, can usually be seen as healthy for the market in the long run.

Note: Most often the market’s subsequent reaction will vary, but share prices will often recover or move to new highs in the long run.  As long as the fundamentals remain intact, the market will often move up again.

Fact: Market declines happen. There have been a number of bear markets over the past 30 years; however, the overall long-term trend has been up.

Opinion: Sometimes corrections are good for the market. Corrections, though painful for those who own the market, can usually be seen as healthy for the market in the long run.

Note: Most often the market’s subsequent reaction will vary, but share prices will often recover or move to new highs in the long run. As long as the fundamentals remain intact, the market will often move up again.

Nothing is Perfect - S&P 500

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio nor do indices represent results of actual trading. Performance is historical and does not guarantee future results.

Source – LPL Financial Research

Let’s Examine a Few Facts

Fact: Market timing doesn’t work. In an ideal world, we would all “time the market” and “pick the winners” by pulling out money when it peaked and would be investing again at the bottom. This is extremely difficult to accomplish. Why? Because we only know the peaks and the valleys in hindsight. We only know which investments were winners in hindsight.

Opinion: Staying invested and sticking to a planned Asset Allocation model has historically beat timing hands down.

* Asset Allocation and Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses. * Past performance is not a guarantee of future results.

Asset Allocation is the key determinant in a portfolio’s long-term growth.
Let's Examine a Few Facts

Fact:
Many of us find it difficult to invest when the market is down. This impedes our accumulation planning goals. Based on market turmoil and media hype, we choose to stay on the sidelines waiting for the "right time" to invest.

Opinion:
A systematic investment plan—"Dollar Cost Averaging"—may be one of the best strategies for dealing with market volatility. Whereas waiting for the right time may be a poor strategy because only in hindsight we know when the right time really was.

1. You can formulate a long-term plan
   1. How much to invest
   2. How often
   3. Into which investments

2. Allows you to invest regularly, without agonizing over the decision each time you purchase shares.

3. By "Dollar Cost Averaging" you end up with an average price per share that is lower than the average share price over your investment period.

*Dollar Cost Averaging does not ensure a profit or protect against a loss. Such a plan involves continuous investments in securities regardless of fluctuating price levels of such securities; you should consider your financial ability to continue the purchase through periods of low price levels.

Example: Dollar Cost Averaging

A non example of Dollar Cost Averaging

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This approach has three major benefits:

- **Cost averaging**
- **Avoiding market peaks and valleys**
- **Dollar cost averaging** helps in reducing the risk of investment.
Let's Examine a Few Facts

Technical Analysis
- Focus on supply and demand
- Relies on timing
- Looks at market trends
- Studies past pricing and sales volume (trading activity)
- Emphasis on "Market" influence rather than "Economic" data

Fundamental Analysis
- Emphasis on "Economic" data
- The BIG 3 of a company's health: productivity, profitability, earning potential

*All Technical Analysis and resulting conclusions and observations are based upon historical patterns. Therefore, observations are a function of each analyst's interpretation and also a function of mathematical probabilities. There is no assurance that these movements or trends can or will be duplicated in the near future. Technical Analysis and Fundamental Analysis cannot guarantee a profit or protect against risk or loss in periods of declining values.

When the Stock Market Is In A Decline

Do
- Evaluate specifically how each investment has performed as a result of the stock market decline. Compare performance of each security to its peers.
- Selectively sell some of your losers along with some of your winners if you need to raise your cash assets in the near term.
- Continue to rebalance* your portfolio if your asset allocation weightings have been altered significantly due to stock market volatility.
- Continue to monitor economic news for any fundamental change in the direction of the U.S. economy. You may want to reallocate some of your investments to better accommodate a change in these fundamentals.

*Please note that rebalancing investments may cause investors to incur transaction costs and when rebalancing a non-retirement account, taxable events will be created that may increase your tax liability. Rebalancing a portfolio cannot assure profit or protect against a loss in any given market environment.

When the Stock Market Is In A Decline

Don't
- Panic. The stock market often has declined significantly, but has usually continued upward throughout history.
- Sell all your investments at the time the market declines. This will only ensure that you realize the loss immediately. Remember the old Wall Street cliché: 'Sell into strength, not into weakness.'
- Jump into the stock market with all your available cash hoping the market has hit it's bottom. You may be wrong as the stock market continues to decline. Use dollar cost averaging.
- Listen to the Wall Street pundits about the short term direction of the stock market. They are often wrong about their predictions. Remember they sell news. It's your money at risk, not theirs.

*Past performance is not a guarantee of future results.
*Please note that individual situations can vary. Therefore, the information presented today should be coordinated with individual professional advice.
Please take a moment to complete. I will be collecting these in a moment. If you need a pen, please let me know.

Thank you for your valuable time today.