

Why and How AAI Can Help Your Lifetime Investing

Ryan Reeh



American
Association of
Individual
Investors

★ Who Am I? Why Am I Doing This?

- I put together the annual AAI Investor Conference (hope to see you in Las Vegas this year!)



- I support local chapters by working on new projects and resources

A screenshot of the AAI Meeting Submittal Form website. It includes a search bar, a "GO" button, and a "REVIEW" button. Below the search bar are radio buttons for "Exact phrase", "All words", and "Any word". The main content is a table of meeting submissions.

| Meeting ID | Meeting Date | Day of week | Meeting Chapter (C) | Meeting Location (*) | Meeting Speaker | PDF | Status | VIEW | EDIT | COPY |
|------------|--------------|-------------|---------------------|----------------------|-----------------|-----|-------------|------|------|------|
| 3794 | 08/10/2017 | Thursday | columbia | | John G | | In Progress | VIEW | EDIT | COPY |
| 3795 | 08/10/2017 | Thursday | columbia | | | | Published | VIEW | EDIT | COPY |
| 3796 | 08/10/2017 | Thursday | columbia | | John I | | In Review | VIEW | EDIT | COPY |



- My son, Noel Reeh



Why Should You Care About Your Finances?

POLITICO @politico · 10h
Analysis: Millennials should be willing and able to work longer than their parents and grandparents did



Millennials and retirement: How bad is it?
Today's young adults are falling behind but there's a way they can catch up.
politico.com

1.6K 215 383

Social Security now running a deficit

Medicare will become insolvent in 2026, U.S. government says

Americans Haven't Saved Enough for Retirement. What Are We Going to Do About It?

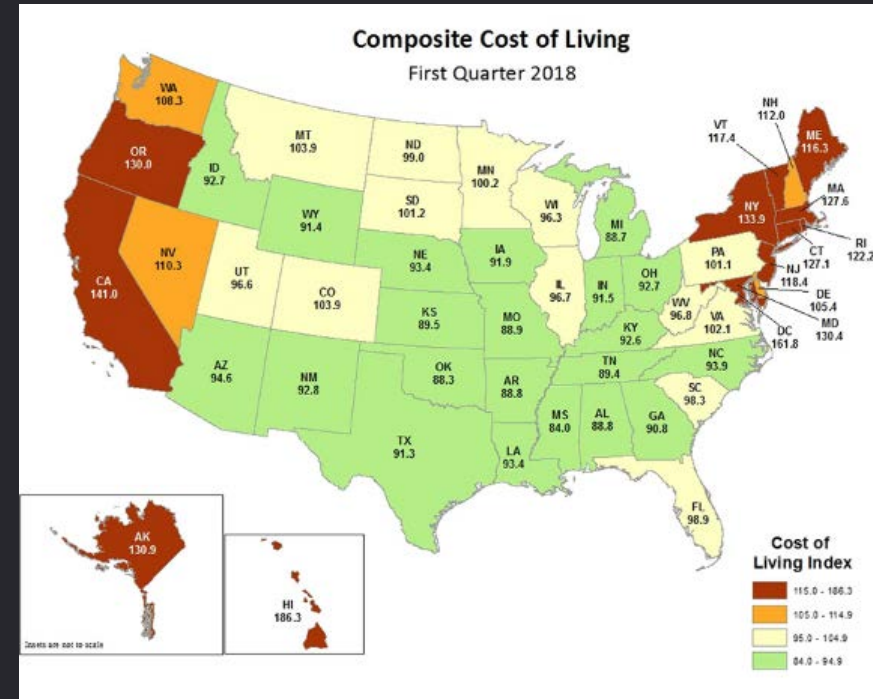
Why people aren't feeling the strength of the economy

The No. 1 threat to the global economy is a potential financial market crash



Why Should You Care About Your Finances?

- Depending on where you live in the U.S., the cost of living is quite high (Note: Oregon ranks 7th on this ranking!)
- Paying a financial adviser (or broker) can be expensive with fees and the quality of the advice you get will vary greatly
- Understanding how to manage your money and how to save money can help you reduce financial stress, eliminate debt, avoid living paycheck to paycheck, retire on your own terms, and let you achieve the goals you set yourself





Why Should You Care About Your Finances?

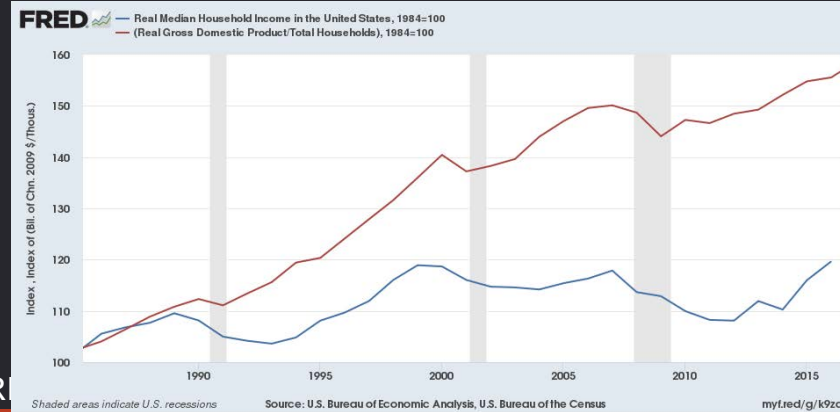
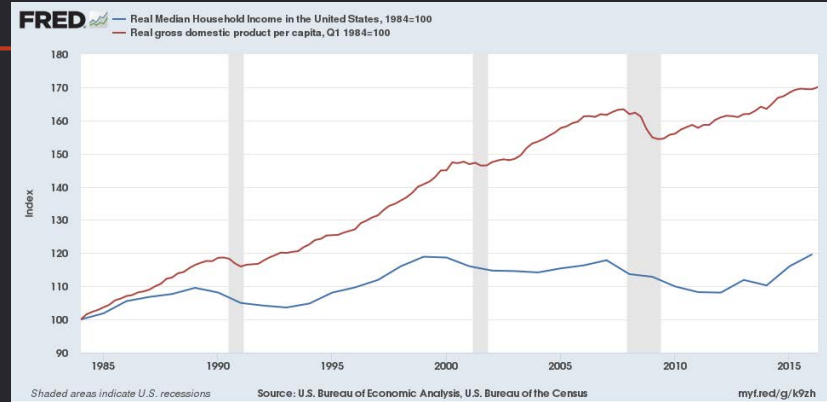
- These graphs show two often-reported series that look at income adjusted for inflation and population: real median household income and real per capita GDP. The red and blue lines should be similar in an environment where rising GDP means people are getting more income, but they're not.
- The U.S.'s GDP (the broad indicator for a nation's overall economic activity) has been improving, but the money the average American household brings in has not gone up as much as it should.
- Americans are not making as much as we

source did

Source: 1. Federal Reserve Bank of St. Louis (December 1, 2016). FR

household income. <https://fredblog.stlouisfed.org/2016/12/the-puzzle-of-real-median-household-income/>.

Accessed June 12, 2018. 2. Neil Irwin (September 17, 2014). ["You Can't Feed a Family With G.D.P."](#) *The New York Times*. Accessed June 1, 2018.





But Isn't This Risky?

- The stock market is not as risky as generally thought!
 - So why do we all know people who have lost money in the market?
1. The market is risky for the short-term investor. A one-year investor on average would lose a portion of wealth about a quarter of the time
 2. There are a great number of investors “playing the market”: making large, short-term profits by trading their portfolios regularly or by trying to predict short-term market swings. More than half of these speculators will lose money, even with the overall upward market trend
 3. Many investors do not diversify. Thus, they take on more risk and incur more losses than the market as a whole.
- The goal of any strategy is to mitigate risk as much as possible; AAll’s data show long-term perspective helps investments

Time Frame and Losses (1926–2017)

| Holding Period (Years) | Percentage of Holding Periods That Resulted in Losses | | | | |
|------------------------|---|--------------|-----------------|-------------------|---------|
| | S&P 500 | Small Stocks | Corporate Bonds | U.S. Gov't. Bonds | T-Bills |
| 1 | 26% | 30% | 21% | 26% | 0% |
| 3 | 17 | 23 | 9 | 10 | 0 |
| 5 | 14 | 14 | 3 | 7 | 0 |
| 10 | 5 | 2 | 0 | 1 | 0 |

The table includes all possible holding periods for the time periods indicated over the past 92 years. For instance, the 3-year holding period includes 1926 through 1928, 1927-1929, 1928-1930, etc. Purchases are made at the beginning of the year and held through the time period indicated. The table indicates the percentage of times the holding period return would have been negative.

Source: Roger G. Ibbotson and Duff & Phelps, “2018 Stocks, Bonds, Bills, and Inflation Yearbook” (Duff & Phelps, 2018).

Long-Term Returns (Through Year-End 2017)

| | S&P 500 | Small Stocks | Long-Term Corporate Bonds | Long-Term Gov't Bonds | Treasury Bills | Inflation (CPI) |
|--|----------|--------------|---------------------------|-----------------------|----------------|-----------------|
| AVERAGE ANNUAL COMPOUND RATES OF RETURN (%) | | | | | | |
| Last 10 Years | 8.5% | 9.4% | 7.8% | 6.1% | 0.6% | 1.6% |
| Last 20 Years | 7.2% | 10.0% | 7.3% | 7.1% | 1.9% | 2.1% |
| Last 30 Years | 10.7% | 12.1% | 8.4% | 8.2% | 3.1% | 2.5% |
| Last 40 Years | 11.8% | 13.8% | 8.8% | 8.5% | 4.6% | 3.5% |
| Last 50 Years | 10.1% | 12.1% | 8.2% | 7.9% | 4.8% | 4.0% |
| GROWTH: WHAT \$1 INVESTED WOULD HAVE GROWN TO | | | | | | |
| Last 10 Years | \$2.26 | \$2.46 | \$2.12 | \$1.81 | \$1.06 | \$1.17 |
| Last 20 Years | \$4.02 | \$6.73 | \$4.09 | \$3.94 | \$1.46 | \$1.52 |
| Last 30 Years | \$21.11 | \$30.77 | \$11.24 | \$10.64 | \$2.50 | \$2.10 |
| Last 40 Years | \$86.63 | \$176.07 | \$29.18 | \$26.13 | \$6.04 | \$3.96 |
| Last 50 Years | \$122.85 | \$302.19 | \$51.45 | \$44.78 | \$10.42 | \$7.11 |

Annual returns and growth figures include dividends and/or interest, but exclude taxes and transaction costs.

Source: Roger G. Ibbotson and Duff & Phelps, “2018 Stocks, Bonds, Bills, and Inflation Yearbook” (Duff & Phelps, 2018).



Confused About What All That Meant?

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PANIC**



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Actual Portfolio Shadow Stock Holdings as of 4/30/2015 Last Updated: 5/1/2015

| Company (Ticker) | Current Price (\$) | 12 month High (\$) | 12 month Low (\$) | Market Cap (B) | P/B Ratio | P/E Ratio | 10Y Return (%) | Div Yield (%) | Div Payout Ratio (%) | Sector |
|---|--------------------|--------------------|-------------------|----------------|-----------|-----------|----------------|---------------|----------------------|-----------------------------|
| Aerco Corporation (AEE) | 91.00 | 97.80 | 72.00 | 650.0 | 10.2 | 15.4 | 14.7 | 2.4 | 18 | Chemicals |
| Aeva Public Funds Ltd (AEL) | 2.68 | 3.05 | 1.92 | 10.1 | 2.1 | 3.1 | 3.50 | 0 | 0 | Investment Management |
| Adiabix Inc. (ADIX) | 9.70 | 14.50 | 2.80 | 47.0 | 10.0 | 13.2 | 13.2 | 0.4 | 4 | Biotechnology |
| A V Home Inc. (AHOM) | 21.25 | 28.50 | 14.00 | 474.0 | 10.0 | 11.1 | 11.1 | 3.3 | 33 | Homebuilding & Construction |
| Beacon Power USA Inc. (BPOW) | 15.50 | 20.20 | 11.90 | 521.0 | 10.0 | 8.82 | 14 | 0 | 0 | Energy |
| Big 5 Sporting Goods Corporation (BSGS) | 8.58 | 14.65 | 6.35 | 175.0 | 20.0 | 8.80 | 80 | 0 | 0 | Retail |
| Comcast Spectra Corp. (SPECT) | 9.30 | 14.60 | 5.50 | 409.0 | 10.0 | 14.2 | 14 | 0 | 0 | Media & Entertainment |
| CPI International Inc. (CPII) | 10.75 | 16.80 | 7.50 | 80.0 | 10.0 | 12.5 | 71 | 0 | 0 | Technology |
| CSX Industries Inc. (CSX) | 17.82 | 26.20 | 16.00 | 155.0 | 10.0 | 8.81 | 0 | 0 | 0 | Transportation |
| Globe Acquisition (GLAC) | 14.90 | 23.47 | 14.90 | 136.0 | 10.0 | 10.00 | 100 | 0 | 0 | Investment Management |
| Guinness Industries (GUIS) | 34.68 | 35.05 | 23.00 | 384.7 | 18.4 | 1.80 | 0 | 0 | 0 | Food & Beverage |
| Green Inc. (GRIN) | 18.70 | 23.80 | 14.00 | 477.0 | 14.0 | 10.00 | 0 | 0 | 0 | Technology |
| Industrial Industries Inc. (IIII) | 38.68 | 47.70 | 24.74 | 600.0 | 14.0 | 17.00 | 0 | 0 | 0 | Technology |
| Initiator Energy Company (INEC) | 7.90 | 8.40 | 4.70 | 330.7 | 2.2 | 8.84 | 0 | 0 | 0 | Energy |
| Middlefield Petroleum Corporation (MPC) | 48.00 | 62.70 | 35.00 | 180.7 | 17.0 | 2.30 | 0 | 0 | 0 | Energy |

Commentaries
Articles Available in the Model Shadow Stock Database as of 5/1/2015
May 2015
Articles on the Model Shadow Stock Portfolio and a Stock April 2015
MEMBERSHIP THE NEWS FROM THE LAST WEEK
January 2015
Social Studies and Risk Classes in Model Shadow Stock Portfolio
November 2014
Daily News Stocks Added to Model Shadow Stock Portfolio
October 2014
LAWRENCE: THE NEWS AS NEW ADDITIONS TO MODEL Shadow Stock Portfolio
April 2014
MEMBERSHIP THE NEWS FROM THE LAST WEEK
April 2014
New Additions to Model Shadow Stock Portfolio This Week
January 2014

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Site Highlights

- Screen Strategy
- Model Performance
- Delta Model
- Contrarian Market Stock Screen
- AAll Low Volatility Strategy
- ESG

Stock Performance Table

| Stock | 1Y | 3Y | 5Y | 10Y | 15Y | 20Y | 25Y | 30Y | 35Y | 40Y | 45Y | 50Y |
|---|-------|-------|-------|-------|-------|------|-----|-----|-----|-----|-----|-----|
| 1. Microsoft (MSFT) - The world's largest software company | 22.7% | 6.9% | 11.9% | 10.2% | 22.7% | 1.5% | | | | | | |
| 2. Apple (AAPL) - The world's largest technology company | 24.4% | 10.7% | 7.6% | 12.6% | 8.9% | 5.6% | | | | | | |
| 3. Amazon (AMZN) - The world's largest e-commerce company | 14.3% | 6.6% | 4.2% | 3.2% | 12.7% | 2.3% | | | | | | |
| 4. Facebook (FB) - The world's largest social media company | 13.5% | 3.2% | 4.8% | 4.6% | 8.1% | 2.5% | | | | | | |
| 5. Alphabet (GOOGL) - The world's largest search engine company | 9.2% | 26.5% | 17.7% | 19.6% | 14.7% | 2.4% | | | | | | |
| 6. Netflix (NFLX) - The world's largest streaming service company | 7.6% | 13.5% | 13.4% | 4.4% | 7.9% | 1.2% | | | | | | |
| 7. UnitedHealth Group (UNH) - The world's largest health insurance company | 7.5% | 6.7% | 2.7% | 3.9% | 7.1% | 1.0% | | | | | | |

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for Individual Investors like you.

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- ROBERTA'S INVESTING** - Contradictions and Ales in Retirement
- JOHN BALDWIN'S** - Contradictions in How to Follow the Lead of the Market

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- Asset Allocation Models: Basic guide designed to help you building a portfolio appropriate for your risk <https://www.aai.com/asset-allocation>
- Beginning Investor Series: Coverage of basic investing topics from the *AAI Journal* archives <http://www.aai.com/journal/category/beginning-investor>
- AAI.com Site Search: Locate investing articles on any many investing topics <http://www.aai.com/search>





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- **Offer valid through October 15, 2018 while supplies last!**

THANKS!

ANY QUESTIONS?

You can find me at:

- rreeh@aaii.com

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