


# Investing Concerns in a Fragile Market



THE SOCIETY FOR FINANCIAL AWARENESS

**WHERE COMMUNITY HAPPENS**

 Elbert T Chester CPA/PFS, CFP

 1-844-291-2722

 [www.etc-cpa.com](http://www.etc-cpa.com)



# 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.





**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. I will be picking these up at the end of the workshop.

Do note – the backside is to be used for your specific questions and issues.



## EVALUATION FORM

Name : _____	
Today's Seminar Topic : _____	
Residency (City, State, Zip): _____	
Date : _____	
What was most enlightening about this presentation and/or what could I have done differently to enhance your learning experience?	
What future financial topics would you like to have presented going forward?	<input type="checkbox"/> Investing <input type="checkbox"/> Retirement <input type="checkbox"/> Tax Planning <input type="checkbox"/> Saving Strategies <input type="checkbox"/> Real Estate & Estate Planning <input type="checkbox"/> Financial Behavior <input type="checkbox"/> Health & Wellness <input type="checkbox"/> Other <input type="checkbox"/> College Planning <input type="checkbox"/> Mitigating Risk/ Insurance Planning
Would you like to take advantage of a Complimentary Consultation?	<input type="checkbox"/> Yes <input type="checkbox"/> No Phone: _____      Best time to call: _____ Email: _____
Like to share SOFA? What Group/Organization are you affiliated with that might enjoy a SOFA Presentation?	

Any interaction outside of this educational event is non-affiliated with "SOFA" - The Society for Financial Awareness. SOFA encourages all seminar attendees who have questions, needs or concerns to seek professional advice from their financial advisor or qualified practitioner.



# 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” on that account. You’re first 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



# 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





# 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 30 years; however, the overall long-term trend has been up.

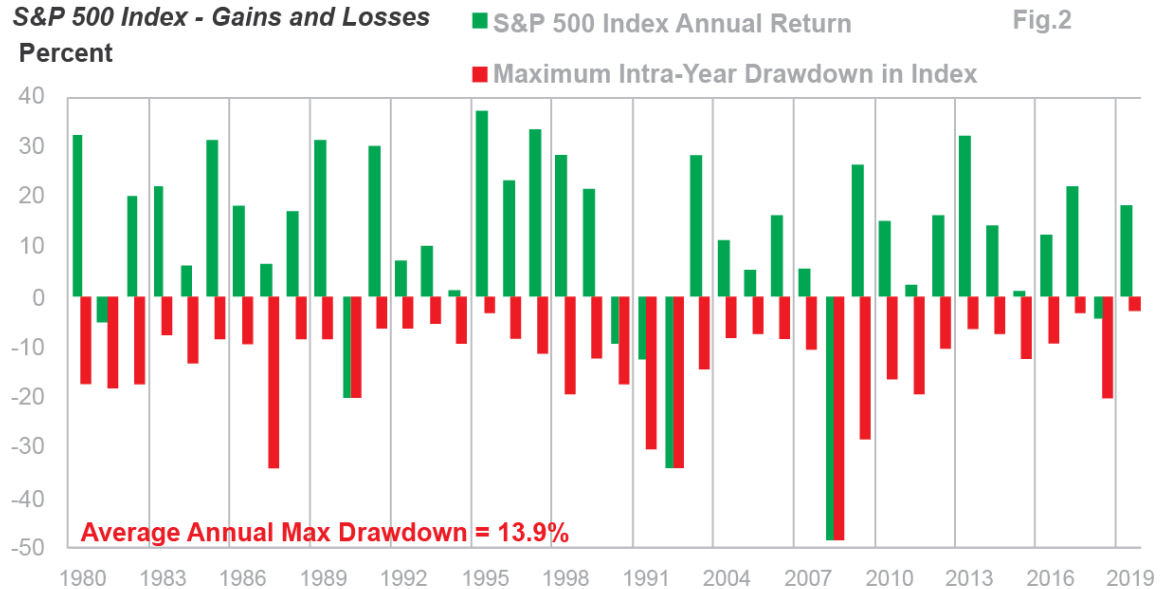
**Opinion:** Sometimes corrections are good for the market. Corrections tend to be shorter and less severe than bear markets. That's usually why investor's refer to them as "buying opportunities".

**Note:** Most often the market's wrath descends on companies with very high stock prices relative to their earnings, or to business concepts that look great in the euphoria of a booming market, but in the end appear to have very little fundamental support (example: dot com start up's)



# 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



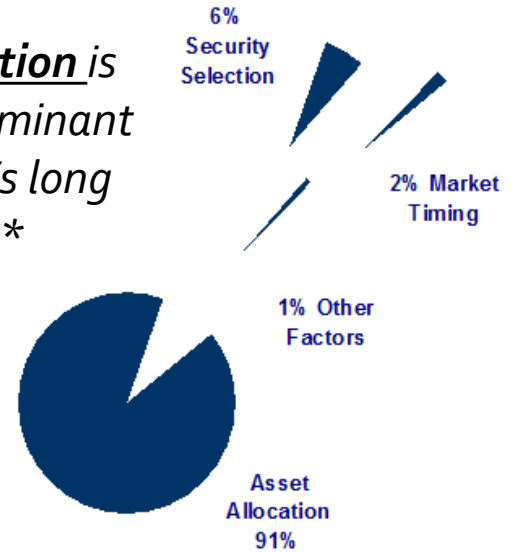
Data Source: LPL Research, St. Louis Federal reserve 4/3/2019  
2019 data through 4/30/19; Past performance is no guarantee of future performance

# 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 valley's in hindsight. We only know which investments were winners in hindsight.

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

***Asset Allocation is the key determinant in a portfolio's long term growth.\****



\* 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.

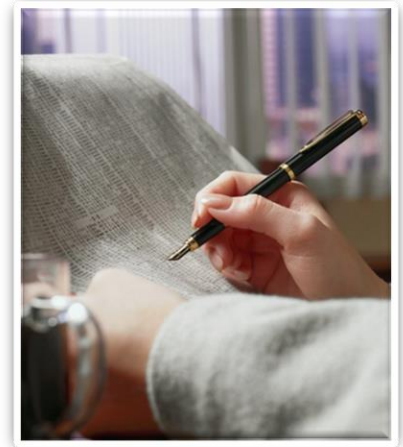
# Let's Examine a Few Facts

**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 (behavior) to stay on the sidelines waiting for the “right time” to invest.

**Opinion:** A systematic investment plan – “Dollar Cost Averaging”\* into the market – 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 share cost that is lower than the average share price over your investment period.

*This approach has  
three major benefits*



\* 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

Dollar Cost Averaging does not assure a profit nor protect against loss. Since such a plan involves continuous investments in securities regardless of fluctuating price levels of such securities, you should consider your financial ability to continue purchases through periods of low price levels. \*This is strictly an example and does not reflect current market values.

## An example of Dollar Cost Averaging

	Amount invested	Price Per Share	Shares Purchased
April	\$100	\$10	10
May	\$100	\$15	6.7
June	\$100	\$13	7.7
TOTAL	\$300	\$12.67*	24.4
		\$12.32**	

\*\$12.67 is the average price per share

\*\*\$12.32 is the average cost per share using dollar-cost averaging

# Let's Examine a Few Facts

**Fact:** "Measuring" true performance in a bear or Bull Market can be done in different ways.

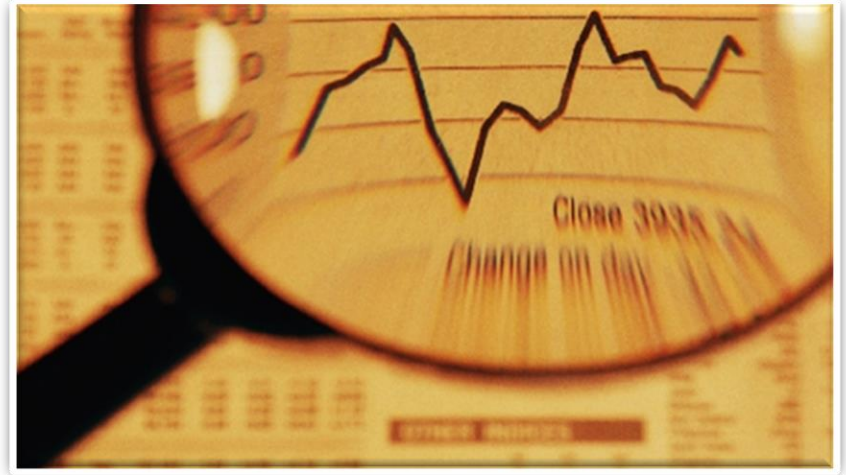
✓ **Beta**- the investments volatility to a market point of reference (e.g. S&P 500 index).

✓ **Standard Deviation** - a measure of a portfolio's total risk.

✓ **Investment strategies:** Passive and Active.

✓ **Passive** - essentially "buying the market".

✓ **Active** - Scrutinizing security analysis, attempting to find stocks that can potentially outperform the market (usually used by most money managers, coupled with Technical and Fundamental analysis).



# 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"

## 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.
- ✓ **Do** selectively sell some of your losers along with some of your winners if you need to raise your cash assets in the near term.
- ✓ **Do** continue to rebalance\* your portfolio if your asset allocation weightings have been altered significantly due to stock market volatility.
- ✓ **Do** 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.

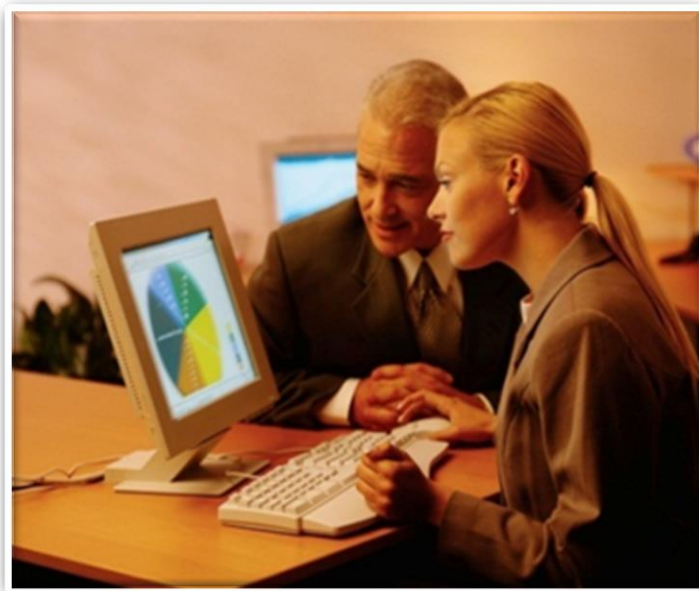
# When the Stock Market Is In A Decline

## Do's and Don'ts

- ✓ **Don't** panic. The stock market often has declined significantly, but has usually continued upward throughout history.
- ✓ **Don't** 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.
- ✓ **Don't** jump into the stock market with all your available cash hoping the market has hit its bottom. You may be wrong as the stock market continues to decline. Use dollar cost averaging.
- ✓ **Don't** 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.



# EVALUATION FORM

Please take a moment  
to complete. I will be  
collecting these  
in a moment.

If you need a pen,  
please let me know.



## EVALUATION FORM

Name : _____	
Today's Seminar Topic : _____	
Residency (City, State, Zip): _____	
Date : _____	
What was most enlightening about this presentation and/or what could I have done differently to enhance your learning experience?	
What future financial topics would you like to have presented going forward?	<input type="checkbox"/> Investing <input type="checkbox"/> Retirement <input type="checkbox"/> Tax Planning <input type="checkbox"/> Saving Strategies <input type="checkbox"/> Real Estate & Estate Planning <input type="checkbox"/> Financial Behavior <input type="checkbox"/> Health & Wellness <input type="checkbox"/> Other <input type="checkbox"/> College Planning <input type="checkbox"/> Mitigating Risk/ Insurance Planning
Would you like to take advantage of a Complimentary Consultation?	<input type="checkbox"/> Yes <input type="checkbox"/> No Phone: _____      Best time to call: _____ Email: _____
Like to share SOFA? What Group/Organization are you affiliated with that might enjoy a SOFA Presentation?	

Any interaction outside of this educational event is non-affiliated with "SOFA" - The Society for Financial Awareness. SOFA encourages all seminar attendees who have questions, needs or concerns to seek professional advice from their financial advisor or qualified practitioner.




# Thank you for your valuable time today



THE SOCIETY FOR FINANCIAL AWARENESS

**WHERE COMMUNITY HAPPENS**

 Elbert T Chester, CPA/PFS, CFP

 1-844-291-2722

 [www.etc-cpa.com](http://www.etc-cpa.com)

