401(k)
Plan for your Future

INVESTMENTS 101

Presented by: Mark Goldfinger
How Do Investments Work?

Rule #1 - It’s Always About **Risk** versus **Reward**!

The More **Risk** We Take –
The More **Reward** We Should Receive!

Conversely --- The Less **Risk** We Take –
The Less **Reward** We Should Receive!
How Do Investments Work?

Rule #2 - It’s Always About Diversification!

As The Saying Goes:

“Never Put All Your Eggs ... In One Basket!”
**RISK vs. REWARD**

Which Investments Have The Least Risk? (Which Also Means The Lowest Reward)?

*CASH!*

Typically The Safest Place To Keep Your Money

Bank CDs --- Insured By FDIC

Money Market --- Insured By SIPC

(And No -- We Are Not Talking About Keeping Your Cash Under Your Mattress. This Is NOT Safe!)
Advantages of Investing In Cash:

Cash Is Typically A Liquid Investment
Cash Is Typically A Safe Investment

Disadvantages Of Investing In Cash:

Cash Is Typically A Low Reward Investment Especially When Interest Rates Are Very Low!
RISK vs. REWARD
Which Investment Has Some Risk?

Bonds!
Typically - Bonds Are Bought For Income!

What Exactly Is A Bond?
Think IOU.... I Owe You $ For Buying My Bond!
Example: $1,000 US Govt 10 Year Bond
Guarantees A Fixed (Income) % Every Year For 10 Years

After 10 Years --- The Govt Buys Back Your Bond
For The Same Price You Paid (In This Example - $1,000)
RISK vs. REWARD
Which Investment Has Some Risk?

BONDS Carry Two Types Of Risk!

Risk #1 - Issuer Risk
Bond Issuers Agree To Pay Interest & Redeem Bond
If You Buy A US Bond - The US Govt Will Redeem It.
If You Buy A Municipal Bond or Corporate Bond -
(think Puerto Rico Bonds or Sears Bonds)
The Bond Issuer May Not Be Able To Pay Interest
Or Redeem The Bond
RISK vs. REWARD
Which Investment Has Some Risk?

Risk #2 - Interest Rate Risk
(Also Called Teeter Totter Effect)

Example: If you buy a 10 year bond and need to sell it before the 10 years are up, you may not get back your full purchase price if the interest rate of your bond is less than current interest rates.
RISK vs. REWARD

Which Investments Have The Most Risk? (And The Highest Reward!)

STOCKS! Ownership In Public Corporations

Historically The Best Place To Grow Your 401(k)

Stocks Are Categorized Two Ways:

GROWTH STOCKS or VALUE STOCKS

Growth Stocks: Usually Reinvest Any Profits Back Into The Company And Do Not Pay Dividends

Value Stocks: Are Usually Older and Established Companies That Pay Dividends To Stockowners
RISK vs. REWARD
Which Investments Have The Most Risk? (And The Highest Reward)!

STOCKS! Ownership In Public Corporations

Value & Growth Stocks Are Also Categorized By Size:

**Small Cap Value**
Example: Tootsie Roll

**Small Cap Growth**
Example: iRobot
RISK vs. REWARD
Which Investments Have The Most Risk? (And The Highest Reward)!

STOCKS! Ownership In Public Corporations

Value & Growth Stocks Are Also Categorized By Size:

**Large Cap Value**
Example: P&G (Proctor & Gamble)

**Large Cap Growth**
Example: Starbucks
## 20 Year Recap of Asset Class Returns (Risk & Reward) --- From 1999 thru 2018

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>1999 - 2018 Average Risk</th>
<th>REWARD</th>
<th>1999 - 2018 Average Return</th>
<th>Here's what $100,000 invested in 1999 would be worth after 20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMALL CAP (All) (WD40 East West Bank)</td>
<td>-19.40%</td>
<td>SMALL CAP (All) (WD40 East West Bank)</td>
<td>7.4%</td>
<td>$417,228</td>
</tr>
<tr>
<td>LARGE CAP GROWTH (Starbucks Amazon Comcast)</td>
<td>-16.60%</td>
<td>LARGE CAP VALUE (P&amp;G; Coca-Cola; IBM)</td>
<td>6.2%</td>
<td>$330,126</td>
</tr>
<tr>
<td>INTERNATIONAL (IKEA; Sony; BMW)</td>
<td>-16.30%</td>
<td>A Diversified Portfolio</td>
<td>5.8%</td>
<td>$310,394</td>
</tr>
<tr>
<td>LARGE CAP VALUE (P&amp;G; Coca-Cola; IBM)</td>
<td>-14.50%</td>
<td>LARGE CAP GROWTH (Starbucks Amazon Comcast)</td>
<td>5.1%</td>
<td>$268,256</td>
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<tr>
<td>A Diversified Portfolio</td>
<td>-9.50%</td>
<td>FIXED INCOME (Bonds)</td>
<td>4.6%</td>
<td>$243,654</td>
</tr>
<tr>
<td>FIXED INCOME (Bonds)</td>
<td>-3.40%</td>
<td>INTERNATIONAL (IKEA; Sony; BMW)</td>
<td>3.5%</td>
<td>$199,852</td>
</tr>
<tr>
<td>CASH (Money Market; CD's)</td>
<td>-0.60%</td>
<td>CASH (Money Market; CD's)</td>
<td>6.2%</td>
<td>$145,740</td>
</tr>
</tbody>
</table>

This is only an illustration of Risk & Reward for the most recent 20 years (1999-2018).
### Asset class returns

**A 20-year snapshot**

A diversified portfolio may reduce the volatility

Ranked annual total returns of key indices (1999–2018)

| Year | Lg cap growth | Fixed income | Fixed income | Fixed income | Sm cap growth | Int'l | Int'l | Int'l | Lg cap growth | Fixed income | Lg cap growth | Sm cap growth | Fixed income | Lg cap value | Fixed income | Lg cap value | Lg cap value | Fixed income | Lg cap growth | Fixed income | Lg cap growth | Sm cap growth | Fixed income | Lg cap growth | Fixed income |
|------|---------------|--------------|--------------|--------------|---------------|-------|-------|-------|---------------|--------------|---------------|---------------|--------------|-------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|---------------|---------------|--------------|---------------|--------------|
| 1999 | 33.2%         | 11.6%        | 8.4%         | 10.3%        | 47.3%         | 20.3% | 13.5% | 26.3% | 11.8%         | 5.2%          | 37.2%         | 26.9%         | 7.8%          | 17.5%       | 38.8%       | 13.7%       | 5.7%         | 21.3%        | 30.2%       | 1.9%         | 0.0%         |
| 2000 | 27.0%         | Lg cap value | 7.0%         | 4.4%         | Cash          | Cash   | Sm cap | Lg cap value | 38.6%         | Lg cap value | 18.3%         | Cash          | 21.8%       | Lg cap value | 16.4%       | Lg cap value | 32.5%        | Cash          | Lg cap value | 13.1%       | Cash          | Lg cap value | 1.4%         | 25.0%         | 0.0%         |
| 2001 | 21.3%         | Lg cap value | 4.7%         | 2.5%         | Sm cap        | Div portfolio | -9.8% | Lg cap value | 30.0%         | Lg cap value | 16.5%         | Div portfolio | -22.8% | Lg cap value | 18.4%       | Lg cap value | 7.0%         | Sm cap        | Lg cap value | 27.2%         | Lg cap value | 15.5%       | Lg cap value | 2.1%         | 16.4%         | 32.5%         |
| 2002 | 20.9%         | Lg cap value | 4.6%         | Div portfolio | 10.5%        | Lg cap value | 10.9% | Lg cap value | 10.9%         | Lg cap value | 6.0%          | Div portfolio | -33.8% | Lg cap value | 6.0%        | Lg cap value | 5.5%         | Lg cap value | 20.8%        | Div portfolio | 13.0%       | Lg cap value | 0.4%         | Int'l         | 22.8%       | Cash          | Lg cap value |
| 2003 | 13.6%         | Lg cap value | -3.0%        | Int'l         | Lg cap value | Div portfolio | 13.0% | Lg cap value | 28.7%         | Lg cap value | 9.8%          | Div portfolio | 13.0% | Lg cap value | 25.3%       | Lg cap value | 15.8%        | Div portfolio | 26.5%        | Div portfolio | 13.0%       | Lg cap value | 15.3%        | Int'l         | 22.8%       | Cash          | Lg cap value |
| 2004 | Lg cap value | -15.9%       | Int'l         | Lg cap value | Div portfolio | 10.5% | Lg cap value | 15.9%         | Lg cap value | 4.9%          | Div portfolio | -36.9% | Lg cap value | 28.4%       | Lg cap value | 5.5%         | Lg cap value | 20.8%        | Div portfolio | 13.0%       | Lg cap value | 0.4%         | Int'l         | 22.8%       | Cash          | Lg cap value |
| 2005 | Lg cap value | -5.6%        | Int'l         | Lg cap value | Div portfolio | 15.9% | Lg cap value | Cash          | Lg cap value | 28.7%         | Div portfolio | 13.0% | Lg cap value | Cash         | Lg cap value | Cash         | Int'l         | Cash          | Div portfolio | 12.2%       | Div portfolio | 20.3%       | Sm cap        | Int'l         | Fixed income | Lg cap value |
| 2006 | Lg cap value | -20.5%       | Int'l         | Lg cap value | Div portfolio | 23.5% | Lg cap value | Cash          | Lg cap value | 9.1%          | Cash          | Lg cap value | Cash         | Lg cap value | Fixed income | Fixed income | Fixed income | Fixed income | Fixed income | Fixed income | Fixed income | Fixed income | Fixed income | Fixed income | Lg cap value |
| 2007 | Lg cap value | -3.1%        | Int'l         | Lg cap value | Fixed income | 4.1% | Cash          | Cash          | Cash          | Cash         | Lg cap value | Fixed income | Cash         | Cash          | Cash          | Cash          | Cash          | Cash          | Cash          | Cash          | Cash          | Cash          | Cash          |
| 2008 | Lg cap value | -4.9%        | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2009 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2010 | Lg cap value | -17.3%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2011 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2012 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2013 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2014 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2015 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2016 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2017 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |
| 2018 | Lg cap value | -12.1%       | Int'l         | Lg cap value | Fixed income | 4.3% | Sm cap         | -1.6%         | Int'l         | -43.4%       | Cash          | Cash          | Int'l         | Cash          | Int'l         | Cash          | Int'l         | Cash          | Fixed income | -2.0%        | Fixed income | Cash          | Cash          |

**Source:** Informa Investment Solutions. Past performance is no guarantee of future results. The information provided is for illustrative purposes and is not meant to represent the performance of any particular investment. Assumes reinvestment of all distributions. It is not possible to directly invest in an index. Diversification does not guarantee a profit or protect against loss.
Understanding Investment Choices In Your 401(k)

Money Market – A Cash Investment
Bonds - Conservative Investment
Stocks (Equities) – For The Highest **Reward & Risk**

**Stock Choices: Target Date Funds (A Set It and Forget It Option)**

<table>
<thead>
<tr>
<th>I plan to retire in:</th>
<th>1-3 years</th>
<th>4-8 years</th>
<th>9-14 years</th>
<th>15-22 years</th>
<th>22-29 years</th>
<th>30+ years</th>
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</thead>
<tbody>
<tr>
<td>#12284 - American Funds 2020 Target Date</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>#12046 - American Funds 2025 Target Date</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>#12047 - American Funds 2030 Target Date</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>#12049 - American Funds 2040 Target Date</td>
<td>100%</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>#12050 - American Funds 2045 Target Date</td>
<td>100%</td>
<td></td>
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<tr>
<td>#12051 - American Funds 2050 Target Date</td>
<td>100%</td>
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<td></td>
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<tr>
<td>#12050 - American Funds 2055 Target Date</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>#19743 - American Funds 2060 Target Date</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Asset Allocation Questionnaire To Determine Your Risk Score

**What is your current age?**
(please circle the number to the left of your age)

1. I am over 75 years old
2. I am between 65 and 75 years old
3. I am between 55 and 65 years old
4. I am between 45 and 55 years old
5. I am under 45 years old

**In approximately how many more years, do you expect to retire?**
(please circle the number)

1. In less than one year
2. In 1 to 3 years
3. In 4 to 6 years
4. In 7 to 10 years
5. In more than 10 years

**When do you expect to start using your 401k retirement savings?**

1. In less than one year
2. In 1 to 3 years
3. In 4 to 6 years
4. In 7 to 10 years
5. In more than 10 years

**How much annual 401k growth do you desire?**
(more growth means that the more "risk" you will need to take)

1. Less than 4% growth per year
2. 4 to 6% growth per year
3. 7 to 10% growth per year
4. 10 to 12% growth per year
5. 12% or greater growth per year

**Which statement best describes your attitude about the next 12 months?**
(circle the number to the left of your answer)

1. "I would have a hard time stomaching any losses"
2. "I can only tolerate small short-term losses"
3. "If I suffered a loss greater than 10%, I would get concerned"
4. "I wouldn’t worry about losses in a 12 month time frame"
5. "Short term losses do not concern me"

---

### Total Your Score and Use This Chart to Determine Your Appropriate Allocation

<table>
<thead>
<tr>
<th>Your Score:</th>
<th>5 to 7</th>
<th>8 to 11</th>
<th>12 to 15</th>
<th>16 to 19</th>
<th>20 to 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>#11332 - Vanguard Money Market</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td>#20731 - Vanguard Short-Term Corp. Bond</td>
<td>35%</td>
<td>20%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
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<tr>
<td>#13640 - Vanguard Inter.-Term Govt Bond</td>
<td>30%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>#16124 - Vanguard Long Term Inv. Grade Bond</td>
<td>25%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>#17689 - Vanguard Small Cap Index (Blend)</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>#17699 - Vanguard Mid Cap Index (Blend)</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>#17711 - Vanguard 500 Index (Large Cap Blend)</td>
<td>15%</td>
<td>20%</td>
<td>20%</td>
<td>25%</td>
<td>10%</td>
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<tr>
<td>#17755 - Vanguard Total Stock Market (all US)</td>
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<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>#18105 - Vanguard Windsor ADM (Apprec.+Inc.)</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>#17670 - Vanguard Total International (non-U.S.)</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>#12425 - Vanguard Developed Markets (non-U.S.)</td>
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<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>#17933 - Vanguard Emerging Markets (non-U.S.)</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Total: 100% 100% 100% 100% 100%

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If You Wish To Manage The Funds In Your 401(k) By Yourself, You Are Welcome To Use My Asset Allocation Questionnaire To Help You Determine Your Risk Score.

Please call me or email me, and I will send you the specific Questionnaire that was designed for your 401k plan!
Mark was born and raised in Brooklyn, New York. He earned his BBA from Baruch College, and his MBA from St. John’s University. Mark provides expert fiduciary Retirement Planning services for both Plan Sponsors and Plan Participants in California and Arizona. He is the proud owner of Stonehenge Retirement Planners LLC, a FINRA Registered Investment Advisor firm, where he creates personalized Portfolio Management strategies with a focus on “stress-free” retirement solutions.

Mark has acquired many important financial designations and professional licenses, including: FINRA Series 7, 31, 65, & 66, Certified Financial Manager, Chartered Retirement Planning Counselor, Certified Special Needs Advisor, and Investment Advisor Representative. His current licenses include: LTC, Life & Health Insurance (CA Lic. #0D00057), Medicare, Fixed Index Annuities, Property & Casualty Insurance, and Real Estate.

Mark married his college sweetheart, Linda Goldfinger, who works as a Gerontologist, assisting Alzheimer patients at the Alzheimer Association. Mark and Linda have three adult children, and three grandchildren. A former varsity High School and College basketball player, Mark also coached several championship basketball teams from elementary school, high school, and even his son’s UCLA inter-mural teams. For relaxation, Mark and Linda can often be found calling bingo games or running the charity blackjack tables at the senior assisted living facilities near their home.