

# 401(k)

*Plan for your Future*

**INVESTMENTS 101**

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**Presented by: Mark Goldfinger**



**STONEHENGE**  
RETIREMENT PLANNERS

# 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!)

# RISK vs. REWARD

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

## 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

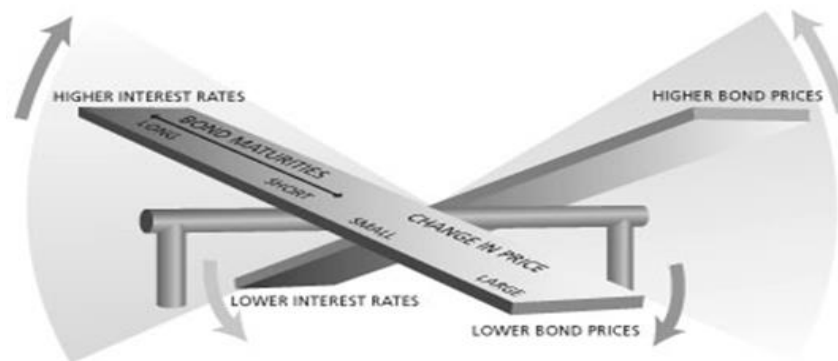
# RISK vs. REWARD

## 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

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

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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Best	Lg cap growth 33.2%	Fixed income 11.6%	Fixed income 8.4%	Fixed income 10.3%	Sm cap 47.3%	Int'l 20.3%	Int'l 13.5%	Int'l 26.3%	Lg cap growth 11.8%	Fixed income 5.2%	Lg cap growth 37.2%	Sm cap 26.9%	Fixed income 7.8%	Lg cap value 17.5%	Sm cap 38.8%	Lg cap core 13.7%	Lg cap growth 5.7%	Sm cap 21.3%	Lg cap growth 30.2%	Cash 1.9%
	Int'l 27.0%	Lg cap value 7.0%	Cash 4.4%	Cash 1.8%	Int'l 38.6%	Sm cap 18.3%	Lg cap value 7.1%	Lg cap value 22.3%	Int'l 11.2%	Cash 2.1%	Int'l 31.8%	Lg cap growth 16.7%	Lg cap growth 2.6%	Int'l 17.3%	Lg cap growth 33.5%	Lg cap value 13.5%	Lg cap core 1.4%	Lg cap value 17.3%	Int'l 25.0%	Fixed income 0.0%
	Sm cap 21.3%	Cash 6.2%	Sm cap 2.5%	Div portfolio -9.8%	Lg cap value 30.0%	Lg cap value 16.5%	Div portfolio 5.4%	Sm cap 18.4%	Fixed income 7.0%	Div portfolio -22.8%	Sm cap 27.2%	Lg cap value 15.5%	Lg cap core 2.1%	Sm cap 16.4%	Lg cap value 32.5%	Lg cap growth 13.1%	Fixed income 0.6%	Lg cap core 12.0%	Lg cap core 21.8%	Lg cap growth -1.5%
	Lg cap core 21.0%	Div portfolio -1.1%	Div portfolio -4.8%	Lg cap value -15.5%	Lg cap growth 29.8%	Lg cap core 10.9%	Lg cap growth 5.3%	Lg cap core 15.8%	Div portfolio 6.0%	Sm cap -33.8%	Lg cap core 26.5%	Lg cap core 15.1%	Div portfolio 1.8%	Lg cap core 16.0%	Lg cap core 32.4%	Div portfolio 8.1%	Div portfolio 0.1%	Div portfolio 8.7%	Div portfolio 15.1%	Lg cap core -4.4%
	Div portfolio 13.6%	Sm cap -3.0%	Lg cap value -5.6%	Int'l -15.9%	Lg cap core 28.7%	Div portfolio 10.5%	Lg cap core 4.9%	Div portfolio 13.0%	Lg cap core 5.5%	Lg cap value -36.9%	Div portfolio 20.8%	Div portfolio 13.0%	Lg cap value 0.4%	Lg cap growth 15.3%	Int'l 22.8%	Fixed income 6.0%	Cash 0.1%	Lg cap growth 7.1%	Sm cap 14.7%	Div portfolio -4.7%
	Lg cap value 7.4%	Lg cap core -9.1%	Lg cap core -11.9%	Sm cap -20.5%	Div portfolio 23.5%	Lg cap growth 6.3%	Sm cap 4.6%	Lg cap growth 9.1%	Cash 5.0%	Lg cap core -37.0%	Lg cap value 19.7%	Int'l 7.8%	Cash 0.1%	Div portfolio 12.2%	Div portfolio 20.3%	Sm cap 4.9%	Int'l -0.8%	Fixed income 2.7%	Lg cap value 13.7%	Lg cap value -8.3%
	Cash 4.9%	Int'l -14.2%	Lg cap growth -20.4%	Lg cap core -22.1%	Fixed income 4.1%	Fixed income 4.3%	Cash 3.1%	Cash 4.9%	Lg cap value -0.2%	Lg cap growth -38.4%	Fixed income 5.9%	Fixed income 6.5%	Sm cap -4.2%	Fixed income 4.2%	Cash 0.1%	Cash 0.0%	Lg cap value -3.8%	Int'l 1.0%	Fixed income 3.5%	Sm cap -11.0%
Worst	Fixed income -0.8%	Lg cap growth -22.4%	Int'l -21.4%	Lg cap growth -27.9%	Cash 1.2%	Cash 1.3%	Fixed income 2.4%	Fixed income 4.3%	Sm cap -1.6%	Int'l -43.4%	Cash 0.2%	Cash 0.1%	Int'l -12.1%	Cash 0.1%	Fixed income -2.0%	Int'l -4.9%	Sm cap -4.4%	Cash 0.3%	Cash 0.9%	Int'l -13.8%

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.



## Asset Allocation Questionnaire To Determine Your Risk Score

	<b>What is your current age?</b> (please circle the number to the left of your age)		<b>In approximately how many more years, do you expect to retire?</b> (please circle the number)		<b>When do you expect to start using your 401k retirement savings?</b>
1	I am over 75 years old	1	In less than one year	1	In less than one year
2	I am between 65 and 75 years old	2	In 1 to 3 years	2	In 1 to 3 years
3	I am between 55 and 65 years old	3	In 4 to 6 years	3	In 4 to 6 years
4	I am between 45 and 55 years old	4	In 7 to 10 years	4	In 7 to 10 years
5	I am under 45 years old	5	In more than 10 years	5	In more than 10 years

	<b>How much annual 401k growth do you desire?</b> (more growth means that the more "risk" you will need to take)		<b>Which statement best describes your attitude about the <u>next 12 months</u>?</b> (circle the number to the left of your answer)
1	Less than 4% growth per year	1	"I would have a hard time stomaching any losses"
2	4 to 6% growth per year	2	"I can only tolerate small short-term losses"
3	7 to 10% growth per year	3	"If I suffered a loss greater than 10%, I would get concerned"
4	10 to 12% growth per year	4	"I wouldn't worry about losses in a 12 month time frame"
5	12% or greater growth per year	5	"Short term losses do not concern me"

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

Your Score:	5 to 7	8 to 11	12 to 15	16 to 19	20 to 25
#11332 - Vanguard Money Market	10%	5%	0%	0%	0%
#20731 - Vanguard Short-Term Corp. Bond	35%	20%	10%	5%	0%
#13640 - Vanguard Inter.-Term Govt Bond	30%	15%	10%	5%	5%
#16124 - Vanguard Long Term Inv. Grade Bond	25%	10%	5%	5%	5%
#17689 - Vanguard Small Cap Index (Blend)		5%	5%	10%	10%
#17699 - Vanguard Mid Cap Index (Blend)		5%	5%	10%	10%
#17711 - Vanguard 500 Index (Large Cap Blend)		15%	20%	20%	25%
#17755 - Vanguard Total Stock Market (all US)		5%	10%	10%	10%
#18105 - Vanguard Windsor ADML (Apprec.+Inc.)		5%	10%	10%	10%
#17670 - Vanguard Total International (non-U.S.)		5%	10%	10%	10%
#12425 - Vanguard Developed Markets (non-U.S.)		5%	10%	10%	10%
#17933 - Vanguard Emerging Markets (non-U.S.)		5%	5%	5%	5%
<b>Total:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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 GOLDFINGER**  
 800-418-3904 cell: 310-770-5944  
[Mark@StonehengeRP.com](mailto:Mark@StonehengeRP.com)  
[www.StonehengeRP.com](http://www.StonehengeRP.com)



**STONEHENGE**  
 RETIREMENT PLANNERS

?Any Questions?

Email:

Mark@StonehengeRP.com

Call:

Mark @310-770-5944  
 @480-825-8852

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 Retired 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.

