

Setting Investment Performance Expectations

- Founder and Principal Advisor, Variplan, LLC
 - Certified Financial Planner
 - Registered Investment Advisor
 - SEA Benefit Provider Since 1999
- Federal Times' "Money Matters" Columnist
- "Ask the Experts" Panelist at www.federaltimes.com

Fundamentals of Investing for Retirement Income

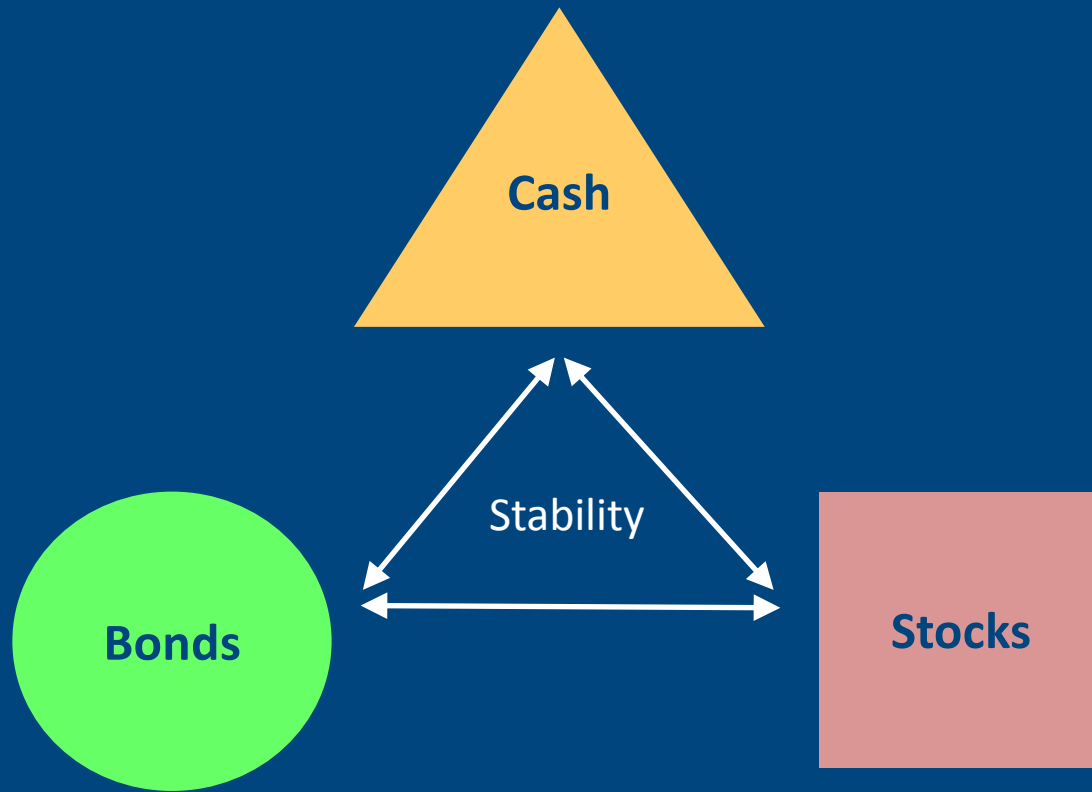
1. Success and Failure in Retirement Investing
2. Defining Retirement Resources, Goals and Constraints
3. Understanding Investment Risk and Return
4. How Diversification Really Works
5. Asset Classes and Types – Diversification and Concentration
6. Understanding Asset Allocation and Hedging
- 7. Setting Investment Performance Expectations**
8. Managing Investment Costs
9. The Case for Index Investing
10. Accounting for Inflation in Retirement Planning
11. Managing Portfolio Liquidity
12. Organizing Your Portfolio

SEA Member Benefits

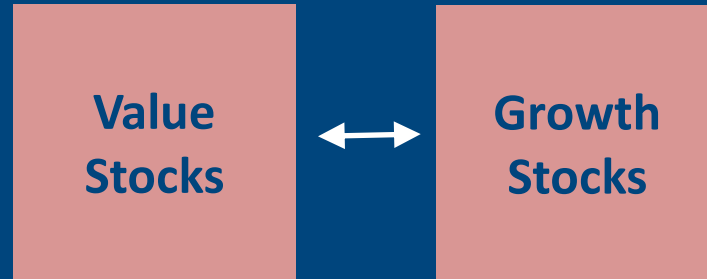
- Free Hour of Consulting / Analysis
 - \$250 Vantage Discount
- Email Questions to me at mmiles@variplan.com

Understanding Asset Allocation and Hedging

Hedging



Hedging



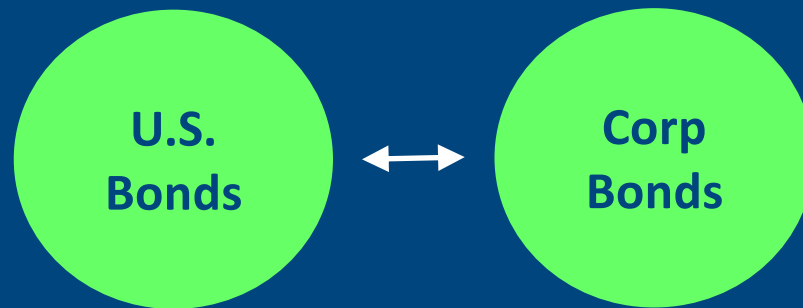
Hedging

Large
Company
Stocks

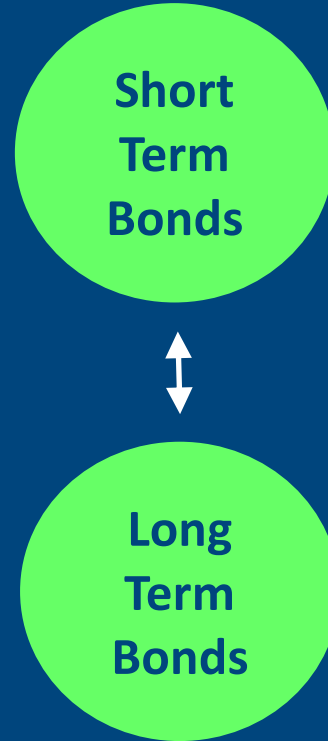


Small
Company
Stocks

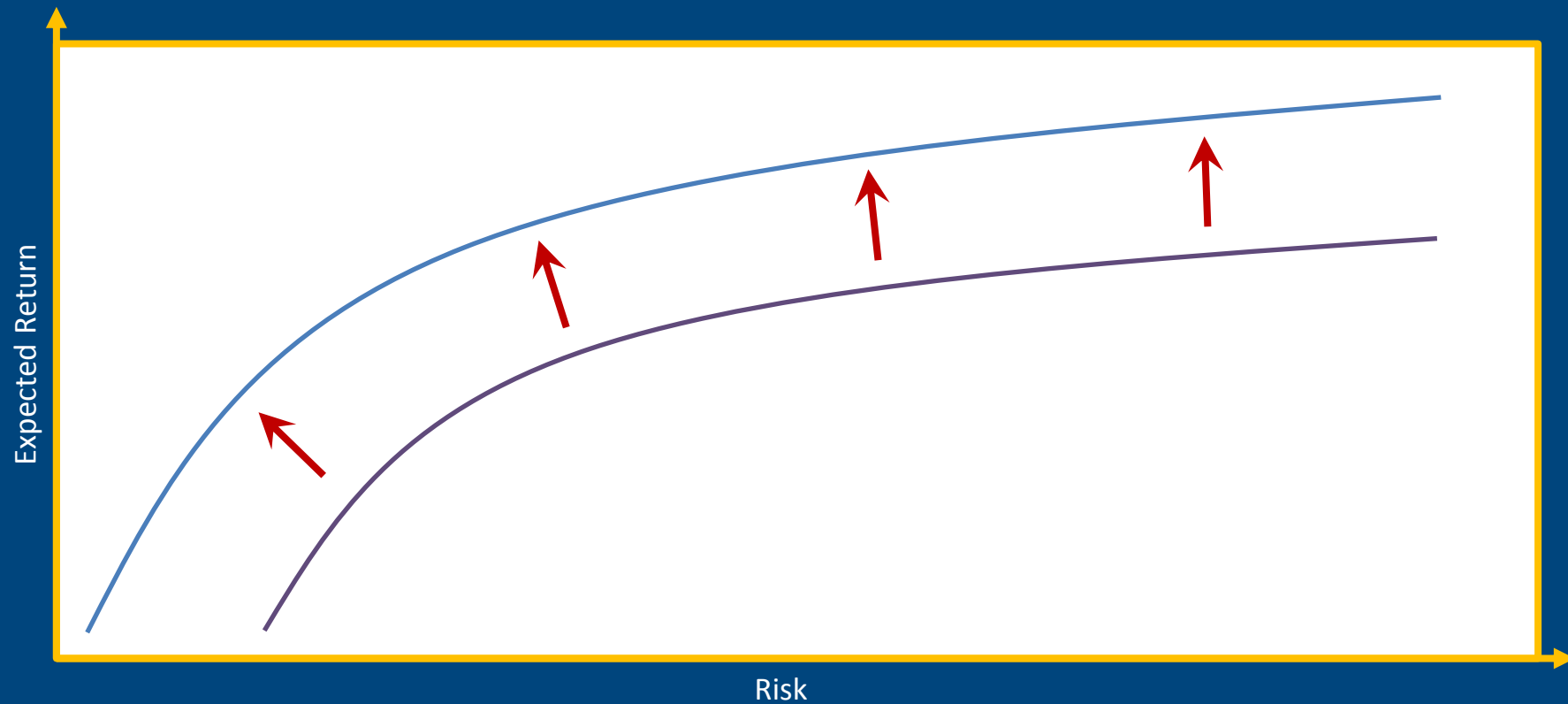
Hedging



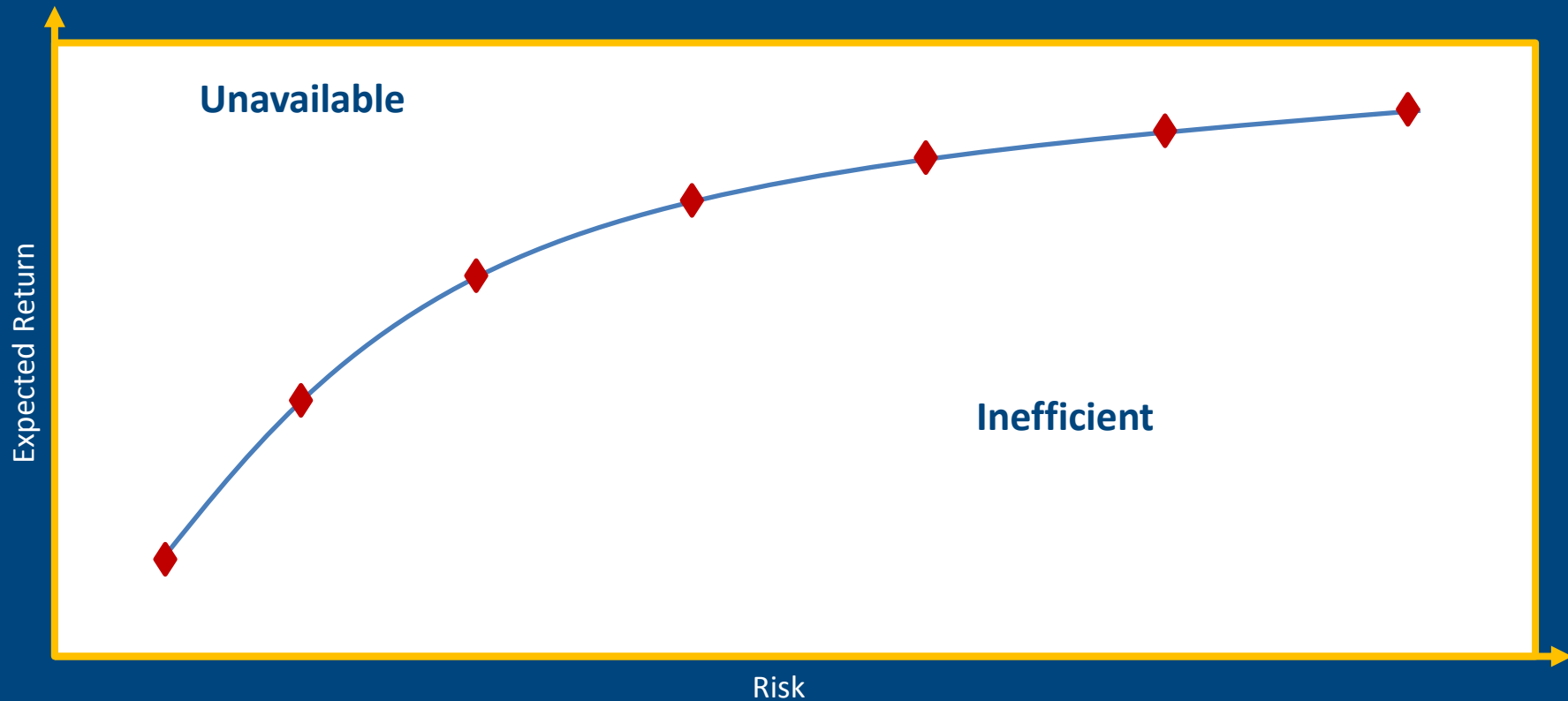
Hedging



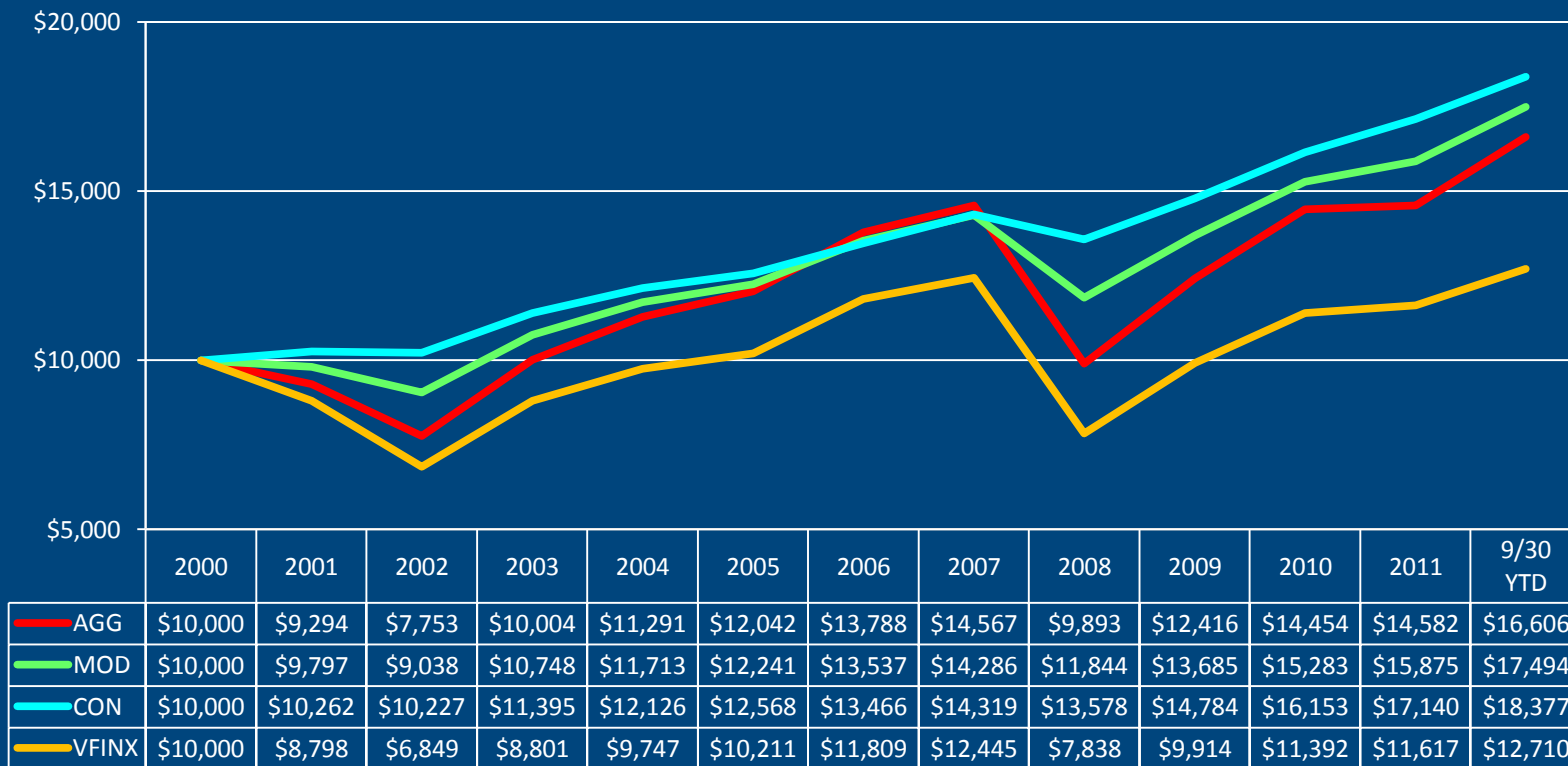
The Efficient Frontier



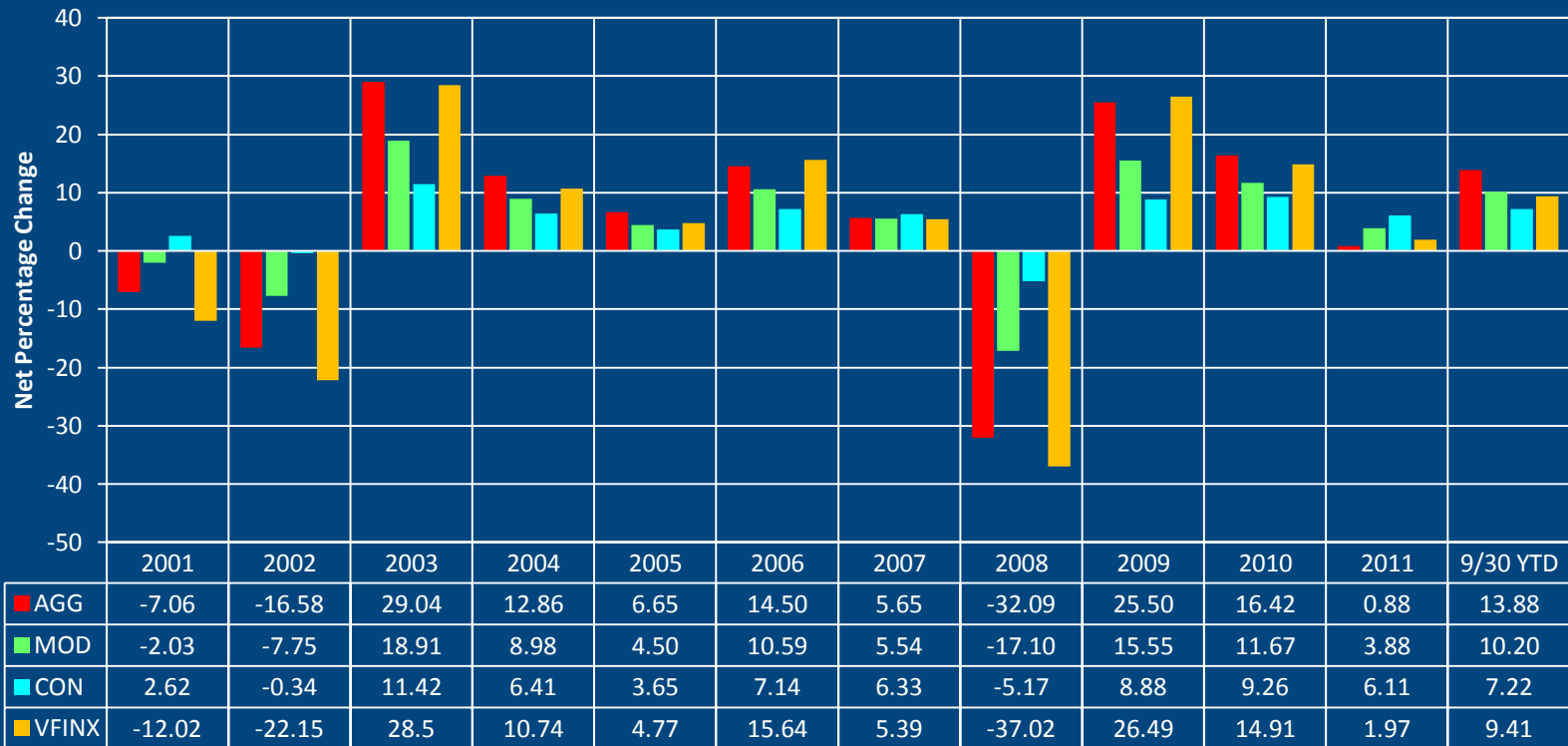
Designing Efficient Portfolios



Hedging



Hedging



Setting Investment Performance Expectations

Financial Planning and Management



- Wants
- Needs

- **Guaranteed**
 - Annuities
 - Insurance
- **At Risk**
 - **Liquid Assets**
 - Cash
 - Marketable Securities
 - **Illiquid Assets**
 - Real Estate
 - Business Interests

- **Action**
 - Constraints
- **Decisions**
- **Analysis**
 - Assumptions
 - Experience
 - Probabilities
 - Estimates

- **Risk**
- **Return**

- Cash Flow
- Wealth

Inflation & Taxes

Performance

- Return
- Risk

Importance

1. Expectations
2. Assumptions
3. Analysis
4. Decisions
5. Performance
6. Results

S&P 500 – 1 Week



S&P 500 – 1 Month



S&P 500 – 6 Months



S&P 500 – 1 Year



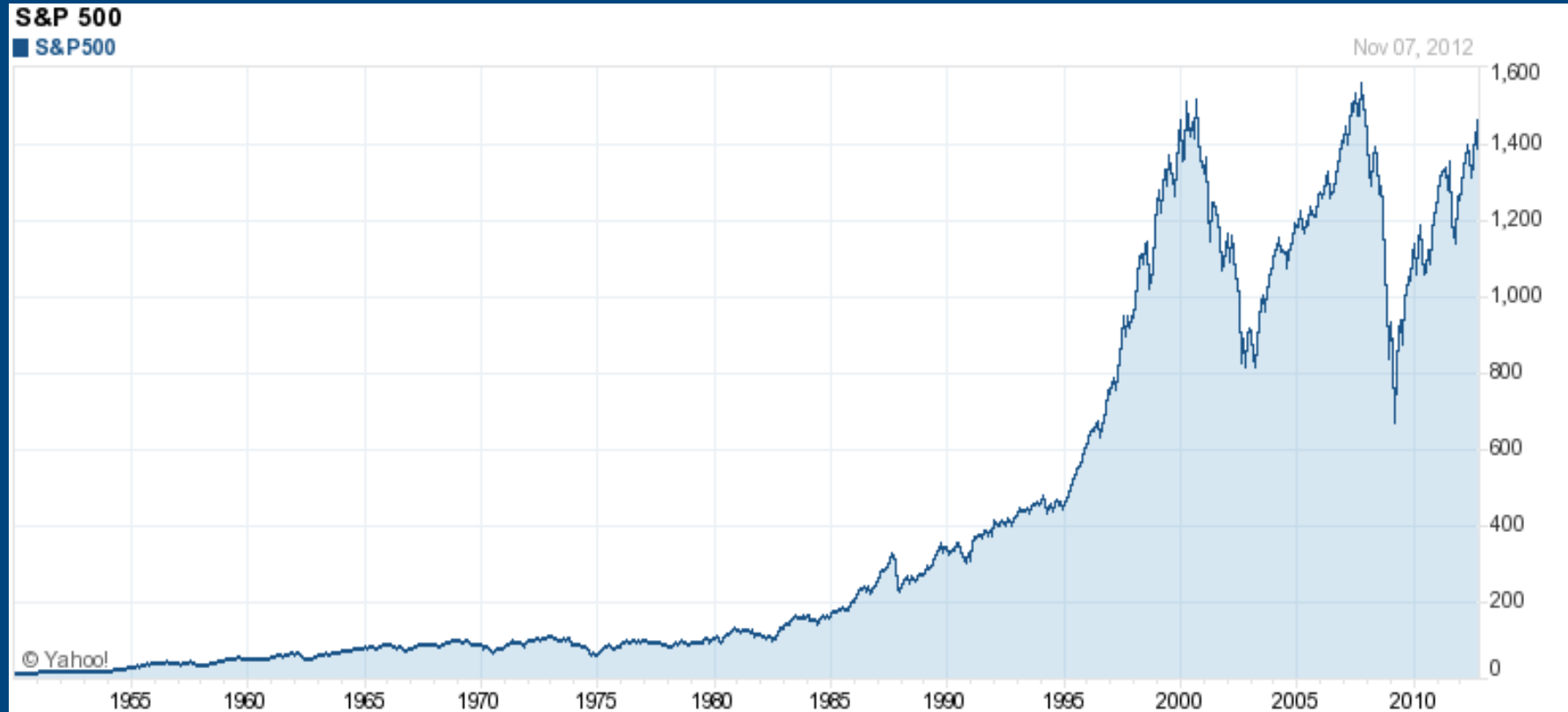
S&P 500 – 5 Years



S&P 500 – 62 Years



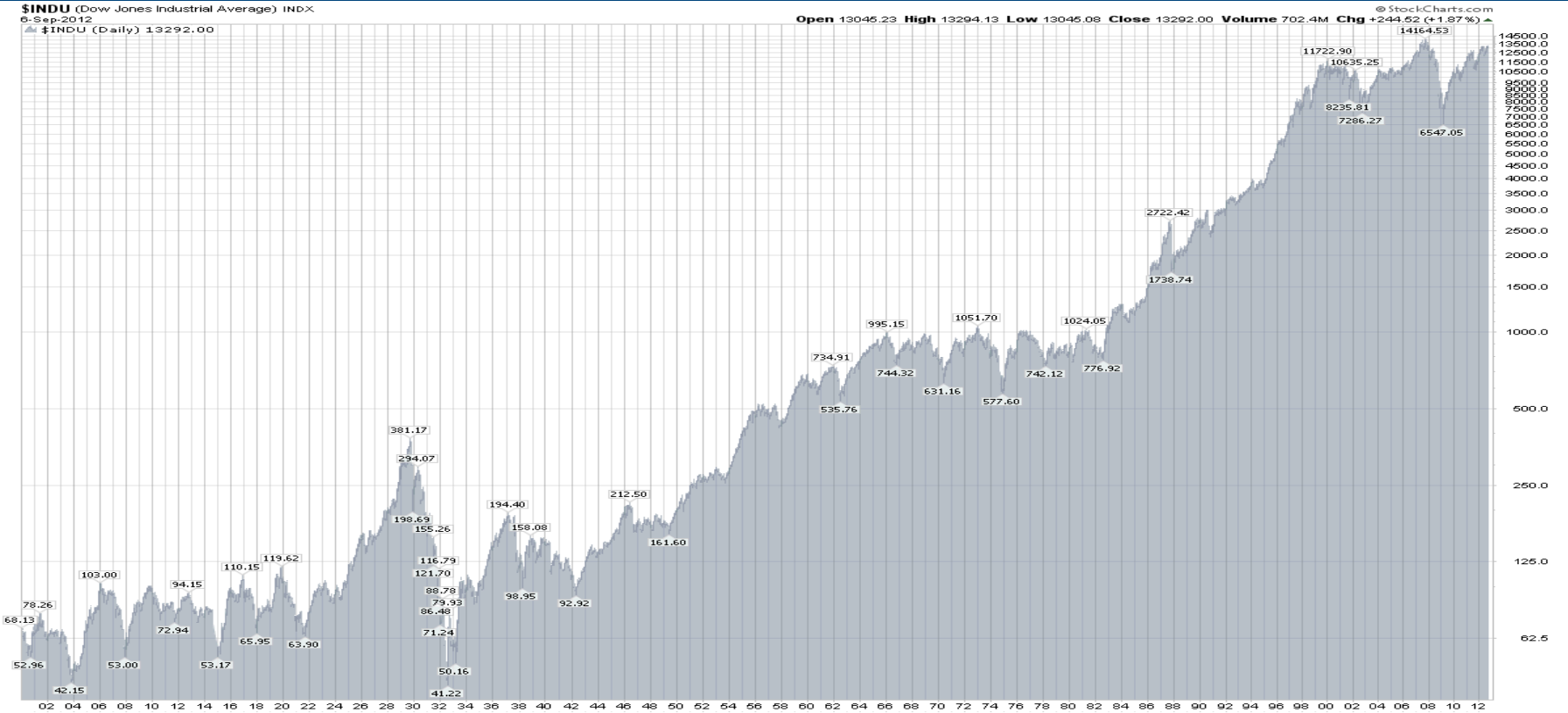
S&P 500 – Linear Scale



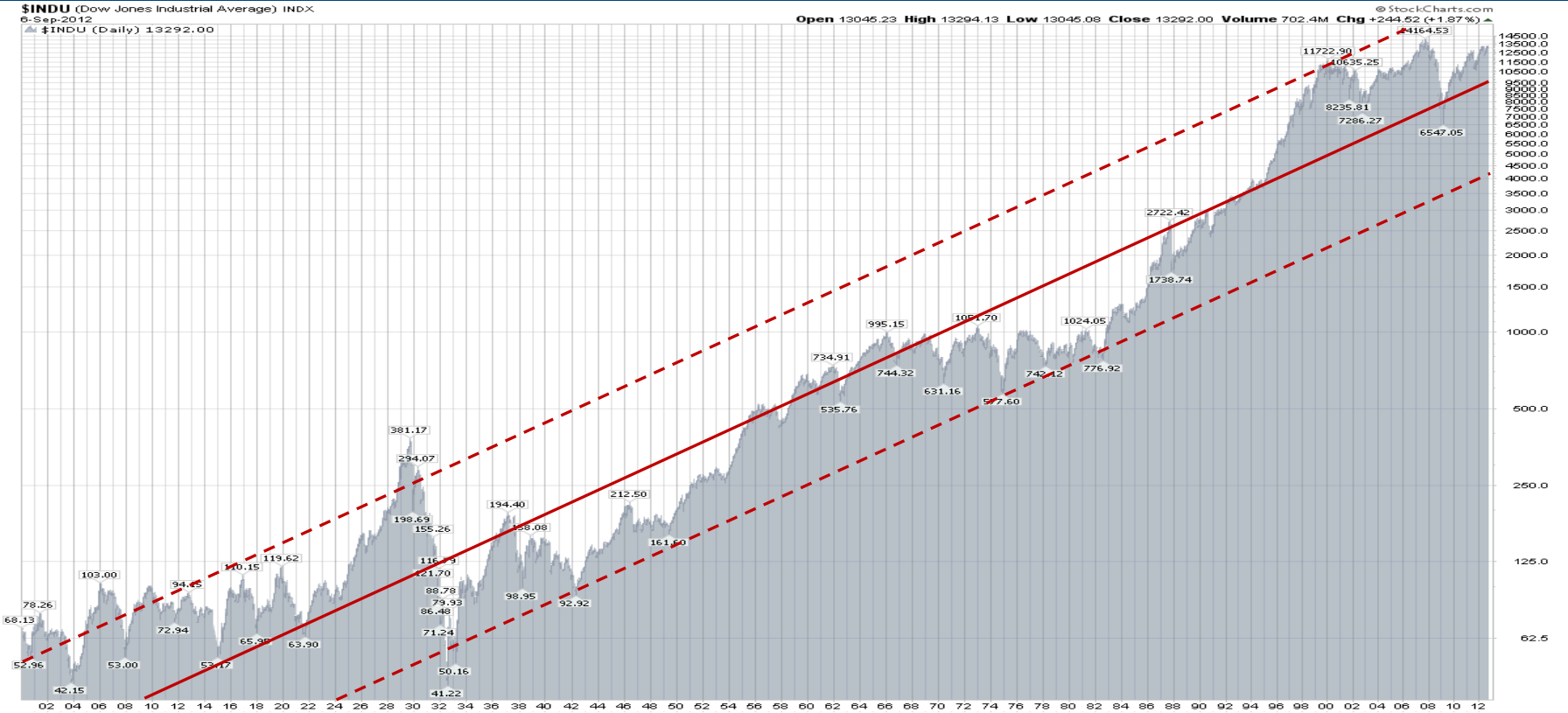
S&P 500 – Log Scale



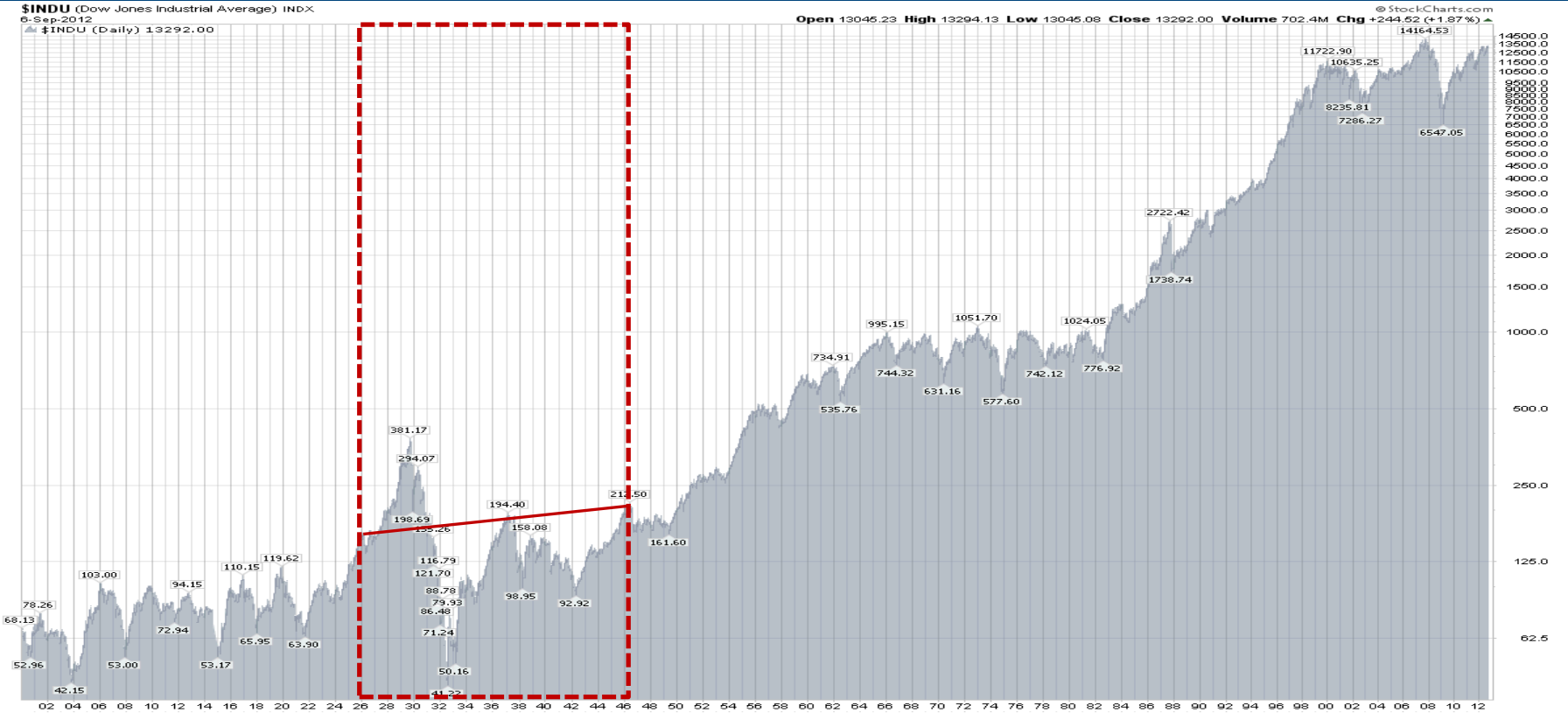
Dow Jones Industrial Average – 112 Years



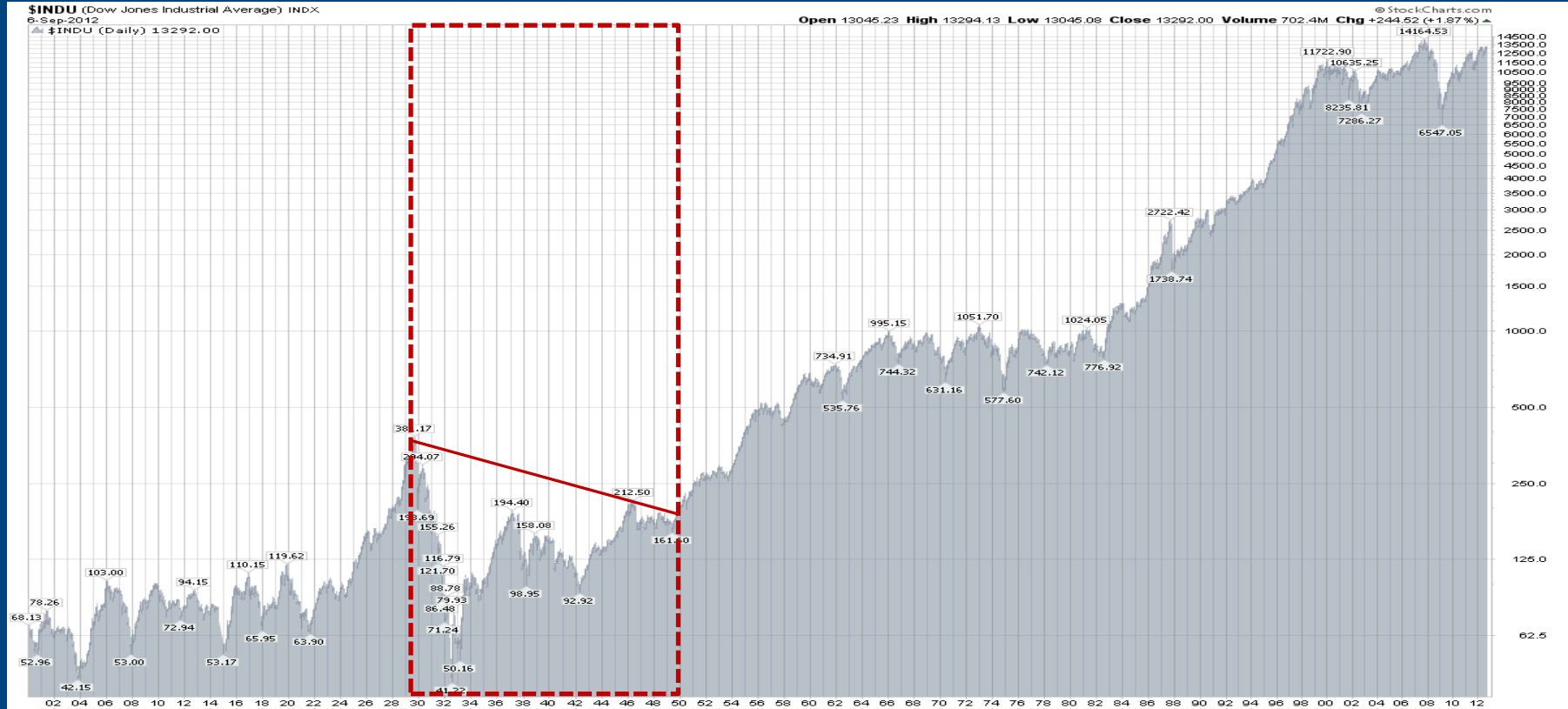
Dow Jones Industrial Average



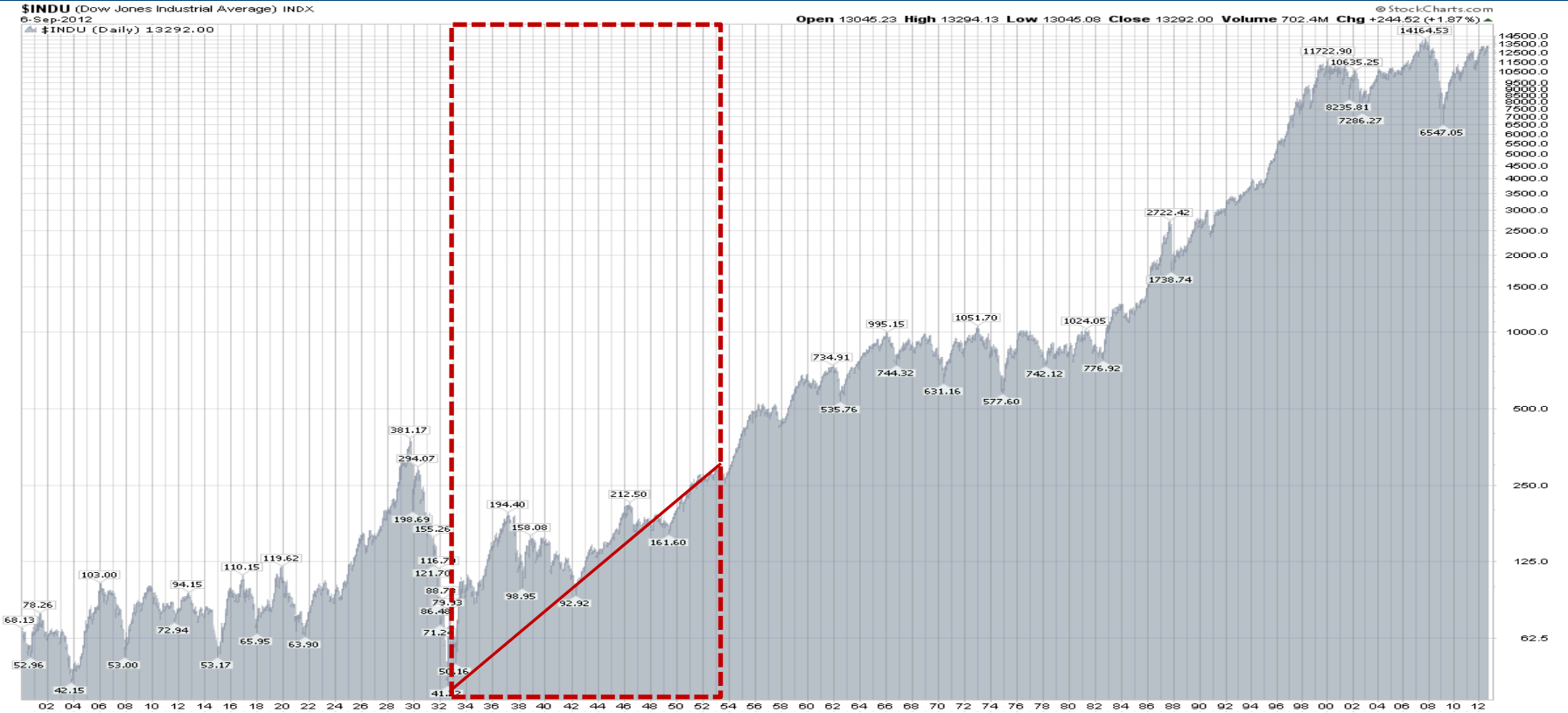
Estimating Rate of Return



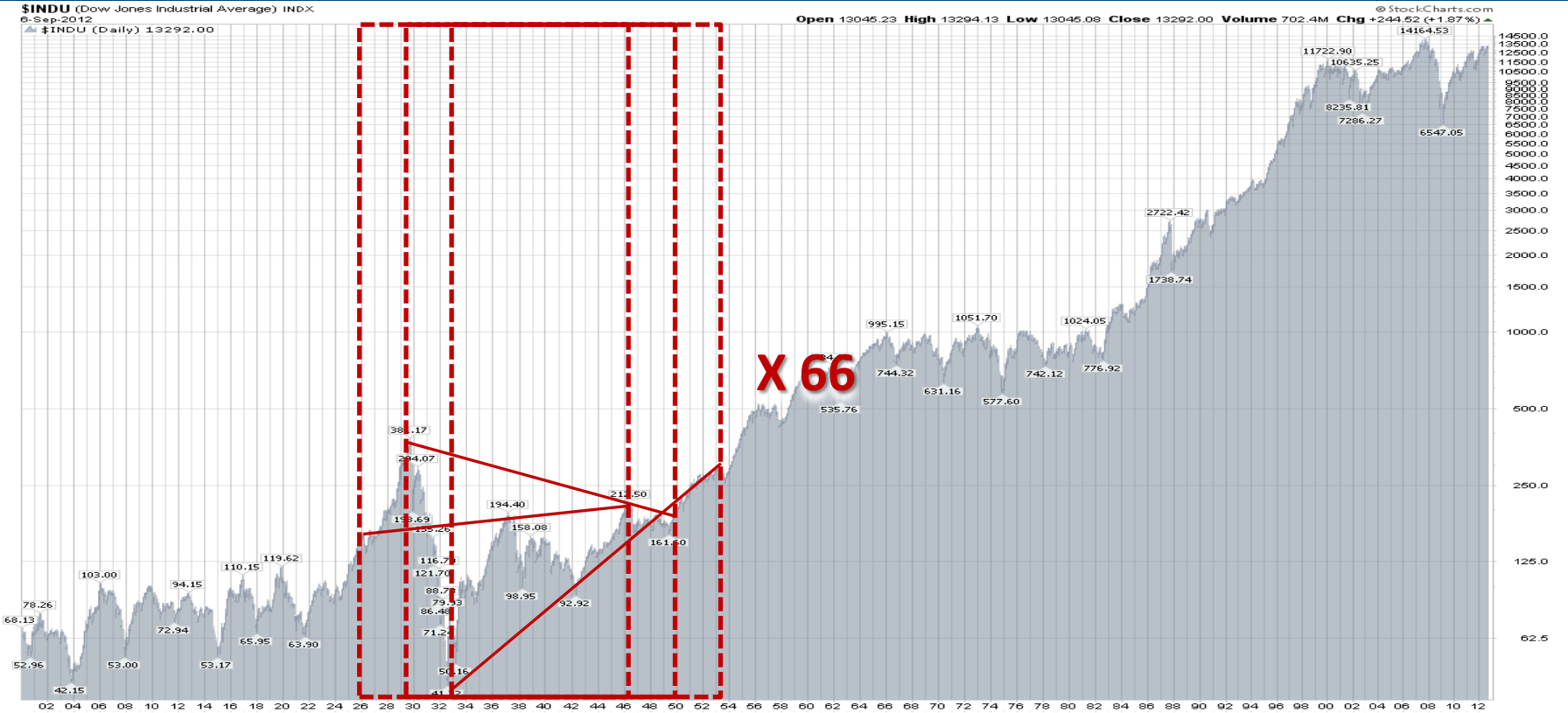
Estimating Rate of Return



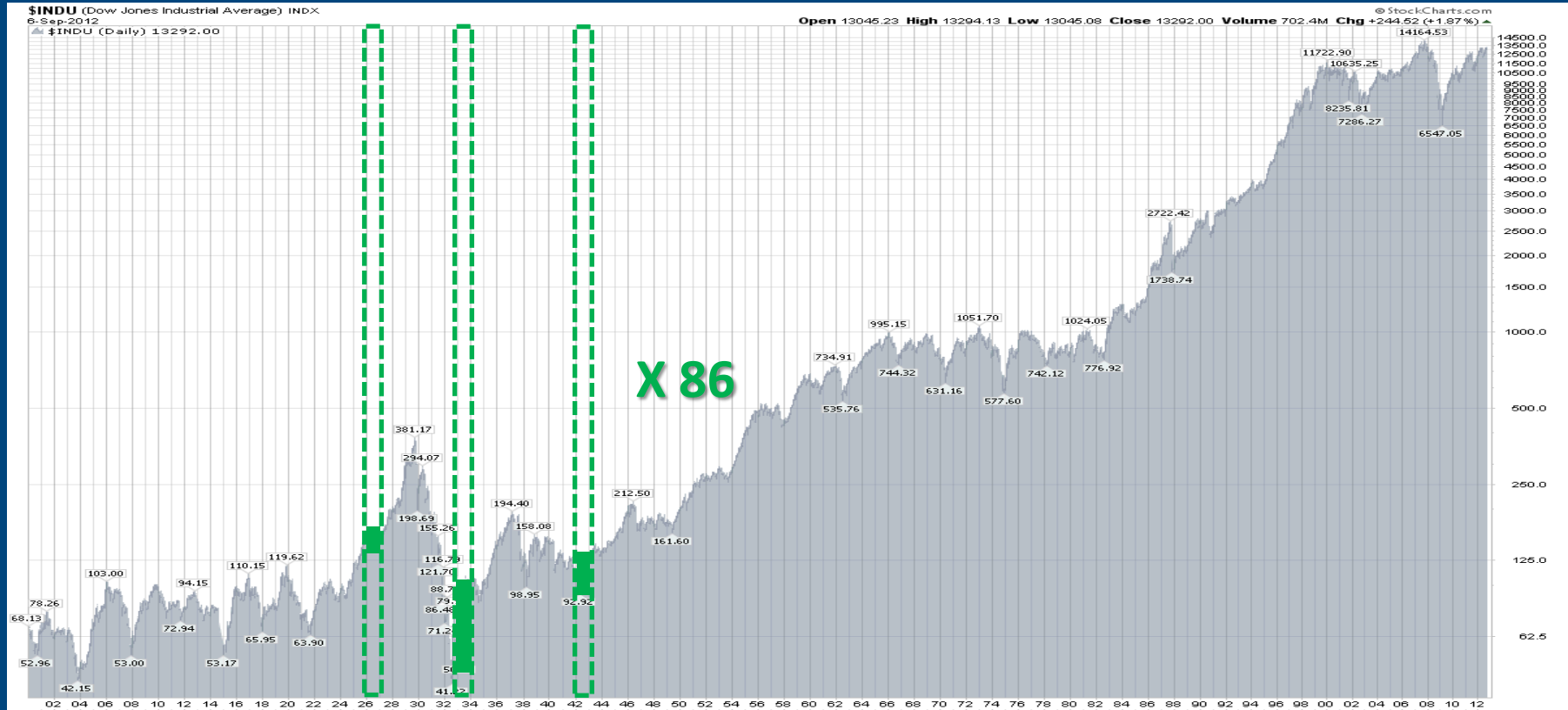
Estimating Rate of Return



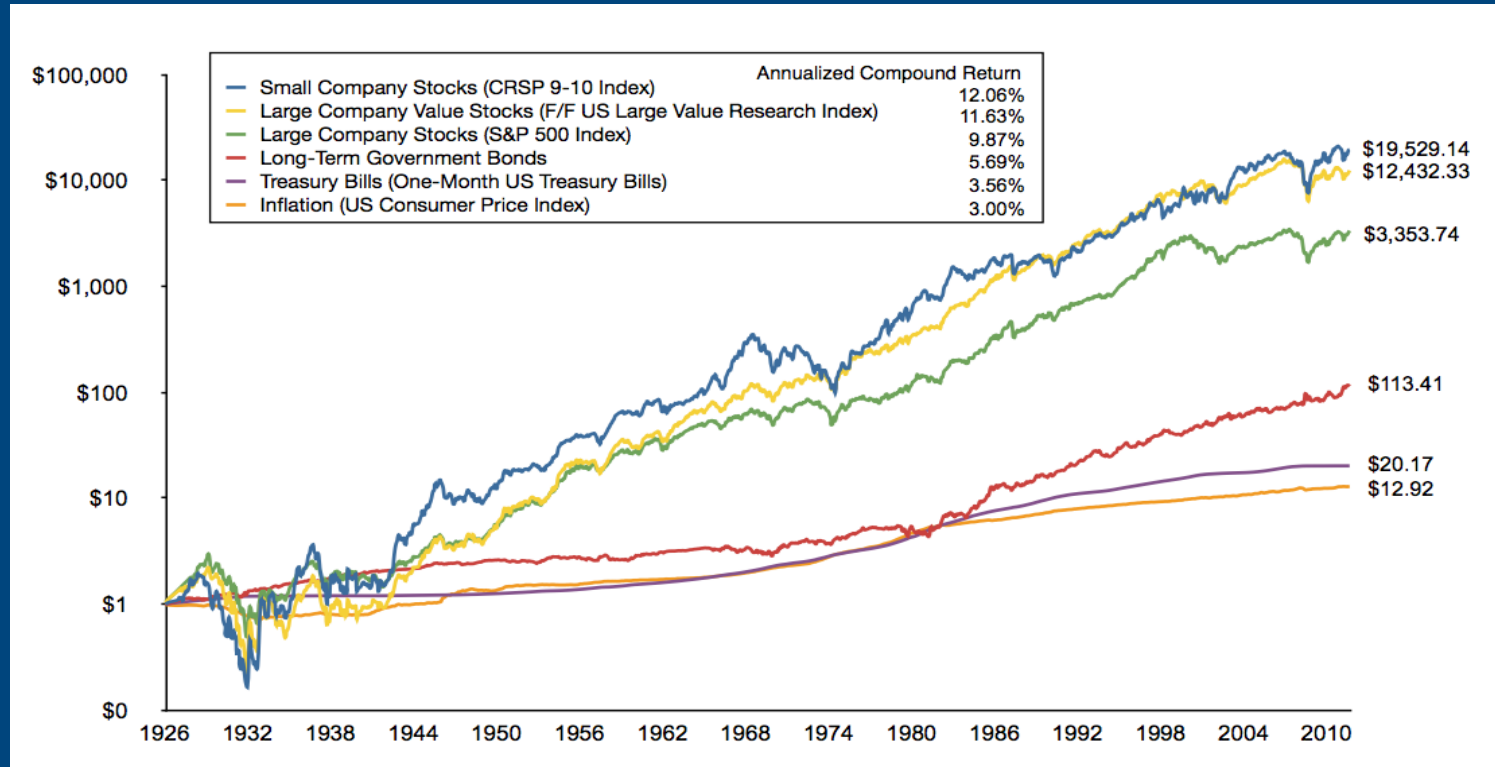
Estimating Rate of Return



Standard Deviation



Long-Term Market History



Long-Term Treasury Bonds – 5 Years

iShares Barclays 20 Year Treasu

TLT

Nov 07, 2012



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S&P 500 vs. Long-Term Treasury Bonds – 5 Years



S&P 500 vs. Long-Term Treasury Bonds – 5 Years



Real Estate – 12 Years



Real Estate – 12 Years



Real Estate – 12 Years



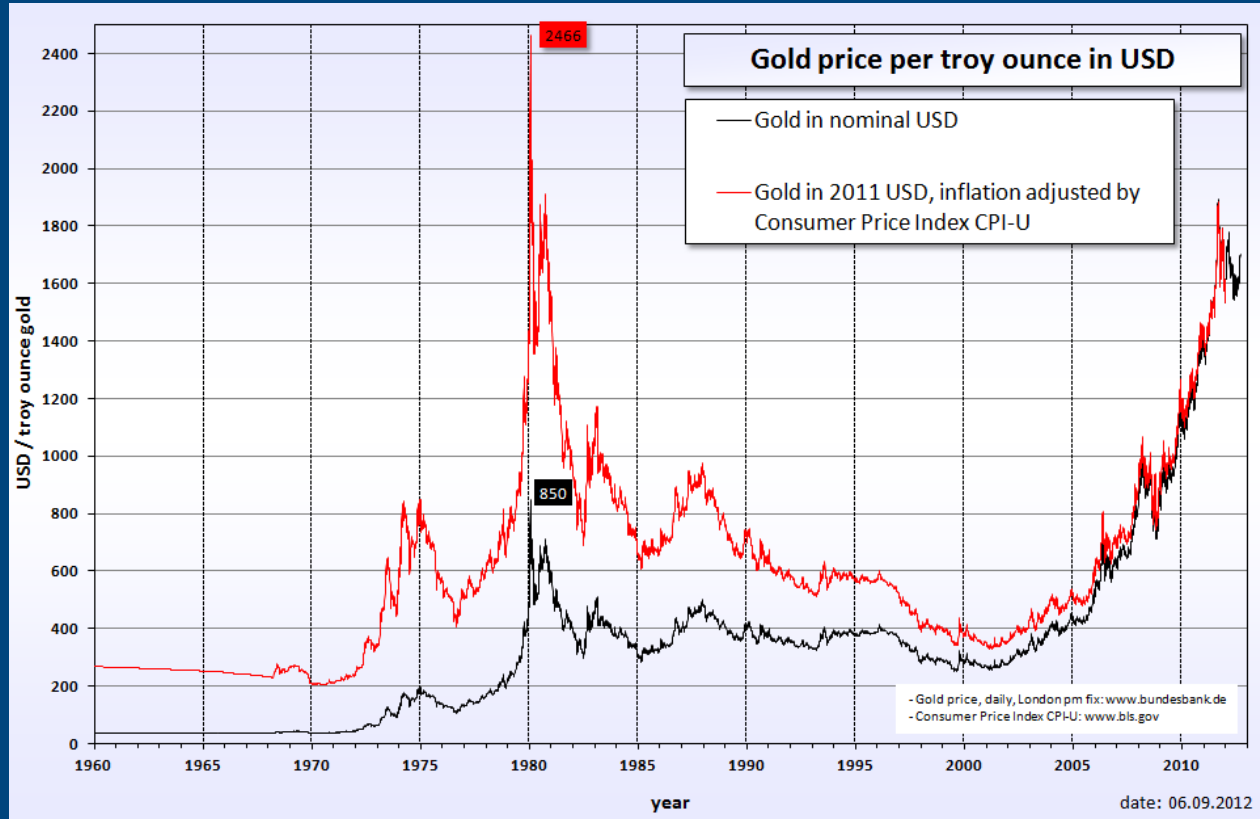
Real Estate – 12 Years



Oil – 14 Years



Gold – 52 Years



Not all methods of setting expectations are equally reliable.

Some are more reliable (and useful) than others.

Always find and use the most reliable method.

Watch out for confirmation bias.

Next Week's Webinar

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