

Financial Intelligence

Produced Exclusively for Members of the
Senior Executives Association

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- Founder and Principal Advisor, Variplan, LLC
- Certified Financial Planner
- Registered Investment Advisor
- Paladin Registry Certified 5-Star Advisor
- SEA Member Benefit Provider Since 1999
- Federal Times' "Money Matters" Columnist
- Founder / Instructor Federal Retirement University
- "Ask the Experts" Panelist at www.federaltimes.com

Variplan Article Database



The image shows a screenshot of the Variplan website's navigation menu. The background is dark blue with a large, faint 'VP' logo. On the left, the Variplan logo is displayed in white, consisting of a stylized 'VP' above the word 'VARIPLAN' and the tagline 'Advanced Retirement Planning and Management' below it. To the right of the logo is a vertical list of navigation links, each preceded by a small yellow square icon. The links are: 'WHO WE ARE', 'WHAT WE DO', 'HOW WE DO IT', 'OUR CLIENTS', 'CONTACT US', and 'ARCHIVE'. The 'ARCHIVE' link is circled in red. In the bottom right corner of the navigation area, there is a yellow box containing the text 'CLIENT RESOURCES'. At the bottom of the page, there are two columns of logos and text. The left column features the CFP® logo, the text 'CERTIFIED FINANCIAL PLANNER', and a paragraph of text: 'Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP® in the U.S.'. The right column features the PALADIN logo, the text 'SERVICES', and five stars with the text 'AIAA OCB' below them.

VP
VARIPLAN
Advanced Retirement Planning and Management

- WHO WE ARE
- WHAT WE DO
- HOW WE DO IT
- OUR CLIENTS
- CONTACT US
- ARCHIVE

CLIENT RESOURCES

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PALADIN
SERVICES
★★★★★ AIAA OCB

Federal Money Matters Blog
<http://money.federaltimes.com>

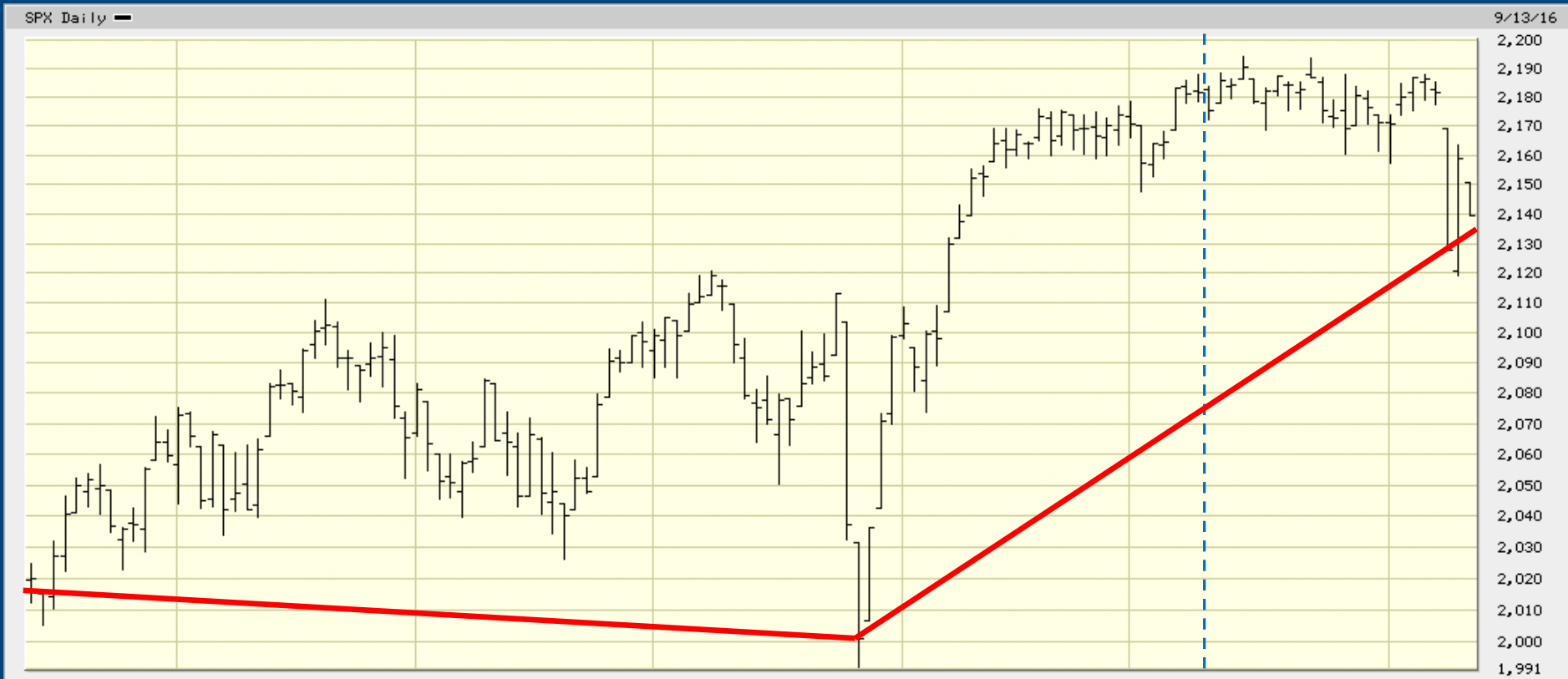
Federal Retirement University
www.federaltimes.com/retirement

Contents

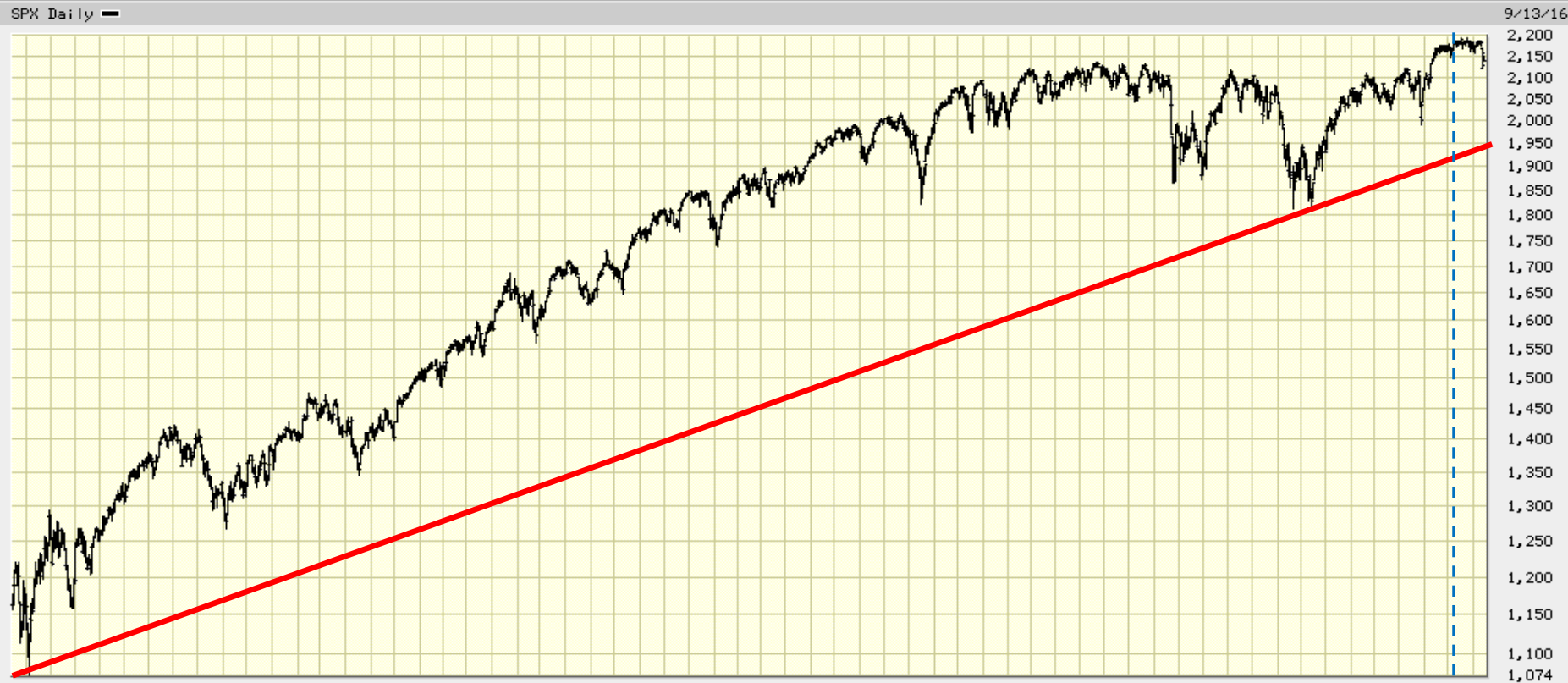
1. Market Review
2. Tactical Recommendations
3. Setting Expectations for Investment Performance
5. Questions & Answers

How to Submit Your Questions

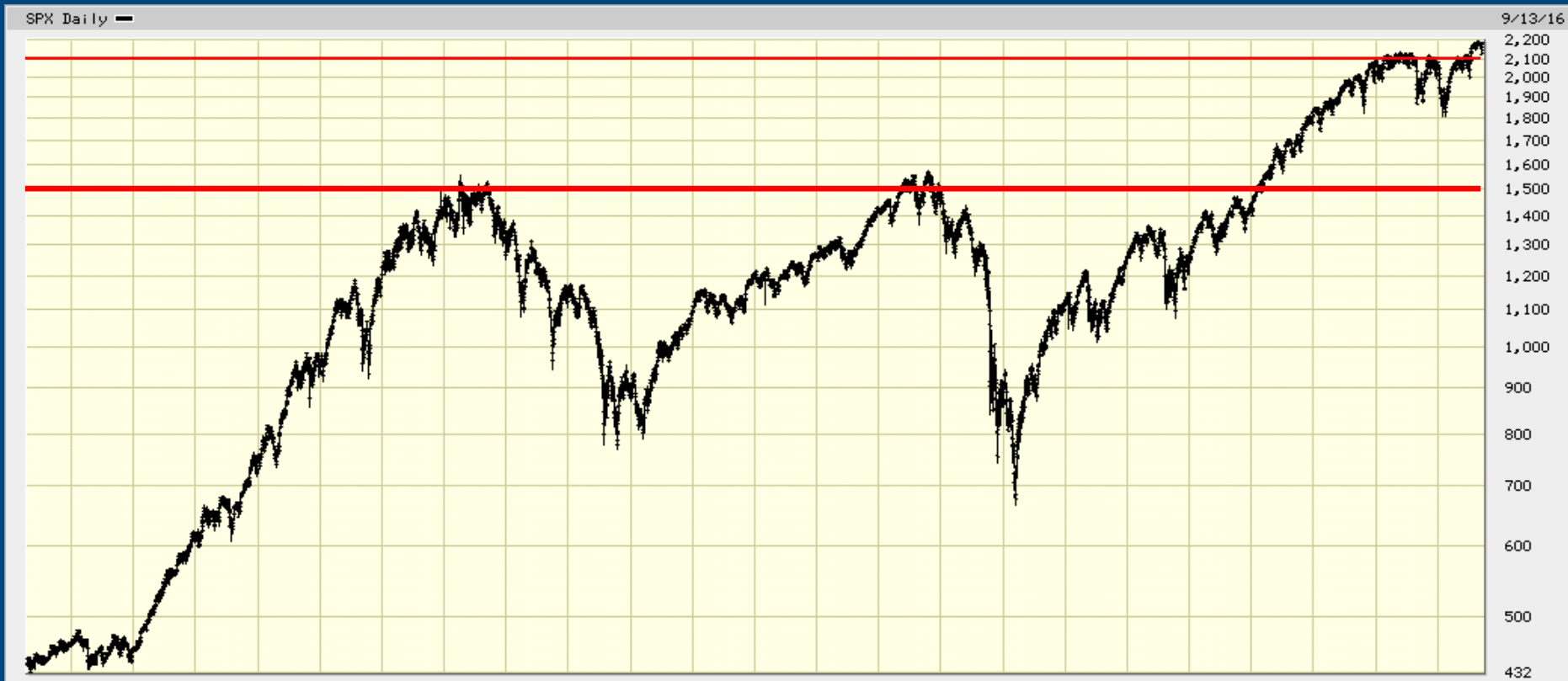
Market Review – Stocks (6 months)



Market Review – Stocks (5 Years)



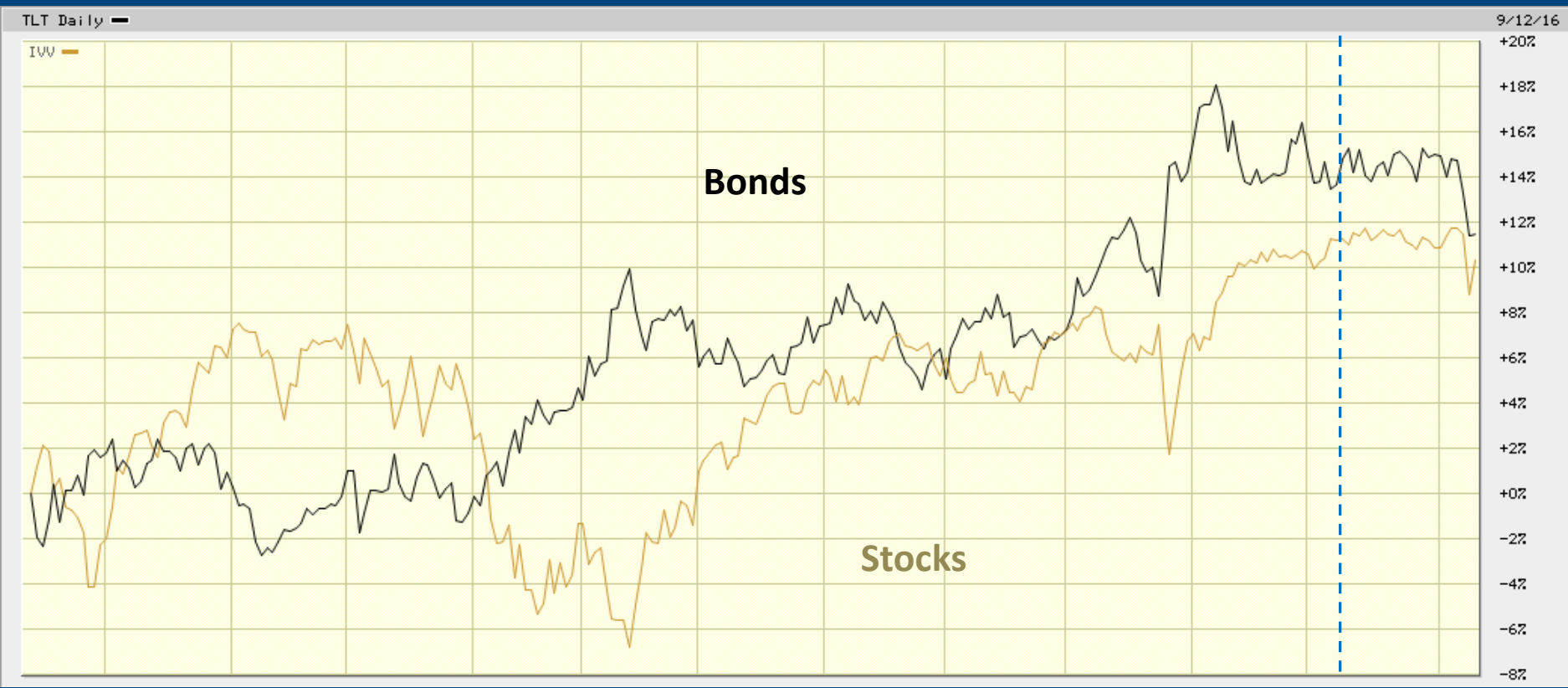
Market Review – Stocks (20 Years)



Market Review - Interest Rates (20 Years)



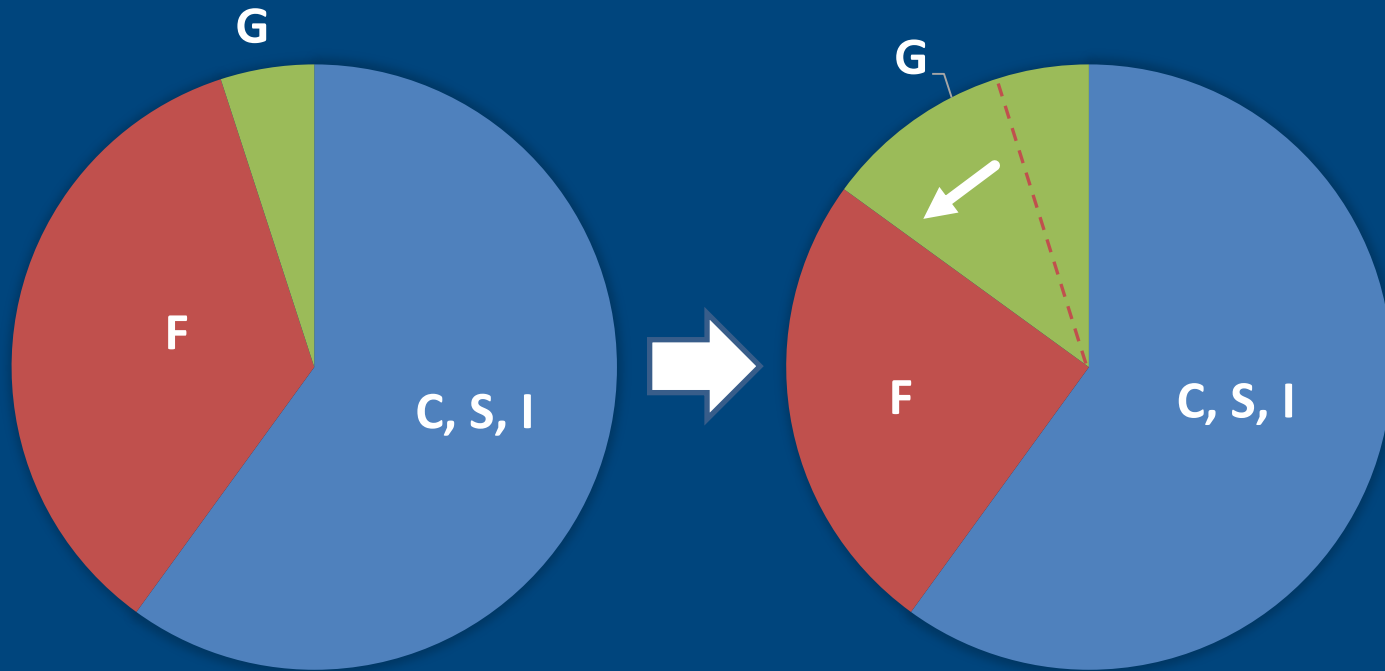
Market Review – Stocks vs. Bonds (1 Year)



Market Review – Stocks vs. Bonds (10 Years)



Tactical Recommendation



Setting Expectations for Investment Performance

The Retirement Planning and Management Process



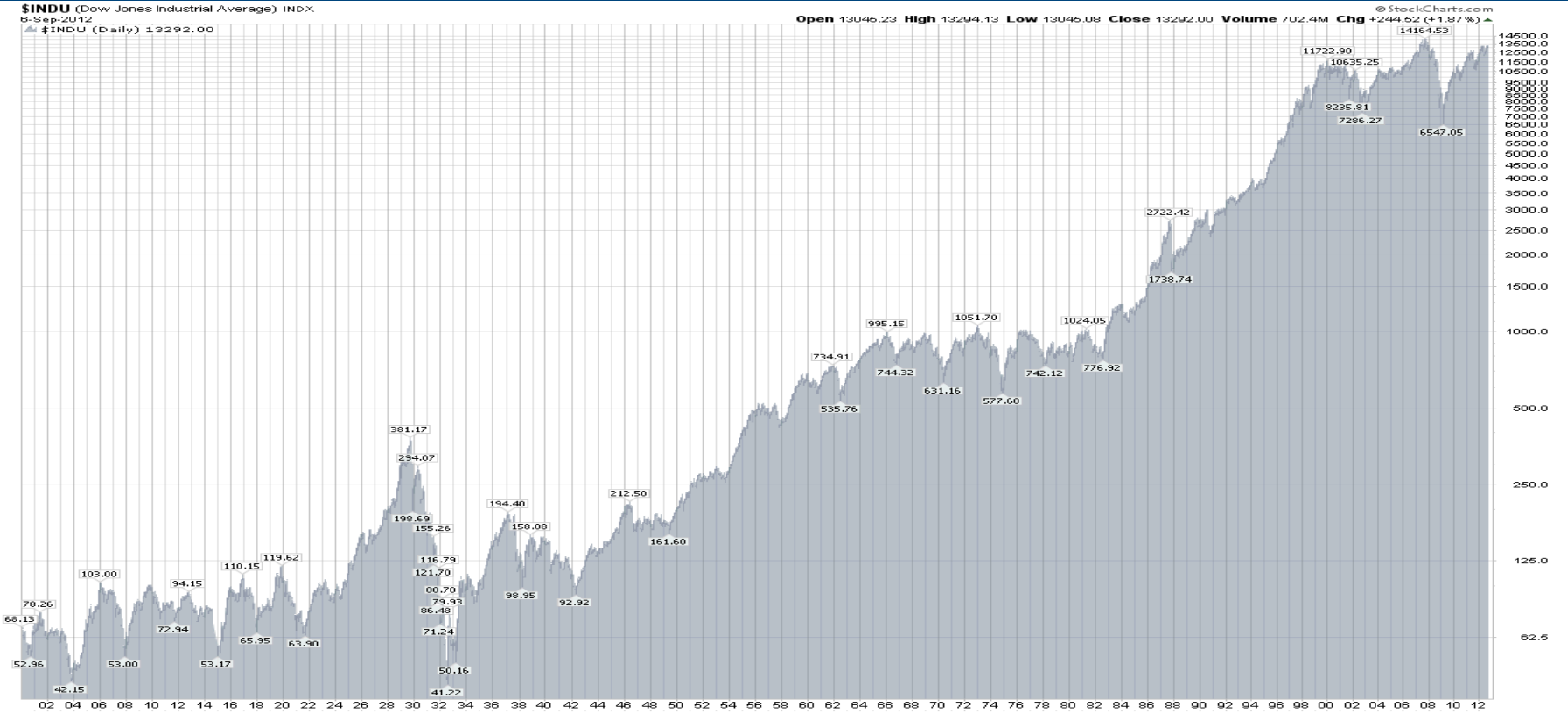
Setting Expectations for Investment Performance

1. Always Respect the Law of Large Numbers
2. Use the Median, Not the Mean Return
3. Use Standard Deviation to Measure Risk
4. Remember to Account for Costs
5. Avoid Active Portfolio Management

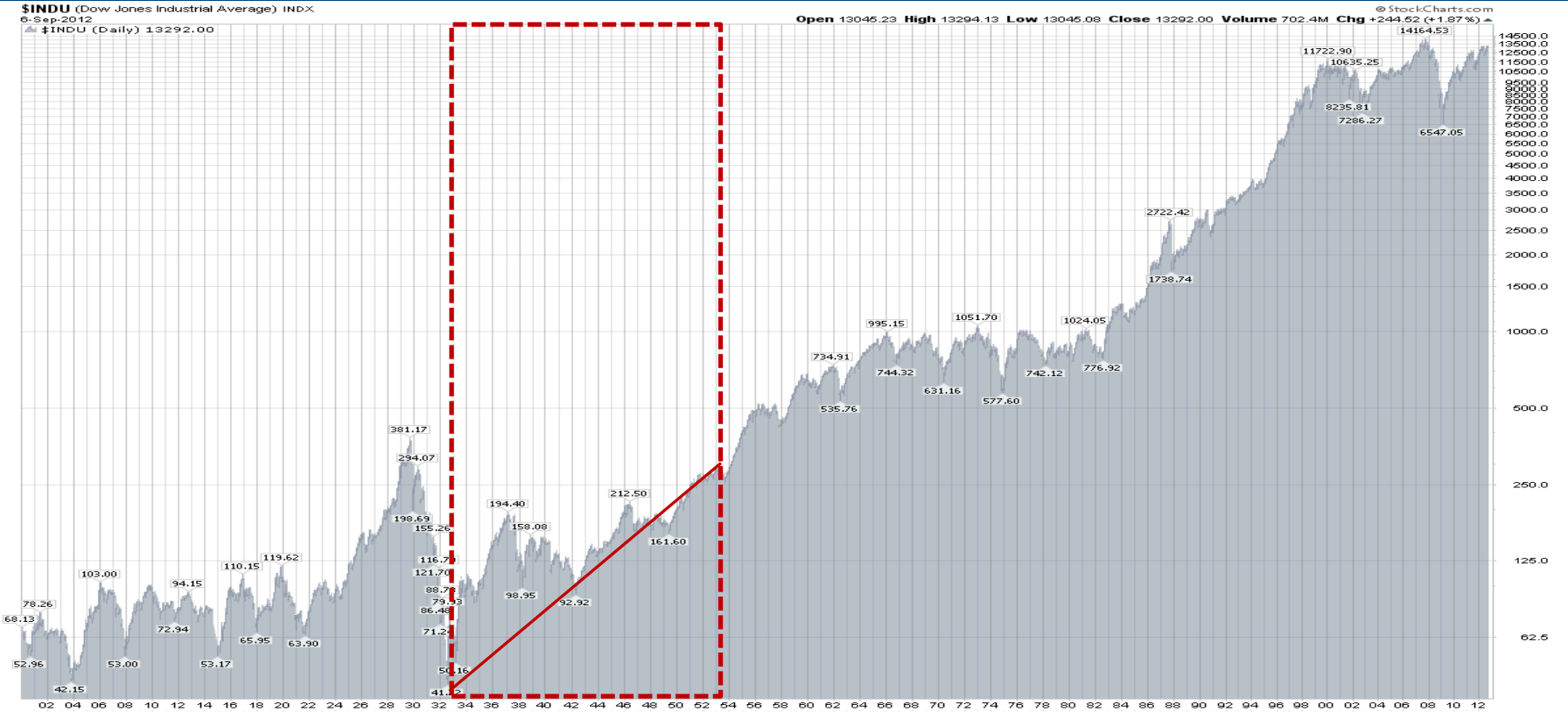
The Law of Large Numbers

For the Purpose of Estimating the True Nature
of a Population (Investment Returns),
a Larger Sample is Superior to a Smaller Sample.

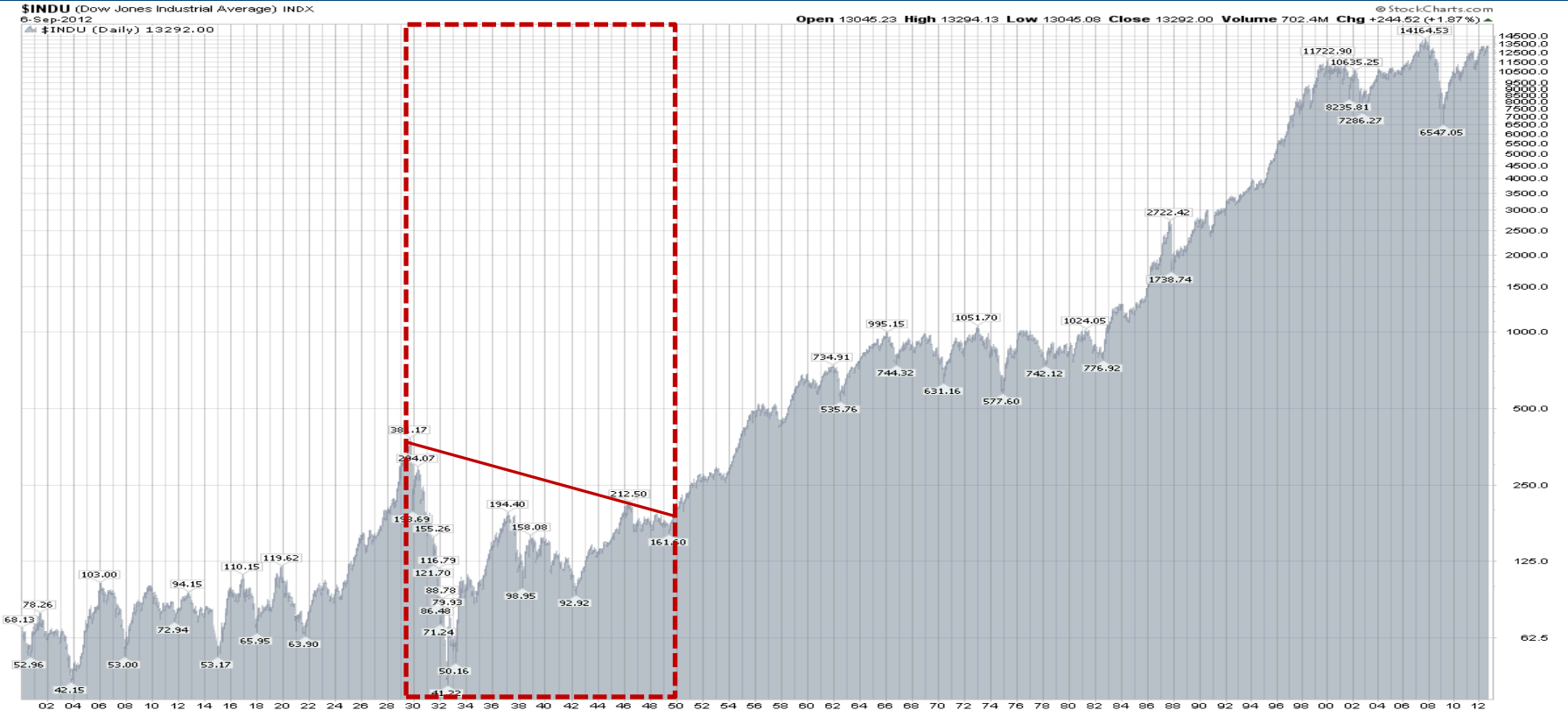
Dow Jones Industrial Average – 112 Years



Estimating Future Returns



Estimating Future Returns



Expected Return



112 Calendar Years
1,332 Monthly Years
40,515 Daily Years

Return – Expected Return

Risk – Standard Deviation of Returns

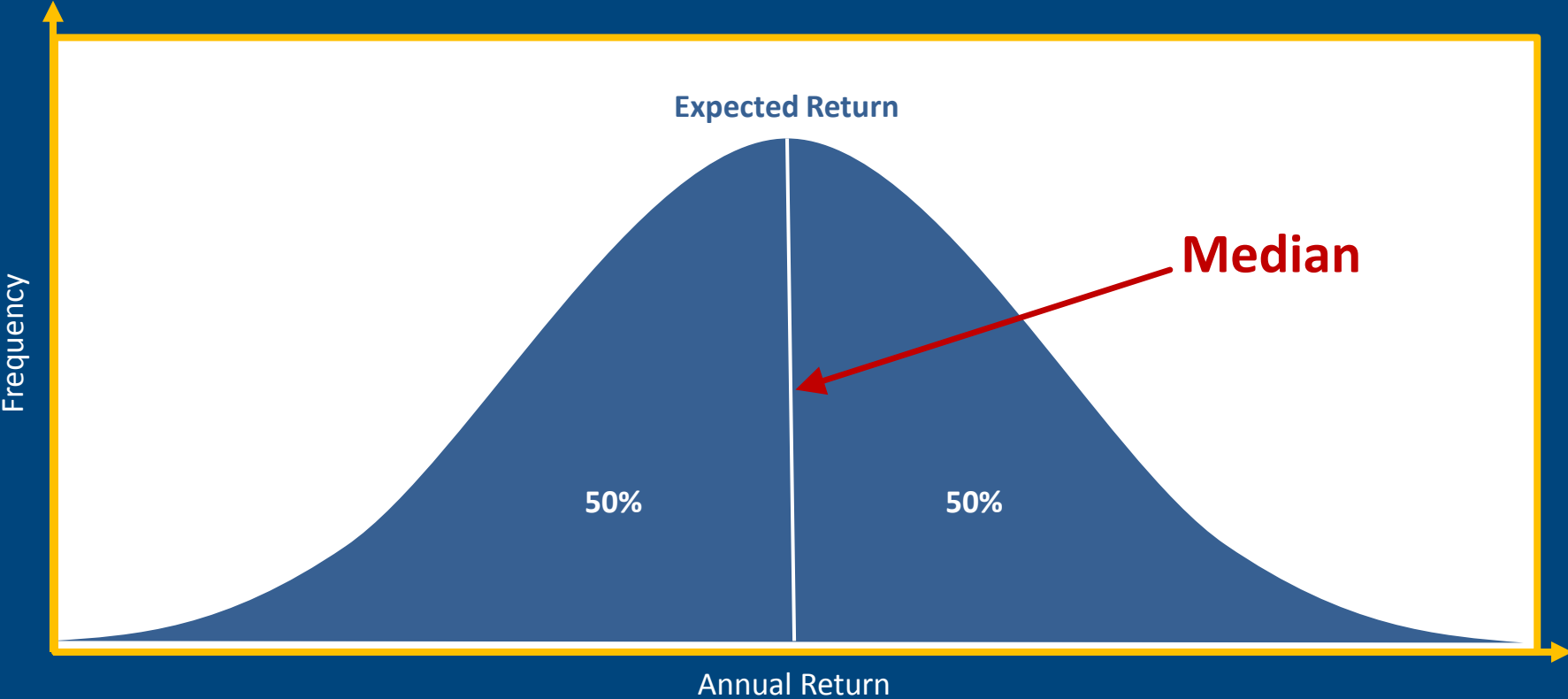
Expected Return

The Most Likely Return to be Produced by an Asset or Portfolio
of Assets During a Given Period

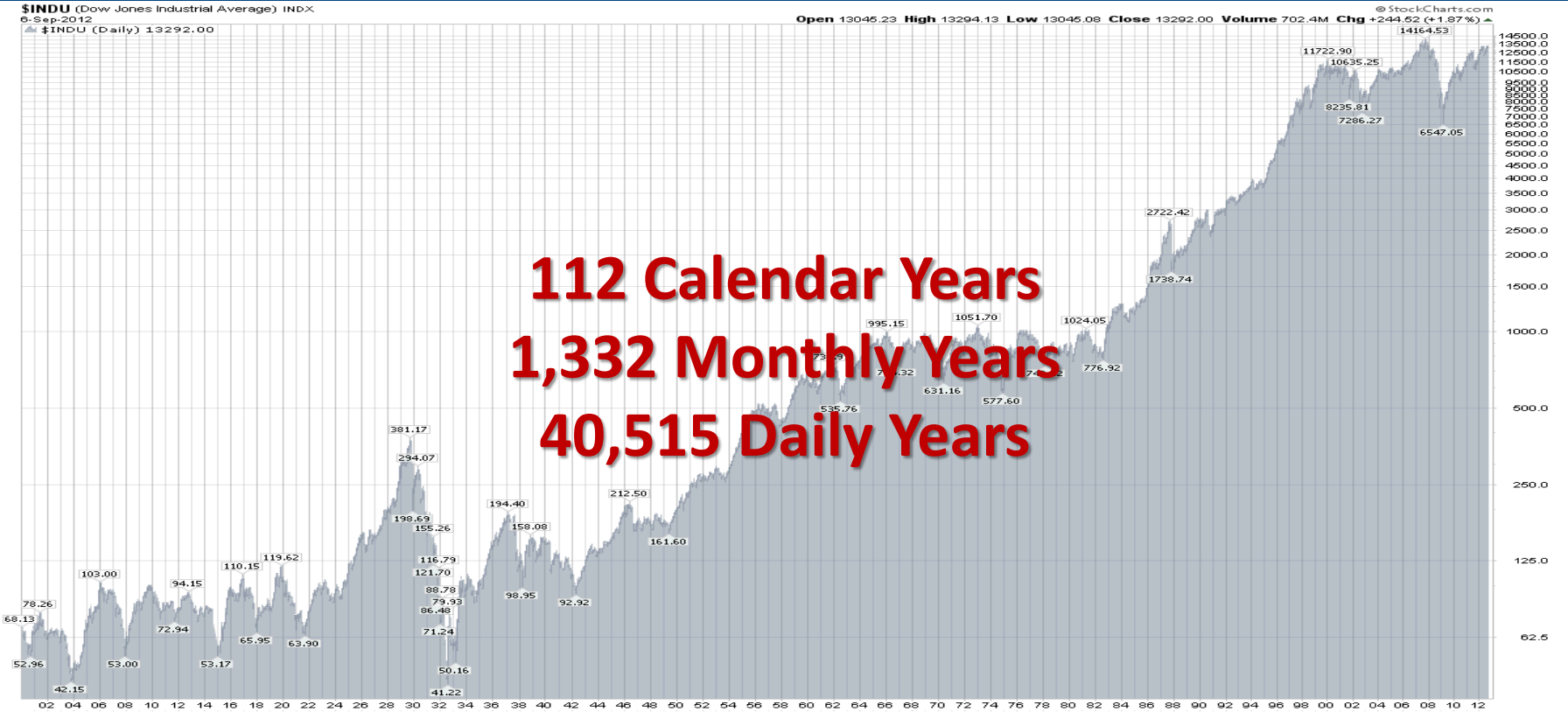
Expected Return



Expected Return



Expected Return

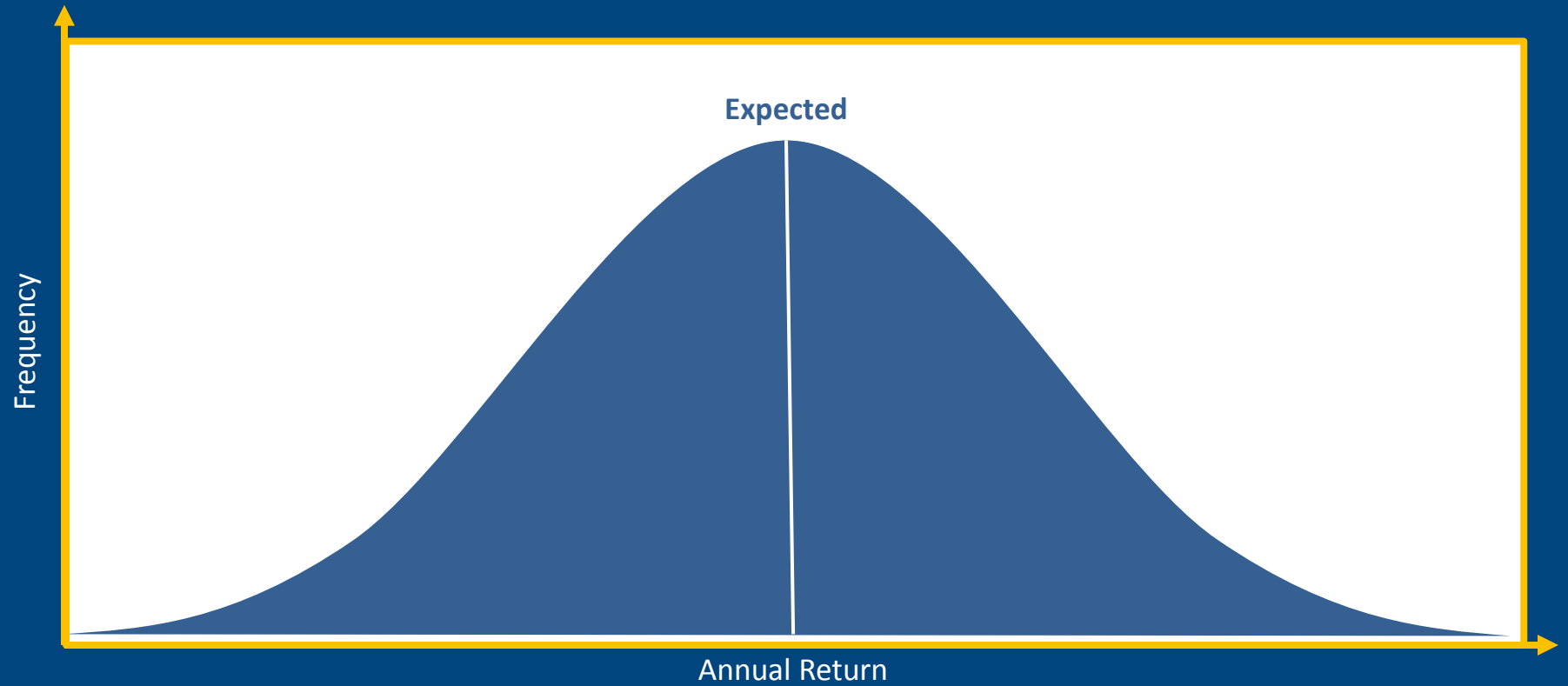


112 Calendar Years
1,332 Monthly Years
40,515 Daily Years

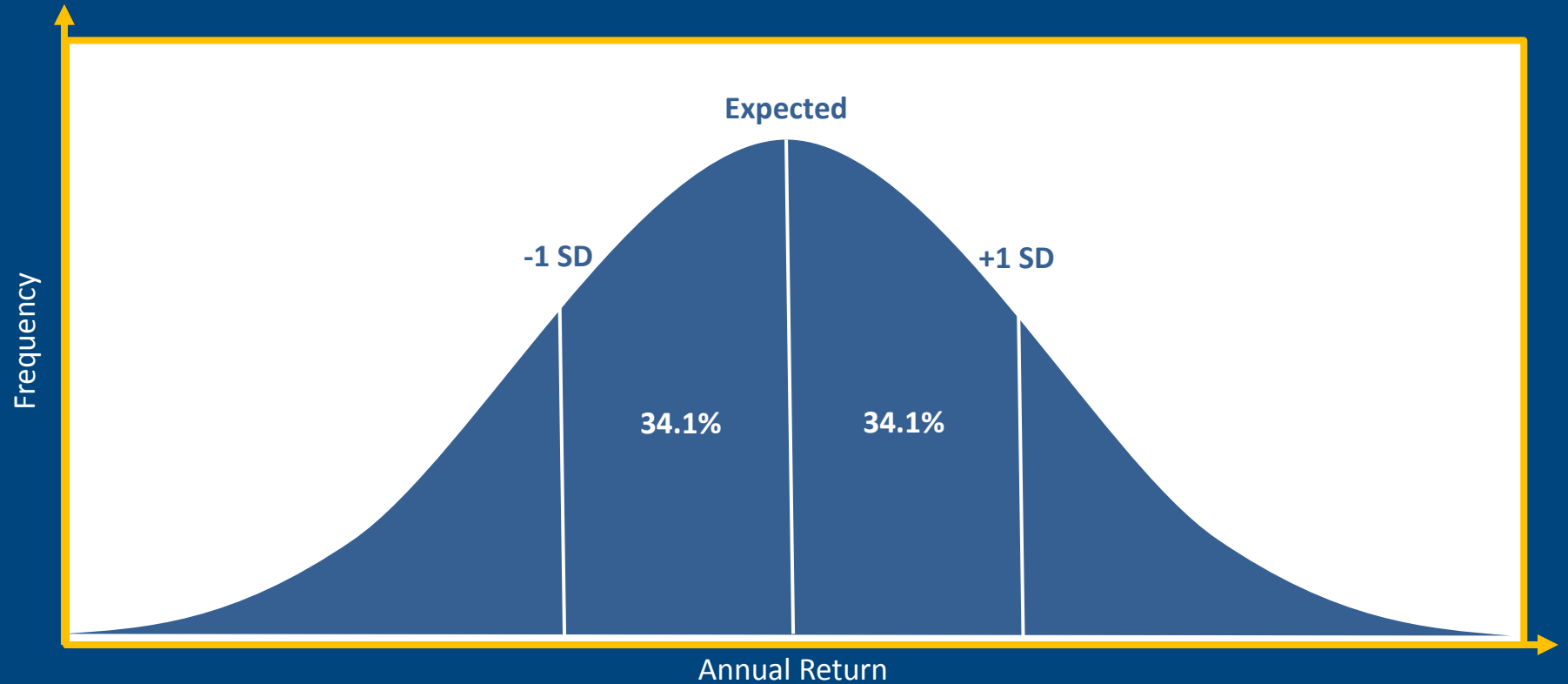
The Standard Deviation of Returns

A Measure of the Probability that the Actual Return will Vary
from the Expected Return

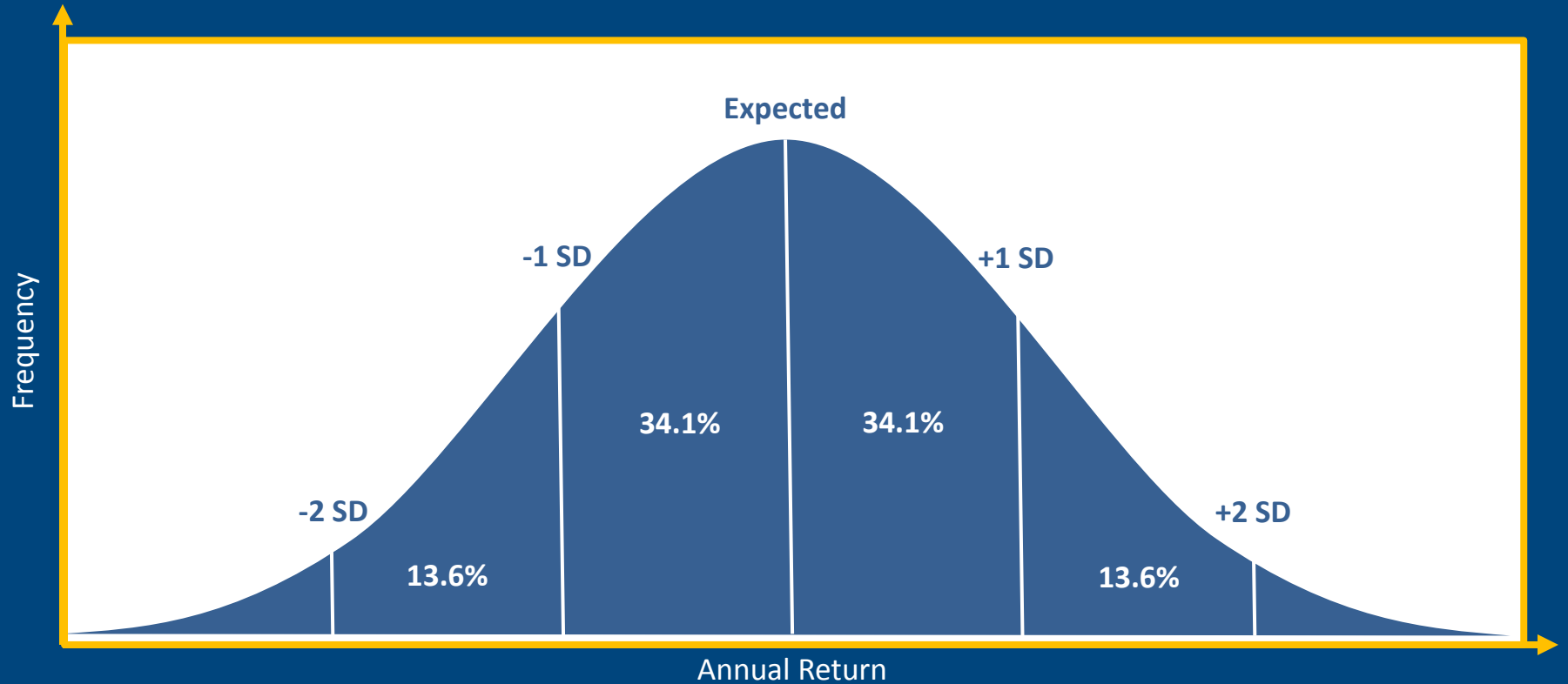
Standard Deviation



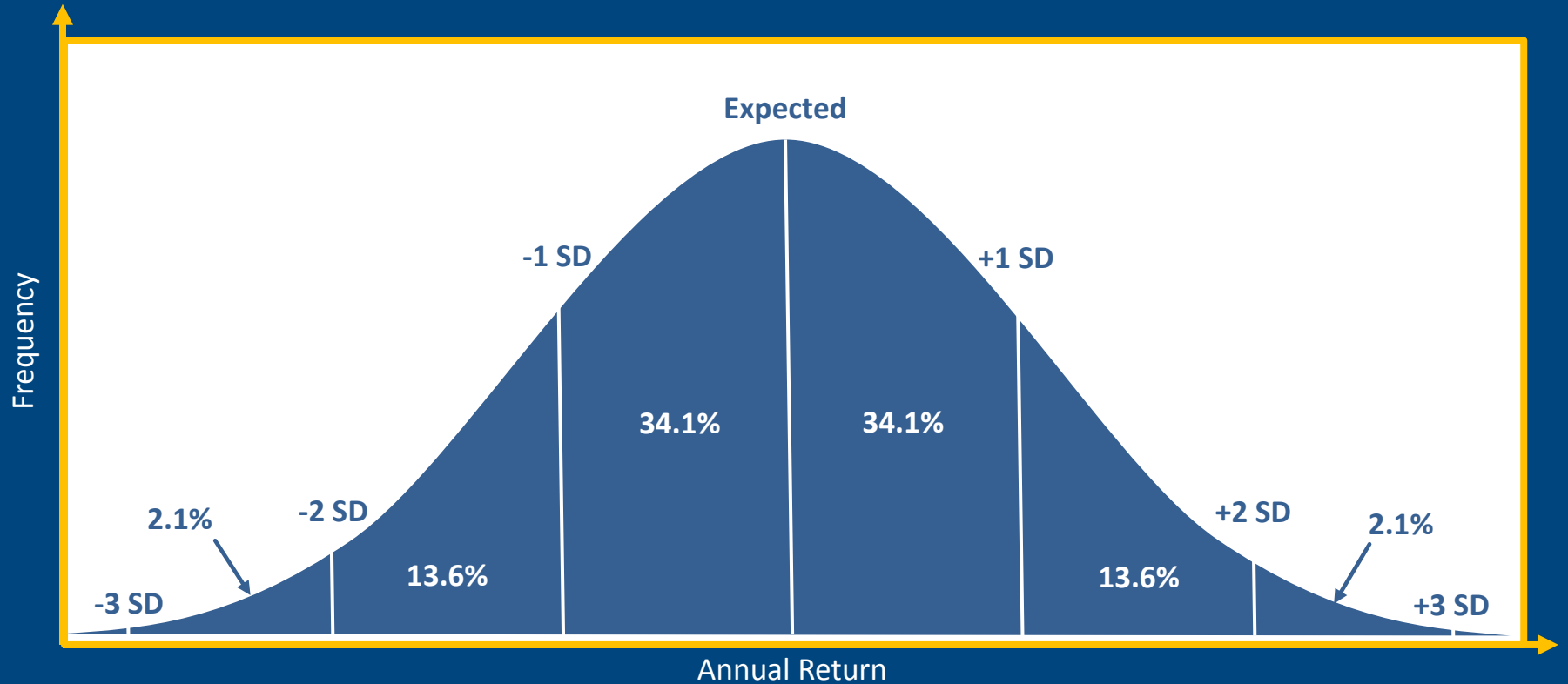
Standard Deviation



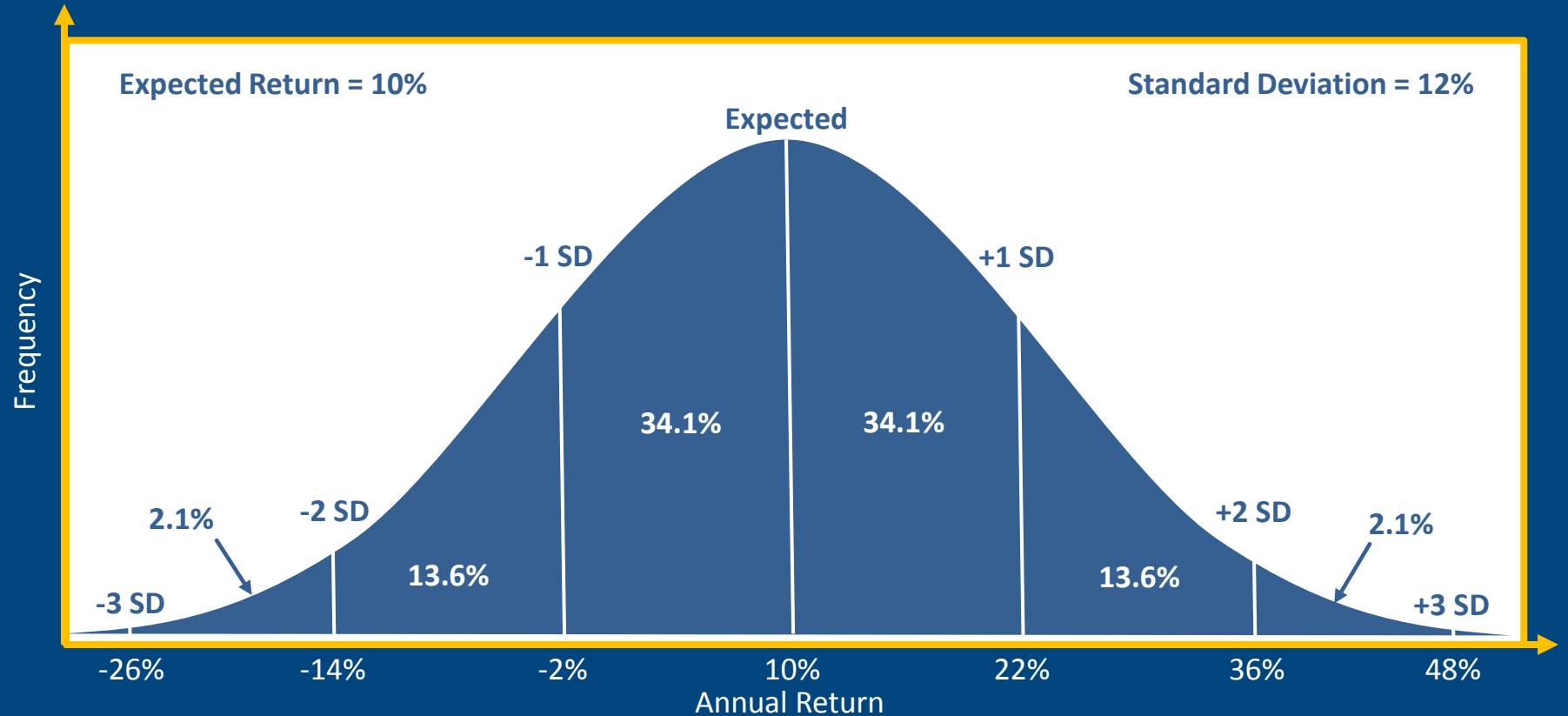
Standard Deviation



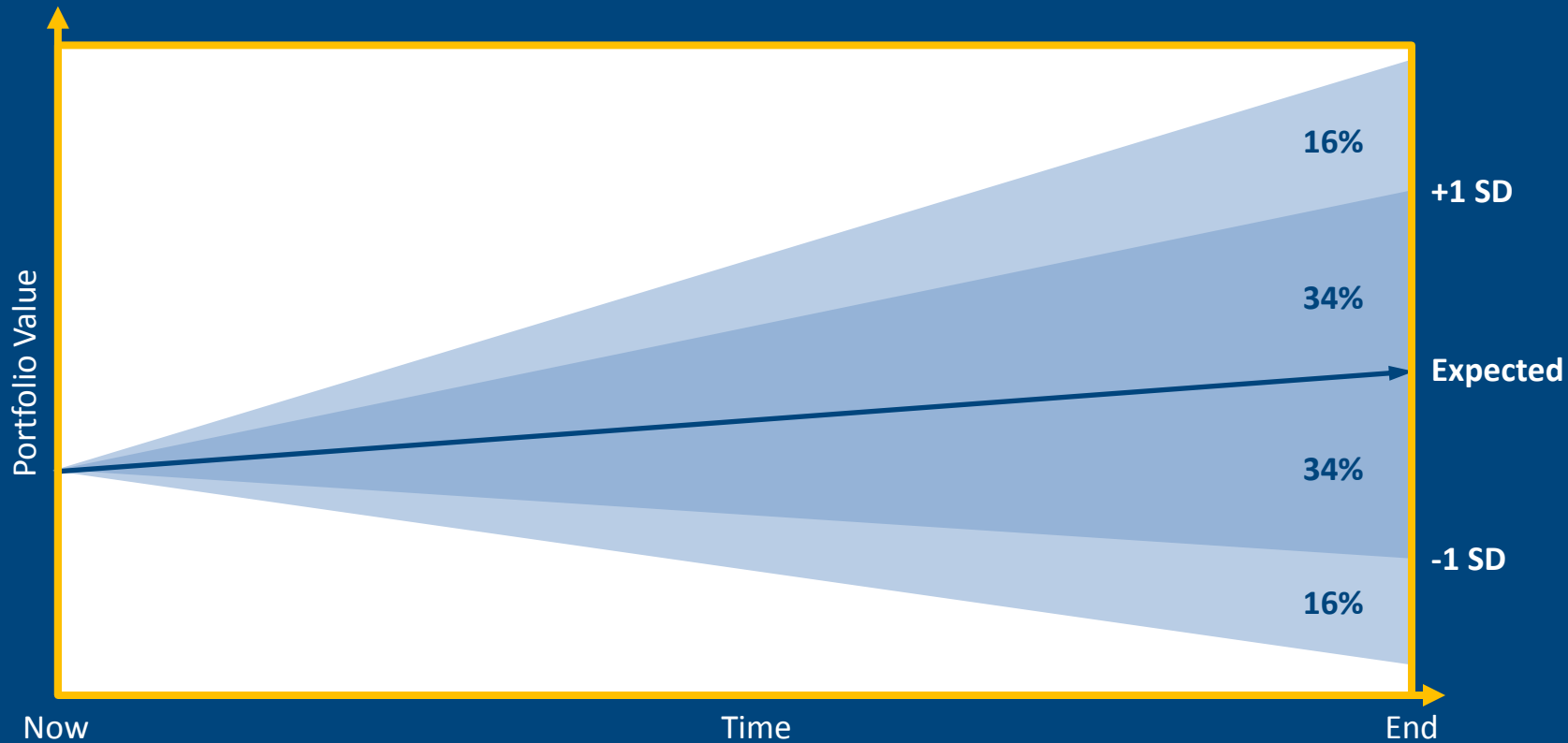
Standard Deviation



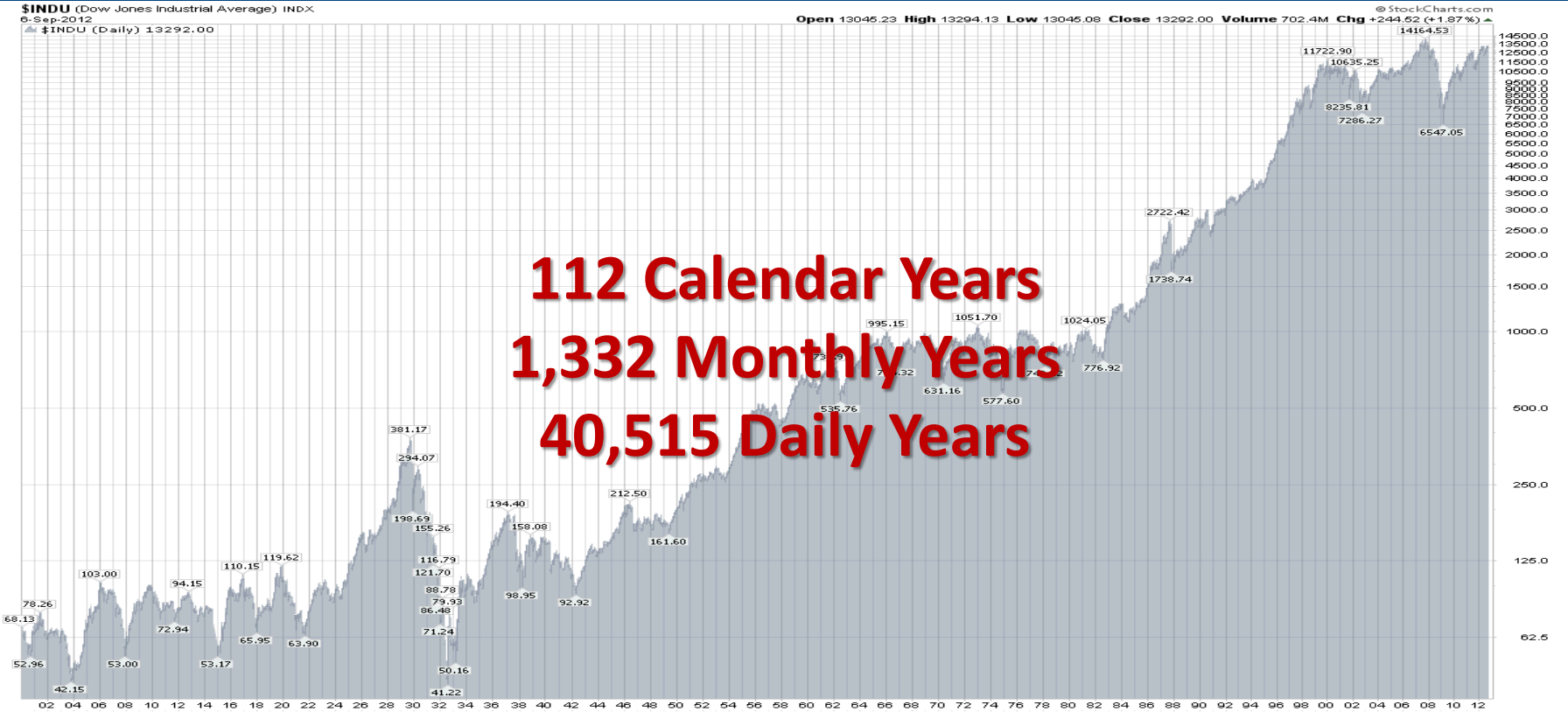
Standard Deviation Example



Standard Deviation



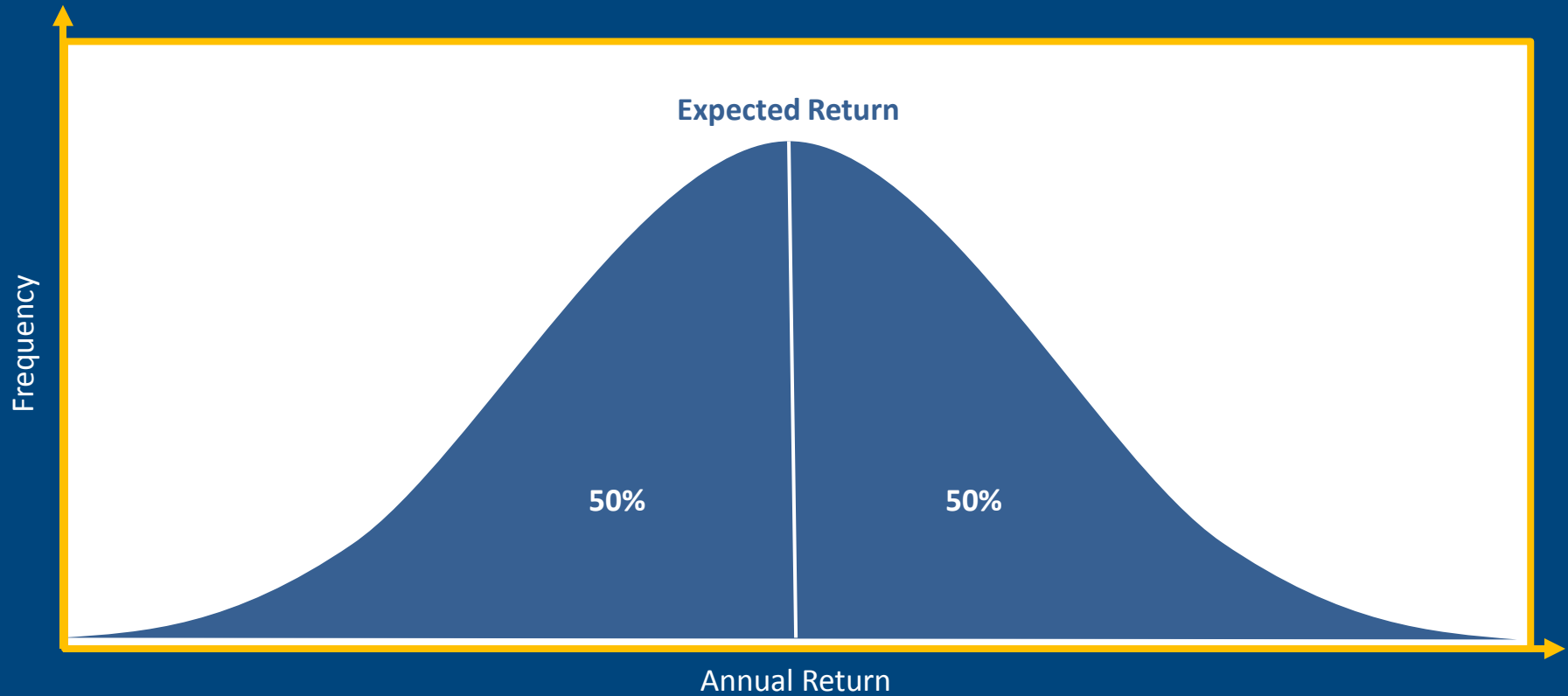
Expected Return



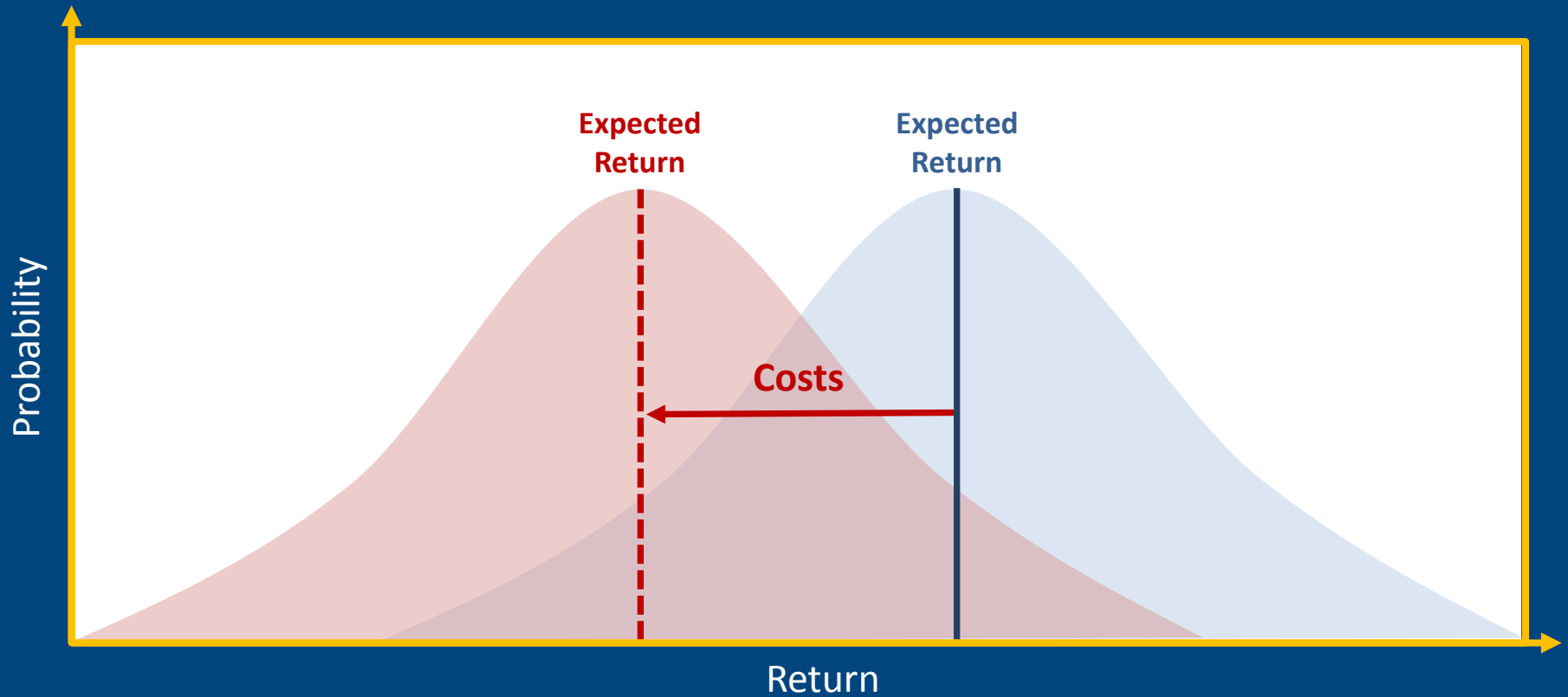
112 Calendar Years
1,332 Monthly Years
40,515 Daily Years

Friction that Drags Down Your Return

Investment Costs



Investment Costs



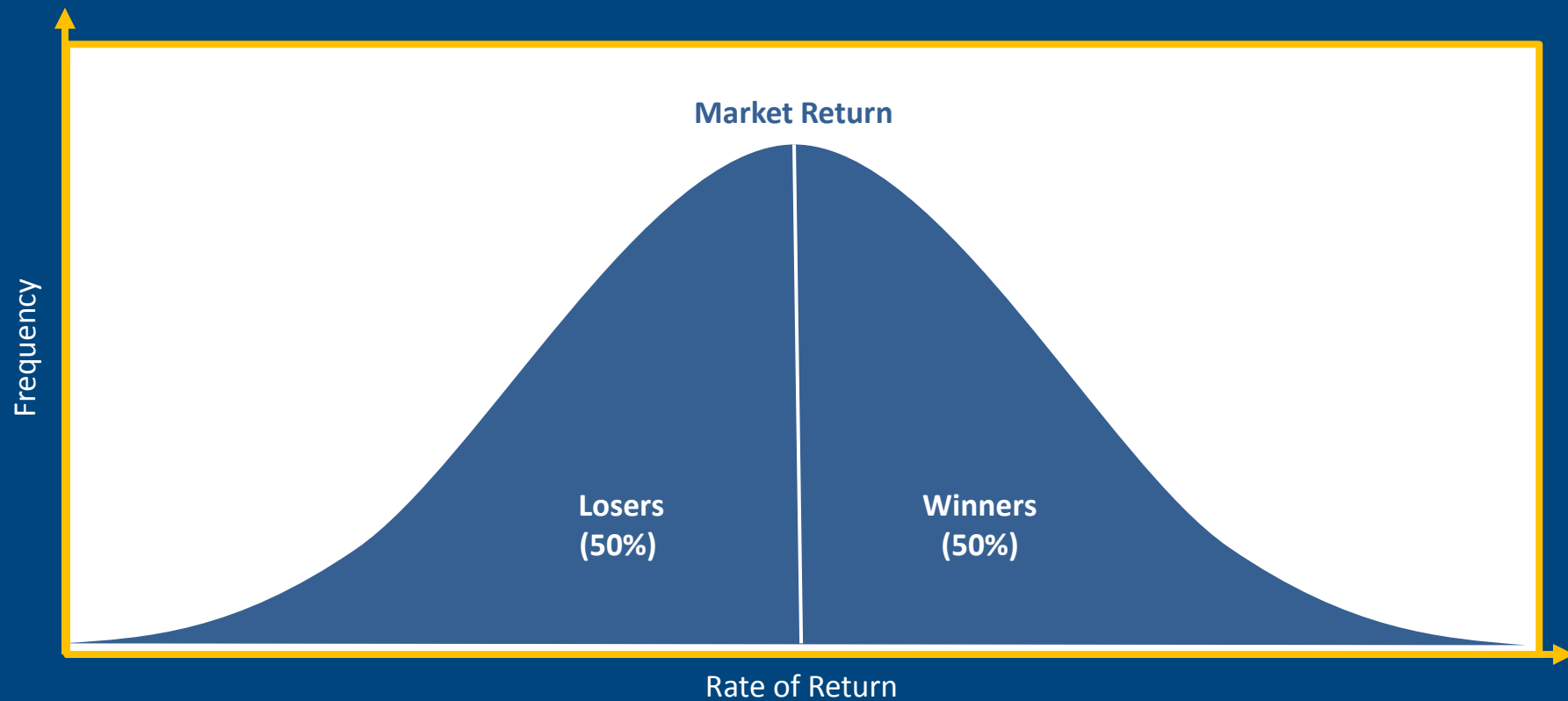
Types of Investment Costs

Category	Description	Example
Selling	Convincing You to Buy	Loads, 12b-1 Fees, DCSC
Administration	Business Overhead	Expense Ratios
Navigation	Planning and Analysis	Fees
Performance	Securities Selection and Timing	Expense Ratios
Transactions	Brokerage Commissions	Trading Commissions
Taxes	Excess Taxes Generated By Turnover	1099
Lifestyle	Reduced Standard of Living	Underperformance

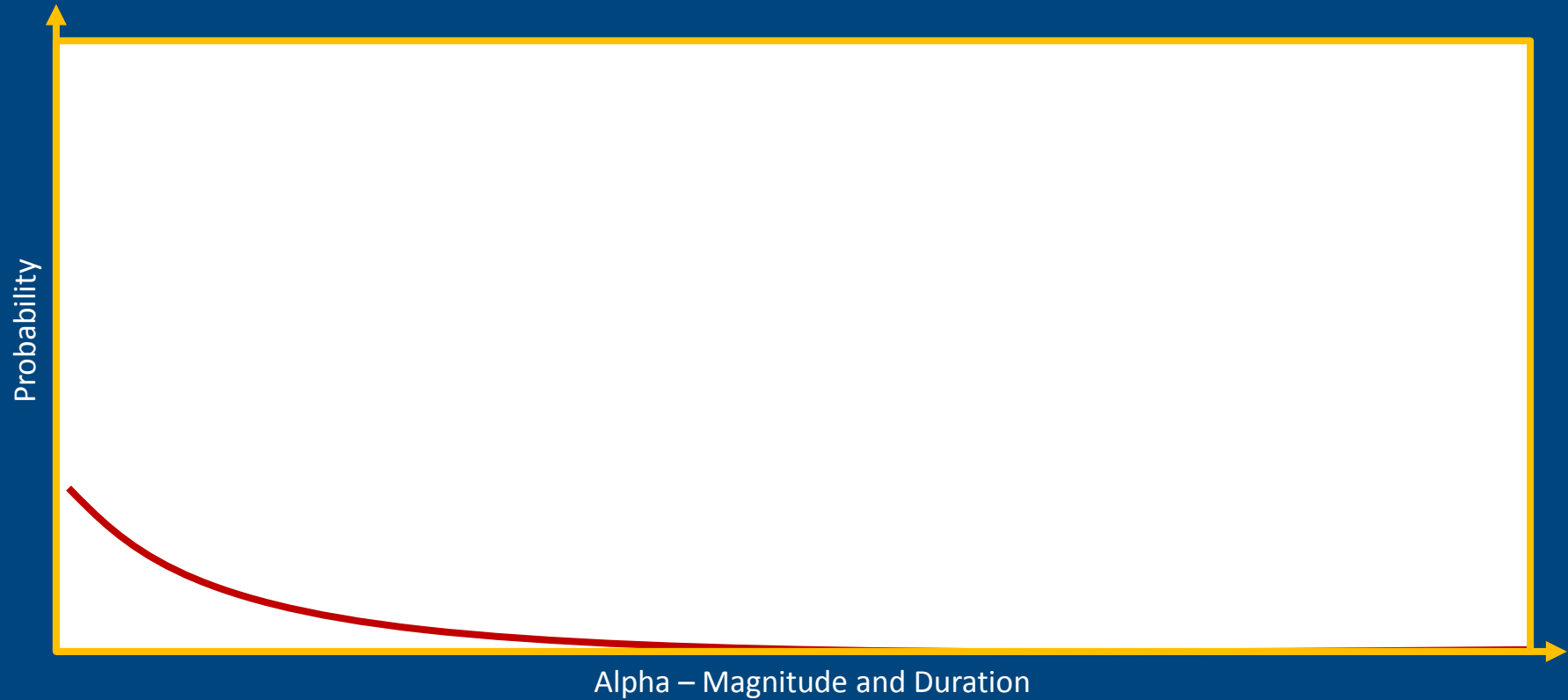
Alpha is additional return, above and beyond what is produced by the market, that is attributed to security selection and timing.

Markets are a tug-of-war over prices.

The Zero-Sum Game



Probability of Creating Alpha



Questions / Comments / Suggestions



V A R I P L A N

Advanced Retirement Planning and Management

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