

Investment Education

# Principles of Investing

Presented by:  
Jennifer Reynolds, Senior Relationship Manager  
USI Consulting Group  
2024



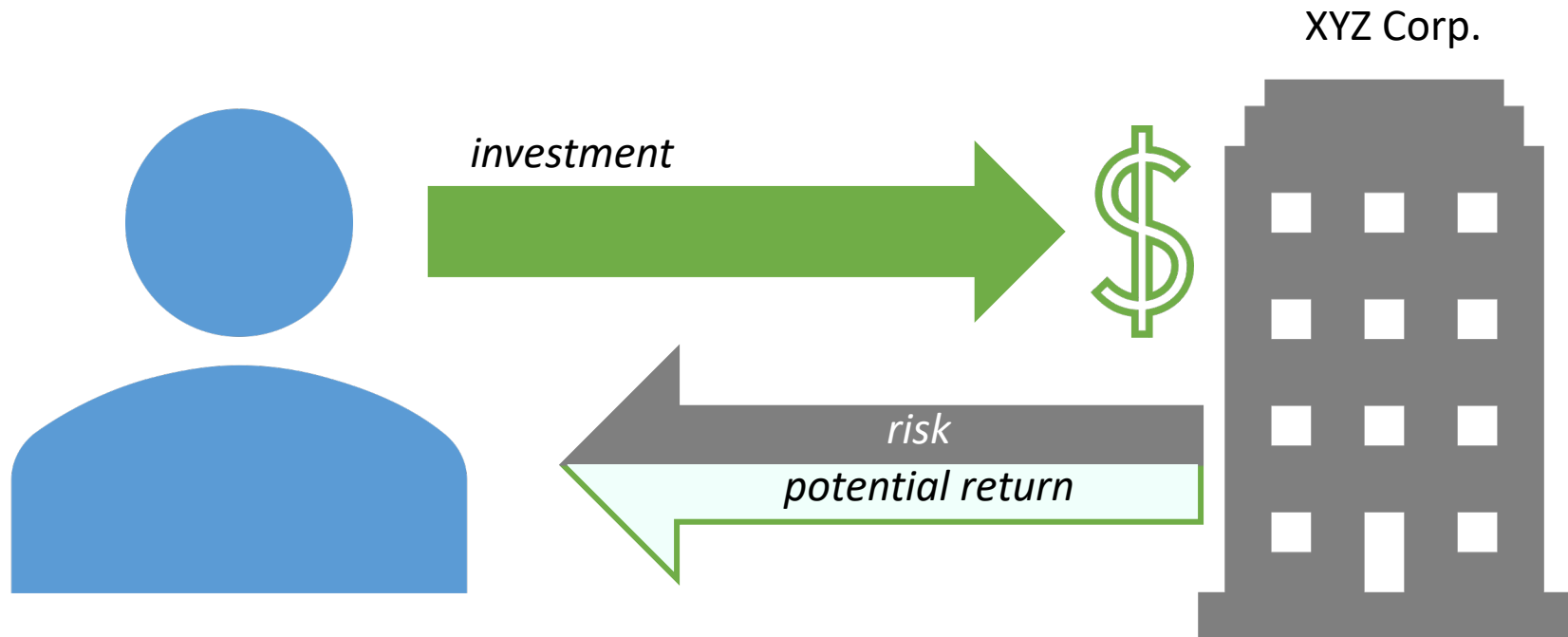
# Table of Contents

- 1 What is Investing?
- 2 Type of Investments
- 3 Risk and Return
- 4 Portfolio Construction
- 5 Diversification
- 6 Volatility
- 7 Long-Term Investing
- 8 Staying Invested
- 9 Behavioral Finance
- 10 Rebalancing
- 11 Time Value of Money
- 12 Opportunity Cost
- 13 Inflation

# What is Investing?

---

**Investing is getting paid to hold on to risk.**



# Types of Investments

---



## STOCKS

A share of ownership in a company



## BONDS

Loans to the government or a corporation

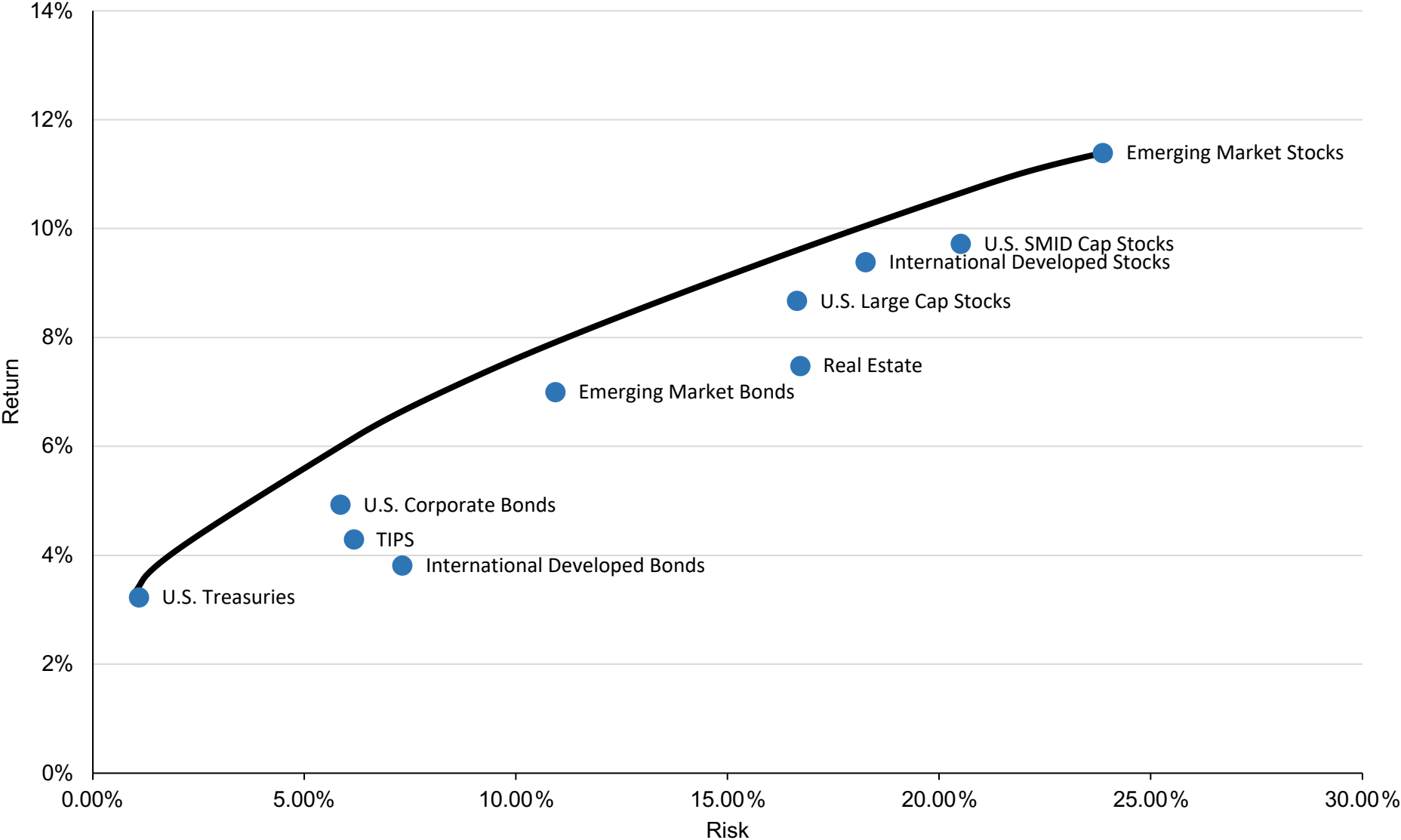


## MUTUAL FUNDS

Professionally managed pools of money

# Risk and Return

## Efficient Frontier

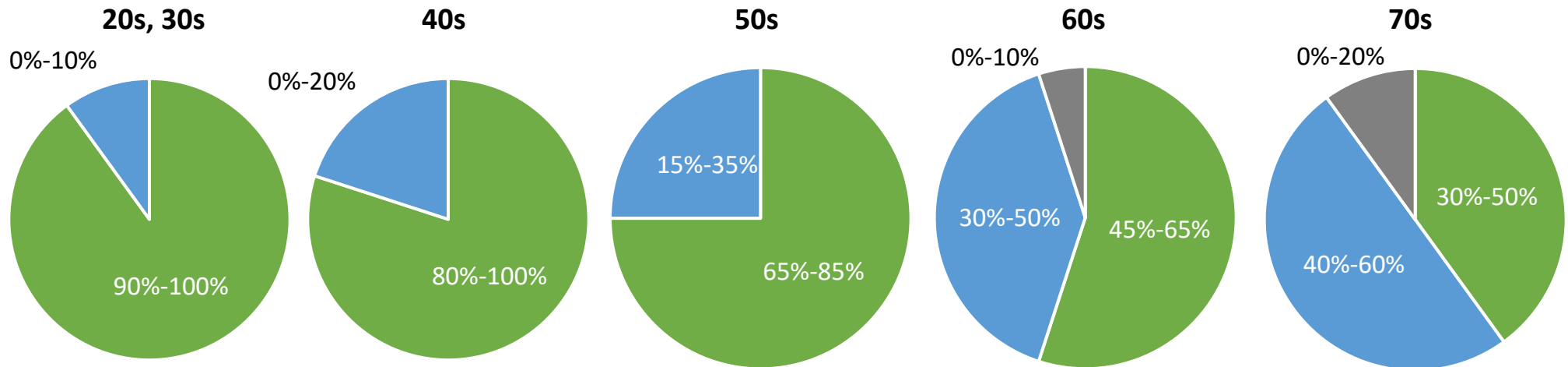


Source: Horizon Actuarial Survey of Capital Market Assumptions 2023.

# Portfolio Construction

---

## Sample Asset Allocations by Age



**Within Stocks:** 70% U.S. Equities, 25% Developed International, 5% Emerging Markets

**Within Bonds:** 80% U.S. Investment Grade, 10% High Yield, 10% International Developed

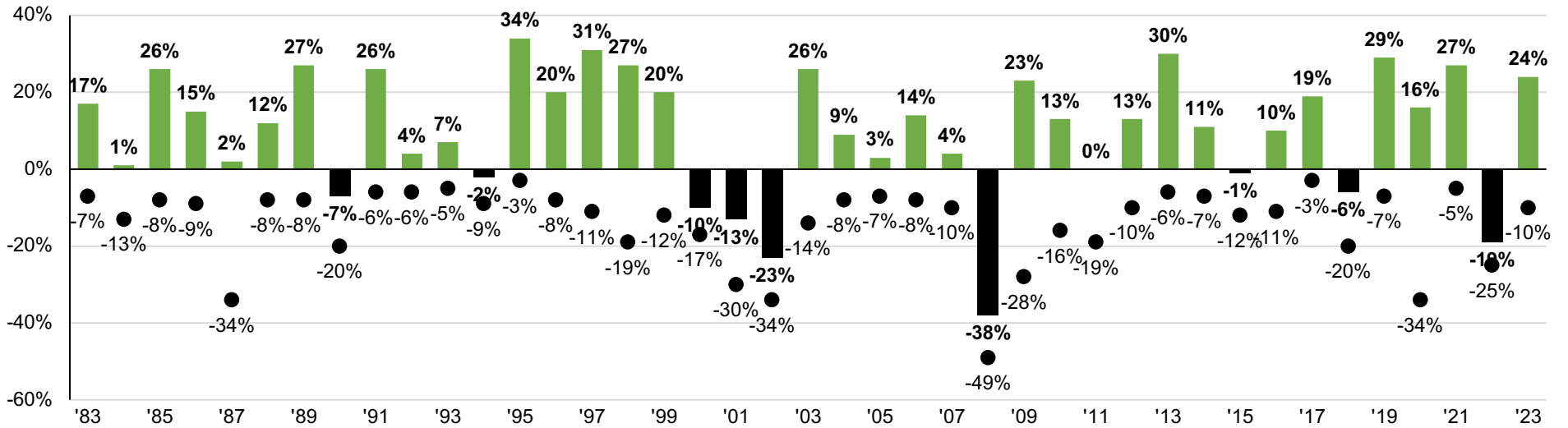
**Within Cash:** 100% Money Market or Stable Value

# Diversification

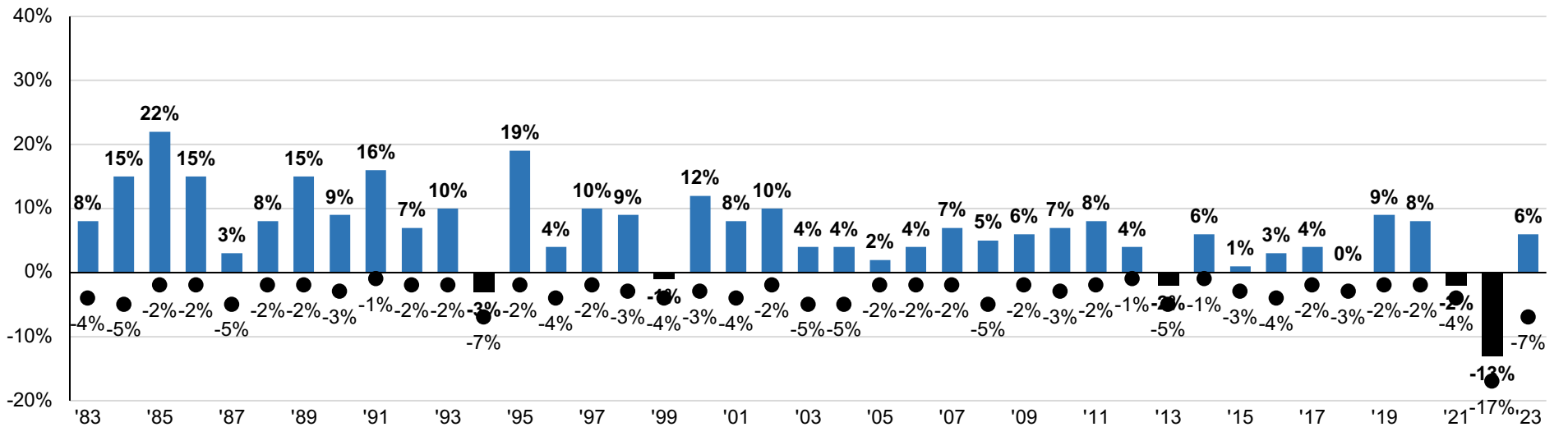
																2008 – 2023	
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Ann.	Vol.
Core Bond 5.2%	EM Equity 79%	Real Estate 27.9%	Real Estate 8.3%	Real Estate 19.7%	Small Cap 38.8%	Real Estate 28%	Real Estate 2.8%	Small Cap 21.3%	EM Equity 37.8%	Money Market 1.9%	Large Cap 31.5%	Small Cap 20%	Real Estate 41.3%	Money Market 1.5%	Large Cap 26.3%	Large Cap 9.8%	Real Estate 22.8%
Money Market 2.1%	High Yield 54.2%	Small Cap 26.9%	Core Bond 7.8%	EM Equity 18.6%	Mid Cap 34.8%	Large Cap 13.7%	Large Cap 1.4%	High Yield 18.3%	DM Equity 25.6%	Core Bond 0%	Mid Cap 30.5%	EM Equity 18.7%	Large Cap 28.7%	High Yield -10.6%	DM Equity 18.9%	Mid Cap 9%	EM Equity 21.2%
Portfolio -23.9%	Mid Cap 40.5%	Mid Cap 25.5%	High Yield 5.5%	DM Equity 17.9%	Large Cap 32.4%	Mid Cap 13.2%	Core Bond 0.5%	Mid Cap 13.8%	Large Cap 21.8%	High Yield -2.4%	Real Estate 28.7%	Large Cap 18.4%	Mid Cap 22.6%	Core Bond -13%	Mid Cap 17.2%	Small Cap 7.7%	Small Cap 21.2%
High Yield -26.2%	DM Equity 32.5%	EM Equity 19.2%	Large Cap 2.1%	Mid Cap 17.3%	DM Equity 23.3%	Portfolio 6.8%	Money Market 0.1%	Large Cap 12%	Mid Cap 18.5%	Real Estate -4%	Small Cap 25.5%	Mid Cap 17.1%	Small Cap 14.8%	DM Equity -14%	Small Cap 16.9%	Real Estate 6.9%	Mid Cap 18.8%
Small Cap -33.8%	Real Estate 28%	Large Cap 15.1%	Portfolio 0.4%	Small Cap 16.3%	Portfolio 15.2%	Core Bond 6%	DM Equity -0.4%	EM Equity 11.6%	Small Cap 14.6%	Large Cap -4.4%	DM Equity 22.7%	Portfolio 10.9%	Portfolio 12.3%	Portfolio -15.1%	Portfolio 14.3%	High Yield 6.2%	DM Equity 18%
Large Cap -37%	Small Cap 27.2%	High Yield 14.4%	Money Market 0.1%	Large Cap 16%	High Yield 7.5%	Small Cap 4.9%	Portfolio -0.9%	Real Estate 8.6%	Portfolio 14.6%	Portfolio -5.3%	Portfolio 19.8%	DM Equity 8.3%	DM Equity 11.8%	Mid Cap -17.3%	High Yield 13.6%	Portfolio 5.9%	Large Cap 16.2%
Real Estate -37.7%	Large Cap 26.5%	Portfolio 13.2%	Mid Cap -1.5%	High Yield 14.7%	Real Estate 2.9%	High Yield 1.9%	Mid Cap -2.4%	Portfolio 7.8%	Real Estate 8.7%	Mid Cap -9.1%	EM Equity 18.9%	Core Bond 7.5%	High Yield 5.5%	Large Cap -18.1%	Real Estate 11.4%	DM Equity 3.3%	Portfolio 12.5%
Mid Cap -41.5%	Portfolio 25.4%	DM Equity 8.2%	Small Cap -4.2%	Portfolio 12.4%	Money Market 0.1%	Money Market 0%	Small Cap -4.4%	Core Bond 2.6%	High Yield 7%	Small Cap -11%	High Yield 14%	High Yield 5.5%	Money Market 0%	EM Equity -19.7%	EM Equity 10.3%	Core Bond 2.8%	High Yield 9.5%
DM Equity -43.1%	Core Bond 5.9%	Core Bond 6.5%	DM Equity -11.7%	Core Bond 4.2%	Core Bond -2%	EM Equity -1.8%	High Yield -4.9%	DM Equity 1.5%	Core Bond 3.5%	DM Equity -13.4%	Core Bond 8.7%	Money Market 0.7%	Core Bond -1.5%	Small Cap -20.4%	Core Bond 5.5%	EM Equity 1.6%	Core Bond 4.3%
EM Equity -53.2%	Money Market 0.2%	Money Market 0.1%	EM Equity -18.2%	Money Market 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	Money Market 0.3%	Money Market 0.9%	EM Equity -14.2%	Money Market 2.3%	Real Estate -5.1%	EM Equity -2.2%	Real Estate -24.9%	Money Market 5%	Money Market 0.9%	Money Market 0.4%

Large Cap: S&P 500, Mid Cap: Russell Mid Cap, Small Cap: Russell 2000, DM Equity: MSCI EAFE, EM Equity: MSCI EM, Real Estate: FTSE NAREIT All Equity REITs, High Yield: Credit Suisse HY, Core Bond: Bloomberg U.S. Aggregate, Money Market: ICE BofA U.S. 3-Month Treasury. Portfolio: 20% Large Cap, 10% Mid Cap, 5% Small Cap, 15% DM Equity, 5% EM Equity, 5% Real Estate, 5% High Yield, 30% Core Bond, 5% Money Market.  
Source: Morningstar. Data are as of December 31, 2023.

## S&P 500 Index Intra-Year Declines vs. Calendar Year Returns



## Bloomberg U.S. Aggregate Index Intra-Year Declines vs. Calendar Year Returns

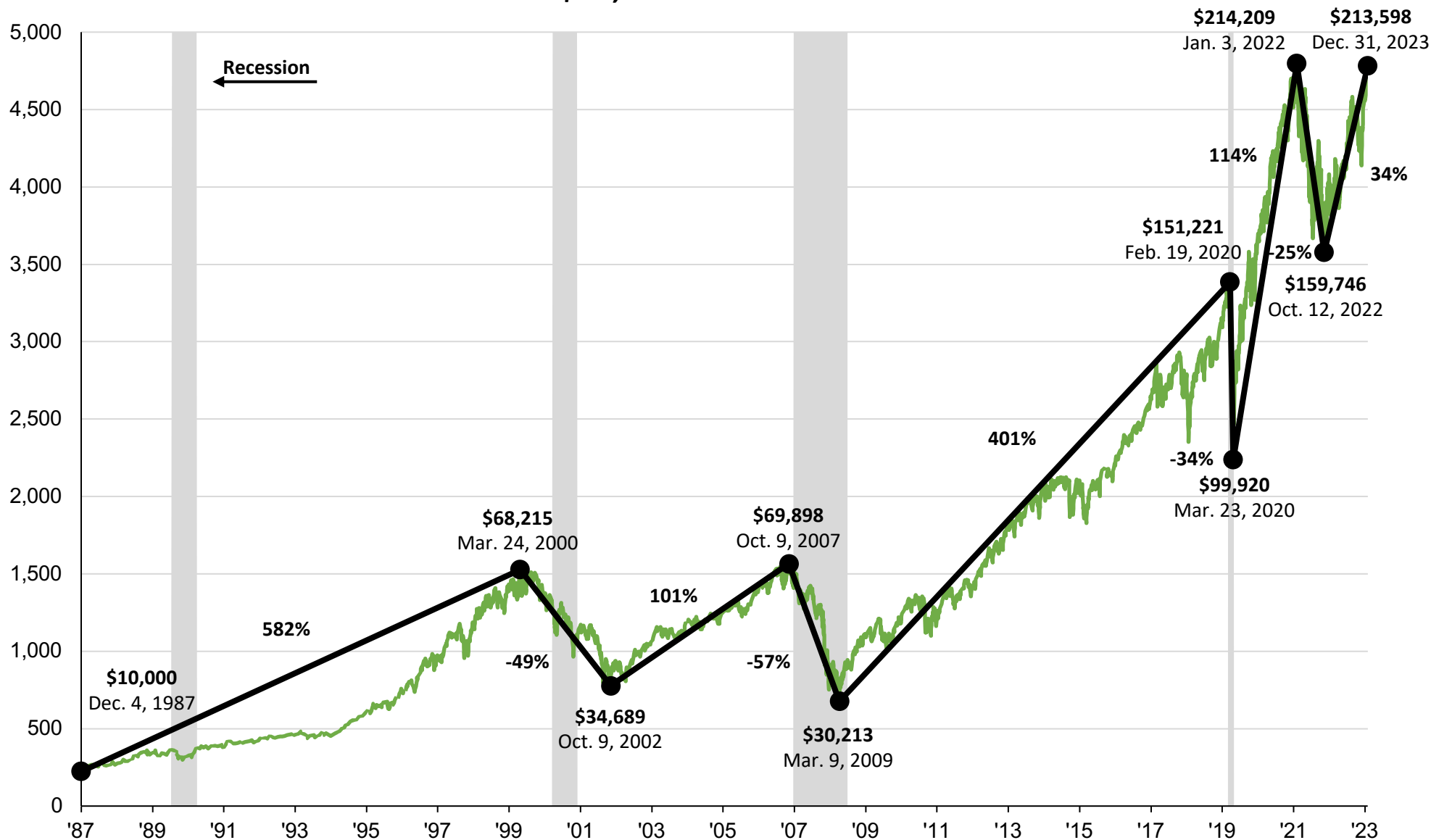


Source: Yahoo Finance. Data are as of December 31, 2023.



# Long-Term Investing

## Growth of \$10,000 in the S&P 500 Index



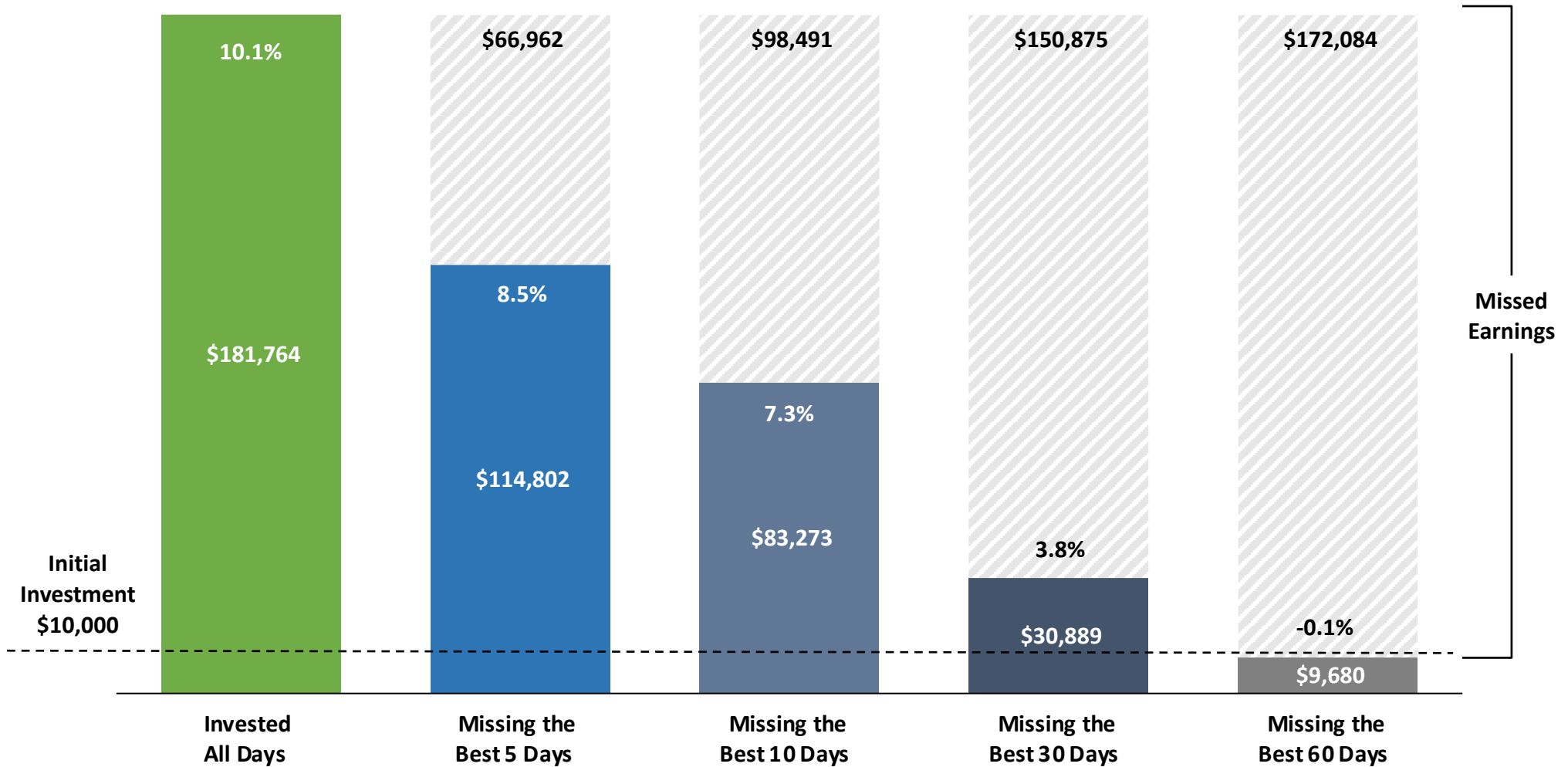
Source: Yahoo Finance. Data are as of December 31, 2023.

5024.S0124.0005

# Staying Invested

## Performance of a \$10,000 Investment in the S&P 500 TR Index

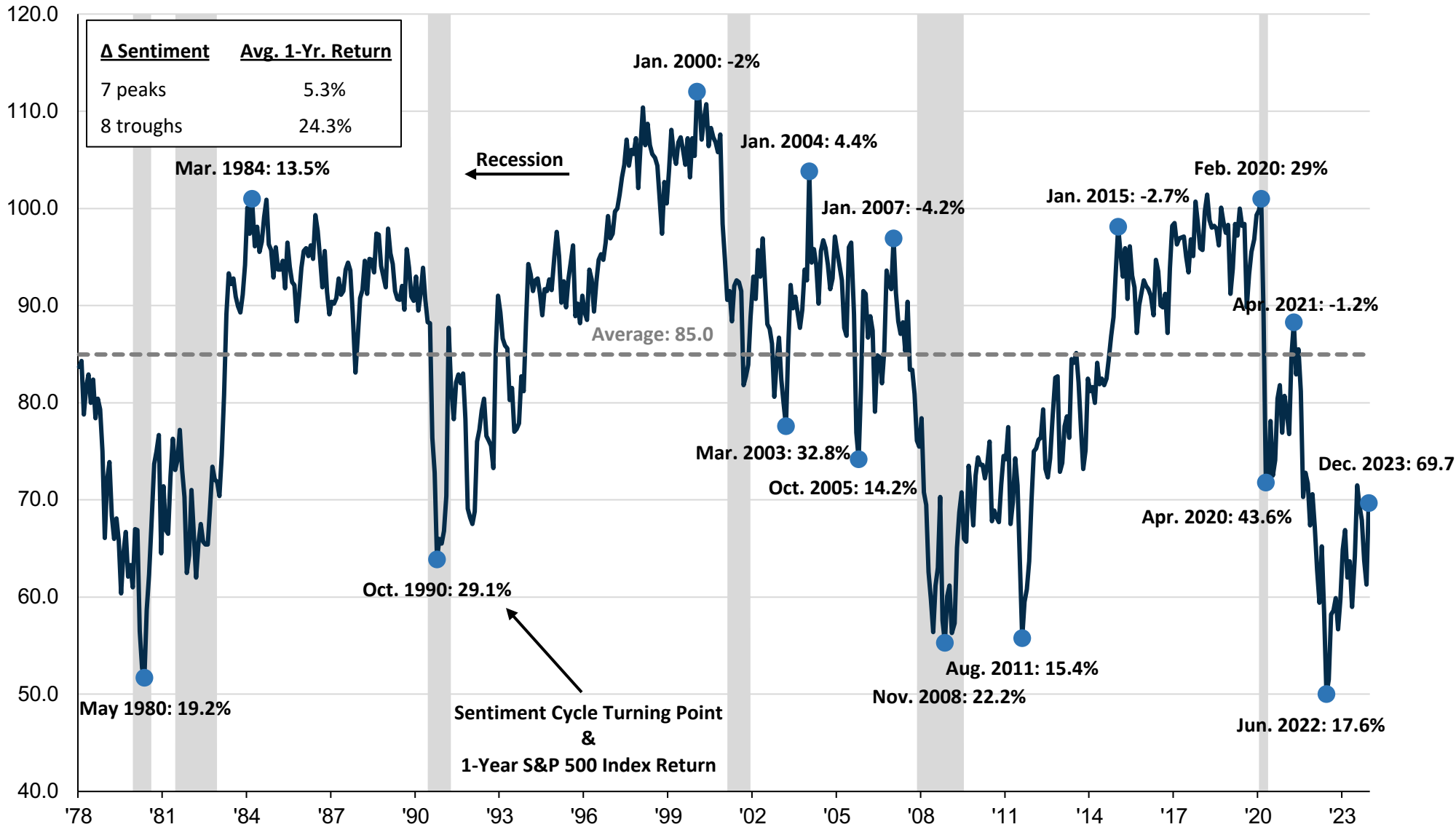
January 1, 1994 - December 31, 2023



Source: Yahoo Finance. Data are as of December 31, 2023.

5024.S0124.0005

## Consumer Sentiment and Subsequent 1-Year S&P 500 Index Return



Source: FRED, Yahoo Finance. Data are as of December 31, 2023.

5024.S0124.0005

# Rebalancing

---



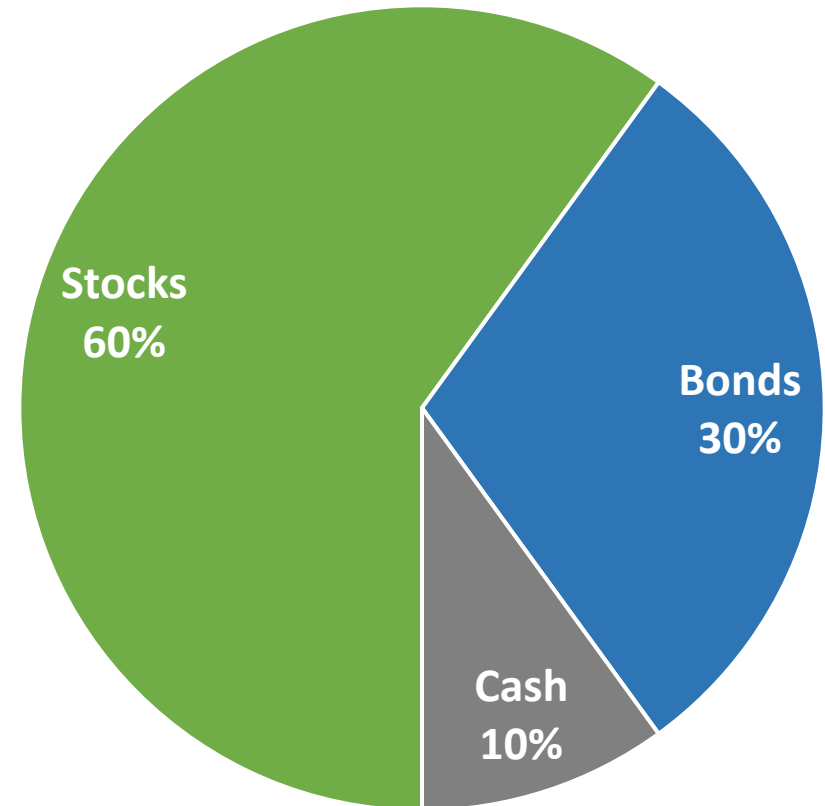
Original asset allocation



Stock market declines



Rebalance back to original asset allocation



# Rebalancing



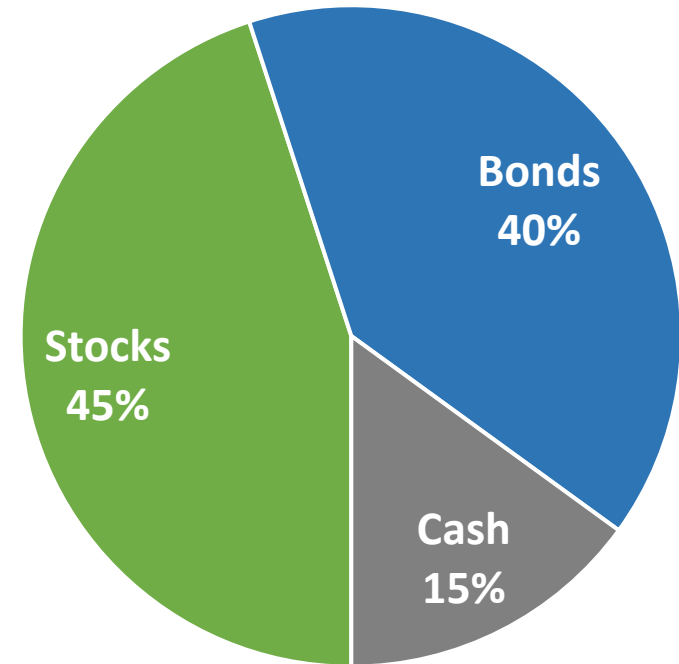
Original asset allocation



Stock market declines



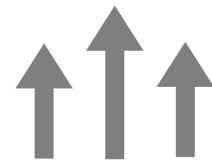
Rebalance back to original asset allocation



When Stocks Decline



Cash and Bonds May Increase



# Rebalancing



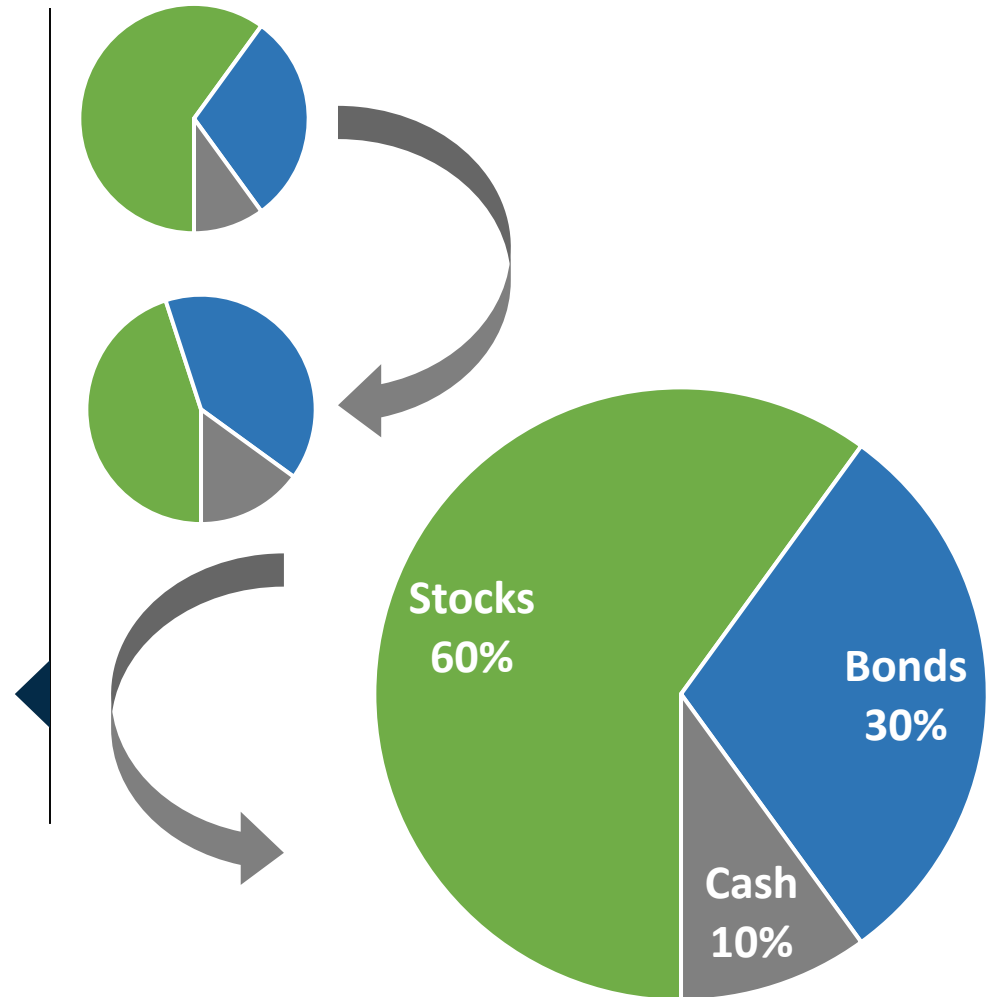
Original asset allocation



Stock market declines



Rebalance back to original asset allocation





What is the one asset every investor must have?

*Time.*

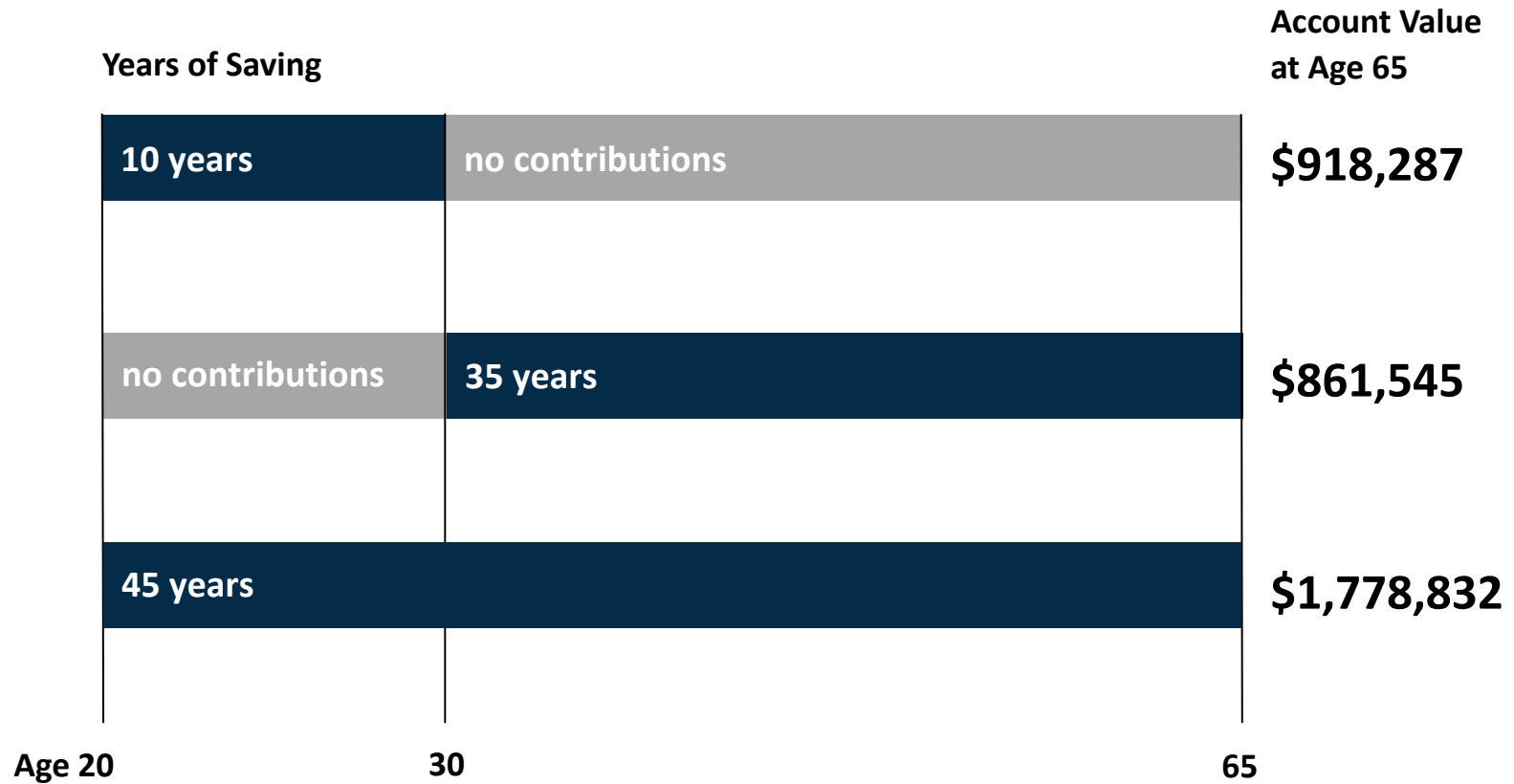
The most valuable thing you are investing is your time. It's the most potent tool an investor has, and it can't be earned back later.

So, make the most of it!

# Time Value of Money

## Cost of Waiting

Saving \$500 Per Month | Assumes 7% Return



This is for illustrative purposes only and not indicative of any investment.

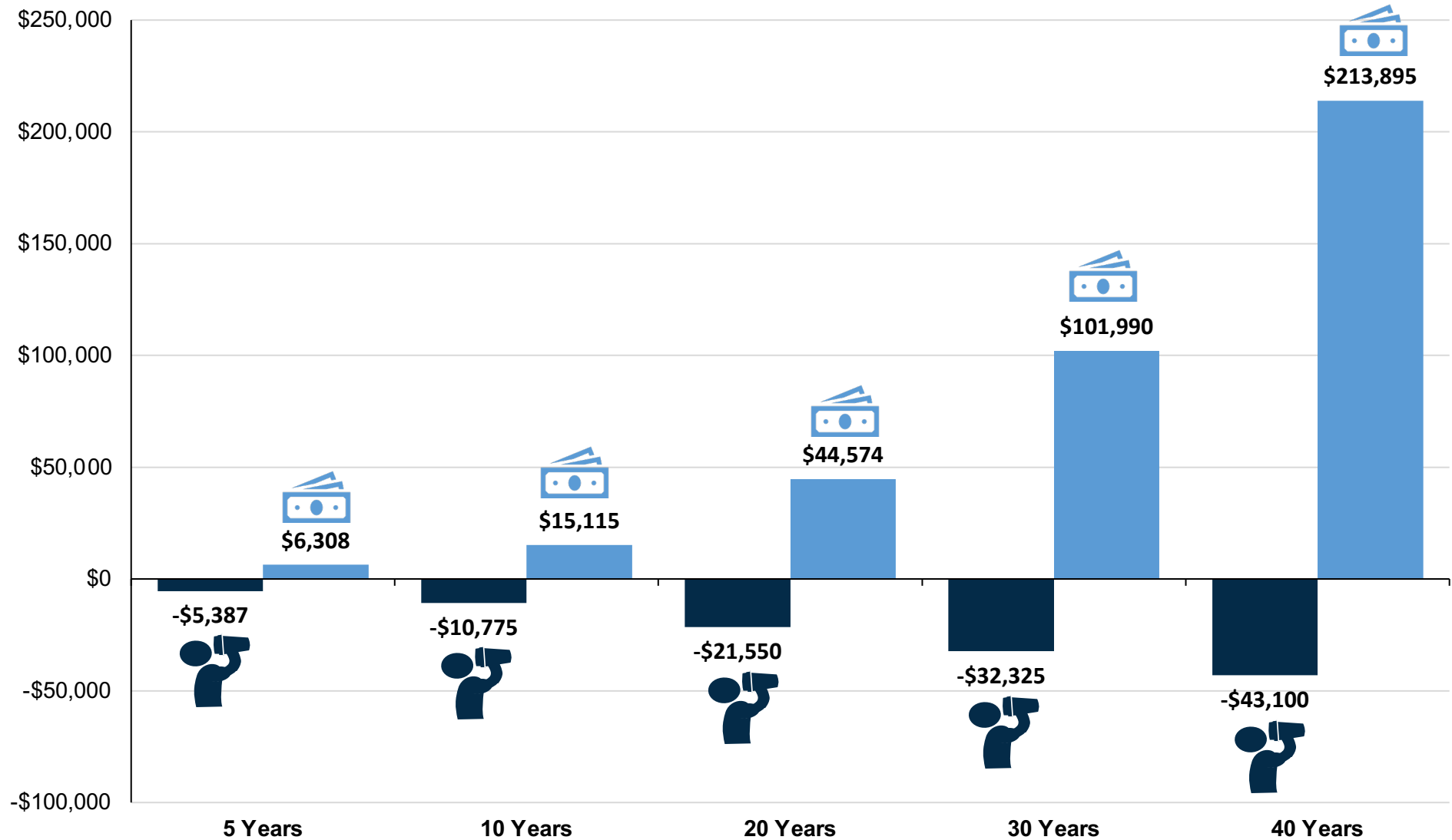
5024.S0124.0005



# Opportunity Cost

## Opportunity Cost of Drinking Coffee Every Day vs. Investing

Cost of Coffee: \$2.95 | Assumes 7% Return



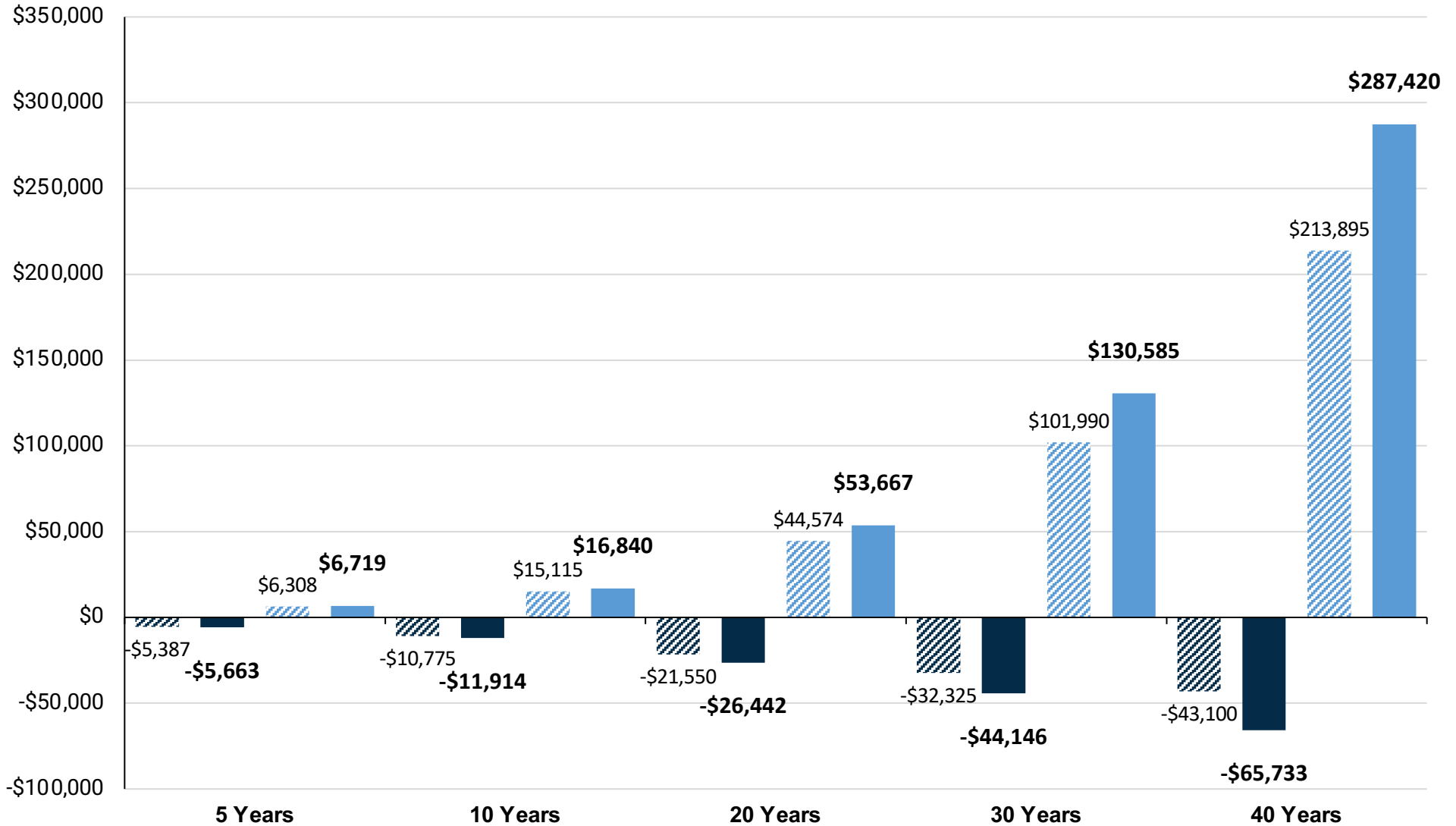
This is for illustrative purposes only and not indicative of any investment.

5024.S0124.0005

# Inflation

## Opportunity Cost of Drinking Coffee Every Day vs. Investing

Cost of Coffee: \$2.95 + 2% Inflation | Assumes 7% Return



This is for illustrative purposes only and not indicative of any investment.

5024.S0124.0005

**Thank  
You**